

## 4.7 THE ROLE OF INTERNATIONAL DEBT

### Terms & Objectives

#### ≠ TERMS

- < foreign debt
- < debt rescheduling
- < debt trap
- < debt cancellation

#### ≠ OBJECTIVES

##### I. FOREIGN DEBT

###### ∅ *Foreign Debt and Its Consequences*

- Outline the meaning of foreign debt and explain why countries borrow from foreign creditors.
- Explain that in some cases countries have become heavily indebted, requiring rescheduling of the debt payments and/or conditional assistance from international organizations, including the IMF and the World Bank.
- Explain why the servicing of international debt causes balance of payments problems and has an opportunity cost in terms of foregone spending on development objectives.
- Explain that the burden of debt has led to pressure to cancel the debt of heavily indebted countries.