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In this paper, the author articulates some basic principles which may be useful in formulating an effective debt management strategy for developing countries, using Brazil as a case study. He outlines the principles into four broad categories viz: Stretching out the Repayment of the Debt; Monitoring the levels of Exports and GDP; Ignoring the Creditors' Capital loss and Watching the Domestic Deficit.

The main objective is the maximization of the intertemporal welfare of Brazil under the given constraint that she services her debt. Under the first option of stretching out the repayment of a developing country's debt, Cohen suggests that in the case of Brazil, the main requirement is that the debt grows no faster than the country's revenues. In his view, credit ceilings should be low to keep the country from defaulting. From his analysis, he concludes that with respect to this option, even where a country reaches her credit ceiling, she must not reduce her debt-to-export ratio. Alternatively, the country should stretch out the service of her debt so as to keep the debt-to-resource ratio constant.

Considering the second option of watching both GDP and exports, the author argues that what is needed is a measure of resources which is invariant with respect to the real exchange rate. Where a country feels that her new loans would depend upon the GDP growth, then she may overvalue her currency in order to inflate the dollar value of the GDP. This would render the GDP too broad a base to utiiize as a measure of ressources. Exports on the other hand, Cohen argues are too narrow if utilized as the sole measure of resources as this may permit a bias in the opposite direction to the sole use of the GDP. Consequently, the author concludes from his analysis that for Brazil, 10 per cent of GDP plus 90 per cent of exports would be an invariant measure of wealth.

In the third option, the author suggests that developing countries should ignore the creditor's capital loss. He indicates that despite the decline in Brazil's debt-to-export ratio, creditors were still not satisfied with her trade balance. The country's debt still remained discounted in international financial markets. His conclusion is that when all uncertainties are assumed to be perfectly assessed the stretching out of the repayment should continue to be applied to the face value of the debt even when it does coincide with its current market value.

Watching the domestic government deficit is the fourth option considered in the paper. The author argues that even when a country has achieved the external adjustment expected of it, it may be due to the rationing of imports which may create a trade balance surplus. This would not necessarily guarantee the income the country needs to repay her debts. He examines this issue by assuming that all external debt is public debt. If this assumption holds, transfer of resources could consequently be accomplished by a combination of the following: (i) an increase in the government budget surplus; (ii) an increase in the government domestic debt; (iii) domestic money creation.In the case of Brazil during 1983 - 1985, 71 per cent of the trade surplus was financed by an increase in domestic debt. This had the effect of raising domestic debt by 84 per cent and domestic real interest rates to more than 20 per cent in 1985. He concludes that Brazil should allow her external debt to grow faster while reducing the growth of her domestic debt.

This technical paper can be easily understood by anyone that is very conversant with the debt mangement literature on developing countries. The main body of the paper itself is written in plain diction while the technicalities such as two and three state uncertainty models and econometric estimation of money demand and real interest rates are limited to the appendixes. The author uses a number of figures which are expected to give greater comprehension of the ideas expressed in the paper. Furthermore, Cohen's references to literature are current and tangential to the particular issues under consideration. One however has the feeling that the paper has tried to cover too much ground thereby making it heavy to read. Instead of a single paper, the author could have easily written four papers out of the various materials and analysis at his disposal. Preferably each paper could consider each of the options. Putting everything together makes the work rather tedious. The ideas are too many and could easily lead to confusion. Another flaw is that the author assumes an expansive knowledge of debt management strategies for developing countries. The paper could consequently have limited readership. Only well versed readers can fully appreciate the study. Again, there are too many assumptions, so one has to be extremely cautious in interpreting the results and applying the recommendations to other developing countries with debt problems.

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