

International Debt

The burden of international debt on underdeveloped countries is hindering their economic development. There are two recognized methods of dealing with the debt: debt reduction in which part or all of the debt is forgiven by the lender, and debt rescheduling and/or refinancing by which payments are lowered and extended over a longer period of time. The slower payment of the debt relieves some of the pressure on the borrower and yet ensures that the creditor will be repaid. Canada has actively supported the implementation of the Brady Plan for commercial bank debt reduction in Mexico, Costa Rica and the Philippines. As well, Canada continued to reschedule the official debt of those countries seeking Paris Club debt rescheduling. As a result of the Toronto Economic Summit, the Paris Club has now granted concessional rescheduling to 15 lower-income countries. Canada continued to chair the support group to help Guyana regularize its relations with the international financial institutions.

Stabilization Fund for Poland and Hungary

At the Paris Economic Summit, the Prime Minister agreed with other leaders to coordinate assistance in

support of reforms in Poland and Hungary. To support the reform program in Poland, a U.S.\$1 billion stabilization fund has been established to back the convertibility of the Polish national currency, the zloty. The Canadian contribution to this fund of C\$29 million was announced by the Secretary of State for External Affairs and the Minister of Finance on December 13, 1989.

Line of Credit for Poland

In addition to the stabilization fund, as part of Canada's assistance package to Poland, a short-term credit facility was approved to provide insurance and guarantee support for transactions involving payment terms of no more than 360 days. Exporters are encouraged to seek standard Export Development Corporation insurance, or guarantee cover. After the maximum C\$20 million has been reached, additional credits will be extended as previous maturities are paid.

Assistance for Poland and Hungary

In October 1989, the Prime Minister announced an assistance package to support reforms in Poland and Hungary. The package included C\$12 million in food supplies for Poland;