Accepting, finally, the need for a substantial writedown of old debt, the centrepiece of the "Brady plan" was for up to $US35 billion to be made available over three years (through "set-asides" by the IFIs and up to $10 billion in loans from Japan) to finance debt reduction deals negotiated on a voluntary basis by selected debtor countries and their creditor banks. In effect, this money would act as an "enhancement" to debt forgiveness by guaranteeing the remaining debt or allowing countries to buy back debt at large discounts. The Brady plan was controversial from its inception, but once grudgingly adopted by the IFIs and the G-7 it became, in Dr. Roy Culpeper's words, "the only game in town." Some analysts saw it as a politically-motivated attempt to buy stability in states of strategic importance to the United States with other people's money. Indeed, the debts of only a small number of countries—Mexico, Chile, Costa Rica, Venezuela, Morocco and the Philippines—have so far received consideration under Brady terms. Against approximately $100 billion in annual interest obligations on Third World debt, the World Bank estimates the maximum value of debt service relief under the plan to be about $6 billion. Many highly-indebted countries have little prospect of obtaining relief through an initiative which, moreover, has failed to generate desperately-needed new capital flows.

The Brady plan survives but is unlikely to enjoy a long, satisfying life. Despite the complaints that Western taxpayers' money is being used "to bail out the banks," the international bankers we met with in New York regarded the public enhancements as grossly inadequate to the task. They saw very few banks as willing to commit new money of their own. At the same time, the IFIs are concerned about having their resources tied up backstopping old commercial debt. The World Bank's chief economist, Stanley Fischer, suggested to committee members that banks could be pressed harder to accept losses on bad loans. Several prominent debt analysts, notably Jeffrey Sachs, argue that concerted, involuntary debt reduction will ultimately be necessary. We received a similar message from the North-South Institute's Culpeper, who argued that Brady plan monies would be better employed in financing productive income-earning investments in the debtor countries. And while Mexico finally salvaged a complex settlement with hundreds of creditor banks in February of this year, an analysis submitted to the Sub-Committee by John Dillon of the Ecumenical Coalition for Economic Justice alleged that the modest benefits of the package could not justify the high price paid by Mexicans. Indeed there are concerns that Mexico could emerge in several years with fewer policy options but with its total external public debt virtually unchanged.

The point we wish to make is that although progress has been made in the evolution of the debt strategy, particularly in the acceptance of debt reduction, it is not clear that a viable solution has been reached even in the case of Mexico which was the first major intended beneficiary of the Brady plan. In this report we cannot of course evaluate all of the efforts, as well as the mistakes, made by individual debtors and creditors. We also recognize that because of the great variation in regional and country circumstances there is no single