1982 that the banks were resisting further lending, the IMF's Managing Director at the time, Jacques de Larosière, secured the agreement of the Fund for a new and tough position. He made it clear that unless the private banks first agreed to restructure over $20 billion of Mexico's debt and provide $5 billion in new loans, there would be no IMF funding. The message was unmistakeable. Without the IMF funds, the entire rescue operation could fail and Mexico would have only one choice — to default, taking some banks down with it.

In arranging the rescheduling agreements for each country that was in difficulty, the IMF drew up a series of policy adjustments — some quite rigorous — based on the actual situation in that country and designed to promote short-term stability. Once the IMF was able to negotiate an agreement with a debtor country, that country was allowed to draw on the resources of the Fund in a series of instalments, each of which depended on the implementation of mutually accepted policy adjustments. These policy prescriptions included: the phasing-out of subsidies on food and transportation, the institution of wage and price restraints, compression of imports, devaluation of overvalued currencies, the expansion of exports, and reductions in the public sector. The emphasis was on the introduction of market-oriented policies, and countries were encouraged to privatize some areas of the public sector. The IMF agreements came to be regarded by the commercial banks as a prerequisite — an IMF stamp of approval — before they could be persuaded to engage in "involuntary lending".

The Mexican rescheduling arrangements that were worked out in 1982 have been used subsequently as a benchmark by the banks. If countries were diligent in implementing domestic reforms, it became the practice to agree to a more lenient financial package, including more time to pay off the loans and lower interest rates. For example, in recognition of its serious efforts to adjust, Mexico in 1984 was able to improve the terms and conditions of its own rescheduling: payments on principal falling due through to 1990 were postponed and repackaged into a new loan due in 14 years with lower interest rates.

Bankers with whom the Committee met in New York and Toronto spoke of the problems encountered during each of the debt reschedulings in getting agreement from the hundreds of different commercial banks of various creditor countries — and especially from representatives of the regionally dispersed American banking system. In each instance, a lead bank chairs an international consortium of banks — normally one per creditor country and usually the largest creditor bank of that country — which acts as a bank advisory committee and negotiates with the debtor country. Once a rescheduling agreement has been reached, the members of the consortium are responsible for persuading — by a process known among U.S. bankers as "dialing for dollars" — all other banks in their respective countries to take up their *pro rata* share of any new obligations that are agreed upon. The challenge is to rally all the participants in the syndication to come forth with the additional lending, since banks are very reluctant to have to increase their share. The procedure has required organization, ingenuity and persistence.

Since Canadian banks have lent heavily to Latin American and Caribbean countries, they are centrally involved in this process. Because of the regional structure of the U.S. banking system, special difficulties have been experienced in maintaining the participation of smaller U.S. regional banks, many of which are heavily extended domestically as a result of loans made in the past to the energy,