

mainly by halving imports. Between 1983 and 1985, reschedulings or new financial agreements were arranged between the banks and 31 countries, and affected \$140 billion of debt. During the same period, the Paris Club — the group of creditor countries rescheduling official debts — came to agreements, also with 31 countries (not all the same), to restructure official or officially guaranteed debt. In a number of cases short-term debt was exchanged for debt of longer maturities; spreads on interest rates were narrowed in some instances; and a few multi-year rescheduling agreements took place both with commercial bank and official debt. These MYRAs, as they are called, extended maturities on loans, even those not due immediately.

The Paris Club

The Paris Club is a group of industrial creditor countries that, since 1956, has dealt with renegotiations and rescheduling of official or government-to-government debt, including officially guaranteed export credits. Its meetings are traditionally held in Paris and the secretariat always comes from the French Treasury.

Paris Club negotiations have never reduced, written off or forgiven debt obligations. Their function has been to postpone payments due on the debt. Their primary objective has been to ensure that the best terms possible are negotiated for the creditors as a group, with no one creditor receiving privileged treatment.

Rescheduling of official debt has accelerated in the past few years. During the 23 years up to 1980, there were 39 reschedulings involving 15 countries, whereas during the next five years, 38 reschedulings took place involving 32 countries.

The Paris Club has no formal charter but has developed practices which its member countries follow carefully. For example, a key precondition for creditor government agreement to rescheduling is that the debtor country should have an IMF stabilization program in place. Brazil's 1987 rescheduling is the only major recent exception. The final Paris Club agreement, signed by all parties, provides "guidelines" to the creditor governments. The terms and conditions will vary somewhat in the bilateral agreements that are subsequently concluded between the debtor and each creditor but generally include the following: a consolidation period referring to the specific time-frame in which the loans are to be rescheduled; the details of the treatment of the principal, interest and arrears components of the debt; and the maturity and grace period of the rescheduling. After the bilateral agreements are concluded, sometimes in itself a lengthy process, each agency of the governments concerned will restore export credit financing to the debtor country involved.

The Paris Club agreement only becomes effective legally when the bilateral agreements are implemented. The individual creditor-debtor agreements can contain softer but not harder terms than those agreed to at the Paris Club negotiations. The precise interest rate and fees on rescheduled debt are determined separately by each individual creditor government.

In managing the crisis, the IMF has played a central role. It set the tone in arranging the necessary bridging funds in each of the four rescue operations in 1982-83 affecting Mexico, Brazil, Argentina and Yugoslavia. The situation which the IMF and the international financial community faced in 1982-83 differed from any previous Third World debt repayment problem both in the scale of the need and in the attitude of the bankers toward extending further financing. Previously the Fund's adoption of a program of lending automatically generated private bank lending. As soon as it became evident after Mexico's declaration in