

EDITORIAL ANALYSIS → 04 FEBRUARY 2023 → THE INDIAN EXPRESS:

The Paris Club:

- **What is the Paris Club?**

- 1956 saw the establishment of the Paris Club, a group of primarily western creditor nations, after Argentina agreed to meet its public creditors there. Their objective is to find countries that are unable to repay bilateral loans long-term debt relief solutions.
- It presents itself as a forum where representatives of formal creditors converse about problems with payments that impact debtor countries. All 22 are a part of the organisation known as the Organization for Economic Co-operation and Development (OECD).
- All of the following countries are members: Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Japan, Netherlands, Norway, Russia, South Korea, Spain, Sweden, Switzerland, United Kingdom, and the United States.

- **How did the Paris Club influence debt agreements?**

- According to information on its website, the Paris Club has purportedly struck 478 agreements with 102 different debtor countries since its foundation. Since 1956, a total of \$614 billion in debt has been managed within the confines of Paris Club accords.
- It operates in accordance with the principles of consensus and solidarity. Any agreement reached with the debtor countries shall be for the benefit of all of the Paris Club creditors.
- A debtor nation shall not accept from its bilateral and non-Paris Club commercial creditors debt treatment circumstances that are less beneficial to the debtor than those agreed with the Paris Club after entering into an agreement with its Paris Club creditors.

- **The role of the Paris Club over time:**

- The Paris Group countries dominated bilateral lending in the previous century; however, in the last 20 years or so, China has surpassed them as the largest bilateral lender in the world.

- The three largest bilateral creditors to Sri Lanka are China, Japan, and India. China is the recipient of 52% of Sri Lanka's bilateral debt, followed by Japan with 19.5% and India with 12%. As a result of Japan's membership in the Paris Club, Sri Lanka also requested guarantees from China and India.
- The Paris Club had made an effort to coordinate an action between the two countries, but Delhi started its own bilateral discussions with Colombo. External Affairs Minister S. Jaishankar stated during a visit to Colombo last month that India has written to the IMF with the necessary financial guarantees and expressed the hope that other nations would follow suit.
- The Paris Club's claimed readiness in light of this is notable. China is the final nation, and shortly after the Indian announcement, its Exim Bank imposed a two-year credit moratorium.
- This has been found to be insufficient. The Chinese offer, according to US Undersecretary of State Victoria Nuland, was "not enough" while she was in Sri Lanka. The IMF has praised the Indian response as a "good development," but it has not addressed the Chinese commitment.



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