2-21-1989

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LADB Article Id: 073463
ISSN: 1060-4189

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Category/Department: General
Published: Tuesday, February 21, 1989

On Feb. 16, Venezuelan President Carlos Andres Perez announced an economic reform package designed to secure Interational Monetary Fund support for new loans. The package includes devaluation of the bolivar, price and interest rate liberalization, price hikes for public services, restrictions on public spending, and export incentives. A preferential exchange rate was eliminated, which obligates importers to buy dollars at the open market rate of 37 bolivars to the dollar rather than the previous special rate of 14.5 bolivars per dollar. To reduce the negative impact on workers, Perez also announced a 30% wage hike for public employees, and similar wage increases have been promised by private employers. Next, the government will subsidize a basic foods basket for the poor. Perez described the package as a "big change of direction" that was long overdue. He acknowledged the measures were not likely to be popular: "I will be the big lower in this first stage of government." In return for the austerity measures, Perez said his government hoped to obtain a $1.2 billion credit line from the IMF. With IMF support, Venezuela's foreign creditors are expected to provide a $600 million bridge loan. Next, the World Bank is studying loans of $700 million to $1 billion for projects in Venezuela. In an effort to avoid IMF agreements, Venezuela had continued payments on its $31 billion debt and negotiated directly with creditors. Annual debt service of $5 billion was equivalent to half the country's export revenues. In 1988, President Jaime Lusinchi was forced to suspend principal payments, after Venezuela's balance of payments dropped to a negative $4.39 billion dollars. For the first time in 10 years, the country suffered a $515 million trade deficit. (Basic data from AFP, 02/17/89)

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