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Honduras: Economic Notes

by Deborah Tyroler

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The Honduran government faces difficult decisions on the economic front. Foreign creditors insist on rapid implementation of austerity policies. Honduran officials are reluctant to impose more austerity on a population whose living standards have declined in the 1980s, despite massive infusions of US military and economic aid. President Jose Azcona Hoyo, the target of unrelenting criticism, is accused of inept economic management, and inadequate or dangerous national security policies, among other things. Observers claim the Azcona administration would prefer to wait until after the general elections scheduled for late this year before implementing a variety of disruptive economic policies. In early April, the World Bank declared Honduras "ineligible" to receive new credits. The government has attempted reforms considered inadequate to satisfy multilateral organizations, mainly the International Monetary Fund and the World Bank. The most sensitive issue is devaluation of the lempira, which for 71 years has remained at two per US dollar. Foreign creditors insist on devaluation. In the black market, the US dollar is exchanged at a rate 75% higher than the official one. The government is also in disagreement with IMF prescriptions on tax structure remodeling, and fiscal deficit reduction. Next, the US Agency for International Development (USAID) has conditioned future loans on an agreement between the IMF and the government. According to the local press, an agreement with creditors is imminent. At present, the Honduran foreign debt totals over $3 billion. In 1988, debt service alone absorbed 50% of export revenues ($325 million). (Basic data from 05/30/89 report by Regional Coordination for Economic and Social Research of Central America and the Caribbean-CRIES, Managua)

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