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Deborah Tyroler

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On Salvadoran President Cristiani's Economic Policies

by Deborah Tyroler

Category/Department: General

Published: Wednesday, October 25, 1989

When President Alfredo Cristiani took power on June 1, the budget deficit totaled $460 million, foreign currency reserves were virtually exhausted, and the government had accumulated $165 million in payment arrears on a $1.9 billion foreign debt. Next, 40% of all loans in the nation's banking system were non-performing. Since June, Cristiani has eliminated the fixed exchange rate, announced that price controls on utilities and about 230 consumer goods would be eradicated, slashed government spending, permitted interest rate hikes, and pledged to cut tariffs. In March 1980, a joint military-civilian junta introduced an agrarian reform program, nationalized the banks and brought marketing of major exports under the control of government agencies. Most of provisions contained in the agrarian reform program were not approved by the National Assembly, or, if legislated, sabotaged. Cristiani's government has pledged to dismantle land reform efforts that have proven to be "inefficient," end the government monopoly of coffee and other agro-export sales, and privatize several state-run companies and the banking system. US aid last year totaled $314 million in direct assistance, and $145 million in credits. The Salvadoran economy is also dependent on money sent by Salvadorans working abroad. Discussions toward reaching agreements with the International Monetary Fund and the World Bank are underway. Unidentified diplomats and economists in San Salvador cited by the New York Times said they expect the first disbursement of a $45 million package to begin early next year. (Basic data from New York Times, 10/23/89)

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