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John Neagle

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by John Neagle
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On Sept. 22, President Carlos Andres Perez met with his economic team to discuss negotiations with the country's commercial bank creditors. Planning Minister and chief debt negotiator, Miguel Rodriguez, presented a series of options Venezuela will offer the banks in early October to replace an across-the-board 50% debt principal reduction proposal that had been soundly rejected by bank creditors and the US government. Of Venezuela's $33 billion foreign debt, about $21 billion are owed to commercial banks. The proposed menu includes new loans, and a choice of debt reduction levels ranging from 60% to less than 35%. For some banks, mainly Japanese, whose domestic regulations do not permit principal reduction, there is an option to reduce interest payments instead. The new loan option was not included in Venezuela's original proposal. Rodriguez, principal architect of the government's economic austerity program, said these policies were necessary to secure financing from the International Monetary Fund, the World Bank and the Inter-American Development Bank to guarantee debt payments. The IMF has approved a total of $5 billion in loans over the next three years for infrastructure, industrial and trade development projects. A five-year financing package from the World Bank is to be concluded in the near future, and another with the IDB is pending. In an interview with the New York Times on Sept. 25, Rodriguez said an agreement on a $600 million interim loan with creditor banks is almost complete. The loan would permit Caracas to make payments on interest arrears "in order to create the atmosphere so the negotiating process could speed up." Rodriguez told the Times that the number of menu options was expanded to accommodate to the banks' realities, a reference to differing legal and accounting regulations by country. The minister was in Washington for the annual meetings of the World Bank and the International Monetary Fund. Rodriguez said Caracas would try to make higher debt principal reduction options more attractive by combining them with strong guarantees backed by funds from Venezuela, the IMF, the World Bank, and other nations, such as Japan. The lower the debt reduction level, the less extensive the guarantees, he said. The government's economic reforms have been effective, said Rodriguez, pointing out that inflation has declined from 25% a month in March to 2% in August. (Basic data from Notimex, 09/22/89, 09/23/89; New York Times, 09/26/89)

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