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# Venezuela opts for 'debt for equity'

by Carlos Méndez

Venezuela—which is still negotiating its foreign public debt of $22 billion, without the creditor banks having made a single concession so far—has decided to implement a debt-for-equity deal, instead of following Brazil's example, Finance Minister Manuel Azpurua informed the Congress on Feb. 25. Azpurua ruled out "rigid positions," such as Peru's decision to limit debt payments to 10% of import revenues, and said that the finance ministry and central bank are preparing a new agreement to hand ownership of both public and private debt over to the creditors.

Under heavy prompting from David Rockefeller, whose Chase Manhattan Bank is handling the debt talks, the Venezuelan government has just contracted Pedro Pablo Kuczynski, ex-minister of energy and mines of Peru, and co-chairman of First Boston International,
on where to put its foreign exchange reserves.

This decision, affecting one essential element of the Brazilian action—defense of the reserves—caused huge discontent in the Catholic Church, the Armed Forces, nationalist industrialists, and the general citizenry, whose living standards have plunged in the last two years thanks to International Monetary Fund-imposed austerity.

The discontent over Kuczynski is not just because he works for Rockefeller. On Feb. 10, he was indicted in his homeland for fraud, embezzlement, tax evasion, and negligence to the detriment of the Peruvian government. Putting Venezuela's dwindling reserves in the hands of a Kuczynski was certain to stir up anger. According to the Feb. 14 issue of the Caracas daily *El Universal*, the reserves were only $9.8 billion on Jan. 31; last August, they were $12.2 billion.

## 'Solidarity' has no content

President Jaime Lusinchi spoke on the telephone on Feb. 23 with Brazilian President José Sarney and Argentina's President Raúl Alfonsín, on the foreign debt issue. A news bulletin from the President's office, reported that Lusinchi "showed them our solidarity and intention not to let service on the public foreign debt . . . frustrate the legitimate aspirations of our peoples to achieve economic growth and social well-being. At the same time, they exchanged views on the need for the international financial community to understand that we have the will to fulfill our promises, but with the understanding that we cannot make ourselves net exporters of capital and we must be guaranteed adequate financial flows for economic growth and social progress."

The official bulletin, which does not mention Brazil's debt moratorium, adds: "The Presidents gave instructions to their respective ministers to be in permanent contact, following the course of events, and to act in the framework of the Cartagena Consensus, to unify their efforts with the aim that within the particulars of each country, individual negotiations respond to the general principles enunciated, the most important of which is not to sacrifice the peoples' well-being."

On Feb. 24, the Brazilian daily *O Globo* reported on the conversation, saying that Sarney had told Lusinchi that "in the last two years, since I
has paid $21 billion abroad and has not received one cent. The time has come to change the way of negotiating the foreign debt."

On Feb. 22, the influential Venezuelan daily *El Mundo* said that while official silence around the Brazilian decision is total, backroom talk has it that Venezuela's government respects Brazil's sovereign decision, but warns that the creditor banks must be intermediaries for the debtor countries to increase their hard currency income, and to keep the U.S. Congress from passing the oil tariff.

Finance Minister Manuel Azpurua said: "This is a very difficult and very dynamic situation, and it will require the banks [to
from the country's main export product are affected, we will also have to take it into account in regard to servicing our foreign debt."

The head of the ruling party Democratic Action, Gonzalo Barrios, told reporters, "The Brazilian decision will greatly influence the U.S. government and banks' attitude, and, definitively, it will be advantageous for our approach."

According to an EFE wire, printed on Feb. 22 in the Caracas paper *El Universal*, Energy and Mines Minister Arturo Hernández Grisanti said that "if revenues fall, Venezuela will not be able to pay its foreign debt, estimated at $27 billion," and that "in the
pass an oil import tariff, the entire Venezuelan economic policy would have to be revised. No government of Venezuela, even if it wanted to, could pay the foreign debt to the creditor banks with such a significant drop in its revenues."

*El Universal* of Feb. 19 contrasted the hard line of the U.S. bankers (especially
Venezuelan debt, to the attitude of European and Japanese creditors. In
the principal, $3.6 of which is public debt and $1.4 billion private, according to the report the finance ministry and the central bank gave to the International



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