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Venezuela rips up its economy to pay debt

by Jaime Ramírez

One week after Brazil declared its Feb. 20 debt moratorium, the Venezuelan government announced that it had achieved an "unprecedented" agreement with the creditor banks for refinancing $21 billion of its $35 billion foreign debt. The concessions granted Venezuela to keep it from straying from the creditors' fold were nothing less than absurd: a minimal reduction of capital amortization for the next two years (the remaining years of President Lusinchi's term) and an interest rate reduction from 9/8ths to 7/8ths above the Libor rate.

Official propaganda focused on the savings of $50 million (which amounts to a mere 1% of Venezuela's annual debt service) resulting from the lowering of the "spread." However, even before the second quarter has begun, this savings was annulled by interest rate hikes announced by the leading international banks.

The worst of the deal is that the refinancing has in no way changed the conditions of repayment imposed by the banks in February of 1986, and since that time Venezuela's oil export income has fallen by 50% due to the international oil price collapse. In fact, things have deteriorated to the point that Central Bank reserves fell from $13 billion to less than $9 billion (of which $5 billion are not usable) by the end of 1986.

The other big hype over the "unprecedented" refinancing deal is Venezuela's claim that it succeeded in avoiding submission to International Monetary Fund conditionalities. The truth, however, is that formal submission is not necessary, since an IMF mission will be traveling every six months to Venezuela, to supervise the "progress" of the economy. In fact, every major policy decision by the Lusinchi government has followed to the letter the recommendations of the international creditors, from debt-for-equity, to state-sector privatization, to eliminating nationalist barriers to foreign capital invasion of the Venezuelan economy.

The consequences of these policies can be seen in the deterioration on the national economy. The second-largest private company in the country, Electricity of Caracas, announced in March that its bankruptcy is imminent, despite January increases in electricity service rates of between 30% and 200% nationwide. Many other companies are in identical situations, or have turned to speculating with preferential dollars granted by the state. Agricultural producers have also declared themselves in a state of red alert, because of the soaring prices of agricultural machinery, fertilizers, and other inputs. Construction companies are warning that production costs have increased 200% since the December devaluation, while the organized transportation sector has announced that it is becoming totally prohibitive to operate under current conditions.

Insulin no longer available

Even more dramatic has been the collapse of the population's living standards. It is calculated that some 48% of the Venezuelan population currently lives in *ranchos* (slums), under increasingly deteriorated conditions of public housing and hygiene. Consumption of meat, milk, and milk products has fallen by more than 60%, causing alarming levels of malnutrition, especially among the infant population.

Diseases that were eradicated 20 years ago have begun to reappear in Venezuela—diseases such as malaria which are reemerging in the wake of health budget cutbacks. In the first week of April alone, the Caracas press reported deadly outbreaks of tuberculosis and measles among the indigenous populations of Apure and Amazonas states, an epidemic of dengue fever in the eastern part of the country, and infectious meningitis in towns just outside of Carcas. Since the beginning of April, insulin has joined a list of other vital medications that is no longer obtainable in Caracas.

Under these circumstances, social peace in Venezuela—carefully guarded for years with the help of petro-dollars—seems to be going the way of national infrastructure. Last February, 100,000 teachers across the country went on strike to demand wage increases. National universities have announced plans for a strike at the end of April to demand higher budgetary allowances.

Perhaps most representative was the popular uprising in March in the city of Mérida, in the region of Los Andes, where the death of a student triggered five days of street riots against the high cost of living. A military deployment to take over the city was required to bring the situation under control. Afterward, the Lusinchi government explained that the riots were part of a destabilization plot by international narco-terrorism; what is clear to the average citizen, however, is that the government's debt-payment policies are creating the breeding ground for the explosive advance of subversion.

The Venezuelan Workers Federation (CTV), which represents the majority of the country's trade unions, is demanding a general wage and salary increase, an initiative supported both by the political opposition as well as the government's AD party. But such an increase, necessary as it may be, would represent nothing more than another turn in the inflationary spiral as long as President Lusinchi remains committed to a policy of dismantling the Venezuelan economy to satisfy Rockefeller and company.

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