

Andean Report by Carlos Méndez

CAP wants to renegotiate the debt

Carlos Andrés Pérez hopes foreign banks will give Venezuela debt relief in return for his efforts to rid Panama of Noriega.

Venezuelan social democratic presidential candidate Carlos Andrés Pérez (CAP) expects the creditor banks to give the country short-term breathing room on its foreign debt in return for his trying to get Panamanian Defense Forces Commander Manuel Antonio Noriega to resign. The Caracas daily *El Nacional* reported June 2 that CAP met May 28 with the leadership of his Democratic Action (AD) party and the economic ministers of President Jaime Lusinchi to analyze how to deal with the economic crisis. CAP is worried voters will blame his incumbent AD party for the mess.

On May 29, the daily *Ultimas Noticias* referred to the meeting in a note entitled, "The thesis is new refinancing or the risk of losing the '88 elections." It seems CAP hopes "not to pay" debt until after the December vote. To suspend debt payment, Venezuela could legally invoke the "contingency clause" in its debt contract. To apply that clause, says *Ultimas Noticias*, "the people of the party take into account something in favor of the candidate: CAP's high credibility with the international banks" and also the fact of "CAP's relations with Panama and the approval Washington has given to his leadership." The article concludes, "The United States banks and government are confident in the performance of CAP, who made a surprise trip to Panama two days ago in the search for a Panamanian solution, and in this respect, it would be no surprise if the banks promptly accept Venezuela's invocation of the contingency clause."

The plan has a few hitches. First of all, Noriega has made it clear he is not going to capitulate. According to *El Nacional* of June 3, CAP had to admit that on the question of Noriega's departure, "It is he who has to decide it, not I." However, CAP insisted that had there not been "U.S. intervention, this problem would have already been resolved and there would be a new commander of the Panamanian National Guard."

Invoking the contingency clause does not mean taking sovereign measures. All the clause does, is to let Venezuela ask the banks for new payment terms. But the contract mandates that Venezuela must ask the creditor banks for permission before invoking the contingency clause, and, must keep paying debts until the banks approve a new timetable.

Spokesmen for the creditor banks, however, are telling the Venezuelan government that they think Venezuela still has enough money to keep paying, without any better terms, the Caracas daily *El Universal* reported June 2. The bankers said Venezuela still has \$10 billion in reserves, and, as a "good payer," it could also go to the International Monetary Fund (IMF) to withdraw its \$500 million quota payment.

President Lusinchi proclaimed at the dinner he hosted for Italian President Francesco Cossiga June 6, "We do not ask the foreign debt to be pardoned, but only that the banks not asphyxiate us."

During the past five years, Venezuela has paid a total of \$30.5 billion

in debt service—\$27.693 billion in interest and \$2.861 billion in principal. Economist Juan Miguel Senior told *El Universal* of May 31 that Venezuela's foreign debt "was \$35.061 billion at the end of 1982" and, despite all the payments, was still \$32.2 billion at the end of 1987.

Economist Ivan Pulido Mora said June 7, "Since there will be a balance of payments deficit of at least \$4 billion this year, it is imperative that measures be taken before the December presidential elections." Pulido Mora estimated income of \$7.19 billion from oil exports, while debt service will require \$5.04 billion this year.

Despite the risk the crisis entails for his candidacy, CAP does not want either a moratorium or to limit debt payments to a percentage of export income. CAP expects to get money other ways—by imposing austerity—and to keep paying debt. In a March 23 campaign speech, CAP renounced what made him popular during his 1974-79 presidency: state industrial investment and job creation, under the Fifth Plan of the Nation. "By itching for industrialization and producing for the sake of producing, we fell into excessive protectionism in certain aspects. . . . We have to reduce protectionism to the selective limits imposed by the modernization of the Venezuelan economy."

CAP promised May 8, "When I am again President of Venezuela, I will open up the oil industry to foreign and domestic private investment . . . but always maintaining the Venezuelan state's control over it."

The fact that CAP agrees with these demands of the IMF and the creditor banks does not shake his good relations with the Communist world. Fidel Castro declared: "My big vote is for Carlos Andrés Pérez, because he is my candidate," reported *El Nacional* May 28.