Andean Report by Jaime Ramírez

Venezuelan economy: ruin in one year

New gasoline price hikes are expected to trigger Caracas riots again, as opposition to Carlos Andrés Pérez becomes universal.

Since Carlos Andrés Pérez took office as President on Feb. 2, 1989, he has "reconstructed" Venezuela's economy as advised by Harvard economist Jeffrey Sachs and the International Monetary Fund (IMF). Pérez did succeed in cutting Venezuela's imports by 39% and raising its non-oil exports by 42%. That enabled him to pay all the usurious interest due on the $21 billion foreign debt. But U.S. Treasury Secretary Nicholas Brady's promise to "reduce" the foreign debt never materialized.

And the economy is being decimated by the austerity measures. In mid-January, the central bank confirmed the Gross Domestic Product fell by 8.1% in 1989, the biggest drop in Venezuela's history. Pérez had projected a 2-2.7% fall.

Like most IMF demagogues, social democrat Pérez claimed his austerity program was intended to "reduce inflation." However, Pérez doubled prices on basics such as gasoline, halved food subsidies, and raised interest rates to the sky. The only ones surprised by the record increase of more than 81% in the official price index were those who believed the 35% Pérez forecast for 1989.

The central bank figures show private sector product fell 12.6% in 1989. Manufacturing output was down 14%. Construction, an indicator of business confidence, fell 30.1%.

When Pérez first applied his shock austerity in February 1989, Venezuelans suspected the intent was genocide. A thousand were killed by the army in the ensuing riots.

On Jan. 17, the Venezuelan Association of Concentrated Animal Feed (AFACA) confirmed that chicken consumption had been cut 45%, egg consumption by 25%, pork by 55%, and milk by 50%. The AFACA assessed, "the national government's economic adjustments" resulted in "increased production costs . . . and an abrupt fall in the population's buying power." Animal feed production fell 33% during 1989, from 4.1 to 2.8 million tons. This year's production is expected to fall to 2.1 million tons, that is 48% under 1988.

Things are so bad that 80% of eligible 18-year-olds had voluntarily registered for military conscription by Jan. 16. In normal times, youths hid during the "recruitment period," whenever they spotted a military or police official. The daily *Ultimas Noticias* commented on Jan. 16, "unemployment, the high cost of living and the poverty-induced inability to go to school, in short, the economic package has filled the barracks and ended the recruitment drama."

Malnutrition and the breakdown of health services is leading to epidemics. The Health Ministry announced Jan. 22 that 398 new cases of dengue hemorrhagic fever had been registered in a single day, bringing the total to 4,920 registered cases and 48 deaths nationwide. Pan American Health Organization biologist Carlos Machado calculated "that in Venezuela there are more than 100,000 cases."

Except for government officials, the whole country is demanding economic policy changes. Fedecamaras, the conservative business organization which initially got suckered into supporting the austerity program, now complains it has "caused great business mortality. Dairymen oppose further milk price increases, on the expectation they would reduce consumption another 20%.

The National Peasant Federation warned that new increases in gasoline and fertilizer prices promised by Pérez in his letter of intent to the IMF would sink agriculture. The Workers Confederation of Venezuela is considering strikes against the gasoline price increase and what it considers unjustified layoffs and price increases by some companies.

Hooded students looted and burned food delivery trucks, claiming they were protesting high prices and the U.S. invasion of Panama.

The Christian Democratic Party (COPEI) charged the government's economic party had "an inhuman social cost" and that the new price increases were "a provocation" of the poor. Its chief, Eduardo Fernández, however, is still saying Pérez's program is a "bad copy" of his own.

President Pérez, while warning of social convulsions, is plunging ahead with the IMF program. Even sectors of his ruling Democratic Action party (AD) are calling for dumping his economy policy. Pedro Conde Regardiz, a party economist, retorted, "You can't call it 'equilibrium' or 'adjustment,' but only 'recession,' since there is an 8.1% drop in the Gross Domestic Product, people still expect inflation and devaluations, the public debt is increasing, and . . . the debt problem has not been solved." Conde charged Jan. 23, "there is submission to the IMF . . . which seeks to change Venezuela's place in a new international division of labor, which would preclude our country's industrialization." Instead, "a great part of our public and private industrial sector would be taken over and controlled" by the industrialized countries.