

late eighties, for three years it registered a surplus, while last year it again showed a deficit. In addition to oil prices, other factors are the continuing rising imports (due to trade liberalization, economic recovery and an overvalued currency) and high interest payments on the external debt.

On the capital account Venezuela moved to a surplus position in 1991 and 1992 as fresh money came in from multilateral lenders (resulting from the country's positive reputation with the IMF and others). Despite some political unrest, investor confidence grew and the private international capital market was sourced. External debt, estimated at US\$34 Billion, four fifths of which is long term government debt, was largely restructured in 1990 following a Brady-type deal with commercial banks which reduced the debt servicing burden to manageable proportions. Recently foreign investment inflows have slackened somewhat as the fiscal imbalance continues to be an unresolved issue. International reserves, seriously run down by 1989, now stand at a fairly comfortable US\$12 billion.

Apart from the high dependency on oil, another structural weakness of the economy is the inadequate state of the country's investment in both physical and social infrastructure. Inadequate maintenance and deterioration in the communications and transportation systems, education, health and other social services, indeed the whole range of government services, tend to slow down economic progress and create generalized resentment in public opinion.

## 5. The Oil Sector

With proven oil reserves of 62 billion barrels plus much more in heavy crude deposits and with exports (half of which go to the USA) of 2.1 million barrels per day, Venezuela is of major importance as an oil producer. Its state oil monopoly, PDVSA, (nationalized in 1976), although the government's main source of revenue, is facing serious financial restraints due to lower oil prices and heavy taxation, has had to cut back heavily on its ambitious investment program, and, of interest to Canada, is increasingly seeking foreign investment partners.