

over \$20 billion.

Then there is the capital flight. A process similar to that which tore more than \$22 billion out of the Mexican economy is draining capital from Venezuela, a process referred to by Maritza Izaguirre as a "powerful conspiracy" to "destabilize" the nation's currency, the bolívar, orchestrated, she said, from Caribbean offshore banking centers. During the week ending Sept. 24—the week the central bank centralized all dollar holdings—capital flight had reached alarming proportions. Central bank sales of dollars were an average of \$160 million a day, and international reserves dropped an incredible \$705 million on the week. After the central-bank measures, the average declined by almost 40 percent to just over \$97 million per day. The question now is what happens when flight operations heat up again, as they certainly will.

And since credit is tight and oil sales flat to sluggish, Venezuela could very easily run down its reserves within a few months or even weeks, and look very much like Mexico or Brazil.

### Initial steps

Sensing this danger, the Caracas government—or a section of it, at any rate—took two important steps in mid-September. First the central bank asserted control of all dollar deposits previously held by autonomous state agencies, most notably the state oil company, PDVSA, which held \$5.5 billion in deposits abroad.

Second, Finance Minister Ugueto was dispatched to New York and Europe to seek refinancing for state-sector short-term debt, as noted above.

Though Ugueto has been able to land loans, there are signs that his pact with London will meet opposition after he returns to Caracas.

At a meeting of international bankers in Caracas on Sept. 22, central bank chief Díaz Bruzual, challenged on the question of Venezuela's credit-worthiness, snapped, "Venezuela is more disturbed about getting our funds back from you foreign banks than we are about paying off our debts. Given the illiquidity of international banks nowadays and the careless way in which they overlent themselves during the '70s, we fear that we have much more to fear from the banks than the banks have to fear from us."

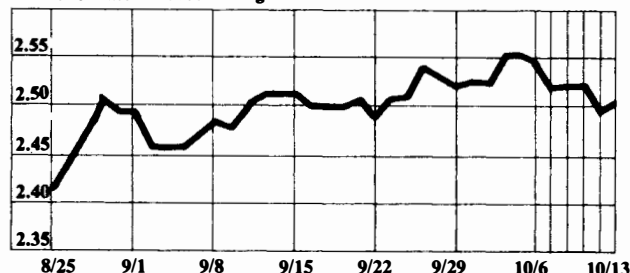
"Today it is the Venezuelan central bank that must doubt the competence of the international banks," he continued. The fact that the banks are "squeezing" so hard to collect, he said, may indicate they are having liquidity problems. Díaz Bruzual added, "Furthermore, in many of these banks, we have deposits of great importance, and what we could well do is withdraw our deposits."

"Don't underestimate the effect of Mexico in all this," one New York banker told *EIR* in mid-October. "Venezuela won't devalue. It won't do any good. It didn't in Mexico." Nor can bank nationalizations be ruled out. Only a few weeks ago, how many bankers would have guessed Venezuela's next-door neighbor, Colombia, would make such a move?

## Currency Rates

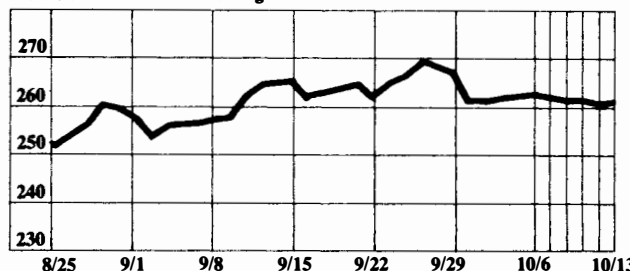
### The dollar in deutschemarks

New York late afternoon fixing



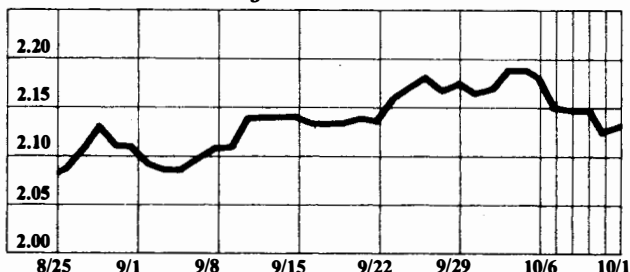
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

