economy along lines that the bankers are demanding.

In effect, the demanded restructuring is nothing but a scheme to turn Venezuela itself into one big drug-money laundromat—as Miami once was. "Debt for equity" is the mechanism by which this is to be achieved.

Determined to get a bank agreement quickly, the economics team within the government has acceded to the pressure to the extent politically possible, signalling the banks that they expect to force their government to accept the demanded "debt-for-equity" exchange. On Feb. 27, Alfredo Gonzalez Amare, superintendent of foreign investments (SIEX), announced that a "debt for equity" plan has been in effect since September for seven private companies. New percentages allowed for foreign capital to associate with local capital were announced at the same time.

The "debt-for-equity" scam was put together at a secret meeting in Vail, Colorado in August 1982 which was led by Henry Kissinger. Under its terms, foreign creditors can claim title to shares of local companies as "payment" for foreign debts which they cannot meet otherwise. Under current world depression conditions, the scheme means that control of major chunks of the country will be turned over to foreign financial interests in short order, and on that basis, has been fought valiently throughout the continent.

So far, the largest debt paid through a debt-for-equity arrangement is that of the Cerveceria Nacional, which turned over $18.3 million worth of stock to 17 American banks to pay off loans, but more can be expected shortly. As Amare made his statements, Caracas papers reported that U.S. banks had initiated suits against eight Venezuelan companies for non-payment.

Bankers hope Amare's faction of the government can force through the changes in foreign investment laws by the April refinancing deadline. The changes under consideration include allowing unlimited numbers of foreigners to be named to local-company boards, larger profit remittances, and "investor" guarantees against local currency devaluations.

It is this foreign investment plan which brings the story full-circle back to *El Mundo*'s shocking revelations of Venezuelan billions funding Bank of Boston's laundromat. Last November, Gonzalez Amare had described the intent of his proposed changes as that of having "the Miami effect over the Venezuelan economy."

From the late 1970s until the imposition of exchange controls in February 1983, billions of dollars poured into Florida real estate, hotels, construction, stores, restaurants, and anything else buyable. The majority of that capital wore a "Venezuelan" tag—although investigators knew the astronomical funds involved came from Ibero-America's drug trade as a whole using Caracas as its laundromat.

If Gonzalez Amare and the foreign bankers for whom he works have their way, that money, extracted at high cost to the nation, will now "buy" out Venezuela again, which will become their laundromat.

Argentina's IMF agreement unravels

by Cynthia Rush

A group of Peronist legislators has introduced a bill into Argentina's national congress calling for the confiscation of all assets "belonging to the United Kingdom and Northern Ireland in the territory of the Republic of Argentina."

Introduced on Feb. 21, the bill cancels payment of interest due or coming due on all public and private debt contracted by the Argentine state, public or private companies, or individuals with British banks, financial entities, insurance or reinsurance companies. The bill's authors state that it will remain in effect "as long as the circumstances which created the situation of belligerency between the Republic of Argentina and the United Kingdom"—referring to the 1982 military conflict between the two nations over the Malvinas islands—"continue to exist." The bill stipulates that one-third of the funds deriving from the public administration of these confiscated assets will be allocated to the national emergency food program; one-third will be allocated to the medical and social assistance for veterans of the Malvinas war, and one-third to bolstering the budget for the armed forces.

This bill, which must be debated in committee and go to the entire congress for a vote, was introduced at a time when president Raul Alfonsín is under pressure on two fronts: to make a deal with Britain's Margaret Thatcher on the Malvinas issue—accept a "cessation of hostilities" so that normal diplomatic relations can be restored; and impose the International Monetary Fund's austerity program so as to ingratiate himself with the United States prior to his scheduled March 19 meeting with President Ronald Reagan.

The legislation is a sharp reminder that the Argentine population isn't likely to tolerate either of these two items.

The nailing down of a tough IMF program was a virtual precondition for Reagan meeting with Alfonsín this month. U.S. Treasury and State Department officials are expected to further blackmail Alfonsín with offers of "private investment" and other of David Rockefeller's pet themes when the Argentine President arrives in Washington.

Jacques de Larosière, the director of the Fund, has launched a new round of debt crisis throughout the continent. He was first reported to have said that he was "fed up with Brazil" and credits were abruptly suspended. In quick succession, it was announced that the Fund was "not satisfied with Mexico," that the agreements with Argentina were "in jeopardy." Then came the resignations of the country's central bank governor and economics minister.

New York bankers greeted the Feb. 18 resignation of Finance Minister Bernardo Grinspun and Central Bank president García Vásquez with some enthusiasm. The nomination of Planning Minister Juan Sourrouille as Grinspun's replacement was interpreted as a sign of Alfonsín's willingness to impose tougher austerity.

Grinspun, described by one banker as a "Radical Party hack," hadn't gotten along very well with the New York crowd. The *Wall Street Journal* happily predicted on Feb. 19 that Sourrouille and new Central Bank president Alfredo Concepción "are likely to work more easily than their predecessors with the IMF. They are also thought to be more willing to impose further economic austerity measures." The banking community liked the fact that Sourrouille is a "foreign-trained economist, reads English, and talks sense."

So far, Sourrouille isn't living up to bankers' expectations. A few days after taking office, his staff announced that the IMF austerity guidelines agreed to by Grinspun for the rest of 1985 were very problematic, and might have to be made more "flexible." Reports that the new minister would seek a total renegotiation of IMF guidelines have circulated widely both in New York and Buenos Aires.

The IMF delegation that had been visiting in Buenos Aires, led by Spaniard Joaquín Ferrán, reportedly left in frustration on Feb. 22 to give an unfavorable report back to director Jacques de Larosière. On Feb. 25, the steering committee of Argentina's creditors met in New York to nervously discuss the fact that the Fund is not expected to grant the $236.5 million tranche of its standby agreement scheduled for payment during the second half of March. If this is the case, then the entire negotiation process and further granting of commercial bank loans will be indefinitely delayed.

It's true that Sourrouille is no rebel against IMF policy. His five-year national austerity program introduced in mid-January is based on bolstering Argentina's traditional role as an agro-exporter rather than an industrial leader. But the new minister is staring at a national economy that is unraveling at an astonishing pace.

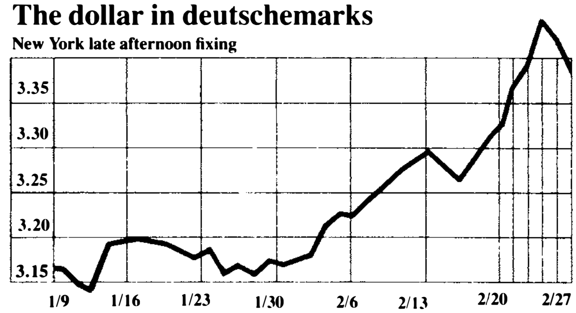
The government has not complied with IMF guidelines on inflation, money supply, fiscal management, or growth, and any effort now to enforce them for the rest of 1985 would result in a politically unacceptable recession and social chaos. Alfonsín is already beset with labor demands for salary increases, major protest from the nation's agricultural producers, and a dramatic increase in social conflict, especially drug-related crime, stemming from growing unemployment and economic dislocation.

Aware that the population is reaching the limits of its tolerance, leaders of the governing Radical Party insist that Sourrouille will serve the "forces of production," and not the detested *patria financiera,* the financial fatherland.

Currency Rates

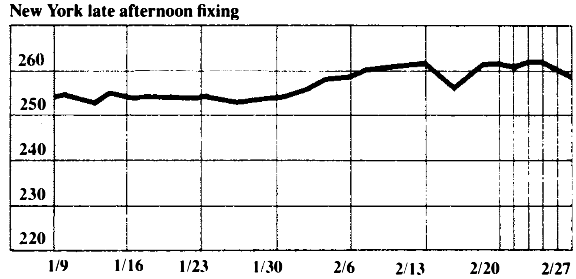
The dollar in deutschemarks

New York late afternoon fixing



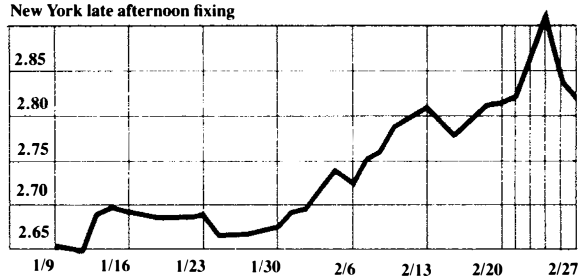
The dollar in yen

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