Debt-for-equity urged in Venezuela

The president of Venezuela's Chamber of Commerce pushes Kissinger's asset-grabbing "solution."

'We shouldn't waste time in seeing how the foreign debt was acquired, how it was invested, or how it was refinanced. It is a debt that we have to pay, and we should do it on the basis of work." This statement, made April 22 by Rafael Marcial Garmendia, president of Venezuela's Fedecámaras (Federation of Chambers of Commerce), raises anew the debt-for-equity scenario which, in the case of Venezuela, means nothing less than selling off its oil resources to pay its debt.

On March 21, Fedecámaras presented Venezuelan President Jaime Lusinchi with a document containing proposals on how to deal with the joint crisis of the nation's pressing foreign debt and the fall in oil income. The proposals included:

1) "Use the capacity of oil production ruthlessly"; that is, auction off Venezuela's oil "without imposing limits on how much to export."

2) "Pay the debt at discount"; that is, repurchase the foreign debt at below face value, as some Venezuelan businessmen have been speculatively doing with the preferential dollars offered by the government.

3) "Open the doors to foreign investment, eliminating the controls imposed by the Foreign Investment Superintendency."

4) And the last and most important: "Capitalize the debt, proposing that the creditor banks acquire stocks in state property determined accessible to foreign investment."

This last petition is neither new nor original to Fedecámaras. In fact, it appears very similar to an earlier proposal by the so-called Roraima Group. It was also proposed by Henry Kissinger at an infamous meeting in Vail, Colorado in August 1983. And since then it has been ceaselessly repeated by men like Oscar Echevarría, the Cuban-Venezuelan economic adviser to Fedecámaras, who has suggested that the country pay its debt by handing over to its creditors property from basic industry and nationalized businesses.

What must be asked is, whether the proposal issued by Fedecámaras' president was formulated in consultation with the organization's membership, or whether it was a decision taken solely by the gang at the top, as occurred in mid-1984.

At that time, some of the leaders of Fedecámaras circulated a proposal urging that the New York investment house Goldman Sachs & Co. advise Venezuela's private debtors in their negotiations with international creditors. The proposal was motivated with the statement that Goldman Sachs & Co. "have at their disposal the talent of such members of its advisory board as Henry Kissinger, Robert McNamara, and Henry J. Fowler, with whom all the international business ventures of the company can consult."

When it first appeared, the 1984 proposal was discovered to be *un*familiar to approximately 99% of the members of Fedecámaras. One can only ask if the new proposal of Fedecámaras president Rafael Marcial Garmendia was inspired by the prestigious advisers of Goldman Sachs & Co, since it is nearly identical to Kissinger's 1983 Vail, Colorado "recommendations."

As their premise for the proposed denationalization of the Venezuelan economy, these representatives of the nation's business community demand the restitution of "economic guarantees," that is, the return of the law of the jungle of free-market economics, eliminating laws which regulate prices, wages, monopolies, and lay-offs.

About the $35 billion in Venezuelan flight capital over the past few years, as denounced by the recent statement of the Venezuela bishops on unemployment, the Fedecámaras document has nothing to say. Instead, the cause of unemployment is explained as "population growth." This Malthusian argument is truly absurd in a country like Venezuela, whose vast natural resources are still largely unexplored and whose extensive territory remains to be conquered.

The document indicts as another cause of unemployment "the obstacles, licenses, freedoms, and unnecessary controls that turn Venezuelans into dispirited and unproductive citizens."

The implied "solution" to unemployment being offered here was more fully explained during a visit to Venezuela by the Peruvian expert on the "informal economy," Fernando de Soto. It means legitimizing a vast pool of underemployed, while the international bankers take over the country's productive wealth. Instead of highly skilled and well-paid jobs, the informal economy encourages the proliferation of street vendors, smugglers, chimney sweeps, and, of course, drug traffickers.