

Andean Report by Valerie Rush

Tiger-slaying in Venezuela

The Venezuelan Congress is scurrying to retract its challenge to the usurer banks—all it took was threats!

As the old proverb goes, Venezuela would slay the tiger . . . but is afraid of its roar!

After the Venezuelan Congress voted up the Fococam (Exchange Compensation Fund) law July 2 which unilaterally determined that \$7 billion of the country's private foreign debt would be paid with long-term, low-interest government bonds, affected creditor banks began to roar their protests. Several major U.S. banks "temporarily" suspended trade credit lines to Venezuela, and as one New York banker threateningly told the Venezuelan daily *El Nacional* of July 19, "Venezuela could become Latin America's financial Falklands. . . ."

On July 24, it was announced that an extraordinary session of the Venezuelan Congress would be convoked during August or September to "modify" Fococam. One of its authors, minister of the presidency Carmelo Lauría, said July 26 that to allay the bankers' fury, "it were enough to suppress three lines." Presumably the ones which set the 15-year term and 5% interest rates.

Minister of Finance Manuel Azpúrua, who had the difficult job of explaining Fococam to the creditor banks in New York, executed a rather dramatic about-face. On June 1 he had said, "I want to make it very clear to the country that what we have communicated to the banks is that we will accept no public or private pressures that seek to block defense of our interests."

However, during his New York visit on July 25, UPI reported, "The

minister told bankers that Venezuela is prepared to pay the \$750 million it is committed to. . . . With regard to the bonds, Azpúrua said that this had been a decision of Congress and that the government was studying in what way the measure would be applied. . . ."

Also doing an about-face is Gonzalo Barrios, president of the ruling *Acción Democrática* party. On July 14, a cocky Barrios declared, "If the creditor banks are annoyed, that is a good sign, beneficial for Venezuela." On July 26, the same Barrios leapt to point out, "When an error is committed, it can be rectified one minute later. . . . I believe that there was a certain lack of reflection [by Congress], because the bonds as they were approved in the law will not really be bought by anyone. . . ."

Former President Rafael Caldera was cloaked in patriotic garb on July 20 when he denounced the bank suspension of credit lines as "a pressure tactic they are trying to apply. I think that faced with such a situation, the country also must take a hard line." And yet, six days later, Caldera "confessed" that Fococam was perhaps not such a great idea after all: "These long-term, low-interest bonds cannot be absorbed by anyone except the World Bank, and that only as long as the rich countries increase their support with greater participation and influence in that international financial institution."

President Jaime Lusinchi insisted, "Neither Venezuela nor I will allow ourselves to be pressured on the debt,"

but added defensively that "comments have been made about modification of the [Fococam] law, and this too would be a sovereign act of Congress. . . ."

Reinaldo Leandro Mora, president of the Venezuelan Congress, summed up all the hoopla with a July 24 statement, "The responsible thing to do is modify the law if the national interest requires it thus. . . ." He did not, however, specify whose national interest he was referring to.

Not everyone in Venezuela was as dazzled by the tiger's stripes. The president of the economic commission of the Venezuelan Senate, Angel Reinaldo Ortega, told *El Diario de Caracas* July 22 that the creditor banks seem to forget that "we are a sovereign nation, and a democracy whose first duty is to preserve the stability and well-being of its citizens. . . . Hence, there is no reason that the latest acts of sovereignty which our country has taken and which tend to preserve our financial structure should have caused those threats and reprisals from the international banks. . . ."

Parliamentary leader of the opposition Copei Party, Abdón Vivas Terán, was most forthright in analyzing where Venezuela's problems lie: "From the declarations of ministers Manuel Azpúrua and Leopoldo Carnevalli, it is easy to conclude that they seem more like employees of the bankers' committee or of Chase Manhattan, than ministers of a sovereign state which defends its interests."

Vivas Terán added that Copei would not authorize extraordinary sessions of Congress to change Fococam, since such sessions would have but one purpose: "the changes demanded by the international creditor banks. The rest is just a smokescreen to cover the real intentions. The national government is acting like a scolded child. . . ."