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Andean Report by Jaime Ramírez

Dismantling the Venezuelan economy

Venezuela's leaders are obsessed with electoral politics, while the economy is being dismantled piece by piece.

Those who are profiting the most from Venezuela's newly launched campaign for the 1988 presidential election are the international creditor banks and their domestic partners. While the *politicos* have eyes only for the elections, the traitors and useful fools of the international financial oligarchy are dismantling Venezuela's economy bit by bit, to deliver it to the cashœungry foreign banking community.

The national Congress, called into extraordinary sessions on Aug. 18 under pressure from the creditor banks, is in the process of approving a set of economic measures, each "recommended," according to reports in the Venezuelan press, by the International Monetary Fund, Chase Manhattan, foreign oil companies—or perhaps the U.S. State Department's representative in Caracas.

The first measure was the repeal of the Fund of Exchange Compensation law (Fococam) approved two months earlier. The bankers had been enraged at Venezuela's sovereign determination of long-term deadlines and low interest rates on government bonds created to pay the private debt. The order went out from the money-center banks to overturn the law, and so it was.

The second decision, made the first week of September, was passage of a law permitting the sale of state holdings to domestic or foreign private capital. This phase of "privatization" is limited, for the time being, to "non-essential" state companies, but is an unmistakable step toward large-scale creditor takeover of state-held stock through so-called "debt capitalization," i.e., Henry Kissinger's debt-for-equity scheme.

In addition, it was announced that the state sector oil company Petróleos de Venezuela (PDVSA) would be opened up as a "mixed company"—allowing foreign capital into such critical areas as petrochemicals and coal.

A third measure—which continues to be discussed in the Congress—is that of "forgiving" the foreign oil companies which operate inside Venezuela more than $800 million in special taxes, a case currently being heard before the Venezuelan Supreme Court. Especially outrageous is the fact that this arrangement is being sought at precisely the moment that national oil income has fallen to its lowest level in 10 years, and the fiscal deficit is dangerously increasing.

Another measure taken by the Executive the first week of September is a new foreign investment regulation, which is nothing less than a renunciation of Decision 24 of the Cartagena (Andean Pact) Accord. Among other things, the new regulation eliminates the obligation of foreign capital to combine with domestic capital; it increases the amount of profits that can be remitted abroad; it exempts from legal restrictions all foreign investment in the state sector or directed toward priority sectors.

Worst of all, it allows the conversion of debts into equity, through which Venezuelan industry will be rapidly swallowed up by international usury.

And what are the so-called priority sectors now open to foreign investment?

First, tourism, the sector traditionally employed for laundering of drug and other dirty money. Second, strategic sectors such as food, construction, and computers and electronics. This will translate into the bankruptcy of many national high-tech companies.

The most serious aspect of the situation is that not a single political, business, or labor representative has expressed the slightest opposition to these measures, with the exception of newspaper editor Miguel Angel Capriles, who told the Energy Commission of the Congress Sept. 1 that it is a total falsehood that foreign investment is the panacea for economic reactivation. He warned that these measures, rather than bringing money into the country for investment, would facilitate further bleeding of the economy.

The amount of the Venezuelan fiscal deficit estimated for 1987 is between 30 and 45 billion bolívares ($6-9 billion). According to official figures released by the Mines and Energy Ministry on Sept. 5, if the price of Venezuelan oil is kept at $14.50 per barrel, the country will receive a total of $7.8 billion in oil income, $5.2 billion less than originally anticipated. Oil prices internationally were fluctuating between $8 and $11 per barrel the first week of September.

Those same official figures put debt payment and import costs at $6.2 billion—for the first six months of 1986 alone! At the same time, central bank reserves have fallen from $8 billion at the end of 1985 to $6.7 billion as of Aug. 14, 1986. Clearly, unless debt payments are drastically cut back and these measures reversed, the Venezuelan economy is headed for disaster.

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