EIR Feature

# Venezuela obeys the IMF, pays the debt with cadavers

by Mark Sonnenblick

After over a thousand people died in Venezuelan riots against International Monetary Fund (IMF) austerity Feb. 27-March 4, neither that country nor Ibero-America as a whole "will ever go back to normal; what happened is irreversible," Lyndon LaRouche told the Rio de Janeiro daily *Jornal do Brasil* in an interview published March 6. That same day, Ulysses Guimarães formally announced that he was running in Brazil's Nov. 15 presidential elections, its first presidential vote in 28 years. Guimarães, known as "Mr. Direct Elections," declared, "If I were President of this country, I would not pay the debt with cadavers, as in Venezuela."

The upcoming elections in Argentina and Brazil, as well as everything going on in the continent, will be shaped by the indelible perception that IMF means "Inflation, Murder, and Famine." Former Mexican international trade bank president Adrian Lajous declared, "We have paid our pound of flesh; and now we must act like Portia." In Shakespeare's *The Merchant of Venice*, Portia uses natural law to defeat Venetian laws protecting usury.

The pound of flesh can be quantified. A documentary prepared by Britain's Channel 4 television estimated:

- Since the debt crisis began in 1982, the debtor countries have transferred $225 billion in capital to the banks in the developed countries;
- 2,200,000 children died in Brazil because of the debt crisis;
- The United States has lost $20 billion worth of exports annually, due to the inability of Ibero-American countries to import; this has caused the loss of 4,200,000 jobs in the United States.

The Venezuelan riots broke out simultaneously in 17 cities Feb. 27, in reaction to the first round of austerity measures decreed by the new social democratic President Carlos Andrés Pérez. The most explosive measure was a 90% increase in gasoline prices. In the letter of intent which central bank president Pedro Tinoco signed with the IMF in Washington the next day, Venezuela pledged:

- to increase the prices of fuels, state services, and every exportable item in the country "until approximating international prices";

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*The international movement associated with Lyndon LaRouche, mobilizing for "Operation Juárez," the alternative to the bankers' genocidal program. Shown are (clockwise, from top left): Bogotá, Colombia; Washington, D.C.; Stockholm, Sweden.*

- to eliminate subsidies on all but seven basic food items and to eliminate price controls except on 25 basic products;
- "the government promises to promote wage discipline in the economy." After the 30% wage increase already given to compensate for past inflation, "there will be no further wage increases during 1989."

Living standards of the average Venezuelan had eroded 38% during the past five years. The Feb. 27 fuel and fare increases were just the first of the inflationary shocks scheduled to further decimate consumption in order to "maximize exportable surpluses."

Public investment will be restricted to completing projects "oriented to expanding the country's export capacity." Although the letter promises to facilitate foreign private investment, all productive investments will be discouraged by the decimation of the internal market and the sudden jump in domestic interest rates from 14% to 35%. "The government recognizes that restrictive monetary and fiscal policies are required," it states.

President Pérez has let the World Bank design his "progressive liberalization of the economy." With tariff protection of domestic industry gone, its only protection from cut-rate imports will be from violent devaluations. The domestic currency will drop from 14.5 to 40 bolivars to the dollar some time in March, and then have a "dirty float." "The fundamental element of the government's economic program consists of setting a single floating exchange rate for the bolivar; . . . all exchange controls will be eliminated." This has particularly upset importers, who owe $6.8 billion to foreign suppliers for goods received in the second half of last year. The government had guaranteed to sell them dollars at 7.5 or 14.5 bolivars, but will now bankrupt many of them by forcing them to pay 40 bolivars for half these debts.

The letter of intent states that to effect these "structural reforms" and pay over $5 billion in debt service due this year, Venezuela needs a total of $6 billion in fresh money or debt reduction. The IMF will provide just under $2 billion in short-term loans this year. Venezuela will "earn" part of the rest by paying unpayable dollar debts in bolivars with which speculators can purchase the country's most valuable real assets.

## The Bush policy

Third World debtors have long sought a political solution to the debt problem. The kind of "political solution" now coming from Washington proves that Henry Kissinger is back in the saddle. As the official body count in Caracas crossed the 300 mark on March 3, President George Bush telephoned President Pérez, who promised he would not retreat, no matter how many deaths his measures caused. Bush then "reiterated U.S. support for their democracy and for President Pérez's courageous and determined efforts to address his country's economic and financial situation," in the words of White House spokesman Marlin Fitzwater. Bush also offered an immediate bridge loan of $450 million to enable penniless Venezuela to make timely interest payments to the international banks.

That same day, Pérez's Democratic Action (AD) party and two small "opposition" parties financed by Chase Manhattan's Venezuelan representative Pedro Tinoco pushed through approval of the package in the Congress. Ex-President Rafael Caldera, who is close to the Catholic Church, urged Pérez "to reflect" on the causes of the crisis and to let people eat before paying debt. Caldera concluded, "The worst deafness is that of the person who does not want to hear."

Pérez is blaming everyone but himself for the riots, as if to emphasize the providential truthfulness of the Feb. 17 *EIR* cover story, "Carlos Andrés Pérez peddles snake-oil for debt crisis." Pérez first blamed his predecessor for not imposing the measures years ago, then the IMF. On March 5 he was saying "it was also against the rich, those who speculate, exploit and show off their wealth." Then he said, "It was not between rich and poor but a social violence in protest against speculators."

He also blamed the political parties for not uniting behind his IMF program. Christian Democratic leader Abdón Vivas Terán responded, "Any national unity must be to defeat the program of economic measures the Carlos Andrés Pérez government is trying to impose on us. The unity Venezuela demands is around policies which deal with the horrible poverty and misery and inequality the country is experiencing."

When he saw that all the parties and almost every other organized body in the country opposed his program, Pérez pressed for "a political reform." His reform is along the lines of the liberal fascism of David Rockefeller's Trilateral Commission, otherwise known as "fascism with a democratic face." Pérez observed that "neighborhood associations" should be mobilized (as armed vigilantes) to combat looters—or presumed looters. He contended that they were "more representative" than parties.

Pérez's co-thinker Alberto Quirós Corradi wrote on March 9, "The painful bloody events showed all Venezuelans that the political parties neither control nor influence the conduct of the masses." This member of the liberal Establishment's Inter-American Dialogue argued that only the "reform of the political parties," "electoral reform," and the "labor law" advocated by Pérez could prevent opposition to IMF measures from getting out of hand.

The Catholic Church had another view. The Vatican newspaper, *Osservatore Romano,* provoked ire from Pérez by criticizing his austerity measures and suggesting that bread and work for the population must come first. In his homily at the Caracas Cathedral March 5, auxiliary bishop Msgr. Jorge Sabino Uroza declared, "There are those who looted stores, and they should seek pardon. But there are also those, especially in the economic and political sectors, that have looted the country for years; they should also seek pardon." He was undoubtedly speaking of Chemical Bank part-owner James Baker III and his ilk, who sucked out $25 billion in debt service in the past six years, and of the Venezuelan oligarchs who had sent $67 billion abroad as "flight capital," starting during Pérez's 1974-79 presidency.

## PLV demands ouster of Rockefeller's man Tinoco

*The following perspective on how to solve the Venezuelan crisis was issued by the secretary general of the Venezuelan Labor Party (PLV), Alejandro Peña Esclusa, on Feb. 28:*

Pedro Tinoco must be removed immediately from the Central Bank and replaced by a person who will defend the interests of the nation and not those of the international bankers.

As is well known, Tinoco has represented the interests of Chase Manhattan Bank—owned by Rockefeller, and the lead bank for Venezuela's foreign debt—which disqualifies him from holding the presidency of the Central Bank. The genocidal IMF policies that Tinoco recommends, mean a bonanza for the bankers and misery for Venezuelans. Does Tinoco want to destabilize democracy? Does Tinoco want to hand the country over to the Soviets' narco-guerrillas?

Not satisfied with selling off our reserves to satisfy the usury of the banks, Tinoco wants to pay the illegitimate foreign debt with the hunger of Venezuelans. To achieve that, Tinoco argues that the IMF's programs are indispensable. Tinoco lies. The PLV has proven that Venezuela can become an industrial power by implementing measures completely opposite to those imposed by the IMF.

Had the program proposed by the PLV been implemented by the government, none of this would have happened. Fortunately, there is still time to turn around the situation by adopting the following measures of national security:

In the short term: 1) revoke the economic measures adopted recently; 2) break with the IMF; 3) declare a moratorium on the foreign debt; 4) establish strict exchange controls; 5) grant state credits to reactivate industrial and agricultural production; 6) reduce interest rates; 7) establish an emergency food program to include the importation of food and the creation of an emergency food reserve, while food self-sufficiency is secured. All this should be done while orienting the economy toward the domestic market, not the external ones.

In the medium term, we need to launch large-scale agro-industrial, transportation, and infrastructure projects. Second, we need to begin to integrate the Ibero-American continent, to jointly confront the international banks; third, we must launch a continental military war against the drug traffickers; and fourth, we need to return to the fundamental values of the family, based on love of country, and love of God.

## IMF: Political factors stand in way of austerity

*An IMF mission visted Venezuela April 12-29, 1988, and recommended virtually identical harsh measures to those now being implemented by President Carlos Andrés Pérez. An internal memo sent to IMF head Michel Camdessus, excerpted below, also shows that Pérez's predecessor, Jaime Lusinchi, was stalling on effecting the "shock" measures. Lusinchi refused to begin them, even after the elections.*

*An interoffice memo, "Mission to Venezuela," by Western Hemisphere director Sterie T. Beza, reports:*

Venezuela's total debt service payments will remain large over the next several years (around US$5.5 billion a year). . . . A substantial change in economic policies is required in order to achieve low inflation and external balance. . . . There may be a reluctance to make significant changes in economic policy at this time, given that presidential elections are scheduled for early December 1988. . . .

[Their] program should include substantial progress toward exchange rate unification, restrained financial and incomes policies, and the implementation of structural reforms, especially in the area of trade policy. . . . In the staff's view, the best approach would be to unify the exchange rate system promptly, perhaps with a temporary float of the exchange rate to determine an equilibrium level. However, the authorities have rejected this proposal. . . . [To curb inflation] would require a substantial upward adjustment in the structure of interest rates . . . full liberalization of the interest rate structure . . . [and] an increase in legal reserve requirements to curtail the expansion in overall bank credit.

In the area of structural reforms, the mission urges . . . a rationalization of the tariff structure, a reduction in quantitative import restrictions, and a rationalization of export incentives. The mission will also urge a significant reduction of price controls. . . .

### An irreversible change

Lyndon LaRouche told *Jornal do Brasil* in his interview, "Carlos Andrés Pérez was selected by the Bush administration and the Socialist International as the fair-haired boy for the coming period throughout Central and South America; he was selected to push through, as a model, exactly the kind of measures he pushed through on IMF conditions.

"What happened immediately was a reaction: The country blew up. The blow-up was not merely the kind of reaction, in which, after it subsides, the country can go back to normal. The country will never go back to normal. What happened is irreversible; it is irreversible immediately in Venezuela, and also irreversible in its effects on the internal life of the continent.

"There will be new efforts, probably, by Washington and elsewhere, to push this through. That will cause new explosions. Any country . . . in Central and South America, that attempts to imitate what CAP did, will find their own countries blowing up, because of what happened in Venezuela."

Sure enough, on March 8, a 3,000% increase in bus fares for students in the tranquil and relatively well-off Brazilian city of Londrina led to riots that left 30 people injured and 47 buses and the bus station burned. Brazil blacked out Venezuelan looting from its television coverage, in order to avoid giving any ideas to its 130 million poor.

The bankers sense they are about to lose control. The resale value of Brazilian debt, for example, has fallen to 20¢ on the dollar, half what it was two months ago. Bush, the banks, and the IMF are scrambling to rig up a "Rube Goldberg" financing scheme to reinforce Pérez's tough behavior. IMF Managing Director Michel Camdessus wrote Pérez March 8, "It is clear that Venezuela cannot face the present situation alone, if it doesn't have the security of counting on sufficient support on the part of the international financial community."

The City of London's *Financial Times* on March 7 praised Pérez for having "rightly resisted the temptation to exploit the rioting as an excuse to retract the austerity measures. It would be quite wrong for him or other Latin leaders to hide behind fear of a repetition of such events and duck their economic responsibilities." It insisted that the lame-duck Presidents of Brazil and Argentina immediately imitate the draconian policies of Venezuela and Mexico: "If Presidents Raúl Alfonsín of Argentina and José Sarney of Brazil continue to pursue their self-protective economic policies, they are storing up worse problems for their successors."

But, the whole region is a tinderbox. Nowhere can IMF measures be applied by democratic means.

The conservative editor of Caracas's *El Universal* daily, Luis Teófilo Núñez Arismendi, summed it up March 8: "Venezuela has lost its war of independence because it is falling into . . . economic dependency. If we have to submit to the IMF's impositions, Venezuela will have lost its independence, and we are going to experience extremely difficult moments. We don't know how we will be able to pull through."