Venezuela proposes energy integration

by David Ramonet

"Brazil has 20 million inhabitants in the north who cannot be supplied either by the center or by the south, and we can meet their needs," proposed Venezuelan Foreign Minister Miguel Angel Burelli Rivas at a meeting of businessmen and government officials on Nov. 4. To supply that population, equivalent to the entirety of Venezuela's population, is one of the great opportunities presented "not to the state, but to the Venezuelan, to the man who produces in Venezuela," he said.

Burelli Rivas explained that Venezuela has the ability and opportunity to provide all of northern Brazil's needs in terms of construction, food, and, above all, electrical energy and oil. The governments of Venezuela and Brazil are already working on projects for supplying oil and an electricity grid in that region.

This plan to encourage trade between their countries based on complementarity agreements for developing economic infrastructure, is what Venezuelan President Rafael Caldera is counterposing to the so-called "free trade" system which has had such disastrous consequences for the entire world. According to Burelli Rivas, this is the perspective Caldera intends to present to the Miami hemispheric summit of heads of state in December, in the form of "a program for hemispheric energy security." Burelli Rivas said that Venezuela is the only country in this hemisphere that can satisfy the daily oil requirements of not just Latin America but of the United States as well, through a "great and transcendental project" to guarantee the continent's energy needs, in a way the Middle East cannot. First, however, it is necessary to develop the required infrastructure.

The Venezuelan-Brazilian agreement is an example of how the Caldera proposal would be implemented: The government of the Brazilian state of Amazonas is prepared to cost out the hydroelectric installation that would supply the state with energy from Venezuela, according to Burelli Rivas. At the same time, talks have begun on the ministerial level toward linking the state oil firms Petróleos de Venezuela, S.A. (PDVSA) and Petróleos Brasileros (Petrobras) in creating a mixed company, Petro-América, that would assume "the task of giving the hemisphere a secure energy supply." Petro-América would link Venezuela's vast oil resources with Brazilian exploration technology. In addition, Petrobras possesses the largest fleet (76) of oil tankers in Ibero-America. In the short term, Brazil's forever increasing oil needs would be satisfied, without having to resort to costly Mideast oil.

The Venezuelan-Brazilian initiative offers a glimpse of the kind of urgently needed integration projects, ranging from energy to transportation to food production, that could foster the kind of economic progress which would give the much-vaunted call for "democracy" a serious foundation.

Insolvent banking system

But all of these projects will wither on the vine if the problem of financing is not resolved first. In the Brazil-Venezuela case, both sides are fully aware that no agreement of economic complementarity is possible within the framework of the current system of the International Monetary Fund and World Bank. In fact, by being "the first" to follow IMF free-market and restructuring prescriptions, it was precisely the Venezuelan banking system which was driven into what has been described as a "systemic crisis of insolvency," according to Oscar García Mendoza, president of the Banco Venezolano de Crédito.

Since January, when Venezuela's second-largest bank, Banco Latino (considered the "piggybank" of the money-laundering mafia), was put into government receivership, 10 more banks have collapsed, of which two have already passed into state hands, Banco de Venezuela and Banco Consolidado. The rest are just waiting for the proper moment for liquidation. The Venezuelan Central Bank printed nearly 1 trillion bolivars, which were "lent" to the state's Deposit Guarantee Fund, the institution responsible for lending to the owners of the insolvent banks to cover their enormous losses and to pay back their furious depositors.

That vast quantity of money swelled the deposits of the surviving banks, to the point that those banks didn't know what to do with so much money. Today, less than one-third of the deposits is in lending portfolios; another 40% is in Central Bank zero coupon bonds. Although further issuance of zero coupon bonds is prohibited under President Caldera's new economic program, vast quantities of these speculative high-interest bonds are coming due, forcing the government to print yet more paper while trying to soak up the excess liquidity caused by the government's bailout of Banco Latino and the other insolvent banks. If this tendency continues, sooner or later what is already being called "the fourth wave" of bank bankruptcies will occur, which may well be the final and unsalvageable one.

In the meantime, Special Commissioner for Financial Reform Gustavo Roosen (now president of Banco Latino) has proposed that zero coupon bonds be replaced by treasury letters issued by the government's Executive branch. Unlike the zero coupon bonds, the treasury letters would use excess liquidity to finance public investment, which would not be inflationary if channeled into the kinds of infrastructure projects that Caldera has proposed.