Foreign creditors are desperate to privatize Venezuela

by David Ramonet

The City of London and Wall Street are in a mad race to force Venezuelan President Rafael Caldera to privatize every leading state enterprise possible, especially oil, petrochemicals, steel, iron, and aluminum.

The Caldera government resisted these pressures, both domestic and foreign, for over a year, and some of the President's advisers apparently thought that through various concessions to the international financial centers, the pressures might ease. On the contrary. The "adjustment" measures that the Venezuelan government has been adopting since April 15, under the label "Agenda Venezuela," their approval by the International Monetary Fund (IMF) July 15, and the privatization plan offered by the government itself, have all served to convince the creditors that they should continue to pressure, thereby winning still more concessions.

This was the central theme of the second "Round Table with the Venezuelan Government" on July 16-18, sponsored by the London *Economist,* Venezuela corporate leaders, and the Venezuelan-British Chamber of Commerce. The keynote speaker was Francis Freisenger, editor of the *Economist Intelligence Unit,* published by the *Economist* as its economic warfare mouthpiece. Caldera has been in its sights since his Presidential term began in January 1994.

Also participating in the Round Table were the ministers of finance and planning, Luis Raul Matos and Teodoro Petkoff, respectively, who were in Washington the day before to receive the IMF's blessing for the "Agenda Venezuela," and to receive a standby credit from that institution for $1.4 billion. President Caldera gave the closing address of the conference, inviting all attendees to a hall at the Miraflores Palace, where he pledged that Venezuela would advance with its "reforms."

'Confidence of the markets'

The *Economist Intelligence Unit*'s latest analysis, published, as is customary, by the opposition daily *El Nacional* on the opening day of the closed-door seminar, warned that President Caldera has not yet won "the confidence of the markets," and urged him to take great pains to achieve that goal. "As in any economic stabilization plan, success will depend to a great extent on the government's credibility. If local or foreign investors lack confidence that the government will do what it says, the country-risk level will not improve," says the *EIU* report. Even if the government meets all the goals agreed upon with the IMF, "some time will pass before credibility is recovered."

According to the *EIU,* Caldera must go through the test of fire experienced by Mexican President Ernesto Zedillo, who, despite the definitive collapse of the IMF's "Mexican model" in December 1994, continued along the same suicidal path, making himself worthy of "the confidence of the markets." Says the report, "The volatility of the [globalized] financial markets could undermine the stabilization process," but in the face of just such an eventuality, Venezuela should maintain its IMF adjustment program, and "deepen" its reforms in pursuit of "market confidence."

The *Economist* included in its Round Table a panel of anti-Caldera opposition spokesmen, to give voice to the British viewpoint, but in the language of the Venezuelans. "Everything the government has done to change direction, has been under pressure from the opposition, and Venezuela will have to await an opposition government to bring the reforms to a successful conclusion," said Congressman Gustavo Tarre Briceno, of the Social Christian COPEI party. Jorge Roig, of the Radical Cause party, complained that "the oil opening is not sufficiently broad." Carmelo Lauria, of the Democratic Action party, complained that President Caldera "wants to be only half pregnant, and that is just not possible. Either he carries out the reforms completely, or not at all."

Following three months of Venezuela's rigorous austerity program, the same British publication that one year ago called President Caldera "the Cockroach King," is now demanding a greater trade opening and more rapid "adjustment"—not because there is still mistrust of the government's willingness to seek "peaceful coexistence" with its creditors' neo-colonial "globalization" scenario, but because the creditors consider this same willingness a sign of political weakness. In his concluding speech to the seminar, President Caldera dedicated the greater part of it to observing that winning "the confidence of the markets" was his government's top priority.

Debt for investment

The "structural reforms" that the IMF wants Caldera to carry out are nothing less than the dismantling of the sovereign nation-state itself, and the delivery of the national patrimony to the financial creditors. The demands are: reduce the public workforce to half its current level of 1.3 million employees; privatize the oil, petrochemical, aluminum, and iron industries, and not just public services companies such as hotels, transport, etc.; do away with social benefits, and replace them with a Chilean-style privatized pension system; change Venezuelan laws to meet the needs of financial speculators; and change the National Constitution to eliminate the public sector from the economy.

On July 17, the *Wall Street Journal* published an article criticizing the pace of state company privatizations. The article quotes Sebastian Edwards of the University of California: "There is lots of good will toward Venezuela from the international financial community these days. That good will could disappear" if Venezuela doesn't "move ahead and sell one or two major assets" to pay its foreign debt.

Oil is the most coveted object. On July 30, the *Journal* dedicated another article to Venezuela, describing the country as "back atop the oil-company wish list, thanks to an opening of the industry to foreigners by the huge state-owned oil company Petroleos de Venezuela SA, or PDVSA, for the first time since the 1976 nationalization."

This is a reference to the so-called "oil opening," promoted by the Caldera government and approved by the National Congress, according to which PDVSA associates with the oil multinationals (30% PDVSA, 70% private consortium), in order to double the production of crude over the next ten years, to 5.8 billion barrels a day. The government has already handed over eight geographic areas with reserves of light crude, to be explored by various companies, including Amoco, British Petroleum, Shell, Chevron, Exxon, Mobil, Conoco, Veba Oil, and Elf Aquitaine, which later will exploit whatever finds are discovered.

According to the *Journal,* the only "fear" they feel is that PDVSA will not raise the funds it needs for its part in the joint ventures, because PDVSA is the key source of income for the Venezuelan government. Or, as the Wall Street daily notes, "the government [may] deepen its tradition of using PDVSA as a cash cow. If the Venezuelan economic reforms were to falter, the government might be tempted to milk even more money from PDVSA." That is why Alberto Quiros Corradi, a former Shell employee in Venezuela and prominent member of the bankers' Inter-American Dialogue, is heading a campaign to do away with the "petro-state," and to privatize PDVSA now. His demagogic proposal is to give one stock in PDVSA to every Venezuelan citizen!

Nationalist resistance

Important opposition to this process of dismantling Venezuela's patrimony is coming from the Foundation in Defense of National Patrimony, an association of Venezuela's most prominent personalities of every political stripe. In an assembly last July 13, they elected as president and vice-president of their association the businessman Luis Vallenilla and writer Juan Liscano, respectively. The foundation rightly believes that if this "opening" is carried out as planned, it will mean that when the new oil wells begin operation, half of Venezuela's oil production will be in private or foreign hands.

Meanwhile, the social fabric of Venezuela is rapidly deteriorating under Caldera's "reforms," making the country dangerously unstable. While the opposition continues to accuse Caldera of "not advancing" with the reforms fast and far enough, the Venezuela population, which is suffering the effects of those "reforms" already imposed, is prepared to blame Caldera for all their ills.

According to the pollster company Cifras Encuestadoras, C.A., 84.3% of the population is currently living in poverty (44.3% in "critical poverty," and 40% in "relative poverty"). In 1994, according to the official source Fundacredesa, the poor constituted 78.14% of the population (40.3% critical, and 37.85% relative). In this lapse of two years of government under President Caldera, the middle class has gone from 13.6% of the population, to 9.4%. At the same time, the income of the upper class is concentrated in fewer families, going from 8.2% to a mere 6.3% of the population.