

## Andean Report by Jaime Ramírez

### A marriage of necessity?

*Venezuela's government is honeymooning with New York bankers, but back home no one likes the groom.*

**W**earing a broad smile, Venezuelan Finance Minister Manuel Azpúrua returned to his country Sept. 22, after signing a debt refinancing "amendment" in the United States, and informed the press that "confidence has been reestablished," and therefore, "now the new money is going to start flowing toward our country."

Azpúrua has said the same thing many times before. The difference is that this time, it would appear only New York's bankers are buying it.

The president of Chase Manhattan Bank, meeting with Venezuelan President Jaime Lusinchi in New York on Sept. 21, told him: "Many people think that not paying is good business, but this is not a healthy path to follow. . . . Other countries have begun to understand that Venezuela's path is the correct one," a reference to ongoing debt negotiations with the banks by Mexico, Argentina, and Brazil.

The banker went on to promise "different treatment for Venezuela," and announced a package of voluntary credits. According to the official news agency Venpres, Chase's William Butcher also praised Lusinchi's austerity policies, and spoke to the Venezuelan head of state about the "feeling of satisfaction from doing things well, as you have been doing."

The other meetings that Lusinchi held in New York followed suit. The president of Morgan Bank committed his institution to working with Venezuela for access to the international financial markets, and said that Venezuela should be taken as a model by other countries. Morgan announced that it would soon be renewing an old

offer to expand aluminum plants in Venezuela, and to place \$100 million of Venezuela's public debt on the bond market.

The majority of Venezuela's population, however, is less than enthusiastic with the banks' stamp of approval. The labor wing of the ruling Democratic Action party organized an extraordinary national labor plenum Sept. 22, at which the official policy of paying the debt "at whatever cost" was explicitly rejected.

One of the fiercest attacks on the Lusinchi government for failure to address the needs of the workers, was from Venezuelan Labor Federation (CTV) President Juan José del Pino, who declared that "since 1959, there has existed the ill-fated custom of delivering the economic management of the country to the oligarchy." He added that the finance minister has acted "like the errand boy of the economic groups."

The final document of the labor plenum emphasizes that the greatest threat to Venezuela's national sovereignty is "the effects of the foreign debt, the pressures of the international financial institutions, and the manipulations of the industrialized countries."

The CTV announced at the plenum that it would be presenting the nation with a strategic alternative to paying the debt at all costs. Its document describes how the country's investment programs were cut, while debt service and operating expenses together went from 80.3% of the national budget in 1985, to 90.5% of the 1986 budget.

Among the concrete proposals the CTV has already offered are: strict exchange controls, a program for constructing works of social interest, diversification of the economy based on productive investment, construction of economic infrastructure for the countryside, and the recovery of both public and private companies driven into bankruptcy.

There are also many worried members of the Venezuelan business community, for whom the bankers' praise sounds like a death knell. The sector of small- and medium-sized industry gathered in *Fedeindustria*, demanded at its Sept. 25 annual congress the replacement of an economic model "which favors speculation over honest labor, and usury over real production." Its president, Carlos Betancur, denounced as a "gambling den" the central bank's lending window which, on instructions of the latest International Monetary Fund mission to Venezuela, is speculating with the private banks under the pretext of "eliminating inflation," such that there are no credits available for industry or trade.

The director of the Federation of Chambers of Commerce (*Fedecámaras*), a fierce defender of the government's debt payment policy, has nonetheless been forced to protest the drastic lack of monetary liquidity which is asphyxiating the real economy, and whose purpose is to shrink imports so that the country has more foreign exchange for servicing the debt. Said federation chairman Fonseca Viso, the lack of credit "is becoming a truly dramatic situation. We have learned that many companies have reached a state of paralysis; this will pose an immediate problem with the agricultural harvest . . . which will require resources of 7.5 billion bolívares, and we don't have it."