Wall Street, fearing spread of model of defiance, declares war on Caldera

by David Ramonet

In June 1994, Venezuelan President Rafael Caldera declared a financial emergency, decreed exchange controls, and intervened against a series of banks to stop capital flight, halt devaluation of the currency, and to stop the disintegration of the banking system. According to the *Wall Street Journal,* with these measures, Caldera "wasn't only defying Venezuelan and foreign investors but also the entire free-market revolution that has transformed much of Latin America." For that defiance, *Journal* author Matt Moffett labels the Caldera government an "autarky," and characterizes the economic situation of the country as one of "self-inflicted asphyxiation."

Moffett's front-page diatribe has nothing to do with journalism, but constitutes rather a declaration of war by the financial powers that own his paper. Further, it does not respond to some change in Venezuela's internal situation. The urgency is the elimination of President Caldera as a potential model for the rest of the continent, in the aftermath of the collapse of such "Thatcherite" models as the Mexican "miracle" gone bust.

The systematic collapse of the Ibero-American banking systems and economies, from Mexico to Argentina—caused by the "reforms" imposed by the Bush and Thatcher governments through their continental partners—has prompted governments, and political and social institutions throughout the region, to search for alternatives distinct from the "Mexican model." President Caldera is the only head of State who has dared to denounce the fallacies of British "neo-liberal" economics, and in particular, the farce of Salinas de Gortari's "Mexico miracle." Further, Caldera has posed the urgent need for genuine Ibero-American integration in the face of the imminent disintegration of the international financial and monetary system. The usurers of Wall Street and the City of London want to eliminate Caldera as an alternative, and even hope to return to the era of Carlos Andrés Pérez ("CAP").

It is no accident, therefore, that the *Journal*'s declaration of war against Caldera coincides with an international campaign to revive the political cadaver of Pérez in Venezuela. Many of the same individuals who helped to bring about CAP's fall, expecting economic and political benefits, now argue that only CAP is capable of taking Caldera down, and of continuing with the "reforms" that ruined Venezuela in the first place. Among these are novelist and politician Arturo Uslar Pietri, who recently argued that the wretched "Chilean model" (debunked by an *EIR* exposé on July 21, which has widely circulated in Ibero-America and elsewhere) should be imposed by any and all means, including the overthrow of Caldera by a military coup d'état.

Continental ferment

The president of the Venezuelan Bishops Conference (CEV), Bishop Ovidio Pérez Morales, wrote in the daily *El Nacional* of Aug. 19 that the foreign debt has become "an increasingly heavy burden . . . in the face of which there is no other response but to form a strong national movement, in solidarity with brothers beyond our national borders, which can save us from such intolerable slavery."

Pérez Morales, the bishop of Maracaibo, Venezuela's second largest city, decries the fact that Venezuelans will be forced to live as "vassals . . . working only to satisfy greedy creditors who will never be anything else." Internal reforms to achieve economic and fiscal well-being, he says, are meaningless, "if there is no liberation from the slavery which this 'eternal' debt signifies."

Wall Street understandably worries that such a call will be heeded. The foreign debt is today a matter of debate from Mexico to Argentina. In Argentina, Congressmen Orlando Juan Gallo and Antonio Achem have presented a bill to the national legislature calling on the Executive branch to declare a moratorium on the foreign debt. According to the bill, payment of debt service would be suspended, and negotiations held to set a defined payment schedule more appropriate to the possibilities of the country, based on its internal economic requirements.

In Venezuela, a bicameral congressional commission is studying various options for addressing the debt, whose service will take 40% of the national budget in 1996. The starting point of these discussions is that the 1987 refinancing agreements, and the 1991 Brady Bond reprogramming, are completely illegal, because they are unconstitutional. The agreements establish that the Venezuelan State must submit to the legal jurisdiction of the state of New York, thereby renouncing the dictates of the Venezuelan Constitution on this matter. The conclusion is, that the debt agreements therefore are not binding on the current government, nor on any government. The precise formulation that Bishop Pérez uses on the debt is "unduly contracted and irresponsibly facilitated." At the present time, there are several members of the commission who are seeking a consensus on the debt among the social institutions of the country, assisted by the alarums coming from church authorities.

The question of the debt, and of the necessary reorganization of the financial system, was at the center of discussions at a recent forum, entitled "There Is Life After the Death of the IMF," organized by the Ibero-American Solidarity Movement (MSIA), the Forum of Rural Producers, and other social organizations in Mexico City on Aug. 18. At the conclusion of that forum, a programmatic document was prepared and later presented to the Mexican Congress.

One week earlier, Mexico's most popular political and cultural weekly *Siempre,* commented editorially that "the former President [Carlos Salinas de Gortari] was neither a great economist nor a great politician. What he was was an exceptional illusionist, and a genius at staged scenery." The editorial then asks: "Why, if Carlos Salinas failed as an economist, are his disciples repeating the same schemes and the same errors? Why are they continuing with a failed economic model?"

Failed models

The fact is, that the editors of the *Wall Street Journal,* whose board of directors includes former Mexican President Salinas, chose a bad moment to defend the "Mexican model" of usury. Moffett writes in his slander that even Mexico "has more reason to feel optimistic than Venezuela." What "reason" he is referring to, is anybody's guess, since Mexico's finance secretary has just presented the Second Quarterly Report for 1995 on the country's economy, public finances, and debt. The Gross National Product fell in the second quarter by 10.5%. The index of open unemployment rose in that same period by 6.6%, which is presented in the report as reaching bottom, since the index in January rose 40.6%, in February 17.5%, and in March 7.5%. During the first half of 1995, the foreign debt rose by $8 billion, despite the fact that during the first quarter, the government *paid out* $8 billion in debt service.

And what can one say of the Brazilian model? After President Fernando Henrique Cardoso had promised to privatize the State-owned banks, he was forced to order a takeover of Banco Econômico and to hand it over to the state of Bahía, in order to prevent a domino effect being triggered by the bankruptcy of this seventh largest bank in the country (see *Report from Rio* in this issue). His action provoked such anxiety that the president of the Brazilian Central Bank threatened to resign, and Cardoso's political opponents accused him of "chickening out."

In Argentina, the magazine *Noticias* on Aug. 14 asks the question: "Why is the country increasing its debt if it has improved tax collection, obtained a Brady Plan, and sold off public companies, all with the argument of paying off the foreign debt?"—debt which at the end of June reached $85.9 billion, according to figures released by the government itself. By the end of the century, according to these same figures, Argentina will have paid service on its debt to the tune of $66.3 billion, should the principal not have increased by then. But even last year, the debt rose by $11 billion.

Further, Argentine Finance Minister Domingo Cavallo wants to impose a new tax plan that would include the computerized regulation and oversight of Argentines' personal finances, including their bank accounts. The daily *Ambito Financiero* of Aug. 14 angrily responded that "only fascist regimes resorted to overseeing the people's consumption, as Cavallo now wants to do, and through the banks no less."

The president of the Argentine Industrial Union (UIA), Jorge Blanco Villegas, gave a closing speech to the Second Argentine Industrial Conference in Mar del Plata, which was reminiscent of what Venezuela's Caldera has done: "We industrialists are against indiscriminate and ingenuous [free-market] opening, and are in favor of an administered economic opening, such as that employed by the United States, the European Union, or Japan." He added, "There are some, riding the anti-statist wave, who want to sell us Argentines a bill of goods. . . . These are the sectors I would define as market fundamentalists. They think of the nation as an airport 'duty-free shop,' and of its inhabitants as either window-dressing or as satisfied customers. . . . These are the ones who have yet to understand that the country cannot consume if there is no production, if there is no work, if there is no industry."

In the face of such continent-wide ferment, the usury mafia which kept Carlos Andrés Pérez in power, has launched a "final offensive" to put CAP at the front of the opposition to President Caldera today. This campaign was only recently launched, just after the late July visit to United Kingdom Ambassador John Flynn, who visited CAP at his residence, where he is under house-arrest. When this reporter called the British embassy to ask for an explanation for the visit, they responded that "their mission is not to have an opinion about Venezuelan internal affairs."

Yet, just a few months ago, the Venezuelan government found it necessary to complain when that same embassy invited former Army Col. Hugo Chávez Frías, leader of the Feb. 4, 1992 coup attempt against CAP in Caracas, to visit London. Only days earlier, embassy counsel Paul Hare had dined with Chávez in a public restaurant. More recently, the former director of Military Intelligence under CAP, Herminio Fuenmayor (who was fired from his post after a scandal involving drug trafficking), wrote an intelligence "evaluation" in the Caracas weekly *Elite,* which backed Chávez, and which accused President Caldera of seeking to pull off a "self-coup."