Venezuela Crucial Link Between Latin America and New World Trade Flows

Exclusive to NSIPS

Dec. 17 (NSIPS) — With Luis Echeverria no longer in power in Mexico, and Peru reined in from its leading Third World position by its New York creditors since the "cold coup" of July 16, Venezuela has emerged as the critical pivot point linking Latin America to the mushrooming triangular trade patterns between the European Economic Community, the Comecon, and the Third World, led by the Arab oil producing states. Largely as a result of the highly successful European and Soviet tour last month of President Carlos Andres Perez, Venezuela has moved firmly into this embryonic new world economic order, which is being financed independently from dollar sector trade credits by means of intersecting treaty agreements, gold-backed arrangements, petrodollars, and, through the recent Comecon proposal, the transfer-ruble. For the first time, Venezuela is using its enormous petrodollar reserves to finance its own capital intensive development, aided by technological and trade agreements with the EEC, Japan, and the Comecon. But even more importantly, this initiative is starting to serve as a developmental hub for the rest of Latin America, particularly the Andean Pact.

The visit to Caracas last weekend by Peruvian President Francisco Morales Bermudez was consciously viewed in this strategic context by President Perez. Perez has made it amply clear that the survival of constitutional regimes on the continent depends on economically fortifying the potentially pro-development governments in the Andean Pact against the Friedmanite juntas of the Southern Cone. Peru, which is under enormous pressure from its New York creditors to institute intensive austerity policies, is the "equilibrium factor" of the entire continent, as one pro-Perez journalist in Caracas put it last week. The key objective of the visit was, according to the Caracas daily El Nacional, to provide "oxygen" to the Peruvian economy — i.e., breathing room from the pressure of U.S. banks. The joint Perez-Morales declaration made this point explicit by denouncing "coercive or interventionist practices...linked to the providing of technical or financial cooperation." The declaration attacks the policy of "rolling over" old debts by asserting that aid must be "oriented toward development."

The "oxygen", as spelled out in the communique, is trade. Although magnitudes have not been specified to date, Venezuela has pledged a special line of credit to Peru for the purchase of Venezuelan products. Particularly significant is the agreement to set up a joint fertilizer venture for the processing of the Peruvian phosphate deposits at Bayovar, an operation which the Peruvian right wing has wanted to shut down. With adequate Venezuelan financing, revenues from the fertilizer, sorely needed throughout Latin America, will provide a welcome transfusion to Peru's balance of trade. Similar joint ventures are in the offing in the areas of tuna processing and auto. Meanwhile, Peru will increase its sales of cotton, fish meal, and iron pellets to Venezuela. In the critical area of oil, Venezuela will probably step up its supplies to Peru, while at the same time Venezuela has agreed to help recover unused oil wells in northern Peru.

Colombia

Perez also knows that Venezuela's fate is closely linked to what occurs in Colombia, which is dangerously close to falling to a right-wing military coup. Even before Morales arrived in Caracas, the Perez government had been carrying on a steady campaign to strengthen commercial ties with Colombia. Last month both countries formed commissions to coordinate the integrated development of the border region, which will include the construction of two hydroelectric complexes and a major waterways project that will facilitate river navigation in the Venezuelan-Colombian interior. Joint ventures are planned in sugar refining and mining, while both sides are working out details of sharing certain Andean Pact production quotas in the areas of auto, machinery, and light aircraft. Upon returning from his international tour, Perez made a point of visiting the Colombian-Venezuelan Feria de la Frontera industrial exposition, which he hailed as a sign of the fact that "we are indeed capable of moving forward on the difficult roads of industrialization."

The Venezuelan pro-development effort on the continent is not limited, however, to bilateral arrangements; it is located within the context of a struggle for the survival of the Andean pact, the economic counterweight to the Southern Cone military regimes. The overtures toward Peru and Colombia occurred following Chile's withdrawal from the organization at the beginning of November. Fifteen days later, largely through Venezuelan financing, the Pact established a $400 million fund, which represents a significant potential for fomenting regional trade and industrial projects. Simultaneously, Venezuelan representatives to the Pact have undertaken a strong diplomatic push to implement the long-dormant Andean Pact industrial program. Significantly, Morales and Perez, in their joint statement, pledged support for this program and for the critical Decision 24 of the Andean Pact treaty, which controls foreign investment and profit repatriation.

The Morales-Perez communiqué also ratifies support for the Latin American Economic System (SELA), an important vehicle for promoting trade and development, since it encompasses all of Latin America, including

Cuba, a member of Comecon. A functioning SELA would supersede the limitations of conflicting Andean Pact and Southern Cone geopolitical "blocs" by presenting crucially needed trade opportunities to countries like Brazil and Argentina.

Industrialization of Venezuela

For the obvious reason that Venezeula has almost $8 billion in reserves, Perez enjoys an advantage uncommon in Latin America: Venezuela cannot be coerced with the threat of a credit cutoff. But until recently, the Perez government was isolated from authentic pro-development currents internationally by the way in which these reserves were utilized, namely, Venezuelan petrodollars were recycled back into New York banks, the Eurodollar market, and the International Monetary Fund and related institutions. Whatever funds were employed regionally were used for the sole purpose of averting bankruptcies on outstanding dollar debts, particularly among Central American and Caribbean countries. Internally, investment was geared primarily toward mammoth raw materials projects along the lines of Secretary of State Henry Kissinger's proposed International Resources bank (IRB), a monetarist scheme inimical to the development of any self-subsisting industrial base.

Venezuela's present five-year program, the V Plan, was designed by the World Bank directly on IRB premises. A limited amount of petrodollars was to be invested in brute extraction ventures financed mostly by dollar loans. The bulk of Venezuelan exchange reserves were to be left untouched as a prop for the dollar monetary system, while the nation was slated to be plunged into a severe balance of payments deficit by 1980. Meanwhile, the remainder of the economy was to be subjected to labor intensive projects in order to avoid "unnecessary" capital investment.

Perez, however, is effectively throwing all these well-laid plans out of the window. He has discarded the primary feature of the plan by using Venezuela's financial resources and oil for capital intensive development. This was vividly expressed in the unceremonious announcement this week of the resignation of Planning Minister Gumersindo Rodriguez, a World Bank official.

It is no coincidence that within the past seven days the government has announced it will double its capital investment in the oil industry next year, and intends to pour $5 billion into developing new oil fields and constructing new refineries over the next five years. Dr. Felix Rossi-Guerrero, petroleum counselor at the Venezuelan Embassy in Washington, D.C., pointed out to the Journal of Commerce this week that capital investment in this sector during the period of 1970-74, before it was nationalized, totalled only $1.5 billion. "We may have some surprises up our sleeve," he said. At the same time, the Venezuelan Development Corporation (CVF) unveiled a $500 million industrial development program for next year, in what is hailed as a "new chapter" for the totally-revamped CVF. The program includes a credit line with Lloyds Bank of London for almost $100 million to enable both the public and private sectors to acquire British capital goods. Other credits are being arranged with the EEC as well. Similarly, bids of up to $1.7 billion were received from various international industrial consortia this week for increasing the capacity of the Guri hydroelectric project in the iron and steel region of Bolivar. When completed, the complex will be the second largest of its kind in the world. The turbines have already been purchased from Japan.

Coke for Venezuela's steel industry, scheduled to increase four-fold by 1980, will be provided by reactivated coal mines, according to a feasibility study published this week by C.A. Minas de Naricual. These mines had been idle since the 1950s, and already a team of Czechoslovakian technicians has visited Venezuela to discuss the development of new fields. Finally, the CVF announced that Iran and Japan will be participating in a $200 million sugar refining project.

"At this moment we are large importers of capital goods," declared the minister of the petrodollar fund, Quero Morales, in Paris Dec. 14 following meetings with top French officials and industrialists. This quest, backed up by Venezuelan agreements to supply oil to governments anxious to bypass the Rockefeller "Seven Sisters" multinationals, is linking the nation's economic progress directly to the emerging core of trade networks taking shape around Europe. Great Britain, through the British National Oil Corporation, is actively helping Venezuela in exploration of promising off-shore sites. To reduce dependence on tankers from U.S. oil multinationals, Venezuela is negotiating extensive arrangements with Japan, Sweden, Yugoslavia, Finland, and Britain for the construction of a Venezuelan fleet and shipyards. Simultaneously, the Comecon, particularly the Soviet Union, is working out arrangements for ensuring Venezuela's technological independence.

Mexico: Battle for Land Close to Civil War; Debt Question Pressing

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Dec. 17 (NSIPS) — The principal lawyer of the large landowners (latifundists) of the Northwest region of Mexico, Ignacio Burgoa, announced Dec. 10 that an administrative judge in Mexico City had invalidated the Nov. 19 land expropriation decree of then-president Luis Echeverria, which distributed 100,000 hectares to 8,000 families in the Yaqui Valley of Sonora for collective farms.

Over the following three days the latifundists and their business allies centered in Monterrey applauded the decision through the press. Silence from the Office of President José López Portillo and the ministry of Agrarian Reform was taken as tacit acquiescence to the roll-back of Echeverria's land reform efforts.

But by mid-week the voices of peasant leaders and their allies in Congress had broken through the press. In