Venezuelan labor adviser: 'Will Latin America defend itself?'

Venezuela has recently joined the list of Ibero-American nations whose difficulties in meeting short-term financing needs, and tremors in the national banking system receive daily attention from nervous bankers. For the past weeks, talks of an imminent devaluation of the bolivar has grown.

Capital flight, which had been running around $70 million a day, zoomed in the last two weeks after government intervention into one of the country's largest private banks, the Workers Bank, provoked talk of "banking panic." Capital flight has so drained the treasury's resources that in the month of September alone, reserves plummeted by $1.2 billion down to $4.3 billion—a 50 percent decline over the first three quarters from $8.6 billion at the start of 1982.

The situation assumed crisis proportions on Dec. 6 when financiers in southern Florida, who had been trading the bolivar at 4.9 and 5.0 (the official fixed rate is 4.3 to the dollar—and has been for close to 20 years), stopped taking the currency altogether, telling their clients that either a devaluation or exchange controls were expected imminently.

Venezuelan President Luís Herrera Campins charged three days later that the refusal to trade bolivars by the Miami-based "speculators" was a maneuver to "artificially give the impression that we are about to devalue the bolivar." The President reiterated that the bolivar is sound, Venezuelan democracy is sound and capable of dealing with the crisis, and people should stop looking for a devaluation.

Certain circles in Venezuela have gone to drastic lengths to maintain an air of creditworthiness, to put distance between Venezuela and the rest of Ibero-America and to slow down capital flight with "technical solutions" (interest rates in Caracas are 5 to 6 points higher than those prevailing in the United States). The fact that none of this has even dented the dollar outflow underscores the political nature of the current crisis.

Those "talking down" the bolivar have a lot more in their arsenal at this moment, than the government of Venezuela has equipped itself with for the defense of the country's finances and economic health. Merely "talking up" the bolivar will not return psychological confidence in the currency, when the free convertibility of the bolivar allows international bankers and Venezuela's self-centered *nouveaux riches* to bleed the country at will.

Chicago School monetarism, the basic policies followed by the Herrera Campins government for most of its administration, is under growing attack from labor and business sectors in the country. The first victim of this anger was Finance Minister Luís Ugueto, who lost his job last week as the government attempted to ease the pressure against it. His replacement, banker Arturo Sosa, Jr., has spent no little effort in the past weeks to profile himself as more "pro-industry" than Ugueto.

A national debate has begun over what happens next, a debate much hotter in private than anything yet to reach print, *EIR* Ibero-American Editor Robyn Quijano reported from Caracas Dec. 16 after a series of meetings.

The following interview with Leonaldo Montiel Ortega, conducted in *EIR*'s New York offices Dec. 11 by Ibero-American Editor Dennis Small, reflects one part of that debate. Montiel Ortega, the Director of Technical Economic Studies of the Universidad de Santa Maria of Caracas, an economic adviser to the Venezuelan Federation of Labor (CTV), and a leading opposition politician, launched several broadsides against monetarism and the International Monetary Fund in the Caracas press during recent weeks.

Small: What do you think the Malvinas episode meant, and what is the nature of the situation that came about after the Malvinas?

Montiel Ortega: Fundamentally, it is a shock. I speak specifically of the open support for England by the United States. Together they formed a type of column that can identify itself with a bellicose NATO policy against an underdeveloped

Latin American country, that, for better or for worse, was trying to realize a claim it had sustained for more than 100 years over a territory that in my opinion, belongs to it.

It was a shock because the United States, which has made much of being pro-Pan American and pro-hemisphere, did not take such a position. And its position, contrary to the interests of the hemisphere in which it exists—the area, in my opinion, which is the most important part of its international policy—was truly mean-spirited, distasteful to any Latin American who considered the United States a brother country.

I want to make it clear that for us, the problem was not Argentina per se, but is centered on the existence of Latin America itself. If Latin America could not come to agreement amongst itself in that moment, in a situation involving national sovereignty, Latin America would have become worse than an entelechy, a completely empty term.

Latin America after the Malvinas has begun talking of the possibility of transforming itself into a type of geographic zone with relative unity and common objectives. This is important. But there is no doubt that the history of Latin America can be divided into two parts: before Malvinas and after Malvinas.

There is one sector or economic factor that is overshadowing everything else: the fact that Latin America is a large debtor to the economic centers of power, and they are debts that be paid in their entirety only with difficulty. The Brazilian, Argentina, Mexican, and in fourth place, Venezuelan, debt, from a general standpoint, are difficult to cover, and they are now reaching maturity.

For this reason, refinancing is now the dominant theory. All the countries want to refinance their debts, to reorganize their economic systems. But the question is this: in the time that is bought by the assumed refinancing of the debt, could a stable, equitable and adequate development be achieved which could allow these debts to be paid? My answer is no, that time would not be enough.

And there is another thing which is worrisome: What are the terms? If we look at the Mexican case, those conditionalities are really damaging to the sovereignty of our peoples. We cannot accept them.

Small: You spoke of the necessity for Latin American countries to unite to force some type of collective renegotiation of the debt, more favorable for them, and of rejecting the conditionalities of the IMF.

Montiel Ortega: Yes. I believe that one cannot negotiate unilaterally. In this sense President Herrera has been very clear, and on this aspect of his foreign policy I support him totally. We must negotiate the problem of our foreign debts in a global manner, not unilaterally.

Secondly, we must negotiate now, outside the framework of a conflict and above all without bringing about an economic collapse that would oblige us to negotiate on the terms of the creditors. In other words, if we negotiate when our backs are to the wall, we will lose our sovereignty.

This is different from what the gentlemen who work in the International Monetary Fund, the World Bank, or the Bank for International Settlements, a sort of auxiliary treasury of the IMF, propose. They intend something else. They intend, in my opinion, to collapse the underdeveloped countries, since once they are collapsed, their economies will have to accept solutions of force. And if they are forced upon us, no matter how much we pretend we maintain sovereignty, we will not have it.

Thus, there is this dividing line: the IMF and its adulators, or at least the economic forces centered around that framework, are trying to induce the economic collapse of our countries. This is the first step of a continuum which could lead ultimately to the point of armed intervention, should the political-economic strategy to force the collapse of our countries through the IMF fail. And the Malvinas is a test, a live exercise, or dress rehearsal, of the bellicose action against our countries which could come if the political and economic strategy pushed by the IMF fails.

Small: Perhaps it is a modern example of using gunboats to collect the debt. . . .

Montiel Ortega: Certainly, but within a completely different scheme, because they know they cannot collect the debt. What then, do they have in mind? What is the one thing that they don't have in their countries, the eight or ten countries that are the center of the world, given their state of development. What they don't have is raw materials.

The way the Mexican situation occurred is clear. You don't have the means to pay the debt? Well, the only thing they have of value is oil, which the U.S. and other economic centers of power lack. Then, they sold their oil in advance. They sold the oil while it was still in the ground; the sale of oil in the ground is the sale of the deposits themselves. It is denationalization, in a certain way, of Mexico's oil. And this Mexican oil ends up being stored in Louisiana as a strategic reserve for the U.S.

Well, I don't want that to happen in Venezuela, which could have a similar problem, since it is a petroleum-exporting country. We of course are not at a point of such collapse as is the Mexican economy. That precipice is far away, but Venezuela is definitely on the same path, and the monetarist policies applied [in Venezuela] under the pressure of the IMF are similar to those that created that Mexican economic debacle which led to the denationalization of the oil.

Small: Let us continue with this point of the parallels between Mexico and Venezuela. Mexico imposed exchange controls, and nationalized the banks, but it was a little like closing the barn door after the horses had left. There is massive capital flight in Venezuela at this time, and there is talk of a devaluation or exchange controls. What do you propose?

Montiel Ortega: As I said, Venezuela is not at the same point of collapse as Mexico. We have six months to organize a strategy to stop the capital flight, and the transference of dollars abroad which is leading to the disappearance of our reserves, also denominated in dollars.

Now, how do we stop this hemorrhage? There is only one way: exchange controls. But in my mind there cannot be only exchange controls: they must be differentiated such that those activities which add to production are granted or allotted dollars, and no dollars are given, or are granted at a much more devalued rate, for those activities which pull money out for gambling in Las Vegas or to buy real estate in Miami.

In other words, anyone who wants to buy inputs which are necessary for industrial development could obtain dollars at the rate of 4 bolivars per dollar. Those who want to send capital out of the country for their personal uses will have to spend 6, 8, or 10 bolivars to the dollar.

But what does the Fund recommend? It opposes anything resembling exchange controls, this we know. He who imposes exchange controls, enters into conflict with the Fund. And since the Fund is that which gives guarantees on all refinancing, we are practically committed to not impose exchange controls.

And that is the dog which bites his own tail. We need to refinance to buy time, but the IMF must guarantee the refinancing. The Fund does not permit, or "suggest" it, and if exchange controls are imposed, we will lose the Fund's guarantee, and then we will not be refinanced—it's like a merry-go-round, a carousel that keeps us in an orbit which is leading inexorably toward collapse, if we don't change our strategy. . . . I believe that Venezuela can change its strategy to resolve its economic and financial problems.

This is a type of game of strategy in which the Fund's opinion prevails. The Fund is operating through the Venezuelan central bank, where it has its followers, who consciously or unconsciously, are playing the Fund's game. It is the central bank which establishes the policy of reducing monetary liquidity. . . The figures on monetary restriction in 1982 show a gigantic reduction, much more than the country can support. The official figures show a 2 percent reduction in liquidity, but this does not take into account the fact that in the last two years, total liquidity grew at 20 percent a year. Suddenly, in 1982, following guidelines which are in my opinion international, laid out by the central bank, not only was this growth stopped, but there was a 2 percent reduction. The real reduction was therefore not 2 percent, but 22 percent—a reduction which no country can withstand without falling into internal illiquidity. This is what has led our private sector and the national banks to a reduction of credits and a reduction in investment, which therefore has led to high unemployment in Venezuela.

And this is a game which is consciously or unconsciously obeying the politics of the IMF. If this continues, the self-provoked illiquidity is going to be transformed into chronic illiquidity . . . leading to an inexorable devaluation to resolve that problem, which would begin a process of chain reaction global collapse, and the loss of our petroleum reserves.

Small: Given various moves against the International Monetary Fund by various countries in the region, there have been various proposals. One idea is to take the continent-wide problem of debt and to use foreign debt like a political weapon. LaRouche, for example, proposed the use of what he called the "debt bomb." What do you think of this idea for a collective renegotiation of the Latin American debt?

Montiel Ortega: That seems an intelligent strategy to me, but it requires one thing: that Latin America function as a political bloc, a unity, and this we have not yet achieved, it is in the process of formation. The Malvinas gave us the notion that united we owe so much money that if we don't pay it, we will bring down the international financial system. It also shows that Latin America must become a great bloc, and stop being a kind of disintegrated or spineless middle class of the world.

But there is another factor, the defense factor. That is, if the Latin American countries decide to unite to not pay the debt, or to pay on its own terms, we would have to be presented prepared to defend ourselves against the predators sent by the economic centers of power to militarily trample the sovereignty of our nations.

But I definitely agree that Latin America collectively use its negative power of debt payments, because we know that if the debt is not paid, the very international financial system—led by the IMF and the Swiss banks—would be shattered like a broken mirror.

Small: So you think, that the recent proposal of President Siles Zuazo of Bolivia for the Andean Pact nations to join to collectively negotiate their debt, is positive and useful as a first step. Only the Colombian President has responded favorably; as I understand it, Venezuela has not yet responded.

Montiel Ortega: I cannot answer as to whether President Luis Herrera has responded, but it would not surprise me that he would subscribe to such a natural proposition, since President Herrera has an appropriate foreign policy in those terms, and he is favorable to Latin American integration, as he demonstrated during the Malvinas. I totally disagree with the Venezuelan central bank's current policies, as I stated before. But President Herrera's foreign policy has achieved some successes, and I have no reason to quarrel with it. I would not find it at all strange if President Herrera went along with Siles Zuazo's proposal.

Small: What is your evaluation of the policies of [former President and current Acción Democrática leader] Carlos Andrés Péres?

Montiel Ortega: I can state this: the Venezuelan leader who has most clearly situated and analyzed the problem of the International Monetary Fund is Carlos Andrés Péres.