Venezuelan economy shifting from industry to money laundering

by David Ramonet and Mark Sonnenblick

Venezuela is gaining a new niche in the international division of labor. Its socialist President Carlos Andrés Pérez is offering the nation's agriculture and industry, its oil, and other natural resources to foreign investors. On Feb. 28, he named Harvard-educated businessman Andrés Sosa Pietri as the new chief of the state oil company, PDVSA. The previous chief had objected to schemes to mortgage oil as collateral for the foreign debt.

On March 8, U.S. Vice President Dan Quayle told a Washington press conference that Pérez "is doing the things that must be done" and that his strategy "has President Bush's support."

If implemented as planned, Pérez's policies will facilitate Venezuela's transformation into a money-laundering center. A nationwide debate over setting up offshore banking and gambling casinos is now raging in the country. Edison Perozo, the chief of the Superintendency of Foreign Investment, warned Feb. 21 that the new foreign investment law, which permits "investments" to move in and out of the country with no questions asked, could lead to "implanting a narco-economy." He charged it would facilitate "infiltration of the infamous mechanisms for laundering dollars." The Archbishop of Maracaibo, Domingo Roa Pérez, told the country's bishops March 8, "The country's moral aspect declines every day; we are in an almost apocalyptic situation. . . . The nation receives a fabulous quantity of dollars every day and we have no idea where they go."

A tale of two models

Opposition to the government's policies is increasingly focused around a 42-page booklet, "How to Make Venezuela an Industrial Power." During the past 18 months, the Venezuelan Labor Party (PLV), Lyndon LaRouche's co-thinkers, have saturated the country with 160,000 copies of this cogent program. It presents the critical choice: Venezuela must "put into practice the program which the PLV proposes and turn itself into an agro-industrial power, or execute the economic program of Carlos Andrés Pérez, the candidate preferred by Rockefeller and Fidel Castro, and remain eternally condemned to underdevelopment and to producing drugs to pay the foreign debt.

"Beginning with the [first] presidency of Carlos Andrés Pérez in 1974-78," the PLV program reminds readers, "our country has suffered a financial looting of nearly $70 billion, by means of the largest capital flight in the history of humanity, exacerbated by the usury of the international banks." But for that, Venezuela would today not owe a penny of its $32 billion foreign debt. And, it would also have $28 billion more foreign reserves.

That fraudulent foreign debt is being used by the Bush administration and the Wall Street crowd it represents to bludgeon Venezuela into surrendering its industries and the fabulous gold, iron, and hydrocarbon reserves which lie under its vast and underpopulated territory. In 1989, Pérez's government swapped $370 million of properties for a somewhat larger nominal amount of debt paper. It plans to escalate "debt-for-equity" swaps to $600 million this year. By these means, the banks get repaid, at a discount, for their fraudulent debt titles, and foreign speculators gain control of the country's paper, cement, construction, agro-chemical, and pharmaceutical industries. The government has already approved $2.7 billion worth of such conversions, and is pressing its masters at the International Monetary Fund (IMF) for approval for accelerating the giveaways.

The excuse for such giveaways is that the country cannot "resume growth" without hefty doses of "foreign investment." This argument is particularly absurd in the case of Venezuela, whose flight capital sustained the New York banks and the Miami condominium market for the past decade. Decree 727—promulgated Jan. 26—eliminates the rules which, since the nationalist Pérez Jiménez regime of the 1950s, have protected the national economy from the most abject colonial forms of looting. Decree 727 eliminates limitations on quick-buck swindles in which capital comes in, makes a killing, and flies back out with its windfall profits. It also opens up to foreign ownership public services such as telecommunications, transport, and commerce. It opens the capital markets, including banks, insurance, and brokerages to foreign ownership. And, most importantly, it accepts foreign capital in the oil, petrochemical, iron, and steel industries. It also promises Venezuelan elites that if they bring back their $45-60 billion in flight capital, they will be allowed to send it back abroad, no problem.

This, and many other similar measures, are the second stage in the "adjustment" program Pérez put in place when he came to office in February 1989. The first stage was like the artillery barrage with which an invading army "softens up" its enemy's position and will to resist. Pérez tightened a noose around the population, provoking a week of riots and looting, which he suffocated with 1,000 dead. Despite the riots, he continued the austerity agony, with more and more increases in the prices of public services, rapid devaluations, and high interest rates.

Pérez's program achieved rapid results. Imports were cut almost $3 billion during 1989, while exports rose. Pérez achieved that by shrinking economic output by 8.1%, in official figures, and 10% in estimates accepted by the *Financial Times* of London. Construction fell 30%, leaving 100,000 workers unemployed. They joined a pool of more than 1 million totally unemployed, in a country which had a perennial labor shortage. Inflation went up from 30% in 1988 to 96% in 1989, while wages were frozen. The unions claim the buying power of the average salary fell 90% during the year.

One measure of consumption, chicken production, was down 45% during the second half of 1989 from the same time a year earlier. This, plus radically higher interest rates, has "softened up" domestic producers to make them vulnerable for takeover by the international monopolists, who are circling them like vultures. Citibank is studying a debt-for-equity swap in which the Cargill grain cartel would snap up, cheap, Protinal, a large, integrated chicken-producing industry.

The whole agricultural sector is in similar prostration. The credit squeeze and elimination of subsidies on fertilizer and other inputs over the past year have reduced land under cultivation in the major crops by 30%. Pérez's across-the-board dropping of tariff barriers has left sorghum producers, for example, with a harvest which cannot compete with the imported stuff.

The Protinal chicken case illustrates what is being done, by design, to the whole economy: Consumers are starved, producers are pushed towards bankruptcy, and foreign ambulance chasers come in as "saviors," only to asset-strip the juicy remainders. Prime targets for takeover are modern industries which can be converted into export producers, yielding high profits in dollars.

At the start, Pérez's promise to liquidate "statism" and install a full "free market economy" attracted the support of most of the nation's business leaders. After all, most were U.S.-educated and all were imbued with *Wall Street Journal* ideology. Today, more and more nearly bankrupt entrepreneurs are feeling suckered by the goddess of "free enterprise." The National Council of Industry recently judged that "seen in retrospect, it seems like the original intent of [Pérez's] program was to displace national industry to make room for foreign capital."

That reality has never been reported in the business pages of U.S. newspapers in the dozens of articles describing negotiations for "debt relief" which Treasury Secretary Nicholas Brady is promoting. On March 4, Planning Minister Miguel Rodríguez said an agreement with creditors "to reduce Venezuela's foreign debt" was close to signing. Although the U.S. press makes it seem like Venezuela is getting some great gift in return for resuming full payment on its foreign debt, Rodríguez recently admitted that the "savings" would be only $500 million in each of the next five years. And that is merely a sugar-coating for the surrender of the national economy which is the hidden part of the "debt relief" package.

Denationalization of oil

The state oil company, Petroleos de Venezuela (PDVSA), is the golden goose. Since 1974, it has brought in hundreds of billions of dollars, most of which were stolen or wasted by the ruling elite. Now, the company has been so burdened by debts that it is no longer able to self-finance the maintenance of the 2.8 million barrels per day (mbd) production levels, much less invest in increasing them to 3.5 mbd by 1995, as sought by the government. Royal Dutch Shell and Midland Bank are now among the vultures hovering over PDVSA's subsidiary Petroven. They want to use debt-for-equity swaps to gain a chunk of its projects.

President Pérez announced Feb. 9 he would seek congressional authorization for "the participation of multinational oil companies in the petroleum industry in Venezuela." On March 4, Pérez argued before the nation's most important brain trust, the Institute for Higher National Defense Studies, that necessary petroleum sector investments were "a cost that could not be met, due to Venezuela's current economic reality." "We obviously need the collaboration of foreign capital to meet them," he concluded.

Casinos and money laundering

Life-long Chase Manhattan representative Pedro Tinoco, now head of the central bank, has drafted a law to liberalize the financial system to break existing barriers between banks and the wildly gyrating speculative money markets.

Politicians and tourist trade interests from Margarita Island, Venezuela's Caribbean paradise, want to turn it into an offshore banking and casino gambling center. According to *El Nacional* daily, "President Carlos Andrés Pérez agrees with casinos, but seems to prefer that Congress is the one to grant approval to them."

Alejandro Peña, president of the Venezuelan Labor Party, countered on Channel 2 television on March 9, "Converting Margarita into a financial and casino center would open the door to the mafia." He added: "There is no justification for a country to corrupt itself to get money. That is like a father asking his daughter to prostitute herself to earn money. . . . Twenty years ago, our fathers and grandfathers would not even have discussed the possibility of legalizing casinos."