

Andean Report by Peter Rush

Venezuela to OPEC: Drop dead!

The President is positioning the country to replace Saudi Arabia, help bust OPEC in league with United States.

Speaking out of both sides of his mouth in remarks to the press March 1, Luis Giusti, the coordinator of strategic planning for Venezuela's national oil company, PDVSA, said that Venezuela continues to back the Organization of Petroleum Exporting Countries, of which Venezuela is a founding member, but went on to specify that Venezuela would ignore any and all OPEC quotas for oil production.

His remarks are of a piece with the attitude of Venezuelan President Carlos Andrés Pérez (known as "CAP"), who wants to nominally maintain Venezuelan membership in OPEC, at least for the present, while undercutting that organization in practice, and continuing to cozy up to the United States. Since the beginning of the hot phase of the Mideast crisis last August, Venezuela has bent over backwards to increase its oil production and to volunteer to be the strategic oil reserve for the United States. In the wake of the carnage against Iraq, the Venezuelan government is going to even further extremes to please Washington.

Speaking to the *Journal of Commerce* March 1, Giusti spilled the beans. On the one hand, he forecast a 6 million barrel per day (bpd) surplus in world oil production, which he said was far too large for OPEC to handle. He proposed nothing that would prevent such a glut from driving petroleum prices through the floor.

On the other hand, he said that PDVSA is committed to expanding its oil production from a present 2.8 million bpd (already well above its OPEC quota) to 3.6 million bpd over the next

five years, regardless of near-term OPEC decisions to restrict oil production. As for Venezuela's continuing membership in OPEC, he opined, "We believe we are going to participate, have a presence in OPEC, but we don't know exactly how it's going to develop."

PDVSA President Andrés Sosa Pietri was equally explicit about Venezuela's strategy. "We must produce as much as we can place on the market. And we will produce as much as we can," he told the *Journal of Commerce* of Feb. 27. He explicitly discounted any role for OPEC in preventing an oil glut, saying that "there is no way that three or four oil-producing countries can influence oil prices" in the post-Gulf war world. "We want moderate, stable prices. And moderate prices require us to keep production high in order to keep income stable."

Speaking before the Venezuelan Association of Executives the same day, Sosa blurted out, "We are situated to reoccupy the position of being the top petroleum-selling nation, a position now occupied by Saudi Arabia."

The moves to wreck OPEC have become so blatant, in fact, that Pérez himself felt called upon to in remark to *Diario de Caracas* of Feb. 28, that Venezuela had no intention of withdrawing from that organization. But he went on to say that OPEC must change its "confrontationist" stance, that "understanding between producers and consumers is necessary."

The head of the ruling Democratic Action party, octogenarian Gonzalo

Barrios, concurred with this strategy. "It is now evident that the United States is going to be the owner of all the world's oil," he told reporters Feb. 24. "The best thing is to behave discreetly," he suggested, "because in some way, we may be presented with a backlash" from other countries because of Venezuela's subservience to the Anglo-Americans.

What Venezuela seeks in return from the U.S. was spelled out by Sosa in his Feb. 27 address. "If we do our marketing job with excellence," he told Venezuelan businessmen, "within the framework announced by the U.S. Energy Department, we will increase the quantity of crude and refined oil placed in the U.S. market."

Opposition to these policies is also vocal, however. For example, columnist Rafael Poleo wrote on Feb. 24 in the daily *El Nuevo País* that "CAP must understand that there's no hope with the United States, and he should discard that mode for a nationalist government which, with 10 years of effort, would create a serious and respectable country." He continued that Bush's energy plan "has caught our weary rulers with their pants down—their customary position," and went on to cite former President Rafael Caldera saying that what Bush wants from Venezuela is not the nation's oil exports, but control over the oil company itself.

This idea has been echoed by the small but influential Venezuelan Labor Party, which has plastered walls in Caracas with the slogan: "Today it is PDVSA; tomorrow it will be PDV-USA." There has been widespread support for such attacks. According to some polls, almost 90% of the population opposes the government policy of unconditional support for Bush, and most are also against surrendering the nation's sovereignty and its oil reserves.