that Carlos Andres Perez may well be out of the Presidency, but he has no intention of meekly surrendering the reins of political power to politicians out to dismantle his nation-building efforts.

Up until his last day in office, Perez successfully countered every CFR attempt to use the "Echeverria treatment" to turn him into a lame duck — i.e. by fostering capital flight and political destabilizations of the kind thrown against Mexican President Luis Echeverria in 1976. In his final speech to Congress, Perez gave a six-hour, detailed account of the economic successes of his administration, announcing: "I leave my successor a solid economy." In a parting interview with the press, Perez hubristically claimed that had *he* been constitutionally permitted to run as the AD candidate instead of Pinerua, Herrera would have been soundly defeated. And, perhaps most significant of all, in a last speech to the Venezuelan Federation of Peasants, Perez told them that he will soon be able to fully enter the citizens' fight "without the obligations or limits that the Presidency has imposed on me." He went on to call on the peasants to organize themselves and to fight to make sure that the next government maintains the pace of development and investment in the countryside that he carried out. "If this process is halted," he warned, "we will lose everything we have gained thus far."

The significance of these remarks lies in that they indicate that Perez and his collaborators are taking concrete steps to remedy the main political weakness of their nation-building faction — their lack of an educated mass base in the population, which has thus far allowed Kennedy-man and zero growther Romulo Betancourt to dominate within the AD. Now, Perez has made it clear, he will move from the Presidency to seize control of the AD party machinery from the aging and discredited Betancourt, and from there build up his forces to run for the Presidency again in 10 years — the earliest he is constitutionally permitted to do so.

Even Perez's worst enemies concede that he has a good shot at succeeding in both these goals.

It is within this framework that the following interview with Dr. Gumersindo Rodriguez must be viewed. Here, the author of the Fifth Plan and one of the leading strategists of the Perez faction, talks frankly about the broader economic and political *theory* behind the enormous successes of the Fifth Plan, and behind the question of development strategy for the Third World as a whole.

— *Dennis Small*

The theory behind

Part I of an exclusive interview with Dr. Gumersindo Rodriguez

Executive Intelligence Review's *Latin American desk chief Dennis Small interviewed Venezuela's Planning Minister Dr. Gumersindo Rodriguez while in Caracas last*

EXCLUSIVE INTERVIEW

month. Dr. Rodriguez's tenure in office ended this week with the swearing in of the new government of Luiz Herrera Campins. Dr. Rodriguez's comments are excerpted below in the first of a two-part series on the theory behind Venezuela's successful development plan.

Q: *How do you view the current dollar crisis?*

A: I believe that the problem that the United States faces today in its balance of payments is a typical example of what economists call the "transfer problem," wherein the United States has issued international currency to pay for physical goods which it has consumed, or which it has used in its domestic process of production. In this way, the exporting countries retain a large portion of the dollars paid to them for their goods. If the United States were to exploit its full productive potential such that it could, in effect, pay its creditors with real goods—such as capital goods — which the United States' creditors, such as the OPEC countries, Venezuela, Saudi Arabia, etc., would use in their internal production processes, I believe the U.S. balance of payments problem would be solved. The paper would be destroyed through the mere flow of physical goods, which would be the counterpart to the physical goods which the United States has used. This would produce economic development in the countries that use those capital goods and would generate imports from the United States, basically agricultural products in the first stages....

What the United States ought to do is stimulate the export of capital goods to the countries where there is under-consumption, or under and unemployment. As demonstrated in Venezuela, the *indirect* effects of the installation of these capital goods, for example in the service, transport, and warehousing sectors, are highly labor intensive — even though during the production stages these projects are highly capital intensive. There is housing that must be constructed near the projects, supermarkets that must be built, office buildings, business services, restaurants, warehousing and transportation. In this way employment increases, but at high wage rates, justified by the high productivity of the basic industry projects.

With these increased revenues, and since there are now deficiencies in the consumption of basic agricultural goods, consumption of agrogoods skyrockets. Domestic agricultural production cannot satisfy this demand in the short term. This first stage will stimulate the importation of agricultural goods, from which the United States would be the principal beneficiary.

If the United States organizes its medium-term (five to seven years) financing for the import of agricultural goods by these (developing — ed.) countries, such that they need not pay "cash" — which is the current system — then these countries could import without negative effects on their balance of payments. This would also improve the United States' balance of payments.

Thus, I believe there is a *perfect correspondence* between the interests of developing countries' industrialization and the solution to the dollar problem, through an intensive capitalization of the productive processes, through an improved level of income for the population by way of higher levels of employment. And I believe this will ultimately result in a highly favorable agricultural balance for the United States. I believe that the United States' dollar problem will be solved in the long run according to how the U.S. facilitates the export of its capital goods — which cannot be produced by the majority of our (developing — ed.) countries — which will improve our basic productive activities, and which will create a great demand for agricultural products to be satisfied at first by the United States. At a later stage, the United States will have to assist our countries by transferring a part of its agricultural technology, to allow highly capital-intensive agricultural production in our countries as the way of satisfying our agricultural needs.

Nuclear energy

Q: *This is exactly the strategy laid out by the U.S. Labor Party and its presidential candidate, Lyndon LaRouche.*
A: Yes.

Q: *And it is mentioned often these days in Europe as well, in particular by Giscard d'Estaing and Helmut Schmidt. They see the creation of capital goods markets in the Third World as the solution to their own economic problems. There is an intense debate in the United States on this point, whether or not to link up with the European Monetary System, which proposes exactly the solutions you have described. Your argument, then, would be that it is mutually beneficial for the Third World and the advanced sector to achieve the industrialization of the Third World? In this context, what should be done with the enormous Third World debt?*
A: I think your first question was answered to a certain extent in my initial comments. I repeat, there is clearly a commonality of interest between the highly capital-intensive industrialization of the developing countries with high productive potentials, like Venezuela, and the long-term interests of the U.S. economy and the industrialized countries in general.

Who's missing out on Venezuelan development?

Origins of Venezuelan imports — first semester 1977
(Millions of $)

Origin	Mid-1976	Mid-1977	% Increase
Japan	208	414	98.0
EEC	637	1040	63.3
Canada	96	157	62.8
Spain	67	107	60.2
USA	1232	1440	16.9

The Foreign Trade Institute released these figures at a time when the Carlos Andres Perez Administration was warning U.S. businessmen that they were losing out on contracts for major projects set into motion by the Fifth Plan. At one meeting with a trade delegation from the U.S. Department of Commerce in 1977, Perez challenged the American private sector to compete more aggressively for Venezuelan sales. According to Caracas government sources, West Germany, France, and Japan are still getting the lion's share of the increase in Venezuelan orders.

Source: Venezuelan Foreign Trade Institute

Now, within this process of industrialization there is a point which you have strongly emphasized, which is the question of electrification and the generation of electricity. I remember when I was Planning Minister in Venezuela, I presided over the Nuclear Affairs Commission, as well as the Regional Development Council — which coordinates regional development corporations — and we evolved coal development programs and so on. In accordance with the guidelines of the Nuclear Affairs Commission, all the research and feasibility studies have been done for the creation of a nuclear power plant for the 1990s. According to the studies that were done, the trends in oil prices would make it more economical to generate electricity in Venezuela with nuclear rather than oil-powered plants. By that period we will also have used up our water reserves from the Guri and the Cauca waterfalls (which are now being used in Venezuela for hydroelectric power generation — ed.).

Our objective in the hydroelectrification of Venezuela has been to reduce domestic consumption of oil in order to free it up for export. Of course, as in any electric power system, you can't depend on any one single source of energy as there are great logistical risks, especially when that one source is concentrated in a few water falls; so we decided to generate thermal reserves, using coal rather than hydrocarbons. On this basis, we initiated studies on the installation of coal-based thermoelectric plants. All this will result in the freeing up of more oil for export.

In the process of domestic industrialization we have, for example, put an end to the chaos we had in the automotive sector: too many models, too many assembly plants. We reduced them to a very limited number, and then proceeded to change the construction of the motors to include much more aluminum in the automobiles to reduce their weight, thereby facilitating savings in fuel consumption. This will produce a higher yield per gallon, more kilometers per gallon, and this too will release a certain relative amount of petroleum derivatives for export.

In the future use of nuclear energy, it might also be possible to cooperate with Brazil, in the sense that they have done exploration and there are already potential programs for cooperation in the Roraima, the common border between Venezuela and Brazil, where there are large uranium deposits. The next question will naturally be the eventual agreement on how to contract the corresponding uranium enrichment. As for the risks, of course we have studied them; but the same risks exist in the case of flaws which could lead to the collapse of a dam, which also claims victims. These things have already been studied technically.

But I want to say, as regards energy, that the process of our industrialization must assure the conservation of the physical wealth of our country — that is, that it be highly capital intensive, but of low resource intensity — to a point. So that when you electrify, for example with nuclear energy in the future, you are using a highly capital intensive process, but it is, at the same time, of a low resource intensity. Since you have low resource intensity, the country will have at its disposal more resources for a longer period of time for industrial applications — for the petrochemical industry for example.

The debt question

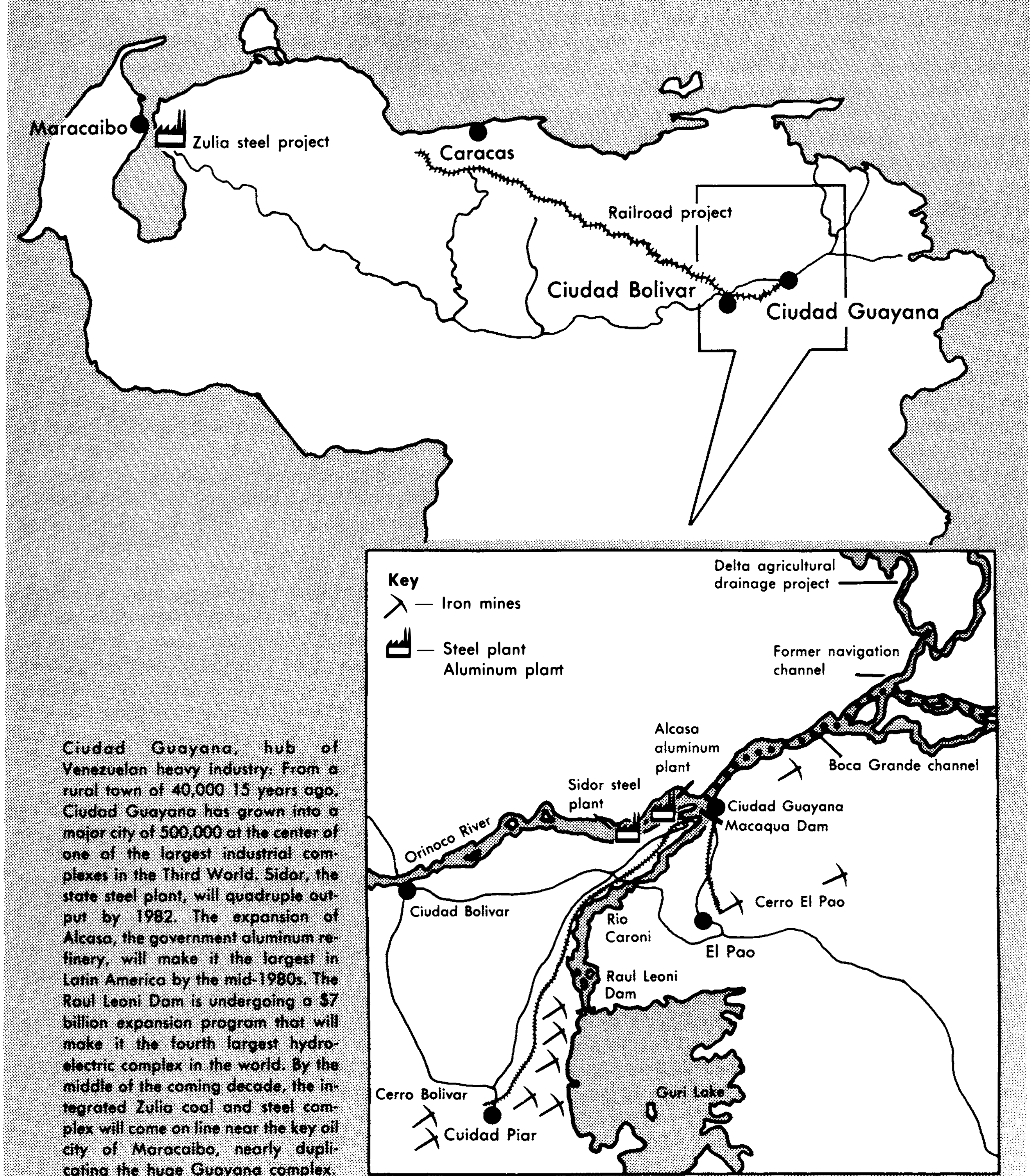
Now, regarding your other question on monetary and debt problems of the developing countries. I think the current debt problem is one of the nonparticipation of the developed countries' public sectors, as a result of the lack of aid. So, the developing countries have been contracting very short-term debt, mainly with commercial banks in the Eurodollar market, in order to finance those capital-intensive projects which require longer-term financing. Due to the lengthy planning and gestation of maturation period required by these projects, the flow of real earnings of social income that the projects generate is not appropriately synchronized with the foreign payments which must be made (on the debt— ed.).

Another problem is that many of these projects generate social income which is consumed internally, but do not generate foreign exchange in sufficient quantities. One of the problems we have, therefore, is how to adopt policies to allow part of these highly capital-intensive projects that are financed by foreign credits to, at the same time, save foreign exchange by substituting imports or generating exports, in order to pay for that part which was financed with foreign credits.

I would say that the most important problem today would be inducing long-term public or private capital flow linked, of course, to the maturation period of these highly capital-intensive projects which must be financed.... We must think and look for a formula, many formulas, to achieve this.

I believe, for example, that the banking system, with state backing, could well establish better roll-over procedures. You convert short-term credit into long-term credit — that is, you convert it into a revolving credit — if the creditor is certain that you will have the foreign exchange to pay in the future. If there is any doubt that you will have that foreign exchange, the short-term credit will never undergo this conversion. In other words, the first thing that must be done is to adopt measures to assure a permanent flow of foreign exchange from these (borrower) countries. Now, how will this be guaranteed? The most practical way is to apply highly capital-intensive techniques to natural resource-related sectors which would allow savings of a considerable amount of foreign exchange that would other-

Heavy industry in Venezuela



Ciudad Guayana, hub of Venezuelan heavy industry: From a rural town of 40,000 15 years ago, Ciudad Guayana has grown into a major city of 500,000 at the center of one of the largest industrial complexes in the Third World. Sidor, the state steel plant, will quadruple output by 1982. The expansion of Alcasa, the government aluminum refinery, will make it the largest in Latin America by the mid-1980s. The Raul Leoni Dam is undergoing a $7 billion expansion program that will make it the fourth largest hydroelectric complex in the world. By the middle of the coming decade, the integrated Zulia coal and steel complex will come on line near the key oil city of Maracaibo, nearly duplicating the huge Guayana complex.

wise be used on imports. This would significantly ease the balance of payments situation of these countries.

I do think a formula could be agreed on, for example, in the case of the OPEC member countries. The oil exporting countries of OPEC maintain, and will maintain or recycle to the United States and to the Eurodollar market in general, the dollars that they will receive as a result of the increase in oil prices. These countries have already run into serious problems in their physical capacity to carry out certain investment programs — especially the Arab nations, because Venezuela's capacity for absorption is much greater than that of the Arab countries. I think that a mechanism for international guarantees could be designed, in which OPEC countries, the multinational companies that export capital goods, the U.S. government, and even the World Bank could participate, with the object of guaranteeing the payment of this debt. That is, guarantee the debt of some developing nations in order to lengthen the maturity of that debt. OPEC — Venezuela or the OPEC Fund — instead of lending money directly to poor countries that are having balance of payments problems, would guarantee the debt incurred by those countries for specific projects that produce substantial savings on imports. For example, in Latin America you could guarantee financing by international banks for a client state which doesn't produce oil but which is going to develop its hydroelectric or coal resources, or which is planning automotive development to modify car motors to free up oil as a source of energy.

It is not a matter of merely lending, but of lending directly and perhaps guaranteeing loans. Because guaranteeing loans has the advantage of not using up all of your resources as you do in lending. Countries like Venezuela and other OPEC countries have given loans to help non-oil-producing countries with their balance of payment problems. But not much has been done to help them finance projects, because the World Bank has always been opposed to financing projects, especially energy projects. Such energy projects — using hydroelectricity, nuclear energy, or coal — would permit many of these non-oil-producing developing countries to resolve their balance of payments problems over the long term.

In 1975-76, I was designated chairman of the World Bank meeting, and, in my opening speech, I referred to something which only now is gaining support.... I stated how the World Bank should finance projects in the exploration and development of hydrocarbons, for example. The World Bank had never wanted to finance projects of this kind. I spoke with Chenery, I spoke with McNamara about this matter. I made the speech myself. They didn't prepare it for me, the group didn't do it for me, as is usually the case.

In synthesis, I would say that this debt problem is severe, and can be resolved through measures, among which would be a coordination of multinational corporations, governments, and financial institutions of the oil producing countries to guarantee the debt, especially the short-term debt, that the developing countries hold with the financial system and, in this way, achieve an extension of the terms of the debt. And this, I think, would be important: channeling future indebtedness, or that which is freed up by extension of terms, into priority projects of basic industrial development.

The EMS as an alternative financing source

Q: *Within this question of monetary and financial alternatives, the European Monetary System, inaugurated this year, has offered a monetary option to the problems of indebtedness and development of the Third World, by setting up a multibillion dollar fund with the idea of making loans to the Third World. These credits will be directed to industrialization projects and the transfer of advanced technology to the Third World. What is your opinion of the European Monetary System? Do you see the European Monetary System as an option, as a step toward the new world economic order? And, specifically, what does this mean for Third World countries like Venezuela?*

A: I think that to the degree that more options are opened for holding assets, to the degree that there can be a monetary unit of the European system, for example, which is an aspect of that entity, central banks of all countries will have a greater option to diversify their assets and will also have more vehicles for covering their normal commercial transactions. I think this is positive. It is positive in that it expands these options and protects our countries from the risk of putting "all the eggs in one basket."

Of course, if the cost of achieving a European currency is an adjustment, let us say, with an inflationary "bias" for countries with greater (balance of payments) surpluses, such as Germany; if Germany has to adjust itself upwards in order to somewhat reduce the high value of the mark and, by so doing, cuts down a bit the high weighting of the mark in the currency "basket" which is going to shape the European currency; if there is expansion in Germany in order to reduce Germany's balance of payments surplus within this organization, then this expansion could be highly beneficial to our countries, to the degree that this expansion is translated into greater imports of manufactured goods and resources from our countries. If the implementation is done with a greater expansion of the surplus countries like Germany, which have huge import capacities, evidently, the creation of this system will be favorable from the outset. It looks like — and I don't have access to technical material or anything more than press reports on which to base my judgment — it will be highly favorable.

What is the Fifth Plan?

Q: *Moving on to the national level, you, Dr. Rodriguez, are considered the "intellectual author" of the Fifth National Plan. Could you describe this plan in terms of its basic objectives? And what are the means to achieve these ends?*

A: I would say that the National Plan, if we think in terms of the document as the norms for the country's development, concretized in specific programs, is the expression of an unavoidable and irreversible reality. The National Plan is *not* a project for the integral transformation of the country — economically, socially, and culturally — as some people might imagine. Rather, its field is highly concentrated in a strategic vision, which of course has implications for the rest of the society, economy, and culture which could not be included in the formation of the Plan itself. That is, it is a plan of a basically strategic character, in that it concentrates on the basic, essential sectors of the country.

One plans starting with conditions which come from the past, which one has not created. Neither does one have total control over the variables of the future. Thus, those of us who designed the National Plan found ourselves really in the center. I remember a famous phrase of a leader of the left wing of the British Labour Party, who used to say that world society has two problems: that the English are slaves of the past and the Russians are slaves of the future. I was always impressed with that phrase.

So, one finds an already organized past. People consume and their standard of consumption is already the expression of a civilization, which is a technical civilization, Western civilization, capitalist civilization, or whatever we call it. This civilization has become highly developed. This is all the outcome of an evolution which I think has been taking giant steps since the Neolithic Age. We came through the age of lapidary stone to the metallic age of the great industrialization processes.

You can't really tell if man could have found other standards of consumption and survival than those which he found, but these are the ones which have been passed along. And there have been ascending changes moving from one natural resource to another. Man could have perhaps, in an extreme Buddhist philosophy, found a way of processing air and living on that and perhaps wouldn't have destroyed nature nor made deserts. But, the fact is that we have a specific standard of consumption.

This is expressed in our modern age by durable consumer goods: automobiles, televisions, stoves, washing machines, refrigerators, polishers, etc. It is considered that this contributes to the progress of mankind, making happier homes and giving people more free time which man could potentially devote to the more delicate aspects of the spirit.

This is considered to be progress — and you would be hard put to deny that it is progress — despite all its defects. For example, I think that the auto industry might have given man a bit more freedom — conceivably we could find much better, much more efficient, transportation systems. However, up to now, the auto has been accepted as an element of humanity's progress by capitalist society. It also has been implemented in the Communist development model in the Soviet Union and Communist China is really trying to get itself on the same wavelength of this pattern of things.

Thus, we receive this standard of consumption. Now, we are a country which has not developed its export capacity — of agricultural goods and other continuous reproduction goods — so the only export item we have is our petroleum resources and iron ore....

If these are our only resources and they are nonrenewable, unlike the case of agricultural products, then we find ourselves faced with the following problem: If the population keeps growing and keeps improving its real per capita income, the income elasticity of demand for consumer durables is very high. Thus, we would have to keep importing consumer durables in great quantities. Now, the traditional model, the "ECLA" development model, tried to say: "Okay, produce these consumer durables domestically — the refrigerators, TVs, cars."

[Rodriguez is referencing the "developmentalist" model designed during the 1940s and 1950s by Raul Prebisch and his followers in the Economic Commission for Latin America. The ECLA or, by the Spanish initials, CEPAL, model ordains that the Lesser Developed Countries (LDCs) build up relatively labor-intensive industries to supply previously imported consumer products, but strictly limit the growth of basic industry—ed.]

But this just meant transplanting the same commercial distribution system, since what was done was simply to assemble in our country the imported components of those durables. Hence, to produce those consumer items we had to import technology and import the basic inputs, the parts, the components, to be assembled in our country.

The same is true even of our agriculture in Venezuela. Since we haven't developed forrage crop planting to feed our cattle, ranching ends up being an assembly industry, just like auto. You simply import soy and import sorghum from the agricultural countries of the developed sector to be processed into cattle feed in our country....

The problem posed to us was: get rid of the ECLA model.

To be continued