

Venezuela becomes a model in the fight for sovereignty

by Carlos Méndez

Facing a violent political offensive from both inside the nation and from abroad, Venezuela President Rafael Caldera is nonetheless continuing to seek development agreements with Brazil that are coherent with what is required to achieve the genuine economic integration of Ibero-America. Until now, Caldera has been defending his country through exchange controls and by refusing to sign a Letter of Intent demanded by the International Monetary Fund. Caldera has also said that he is not a follower of any economic orthodoxy, and that the problem of the foreign debt burden must be viewed from the standpoint of the eternal principles of law, which establish that when circumstances change, contracts need to be changed as well.

However, the situation cannot be sustained if Venezuela does not initiate more development agreements like the one it is seeking with Brazil, and against which Henry Kissinger, among others, is unalterably opposed, as he himself declared during his several-nation tour in Ibero-America in early May.

What Venezuela is experiencing is in essence no different from what the other countries of Ibero-America are going through. The difference is that Caldera is fighting back (see *Documentation*).

Although Venezuela does not have the political and economic weight of Brazil, Mexico, or Argentina, Caldera is aware that in the current crisis, a country like Venezuela can play a strategic role as a model of resistance of how to successfully confront the enemy, precisely as Peru under President Alberto Fujimori has been doing. It is therefore no accident that the enemy—headed by the British—is at war with Caldera.

The British enemy and their pirates

The British offensive against Caldera, through various agencies and fronts, is explicit. As the anti-Caldera daily *El*

Nacional reported on May 21, World Bank officials carried out an inspection tour on March 27-31 of the various economic measures taken by the Caldera government. The World Bank report on that colonial-style inspection, of which *El Nacional* published excerpts, says that the measures “do not constitute a complete stabilization package,” for which reason “we insisted to the government officials that fuel prices must be raised to international levels, that the dollar/bolívar exchange be raised to competitive levels, and that exchange controls be eliminated together with [Venezuela’s] policies of monetary and fiscal stabilization.”

According to a May 8 EFE news story published by *El Diario de Caracas*, the quarterly report of the *Economist Intelligence Unit* (connected to the London-based magazine the *Economist*) described foreign investment in Venezuela as “risky,” placing it in category “D,” at 75 points. (The risk point system goes from 0 to 100.)

On March 31, at the close of a roundtable discussion organized by the *Economist* in Caracas, in which several Venezuelan government ministers participated, Caldera rejected the demands of the World Bank and company:

a) Gasoline prices, he said, would not be raised: “We don’t accept the dogma that if we do not take this measure we will be condemned to suffer the scorn and ostracism of the international economic agencies.”

b) “I can assure you that the prospect of a coup d’état or of a violent intervention into the constitutional system in Venezuela is absolutely impossible. I am fully on top of things because I maintain perfect and constant communication with the Armed Forces and with the active forces of the country.”

c) “We need to instill confidence so that foreign capital prepared to collaborate in the welfare of the nation will return to the country. We do not want to see speculative invest-



President Rafael Caldera's challenge to the International Monetary Fund, on behalf of the sovereignty of his nation, has triggered a British offensive against him.

ments, since when there are problems, they evaporate, aggravating the problems of the market and harming the country."

d) "Thirty-four percent of the national budget this year is allocated to payment of the foreign debt, which is preventing these resources from being channeled to works of public interest. . . . Venezuela has honored and will continue to honor its international commitments. . . . Those international agencies interested in the reduction of inflation levels and in Venezuela's economic equity should help us to alleviate this heavy burden of the foreign debt."

e) Exchange controls "continue to be, in the view of the government, temporary. We set no limits. . . . In the final analysis, one cannot abandon those measures which have been used in other countries and which are indispensable to prevent flight capital."

The Chávez card

The British response to Caldera's defiance was immediate. In its April 8 issue, the *Economist* published an article entitled "The Cockroach King," referring contemptuously to President Caldera. Not only did the London magazine openly insult the Venezuelan head of state, but it threatened him with destabilization and even a coup d'état by saying that Caldera has suspended constitutional rights under the pretext of forestalling "anti-democratic activities." In inimitable

British style, the *Economist* added that "The country has in fact faced two attempted coups in recent years. Yet, Hugo Chávez, the army officer behind them, is out of jail—thanks to an amnesty granted by Mr. Caldera—and busy fomenting more trouble. Perhaps the pen really is more to be feared than the submachine gun."

A few days earlier, on March 29, Chávez had given a press conference in Buenos Aires in which he stressed that "the British embassy, for example, invited us to visit England in the coming months, but when the Venezuelan government learned of *this official conversation that we were having with the British*, it decided to sabotage the invitation."

On May 25, the Caracas daily *Economía Hoy* reproduced an analysis published by the U.S. newspaper the *Christian Science Monitor*, entitled, "Another Mexico? Venezuela On the Brink." It said that the government's incompetence has driven the economy to disaster, and that this has caused a vacuum of power that can only be filled by either the mayor of Chacao (former Miss Universe Irene Saénz) or by former Commander Hugo Chávez.

On June 18, the editor of the Caracas daily *El Nuevo País*, Rafael Poleo, wrote that Chávez was "in Paris meeting with Ignacio Quintana, the same individual who days before the [presidential] elections, brought the then-minister of defense to Washington to propose to the U.S. State Department a coup d'état that would prevent the elections from being held, and thus the victory of an enemy of capitalism called Rafael Caldera. The Americans treated Quintana like a nut."

'Defending oneself produces enemies, but . . .'

Speaking on June 1 to a colloquium on "The 21st Century, the Future of Communications," President Caldera declared: "We face a highly interesting situation, and I believe that Venezuela is taking a stand. A stand that means defending its own realities and its own interests. This will produce enemies who will unleash ill-intentioned campaigns against us and who will falsify facts to try to present a completely negative image of our country," but "we are calm. Without exaggerations, without boasting, we will defend our right to make our own decisions."

And on June 3, speaking to the Second National Assembly of Convergence, the non-partisan movement which supported his campaign for the Presidency, Caldera stated that "we are not going to submit on our knees to dictates from abroad. And perhaps those who would like to keep all the developing countries, and especially those in Latin America, on their knees begging for blessings, following orders, and turning over our capacities to the voracity of the big economic organizations overseas, don't like this. This is all known to the people, and the people feel that we are fighting to save Venezuela's dignity."

Integration and the deals with Brazil

"Latin America is realizing that to the degree the world is becoming more interdependent, it becomes more necessary

for us to take on our own personality, our own way," Caldera said on June 8, on the 25th anniversary of the founding of the Andean Development Corp.

For months, Caldera has been working on an agreement with Brazil that would include the creation of PetroAméricas, a huge binational company in which Venezuela would provide the oil and Brazil its sophisticated technology. The agreement also includes Venezuela's providing electricity to Brazil's impoverished northeast, and its participation in the construction of highways and other infrastructure works in this area of Brazil.

Last May, Brazil and Venezuela held a seminar on economic integration between the two countries in São Paulo. Participating in the seminar, which was conceived of within the context of Mercosur (the Southern Cone trade alliance), were the foreign ministers of both countries. It is said that on July 5, when Brazilian President Fernando Henrique Cardoso visits Venezuela, the launching of the electricity interconnection between the countries will be announced.

On May 22, under the title "Venezuela Presents Itself As the Integrating Leader of South America," *El Diario de Caracas* published the statements of Venezuelan Foreign Minister Miguel Angel Burelli Rivas, to the effect that "our priority is centered around the advances of regional integration, and we will take advantage of the meeting [of the Rio Group foreign ministers, held in Quito] to exchange information and review the progress of the Andean Pact and of Mercosur."

Documentation

'We are not going to submit on our knees'

On June 3, Venezuelan President Rafael Caldera addressed the assembly of the Convergence, the nonpartisan movement which supported his campaign for President. Excerpts follow:

The doors of Venezuela are open for anyone who comes to bring his intelligence, his money, and his technology in order to develop the potentials of the country, which, thank God, are very, very great. Our doors are open, our laws are broad and generous, our controls recognize the investors' right to take their profits and even their capital back home. We are willing to open ourselves up to the world and we have been taking decisive steps in the integration process, but this is ours, we run it ourselves because we are Venezuelans, we know Venezuela, we know what its realities are, and we are not going to submit on our knees to dictates given to us from abroad. And maybe those who would like to keep all the

developing countries and especially those in Latin America on their knees asking for blessings and following orders and turning over our capacities to the voracity of the big economic organizations overseas, don't like this. This is all known to the people, and the people feel that we are fighting to save Venezuela's dignity, to rescue Venezuela's chances to occupy the position it deserves in the concert of nations.

We often receive visits from foreign dignitaries and we are intensifying our ties, our interchanges with powers, with real powers in this hemisphere itself, and beyond it, but always within the idea that those who have to decide are ourselves. . . . and with something that is fundamental: We desire and support economic development, but the economy and wealth are not justified if they do not have as their final purpose and aim the well-being of the people, the human being, the Venezuelan family, which is our great treasure and is the basic objective which we must preserve and defend. . . .

This style of talking seems to be prohibited in international circles. Just as it seems that talking about social justice, for many who are giving the orders in the world at present, is a kind of heresy. Since we said that the economy, as indicated by the Preamble of the 1961 Constitution, must be placed at the service of mankind, there are those who consider us as a "phenomenon" and call us "backward-looking." Backward-looking because we defend social justice; backward-looking because we defend the workers; backward-looking because we say that it is not acceptable that in some countries the macroeconomic indices are improving and at the same time the percentages of poverty and extreme poverty are increasing. We are against this and we speak with clarity, without passion, without excess, but firmly; this is why we are giving an example. Venezuela is seeking a path. A path which is broad, combined with all the countries of the world, but conscious of its own role, its own personality, and its own sovereignty. . . .

And, as we said previously . . . great faith. The situation in which the Liberator, Simón Bolívar, found himself when he was asked by Mosquera in Patilica, "What are you thinking of doing, general?" And he answered, "Winning!" We have to win! We are going to win! And we will win!

Systemic crisis was not foreseen

On June 8, President Caldera spoke at the commemoration of the 25th anniversary of the founding of the Andean Development Corporation (linked to the Andean Pact). The following is from the text provided by the Information Office of the Presidency of the Republic of Venezuela:

We are not experts in any economic orthodoxy. We think that the exaggeration of the theories applied in various countries, in various places, has always been incompatible with the realities. Their consequences have been disastrous. We believe in the integration of countries. We believe in the globalization of the economy as an inevitable fact. We believe in the market as an indispensable force in economic

life, but we also believe that every country has its own circumstances, its own realities, and that it has the right and duty to deal with them in order to save its true situation and to be able to put itself out of danger from more serious circumstances. . . .

We are willing to deal with the fiscal deficit, for which we have little maneuvering room, of course, since the weight of the debt amounts to meaning 34% of the present budget exercise, which is a very heavy burden.

Venezuela is willing to honor its promises, but it has the right to have the international financial organizations, which have made large-scale donations to save other brother countries—which we applaud—at times when they were going through very critical circumstances, be willing to find a way for us to alleviate this burden. . . .

We do believe that the duty of governments is to think about their peoples, and that the human being is not a secondary element in the policies that have to be followed. We know that we cannot obtain social benefits without restoring the economy to health, but we also know that the mere raising of macroeconomic indicators is not enough to guarantee a better distribution of wealth. On the contrary, the market, in and of itself, tends more to concentrate than to spread around, and policies must be applied that are able, without discouraging, but quite the contrary, stimulating the production process, giving the population the courage to become competitive, to participate in the globalization process, but that at the same time establishing the necessary conditions to assure that the benefit of economic activity contributes fundamentally to greater social well-being.

We know that the world is going through a difficult dilemma. Since the fall of the Berlin Wall, it has seemed that the dogma of international socialism has to be replaced by some other dogma, the dogma of the market taken to such extremes that human beings are relegated to second place.

We can be aware of what circumstances the country is going through—and just to cite one example—let us be aware that the recent elections in the French Republic, one of the world's most developed countries, were won by President Chirac by offering to fight against unemployment, against joblessness, seeking ways to keep this evil from becoming more accentuated. . . . This presumes a reconsideration of the dogmas which people have tried to impose on us at the same time and against which we do not wish to counterpose other dogmas, we do not wish to contrast one theory with another theory. We want the realities to be considered, but to have the social aspect and the human aspect taken into account in these realities. . . .

We in line for an economic opening, a recognition of the processes of integration, in which we have made many efforts and to which we have committed our continuous and constant concern. We believe that Latin America is realizing that to the degree that the world is becoming more interdependent, it becomes more necessary for us to take on our own personality, our own way. That we must defend our own interests,

and that we must not be at the mercies of some fly-by-night investors who may fill out the statistics at one given moment, in order to enjoy the profits, and withdraw them when political circumstances get painful, unpleasant, and then create problems which don't matter to them, because the only thing they care about is their profits and they have no knowledge of the human and social reality of the countries in which they are operating.

We want foreign investments, healthy investments, not speculative ones. Investments which come to contribute to economic and social development and to the sustainable development of our peoples. We know that there are many honorable investors who are on this line and in this sense we giving them all the best guarantees. . . .

. . . One of the heaviest burdens, the most difficult obstacles we have to overcome, is precisely the burden of the foreign debt, which is going to get considerably worse in 1996, '97, and '98, because the refinancing of the debt which was done a few years ago . . . expecting different circumstances. It was not done having in mind, having in view the systemic crisis of the financial system, which Venezuela was going to go through and did go through in 1994.

It is necessary to take into account the eternal principles of law, by which, when conditions change substantially, efforts and contracts have to be revised. We invoke this condition and we are seeking the friendship, the support, and the understanding of those from the international organizations who understand their duty as working to save countries from the grave crisis, to try to orient and reconcile the economic life of the nations.

We must uphold the institutions

Excerpts of President Caldera's speech to the Venezuelan Confederation of Workers (CTV), as reported in El Nacional and El Universal, on May 18, 1995;

We are waging a fight to transform our institutions and make them capable of achieving the conquests which a new millennium of Christianity raises before us, making an effort to maintain, to respect, and to preserve the institutions achieved through so many sacrifices. . . .

We know that in the institutions themselves, within the Congress and the Supreme Court of Justice, there are some persons who would like to end this situation which we are upholding, this balance which we are guaranteeing as fundamental to achieving the country's transformation. Fortunately, common sense, patriotism, and the knowledge of history, the result of the evils which Venezuela suffered for several centuries, have imposed themselves.

CTV: Invest in physical economy

Because of their importance, we are including here some parts of the program which the CTV labor confederation proposed to President Caldera, "Responses of the Venezuela Workers in the Face of the Economic and Social Breakdown

of the Country," during their Eleventh National Congress, held on May 15-17.

The State, as a debtor, has had to negotiate with external creditors in conditions and terms which have meant an intensification in the underutilization of the productive potential, via the application of the formulas imposed by the multilateral organizations of international financing, which has translated into unemployment, devaluation, inflation, and destruction of the buying power of the working majorities. These macroeconomic policies, which have still not been rectified, have resulted in a magnification of the foreign profits of the owners of the capital placed abroad, who are now in the best positions to concentrate in their hands national properties which have been devalued in terms of international currency, due to the devaluations, economic stagnation, and social and institutional instability. Part of this capital, later converted into national currency, has been placed in speculative investments, at real rates which sometimes have exceeded more than sixfold, the rates obtained in the principal financial centers of the world.

The monetary authorities have remained the captives of this speculative capital and of its consequences on the financial system. . . .

The harmful consequences did not wait [to appear]. As a result of the contraction and the exorbitant interest rates, private investment and employment in the productive sectors were drastically reduced. The capacity of companies to pay their obligations to the financial institutions was destroyed, and the liquidity and value of the collateral for these loans deteriorated drastically. This created the basis for the banking crisis, which broke out at the beginning of the present constitutional period. . . .

By the end of 1993, these speculative investments were more than 40% of the available operating reserves. . . . The crisis of the banking system . . . produced a run of depositors out of financial institutions presumed insolvent, into apparently more solid institutions. What was proposed for this opportunity, given the vulnerability or fragility of the banking system and the imminent danger of a massive capital flight, was to simultaneously adopt, in early 1994, a preventive intervention into the financial system and strict exchange controls. . . . What the authorities decided, sticking to the reign of the laws of the market . . . was to flood the banking system with liquidity to the tune of a billion bolivars, which subsidized and financed a massive exit of the accumulated speculative capital, of some US\$4 billion, in other words, more than half the available operating reserves of the monetary authorities.

If these reserves had been used to pay the imported component of productive investments, which generate jobs and income, a sustained process of economic reactivation would have been induced. . . .

This economic recovery opportunity is being squan-

dered, and the authorities have assigned top priority in the use of this increase in the reserves to pay debt service on the external obligations of the private and public sectors.

The government's fear of starting an investment program is the supposed excessive money supply, which in the opinion of the conservative elements, is the primary cause of inflation. What has caused the present inflation is the massive devaluation of the currency, which via the high import component of our production, consumption, and investment process, automatically gets incorporated into prices. . . .

The economic measures which keep being adopted . . . are the issuance and placement on the market of new securities by the government and the monetary authorities at high interest rates in order to "drain off liquidity," liquidity which to a substantial degree the same authorities are creating when they pay the high interest rates on these same obligations. These interest payments are inflating the deficit of the consolidated public sector, which also includes the monetary authorities. . . .

A great deal of the collective patrimony in the hands of the State, represented in the strategic industries, may also be sacrificed through a process of privatization which would transfer to international capital assets which, properly managed and operated, could be a permanent source of internal and external public revenues, and could become elements of an economic reactivation. . . .

Therefore, a public program must be set into motion of socially and economically productive investments into the goods-producing activities and activities to provide services essential for economic and social development. These direct public investments into oil, mining, electricity, highways, educational and health-care infrastructure, housing, transportation, and communications, etc., have to be accompanied by financial contributions and credit and tax incentives for private investment, into the most important activities of production of goods adapted for export and for the efficient substitution of imports. . . .

Instead of dedicating the \$2 billion increase in the reserves since exchange controls were imposed, to preferential payment of the public and private foreign debt, and to the spending of Venezuelan tourists abroad, these currency resources should be earmarked to pay the required external component to initiate and sustain the process of economic reactivation. . . .

What this means is that if we really want to contribute to a lasting solution of the job and income problems which the great majority of workers complain about, then we are forced to commit ourselves explicitly to a policy in this field, which, among other things, means breaking with the ideological presuppositions which have oriented the Venezuelan State's economic policy since 1989. In fact, captured by the dogma of the "magic of the marketplace," the formulators of the 1989-93 economic policy believe that the State must flee from all obligations favoring a proactive management of the labor market and favoring the lessening of the inequalities of distribution.