

# Venezuela Is Disintegrating

by David Ramonet in Caracas

All the conditions now exist in Venezuela for a textbook military insurrection—and the “chicken-hawks” in Washington and Wall Street know it well. After all, they are the architects of the national disintegration into which Venezuela is sinking, and they already have their “Pinochet solution” prepared for the mentally unbalanced President, Hugo Chávez Frias, whom they installed in office in the first place.

The majority of the population, which has been conducting multimillion-man protest marches for the past year against the Chávez regime, is virtually demanding a military coup, in near-total disillusion with the traditional political leadership of the country, which has proven itself incapable of coming up with a coherent proposal for how to bring about some change for the better. Meanwhile, the nation’s productive apparatus is disintegrating, without any of the relevant political or military figures having any idea how to prevent it. President Chávez couldn’t care less what happens to the nation’s productive apparatus, because his game is to bankrupt the economic power groups which form the backbone of the private economy.

National production had been falling throughout last year, but the two-month civic strike that paralyzed the strategically key oil sector from December 2002 until February, dealt it a mortal blow. Chávez not only survived the strike, which under any other circumstances would have ousted any traditional government, but is now pursuing a “scorched earth” strategy, with the idea that his regime will somehow survive to rule over the ashes.

Today, more than 50% of the Venezuelan labor force is trying to survive through the “informal economy,” and unemployment has risen to 20%. The private sector only employs 20% of the workforce, while the government employs another 10%. Despite the price controls the regime imposed in early February, when exchange controls were also put into effect, inflation for the first quarter of 2003 reached 9.4%, and is projected to reach over 43% for the year, despite the dramatic decline in buying power.

## State and Population Impoverished

Under this “government of the poor,” the only thing which has increased is, precisely, poverty. Some 43% of the population are families with monthly incomes of less than \$175 per household, while the basic market basket costs more than \$219. The middle class—families with monthly incomes

above \$750—today compose 16% of the population; in 1986, it represented 24%.

The Chávez regime has been increasing its public spending, but without achieving an increase in revenue. To finance the consequent deficit, Chávez has implemented the IMF practices of predecessor governments to the point of absurdity: His government has practically forced the private banks to buy public bonds, which have grown from 2.3 trillion bolívares in early 1999, to 14.5 trillion bolívares at the end of 2002, the equivalent of 13% of the GNP. That debt has proven so onerous to the government, that for the past year, it has not been paying the banks, except in the form of more paper, with ever more onerous interest rates. As a consequence, the private banks have frozen any lending due to current high interest rates, caused, in turn, by the large portion of their assets in government paper, yielding them only more paper.

Using the pretext of the very real capital flight, which accelerated during the two months of the civic strike, the government suspended the sale of foreign exchange as of Jan. 22, and on Feb. 5, decreed formal exchange controls. These have yet to begin to function, which has meant that almost no dollars have been made available to the private sector in this heavily import-dependent country, for two and a half months. The principal purpose of the exchange controls, in fact, is to cut off access to dollars for the four or five leading economic groups, which dominate both food processing and the national news media—all nominally political opponents of the regime.

Analysts from the major Venezuelan banks, which have not truly been enemies of the regime, have the most pessimistic forecasts for this year. The Spanish bank BBVA Provincial estimates that there was a 40% collapse in the GNP this quarter, and the Banco de Venezuela of Spain’s Grupo Santander estimates a 42% decline.

The paralysis of the economy began last year, when Chávez allocated 38% of the national budget for paying the foreign debt, and a draconian tax plan was imposed, raising the Value Added Tax (VAT) to 16% and eliminating exemptions for medical and school expenses. As a result, the Venezuelan Central Bank officially acknowledged a 17% decline in the GNP, an 8.5% reduction in electricity consumption, and a 48% collapse in VAT collections.

Miguel Pérez Abad, president of Fedeindustria (the association of small and medium-sized industrialists) and an ally of the Chávez government, admits that more than 25,000 small businesses will remain closed in the first half of 2003. The leading businessmen’s association, Fedecámaras, maintains that 300,000 jobs have been lost in the past two months. “The situation is critical,” says Fedecámaras president Carlos Fernández. “We are in a war economy. Twelve thousand commercial establishments have shut down, and some 5,000 companies are bankrupt. The government is using such a powerful instrument as exchange controls, to attack the national productive sector.”

In the more than 60 days since exchange controls were

announced, only \$50 million has been provided to import food, when normally there is an average of \$3.2 billion worth of imports in the first quarter. The government itself has issued no figures in this regard.

This year, Venezuela has to pay \$5 billion to service its foreign debt of \$22.3 billion. Reserves have fallen to \$15.2 billion, and the government has been unable to get the oil industry fully functional, since firing some 17,000 employees—the entire managerial and technical staff of the state oil company PdVSA. Finance Minister Tobías Nobrega, an “anti-capitalist” monetarist, is trying to carry out a Venezuelan bond swap with the nation’s creditors. According to UBS Warburg, even if Venezuela succeeds in foisting this swap on the international financial markets, it will still need another \$5 billion to cover the fiscal imbalance.

### The ‘Bolivarian Revolution’

One year after the frustrated coup attempt against him, Chávez is moving rapidly to “transform the economic structures” of Venezuela, as he himself proclaimed during the swearing-in of the board of directors of the Ezequiel Zamora National Agrarian Coordinator (CANEZ). This agency, according to Adán Chávez—the President’s brother and head of the National Land Institute, whose initiative created CANEZ—will be the “political command post of the agrarian revolution” which the regime intends to bring about.

CANEZ is but one of the organizational structures the regime has been creating over the past year, to displace the traditional social institutions. Chávez has already formed the Bolivarian Businessmen’s Front to replace Fedecámaras; the Venezuelan Union of Bolivarian Workers to replace the Confederation of Venezuelan Workers (CTV), and so on, with organizations of the middle class, doctors, students, etc. He has refused to negotiate with the opposition, organized around a Democratic Coordinator which pulls together political parties and civil organizations subsidized by the U.S. State Department’s National Endowment for Democracy. With the failure of the two-month civic strike which it led, the Democratic Coordinator has lost credibility with the millions who marched through every major city in the country.

Since November of last year, Organization of American States (OAS) Secretary General César Gaviria has practically moved to Caracas, to preside over the Commission of Negotiations and Agreements seeking an electoral solution to the Venezuelan crisis. That Commission has six representatives from the Democratic Coordinator and six from the Chávez government. The government’s position has been to accept no solution other than a referendum to revoke Chávez’s government, as allowed by the Constitution, which would take place only *after* he reaches the halfway mark of his term in office, on Aug. 19 of this year. Chávez had told former President Jimmy Carter that he would also accept the option of a Constitutional amendment to shorten this term, and hold early general elections. Later, at the prompting of the U.S. govern-

ment, a Group of Friends of Venezuela was formed, including the United States, Brazil, Spain, Mexico, and Portugal, whose efforts in support of the OAS Secretary General have proven fruitless, given Chávez’s fierce opposition.

Last November, an August 2003 referendum appeared too distant to the Democratic Coordinator, pressured as it was by the mass anti-Chávez rebellion. But now, given the refusal of the government to accept an electoral alternative that everyone knows Chávez would lose, the Coordinator has ended up accepting the recall referendum which Chávez had put forward from the beginning.

But the government is already sabotaging that referendum, as it did with the consultative referendum that was supposed to have been held on Feb. 2. Chávez is attempting to get a new board of directors named to the National Electoral Council, to guarantee that any efforts by the opposition would get short shrift. And in the unlikely case that the August referendum is actually held, and Chávez loses the Presidency, Vice President José Vicente Rangel has already declared that Chávez would contend with the other candidates to complete his interrupted Presidential term!

In the midst of this tense situation, urban terrorism has begun to leave its mark on Caracas. After Chávez accused the governments of Colombia and Spain of “interference,” bombs exploded at the embassies of those countries in Caracas. A short time later, three dissident soldiers who were part of a military grouping camped in one of Caracas’ public plazas and engaged in “legitimate disobedience” against the regime, were assassinated. Colombia’s armed narco-terrorist groups, the FARC and ELN, have escalated their operations on Venezuelan territory, while the so-called Bolivarian Liberation Front, a group that defends the narco-terrorist FARC from the Venezuelan side of the border, has claimed responsibility for the embassy bombings.

The frustration in the ranks of the anti-Chávez opposition is growing, pressuring more and more intensely for a military solution. The war in Iraq has fueled these inclinations. Carlos Dorado, president of the country’s leading exchange house Italcambio, wrote on April 5 in the daily *El Universal* that “I dream . . . sometimes of the arrival of American aircraft carriers to La Guaira [the port near to the capital, Caracas], and of uniformed American soldiers coming down the highways in their tanks, while their modern airplanes fly over Caracas . . . with a national plan of reconstruction under their arm.” On April 6, in the same newspaper, Carlos Zubillaga Oropeza wrote, “Bush, send the Marines here and let the bombs fall on Chávez and his lackeys!”

It is unlikely that Washington’s chicken-hawks who launched the war against Iraq, are prepared right now for such an operation, but not because they don’t want to. Lyndon LaRouche has warned that if the international community does not address the threat of Chávez’s clinical lunacy, it will be leaving the door open to an “Allende-type solution.” It is fast approaching.