efforts are going into developing the vast deposits of very heavy oil in the Orinoco Basin, but most observers agree that extraction of this low-quality oil will not become profitable at a world oil price any lower than $30 per barrel. The current Herrera administration seems to be banking on such an eventuality.

Heavy industry and infrastructure: There are serious problems in this sector, which under the Pérez administration had become the motor driving the rest of the economy.

All of these major industrial projects are substantially behind schedule, principally due to reductions in government financing by the Herrera administration. As the London-based *Latin America Weekly Report* summarized the situation: "A major question mark hangs over the Guayana projects and their financing, which could make a nightmare out of Pérez's dream of *la Gran Venezuela.*"

Downstream manufacturing activities have also dropped in 1981, as seen in the meagre overall growth rate of 0.8 percent. Particular problem areas were automobiles, textiles, and capital goods. Steel was off 4.9 percent for the year. But it is probably the construction industry in Venezuela that has been hardest hit of all as a result of the cutbacks in the big projects. After experiencing an average growth rate of 15 percent per annum from 1973-77, and 11 percent in 1978, construction activities contracted sharply over the next three years: −9.7 percent in 1979, −15.5 percent in 1980, and a projected −2.8 percent in 1981.

Agriculture: After two poor years in 1979 and 1980, last year was close to a disaster for Venezuelan agriculture. Production dropped by nearly 3 percent, leading to a situation in which the country must now import over 50 percent of its food consumption needs.

We forecast that this sector will *worsen* over the next two to three years, as a direct result of government policy. The 1982 government budget for agriculture has been cut by 32 percent over 1981 levels; virtually all price subsidies have been eliminated; government directives requiring private bank lending to farmers have been repealed; and no serious effort to modernize agricultural technology is being maintained.

A program to launch industrial recovery

Despite the damage done to the Venezuelan economy over the past three years, it is possible—both politically and economically—to put that country back on the course of rapid industrial development. There is still an underlying psychology of optimism among leading political strata in the country which translates into a continuing commitment to turn Venezuela into a modern industrial nation-state.

In the last half of 1981, the country was being drained of capital at the rate of over $120 million per day, as capital fled Venezuela (where interest rates were being held at 12 percent) to Miami and New York banks (at 18-20 percent interest rates). The fixed parity of the bolívar (4.3 to the dollar), and its free convertibility, facilitated this wave of flight capital. A battle exploded over whether or not to raise Venezuelan interest rates to international levels. Over the objections of central bank director Leopoldo Díaz Bruzual, rates were finally allowed to rise to an average 16-18 percent in late 1981. This move had the expected result of contracting credit available to domestic industry—but it failed to stop the flight of capital. Most recent reports are that over $140 million is leaving Venezuela daily, despite the rise in interest rates.

Under these circumstances, serious talk has begun to emerge in Venezuela of imposing exchange controls and other emergency financial measures. *EIR* proposes an overall strategy of economic recovery that would be based on the following steps:

1) **Impose strict foreign-exchange controls.** In an international environment determined by Volcker's stratospheric interest rates, this is a necessary defensive monetary financial measure for any developing nation that seeks to control its own money supply and credit system. In this way, the Venezuelan government could put a halt to the billions of dollars that have fled the country for the Florida real-estate market (see article above). The inordinate luxury tourism engaged in by Venezuelans—largely in Miami—should be sharply curtailed (see box).

2) **Lower domestic interest rates to the 4-6 percent range.** Using the buffer created by exchange controls, preferential domestic interest rates in this range should be made available in industrial areas which are national priorities. The current Friedmanite credit strangulation of local businessmen can in this way be ended.

3) **Develop high-technology areas of heavy industry.** Venezuela should reinstate the emphasis made under Carlos Andrés Perez's "V Plan" on steel, aluminum, hydroelectric projects, and other infrastructure. In addition to these already identified projects, it is urgent that Venezuela immediately initiate a serious nuclear-energy endeavor, in order to develop the energy technology of the 21st century.

4) **Establish bilateral treaty agreements for transfer of technology with advanced-sector nations.** The proposal by *EIR* founder Lyndon H. LaRouche, Jr. for gold-reserve monetary backing for international trade and investment is the framework required to achieve the above goals.