The hoax of Kissinger's 'special treatment' for Venezuela

by Gretchen Small

Venezuela has long been known as a nation taking leadership in advocating continental unity, a tenet of the nation's ideology going back to the days of the "Liberator," Simón Bolivar.

Not so May 20. A shock went through Caracas when it was announced that four Ibero-American presidents had convoked a summit to discuss continental coordination in the face of creditor aggression—and Venezuela's president wasn't one of them.

"I cannot explain this omission to myself," former President Carlos Andres Pérez told the press. "For how many times has Venezuela reiterated, in the voice of its president, our anguish and outcry for the manner in which the industrialized countries and the international banks, headed by the International Monetary Fund, have behaved toward the countries of Latin America."

Pérez was joined in his concern by Gonzalo Barrios, the senior "wise man" of the governing Acción Democratica party, not known to agree often with the former president. "Venezuela should not have remained on the sidelines," Barrios responded to reporters' questions. "We have no reason whatsoever to seek the benevolence of the bankers through good behavior, given that Venezuela is, among all the debtors, one of the countries which has received the worst treatment in its negotiations" with the banks.

The government began scrambling for excuses, admitting it had been actively involved in the discussions down to the last hours before the release of the communiqué. The presidential communiqué was a "hurried" action, foreign ministry sources told inquirers; there wasn't time for the other presidents to consider the amendments to the *fifth* draft which the Venezuelans considered vital. But when the foreign ministry published the crucial paragraph the government had wished included, the wording was such convoluted diplomatese that it defies translation!

Official explanations of the government's failure to sign the communiqué come down to just what Barrios had warned: Venezuela feared international financiers might then associate the country with its "poorer cousins" in the region. Chief debt negotiator Carlos Guillermo Rangel rejected the idea of coordinating action: "A debtor's club is more of a disease than a remedy," Rangel stated. "It would put us on the same level as Bolivia. . . . We have a better chance of survival."

'Special treatment'

Venezuela's negotiating team argues that Venezuela is "totally different" from the rest of Ibero-America. The country still has $11 billion in reserves (much of it accumulated in 1983 when almost no debts were paid, principal or interest), and with its oil supplies, is a strategic ally of the United States. Therefore, they plead, some $14 billion in Venezuelan public sector debt due in 1983 and 1984 must be rescheduled without forcing the country to accept an IMF adjustment program. If Venezuela succumbs to the IMF, the country will look like the Dominican Republic in short order, its leaders argue, and who would want to blow up Venezuela at such a time?

One Ibero-American diplomat in Caracas commented, "What kind of special deal do they expect to get? Mexico got the creditors' 'special treatment.' It went through the IMF route—and it still can't pay. No more than one government need go through that."

The country's creditors have already given Venezuela a taste of "special treatment":

In mid-April, Venezuelan debt negotiators were told that no debt would be rescheduled until the IMF was given a "direct role" in rewriting the government's austerity program.

On May 11, the *Wall Street Journal* announced the U.S. Interagency Bank Regulatory Committee had sent out a memo to U.S. banks informing them that loans to Venezuela would henceforth have to be classified as "substandard." It was the first time that a big Ibero-American debtor had been downgraded, the *Journal* reported, but "the difference . . . is that Venezuela is the only big Latin American debtor to refuse to submit to an IMF program. . . . Bankers say the move is an effort to pressure Venezuela to submit to an International Monetary Fund austerity program."

Now rumors are rife in Caracas that a large maxi-devaluation of the bolivar, from the current level of 15 to 30 to the dollar, is in the works for after the May 27 municipal elections.

Despite the innuendos from Venezuelan debt negotiators that Washington will step in at any moment to tell the banks how special Venezuela is, any such plans remain a deeply hidden secret. "I have heard people talk of lowering interest rates for one country, or stretching out payment terms for another," commented one source close to U.S. United Nations Ambassador Jeane Kirkpatrick. "But I have never heard anyone, anywhere, talk of giving Venezuela special treatment. Washington isn't promising them a thing!"

Venezuela has been told that unless it guts its economy further, the country will *not* receive special treatment, even if some Rohatyn-styled "debt relief" program to lessen interest rates is considered by its creditors. The Caracas English-language *The Daily Journal*, ran a page 1 interview May 3 with one of the U.S. proponents of an "interest rate ceiling for 'responsible' debtors." Terry Caraven, an Executive VP of Chemical Bank, informed the *Journal* that "in the case of Venezuela, a full economic adjustment program—with or without the IMF—would have to be adopted for a cap to be considered."

Enter Goldman, Sachs & Co.

From Caracas, *EIR* correspondent Carlos Méndez reports that a new scandal on Henry Kissinger's possible involvement in the government's decision to "go it alone" may blow apart the political power of those friends of Rockefeller within the government advising the president that "good behavior" might ease creditor pressure. An *EIR* news release May 21 reveals that Henry Kissinger is once again using his role as U.S. government adviser to line the pockets of his banker friends and himself—this time at Venezuela's expense.

Circulating among members of Venezuela's private business association, Fedecameras, is a proposal from the old-line New York investment house, Goldman, Sachs & Co., that the businessmen form a unified debtors' group and hire the New York investment firm as consultant in their negotiations with foreign creditors, reports *EIR*'s local release. The reason? Goldman, Sachs "has at its disposal the talents of the members of its Advisory Committee, amongst whom are found Dr. Henry Kissinger, Mr. Robert McNamara and Mr. Henry J. Fowler, who are available to be consulted on all aspects of the international business of the company.

Such "prestigious" advisers will give Venezuela's private debtors the necessary power to force "creditor banks" to give the best conditions to their Venezuelan clients, the memo argues. As if Goldman, Sachs were a separate entity from the creditor banks! Goldman, Sachs' financial wizardry was just demonstrated in the near-collapse of one of their clients, Continental Illinois. And Henry Kissinger, of course, sits on the International Advisory Board of Chase Manhattan Bank—the lead bank in Venezuela's "Bank Advisory Committee"!

Further, the proposals for "debt settlement" made by the investment firm are taken straight out of the resource-grab scheme Henry Kissinger and his friends in the Rockefeller-run Council of the Americas have been promoting under the rubric of "trading debt for equity." The strategy was originally designed at an August 1983 secretive meeting in Vail, Colorado which Henry Kissinger attended. *EIR* at the time reported the comments of one participant at the meeting, a banker both personally linked to Kissinger and extremely close to Goldman, Sachs. What was discussed in Vail, the banker reported, was how to "use the austerity and resulting social chaos to break the social institutions of the countries, to change their laws." By leveraging the crisis against current laws defending state sector companies, the banker explained, foreign interests can force countries to open up their strategic resources "for private foreign investment."

The Goldman, Sachs memo lays out the Kissinger program concretely. The key is "allowing" the private sector to pay its debt in local currencies—thus setting up "blocked accounts" which can eventually be used by the creditors to cheaply buy up the country in question.

Goldman, Sachs presents two options to the Venezuelan private sector. Option "A" gives the private sector the ability to buy dollar-denominated government bonds at 4.30 bolivars to the dollar, a preferred rate. These bonds can then be offered to their creditors. Option "B" gives the private sector the ability to set up blocked accounts and pay an interest rate of something just above the international LIBOR.

In typically venal fashion, Goldman, Sachs then tells the Venezuelans: if we succeed in getting the government to take on your debt, option "A," we should get a premium of $3 million!

How does the proposal from Kissinger's friends intersect Venezuela's overall negotiations? States the memo at the outset: "In the long term, it is in the best interest of Venezuela to establish itself before its creditors as a separate and different entity from the rest of the countries of Latin America." Fedecameras is warned to accept the "offer" quickly. If Goldman, Sachs is not hired within 30 days, pressure from "international creditors" will increase rapidly.

With the private sector under the thumb of Kissinger's Goldman, Sachs & Co., creditors hope to then wield the political and economic weight of the private sector as pressure upon the government to settle the larger issue of public sector debts.

Some of Rockefeller's private sector friends expected to railroad Fedecameras behind the proposal quickly, but other members of Venezuela's business sector have been looking to continental unity as a better route to ensure the flourishing of local industry. One former president of Fedecameras, Armando Branger, reminded Venezuelans of the difference between "bankers . . . and money-merchants, the usurers" in an editorial comment in *El Universal* May 18. Venezuela's debt problems today, Branger wrote, are equivalent to the speculative debts of the last century, "given under such onerous conditions" that Venezuela was finally forced to declare a debt moratorium in 1902.