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Andean Report by Jaime Ramírez

Foreign investment, or narco-dollars?

The new foreign investment legislation threatens to turn Venezuela into a first-class drug money laundry.

In a recent interview, Venezuela's representative to the Cartagena Accord, Pedro Luis Echeverría, warned, "One must take great care with these 'openings to foreign investment,' because we all know that, in the guise of investments, ill-gained money from the international drug trade can come in."

Echeverría added, with emphasis: "If there is some change in foreign investment [regulations], control over the origin of the capital and the identity of the investors must be maintained, so as to prevent our economies from being turned into a kind of 'laundry' where drug money is washed."

The foreign investment "openings," by Venezuela and other countries oppressed by foreign usury on the continent, are being adopted to the detriment of the famous Decision 24 of the Cartagena Accord, which established the Andean Pact (Peru, Venezuela, Bolivia, Ecuador, and Colombia). Decision 24 has regulated foreign investment policy and protected nascent industry in the region for more than a decade.

As with other countries on the continent, Venezuela changed its legislation through a new decree, effective the first week of September, through which all regulation of foreign capital in priority sectors of the economy was effectively eliminated, the ceiling on remission of profits abroad lifted, and the policy of exchanging debt for national equity put in place.

The creditor banks and multinational corporations that have been pressuring for precisely such an "opening," responded immediately. Citibank president John Reed met for several hours with President Jaime Lusinchi on Sept. 9, declaring afterwards that his bank—one of Venezuela's major creditors—was prepared to invest in the country. Reed specifically mentioned petrochemicals and aluminum production as areas of his bank's interest.

The same day, spokesmen for the state oil company, PDVSA, announced that 12 foreign companies had expressed their desire to form associations with PDVSA in international refinancing deals, as well as in the areas of Venezuelan petrochemicals and coal.

At the same time, the ruling *Acción Democrática* (AD) party went before the national congress to argue the urgency of forgiving more than $800 million in taxes due from foreign oil companies operating in the country since before the oil nationalization. The argument offered by the AD is that, without such a "deal," the companies would simply refuse to invest in petrochemicals. What AD didn't have to state outright is that the oil companies just happen to control the technology required for developing the petrochemicals industry.

But the changes in foreign investment legislation will not only facilitate the looting of Venezuelan industrial capacity, but also an escalation in already scandalous levels of capital flight and laundering of drug money. The procedure is actually very simple: ghost companies are created in the various "fiscal paradises" that abound in the Caribbean and elsewhere, and these in turn "invest" in Venezuela with either flight capital stolen from the country, or with narco-dollars, receiving all the advantages of foreign capital, including exemption from taxation and ease of remitting profits outside the country.

According to the Sept. 5 edition of the daily *El Mundo*, during the same week that the foreign investment regimen was "modified," Venezuelan agents in Panama were discovered registering—through intermediaries—an average of 100 new ghost companies every day. The cost was $1,000 to $1,500 per packet of documents required to legalize the non-existent company.

The *Miami Herald* of Aug. 31, citing a high-level Venezuelan official, reported that of every 10 companies in southern Florida (investigated for their links to Venezuelan flight capital), five were proven to be ghost companies created primarily with flight capital.

According to figures released by Morgan Guaranty Trust, more than $12.6 billion fled Venezuela for U.S. banks in 1985 alone. If you take into account the fact that Venezuela's oil income that year was only $7.5 billion, the difference can only be explained by the fact that Venezuela's underground economy is based on nothing less than the massive laundering of money from the South American drug trade.

Thus, Venezuela's economy, with its new, more "flexible" approach to foreign investment, as its own representative at the Andean Pact states, now runs the very real danger of becoming the "laundry" par excellence for the Ibero-American continent's drug trade.

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