White House hawks CAP's economic model

by Ana M. Papert

Anticipating the visit to Washington, D.C. of Venezuelan President Carlos Andrés Pérez, the International Monetary Fund's Visitors Center cosponsored a series of events with the Venezuelan Embassy dedicated to publicize Venezuela, during the second week of April. The events, presented in an ambiance of Venezuelan "modern art" and champagne, turned out to be an open invitation to sack the Venezuelan economy and its resources, without the least regard for the strategic interests of the country.

Just one week after the IMF hoopla, the U.S. capital was draped with Venezuelan and U.S. flags tied to the street lights around the White House. This publicity stunt seeks to gull the credulous into thinking the Venezuelan President's austerity program is a model to be followed. Hours before CAP, as he is known, arrived, the White House briefer burbled to journalists, "We would like to support what CAP is doing economically as a model. We want him to know that we would support him, in international, multinational development banks, for example the International Monetary Fund, as we have with the commercial banks. Because helping to sustain that kind of courageous economic policy is very definitely in our interest. Now, more as a model for other countries than for Venezuela because it is obviously well into the process."

Let them eat dog food

While there is carnival in Washington, in Venezuela there is misery and hunger caused by the very policies the Bush administration admires. Héctor Stredel, a Venezuelan journalist, wrote in the Colombian daily *El Espectador* on April 16, that 70% of Venezuelans "are resorting to Perrarina [a well-known brand of dog food] to feed themselves, to replace the food they can't eat because it has become inaccessible." Since they can't obtain meat, rice, or fruit, "these families have decided to descend to the level of dogs," wrote Stredel.

On April 17, Roberto Smith-Perera, a member of the Venezuelan debt negotiating team, assured listeners at a forum at the IMF, that the Venezuelan government is planning to raise taxes, and prices of services and gas. A gasoline hike could trigger a new wave of street riots like those in February 1989, when thousands of people where killed in the streets while protesting CAP's economic program, after a similar increase in gas prices. However, the Venezuelan government, which titled its publicity stunt "The Great Venezuelan Turnaround," is set to risk more lives to titillate the international banks.

Smith-Perera said, "We decided to move gasoline prices in the domestic market to international levels because we think that that is going to increase the national income and that subsidizing gasoline prices is backward and helps the rich more than the poor." On the tax increase, Smith-Perera claimed that individual taxes in Venezuela are very low, "so we have to increase taxes. . . . We know that we will have hard problems in the future because we are planning to introduce a substantial new tax reform."

The plan designed by the Venezuelan debt negotiating team includes the selling of strategic state enterprises like oil, aluminum, food processing, and manufacturing, to national and foreign private investors. Also hotels, telecommunications, and electricity are up for sale. With a color slide show, the Venezuelan program presented at the IMF talks about "restructuring" and "privatization," meaning in this case, more unemployment (see p. 9).

Smith-Perera agreed that massive layoffs are in the cards. "We will confront important unemployment problems as a consequence of the restructuring" of the Venezuelan economy. Smith-Perera added that his team is working on a "temporary" unemployment insurance, since there is none now! Nor will workers be the only victims. Lucía Pérez, president of the National Council of Small and Medium-Sized Industries, told the Venezuelan newspaper *Diario de Caracas* on April 16, that CAP's economic reforms are "going to leave in their path an incredible cemetery of industries."

State oil company 'for sale'

Frank Alcock, vice president of Petroléos de Venezuela, S.A., was the man picked to sell PDVSA at the IMF show. Alcock explained on April 19 that Venezuela owns the fourth biggest oil industry in the world, with investments in Germany, Sweden, the United States, and elsewhere. PDVSA, he said, is responsible for 80% of the foreign exchange that comes into Venezuela.

Alcock said that in 1978 only 0.5% of the company was owned by private investors but with the new program, the government expects that by 1995, 4.4% will be owned by private investors. PDVSA has a series of great projects to increase its oil production potential, for which it needs a $2.1 billion investment between 1990 and 1995, which they hope to get through this new program.

Yet, if this investment is made using the mechanisms set up in the new law for foreign investment, we could see Venezuela becoming part of the assets of the illegal drug cartels. Edison Perozo, the chief of the Superintendency of Foreign Investment warned on Feb. 21 that this law, which permits "investments" to move in and out of the country with no questions asked, could lead to "implanting a drug economy," and that it would ease "infiltration by the infamous mechanisms for laundering dollars."