London, Wall Street slam Venezuela with financial warfare

by Valerie Rush

Open financial warfare has been unleashed against the Venezuelan economy by London and Wall Street financial circles determined to drive the wayward Rafael Caldera government back into the grip of the International Monetary Fund (IMF). A politically triggered run on Venezuela's currency, the bolivar, has caused a hemorrhaging of the financial system which could eventually prove fatal if not cauterized, and government efforts to stanch the flow have so far proven inadequate.

At the same time, a parallel campaign by the banking crowd continues, which is trying to silence forces inside the country who have presented President Caldera with an emergency program to defend Venezuela from this assault. Efforts by the corrupt Cisneros financial empire to jail Alejandro Peña, the head of the Venezuelan Labor Party (PLV) and an associate of "American System" economist Lyndon LaRouche, have backfired, however, as PLV friends and allies inside Venezuela and around the world have flooded the Caldera government with messages urging him to stand up to this "judicial terrorism." And the PLV's economic program—ranging from a call for strict exchange controls to debt moratorium and a region-wide common market—has received repeated coverage by the country's anti-Cisneros media.

There have been other consequences of this combined assault on Venezuelan sovereignty. On May 2, the Mexican daily *Reforma* published an article by President Caldera, saying that Latin America's debt crisis is as explosive as ever. Caldera offered Nazi Germany and World War II as examples of the deadly consequences of the unbridled looting of nations, and appealed to the debtor nations of Latin America to unite in order to "revise the terms of a relationship . . . not in any way conducive to international peace or the strengthening of democracy" (see *Documentation*).

Following the lead of the PLV, congressman and retired general Oscar Alvarez Beria dropped a bombshell in the Venezuelan House of Deputies on May 3, when he demanded that the Executive branch order Venezuela's Judicial Police to conduct "a secret, serious, and ongoing" investigation of Gustavo Cisneros, a long-time agent of Rockefeller interests in Venezuela, for links to the drug trade. General Alvarez, who had worked for 40 years in his country's National Guard, demanded to know how Gustavo Cisneros was able to purchase two or three large companies annually to the tune of $300-500 million apiece, and suggested that such an investigation "will produce surprising results. . . . If the snake's head is not investigated, we shall never succeed in becoming a less corrupt nation, a more hopeful nation."

Asked why he suspected drug links, Alvarez told a reporter that the unprecedented 1985 banning of the book *Narcotráfico, S.A.* (*Dope, Inc.*), which exposed the Cisneros empire's ties to drug money laundering, had rung alarm bells. *Narcotráfico, S.A.* was distributed by the PLV in Venezuela, until the Cisneros clan won a court order banning its circulation inside the country and expelling the journalists who sold it. Said the general, "Why, if an innocent man is accused, presumably unjustly, were such measures taken against those who accused him?"

A weak defense

This latest round of financial warfare, which caused an estimated flight from the country of $700 million in four days, was triggered when President Caldera announced his plan to save the country's collapsing financial system, which included gradual lowering of interest rates (currently as high as 65%), eliminating zero-coupon bonds, and making other changes in central bank policy. Although the plan fell far short of what is required to protect Venezuela from the death throes of the world monetary system, it was a first important step toward more government regulation.

This proved intolerable to London and to the Rockefeller crowd, and they ordered immediate retaliation. On April 27, Venezuelan central bank head Ruth de Krivoy, a London darling, resigned in protest over the government's measures. The next day, London's *Financial Times* railed that the de Krivoy resignation had dealt "a serious blow to investor confidence," and the run on the bolivar began. Caldera's appointment of an old friend, Antonio Casas González, to the central bank presidency did not assuage London, despite his having spent the past four years as the "well-liked" representative of Venezuelan oil company operations in England. Threatened the London *Times* on May 4, Casas "will have to prove he is more than a Caldera stooge before any degree of international confidence returns" to Venezuela.

On May 4, Casas moved to slow down the flight of dollars out of the country through what are being viewed as "partial exchange controls"—a daily central bank auction of dollars to the commercial banks and exchange houses, with a fixed ceiling on the price. But the government has left the back door wide open—the black market, where drug dollars from the border with Colombia and from the offshore banking centers of Aruba and Curaçao are readily available—and will not be able to stop the flood of capital out of the country until and unless it orders a crackdown on this parallel market and the criminals who control it.

Judicial corruption enters into the picture here, too, as exemplified by the May 3 decision of Superior Court Judge Luis Contreras Pernia to annul 32 arrest warrants for officials of exchange houses accused of drug money laundering. Judge Contreras, who comes from the Colombian/Venezuelan border state of Táchira, was immediately criticized by lower court Judge Mildred Camero, who had issued the original warrants last year and who is now demanding an investigation of the banking sector "to see whether these entities are laundering money." She noted that at the time of last year's arrests, she had asked for an audit of a number of banks, including Banco Latino, for money laundering.

PLV prosecution

Just how far these corrupt networks are willing to go in attempting to silence LaRouche's views in Venezuela was revealed by a week-long series in the daily *Diario de Caracas,* which reproduced lengthy sections of the judicial findings against PLV Secretary General Alejandro Peña that served as the basis for his indictment. (The findings were apparently anonymously extracted from the judge's chambers and delivered to the editorial offices of *Diario de Caracas.*) Not only did the purported "evidence" against Peña include absolutely irrelevant transcripts of wiretaps of his and other PLV members' personal telephone conversations dating back to 1985, but the wiretaps had been illegally obtained and accepted by the judge *from employees of Cisneros's companies!*

The judge's indictment of Peña (published in *EIR* last week) is entirely based on the testimony of six Cisneros employees, several of them "former" agents of the DISIP political police who had themselves been indicted for a variety of criminal charges, including murder. Their testimony is filled with blatant lies, such as their claim to have heard Peña on radio and television inciting mob attacks against Cisneros properties. The transcripts of all of Peña's presentations are in the public domain, and not only contain no such statements, but in fact specifically call on citizens to urge a full government investigation into the Cisneros Group's financial operations.

On May 5, Alejandro Peña surrendered to Criminal Court 42, where his lawyer immediately posted his bail. On the steps of the courthouse, where he was mobbed by reporters as he was being released, Peña announced that neither he nor the PLV could be terrorized or swayed from exposing the roots of the international and national financial crisis, or from proposing the emergency measures to deal with it.

Two days earlier, the newspaper *Ultimas Noticias* had published excerpts from an open letter issued by the PLV to denounce the "monstrous judicial persecution" of the only voice in the country with a viable solution to the country's ills, and offering its economic program. The newspaper reported, "The PLV bases its proposal on establishing exchange controls, suspending payment on the debt, breaking with the International Monetary Fund, turning the Central Bank into a 'genuine national bank,' creating an Ibero-American Debtors Club, and setting up a common market in the region. And forging national unity around this program.

"The PLV insists that the case against Peña Esclusa, instigated by the representatives of the Rockefellers in the country, is intended to silence the PLV's proposals and to discredit this party so that its proposals will not be known at the highest levels of the Venezuelan state. . . . Those who have looted and betrayed Venezuela want the government of President Caldera to go down on its knees before the IMF."

Documentation

Caldera on the debt crisis

This article was published May 2 by the Mexican daily Reforma. *Titled "Foreign Debt, An Epitaph," it was written by Venezuelan head of state Rafael Caldera.*

Each time it has fallen upon us to give a speech or to intervene in a dialogue on the problem of Latin America's foreign debt, we have never failed to recite a very revealing anecdote, fully applicable to the situation of our countries. It is the case of a very honorable gentleman who lived in Carúpano, a city in Venezuela, who had the habit of telling his children that the epitaph on his grave would say: "I lived paying and died owing."

An article published in the *New York Times* on Aug. 1, 1992 says that the Latin American debt burden continues to rise despite the refinancing agreements: "The region still has a burden of more than $435 billion and the debt is rising. It is expected to reach $442 billion 770 million next year. Annual interest payments on this alone will weigh heavily on the economies of those countries for years."

Most serious of all is the fact that the new debts contracted are primarily applied to servicing the old debt. According to the Latin American Economic System (SELA) and the United Nations Development Program (UNDP), in the last five years the region transferred capital abroad to the tune of approximately $150 billion.

But the situation persists, despite the fact that—as the

Times article notes—"for months Latin American businessmen and public officials have been saying that the region's debt crisis is over."

What is certain is that to reach agreements on restructuring the debt, Latin American governments which have done so have not only had to commit themselves to concessions which severely reduce their possibilities, but to adopt structural measures which have harshly punished their populations. These measures, it is true, have produced notable improvements in some macroeconomic indicators, such as the volume of international reserves, a relative stability of the currency, a relative lowering of inflation rates, but the social cost has produced a sharp deterioration in the living standards of the majority of the population, and, far from presenting a picture of recovery, offers a dark and threatening panorama.

In Venezuela, we have not even achieved a fiscal balance or contained inflation. If one studies the statistics closely, one finds that the increase of reserves in the treasury almost exactly equals the increase in indebtedness. A report by a study team from the Institute of Economic and Social Research at Andrés Bello Catholic University, with the cooperation of the University of Northern Texas and of the Venezuelan Institute of Social and Political Studies, revealed that debt service will consume $13 billion between 1992 and 1996, which will "not only absorb the trade surplus but will require new indebtedness and the use of international reserves. It is anticipated that by the end of 1996, the country's total debt will be equal to the same amount at the end of 1991." To which one must add the debt of Petróleos de Venezuela to maintain its production levels.

Recently, a high-level official of the Venezuelan Finance Ministry declared that the total of the $28 billion foreign debt and the 45 billion bolivars of domestic debt (some $600 million) represents 8% of the Gross Domestic Product. Now, at a forum held recently in Mexico, a German professor noted that in the Weimar Republic, the Treaty of Versailles made the German Reich pay 3% of its GDP in war reparations. It is known, he said, what the consequences of that burden were (the fall of democracy, the rise of Hitler to power and, finally, World War II). It would be very serious to ignore the lesson.

Meanwhile, the terms of international trade continue to militate against us. The developed sector's war against the primary products provided by the countries of Latin America is merciless. If their eyes are not opened to reality and if they do not accept recognition of international social justice, the epitaph of Carúpano will prove fatal. The governments of Latin America should realize the need for a united effort to revise the terms of a relationship whose results will not in any way be conducive to international peace or to the strengthening of democracy.