Lull in Venezuela's foreign exchange crisis: the calm before the storm

by David Ramonet

Following the ferocious August and September attacks on Venezuela's national currency by international speculative funds and the foreign investment banks, the exchange rate slowly fell during the last two weeks of September, to settle at approximately 572 bolívars to the dollar, about 30-40 units less than what the speculators had bet it would be by now on the New York futures market.

Venezuelan financial and monetary authorities have touted this as a victory over the restrictive monetary policy of the Venezuelan Central Bank (BCV), and as a show of confidence in the drastic budget cutbacks ordered following the fall in the country's oil income. However, this whole "Pageant of Marvels" is more fantastic than Cervantes's own tragicomedy, and more dramatic because it is reality, not fiction.

Absolutely everyone in Venezuela knows that this pause in flight capital is but temporary and circumstantial. With the end of the third quarter, the major companies and corporations in Venezuela will have to pay their taxes in bolívars. This forced them to sell the dollars that had been accrued in prior months and weeks, triggering a temporary rise in the dollar supply.

Selling 'confidence'

A delegation flew to Washington to meet with International Monetary Fund Managing Director Michel Camdessus in early October, to convince him of the achievements of the government's economic strategy, of support from every sector of Venezuela, and how all the risk-rating agencies that have been badmouthing Venezuela, are wrong. The delegation was made up of Finance Minister Maritza Izaguirre, Planning Minister Teodoro Petkoff, and BCV president Antonio Casas, as the government representatives; Fedecamaras president Francisco Nateras and National Banking Council President Ignacio Salvatierra, as representatives of Venezuelan business; and Federico Ramírez and Carlos Navarro, president and general secretary, respectively, of the Venezuelan Workers Federation (CTV).

As might have been expected, the meeting in Washington was but one more scene from the "Pageant of Marvels." Minister Izaguirre pledged that Venezuela would not default, that debt service payments were guaranteed for this year; Petkoff repeated this, and added that there would be no devaluation in the four months remaining to the current Caldera government; Camdessus praised the tripartite nature of the delegation, and promised to continue their oversight of the country; the businessmen and labor leaders were stunned.

In September, inflation ran at 1.8%—below the 2.1% of the previous two months—due to the fact that consumption has suffered brutal contraction since August, as much as 3.6%, according to the Venezuelan Council of Food Industries (Cavidea).

As a result of cutbacks in the already-reduced public budget, the first semester GNP fell 4.6% over the previous semester, reported the BCV. That collapse is even greater, if one sets aside the oil sector, which despite the fall in petroleum prices, continues to be the main prop of the Venezuelan economy. The GNP generated by *non-oil* activities contracted by 5.3% over the previous semester, a more direct reflection of the impact of reduced public spending, the fall in oil investments, and the decline in private demand, both in consumption and in investment, caused among other things by a significant increase in bank interest rates, according to the BCV. With all this, and the private sale of foreign exchange, international reserves continue to fall, ending September with $12.94 billion, due to the systematic servicing of the foreign debt.

The latest budget cutback of $740 million is the fourth already this year, adding up to approximately $2.23 billion worth, or 2.5% of the GNP.

The Chávez danger

The Venezuelan economic cabinet could end up the victim of its own games, in a replay of Cervantes's "Pageant of Marvels." The constant deterioration of the economy and of the population's living standards, has had an undeniable impact on the electorate. The front-running Presidential candidate for next December's election is former Lt. Col. Hugo Chávez Frías, a member of the narco-terrorist São Paulo Forum and a public admirer of British Prime Minister Tony Blair's "Third Way."

Chávez capitalizes on the generalized discontent among the population, adapting his speeches to whatever circumstances his audience presents. Before the dispossessed masses, he offers himself as the great hope for change in their increasingly desperate situation; before the bankers and brokers, he presents himself as the only option for guaranteeing the continuity of "globalization" and "free trade," without whom the entire population would rise up against that same policy which has already ruined the world financial system. Circus without bread, and so-called "social stability."

Until now, investment banks like Merrill Lynch have used the leftist image of Chávez to frighten the upper classes and encourage capital flight. But the real danger posed by Chávez has nothing to do with "communism." Chávez is, above all else, an instrument of the British in their strategy to balkanize the continent and dismantle the very institute of the nation-state. The British embassy in Caracas has openly wooed Chávez since 1995, when the Minister Counsellor of the embassy at the time, William Webster Hare, lunched in public with Chávez.

At a press conference Chávez gave in Buenos Aires, Argentina, on March 29, 1995, he complained that the Venezuelan government had intervened to prevent his travel to London, invited at the time by British Ambassador John Flynn. Chávez's dream of seeing the capital of the Empire firsthand came true just a few months ago, when Ambassador Wilkinson organized a trip for him, as the Presidential candidate of a coalition of parties associated with the São Paulo Forum. That coalition combines the narco-terrorist left and the advocates of the Theology of Liberation, with various tired Marxist utopians.

Chávez returned from his trip starry-eyed over Tony Blair and his Third Way, that is, the strategy of following the rules of the "globalism" game while continuing to mouth "revolutionary" promises (what in economics, Lyndon LaRouche has described as the alternative between life and death). Recently, the international spokesman of Colombia's narco-terrorist FARC, "Commander Ariel," gave his blessing to Chávez's candidacy, in the context of bloody "peace" negotiations with the Andrés Pastrana government in Bogotá. Chávez, in turn, has accepted this support, saying that should he win the Presidency in December, he would do everything in his power to contribute to a successful conclusion of those so-called negotiations. As was openly proposed by a spokesman for Colombia's other narco-terrorists, the ELN, what is being negotiated there is the conversion of Colombia into a Switzerland-style confederation, each territory of which would be controlled by the FARC and ELN; in other words, independent and autonomous "cantons."

In the meanwhile, Chávez has promised to continue punctual payments of the Venezuelan debt, by following the model begun by deposed President Carlos Andrés Pérez, against whom Chávez headed a failed coup attempt on Feb. 4, 1992: swapping debt for equity, according to the Brady Plan model orchestrated by then-Planning Minister Miguel Rodríguez, who today is another Presidential candidate in Venezuela.

A currency board would finish off Mexico

by Carlos Cota Meza

Henry Kissinger, the perennial voice of the most aggressive British oligarchical interests, has reared his ugly head once again, this time threatening to overthrow Mexican President Ernesto Zedillo, should the latter fail to impose a currency board and privatize the national oil firm Petróleos Mexicanos (Pemex). The threat came from one of Kissinger's better-known mouthpieces, Alan Stoga, currently head of the former Secretary of State's consulting firm, Kissinger Associates. Among the latter's clients are large multinationals, as well as some of Wall Street's big brokerage firms and banks.

In an article in the Sept. 13 issue of the daily *Reforma,* Stoga wrote, "The question is no longer whether Mexico will have a financial and economic crisis, since one is already under way, but whether there will also be a political and constitutional crisis. . . . Increasingly, the question posed among international financial circles is whether President Zedillo will survive his last two years. It is easy to predict that a crisis of his administration is inevitable. The more complicated problem is whether Zedillo will be around to witness it."

Later in the article, Stoga outrageously affirms that "although it is not polite to predict the failure of a President or a Constitution," President Zedillo has no choice but to accept the eight-point program which Kissinger and his associates are demanding. Among these points is the call to "establish a credible financial system, adopting an Argentine-style currency board," and "allowing private capital into the energy sector . . . using the money collected to reduce both the national debt, as well as the debts of individuals and small businesses."

Help from the Mont Pelerin Society

On cue, Stoga's article created a chorus of support for the currency board proposal, one of the worst forms of economic bastardy to surface in recent years. Press sources revealed that Guillermo Ortíz Martínez, governor of the Banco de México, the central bank, had actually "advised" several commentators and analysts to launch the debate. Within the private sector, the campaign is coordinated by Francisco Gil Díaz, the Banco de México's former deputy governor. Roberto Salinas León, chairman of the Mont Pelerin Society in Mexico, whose family also owns the TV-Azteca network, is directing the