

Venezuela's CAP is playing for time, but the economy won't give it to him

by Alfonso Rodríguez

Eleazar Díaz Rangel, the dean of Venezuelan journalism, published in his Oct. 19 column in the daily *El Mundo* a "privileged information" report according to which the high military command met in September with President Carlos Andrés Pérez, to carry out "war games" based on a very strange "hypothesis of conflict": the resignation of the President. According to the report, CAP, as he is known, accepted, on condition that 1) he is given adequate time to resolve his personal affairs; 2) he is given guarantees that there will be no popular uprisings; and 3) the United States is consulted first. One of the generals reportedly responded: 1) Take the time necessary, within reason; 2) the Armed Forces are the guarantee that peace will prevail; and 3) "we have already consulted."

It is a fact that in recent weeks, spokesmen from Washington ranging from Ambassador to Venezuela Michael Skol to Ambassador to the Organization of American States Luigi Einaudi, have explicitly warned that their country would not tolerate a coup d'état in Venezuela. For the government of the United States, these men insisted, the only thing that counts is the survival of "democracy," even if that "survival" can only be maintained through terror and violence. In Washington, such "democracy" is understood as the permanence of Carlos Andrés Pérez and of the free market "reforms" his government has been promoting, and which have earned the admiration of the International Monetary Fund's Managing Director Michel Camdessus and of the country's international creditors.

And yet it is precisely the continuation of these free market "reforms" that is undermining the stability of the country and the survivability of the current government. A statement by Planning Minister Ricardo Haussman, to the effect that the exchange rate in 1993 could reach 90 bolivars to the dollar, triggered an immediate run which drove the bolivar from 70 to 78 to the dollar in just two days. The central bank was forced to intervene, despite its depleted reserves, leaving the exchange rate at 75 bolivars to the dollar.

Also destabilized were interest rates, with central bank bonds rising from 37% to 45-50%. This increase completely upset the controversial public budget for 1993, which was designed on the basis of a 77 bolivars to the dollar exchange rate.

The specter of hyperinflation

Private investment has been paralyzed in Venezuela since the coup attempt of Feb. 4, and public investment stalled way before that. Because the majority of bank deposits are short term, so much illiquidity has been generated among the financial institutions that overnight interest rates have reached 1,500%. Despite that, the central bank is maintaining its restrictive policy, supposedly "to reduce still further the money in circulation." At the same time, it is offering banks interests rates of 55% a year for five-day deposits, in hope of reducing their ability to buy dollars.

This year, the government budgeted public debt service at \$3.36 billion, of which \$1.42 billion corresponds to the internal debt and \$1.95 billion to the foreign debt (of which nearly \$1.8 billion was pure interest). For 1993, the government had anticipated an exchange rate of 77 bolivars to the dollar, and stable interest rates, to be able to pay a total debt service of \$5 billion. Of this, some \$3.23 billion corresponds to foreign debt service. In other words, the entirety of 1992's debt service is nearly equal to the 1993 service on just the foreign debt!

These usurious figures, in themselves clear proof of a greater general austerity, fall well below new expectations of the hyperinflationary potential of a 90-100 bolivars to the dollar exchange rate, and still higher interest rates.

That is why individuals who until now have opposed reducing President Pérez's term in office, such as the influential editor of *El Universal*, Teófilo Núñez, are now proposing formulas by which Venezuela could make it to 1993 without an economic and social collapse. In an interview with the Omnivision channel of Adolfo Sandoval, Núñez said that because of the precariousness of the economic situation in the country, "the government that falls won't be this, but the next one. That is the great truth."

Núñez has insisted that various aspects of Pérez's economic reform, such as the trade "opening," be reversed, in order to provide protection for national industry and agriculture.

The compromise formula that Núñez has proposed regarding the presidency is to advance the nomination of presidential candidates to January 1993, instead of waiting until

June. This, he claims, would define alternatives and, above all, economic expectations. "The next government must have a detailed plan of the change of direction it is going to give to the existing political and economic situation," said Núñez. The presidential elections themselves, he proposes, should be advanced by one month, so that the new government takes office in January 1994.

Such figures of the Venezuelan left as Teodoro Petkoff of the Movement to Socialism (MAS), and Causa R leaders Arístobulo Isturiz and Pablo Medina, are participating in regional elections (mayoral and gubernatorial) planned for Dec. 6, with the intention of thereby projecting themselves into the 1993 presidential elections. In fact, according to the daily *El Nuevo País* of Oct. 23, Medina is proposing that, to guarantee the legitimacy of the elections, they be conducted under the inspection of such "international observers" as former U.S. President Jimmy Carter, French President François Mitterrand, head of the Brazilian Workers Party Ignacio "Lula" Silva, and the head of Mexico's PRD party, Cuauhtémoc Cárdenas—the last two parties both members of the Cuban-inspired São Paulo Forum.

All this will presumably give Pérez sufficient time to resolve his "personal problems." The most important such "problem" is the charges of "inexplicable enrichment" that have been leveled against Pérez's lover, Cecilia Matos. Former congressman José Antonio Martínez has tried to force the opening of a judicial investigation into Matos and, in fact, there is one currently under way, but, according to Martínez, it has been deflected so as to "absolve her of all guilt." This will make it impossible to try her on the same charges when Pérez leaves the presidency.

Violent democracy

The military high command appears to be in the process of dismantling the upper ranks of the Armed Forces, giving dishonorable discharges to colonels and lieutenant colonels on the slightest pretext. On Sept. 17, an Investigative Council was created as an instrument for purging Colonels Mario de Jesús Guanare and Oscar Medina. The first was deputy director of the Metropolitan Penal Center of Yare, where the leaders of the Bolivarian Revolutionary Movement (MBR-200), Commanders Hugo Chávez and Francisco Arias, are incarcerated; he was accused of asking Chávez to autograph a photograph on the request of a secretary from the military command. The second had been assigned to a Defense Ministry sub-division, and was accused of gathering signatures for a pardon for the MBR-200 prisoners.

Both denied any political links with the MBR-200. But according to legal observers, the most striking aspect of the case is that not even the prisoners themselves, who have accepted full responsibility for the February coup attempt, have been forced to resign; in fact, the majority of them have had charges against them dismissed. Further, as the targeted men have charged, the Investigative Council is not legally



A military honor guard flanks President Pérez and the leader of Indonesia, arriving at a summit last December in Caracas. The Venezuelan high command is now dismantling the upper ranks of the armed forces.

authorized to order such drastic punishment against a high-ranking officer.

On Oct. 15, the same procedure was used against Lieutenant Colonels Miguel Armando Madriz Bustamante and Salvador de la Rosa Escobar, who were accused, along with Lt. Col. José Amilcar Trompiz Lacman, of belonging to "a subversive movement." Trompiz was exonerated by the Investigative Council, which once again turned itself into a military tribunal.

Weeks after the dismissals were made known, an alleged military intelligence report began to circulate in the press accusing the three officers of having conspired to carry out a coup d'état on Oct. 4, along with businessmen and financiers supposedly tied to "the Marcel Granier group."

Granier is the president of *El Diario de Caracas* and director of the IBC Group which owns Radio Caracas Television. RCT is characterized by its independence from the Pérez government. Two weeks earlier, on Sept. 28, the vice president of IBC Group, Mrs. Jean Hope Phelps de Robinson, was wounded in a murder attempt bearing all the earmarks of a professional hit. According to the magazine *Auténtico*, her son Jaime Nestares is demanding an investigation of all possible hypotheses regarding the assault, "including the hypothesis that the government ordered her killed."

It is worth noting that one week before the attack on Phelps, *El Diario de Caracas* published a report showing how the Diego Cisneros Organization, owners of the TV chain Venevisión and the unofficial moneybags of the Pérez government, had succeeded in capturing control over nearly every private radio and television network, with the exception of RCT.