

Venezuela's Caldera rejects Mexico model

by David Ramonet

Despite the propaganda pouring out of the London *Financial Times* and the *Wall Street Journal*, the government of Venezuelan President Rafael Caldera does indeed have a well-defined economic program, one which flatly rejects "neoliberal" (free-trade) shock therapy, and seeks to reactivate national productive capabilities.

President Caldera outlined his program before the annual assembly of Venezuela's business council Fedecamaras on July 19. He reminded those who are nostalgic for the usurious policies of the former government, just how devastating those free-trade policies had been under former President Carlos Andrés Pérez (currently being tried for corruption by the Supreme Court), and under former Mexican President Carlos Salinas de Gortari in Mexico. "Our economic policy, which is the economic plan of Finance Minister [Luis Raúl] Matos Azocar, rejects shock therapy; we do not believe in this therapy," the President said. "We had already experienced the impact in 1989."

When Mexican President Ernesto Zedillo took office on Dec. 1, 1994, everyone attending the ceremonies urged him to follow the example of Salinas, Caldera noted. The Venezuelans who attended "returned saying that, what we should follow here, was the economic policy of President Salinas de Gortari. . . . And what was the legacy which Salinas de Gortari left President Zedillo when he handed him power? . . . There has been much silence in this regard, because now they speak to us of undertaking the policy of other countries of Latin America, but forgotten is the case of Mexico . . . which has passed through the most difficult of situations in its economic life. I am happy not to have listened to those who, every day, insistently, were telling me that what I had to do in Venezuela was apply the policy which President Salinas de Gortari had applied in Mexico."

Caldera instead posed the need for Ibero-American economic integration, toward which he has taken the first steps, together with Brazilian President Fernando Henrique Cardoso. "Venezuela is becoming, in a way, the communication hinge between the Andean Pact and Mercosur," he explained, referring to South America's two regional economic accords. "We are opening in this way, a new path, comprehensive, of immense horizons, which represents the definitive step toward Latin American integration, and which puts us in the position to be able to honorably and conscientiously

negotiate, to the advantage of our States, the hemispheric integration which the President of the United States proposed in the Miami hemispheric summit."

The 'Matos plan'

The "Matos economic plan" to which Caldera referred, was outlined to Congress by the finance minister on June 28, when he presented the proposed 1996 budget. The plan rejects any devaluation of the currency, maintains full exchange controls, and rejects an increase in the price of gasoline, all measures which the World Bank and the International Monetary Fund had demanded as conditions for unfreezing disbursements for already-established programs, frozen since 1994. Nor is the government basing its budget on privatizations, the other IMF demand. Matos reported that he did not include projected income from any privatizations of state companies in his budget calculations, in order, he explained, "to keep fiscal pressures from leading to hurried negotiations which could damage national interest."

Matos Azocar reminded congressmen that the budget has certain pre-established fixed expenditures, not determined by the government, such as the foreign debt, which "consumes 34% of budget expenditures, and which corresponds to political decisions taken in the past." He emphasized that his government remembers that "the purpose of fiscal expenditures is to return to the citizens in services, what they pay in taxes."

The government's strategy, he explained, attempts "to avoid the leap into the void, which entails going from import substitution to total opening [of trade barriers], something like opening the windows of a house during a hurricane." He outlined a "vision of the productive apparatus as an interconnected economic system of cooperation and competition," which seeks to foster "cooperation between the State and the market, between capital and labor, as the social basis for productivity."

The announcement of the Matos plan hit the most recalcitrant free-trade grouping within the business sector like a bucket of cold water. They had been demanding a shock program as the premise of an anti-inflationary pact, which was to have been signed between labor, business, and government. Caldera and Matos assured them, however, that the government rejected shock therapy, not on ideological grounds, but because "social justice" must be assured. They cited as signs of "good faith" that the government supports a market policy, the decision to privatize the nationalized banks, put the state aluminum and steel industries up for sale, and allow private companies to participate as partners in oil operations with the state oil company.

What will be the international response to Venezuela's sovereign decision to protect its productive capabilities? Matos returned from Washington on July 18, where he met the directors of the IMF, World Bank, and the Inter-American Development Bank. "I cannot say there was applause" for the government's program; he said.