

Chávez's economic program for IMF looting, with Jacobin rhetoric

by David Ramonet

From the standpoint of his economic program, the so-called "Third Way" touted by candidate Hugo Chávez Frías during his Presidential election campaign, has proven to be nothing more than a militarized version of the same "shock package" that Carlos Andrés Pérez (CAP) attempted to carry out during his second, uncompleted Presidential term: an International Monetary Fund (IMF) austerity program designed to guarantee payment on the foreign debt at the expense of the national productive apparatus and of economic and national sovereignty. Toward this end, Chávez has pledged to ignore every legal principle, and to do away with the organized labor movement in Venezuela.

Some ten years ago, CAP launched the globalist economic reforms in Venezuela which led to the disintegration of national industry, the bankruptcy of agriculture, the growth of the "informal economy," and a ballooning financial and capital market that wrought the bankruptcy of Venezuela's banking system in 1994. CAP became known as one of George Bush's Ibero-American favorites, along with Mexico's Carlos Salinas and Brazil's Fernando Henrique Cardoso, for imposing his evil "new world order."

CAP never did get to finish his experiment, and this can be blamed on two coup attempts in 1992 (including the one on Feb. 4 headed by now-President Chávez) and his subsequent impeachment and removal from office in mid-1993 for embezzling public funds. During the interim government of Ramón Velásquez, City of London mouthpieces, such as the *Economist* and the *Financial Times*, opened up a campaign designed to distract public attention from CAP's shock package, and to concentrate it instead on CAP's corruption.

During the first two years of Rafael Caldera's government, when he attempted to apply nationalist and protectionist economic measures to production and national employment, all of the opposition—including the government parties currently allied with Chávez—participated in a destabilization effort, once again orchestrated by the *Economist* and similar mouthpieces for international usury, to force Caldera to return to the reforms undertaken by CAP. Now, Chávez blames all of Venezuela's economic and social ills on all the governments that have preceded his, since 1958.

Of CAP, they say that it was his "charisma" that enabled him to convince Venezuelans to swallow all the suffering

wreaked by the IMF and the globalist financiers. Of Caldera, these same forces had hoped that his reputation as an honest man would help him to impose the same austerity, but "honestly." Now, with Chávez, they are hoping that the man with no ties to the political parties—the "AD-COPEI bureaucracy," as civil servants are referred to—will have no qualms about firing half a million public employees to "reduce the state" (i.e., slash the budget), wipe out the labor movement, and see the privatization of public companies through to the end.

During the celebration of his first 100 days in office, President Chávez made every effort to demonstrate his willingness to fulfill these expectations: He reiterated that there will be no exchange controls, no price controls, no controls of any sort, and he promised to sign with the IMF as quickly as possible. In sum, that his "constituent revolution" will bring Venezuela on board the globalized moribund financial and monetary system.

The IMF noose

On April 25, 1999, the referendum that Chávez had called to create a National Constituent Assembly was held, with 63% of Venezuelan voters abstaining from the polls. The referendum included a question for the voter to approve or disapprove the basis for convoking the Assembly, drafted by Chávez personally, with the only limit being respect for all standing international treaties and agreements. That is, the Constituent Assembly, which according to Chávez—and against the ruling of the Supreme Court—will be allowed to immediately dissolve the judicial and legislative branches of government; it will not be allowed, however, to abrogate the existing, unconstitutional agreements which Venezuela has been forced to sign with its financial creditors. These agreements require, among other things, that all legal disputes that might arise be settled outside Venezuelan territory, thereby subordinating the Venezuelan state to foreign jurisdictions, specifically the City of London and Wall Street. The same applies with the foreign oil multinationals that participated in this "opening."

With a public budget estimated at 12.46 trillion bolivars (some \$19.54 billion), which presents a deficit of some \$8 billion (8.2% of the GNP), the government is rushing to reach

an agreement with the IMF—any agreement—which would serve as an endorsement and enable Venezuela to turn to the international credit markets. Without the IMF's stamp of approval, any new credits would come with highly onerous conditions. "We haven't yet given a name to the agreement that we are, nonetheless, going to establish," Chávez remarked about the pact with the IMF, on April 26.

But the IMF's stamp of approval has its own, highly onerous conditions. In order to prove that austerity is proceeding in earnest, the President has ordered a census of all state cars, planes, and cellular phones, preparatory to selling them off. Then, to further convince the IMF and the "markets," Chávez fought with the Congress to win approval of an "Enabling Law" that would permit the government to introduce a Bank Debt Tax (0.5% for each bank transaction), and to turn the Wholesale Sales Tax and Luxury Consumer Tax into a General Sales Tax that would expand the taxable base.

Debt for assets

The government had originally requested authorization from Congress for a gross indebtedness of \$12 billion, equivalent to 50% of the current foreign debt. That was first lowered to \$7.8 billion, and finally to \$3.8 billion. Looking at the public foreign and internal debt combined, this represents an increase of nearly 20% in state indebtedness, which will rise from the \$20.5 billion left by the previous government—after reducing it by more than \$6 billion—to \$24.3 billion, in a single year.

The Chávez government's foreign debt policy is the same that was designed by CAP's Planning Minister Miguel Rodríguez, which, in effect, was based on exchanging debt for state assets (or as it is euphemistically called today, "debt for investment"), by placing bonds that could then be exchanged for public holdings.

Of the planned new indebtedness, Chávez is hoping to place \$1.4 billion on world speculative markets, by changing them for the Brady bonds and other global bonds in circulation, with the intent of paying off those bonds which come due with other bonds.

According to Planning Minister Jorge Giordani, the government is hoping to get an additional \$700 million to pay the foreign debt, by selling off the national electricity distribution grid (with the exception of a portion of electricity distribution in Caracas, the rest belongs to the state).

Regarding the state aluminum complex, government spokesmen have indicated that they expect to be concretizing its sale, unlike the "failure" of the previous government, which had been unable to meet the expectations of would-be purchasers, starting with George Soros.

The physical economy disintegrates

Among the achievements presented by President Chávez at the celebration of his first 100 days in office, was an increase in the price of oil, as the result of production cutbacks, which

has led to a recovery of international reserves to the level of \$14 billion. Chávez also stressed that inflation had fallen to 1.1% in April, and predicted that, in May, it would be even lower than 1%. He boasted that the exchange rate had been kept stable, floating within the established limits, and that the stock market had recovered.

But in May, inflation rose two points, while the stock market lost half of its profits, merely because of the "Tango Effect" from the Argentine crisis.

In any case, economists had a good laugh at Chávez's expense, because "he confuses stagnation with stability." To nearly everyone, it was obvious that the drop in inflation was in response to the barbaric collapse in consumption, including food. According to the president of the Chamber of Commerce (Consecomercio), Alvis Muñoz, figures pulled together by the Supermarket Council linked to the Chamber of Commerce show that food consumption in April alone fell by 12%. "This is extremely worrisome, because it means that the crisis is much worse than we thought. When someone doesn't buy a pair of shoes, a dress, or jewelry, it is not as serious as when someone stops buying eggs, pasta, and meat," he said. Chávez decreed a token wage increase of 20% for public employees, starting in May, which served as the basis for an increase in the minimum wage in the private sector, which went from 100,000 bolivars a month (\$168) to 120,000 bolivars a month, roughly 60% of the cost of a basic family basket.

The Central Bank acknowledges that the slowdown in the inflation rate so far this year is largely due to the drop in consumption of basic foods, clothing, shoes, and services. According to the Venezuelan Food Council, consumption of cheese, sardines, flour, tuna, vegetable oil, chicken, and pasta fell more than 5% between January and February of this year.

On top of this, the paralysis of the economy has driven up unemployment and expanded the informal economy. Cutbacks in oil production in the state of Anzoáteguia, for example, left 10,000 workers without work; the construction industry is operating at below 15% of capacity; and, in two cities alone in this oil state, there are more than 2,000 apartments without potential buyers.

But the worst hit is the manufacturing sector. According to the National Industry Council (Conindustria), industry so far this year has lost 60,000 jobs, or 21%. Between 1996, when the Caldera austerity package was first begun, and today, employment in the manufacturing sector has lost 450,511 jobs, leaving only 223,053 workers total.

This is the direct result of the drastic shrinkage in public expenses—the much-touted "reduction of the state"—which has worsened since last year, because of the fall in oil prices. Actually, public expenditures have been falling since the IMF's neo-liberal austerity programs first began. According to the Office of Economic and Financial Advice of the Venezuelan Congress, "the level of real per-capita expenditure by the central government is currently below the level it was at in the beginning of the 1970s, with the aggravating factor that

it has fallen 24% since 1990.”

Juan Mejías, president of the Venezuelan Industry Council, reported that “in 1999 so far, industrial plant has not been reactivated, as a consequence of the decline in internal demand.” A study by his Conindustria indicates that some 50 small and medium-size firms have declared bankruptcy in the first quarter of 1999. Machine parts manufacture, chemicals, steel, paper mills, and suppliers to the oil industry are all facing severe recession conditions.

According to the Datanálisis census firm, family incomes declined by 2% in the first quarter of 1999. Two years ago, family budgets allocated 36% to food purchases; today, they allocated 42% to buy products which are on sale and/or of poor nutritional value.

In total, unemployment grew by 4% in the first quarter of 1999, according to the Center for Documentation and Analysis for Workers (Cenda) and Datanálisis. While the Central Office on Statistics and Information maintains that unemployment was 11% at the end of 1998, and has risen to “only” 12% so far this year, Cenda insists that it rose to 15% in April and that, if the trend continues, it will end at 17% by the first half of this year, according to Oscar Meza, Cenda’s director.

Datanálisis reports that through March 1999, the total unemployment rate was 14.1%. Of an economically active population (EAP) estimated at 9.5 million workers, that 14.1% represents 1,339,500 unemployed in March. Of the remaining 85.9% of the EAP, the employed number was 8,816,500. It is estimated that fully 52.5% (4,282,262) of these, however, were employed in the informal sector, and that only 47.5% of the EAP (3,876,238) enjoy the benefits that accrue to a worker with a fixed salary in the formal economy.

Seniat, a state agency in charge of tax matters, reformulated its forecasts based on an analysis of the Venezuelan Central Bank, which predicted a 7.9% fall in GNP this year. Originally, the government had estimated a “simple” zero growth for this year. Later, it modified its expectations to a 1.5% decline. But, after an analysis of economic performance in the first quarter of 1999, the Central Bank technical experts now estimate that the reduction in oil activity (some 650,000 barrels per day less) will have a greater impact on the rest of the economy, than was first calculated.

The earlier forecast had contemplated a growth in the oil GNP of 2.9%, and a 3.2% decline in the rest of the economy. The new estimate forecasts a 12.1% decline in the oil GNP, and a 6.4% decline in the rest of the economy. As a result, it is also estimated that imports will be \$1.4 billion less than the \$13.9 billion previously expected.

Both Finance Minister Maritza Izaguirre and Planning Minister Jorge Giordani deny that these latest estimates are correct. However, Seniat director Gen. Humberto Prieto (ret.), who is more realistic, given his agency’s need to accurately predict revenues, recalculated income that can be expected this year, including the new taxes, based on the Venezuelan Central Bank’s technical assessment.



Former Venezuelan President Carlos Andrés Pérez (CAP), seen here in 1991. Widespread hatred of his implementation of IMF austerity created the fertile ground for Chávez’s 1992 attempted coup against him. The 1992 graffiti (inset) reads, “Long Live Chávez, Down with CAP.” Now, Chávez is putting a “revolutionary” face on exactly the same austerity, and worse.

‘Project Bolívar’s’ work armies

On Feb. 27, to commemorate the tenth anniversary of the street violence in 1989, Chávez inaugurated “Project Bolívar 2000,” by means of which he divided the national territory into “Theaters of Social Operations,” based on the military outposts in the country. It was announced, as if it were an employment program, to link the Armed Forces to the civilian population for the purpose of raising infrastructure and attacking the problem of unemployment. In Caracas alone, 15,000 people were immediately registered, of whom fewer than 100 actually got real jobs. The rest were reduced to some 2,500 civilians accompanying some 9,123 army troops on weekends, to help repair schools and hospitals, and clean up neighborhoods, as well as to set up “people’s markets” at subsidized prices.

But part of the financing for these “work armies” stems from programs financed by the World Bank, along with the “recommendations” that go with them. And thus, among the medical services being offered on weekends by the military doctors, in public hospitals as well as ambulatory surgical units, include the sterilization of poor women.

“Population control plans cannot substitute for the duty

of the state, and of other national and international institutions, to promote real development that guarantees the right of every man to benefit from the abundant resources of the Earth and from man's intelligence," read a statement by the Episcopal Commission on the Family, headed by Puerto Cabello Bishop Msgr. Ramón Linares, and endorsed by the Episcopal Commission on Faith, Morality, and Ecumenicism, headed by Cabimas Bishop Msgr. Freddy Fuenmayor.

Norberto Ceresole: Chávez's Rasputin

by Cynthia R. Rush

As some members of Venezuela's elites have already figured out, most of President Hugo Chávez's proposals aren't the product of his own thought processes—to the degree he has thought processes at all. Rather, they come from Norberto Ceresole, the unkempt Argentine geopolitical freak who landed in Caracas almost immediately after Chávez's victory in the December 1998 elections, boasting that Chávez was his "creation." What is attractive about the new President, he told an interviewer from *Siete Días* magazine, "is that he represents a political model that I designed in the 1960s. *I designed that model*. . . . What's happening now in Venezuela, is something that I dreamed of, that I imagined years ago."

There is surely an element of megalomaniacal self-promotion in Ceresole's outbursts. But they also contain a significant element of truth.

The basic precepts of the "Chávez model" are to be found in Ceresole's lengthy, convoluted, and pompously named geopolitical tract, "Caudillo, Army, and the People. The Venezuelan Model or Post-Democracy," which Ceresole just happened to have ready for Chávez, upon arrival in Caracas in January 1999. Not known for his modesty, he demanded that 100,000 copies of the work be reproduced and widely disseminated, so as to educate the Venezuelan people on the "new state" Chávez intends to build.

Ceresole may not be a household word in Venezuela, but he is well known to *EIR*, whose founder, Lyndon H. LaRouche, Jr., he has attacked openly. Since the early 1990s, this news service has tracked his activities as an agent of what we have made famous as the British-conceived "Plot" to dismantle the institution of the armed forces, and the sovereign nation-state itself. Predictably, Ceresole can be found wherever the "Plot" is well under way, working with London's São Paulo Forum to promote the model of a "new" military, which won't interfere with London and Wall Street's nation-wrecking policies.

'New revolutionary project'

Starting in 1994, after Chávez was released from jail, Ceresole began shuttling back and forth between Buenos Aires and Caracas in his role as adviser to Chávez, whom he was grooming to become not only the leader of Venezuela's *sans-culottes* "revolution," but a leader throughout the continent as well. "In my opinion," he states in his geopolitical tract, "all the elements needed to make Hugo Chávez a leader of all Hispanic-Creole America exist today. . . . He could also become the necessary referent of the great disinherited masses, and of the humiliated armed forces of all of our Hispanic-Creole America."

In 1994 and 1995, Ceresole accompanied Chávez on a tour of several Ibero-American nations, in each of which the São Paulo Forum's leftist military or ex-communist networks were the contact points. As Chávez would later say, "We are a movement of military men which welcomes ex-guerrillas. . . . I am a revolutionary."

In Colombia, he and Ceresole reportedly met with leaders of the narco-terrorist ELN, and, in December 1994, also attended a conference in Santa Marta, Colombia, sponsored by the São Paulo Forum, which called for creating a new Bolivarian movement "freed from models linked to the past and which proposes to build a new revolutionary project." It is instructive that one of Chávez's big supporters is Enrique Gorriarán Merlo, the terrorist Cuban intelligence agent in Argentina, whose All for the Fatherland Movement (MTP) assaulted the La Tablada Army base in Buenos Aires in early 1989, allegedly to halt a coup attempt by nationalist Col. Mohamed Alí Seineldín and his "Carapintadas" against then-President Raúl Alfonsín. Gorriarán told a reporter for *El Nuevo Informador* that "when Lt. Col. Hugo Chávez Frías takes power in Venezuela, we shall have an ally of iron to extend the revolution to other parts of the continent."

Nazi-communist

Ideologically, Ceresole is a Nazi-communist. A onetime stringer for Soviet and East German intelligence, and reportedly also close to Cuba's G-2, he is an overt racist and anti-Semite, a Hitler-lover who raves that the Holocaust "was a big lie." In fact, after his manic remarks to a Venezuelan interviewer, to the effect that Auschwitz and Treblinka "are made in Hollywood. . . . Today, no one believes in the Holocaust," in mid-March, Foreign Minister José Vicente Rangel was constrained to invite him to leave the country, amidst growing scandal around his role as "adviser" to Chávez. In an interview in the March 1 edition of the Venezuelan daily *El Nuevo País*, Ceresole said that "the political party of the future, is civic-military unity—make the revolution just as Lenin, Mao or Hitler did. . . ."

His geopolitical writings, which are largely unreadable, are filled with references to such forebears of Nazism as geopoliticians Friedrich Ratzel and Halford Mackinder, as well as the "clash of civilizations" thesis of ethnic warfare