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Mckamara Papers

*Travel
Dec. 2*



Archives

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Folder 1 of 2

DECLASSIFIED
WBG Archives

VENEZUELA

- 12/3/69 Dinner:
(Caracas) Pedro Tinoco, Minister of Finance
General Rafael Alfonzo Ravard, President, Corporacion Venezolana de Guayana
Rodolfo Aristeguieta, Secretary of the Presidency
Andreas Boulton, president of internal airline
Carlos Emanuelli, Director, Public Credit, Ministry of Finance
Benito Raul Losada, President, Central Bank of Venezuela
Oscar Machado Zuloaga, General Manager, La Electricidad de Caracas;
Board Chairman of VIASA airline
Eugenio Mendoza, leading industrialist
Luis Enrique Oberto, Director, CORDIPLAN
- 12/3/69 Argenis Bamboa, President, Steel Plant (SIDOR)
(Guayana) Otto Rivera, Manager
- " Lester Russell, Manager, Aluminum Plant (ALCASA)
- " Carl Hogberg, President, Orinoco Mining Company
- " Juan Andres Vegas, Urban Development
Roberto Alamo, Regional Development
Hector Font, Education
- " Pedro Palacios, Construction Manager, Guri Hydroelectric
Rodolfo Telleria, Operations Manager
- 12/4/69 Creole Petroleum Company:
(Caracas) Federico Baptista, Director
Guillermo Rodriguez Erazo, Director
- " Jose Antonio Mayobre, Board Member, Boulton industrial group
- " Hector Hurtado, former Director of CORDIPLAN
- " Freddie Muller, First Vice President, Federation of Chambers of Commerce and Industry
- " Hans Neumann, President, Resimon factory
- " Luis Vallenilla, President, CAVENDES
- " Dr. Arturo Uslar Pietri, Senator and Director of El Nacional, Caracas daily newspaper
- " Dr. Concepcion Quijada, Distribuidora de Algodon. Livestock raiser; former president, Federation of Chambers of Commerce and Industry
- " President Rafael Caldera
- " Jose Euriel, Minister of Public Works
- " Miss Haydee Castillo, Minister of Development
- " Dr. Carlos Galavis, President, Banco de Desarrollo Agropecuario

ITINERARY VENEZUELA and MEXICO, DECEMBER 2-8, 1969

	TIME	GMT	DETAILS
	1225		Depart Washington National Airport No. 28.
	1320		Arrive New York--Kennedy.
	1500	2000	Depart New York--Kennedy. VIASA 751.
	2020	0200	Arrive Caracas. Stay at Hotel <i>Avila Hilton</i>
Wednesday December 3	0800		Depart Caracas by private plane. <i>PA/FAU</i> coast and Orinoco Delta. <i>Delta is bus service for 1170</i>
	1030		Arrive Ciudad Guayana. Visit steel mill (BOR), ALCA aluminum plant, and Orinoco production plant. (Mrs. McNamara to visit educational facilities accompanied by Mrs. Elena Vegas.) <i>Ray CVG 70-21-9m</i>
	1245-1330		Tour of city by car. <i>City created by CVG 1960 - Har/MIT com</i>
	1400		Luncheon. <i>San Rafael, director of Guayana Orinoco Mining Co.</i>
	1530		Depart Ciudad Guayana by plane <i>on CVG BOZIVAR</i>
	1645		Arrive Guayana. Visit hydroelectric plant. <i>131 m 8/10/69</i>
	2000		Depart Guayana for Caracas.
	2045		Small stag dinner at Hotel <i>Avila</i> . (Mrs. McNamara to be accompanied by Mrs. Alfonso Ravard for dinner.) <i>12/3/69</i>
Thursday December 4	0900 <u>0957</u>	<i>1015</i>	Individual meetings at Hotel: Mr. Hugo <u>Perez</u> la Salvia--Minister of Mines and Hydrocarbons Miss Haydee <u>Castillo</u> --Minister of Development Mr. Luis <u>Vallenilla</u> --President, CAVENDES Mr. Miguel Angel <u>Capriles</u> --Newspaper publisher
	1300		Meeting with the President, Dr. Rafael Caldera.
	1400		Luncheon with the President and Cabinet Members.
	1530		Depart by car for Maracay along Bank-financed express- way; visit industrial plants.
	1830		Arrive Maracay. Stay at Maracay Hotel. Evening free.
Friday December 5	0800		Depart by <i>plane for Barinas</i> car for Valencia
	0900 1000 <i>0930</i>		Depart Valencia by private plane for Barinas
	1200		Arrive Barinas. Tour livestock area--possible Bank project.
	1330		Depart Barinas by private plane. Overfly Bank highway project (Barinas-San Cristobal) and petroleum fields.
	1500		Arrive Maracaibo.
	1700	2100	Luncheon at Hotel del Lago.
	1850	0050	Depart Maracaibo PA516.
	2000	0200	Arrive Guatemala City via Panama City.
	2140	0340	Depart Guatemala City PA502 non-stop.
Saturday December 6	0800 <i>3</i>		Arrive Mexico City. Stay at Hotel Maria Isabel.
	1030 <i>1077</i>		Tour of Mexico City by car visiting workers, housing the University city and the Metro. <i>Love Herpesa by AID - units sold on estate of Har</i>
	1330 <i>1200</i>		Visit to archeological museum <i>Smith-John - visited</i>
	1630 <i>1536</i>		Small luncheon hosted by Bank of Mexico at Los Murales Restaurant. <i>units purchased by</i> <i>Smith-John - funds</i>
	1930		Informal meeting at Hotel with small group of Mexican economists. <i>Rodriguez Gomez & Hernandez Delgado hosts</i> Reception at <i>Los Murales Restaurant</i> hosted by Nat. Bank <i>Gov. Sec.</i> private sector representatives. <i>Rolando Vega</i> Evening free.

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>	<u>DETAILS</u>
Sunday December 7	0800		Leave for Cuernavaca by car. Visits to farmers.
	1400		Private luncheon in Cuernavaca by Minister of Finance.
	1630 1700		Return to Mexico City by car. <i>Mr. ORTIZ MENA</i>
	2130 2550		Ballet Folklorico de Mexico.
Monday December 8	0900		<i>mtg with Roberto Gomez at Bk of Mexico</i>
	1000		Meetings with President, Minister of Finance, followed
	<i>1100 mtg with P. Medina</i>		<i>DRDZ 1000</i> by meetings at the Ministry of Finance, Central Bank
	<i>1415</i>		and National Financiera <i>Mr. Hernandez Delgado 1200</i>
	1550	2150	Depart Mexico City AA50 via Dallas.
	2235	0335	Arrive Washington Dulles.

accom: Lopez No 9 FA 1 MAR

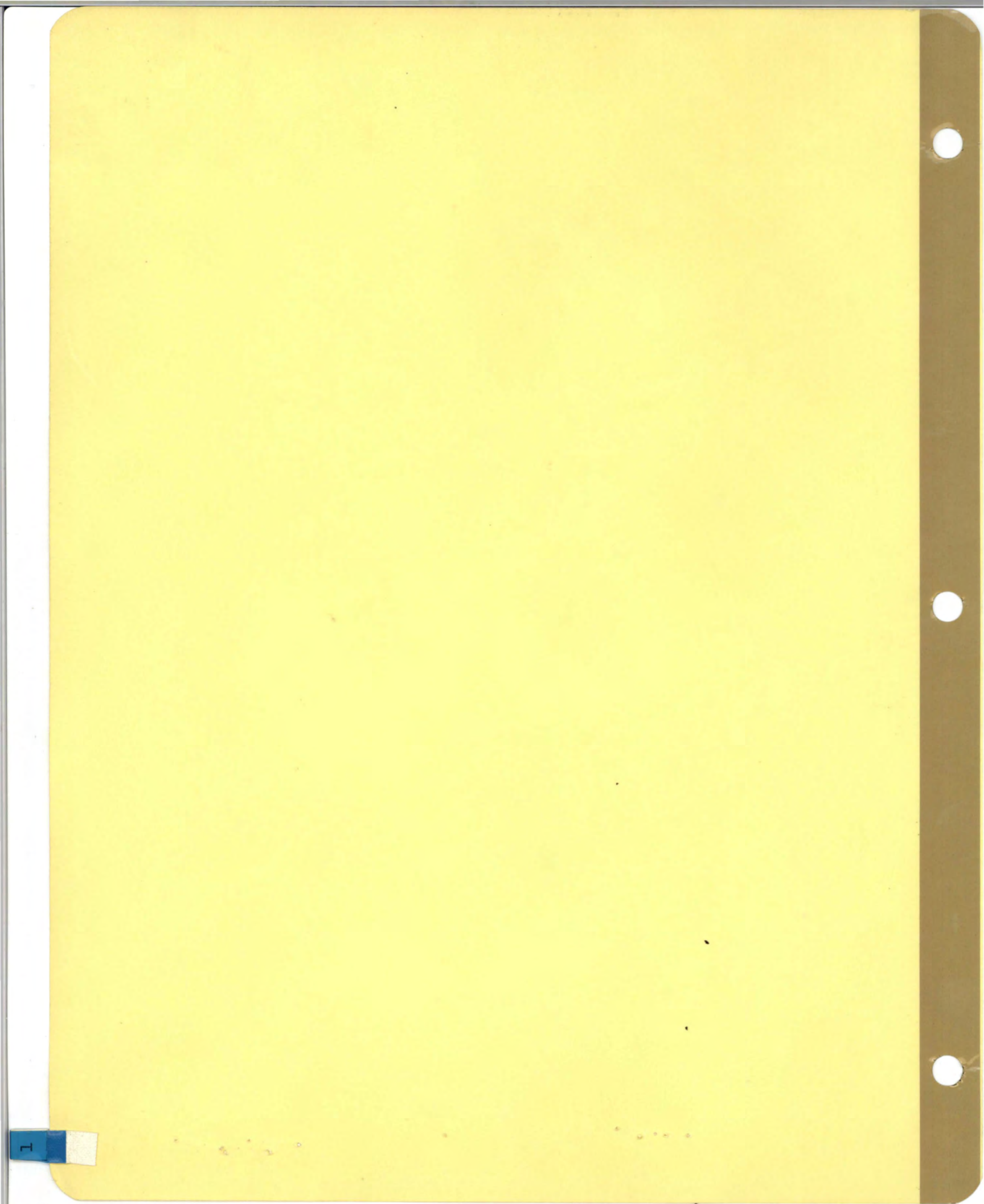
L.E. Christoffersen
November 24, 1969

VENEZUELA TRIP

December 2- 5, 1969

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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

VENEZUELA

Briefings on Guayana Trip
December 3, 1969

- | | |
|--|---|
| 1. Flight over Orinoco delta | Mr. Rafael De Leon, Director
Mr. Edgardo Tenreiro |
| 2. Steel Plant (SIDOR) | Mr. Argenis Gamboa, President
Mr. Otto Rivera, Manager |
| 3. Aluminum Plant (ALCASA) | Mr. Lester Russell, Manager |
| 4. Orinoco Iron Ore Reduction Plant (U.S. Steel) | Mr. Carl Hogberg, President,
Orinoco Mining Company |
| 5. Tour of Ciudad Guayana | Mr. Juan Andres Vegas, Urban
Development
Mr. Roberto Alamo, Regional
Development
Mr. Hector Font, Education |
| 6. Guri Hydroelectric | Mr. Pedro Palacios,
Construction Manager
Mr. Rodolfo Telleria,
Operations Manager |

(Mrs. McNamara will be accompanied by a Mrs. Elena Vegas, educational specialist, or Dr. Eduardo Ellenberg, Assistant Manager, Human Development Division, CVG.)

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INTERNATIONAL FINANCE
CORPORATION

VENEZUELA

Proposed Guests for Dinner (Stag)

^{Hilton}
Hotel Tamaritaco

8:45 p.m., December 3, 1969

Mr. McNamara

Mr. Machado

Mr. Clark

Mr. Wright

Mr. Pedro Tinoco - Minister of Finance

General Rafael Alfonso Ravard - President, CVG

Dr. Arturo Uslar Pietri - Editor of El Nacional;
former Presidential
candidate

Mr. Eugenio Mendoza - Leading industrialist

Mr. Benito Raul Losada - President, Banco
Central of Venezuela

Mr. Luis Enrique Oberto - Director, CORDIPLAN

Mr. Hector Hurtado - Past director, CORDIPLAN

Mr. Carlos Emanuelli - Director, Public Credit,
Ministry of Finance

Mr. Oscar Machado Zuloaga - General Manager, La
Electricidad de Caracas;
President, VIASA

Rodolfo
Mr. Arizteguieta

Sp. Asst. to Gen. Alfonso

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ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

VENEZUELA

Proposed Individual Meetings

(8 a.m. to 12:00 noon, December 4, 1969)

1. Mr. Hugo Perez la Salvia Minister of Mines and Hydrocarbons
2. Mr. Luis Vallenilla President, CAVENDES
3. Mr. Jose Antonio Mayobre Board Member, Boulton industrial group; former Secretary General of ECLA; Minister of Mines; ED in IMF; and Ambassador to U.S.
4. Mr. Oscar Guruceaga President of Federation of Chambers of Commerce and Industry

5 Capriles

10.15 }
12.30 } 4 units

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ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

VENEZUELA

Briefings on Maracay and Valencia Trip

(3:30 p.m. - 6:30 p.m., December 4, 1969)
(Manufacturing region)

1. To accompany on trip. Miss Haydee Castillo,
(Minister of Development
(to explain development
of Maracay-Valencia
industrial area)
2. Caracas Expressway Mr. Jose Curiel, Minister
(Partly financed under
Loan 390-VE). of Public Works.
3. Expressway from Caracas Mr. Jose Curiel, Minister
to Valencia of Public Works.
(Partly financed under
Loan 306-VE).
4. Visit to Protinal (before Mr. Oscar Romer, President.
arriving at Valencia) Mr. Herman Otero, executive
(Producer of concentrated in Mendoza group.
animal feeds. One of
largest Venezuelan
private enterprises.)
5. Visit to Resimon factory Mr. Hans Neumann, President
(Produces raw materials Mr. H. Pick, General
for paints - part of
newest, progressive
industrial group.) Manager

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CORPORATION

VENEZUELA

Briefing on Tour of
Livestock Area near Acarigua

(9:30 a.m. - 11:30 a.m., December 5, 1969)

Mr. Concepcion Quijada	Livestock raiser, former President, Federation of Chambers of Commerce and Industry
------------------------	--

Briefings on Flight to Maracaibo

(12:00 noon - 1:00 p.m., December 5, 1969)

Mr. Guillermo Rodriguez	Director, Creole	
or	Erazo	Petroleum
Mr. Federico Baptista	Director, Creole	
	Petroleum	

Revised

12/2-69

VENEZUELA

Itinerary

(December 2-5, 1969)

Tuesday, Dec. 2

12:25 p.m. Leave National Airport for N.Y. National Flight 428
3:00 p.m. Flight from New York to Caracas VIASA Flight 751
8:20 p.m. Arrive Caracas Hotel Hilton
Overnight at Hotel Hilton

Wed. Dec. 3

7:30 a.m. Depart by car for airport
8:00 a.m. Depart by plane from Caracas Chartered plane (plane is 2-engine turbo-prop Avro).
9:30 a.m. Overfly north coast and Orinoco Delta Delta is possible area for Bank loan - land reclamation, agricultural development, re-settlement, agricultural credit (Bank/FAO identification mission scheduled for January 1970).
10:30 a.m. Arrive Ciudad Guayana
10:45 a.m. On way from airport:
to Visit state-owned steel
12:45 p.m. plant (SIDOR) Built during Pérez Jiménez regime in 1950's.
Visit ALCASA aluminum plant Joint venture - Reynolds Aluminum and CVG (with \$20.5 million U.S. Export Import Bank loans).
Visit Orinoco Iron Ore Reduction plant (U.S. Steel) Being built with \$50 million U.S. Export Import Bank loan.

Wednesday, Dec. 3

12:45 p.m. to 1:30 p.m.	Tour of city by car	City created by CVG in 1960 (MIT-Harvard Center for Urban Studies assisted as consultants).
2:00 p.m. to 3:00 p.m.	Luncheon	With General Alfonzo Ravard; representatives of team responsible for development of the Guayana; representatives of Orinoco Mining Co. and ALCASA
3:30 p.m.	Overfly Cerro Bolívar (Installation of Orinoco Mining Co. -wholly-owned subsidiary of U.S. Steel)	Successful private enterprise venture at Guayana region.
4:45 p.m.	Arrive at hydroelectric project site	Beneficiary of \$ 131 million in Bank loans.
4:45 p.m. to 5:45 p.m.	Tour Guri Hydroelectric installation	Project inaugurated November 1968; Bank loan for extension of powerhouse signed June 1969
6:00 p.m.	Depart by plane for Caracas	
7:15 p.m.	Arrive Caracas	
8:45 p.m.	Dinner at Hotel Hilton (stag) Dinner guests: (Mrs. McNamara tentatively to be accompanied by Mrs. Alfonzo Ravard for separate dinner at restaurant outside hotel).	(see separate list).
	Overnight at Hotel Hilton	

Thursday, Dec. 4

8:00 a.m. to 12:00 noon	Individual meetings at Hotel Hilton: Messrs. Guillermo Rodríguez Erazo and Federico Baptista Mr. Héctor Hurtado Mr. Luis Valenilla Mr. José A. Mayobre	Directors, Creole Petroleum Corporation. Former Director of Cordiplan. President of CAVENDES. Outstanding public figure.
-------------------------------	--	---

Thursday, Dec. 4

12:15
 Dr. Miguel Angel Capriles ~~Director, Newspaper and Magazine chain.~~
 Minister of Finance *at hotel to accompany Mr McNamara*

1:00 p.m. Meeting with President of the Republic at La Casona (Presidential residence). Mr. McNamara will be taken to residence by Dr. Tinoco, Minister of Finance and General Alfonso, President, CVG. Private meeting between President Caldera and Mr. McNamara. *to Pres. residence*

2:00 p.m. Luncheon with President Caldera and Cabinet members; others.

3:30 p.m. Depart by car (westward) for Maracay and Valencia Visit ~~1~~ industrial plants in main manufacturing zone (Protinal, ~~Resimaba~~); trip will be on toll expressway financed, in part, by Bank.

8:00 p.m. Dinner and free evening at Hotel Maracay
 Overnight at Hotel Maracay

Friday, Dec. 5

8:00 a.m. Depart by plane from Maracay for Acarigua area

9:30 a.m. to 11:30 a.m. Tour livestock area Possible site of Bank-financed livestock project.

12:00 noon Depart by plane for Maracaibo Overfly Bank highway project (Barinas-San Cristobal and petroleum fields.

1:15 p.m. *Free* Lunch in Maracaibo (Hotel del Lago) ~~Possibly with business and other selected representatives of Maracaibo.~~

2:30 p.m.
to
4:00 p.m.

Possible brief meetings
with local representatives

delete?

5:00 p.m.

Depart from Mexico

Panam Flight 516

VENEZUELA



3

Briefing Paper for Visit to Venezuela

December 2-5, 1969

Political Situation

The present Administration under President Rafael Caldera of the Christian Democratic Party (COPEI) was elected into office on December 1, 1968. Caldera received only 29 percent of the total votes cast; the presidential candidate (Gonzalo Barrios) for the outgoing Acción Democrática (AD) Party, received 28.25 percent of the total.

The Christian Democrats hold only 24.1 percent of the seats in the Congress and have thus far not yet been able to make political alliances, as the previous Government had done, to permit it to advance legislation supporting economic development and other programs. In the last election there was a recurrence of support for General Marcos Pérez Jiménez, the military ruler of Venezuela from 1950 to 1958. Though Pérez Jiménez supporters won 11 percent of the Congressional seats, they are not considered an important political force, particularly after having aroused popular concern by using violence on the floor of the Senate recently.

The failure of Caldera's COPEI Party to muster a working majority in the Congress has forced him to modify, or postpone, economic development programs promised during the election campaign. The Congressional impasse is also delaying action on new arrangements with foreign petroleum companies for the needed exploration and development of oil in Venezuela. The AD Party can be expected to remain in opposition for the next year or so while the ruling Christian Democrats struggle politically to make an effective record. Our reports indicate, however, that the AD Party, which had gained military support for democracy over the past 10 years, will not permit the destruction of democratic processes in Venezuela and can be counted on to join a coalition with the Christian Democrats if free institutions are endangered.

The security situation. Following severe waves of Castro-inspired terrorism and several attempted military coups prior to 1964, the Government has had little serious trouble with insurgency. Early this year, however, there was an increase in sporadic guerrilla activity both in Caracas and in several isolated areas of Venezuela. Primary targets in the capital have been U.S.-owned businesses in Venezuela. The underground elements have also made periodic threats to representatives of the U.S. Government. The Government has been able to keep the current terrorist activities under control. Reports indicate that the new ambushes have been undertaken by hard-line revolutionaries who may be receiving outside support. The Moscow-line Communists, on the other hand, have been supporting President Caldera's pacification program under which amnesty is being granted, on a selective basis, to political terrorists imprisoned several years ago. The sudden show of strength among the revolutionists has generated growing criticism against the Caldera Government by certain military and other political groups.

More recently, in early November, a series of student disturbances broke out at the country's major universities--Caracas, Maracaibo, Mérida, and Valencia. This latest development can be characterized as political-oriented action of armed, extreme left-wing student groups, mainly the Movement of the Revolutionary Left (MIR). The outbreaks were so severe that the Government repeated the last Administration's emergency measure of having the army take over the country's largest university located in Caracas early in November.

*regional
left
not
serious*

The military situation. Although there have been rumors of dissatisfaction in the military following the inauguration of Caldera's administration last March, the President seems to be following former President Betancourt's and Leoni's policy of building army support for "institutionalism", i.e. democratic institutions. Thus, there has been some disturbance of the equilibrium established by Caldera's predecessors in the power points within the military. A personnel shake-up in the higher ranks reflected, some observers believe, the placing in key commands of certain officers sympathetic to Christian Democratic views. There seems no danger, however, of an attack by the military on democratic government.

Guyana border problem. Venezuela's border dispute with Guyana has flared up significantly from time to time in recent years. This long-standing matter, which goes back to 1897, involves the Venezuelan claim of sovereignty over some 110,000 square miles of territory west of the Esequibo river. (For detailed background, see Tab 4 and map, Tab 2.) Since assuming office, President Caldera has been making constructive regular press conferences concerning international aid for the development of the disputed region in an effort to ease tensions. Meanwhile, representatives of both governments have been meeting regularly under an agreement reached in 1966 to seek a satisfactory solution to the controversy. Given the deep-seated emotional character of the problem, an amicable settlement is not likely in the near future, although no violence is expected.

The Economy

In 1960, the Bank sent a survey mission to Venezuela for a comprehensive analysis of the economy and a review of public sector investment prospects. The mission's report was published in 1961 by the Johns Hopkins Press under the title "The Economic Development of Venezuela". In March-May 1965, an economic mission visited Venezuela to review the Government's 4-year economic development program for 1965-1968 (Report No. WH-152, An Appraisal of the Development Program, August 17, 1965). Since that date, there have been two updating economic missions whose reports were issued in January 1967 and May 1969 (see Tab 7).

Venezuela is the world's third largest petroleum producer after the United States and the USSR. This is reflected in its relatively high per capita gross domestic product (about \$980), aggregate savings of over 20 percent of the national income, and gross investment of about 23 percent of GNP. Petroleum exports have averaged 2.2 billion annually for the past several years. Although oil production accounts for only 25 percent of GDP, it produces over 60 percent of Government revenues (accounting for more than two-thirds of petroleum company profits) and more than 90 percent of the country's foreign exchange earnings.

But in long-run, present rate of growth

Despite increasing competition from oil-producing countries in the Middle East over the past several years, and from North Africa more recently, Venezuela's continued position as a major petroleum producer has permitted its international reserves to reach what has come to be considered the normal level for that country of \$800 million. With its reserves at more than 60 percent of current annual imports, Venezuela has one of the highest international reserve ratios in the world, and an extremely low external debt burden (about 2 percent of foreign exchange earnings). It can be argued that Venezuela's international reserves are too large for a country of its size and development needs. However, the Government maintains a policy of keeping reserves at such a high level because of its experience with politically-inspired, large outflows of capital from 1968 through 1973.

Venezuela produces about 3.5 million barrels of crude oil per day. About 45 percent of the total is sold in the U.S. and 20 percent in Western Europe. Despite the importance of petroleum to the Venezuelan economy, the industry employs only 2 percent of the labor force. Reserves of oil in Venezuela are estimated at about 15 billion barrels. Production during the 1950's increased at an average of 6.8 percent per year. In the 1960's the annual rate of increase has fallen to an average of about 3 percent, as compared with a 7 percent average annual increase for the world's petroleum producers as a whole. Since it is a high-cost producer as compared with Middle East and North African sources (55-60 U.S. cents per barrel as compared to 10¢ per barrel in the Middle East), Venezuelan oil exports to Western Europe have suffered significantly.

15 yrs of no growth? - what is possible? adding fields?

Since the major part of Venezuela's petroleum production is carried out through concessions to foreign producers, the Government's policy has centered on the maintenance of a pace of petroleum exploitation which produces as large a tax share of the Government in petroleum sales as is compatible with production, new investment, and export targets. The aim is to obtain the maximum possible volume of resources from petroleum operations as a basis for the national development effort. At the same time, the Government has a policy of granting no new concessions to private oil producers. Instead, it has taken steps to develop petroleum resources in the future through so-called "service contracts". This latter policy is designed to promote petroleum activity through joint undertakings between foreign public or private producers and the Government-owned petroleum corporation. Eleven groups comprising 17 foreign petroleum companies have entered a total of 23 bids under the service contracts for 5 blocks totalling 2,500 square kilometers.

Discussions of the service contract policy began several years ago. The companies, meanwhile, have undertaken little or no new exploration. Except Creole (Jersey Standard), the firms have virtually no unexplored concessions in Venezuela. The basic reason behind the oil industry's growing anxiety over the long delay in preparing service contracts is that their concessions begin to expire in 1983. Until the alternative system of contracts has been functioning for a few years, the companies will be unable to assess their practical results. Consequently, long-term operational planning and large-scale investment programs have had to be postponed.

The Venezuelan Government is counting heavily on the U.S. to relax quantitative import controls on foreign petroleum which are now under review within the U.S. Government. Meanwhile, Government action to increase exploration must be taken soon if the oil industry in Venezuela is not to lose its importance over the next several years. The success in handling this matter will largely depend on the Venezuelan Government's ability to guide the proposed service contracts through the Congress.

*disposal
the public
of long
message*

Venezuela's medium-term economic future will in all likelihood continue to depend on petroleum. In the longer run, the increased use of supertankers will make it possible for other petroleum-producing countries to compete favorably with Venezuela in its traditional markets, mainly the U.S. and Canada. In addition, the new oil discoveries in Alaska may add to Venezuela's problem of maintaining the volume of its petroleum sales to the east coast of the U.S.

Under present circumstances, the Venezuelan Government could do a great deal more to accelerate development through mobilizing resources in the non-petroleum sectors of the economy. Despite revenue reforms in 1966, for example, these latter sectors of the economy have been taxed relatively little. Therefore, the major part of the needed mobilization of resources would appear to be achievable by an increased tax effort in the non-petroleum sectors of the economy. It is in this area that the Bank has, over the past four years, attempted to attach overall conditions to a proposed lending program for Venezuela, but with little success. External financing institutions have very limited leverage in dealing with Venezuela on broad policy issues.

low

*It will
change
as output
declines*

Because of the heavy dependence of the economy on petroleum, the Venezuelan Government has been engaged for several years in efforts to diversify the economy. In this connection, official policy has supported a liberal program towards foreign investors outside the petroleum sector and at the same time has supported import substitution through quantitative import restrictions. The small size of the Venezuelan market, however, has limited this effort, and industrial development policy is undergoing change through a shift from import substitution to increased export orientation.

One of the major efforts to diversify the economy and to generate employment has been the undertaking of a major regional development program in the Guayana region located in the southeastern part of the country. Comprehensive development of the area, where the Bank-financed Guri hydro-electric project is located, began in 1960, and has now reached the stage at which it can contribute significantly to economic growth of the country. (For more detailed background on the Guayana regional development program, see Tab 9.)

The agricultural sector, in which more than one-third of the country's labor force and accounts for only about 7 percent of the gross domestic product, is developing more slowly than other sectors, despite sizeable official credit and other agricultural programs. Conditions in agriculture have also caused serious economic and social problems as unskilled rural workers emigrated to the cities in large numbers, only to become unemployed slum dwellers, particularly in Caracas. The situation is aggravated by the fact that it has been possible for industry to absorb only a small number of these ex-rural workers.

The main economic problem facing the Government at the present time concerns the budget. The Administration inherited a floating debt from the outgoing Government in the order of \$500 million equivalent. The matter is less serious than would be the case in other countries since the Venezuelan Government has the capacity to borrow in significant amounts both in the country as well as externally. In point of fact, it has recently obtained loans totalling \$85 million for budgetary purposes from New York banks. The fiscal problem, however, is adding to the new Government's difficulties in launching its promised economic development program. Background on the economic situation is given in the latest updating economic memorandum (see Tab 7.)

Bank Lending

The Bank has made loans totalling \$298.3 million for projects in Venezuela since 1961 (see Tab 13 for details). Of this amount, a total of \$224.9 million has been disbursed as of October 31, 1969. Investments held by the IFC in Venezuela total \$8.7 million (see Tab 15).

Since the Venezuelan Government has not made a thorough review of its investment plans since 1965, there is no basis, at the present time, for determining the external capital requirements of Venezuela. A comprehensive Bank economic mission is scheduled for February 1970. Its findings should enable us to determine the justification for Bank lending over the next several years, and to define a lending strategy. In view of the foregoing, the five-year lending program for Venezuela (see Tab 14) should be considered tentative. Much of the lending (highways and telecommunications) would be warranted only if a more ambitious public investment program is undertaken and if, at the same time, more national savings are mobilized from outside

the petroleum sector. Thus, for the present, we are concentrating on projects in the agriculture and livestock development sectors. In this connection, an FAO/Bank mission visited Venezuela in September of this year to identify a livestock development project. We are working closely with the Venezuelan Government towards a Bank loan for this purpose scheduled for FY-1971. We also expect to send an FAO/Bank mission to Venezuela to identify an agriculture development project in the Orinoco delta which is closely associated with the development of the Guayana region. A Bank loan for the delta project is scheduled for this project in FY-1972, (see Tab 14).

Loans from Other Agencies

Venezuela has received a total of \$183 million in loans from the IDB; \$55 million from the U.S. AID; and \$222 in direct loans from the Export Import Bank (for details, see Tab 17). The IDB is now considering the possibility of a \$30 million loan for the agricultural sector. This loan would not be in conflict with the proposed Bank operations for livestock and agricultural development described above.

Bank Bond Purchases

Venezuela has purchased a total of \$26 million of the Bank's 2-year special bonds. It now holds \$16 million.

Pending Issues

Water rates. The only outstanding operational problem which may be raised by the Venezuelans during your visit concerns the requirement of a rate readjustment under our water supply loan of \$21.3 million to the Instituto Nacional de Obras Sanitarias (INOS) for Caracas (Loan 444-VE). Although an initial rate increase was achieved in 1966 prior to Board consideration of the loan, the Borrower had agreed to review and, if necessary, to adjust water and sewage rates annually beginning January 1, 1967. The Government and the Borrower, however, did not consider it politically feasible to request additional rate increases over the past three years.

The Bank's strict position on this matter was justified since a major purpose of the loan was to help the Government mobilize resources through user charges in the wealthiest center of the country. Previously the Government had been heavily subsidizing the operating deficits of the system. As a consequence of the failure to raise rates, the Borrower and the Government agreed in 1968, to withhold presentation to the Bank of withdrawal requests pending rate action satisfactory to the Bank. A total of \$4.5 million remains to be disbursed. The Bank has agreed to extend the Closing Date until December 31, 1969 to give the Venezuelans an opportunity to take the actions necessary to adjust water and sewage rates. It now appears that the Government has decided to take the appropriate action.

New projects. The Venezuelans may inquire about possible Bank interest in the following large development projects which the Government proposes to undertake over the next few years: further expansion of the telecommunications system (the Bank made a \$37 million loan for expansion in 1965); expansion of the international airport near Caracas; the Caracas subway, for which a good study has been prepared; and expansion of the Government-owned petrochemical complex. You may wish to reiterate the Bank's present position of concentrating, for now, on loans in the agricultural sector. You may also wish to refer to the economic mission scheduled for next February and indicate that depending on its findings, we will have a better basis than now to determine the extent to which the Bank should share the financing of Venezuela's external capital needs. Stress should be placed on Venezuela's own efforts at mobilizing revenues in the face of stagnating Government income from petroleum.

November 19, 1969

VENEZUELA

Members of the Cabinet

Dr. Rafael Caldera	President of the Republic
Lorenzo Fernandez	Minister of Interior
Aristides Calvani	Minister of Foreign Affairs
Pedro Rafael Tinoco	Minister of Finance
Brig. Gen. Martin Jose Garcia Villasmil	Minister of Defense
Dra. Haydee Castillo	Minister of Development
Jose Curiel	Minister of Public Works
Hector Hernandez Carabano	Minister of Education
Lisandro Latuff	Minister of Health and Social Assistance
Jesus Lopez Luque	Minister of Agriculture
Alfredo Tarre Murzi	Minister of Labor
Ramon Jose Velasquez	Minister of Communications
Nectario Andrade Labarca	Minister of Justice
Hugo Perez La Salvia	Minister of Mines and Hydrocarbons
Carlos Guinand Baldo	Governor of Federal District
Luis Alberto Machado	Secretary General of Presidency

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VENEZUELA

TENTATIVE LIST FOR MEETINGS

1-15
Pay
tight on the
individual cards
the names + comments
for those asterisked.

after typing the
could take with
trip agenda

Jose Curiel -
Min of Public Works.
Stanford grad. One of youngest
in govt. Hydrology
engineer.

Government

- * Dr. Pedro Tinoco
Minister of Finance
- * Gen. Rafael Alfonzo Ravard
President, Corporacion
Venezolana de Guayana (CVG)

Foremost lawyer (Tome Inc. etc); said to be one of
brightest men in Venezuela.
Principal Minister concerned with economic
matters. Formerly president of an important
private bank, a large part of which is owned
by Chase Bank. Speaks English.
wife has had shows in Geneva & Paris. Witty, vocal,
Governor of Bank for Venezuela. Highly
regarded by Government, business, foreigners;
President of CVG since its founding in 1960;
responsible for development of the Guayana
region. Speaks English.
Principal Minister concerned with petroleum.
Speaks English.

Dr. Hugo Perez la Salvia.
Minister of Mines and
Hydrocarbons

- Dr. Luis Henrique Oberto
- Mr. Arcestez
Former Government

Director of CORDIPLAN.
last 2 Alfonso. Guide on trip
Very pleasant. Fluent in English.

- Dr. Romulo Betancourt
- Dr. Hector Hurtado
Economic Consultant
- Dr. Luis Beltran Prieto Figueroa
Head of Movimiento
Electoral del Pueblo (MEP)

Former President of Venezuela (if he returns to
Venezuela by December 2).
Most important economic adviser to former
President Leoni; still important in largest
opposition party (AD); well known to Bank. Bright
& well informed. Speaks English.
Founder of new party (left wing), which split
off from AD and was largely responsible for
defeat of AD last December. Following is
heavily labor union.

- Dr. Raul Leoni
- Dr. Hector Santaella

Former President of Venezuela (1963-1968).
Former Speaker of the Chamber of Deputies;
Minister of Communications in Leoni Administration.
Speaks English.

- Dr. Andres German Otero
- Dr. Luis Vallenilla

Chief Financial Officer, Mendoza Industrial
Group; former Minister of Finance under Leoni.
Development. former economist for Mendoza.
Speaks English.
Dynamic young entrepreneur; (IFC owns about
15 percent of CAVENDES shares and has lent
\$7.5 million to company); Dr. Vallenilla was
formerly president of Government-owned
Corporacion Venezolano de Fomento (CVF).
Speaks English.

Banking

- Dr. Luis Vallenilla
President, Compania Anonima
de Desarrollo (CAVENDES);
member of Chamber of Deputies,
Venezuelan Congress.

↖ Dr. Benito Raul Losada
President, Central Bank of
Venezuela

Minister of Finance during Leoni Administration
(1966-1968). *Bright.*

Dr. Alfredo Machado

President, Banco Mercantil (Chase). Formerly
President, Central Bank (until 1967). Speaks
English.

Dr. J. J. Gonzales Gorrondona
President of Banco de
Descuento

Formerly Minister of Communications (minority
FND-Uslar Party, in coalition Government
1965-1966); member of Venezuelan delegation
at Bretton Woods.

Intellectuals

↖ Dr. Arturo Uslar Pietri

Leading man of letters in Venezuela; widely
known in Latin America; Presidential candidate
of center party - Frente Nacional Democratica
(FND) - in 1963. Presently Senator and Director
of El Nacional, Caracas daily newspaper. *English not
fluent.*

Mrs. Margo Boulton Bottome

Country's leading feminist leader; politically
active with Uslar; founder of Bi-nacional
(Venezuela/U.S.) Center.

Dr. Martin Sanabria

Architect with interest in urban matters.
Designed new Central Bank building in Caracas.

↖ *Dr. Machado Zuloaga*
Leading Industrialists

*Pres. of Electric Co., said to be one of the best
administrators. Fluent in English.*

* Mr. Eugenio Mendoza

Most important single industrialist in Venezuela;
controls one of largest 4-5 major industrial
groups in Venezuela. Involved in cement, animal
feeds, commerce, banking and many other fields.
Self-made man, having started out as office boy.
Speaks English *fluently, imaginative entrepreneur.*

Mr. Oscar Machado Zuloaga

General Manager, La Electricidad de Caracas.
President, VIASA. Speaks English.

↖ Mr. Hans Neumann
(Switzerland)

Head of progressive new industrial group
prominent in chemicals, paints, etc. Immigrated
from Europe. Group eminent in training
Venezuelan artisanship. Speaks English.

Mr. Gustavo Vollmer

One of heads of old-line, strong industrial
group. Wrote letter critical of Mr. McNamara's
speech references to population matters.
Speaks English.

↖ Mr. Carl E. Hogberg
President, Orinoco
Mining Company

Head of U.S. Steel-owned iron ore mining company
with large deposits in the Guayana region.

* *Boulton ANDRES*

*not most important industrialist. Bright
articulate, fluent in English. Well informed?
Pres of national council.*

Mr. Oscar Guruceaga
President, Fedecámaras
(Chambers of Commerce and Industry)

Organization is against Venezuela's membership in Andean Group.

Agriculture

* Mr. Carlos Galavis
President,
Banco de Desarrollo Agropecuario

Large coconut & cattle rancher. Former minister of agriculture. Pres. of New mixed private/public agriculture and livestock bank. Would be involved in proposing Bank livestock development project. Cornell graduate. Brought articulate, fluent in English. Cattle business.

Mr. Concepción Quijada
(Formerly, President of Fedecámaras)

Petroleum

Dr. Juan Pérez Alfonso
Former Minister of Mines in Betancourt.
Administration (1959-1963).

Old-time Government critic of petroleum policies. Main architect of "no concessions" policy.

* Dr. José Antonio Mayobre
Former Minister of Mines in Leoni
Administration (1967-1969).

Former Executive Director of IMF; former Ambassador to Washington; widely known in Latin America as Secretary General of Economic Commission for Latin America. Speaks English.

Mr. Leo Lowry
President, Creole Petroleum Corporation

Head of largest foreign oil company. Has been in Venezuela for more than 30 years.

Dr. Alirio Parra
Petroleum Consultant

Former member of Minister of Mines. Most knowledgeable Venezuelan on petroleum matters. Well-known to Bank. Speaks English.

Press

Dr. Miguel Angel Capriles
Newspaper Publisher

Maverick owner of string of newspapers, usually anti-administration.

Dr. Alejandro Otero Silva
Publisher of leading
Caracas Daily (El Nacional)

Useful for objective views on politics and economy.

* Dr. Guillermo Rodríguez Grass
* Dr. Federico Baptista

very knowledgeable friends of Creole Petroleum best source of information on petroleum affairs. fluent in English.

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Rafael Alfonzo Ravard

A brigadier general in the Venezuelan Army, Alfonzo has been president of the Guyana Development Corporation (CVG) of Venezuela, a semi-autonomous Government agency, since its creation in December 1960. He is also Governor of the Bank for Venezuela.

He heads an organization charged with the development of eastern Venezuela's Guyana industrial complex. An excellent engineer and very competent executive, he has also served as president of the Venezuelan Development Corporation. He is also president of Electrificación del Caroni, which, as a wholly-owned subsidiary of the CVG, operates the Guri hydroelectric project.

Alfonzo was born in 1917 in Caracas, into a wealthy and socially prominent Venezuelan family. He entered the Venezuelan military academy in 1937, received his commission in 1939, and entered the University of Caracas to study civil engineering. In 1942, he transferred to the Massachusetts Institute of Technology, from which he graduated with a degree in hydroelectric power and flood control.

Alfonzo is a member of several professional societies, and served for a short time as president of the Venezuelan branch of the American Society of Civil Engineers. He speaks English, French and Italian fluently, as well as his native Spanish. He is married. General and Mrs. Alfonzo are childless and are the main leaders of a national organization for child welfare among the poor known as Fe y Alegria (Faith and Happiness).

Margot Boulton de Bottome

One of Venezuela's leading feminists, Margot Boulton de Bottome, has achieved a reputation over a period of 30 years for promoting the "good neighbor" policy.

An enthusiastic, hardworking and effective advocate of good relations with the United States, Mrs. Bottome founded the Centro Venezolano Americano in 1941. A bi-national, non-political organization, the center is affiliated with the US Information Service.

Doña Margot, as she is known in Caracas, comes from a wealthy family long established in the shipping business. She received private tutoring rather than a formal education. She has served on the Caracas Municipal Council, has been a radio commentator on political affairs in Latin America, and has served as a daily newspaper columnist. In May 1963, Doña Margot, formed a committee of independents supporting the presidential ambitions of Dr. Arturo Uslar Pietri in 1963.

She is widely traveled and has frequently visited the United States. In 1965 she attended the UN General Assembly as a member of the Venezuelan delegation.

She is married to Robert Bottome, a former official of the American Embassy in Caracas and presently an independent businessman in Venezuela. She speaks fluent English and French as well as her native Spanish.

President Rafael Caldera Rodriguez

An outstanding Roman Catholic layman and 37th President of Venezuela, Rafael Caldera is politically, professionally, and socially one of the most respected men in his country.

Christian Democracy, a philosophy which Caldera espouses, is an ideological movement which rejects both capitalism and communism. It favors a strong role for the state in the national economy, but does not advocate the indiscriminate nationalization of the means of production. The philosophy is strongly reformist, and its principal objective is the social and economic improvement of the lower economic strata of the population. Caldera's program reflects these ideas, although the economic and political realities in Venezuela have forced him to trim his sails in pushing for many of these reforms. An opposition-controlled congress, fiscal problems, and military uneasiness with the government's handling of extreme leftists insurgents have managed to tarnish Caldera's image and erode much of the goodwill with which he began his presidency.

Caldera was born in 1916 in western Venezuela. He studied in Rome and received his law degree from the Central University in Caracas in 1939. Active in student politics against the Juan Vicente Gomez dictatorship (1908-35), Caldera formed the National Student Union, an organization which gained a reputation for militant anti-Communism. He helped write Venezuela's first labor code and was Venezuela's first correspondent with the International Labor Organization. In the 1940's he was the principal organizer for small Catholic party which was the predecessor of the present Social Christian Party (COPEI).

Caldera is the author of numerous published works in the fields of social law, labor law, sociology, and biology. A soft-spoken, mild-mannered man, he is known for his optimism, composure and objectivity.

Caldera and his wife are the parents of three boys and three girls. The oldest son, Rafael Tomas, is studying at the University of Notre Dame. In his private study Caldera keeps in prominent view a picture of himself with the late President Kennedy.

Caldera speaks English, German, French, Italian and Portuguese, in addition to his native Spanish.

Miguel Angel Capriles Ayala

Capriles is often referred to as the William Randolph Hearst of Venezuela. He is the most powerful newspaper publisher in the country and has not been reluctant about using his power. He is president and principal owner of three Caracas dailies, El Mundo, La Esfera and Ultimas Noticias and several other publications.

El Mundo typically headlines rumors of impending crises; La Esfera gives standard coverage on news events but has been involved in many libel suits because of its irresponsible attacks on important Venezuelan personalities; and Ultimas Noticias, which boasts the largest circulation, is based on equal doses of sex and crime.

In 1965, a vicious battle took place between the government of President Leoni and Capriles over the government's suspension of one of his publications on charges that it portrayed guerrilla activities in sympathetic terms and criticized the armed forces. In April 1965 Capriles was arrested on charges of conspiring against the Leoni government. He was released shortly thereafter.

Working for a change in government leadership, Capriles formed one of the most controversial political alliances of the 1968 campaign when he supported Rafael Caldera's candidacy. In return for effective journalistic support, Capriles and several of his associates were rewarded with prominent positions on the Social Christian Party slates. Caldera also agreed not to appoint any of Capriles' enemies to key government posts. The violation of this "gentlemen's agreement" by Caldera after his election led to an open break between the two men, and withdrawal of support by Capriles' congressional group in the Congress.

Capriles was born in Carabobo State in 1915. He is for the most part a self-educated, self-made man. His immediate family includes three brothers, all of whom are involved in the management of his publishing firm.

He has traveled widely in the United States and has visited France and Spain. In April 1964 Capriles spent two weeks in the United Arab Republic at the invitation of the Ministry of Culture.

Of the Sephardic Jewish faith, he is married and has six daughters and one son. He speaks very little English.

Hector Hurtado Navarro

Hurtado served as head of the Central Office of Coordination and Planning (CORDIPLAN) until 11 March 1969, when the administration of incoming President Rafael Caldera took over. Since that time he has served as tax consultant and adviser to various Venezuelan companies.

An economist and lawyer by profession, Hurtado served the previous administration in a non-ministerial position of cabinet rank and as president of the Community and Development Foundation -- a partner of AID in housing and slum clearance projects. In 1966 he was elected to the Inter-American Commission on the Alliance for Progress (CIAP).

Born in 1918, in western Venezuela, Hurtado graduated from the university in 1941 with a degree in political science. During the 1940's he served in the Ministry of Finance and between 1949-1959 was engaged in private business. Hurtado has been a delegate to numerous international gatherings, including the International Trade Organization, 1947; The Inter-American Development Bank, 1963 through 1966; The UN Conference on Trade and Development, 1964; the Latin American Parliamentary Conference 1964; and the 11th Plenary Session of ECLA, in 1965. In September 1965, Hurtado was appointed by President Leoni to head two special committees organized for the purpose of studying and re-evaluating the functions and usefulness of the Venezuelan's Government's large array of autonomous institutions.

Hurtado has worked closely with the Bank during the Leoni Administration (1964-1969) and has come to know the workings of the Bank quite well. He is our key working-level contact in the AD Party.

Eugenio Mendoza Goiticoa

A multimillionaire industrialist, financier, and philanthropist, Eugenio Mendoza is considered one of the most important economic forces in Venezuela today.


Born in 1906 in Caracas, Mendoza attended local schools and at the age of 16 began his career as a dairy delivery boy. He later became active in the dairy business before devoting himself to the construction industry, from which he was to make a large portion of his fortune. He served for a short time in the cabinet of President Isaias Medina (1941-1945) and in the junta government headed by Rear Admiral Wolfgang Larrazabal following the overthrow of dictator Perez Jimenez in 1958.

A man accustomed to taking business risks, Mendoza along with other Venezuelan businessmen chartered the Voluntary Dividend for the Community (DIVIDEND) in 1964 which conducted basic social research aimed at establishing priorities for support of numerous organizations of community development and welfare.

Mendoza has consistently displayed a genuine interest in the welfare of his employees and is considered by most observers to be sincerely interested in the problems of the economically less fortunate. He has supported an orthopedic hospital for children and an institution for homeless children, and he conceived, established and supported the Venezuelan infantile paralysis foundation.

Mendoza is married. Mendoza speaks English and French in addition to his native Spanish.

Luis Enrique Oberto

Luis Enrique Oberto, a civil engineer and a member of the Social Christian Party (COPEI), was named Secretary of Planning and Development, a nonministerial position of Cabinet rank, in March 1969. In his new post, Oberto heads the agency which succeeds the Central Office of Coordination and Planning (CORDIPLAN) and which devises development goals and plans for Venezuela and coordinates technical assistance programs in the country. The 40 year old civil engineer has been a key figure in the drafting of the Andean economic integration pact proposals now being debated. 

Following his graduation from the Central University of Venezuela in 1951, Oberto taught at that institution for a year while holding the post of director of ports and airports under the Ministry of Public Works. He was a member of the Credit Board for Urban Construction in 1961, director of the Venezuelan Industrial Bank from 1962 to 1964, a member of the National Housing Commission in 1964, and vice-president of the Venezuelan College of Engineers from 1965 to 1966. He is married to the former Elba Carolina Fuguet and has two sons and a daughter. He speaks English.

Juan Pablo Pérez Alfonzo

A lawyer and top expert on Venezuelan petroleum matters, Juan Pablo Pérez was Minister of Mines and Hydrocarbons from the inauguration of President Rómulo Betancourt in February 1959 until December 1963. A member of the Democratic Action (AD) party, Pérez served as Minister of Development under the AD government of 1945-1948.

Born in Caracas in 1903, Juan Pablo Pérez Alfonzo came to the United States in 1922 to attend the Peddie School in Hightstown, New Jersey. Returning to Venezuela, he entered Central University in Caracas, where in 1928 he took part in the now famous student revolt against the dictatorship of Juan Vicente Gómez (1903-35). Following graduation from the university in 1936, Pérez set up a law practice in Caracas and in 1941 he became a professor of civil law at his alma mater.

Concurrently with his professional practice, Pérez pursued a political career, serving as city attorney of Caracas in 1937 and municipal councilman in 1939. Together with Raul Leoni, he was a member of a permanent commission which revised the ordinances of the Federal District's municipalities (1939-41). His early political career also included participation in two political movements which opposed the government of President Eleazar López Contreras (1936-40) and were forerunners of the AD, which Pérez Alfonzo helped to found in 1941. He also served as a member of the Chamber of Deputies from 1940 to 1944, elected from the Federal District. Following the overthrow of the AD government in 1948, he was imprisoned until June 1949, when he was permitted to leave for the United States, establishing residence in Washington, D.C. While his older children attended school in Washington, Pérez worked on a codification of Venezuelan law. He returned to Venezuela late in June 1958.

Pérez Alfonzo has represented his country at several conferences, including meetings of the Organization of Petroleum Exporting Countries (OPEC) in Teheran in November 1961, Saudi Arabia in 1962, and Geneva in October 1963. He attended subsequent OPEC meetings in 1964 and 1965 and in July 1965 had a paper on oil presented at a forum at the Central University. The paper was summarized by an observer as follows: "The Venezuelan economy is dependent on oil and this dependency is especially dangerous since oil is a non-renewable asset. This dependency on oil is fostered by the foreign oil companies because it furthers their interests. The primary goal of an oil policy must be, then, to diversify the economy."

Pérez is married to the former Alicia Castillo and has four children; the youngest is a daughter born in the United States. His older children, two sons and a daughter, all attended US high schools and colleges, one son having graduated with a doctorate in law from Tulane University, New Orelans, in 1959. Pérez speaks fluent English.

Hugo Perez La Salvia

A leading expert on petroleum, Hugo Perez was sworn in as Minister of Mines and Hydrocarbons on 11 March 1969, and traveled to Washington shortly thereafter for a meeting with Secretary of State Rogers and Secretary of Interior Hickel concerning U. S. policy on petroleum imports. He is a civil engineer and a member of the Social Christian Party (COPEI), and has held a number of important governmental, party, and industrial positions.

After serving as director general of the Ministry of Development, Perez was named Minister of Development in August 1963, a position which he filled until March 1964. In 1963 he represented his country at a number of international conferences including the Assembly of Governors of the Inter-American Development Bank in Caracas, the 10th Meeting of the Economic Commission for Latin America in Argentina, and the Second Inter-American Economic and Social Council meeting in Brazil. An active politician, he has been a member of his party's National Committee. From 1960 to 1963 he was head of the engineers' sector of COPEI, and prior to the election in 1968 he was a member of the platform committee. He has served on the engineering staff of several firms including Riego C.A. (1946-48) and Ingenieria de Suelos, S.A. (1948-58 and 1959-62).

Perez was born in Caracas on 14 April 1922. He received his bachelor's degree in civil engineering from the Central University of Venezuela in 1944 and a master's degree in sanitary and civil engineering from the Massachusetts Institute of Technology in 1945. He held professorships in soil mechanics at both the Andres Bello Catholic University (1955-63) and at the Central University of Venezuela (1960-63). He taught at MIT from 1964 to 1966 during which time he also studied economics. Perez is a member of the Venezuelan College of Engineers and the Venezuelan Society of Soil Mechanics. He is married to Carmen Ayala de Perez La Salvia and has 10 children. He speaks English fluently and is widely read in both English and his native Spanish. He enjoys sports, especially baseball, which he played when he was younger.

Arturo Uslar Pietri

On 20 January, Dr. Arturo Uslar Pietri, one of Venezuela's most distinguished men of letters and a long time politician, took over as director of the country's most respected and influential daily newspaper, El Nacional.

Dr. Uslar's political career goes back to the 1930's and 1940's, when he occupied several ministries under Eleasar Lopez Contreras and Isaias Medina Angarita. After a lengthy absence from politics, in 1963 he founded the Democratic National Front (FND) and ran for president. Defeated by Raul Leoni, he nevertheless won a seat as senator from the Federal District.

In accepting his new position, Dr. Uslar retired from the Venezuelan political scene. He has given up the presidency of the FND and a new term as senator to which he was entitled under the national quotient system.

In spite of his long political career, Dr. Uslar is probably better known as a prolific author of novels, stories, essays, and plays -- the best known of which is undoubtedly his novel The Red Lancers, published in 1931 -- as well as an indefatigable columnist. Many of his columns have appeared in the pages of El Nacional. A liberal in political philosophy, Uslar has been one of the foremost exponents of the classical tradition in Venezuelan literature, and has often been at odds with authors of Marxist persuasion. In his highly varied career, Dr. Uslar has also been president of the Banco Central de Descuento (National Discount Bank) and of the well-known advertising firm Publicidad Ars.

Dr. Uslar was born in 1906 in Caracas. He is married, and has two sons. He speaks English and French in addition to his native Spanish.

Luis Beltrán Prieto Figueroa

A lawyer and teacher by profession and a politician by interest, 67 year-old Luis Beltrán Prieto Figueroa has had a controversial and varied career. He was the founder and Presidential candidate (1968) of the People's Electoral Movement (MEP) and placed fourth in the contest. He has held a number of important government and party offices, and is a dedicated educator.

Prieto became active in politics during his student days at the Central University of Venezuela where he received degrees in political science and law in 1934. He served in the Senate from 1936 to 1940 and again for nearly a decade beginning in 1958. Between 1936 and 1941 he was arrested four times for his newspaper articles criticizing the regime of Eleazar López Contreras. In 1945 when a revolution brought the Democratic Action (AD) party to power he became a member of the governing junta and served as Minister of Education until 1948, when the government of Rómulo Gallegos was toppled. Prieto spent the next ten years in exile during which time he taught at the University of Havana, Cuba, and worked for UNESCO in various Latin American countries.

A member of AD for many years, Prieto held the party's offices of second vice-president from 1959-63, first vice-president from 1963-64, and president from 1964-67. Prior to the election in 1968, he and his followers separated from the AD organization and formed the MEP. His writings suggest that he is basically a nationalistic social reformer with a somewhat idealistic belief in the ability of the government to best provide for the total welfare.

Prieto is a dedicated educator who has published numerous articles on the subject. He has taught on the elementary, secondary, and university level and is a founding member of the Venezuelan Teachers' Federation.

Prieto was born in La Asunción in the state of Nueva Esparta, Venezuela, on 14 March 1902. He is married to Cecilia Oliveira and has six children. He probably speaks only his native Spanish.

Pedro Rafael Tinoco, Jr.

Pedro Rafael Tinoco, Jr., a prominent lawyer and banker and an influential member of the Venezuelan business community, was sworn in as Minister of Finance by President Rafael Caldera on 11 March 1969. A newly elected independent Deputy from Caracas, Tinoco is one of the leaders of the "desarrollista" (developers) group, a loose collection of politically independent businessmen who supported the winning Social Christian Party (COPEI) in the December 1968 presidential election.

Pedro Rafael Tinoco, Jr., was born in 1927 in Caracas. He attended a military academy in Peekskill, New York, and graduated from the Central University of Venezuela Law School in June 1949. He then began a private law practice and also became a professor of economic policy and public finance at his alma mater. He has served on the Board of Directors of the Government's economic planning agency (CORDIPLAN) and was then made vice president of the Banco Mercantil y Agrícola, an affiliate of the Chase Manhattan Bank. Tinoco also acted as director of several Venezuelan companies, and his law office represents several U. S. firms in Venezuela.

Tinoco entered politics in 1963, when he organized Venezuelan Independent Action (AVI), a group of politically independent professionals, industrialists, and bankers. He stated that AVI was an effort to incorporate businessmen and professionals into the country's political life. In early 1968 he became active in the National Movement of Independents (MNI), a group which paralleled the AVI. When the MNI, however, decided to back the Victory Front candidate, Miguel Burelli Rivas, in the 1968 national election, Tinoco and other influential members of the MNI withdrew and supported COPEI's candidate, Caldera.

Tinoco is a prolific writer and has contributed weekly articles and commentaries to several Venezuelan newspapers. In addition he has published a number of influential books including a two-volume work called Income Tax Commentaries (1955), The Merida Economic Letter (1963), and An Analysis of Venezuelan Economic Petroleum Policy (1963).

Knowledgeable about both economics and law, Tinoco weighs his words and speaks very deliberately. He is a cold television personality whose analytical skills are probably lost on the average viewer. His hobbies include horseback riding and reading, and he considers writing one of his greatest joys. Two walls of his office are lined with sets of law, tax, and economic books in French, Spanish, and English; he speaks English with almost no trace of an accent. Married to the former Carmen Montilla, Tinoco is the father of a young daughter. Mrs. Tinoco is a noted expressionist painter with several successful showings to her credit.

Gustavo Vollmer

A prominent industrialist, Gustavo Vollmer is a member of one of Venezuela's wealthiest families whose interests extend to sugar growing and refining, rum distilling, metal and wall-board fabrication, lubricants, cement, banking, and electric power. Vollmer has successfully invested his own inheritance in Venezuela's growing industrial complex and has been especially active in the family's Monte Alban sugar refinery.

Mr. Vollmer was born in Venezuela in 1923 and studied at the Colegio San Ignacio Loyola. He obtained a Bachelor of Science degree in engineering from Cornell University in 1942. He was elected president of the Caracas Chamber of Industries in 1952 and has received international recognition for his activities with the Boy Scout movement.

The Vollmer family was originally from Germany. They have been in Venezuela more than 50 years and, like the Mendoza group, are in various fields of business. They have been involved for many years in agriculture and more recently have been important in consumer financing as well as several other activities. They are also shareholders in CAVENDES, the development finance company being assisted in an important way by the IFC. Mr. Vollmer is the brother of Alberto J. Vollmer who wrote to you last December in opposition to your comments on population control. Both brothers are very active in affairs of the Catholic Church and have been large donors to the Catholic University in Venezuela.

CURRICULUM VITAE

NAME: Adriano R. Garcia

NATIONALITY: Filipino

DATE OF BIRTH: 21 November 1919

EDUCATION: 1936-1938 "Associated Arts" cum laude
1938-1946 University of the Philippines, Diploma in Law

EXPERIENCE: 1946 Member of the Legal Staff of the Republic of
the Philippines

1948-1952 Technical Advisor, Delegation of the Philippines
to the UN General Assembly and ECOSOC

1952 Alternate Delegate of the Philippines to ECOSOC
and Executive Secretary to the permanent mission
of the Philippines at the UN

1952 Representative of the Philippines on the
Governing Board of UNICEF

1953-1955 Deputy Resident Representative of the UN Technical
Assistance Board in Colombia and Ecuador

1955-1958 Deputy Regional Representative of the UN Technical
Assistance Board for Mexico, Central America and
Panama

1958-1961 Resident Representative of the UN Technical
Assistance Board in Mexico

1961-1965 Resident Representative of the Technical Assistance
Board and Director of Special Fund Programs in Chile

1965-present Resident Representative of the United Nations
Development Programme in Venezuela

2

MEMORANDUM ON RECENT ECONOMIC DEVELOPMENTS IN VENEZUELA

1. A new Government took office in March 1969. It is now in the process of formulating its major development objectives and public sector investment programs. A Bank economic mission is expected to appraise these policies and programs later in the year. This is an interim review of recent economic developments. The conclusions are substantially similar to those reached by the economic missions in 1965 and 1966.^{1/}

Recent Growth Trends

2. The recession of 1966, which had resulted from the decline in petroleum production and the unfavorable business climate related to the proposed tax reform, ended in 1967 and recovery continued in 1968. In 1967, as a result of the changes in world supply connected with the Middle East conflict (and to a much lesser extent with the Nigerian crisis) petroleum production increased by over 5 percent. In 1967 overall growth, mainly stimulated by the revival in the petroleum activity, was 5 percent, more than double that of 1966 and close to the average increase of the period 1962-1965 (see Table 3).

3. 1968 was another good year for Venezuela. The impact of the Middle East war which had caused, through the closure of the Suez Canal, the rerouting of 20 percent of international oil trade, was still felt, even if in a reduced form. GDP at constant prices is estimated to have risen by another 5 percent, associated with a 2 percent increase in petroleum production and a substantial expansion of public sector activities, particularly public works, which, while partly related to the national elections, was opportune in that it offset the impact of cautious investment expenditures by the private sector. On the political scene, the most notable event in 1968 was the successful transfer of power to another constitutionally elected government, when the COPEI (Christian Democratic) party won by a narrow margin over the second strongest party (Accion Democratica), which had held power for the ten previous years. Unlike the experience of previous transfers of political power, the change in government was not accompanied by any significant capital flight.

4. In 1967-1968, following the trend which emerged during the early 1960's, manufacturing, agriculture, public utilities and services were the most dynamic sectors. Construction activities recovered in 1968, after a deceleration in 1967 (see Table 4).

5. In 1967, manufacturing output overcame the stagnation of 1966, which in part resulted from the uncertain climate prevailing among the industrialists when simultaneously petroleum production declined and

^{1/} Report No. WH-152, "An Appraisal of the Development Program of Venezuela," August 17, 1965, and "Memorandum on Economic Developments in Venezuela," December 29, 1966.

the Government proposed some significant tax reforms. Most of these were later withdrawn. The industrial sector responded vigorously both to the government policies promoting domestic production of raw materials and intermediate products and to increased demand related to the revival in petroleum activity. Under continued promotional, credit and other measures of the Government, manufacturing industry continued to expand rapidly during 1967-1968, although at a slower pace than in the early 1960's; the small size of the domestic market is increasingly noticeable as a constraint on output growth. The rate of growth has been higher in the industries producing intermediate goods (paper, chemicals, rubber, metals) than in the traditional consumer goods industry (food, beverages, tobacco, textiles), where the import substitution process had been almost completed. The Government-owned steel plant increased its production greatly in 1967 and 1968, nearly reaching capacity output for the first time. Under the auspices of the Government-owned Venezuelan Institute for Petrochemicals, the petrochemical industry registered high increases in output of sulphuric acid and fertilizers. Recently, various export-oriented petrochemical enterprises have been established with public or mixed public-private capital. These plants are expected to start operations in the early seventies.

*near capacity
+ cost*

6. The performance of the agricultural sector in 1967-68 has been highly satisfactory, following the favorable trend started in the early 1960's. Domestic supply responded adequately to meet the increasing demand for food generated by the growing real income per capita. Food production for domestic consumption exhibited a rate of growth some 4 percentage points higher than the 3.4 percent growth of population, thus permitting a steady decline in Venezuela's dependence on imported agricultural products, from 18 percent in 1963 to 15 percent in 1968. The individual items which contributed most significantly to the output increase were rice, which has recently become an export product, corn, oil, beef and milk, poultry and eggs. There is some room for import substitution for dairy products and beef, but wheat imports are likely to continue to rise. In addition, intermediate industrial inputs, such as textile fibers and oil seeds, experienced some of the largest increases, thereby causing a sharp reduction in imports of these products. These results have been stimulated by a government policy of minimum price maintenance, producer credits, and import protection. The share of agricultural products from land distributed under the agrarian reform program in the overall production has risen from 15 percent in 1965 to 30 percent in 1968. A substantial increase in both land and labor productivity in recent years was one of the main features of the agricultural development. The high cost/price structure of Venezuelan economy has been the main obstacle for agricultural exports and the proportion of agricultural exports to overall agricultural production has remained at 5-6 percent in recent years; however, besides the traditional coffee and cocoa exports, some new products such as rice, sugar, tropical fruits, and vegetables are being expanded successfully, and the last two seem to have a good export potential.

7. The mineral wealth of Venezuela - outside the petroleum sector - is still largely unsurveyed. Ninety percent of mining output is iron ore, of which some 92 percent is exported. After a rapid growth in 1963-1965, iron ore production and exports stagnated in 1966 and declined by an annual average of 6.5 percent during 1967-68 as demand in foreign markets weakened. In 1967, exports to Europe declined severely while in 1968 the drop occurred in the shipments to the U.S. market. While the latter event was caused by the competition of Canadian exports to U.S., the European market has become extremely difficult for Venezuelan iron ore as demand is shifting toward enriched minerals. One of the two major foreign mining companies operating in Venezuela has started construction of a plant to produce briquets of pre-reduced high-grade iron ore with a capacity of one million tons a year, corresponding to 6 percent of present ore production. Plans for the construction of a pelletizing plant are also at an advanced stage.

8. The recent developments in the construction industry are characterized by a declining trend in private construction and a strong expansion in public construction. Since 1966, construction by the private sector has faced a number of obstacles such as insufficient financing, increases in import prices and, most important, a partial saturation of demand for the higher-priced, privately-owned buildings, particularly in Caracas. The situation improved somewhat in 1968, following the granting of new credit facilities by government institutions and the gradual shift to lower income housing. Public construction, which accounts for some 60 percent of the sector output, more than offset the decrease in private construction. The public sector continued to provide low-cost housing through the Government-owned Workers' Bank and was very active in infrastructure works, such as roads and water supply projects, particularly in 1968.

Petroleum Policy and Prospects

9. The petroleum industry continues to be the cornerstone of Venezuela's economy although its relative importance has been declining. It still accounts for some 26 percent of the country's GDP - as against 31 percent in 1957 and 29 percent in 1964 - around two-thirds of government revenues and more than 90 percent of foreign exchange receipts. As noted, there was a decline in production in 1966, followed by a fairly sharp rise (although only to about the 1965 output level) in the immediate aftermath of the Middle East crisis and by a very slow further advance thereafter. The 1966 decline in output and exports was partly connected with a dispute between the foreign oil companies concerning the determination of the companies' tax liabilities. The dispute was settled at the end of 1966, with the assessment of some \$160 million of "back taxes" to be paid in two installments in 1967 and 1968. A closely related issue was the determination of a new export price base for tax purposes. The system, which will operate up to 1971, provides for roughly a one percent price increase every year. The high sulphur content of Venezuelan fuel oil (above 2 percent compared with 0.2-0.6 percent for that made from African crudes) has

been posing a serious problem since 1966 when the regulations adopted by some states on the East Coast of the U.S. - the principal fuel oil market for Venezuela - set progressively lower maximum sulphur limits for fuel oil. The Venezuelan Government, aware of the threat to future exports, encouraged, through tax incentives, the construction of two desulphurization plants by the two leading foreign companies for a total investment of around \$150 million. They are expected to be in operation by mid-1970, with a capacity of 150,000 barrels a day, which corresponds to about 20 percent of present fuel oil production. In addition, the sulphur obtained from these plants will be used as raw material by the petrochemical industry. Even with these plants, Venezuela will continue to have for sale substantial supplies of heavy fuel oil, with a higher sulphur content. However, in recent months there have been indications that some public authorities on the U.S. East Coast intend to proceed with moderation in the implementation of regulations restricting the sulphur content of fuel oils, probably aware of the lack of products with such requisites.

10. The impetus provided by the Middle East crisis of mid-1967 to Venezuela's oil production and exports has about run out. Production of crude oil in 1968 was about 2 percent above the 1967 level and output for the first four months of 1969 indicated levels about 2 percent below the corresponding period in 1968 (see Table 5). The spurt in exports caused by the closure of the Suez Canal has overshadowed the structural problems facing the Venezuelan oil industry. Both production costs and government revenue per barrel are higher in Venezuela than in most Middle Eastern and North African concessions. During 1960-1968 Venezuela's share in total world exports had declined from 30 to 17 percent. The two main reasons were:

- (a) the relatively slow growth of demand in Venezuela's biggest market, North America, and the decline in Venezuela's share in this market. Inroads into Venezuelan crude imports into the U.S. came primarily from Canada, since under the U.S. import control program, shipments of Canadian oil are not counted as part of the total permissible imports into the U.S. from all sources. Exports of Venezuelan residual fuel oil to the U.S., which are more than twice those for crude oil, had been threatened particularly by shipments from European refineries using North African oil;
- (b) a similar development took place in Europe, which is Venezuela's next largest market. There, Venezuelan oil is encountering increasingly stronger competition. The growing number of new larger tankers in service, whose economies offset the higher freight costs associated with travelling around the Cape of Good Hope, are improving the ability of Middle East oil to compete with Venezuelan oil. From the 1963 peak, Venezuela's exports to Europe had fallen by 35 percent in 1968, being

displaced mainly by imports from North Africa. Even in South America, Venezuela has been losing ground to other suppliers. The picture is brighter in the Caribbean, where the refineries in Puerto Rico 1/ and Trinidad operated partly on Venezuelan crude, but products from these refineries had to a certain extent displaced Venezuelan products in North America.

11. The previous, demand-related factors were complemented by the gradual emergence of supply problems which - unless resolved - augur a continuation of the trend toward reduced market shares for Venezuela. Symptomatic of these problems is the continuous decline in Venezuela's ratio of reserves to annual production. This ratio was only 12 in 1968, while the average world ratio is around 33 and ratios in the Middle East and Africa have been rising and are generally now several times greater than Venezuela's. Only one oil company in Venezuela, which accounts for 40 percent of the total production, has some shut-in capacity, while most of the others operate fields which have begun to be exhausted and have been registering production declines, even in 1967-1968. Exploration activity has declined sharply since 1958 when the new Government announced that as a matter of policy no new concessions would be granted. Since then there has been virtually no exploration in new areas. After many years of uncertainties about the future of the legal framework of petroleum operations, in 1967 the Government took concrete steps to proceed with the development of petroleum resources through so-called service contracts with foreign companies. This policy is designed (a) to promote petroleum activity in Venezuela in the form of joint undertakings between foreign public or private producers and the government-owned oil company, CVP; (b) to obtain, in addition to a substantial degree of operational jurisdiction, a greater fiscal participation for the Government than the present 70/30 profit split. However, the specific terms of such contracts were not revealed until March 1968 and although negotiations with five oil companies for the exploitation of the South of Lake Maracaibo are at an advanced stage, to date no contract has been signed. How to attract foreign capital into the petroleum sector without renewing the present concessions - most of which expire in 1983 when proved reserves will also be largely exhausted - is one of the chief issues before the Government; how it is dealt with will be a key determinant of Venezuela's balance of payments during the next two decades.

12. Another factor that is pertinent to the prospects of Venezuelan oil is the long-term impact on U.S. import requirements of recent oil discovery in Alaska's North Slope, whose reserves have been estimated between

1/ Under the U.S. import quota system, firms constructing refineries in Puerto Rico receive preference in obtaining import allocations but are obligated to import from the Western Hemisphere.

5 and 10 billion barrels.^{1/} This represents an increase from 15 to 30 percent over the previous estimates of total U.S. reserves. Although commercial exploitation is expected in 4 years, it is too early to assess the real potential of that area and the neighboring areas in the Arctic Circle which remains to be explored.

Investment and Savings

13. Investment has been increasing more rapidly than GDP, rising from a 17-18 percent level in the early sixties to 20 percent in 1967 (see Table 3). In the 1960's, public investment increased at a higher rate than private investment, thereby increasing its share in total investment from 29 percent in 1964 to 37 percent in 1967. Although data on gross domestic investment for 1968 are not yet available, it is estimated that it again increased more rapidly than GDP, due to the heavy capital expenditures in the petroleum industry (construction of two desulphurization plants) and in mining (briquet plant) in addition to high level of public investment (housing and infrastructure, in particular).

14. During 1960-67, as against a GNP average annual growth of around 4.3 percent in real terms, total consumption rose at 5 percent per year, as a result of a yearly increase of 5.5 percent in private consumption (corresponding to some 2 percent on a per capita basis) and of 4 percent in public consumption (see Table 3). Therefore, the ratio of gross national savings to GNP declined from 25 percent to 22 percent in 1967. What emerged since 1965 was a reversal of Venezuela's past position of net exporter of capital. (See below, Balance of Payments Developments.)

Prices and Employment

15. During the sixties, Venezuela has been enjoying a substantial measure of price stability as a result of cautious monetary and fiscal policies and of foreign exchange receipts which grew fast enough to permit a sufficiently rapid growth in imports as aggregate demand rose. In addition, wage pressures have been held back until now by relatively high unemployment and moderation of the trade unions, virtually controlled by the political party in power for the last ten years. The moderate increases in the wholesale prices of 1967 and 1968 (averaging about 1.5 percent per year) originated predominantly among the imported commodities and only in part were transmitted to retail prices. The cost-of-living index showed no increase in 1967 and rose only by 1.3 percent in 1968 (see Table 6). The data for the first two months of 1969 do not indicate any significant change in the trend. Although large pockets of under-employment or disguised unemployment still exist, particularly related to the high rate

^{1/} Some analysts think that the top figure may be more than doubled in the next few years.

of migration to urban areas (the proportion of total population living in urban areas rose from 53 percent in 1959 to 74 percent in 1968), official statistics show a decrease in the rate of unemployment from 8.6 percent in mid-1966 to 6.4 percent in mid-1968, as job opportunities in manufacturing industry and services rose.

Money and Banking

16. After a stagnation in 1966, money and quasi-money supply rose by 13 percent in 1967 and 10 percent in 1968, quasi-money supply increasing much faster than money supply. The expansion in liquidity was produced largely by the balance of payments surpluses of 1967 and 1968, while the increase in private sector net borrowing was very moderate (see Table 7). The net impact of government operations contributed to the liquidity expansion in 1968. The large floating debt that the Government built up was indirectly financed by commercial banks granting credits to government contractors. In fact, commercial bank credits to the construction sector increased by 27 percent in 1968, against overall credit expansion to the private sector of 12 percent. The Central Bank, confronted by a situation of excess liquidity, took measures to restrain advances and rediscounts in 1968. The result was that the excess reserves of the commercial banks, as a percentage of required reserves, decreased from 42 percent at the end of 1966 to 19 percent at the end of 1968.

Public Finances

17. In 1964-68 current revenues of the Central Government rose at a rate slightly lower than GDP (5.0 percent against 5.5 percent). The ratio of government current revenues to GDP decreased marginally to about 19 percent in 1968. In 1967 and 1968 collection of tax arrears from the oil companies and increases in reference prices for the taxation of oil companies resulted in a higher share of the Government in oil profits. Tax collections from other sources increased at about the same rate and in 1968, after year-to-year fluctuations, the share of petroleum and mining in total tax collections was at roughly the same level as in 1964 (around 68 percent). The 1966 tax reform was substantially watered down by Congress and practically resulted only in a simplification of the income tax system. The tax burden on the domestic sector (i.e., not including petroleum and minerals) still constitutes only about 7 percent of its GNP. As to indirect taxes, import duty collections experienced a sharp decline in recent years as a result of the numerous exemptions granted under the industrial promotion laws, while revenues from taxes on consumption and transactions remained negligible.

What was the reform & why watered down

18. Current expenditures expanded at about 8 percent, much faster than revenues. However, almost half of the increase was due to expenditures in education and health, which may have a considerable development

impact. The current account surplus showed a 5 percent decline in real terms throughout the period while capital expenditures were rising. Thus, the sizable overall surpluses of the years 1962-1964 have now become deficits. The overall deficit for 1968, including very substantial unrecorded expenditures incurred mostly by the Ministry of Public Works, is estimated to be around Bs. 900 million. Most of it (about Bs. 750 million) was financed by floating debt.

19. In March 1969 the Government, faced by the high level of floating debt inherited by the past Administration, issued Treasury Bills for Bs. 400 million to be redeemed by the end of the year. Bs. 270 million were placed among the commercial banks, part of which substituted for legal reserve requirements, and the Central Bank took the remaining Bs. 130 million. The Government is at present considering a reduction in budget expenditure for 1969 by about Bs. 400 million, most of which would be cuts in capital transfers to autonomous agencies, in view of a likely drop in revenues from oil companies as a result of the declining trend in oil production for this year. No new revenue measures have been considered yet. The prospects of a very slow rate of growth of oil production in the next few years, combined with the need for a rising level of development expenditures, now calls for a rapid diversification of sources of revenue, in addition to an increase in public savings.

*Start
there
plans*

Public Sector Investment and Its Financing

20. During 1965-68, public sector investment expenditures reached, in real terms, 90 percent of the planned target (Bs. 18.5 billion) in the Government's development program. Public investment averaged 7 percent of GDP and 35 percent of gross domestic investment. Most of the shortfall took place in the credit programs and financial participation in private enterprises. Capital expenditures have been close to or above the planned figures, in infrastructure (in particular roads and power) and in the social sector (housing, education), accounting for respectively 40 and 30 percent of total fixed investment, while in the goods producing sectors there was a substantial shortfall in almost every field. (See Tables 9 and 10). This was particularly evident in industry, where the shortfall can be attributed to the postponement - for financial as well as economic reasons - of construction of a sheet-rolling mill and to lags in initiation of projects by the Government petroleum and petrochemical companies. Agriculture suffered from delays in project preparation. The absolute level of public savings and their role in financing public investment (about 80 percent of the actual expenditure) was not on the whole substantially different from what the Plan had envisaged. However, the Plan document had stated that a substantial portion of the projected financial gap would be covered by an additional public savings effort, mainly resulting from an increase in taxation on the non-petroleum non-iron sector. Actually, the Government was able to fill the gap by increasing its participation in oil revenues, particularly since 1967,

while the higher tax burden on the domestic sector did not materialize. The role of net foreign borrowing was not very significant. It financed somewhat more than 6 percent of the overall investment program.

21. Foreign loans disbursements were about 25 percent below the Plan expectations, mainly as a result of delays in the preparation of projects requiring foreign financing. The participation of private savings in the financing of the Plan was as high as planned in absolute terms, but was mainly the result of an increasing floating debt which more than offset the public sector's net loan repayments. The new Administration is now in the process of formulating a public sector investment program for 1970-74, and expects to have made substantial progress in this direction by the end of the year. The Government has already indicated that its aim is to execute a sizable investment program over the new planning period, so as to diversify the economy and to provide better social services to a rapidly increasing population.

Balance of Payments Developments

22. In recent years, Venezuela's balance of payments has been characterized by stagnant exports coupled with a rising volume of imports. The share of petroleum has remained virtually unchanged at 93 percent of total merchandise exports. A 3 percent increase in the volume of oil exports between 1963 and 1968 was offset by an equal decline in prices. However, through the increasing participation of the Government in the foreign exchange earnings of the foreign-owned oil companies, net export earnings ^{1/} increased by 7 percent between 1963 and 1968. The rise in imports of the domestic sector (mainly in intermediate goods) was as much as three times as that; thus the current account balance, which was in surplus of around US\$350 million during 1962-64, has been in deficit since 1965; and the deficit of US\$35-50 million annually in 1965-67 rose sharply to US\$187 million in 1968.

23. In 1967 and 1968, public and private capital inflows more than offset the results of current transactions causing a net increase in foreign exchange reserves of about US\$102 million in 1967 and of US\$50 million in 1968. At the end of February 1969, official net foreign exchange reserves stood at US\$910 million, corresponding to seven months imports, as much as at the end of 1965. The Venezuelans still feel that such a high level is justified by the fact that foreign transactions are highly sensitive to speculative influences and sizable exchange losses can be easily induced, although the political instability of the past seems to be disappearing. Official capital inflow has so far played a very minor role. The Government has placed bonds in the U.S. (US\$15

^{1/} Total exports of goods and services minus payments by foreign-owned oil and mining companies for imports, profits, freight and other services.

million in 1965) and in West Germany (US\$25 million equivalent in 1968), but it is not likely to be able to borrow from the foreign capital markets in amounts sufficient to finance a sizable public sector investment program.

24. The external deficit on current account is likely to grow in the next few years. The prospect for an increase in oil exports higher than 1-2 percent per year up to 1972-73 are dim. The contribution of non-oil exports is likely to be only marginal. The only major new export earnings in sight in the next few years are from petrochemicals; however, they will not fully materialize before 1973, due to the relatively long gestation period of the investment. On the other hand, to allow a 5 percent GDP growth, imports probably will have to increase at least at an equivalent rate at the present stage of Venezuela's economic development, in which the easier import substitution possibilities have been exhausted and the prospective large investments, particularly in industry, are highly import intensive. Thus it seems reasonable to expect that Venezuela will remain a net capital importer for some time; given present income levels and investment needs, this is a logical development.

Creditworthiness

25. The external public debt of Venezuela (including undisbursed) amounted to US\$520 million at the end of 1968. Loans from international organizations account for more than half of the total (see Table 1). Projected service payments on this debt increase from US\$50 million in 1969 to a peak of US\$57 million in 1970 (see Table 2). Less than 3 percent of foreign exchange earnings (net of profit remittances by foreign-owned oil and mining companies) was devoted to debt service in 1968. In spite of the cloudy petroleum export prospect, at present, there is still a sizable margin for additional borrowing on conventional terms.

26. ¹Judgments on Venezuela's economic performance over the next few years will need to focus mainly on the management of the balance of payments (export promotion, in particular) and on the level of national savings. ²A long-standing key issue that will affect the longer term prospects of the economy is how the new Government will ensure that sufficient investments are made in exploration and development of new oil reserves. Given the balance of payments constraint in prospect, ³national savings would have to be improved considerably above the recent performance if the same growth of investment as in the past is to be maintained. ⁴The major part of the needed mobilization of resources should be achievable by an increased tax effort in the non-petroleum sectors of the economy.

Attachments: I. Basic Data
II. Supporting tables

Western Hemisphere Department
May 26, 1969

VENEZUELA

I. BASIC DATA

<u>Area:</u>	352,000 square miles	
<u>Population (mid-1968):</u>	9.7 million	
Rate of growth 1958-1968	3.5 percent per year	
Density	28 per square mile	
<u>Currency Equivalents:</u>		
US\$1.00	= Bs. 4.50 (Bolivares)	
Bs. 1.00	= US\$0.22	
Bs. 1,000,000	= US\$222,222	
<u>Gross National Product (1968):</u>	Bs. 41 billion (at current market prices)	
Rate of growth (at 1960 prices) 1960-1968	4.4 percent per year	
Per capita 1968	US\$939	
<u>Gross Domestic Product (1967):</u>	Bs. 39.4 billion (at current factor cost)	
<u>Sectoral Distribution</u>	(as percent of GDP)	
Agriculture	7.4	
Petroleum	26.4	
Mining	1.1	
Manufacturing	13.1	
Construction	4.6	
Transport and Communications	3.7	
Other services	43.7	
<u>Percent of GDP at market prices (1967):</u>		
Gross investment	20.1	
Gross savings	19.7	
Central Government current revenues	20.4	
<u>Money and Prices:</u>	December 1968 (million Bs)	Change 1965-1968 (in % p.a.)
Money supply	5,947	6.3
Time and savings deposits	3,759	10.3
Bank credit to private sector	7,497	7.5
Rate of change in prices (in percent)		
Wholesale price index	1.7	1.5
Cost of living index	1.3	1.0

<u>Central Government Operations:</u>	1968 (million Bs)	Change 1965-68 (in % p.a.)
Current revenues	8,773	6.5
of which petroleum sector	(5,833)	(6.5)
Current expenditures	5,435	8.9
Current surplus	3,338	3.0
Capital expenditures	3,480	6.2
 <u>External Trade:</u>	 1968 (million Bs)	 Change 1965-68 (in % p.a.)
Exports of goods and non- factor services	2,582	0.7
of which petroleum sector	(2,304)	(0.4)
Imports of goods and non-factor services	1,962	3.7
Net factor income	-709	0.1
 <u>Official Gold and Foreign Exchange Reserves (February 28, 1969):</u>		 US\$910 million
 <u>External Public Debt:</u>		
Total outstanding, including undisbursed (December 31, 1968)		US\$520 million
Debt service ratio (% of 1968 net export earnings)		2.9

II. SUPPORTING TABLES

Table No.

- 1 External Public Debt Outstanding as of December 31, 1968
- 2 Estimated Future Service Payments on External Public Debt Outstanding
Including Undisbursed as of December 31, 1968
- 3 National Accounts, 1960-1967
- 4 Sectoral Distribution of Gross Domestic Product, 1960-1967
- 5 Petroleum Statistics
- 6 Change in Selected Price Indices, 1964-1968
- 7 Summary Accounts of Banking System, 1965-1968
- 8 Central Government Finances, 1964-1969
- 9 Public Sector Investment and Its Financing, 1965-1968
- 10 Sectoral Distribution of Public Fixed Investments, 1965-1968
- 11 Summary Balance of Payments, 1963-1968

Table 1: VENEZUELA - EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31, 1968 /1

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

Source	Debt Outstanding December 31, 1968	
	Disbursed only	Including undisbursed
TOTAL EXTERNAL PUBLIC DEBT	<u>398,528</u>	<u>519,683</u>
Privately-held debt	<u>68,859</u>	<u>100,492</u>
Publicly-issued bonds	<u>37,000</u>	<u>37,000</u>
Suppliers	<u>7,079</u>	<u>16,415</u>
Germany	<u>3,135</u>	<u>3,135</u>
Italy	72	72
Japan	-	9,329
United Kingdom	1,752	1,759
United States	2,120	2,120
Financial Institutions - United States	<u>24,780</u>	<u>47,077</u>
Loans from international organizations	<u>223,012</u>	<u>279,826</u>
IBRD	<u>202,563</u>	<u>238,898</u>
IDB	<u>20,449</u>	<u>40,928</u>
Loans from governments	<u>106,657</u>	<u>139,365</u>
Italy	<u>37</u>	<u>37</u>
United States	<u>106,620</u>	<u>139,328</u>

/1 Debt with an original or extended maturity of one year or more.

Statistical Services Division
Economics Department
May 22, 1969

Table 2: VENEZUELA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

Page 1

YEAR	DEBT OUTST (BEGIN OF PERIOD)		PAYMENTS DURING PERIOD		TOTAL
	INCLUDING UNDISBURSED	AMORTI- ZATION	INTEREST		
TOTAL EXTERNAL PUBLIC DEBT					
1969	494,349	29,139	21,080		50,220
1970	465,210	34,009	23,709		57,718
1971	431,201	34,462	22,479		56,941
1972	396,738	32,422	20,540		52,962
1973	364,317	33,576	18,692		52,270
1974	330,739	33,633	16,920		50,553
1975	297,105	32,834	15,091		47,925
1976	264,272	29,514	13,365		42,878
1977	234,758	27,952	11,831		39,783
1978	206,806	26,541	10,337		38,878
1979	178,265	29,432	8,804		38,236
1980	148,833	24,592	7,221		36,812
1981	119,241	29,184	5,667		34,851
1982	90,057	22,222	4,186		26,409
1983	67,835	18,855	3,077		21,932

Note: Includes service on all debt listed in Table 1 prepared May 22, 1969 with the exception of the following, for which repayment terms are not available:

Total	\$25,234,000
Financial Institutions	22,297,000
Loan from International Organization IBD	3,000,000
Italian Government Loan	37,000

Table 2: VENEZUELA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968 (CONT.)

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

Page 2

YEAR	DEBT DUE AT (BEGIN OF PERIOD)		PAYMENTS DURING PERIOD		TOTAL
	INCLUDING UNDISBURSED	AMORTI- ZATION	INTEREST		
PRIVATELY-HELD DEBT					
1969	78,195	9,487	4,278		13,765
1970	68,708	9,259	4,257		13,526
1971	59,439	7,375	3,701		11,076
1972	52,064	5,662	3,270		8,932
1973	46,402	4,997	2,936		7,933
1974	41,406	6,222	2,657		8,879
1975	35,184	5,931	2,273		8,204
1976	29,252	4,964	1,915		6,879
1977	24,289	4,572	1,602		6,174
1978	19,717	4,430	1,302		5,732
1979	15,288	4,280	1,017		5,304
1980	11,000	3,500	731		4,231
1981	7,500	2,500	525		3,025
1982	5,000	2,500	350		2,850
1983	2,500	2,500	175		2,675
PRIVATELY-HELD DEBT					
PUBLICLY-ISSUED BONDS					
1969	37,000	1,000	2,484		3,484
1970	36,000	1,000	2,422		3,422
1971	35,000	1,000	2,359		3,359
1972	34,000	1,000	2,297		3,297
1973	33,000	1,000	2,234		3,234
1974	32,000	3,500	2,172		5,672
1975	28,500	3,500	1,934		5,434
1976	25,000	3,500	1,697		5,197
1977	21,500	3,500	1,459		4,959
1978	18,000	3,500	1,222		4,722
1979	14,500	3,500	984		4,484
1980	11,000	3,500	731		4,231
1981	7,500	2,500	525		3,025
1982	5,000	2,500	350		2,850
1983	2,500	2,500	175		2,675

Table 2: VENEZUELA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968 (CONT.)

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

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YEAR	DEBT OUTST (BEGIN OF PERIOD) INCLUDING UNDISBURSED	PAYMENTS DURING PERIOD AMORTI- ZATION	INTEREST	TOTAL
PRIVATELY-HELD DEBT				
SUPPLIERS				
1969	16,415	2,527	338	2,865
1970	13,868	3,280	703	3,989
1971	10,602	1,470	546	2,017
1972	9,132	1,470	468	1,938
1973	7,662	1,470	389	1,859
1974	6,191	1,470	310	1,780
1975	4,721	1,179	236	1,415
1976	3,542	1,179	175	1,355
1977	2,363	788	119	907
1978	1,575	788	76	863
1979	788	788	32	820
PRIVATELY-HELD DEBT				
FINANCIAL INSTITUTIONS				
1969	24,760	5,960	1,455	7,415
1970	18,820	4,983	1,132	6,114
1971	13,837	4,905	795	5,700
1972	8,933	3,192	506	3,698
1973	5,741	2,527	313	2,840
1974	3,214	1,252	175	1,426
1975	1,962	1,252	102	1,354
1976	711	284	43	327
1977	426	284	24	308
1978	142	142	5	147

Tabel 2: VENEZUELA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968 (CONT.)

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

Page 4

YEAR	DEBT OUTST (BEGIN OF PERIOD)	PAYMENTS DURING PERIOD		TOTAL
	INCLUDING UNDISBURSED	AMORTI- ZATION	INTEREST	
LOANS FROM INTERNATIONAL ORGANIZATIONS				
1969	276,826	10,339	11,699	22,037
1970	266,487	12,537	14,247	26,784
1971	253,950	14,464	14,259	28,723
1972	239,487	15,231	13,426	28,657
1973	224,256	15,456	12,542	27,999
1974	208,799	15,095	11,668	26,763
1975	193,704	15,811	10,791	26,603
1976	177,852	16,566	9,875	26,442
1977	161,326	17,125	8,916	26,042
1978	144,200	17,719	7,933	25,652
1979	126,481	18,614	6,906	25,520
1980	107,866	19,561	5,832	25,393
1981	88,305	20,155	4,708	24,864
1982	68,150	14,902	3,601	18,504
1983	53,247	12,977	2,797	15,774

LOANS FROM INTERNATIONAL ORGANIZATIONS

IBRD

1969	238,898	7,982	10,497	18,479
1970	230,916	9,802	12,749	22,551
1971	221,114	10,636	12,273	22,909
1972	210,478	11,237	11,665	22,902
1973	199,241	11,881	11,024	22,905
1974	187,360	12,556	10,347	22,905
1975	174,802	13,274	9,630	22,904
1976	161,528	14,029	8,873	22,902
1977	147,499	14,836	8,073	22,911
1978	132,661	15,682	7,226	22,908
1979	116,979	16,577	6,328	22,905
1980	100,402	17,524	5,383	22,907
1981	82,878	18,510	4,383	22,901
1982	64,360	13,265	3,382	16,647
1983	51,095	11,825	2,684	14,509

Table 2: VENEZUELA - ESTIMATED FUTURE SERVICE PAYMENTS ON EXTERNAL PUBLIC DEBT
OUTSTANDING INCLUDING UNDISBURSED AS OF DECEMBER 31, 1968 (CONT.)

Debt Repayable in Foreign Currency

(In thousands of U.S. dollars)

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YEAR	DEBT OUTST (BEGIN OF PERIOD)	PAYMENTS DURING PERIOD		TOTAL
	INCLUDING UNDISBURSED	AMORTI- ZATION	INTEREST	
LOANS FROM INTERNATIONAL ORGANIZATIONS				
IDB				
1969	37,928	2,357	1,202	3,558
1970	35,571	2,735	1,498	4,233
1971	32,836	3,828	1,986	5,814
1972	29,009	3,994	1,761	5,755
1973	25,015	3,575	1,518	5,094
1974	21,439	2,537	1,321	3,858
1975	18,902	2,537	1,161	3,699
1976	16,364	2,537	1,002	3,540
1977	13,827	2,287	843	3,131
1978	11,539	2,037	707	2,744
1979	9,502	2,037	578	2,615
1980	7,464	2,037	449	2,486
1981	5,427	1,637	325	1,963
1982	3,790	1,637	219	1,857
1983	2,152	1,152	113	1,265

LOANS FROM GOVERNMENTS

UNITED STATES

1969	139,328	9,313	5,104	14,418
1970	130,015	12,204	5,205	17,409
1971	117,811	12,624	4,518	17,142
1972	105,187	11,528	3,844	15,372
1973	93,659	13,125	3,213	16,338
1974	80,534	12,316	2,595	14,911
1975	68,218	11,091	2,027	13,118
1976	57,127	7,984	1,574	9,558
1977	49,143	6,254	1,313	7,567
1978	42,889	6,392	1,101	7,494
1979	36,497	6,530	881	7,411
1980	29,966	6,530	658	7,188
1981	23,436	6,528	433	6,962
1982	16,907	4,820	235	5,055
1983	12,087	3,378	105	3,483

Table 3: NATIONAL ACCOUNTS, 1960-1967
(Millions of Bolivares at current prices)

	1960	1961	1962	1963	1964	1965	1966	1967
A. <u>Consumption Expenditures</u>	<u>17,896</u>	<u>18,369</u>	<u>19,806</u>	<u>21,292</u>	<u>23,954</u>	<u>26,382</u>	<u>28,186</u>	<u>30,065</u>
1. Public	3,544	3,644	3,732	4,245	4,482	4,784	5,245	5,540
(a) Central Government	(...)	(...)	(2,149)	(2,562)	(2,599)	(2,994)	(3,309)	(3,394)
(b) Rest of Public Sector	(...)	(...)	(1,583)	(1,683)	(1,883)	(1,790)	(1,936)	(2,146)
2. Private	14,352	14,725	16,074	17,047	19,472	21,598	22,941	24,525
B. <u>Gross Domestic Investment</u>	<u>4,510</u>	<u>4,626</u>	<u>5,202</u>	<u>5,549</u>	<u>7,553</u>	<u>7,902</u>	<u>7,753</u>	<u>8,408</u>
1. Fixed Capital Formation	4,797	4,286	4,635	5,073	6,253	6,974	7,295	7,732
2. Inventory Changes	- 287	340	567	476	1,300	928	458	676
C. <u>Exports of Goods and Services</u>	<u>8,096</u>	<u>8,663</u>	<u>9,161</u>	<u>9,212</u>	<u>11,364</u>	<u>11,264</u>	<u>10,896</u>	<u>11,546</u>
D. <u>Imports of Goods and Services</u>	<u>4,882</u>	<u>5,017</u>	<u>5,663</u>	<u>5,396</u>	<u>7,122</u>	<u>7,940</u>	<u>7,691</u>	<u>8,147</u>
E. <u>Gross Domestic Product</u> <u>at Market Prices</u>	<u>25,620</u>	<u>26,641</u>	<u>28,506</u>	<u>30,657</u>	<u>35,749</u>	<u>37,608</u>	<u>39,144</u>	<u>41,870</u>
F. <u>Subsidies</u>	<u>51</u>	<u>47</u>	<u>48</u>	<u>47</u>	<u>127</u>	<u>160</u>	<u>114</u>	<u>97</u>
G. <u>Indirect Taxes</u>	<u>2,068</u>	<u>2,416</u>	<u>2,720</u>	<u>3,162</u>	<u>2,225</u>	<u>2,273</u>	<u>2,497</u>	<u>2,602</u>
H. <u>Gross Domestic Product at</u> <u>Factor Cost - (E+F-G)</u>	<u>23,603</u>	<u>24,272</u>	<u>25,834</u>	<u>27,542</u>	<u>33,651</u>	<u>35,495</u>	<u>36,761</u>	<u>39,365</u>
I. <u>Net Factor Income Payments</u> <u>Abroad 1/</u>	<u>1,887</u>	<u>2,090</u>	<u>2,333</u>	<u>2,256</u>	<u>3,274</u>	<u>3,519</u>	<u>3,425</u>	<u>3,552</u>
J. <u>Gross National Product at</u> <u>Factor Cost (H-I)</u>	<u>21,716</u>	<u>22,182</u>	<u>23,501</u>	<u>25,286</u>	<u>30,377</u>	<u>31,976</u>	<u>33,336</u>	<u>35,813</u>
K. <u>Provision for Consumption of</u> <u>Fixed Capital</u>	<u>2,422</u>	<u>2,544</u>	<u>2,855</u>	<u>2,922</u>	<u>3,051</u>	<u>3,211</u>	<u>3,456</u>	<u>3,779</u>
L. <u>National Income (J-K)</u>	<u>19,294</u>	<u>19,638</u>	<u>20,646</u>	<u>22,364</u>	<u>27,326</u>	<u>28,765</u>	<u>29,880</u>	<u>32,034</u>
1/ Includes net transfer payments abroad for the following amounts:	321	355	397	383	376	408	421	489

Source: Central Bank.

Table 4: SECTORAL DISTRIBUTION OF GROSS DOMESTIC PRODUCT, 1960-1967

	Percentage Distribution of GDP								Percentage Increase Over Previous Year (at 1957 Prices)						
	1960	1961	1962	1963	1964	1965	1966	1967	1961	1962	1963	1964	1965	1966	1967
1. Agriculture	6.8	6.9	6.9	7.0	7.0	7.1	7.3	7.4	2.1	7.3	5.3	8.6	5.8	4.9	6.9
2. Mining	1.8	1.3	1.1	0.9	1.1	1.3	1.2	1.1	-27.0	-7.9	-13.8	33.8	10.6	0.5	-3.7
3. Petroleum, Natural Gas and Refining	29.5	29.8	30.7	29.9	29.0	27.8	26.5	26.4	2.6	9.7	1.5	4.6	2.3	-2.7	4.8
4. Manufacturing Industry	11.0	11.2	11.4	11.8	12.5	13.3	13.1	13.1	3.9	7.9	7.8	14.7	8.9	0.4	5.3
5. Construction	5.5	4.1	4.0	4.3	4.6	4.5	4.7	4.6	24.0	5.4	10.7	15.0	3.7	8.3	2.1
6. Public Utilities	1.4	1.6	1.7	1.9	2.0	2.2	2.3	2.4	13.8	16.7	17.6	12.4	9.1	9.5	10.8
7. Transport and Communications	3.9	3.8	3.7	3.7	3.9	3.7	3.7	3.7	-0.8	2.7	5.0	11.7	9.3	2.9	4.9
8. Commerce	14.5	14.6	14.2	14.0	14.1	15.9	16.2	16.2	2.3	3.0	2.9	9.0	4.3	4.0	4.7
9. Government	14.7	15.6	15.3	15.4	15.4	17.2	17.8	17.9	4.6	4.1	5.0	7.3	5.4	5.2	5.5
10. Other Services	10.9	11.2	11.0	11.0	10.4	7.0	7.2	7.2	7.9	4.6	4.2	2.0	5.9	5.1	5.7
11. GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1.7	6.3	4.1	8.0	5.1	2.3	5.1

Source: Central Bank.

Table 5: PETROLEUM STATISTICS

	1963	1964	1965	1966	1967	1968
<u>Exploration and Reserves</u>						
Number of wells drilled	498	621	694	394	318	438
Proved reserves (years) ^{1/}	14.4	13.9	13.6	13.7	12.3	11.9
<u>Production and Exports</u> (million m ³)						
Production of Crude	188.5	197.4	201.5	195.6	205.6	209.8
Production of Refined	60.5	63.5	68.2	68.1	67.7	69.0
Exports of Crude and Refined	178.4	186.9	188.7	184.6	195.0	196.0
Crude	(130.1)	(136.8)	(135.3)	(131.3)	(140.9)	(142.8)
Refined	(48.3)	(50.1)	(53.4)	(53.3)	(54.1)	(53.2)

^{1/} At production levels of the corresponding years.

Source: Ministry of Mines.

Table 6: CHANGE IN SELECTED PRICE INDICES, 1964-1968
(annual average percentage change)

	1964	1965	1966	1967	1968
<u>Wholesale prices</u>	<u>4.3</u>	<u>3.5</u>	<u>1.4</u>	<u>1.3</u>	<u>1.7</u>
<u>Imported Products</u>	<u>3.4</u>	<u>6.9</u>	<u>5.0</u>	<u>2.3</u>	<u>2.5</u>
<u>Domestic Products</u>	<u>5.3</u>	<u>3.3</u>	-	<u>0.3</u>	<u>1.5</u>
Agricultural Products	11.0	-0.8	-0.2	-1.6	2.7
Processed Foodstuffs	5.0	5.2	0.2	-0.3	2.0
Textiles	1.9	1.9	-1.0	0.6	-0.4
Tobacco and Beverages	1.0	1.9	-0.9	0.6	-
Chemical and Pharmaceutical Products	1.6	4.4	2.0	0.5	-
Paper Products	4.0	6.1	10.2	0.8	0.3
Construction Material	1.8	10.2	6.3	4.3	1.2
<u>Cost of Living (Caracas)</u>	<u>2.2</u>	<u>1.7</u>	<u>1.7</u>	-	<u>1.3</u>
Food	1.2	1.8	0.4	-1.3	1.3
Clothing	-0.1	-1.2	-0.1	1.3	1.2
Housing	0.8	1.6	0.9	0.9	0.7
Other	4.3	2.3	3.9	-	1.7

Source: Central Bank.

Table 7: SUMMARY ACCOUNTS OF BANKING SYSTEM, 1965-1968
(in millions of bolivares)

	1965	End of Year		1968
		1966	1967	
Foreign Assets (Net)	3,142	2,863	3,307	3,553
Claims on Government (Net)	-317	-191	-271	-126
Claims on Private Sector	6,033	6,186	6,738	7,497
TOTAL	<u>8,858</u>	<u>8,858</u>	<u>9,774</u>	<u>10,924</u>
Money	4,916	5,005	5,537	5,947
Quasi-Money	2,803	2,750	3,259	3,759
Other Items (Net)	1,139	1,103	978	1,218

Source: I.M.F. International Financial Statistics, April 1969.

Table 8: CENTRAL GOVERNMENT FINANCES, 1964-1969
(in millions of bolivares)

	1964	1965	1966	1967	1968	Budget 1969
I) CURRENT REVENUES	<u>7,133</u>	<u>7,264</u>	<u>7,751</u>	<u>8,539</u>	<u>8,773</u>	<u>9,081</u>
A. <u>Petroleum companies</u>	<u>5,005</u>	<u>4,826</u>	<u>4,992</u>	<u>5,716</u>	<u>5,833</u>	<u>5,759</u>
Income tax	2,156	2,188	2,355	2,470	2,788	2,968
Tax arrears				459	255	4
Royalties	2,499	2,532	2,557	2,737	2,745	2,737
Exchange profits	350	106	80	50	45	50
B. <u>Iron ore companies</u>	<u>105</u>	<u>165</u>	<u>319</u>	<u>193</u>	<u>157</u>	<u>180</u>
Income tax	105	165	199	181	157	180
Tax arrears			120	12		
C. <u>Domestic sector</u>	<u>2,023</u>	<u>2,274</u>	<u>2,440</u>	<u>2,630</u>	<u>2,783</u>	<u>3,142</u>
Income tax	699	864	976	1,044	1,126	1,390
Customs duties	482	657	480	479	488	501
Liquor and cigarettes	420	459	485	516	553	618
Other revenues	422	496	499	591	616	633
II) CURRENT EXPENDITURES	<u>3,918</u>	<u>4,213</u>	<u>4,661</u>	<u>4,987</u>	<u>5,435</u>	<u>5,690</u>
Wages and salaries	2,169	2,291	2,486	2,659	2,828	2,910
Goods and services	371	397	450	509	583	577
Transfers to regional govts.	699	755	881	906	1,017	1,035
Other transfers	620	709	788	855	946	1,092
Interest on public debt	59	61	56	58	61	76
III) CURRENT ACCOUNT SURPLUS	<u>3,215</u>	<u>3,051</u>	<u>3,090</u>	<u>3,552</u>	<u>3,338</u>	<u>3,391</u>
IV) CAPITAL EXPENDITURES	<u>2,526</u>	<u>2,905</u>	<u>2,997</u>	<u>3,337</u>	<u>3,480</u>	<u>3,434</u>
Direct investment	1,342	1,393	1,482	1,601	1,707	1,586
Fixed investment	(1,177)	(1,237)	(1,357)	(1,422)	(1,461)	(1,452)
Financial investment	(165)	(156)	(125)	(179)	(246)	(134)
Indirect investment ^{1/}	1,184	1,512	1,515	1,736	1,773	1,848
V) UNALLOCABLE EXPENDITURES					<u>750</u>	
VI) OVERALL SURPLUS OR DEFICIT	<u>689</u>	<u>146</u>	<u>93</u>	<u>215</u>	<u>-892</u>	<u>-43</u>
VII) FINANCING						
Change in direct public debt	-572	-179	-164	-225	-11	-147
Change in floating debt					+750	
Change in Treasury deposits (increase -)	-117	+33	-29	-74	+13	-
Coin issue			+100	+84	+140	+190

^{1/} Capital transfers to autonomous agencies

Source: Ministry of Finance.

Table 9: PUBLIC SECTOR INVESTMENT AND ITS FINANCING, 1965-1968
(in millions of bolivares)

	1965		1966		1967		1968		Total, 1965-1968		b:a %
	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/} (a)	Actual ^{2/} (b)	
I. <u>Investment Expenditure</u>	<u>3,810</u>	<u>3,942</u>	<u>4,627</u>	<u>4,400</u>	<u>5,229</u>	<u>4,456</u>	<u>4,909</u>	<u>4,796</u>	<u>18,475</u>	<u>17,594</u>	<u>95</u>
1. Fixed investment	2,476	2,456	3,153	3,215	3,778	3,216	3,204	3,431	12,611	12,318	98
2. Financial investment	1,234	1,486	1,474	1,185	1,451	1,240	1,705	1,365	5,864	5,276	90
II. <u>Financing</u>	<u>3,710</u>	<u>3,942</u>	<u>4,627</u>	<u>4,400</u>	<u>5,223</u>	<u>4,456</u>	<u>4,909</u>	<u>4,796</u>	<u>18,475</u>	<u>14,221</u>	<u>95</u>
1. Balance on current account	2,959	2,941	3,399	3,213	4,049	4,022	4,307	4,045	14,714	14,221	97
2. Net internal borrowing	-92	-188	222	-112	451	-235	204	65	785	-470	-
3. Net external borrowing	382	305	577	249	404	228	156	364	1,519	1,146	75
a) Disbursements	(671)	(495)	(849)	(462)	(616)	(365)	(376)	(539)	(2,512)	(1,861)	74
b) Amortization	(289)	(190)	(272)	(213)	(212)	(137)	(220)	(175)	(993)	(715)	72
4. Loan repayments	290	228	354	376	328	368	360	326	1,332	1,298	97
5. Other ^{3/}	171	656	75	674	-3	73	-118	-4	125	1,399	1,119

^{1/} At 1964 prices.

^{2/} At current prices.

^{3/} Mostly floating debt.

Source: CORDIPLAN.

Table 10: SECTORAL DISTRIBUTION OF PUBLIC FIXED INVESTMENTS 1965-68
(in millions of bolivares)

	1965		1966		1967		1968		Total 1965-68		b:a %
	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/}	Actual ^{2/}	Plan ^{1/} (a)	Actual ^{2/} (b)	
Agriculture	248	226	317	303	430	354	437	339	1,432	1,222	85
Mining and Hydrocarbons	47	25	37	24	183	74	69	119	337	242	72
Electricity and Gas	252	285	340	334	331	230	204	313	1,127	1,162	103
Manufacturing	109	108	287	300	545	225	349	222	1,290	855	66
Transport and Communications	882	868	847	904	923	886	790	1,125	3,442	3,783	110
Education	130	149	136	165	169	206	191	203	627	723	115
Public Health	339	282	498	460	546	456	472	335	1,854	1,533	83
Housing	183	187	385	425	378	458	425	465	1,372	1,535	112
Other	286	326	306	300	273	327	267	310	1,132	1,263	112
TOTAL	2,476	2,456	3,153	3,215	3,778	3,216	3,204	3,431	12,611	12,318	98

^{1/} At 1964 prices.

^{2/} At current prices.

Source: CORDIPLAN.

Table 11: SUMMARY BALANCE OF PAYMENTS, 1963-1968
(in millions of U.S. dollars)

	1963	1964	1965	1966	1967	1968 ^{1/}
<u>Exports, f.o.b.</u>	<u>2,464</u>	<u>2,480</u>	<u>2,436</u>	<u>2,342</u>	<u>2,462</u>	<u>2,462</u>
Petroleum sector	2,300	2,319	2,260	2,158	2,262	2,282
Iron ore	93	107	123	124	118	109
Other	71	54	53	60	82	71
<u>Imports, f.o.b.</u>	<u>-1,031</u>	<u>-1,182</u>	<u>-1,333</u>	<u>-1,289</u>	<u>-1,328</u>	<u>-1,447</u>
Consumer goods	237	260	320	258	304	326
Intermediate goods	577	650	653	696	691	747
Investment goods	217	272	360	335	333	374
TRADE BALANCE	<u>1,433</u>	<u>1,298</u>	<u>1,103</u>	<u>1,053</u>	<u>1,134</u>	<u>1,014</u>
Freight and merchandise insurance (net)	-128	-157	-178	-174	-178	-195
Investment income (net)	-607	-674	-706	-682	-695	-709
Other services (net)	-144	-185	-163	-155	-192	-186
Net transfer payments	-79	-84	-91	-93	-109	-111
CURRENT ACCOUNT BALANCE	<u>475</u>	<u>198</u>	<u>-35</u>	<u>-51</u>	<u>-40</u>	<u>-187</u>
Private long-term capital (net)	-182	-42	10	65	64	(64
Private short-term capital (net)	-85	35	-1	-67	-10	(
Public sector short term capital (net)	-53	-1	-	-	-5	(
Public sector long-term capital (net)	-32	-10	51	55	48	(73
CAPITAL ACCOUNT BALANCE	<u>-352</u>	<u>-18</u>	<u>60</u>	<u>53</u>	<u>97</u>	<u>137</u>
NET ERRORS AND OMISSIONS	33	-84	-38	-83	45	100
CHANGES IN RESERVES (- INCREASE)	<u>-156</u>	<u>-96</u>	<u>+13</u>	<u>+81</u>	<u>-102</u>	<u>-50</u>
Central Bank	-163	-86	+21	+67	-99	-46
Commercial Banks	7	-11	-8	+14	-3	-4

^{1/} Preliminary.

Source: Central Bank.

8

Background on Guyana-Venezuela Border Dispute

Following the end of the Napoleonic wars, Netherlands ceded to U.K. in 1814, its territories of Barbice, Demerara and Essequibo, which had been held by Netherlands partly through actual settlement by Dutch settlers and partly through conquest from Spain. The British later claimed that the boundary of the colony of British Guiana lay further than the River Moruka - the point up to which the Dutch had effectively settled, right up to Punta Barima on the mouth of the Orinoco River (the Schomburg line). The British rested their claim on all this territory on the title of their Dutch predecessors.

Following years of protracted diplomatic exchanges, Venezuela and U.K. signed the Treaty of Arbitration in 1897, to refer the matter to international arbitration, and agreed that the arbitration tribunal should base its consideration on the accepted canons of international law, including settlement, occupation and adverse possession. U.K. nominated two judges and Venezuela two (both judges of the U.S. Supreme Court) to the Arbitration Tribunal which was headed by an eminent Russian international jurist, Professor F. de Martens, on whose name both Venezuela and U.K. agreed. The Tribunal, gave a unanimous award in 1899 that territories west of Punta Playa following the River Barima up to its junction with River Mururua and then south along River Amakura was Venezuelan territory; lands lying to the east of this line formed part of British Guiana. The award granted to U.K. about 90 percent of the disputed territory, but the mouth of the Orinoco River and a region of about 5,000 square miles on the south eastern headwaters of the Orinoco went to Venezuela. Thereafter a Mixed Boundary Commission appointed jointly by U.K. and Venezuela surveyed and demarcated the boundary in accordance with the award. The resulting boundary lines was set forth on a map, which was confirmed by a written Agreement by representatives of both parties in 1905. This is the boundary of the present state of Guyana.

However, after the death of Mr. Mallet-Prevost, one of the Counsels for Venezuela before the said tribunal, a memo relating to the arbitration was found among his papers. This memo was published in 1949. It alleged that as a result of political collusion between U.K. and Russia, the Chairman of the Tribunal, Professor de Martens exerted pressure on the judges nominated by Venezuela, that if they did not agree to the award on the above lines, the majority of the tribunal would give all the territories right from the mouth of River Orinoco to U.K. Mr. Mallet-Prevost stated that he obtained knowledge of this situation, as one of the judges nominated by Venezuela to the Tribunal had conveyed the situation to him, with a view to consulting the Venezuela team of lawyers, as to their client's reaction to the proposal.

(Cont'd)

Based mainly on the Mallet-Prevost memo, Venezuela has claimed since the last few years, that the award of the international arbitration tribunal which it had once accepted, was now unacceptable and officially reopened the dispute in 1962 in the United Nations, at the time of the Ankoro Island dispute. U.K. thereafter agreed at the U.N. that without engaging in substantive talks about the revision of the frontier, it would discuss the matter with Venezuela to dispel its doubts about the validity of the award and propriety of proceedings leading to it. The offer was accepted by Venezuela and endorsed by the U.N. Special Political Committee. However, a meeting of the minds could not be achieved. A few months before the fixed date of Guayana's independence, Venezuela raised the issue strongly. With a view to avoiding armed conflict, U.K., Venezuela and the Government of British Guiana, signed the Geneva Agreement in February 1966, and agreed to form a mixed Commission to seek "satisfactory solutions for the practical settlement of the controversy between Venezuela and the U.K. which has arisen as the result of the Venezuelan contention that the Arbitral Award of 1899 is null and void". The Commission has been meeting periodically and if no practicable solution of the controversy is arrived at within four years, the Governments of Guayana and Venezuela have to choose one of the means for peaceful settlement of disputes provided in Article 33 of the U.N. charter.

The Commission has since been meeting periodically since July 1966. It is understood that in early November 1967, the Venezuelans suggested that they were prepared to assist Guayana in its development with \$500 million, if a favorable settlement would be reached on the border dispute. After a cool reception from the Guyanese to this proposal, the Venezuelans staged a walkout from a meeting of the Boundary Commission, but have since resumed attending the meetings.

Since the inauguration of the new administration in Venezuela, President Caldera has been making public statement in his press conferences to the effect that U.S. cooperation with Venezuelan idea of developing the Essequibo region could be a positive way on which Venezuela and Guyana might work together. Meanwhile, it can be safely assumed that there will be virtually no violence employed by Venezuela in connection with the dispute.

6

BACKGROUND ON THE GUAYANA REGION OF VENEZUELA

Ten years ago, the Venezuelan Government, in an effort to diversify its economy, adopted a program for the development of the Guayana region, located about 300 miles to the southeast of Caracas. The program is administered by the Corporacion Venezolana de Guayana (CVG) headed by General Rafael Alfonzo Ravard. It embraces an integrated program of urban planning, education, and social and economic development. The Guayana encompasses all of the national area of Venezuela south of the Orinoco River, a vast territory extending over half of the country's land area. The region lies entirely within the tropics. Except for the area around Ciudad Guayana, Ciudad Bolivar and a scattering of towns, villages and farms, it is almost totally uninhabited.

*Low origin - natural
river along the
cost as well*



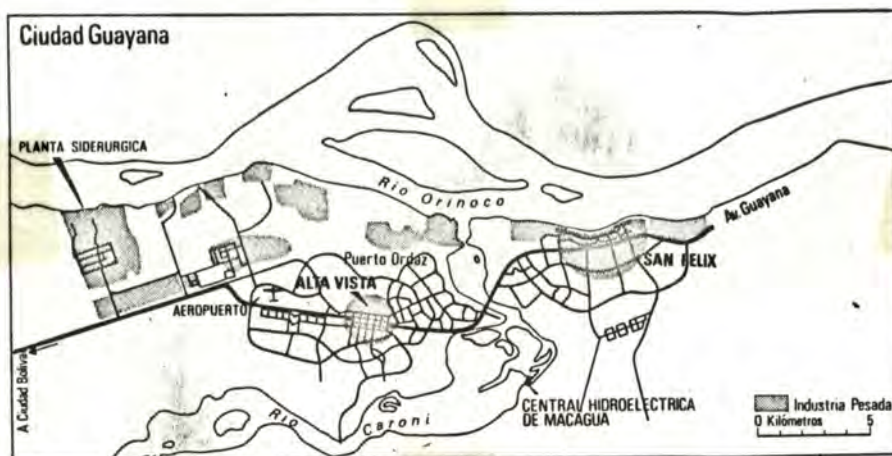
The geographic center of the region is Ciudad Guayana located at the confluence of the Orinoco and Caroni Rivers (see maps, above). The city was founded in 1961. It had previously consisted of two small towns with a total population of 14,000 in the early 1950's. It now has about 150,000 inhabitants and is growing at the rate of close to 20,000 per year. It is expected to grow to more than 400,000 by 1975, and in excess of 600,000 in the late eighties. For the most part, migrants to the Guayana have been coming from poverty-stricken rural areas within a 200-mile radius of the new city. Thus the Guayana is helping to relieve pressures in areas where there is limited prospects for development, in addition to diverting migrants from the central region of the country.

The strength of the region is derived from its considerable potential for the development of low-cost power (potentially 10 million kilowatts); its high grade iron ore deposits (1.5 million tons); its petroleum (2.2 billion barrels) and natural gas

reserves (300,000 million cubic meters); its extensive hardwood forests (44 million cubic meters); an unlimited supply of water; and a location which, though peripheral to the country's main centers, is readily accessible by air, sea, and land, at the present time. Ocean-going vessels, for example, now transport iron ore directly from Ciudad Guayana down the Orinoco River to the Caribbean Sea.

Development of the rich iron ore deposits at El Pao and Cerro Bolivar was begun in the early 1950's by subsidiaries of Bethlehem and U. S. Steel corporations, respectively. In the 1950's, an integrated steel mill was built by the Government in the Guayana (see Tab 13); in the early 1960's a 350,000 run-of-the-river electric power plant was built with Export-Import Bank assistance; the first stage (525,000 kw) of the Guri hydroelectric project, assisted by a Bank loan, was completed in November 1968. The plan is to expand the Guri installation as demand requires over the next 10 years to 1.7 million kilowatts. A 10,000-ton aluminum plant jointly owned by the CVG and the Reynolds Aluminum Corporation went into operation in mid-1967; construction is now underway to expand capacity to 22,500 tons (see Tab 14). In 1968, the Orinoco Mining Company, a wholly-owned subsidiary of the U. S. Steel Corporation, began 1/ construction of a 1 mil.-ton capacity iron ore reduction plant. The installation located in Ciudad Guayana will utilize gas from another part of the region through a new pipeline now under construction.

The Guayana program represents Venezuela's major effort in regional development. The program is already having a profound impact on the national economy. It is expanding the productive capabilities of the country by bringing new resources into play; it is building the principal base of industry for further industrialization of the country; it is stimulating economic expansion in other parts of Venezuela; and it is serving as a powerful example of the possibilities of programs in regional development.



1/ See Tab 15.

10

BACKGROUND ON A GOVERNMENT-OWNED STEEL PLANT (SIDOR) IN THE GUAYANA
(To be visited Wednesday, December 3, 1969)

Siderurgica del Caroni, S.A. (SIDOR) is a Government-owned steel plant located on the outskirts of Ciudad Guayana. It is a wholly-owned subsidiary of the Corporacion Venezolana de Guayana (CVG). It was begun under the Perez Jimenez regime in the 1950's under a contract with Innocenti of Italy at a cost of over \$450 million, and went into operation in 1958. Production in significant quantities began in 1962. It is by far the dominant of the two firms in the Venezuelan steel industry. (Siderurgica Venezolana S.A.--SIVENSA--is a smaller enterprise, entirely privately owned by Venezuelan nationals. It produces ingots from scrap and converts them to reinforcing rods, wire rod, and flats.)

The crude steel capacity of the SIDOR plant totals 750,000 tons per year. The plant employs 6,100 workers. In addition to ingots, SIDOR produces wire rods, reinforcing bars, pipe (up to 24 inches), and profiles. About 35 percent of its output is exported, mainly to Argentina, Colombia, and Mexico for a total of \$20 million per year. Until SIDOR is able to utilize more of its crude steel for making flat products, it will probably seek to export its surpluses to the rest of Latin America at the prevailing world-market prices, meaning, in SIDOR's case, at prices well below the domestic selling price. In the area of exports, it will meet serious competition from Japan and Europe.

The firm has had to cope with an imposing list of problems since its start-up in 1958, not least of which was the original installation of facilities for a questionable product mix. Half of the plant's installations were first designed to produce 300,000 metric tons a year of expensive seamless pipe, primarily for the oil industry. When exploratory drilling for oil began to decline a few years ago, the result of uncertainties connected with the future of oil concessions and other factors, demand for seamless pipe dwindled to 100,000 metric tons a year (1968). Gradually, however, SIDOR's crude production was reallocated to making more blooms, slabs, and other products. Partly as a consequence of changed proportions in the product mix, SIDOR turned a profit for the first time in its history in 1968. For the five years prior to 1968 the company was reported to have incurred losses equivalent to \$70 million.

For several years ending in 1967, Koppers helped operate the company under a management contract. SIDOR now employs Booz-Allen Hamilton as management consultant and Arthur McKee on technical matters. Despite expert management assistance, the company operated at a loss for several years. There is good reason to believe that losses were incurred largely because of politically-inspired management practices and the necessity to cooperate with labor

how much below

*of what level
was world price*

unions which had strong influence on the Government. According to its management, SIDOR has been making profits since 1968.

Venezuela imposes quantitative restrictions on imports of competing steel products. Its chief executive officer, Mr. Argenis Gamboa, an experienced young engineer, argues that SIDOR would be competitive in the absence of "dumping" by foreign companies. According to company officials, profit "at the plant level" was Bs. 90.3 million (Bs. 4.5 = U.S. \$1) in 1968. Subtracting Bs. 65 million for depreciation, and Bs. 5.3 million for selling, administrative, and general expenses, net profit was Bs. 20 million before taxes, from which SIDOR is exempt. Under a system of declining balances, depreciation had previously been absorbed in part by the parent organization (CVG). Last year SIDOR absorbed depreciation in the full amount for the first time.

The Government has been planning for some time to expand the plant to include a mill to produce steel plate, strip, sheet and tinplate. The expansion would be designed for a capacity of 500,000 tons of finished products in 1975. Total cost of the proposed expansion is estimated at \$160 million of which over \$100 million would be required for foreign exchange costs. The company is receiving offers from Japan, Germany, England and the United States. The Export-Import Bank, which has made small loans to SIDOR in the past, would be in all likelihood involved if the equipment were to be purchased in the United States.

*What is estimated
return on investment
at 20% price*

The company's management believes that when its projected flat products mill comes on stream in 1972 to meet anticipated domestic demand for 389,000 metric tons of flat products annually (by 1972), the plant can operate at the projected capacity for crude steel, or at close to 1 million metric tons annually, with the right product mix.

11

BACKGROUND ON THE ALCASA ALUMINUM PLANT ON THE GUYANA
(To be visited Wednesday, December 3, 1969)

Aluminio del Caroni, S.A. (ALCASA), under a joint venture (50 percent Reynolds Aluminum International Company and 50 percent Corporacion Venezolana de Guayana), completed construction of a 10,000-ton capacity aluminum plant in October 1967. It has hot and cold rolling installations and for the foreseeable future will process imported alumina. The plant obtains low cost energy generated by the Guri Hydroelectric Project, which was financed by the Bank. The new plant is a typical example of the CVG's industrial promotional efforts to develop the Guayana region.

ALCASA now produces aluminum ingots and billets from alumina imported from the U. S. The company also produces aluminum sheet and foil in a plant located elsewhere in Venezuela. ALCASA exports 50 percent of the ingots produced at its Guayana plant at competitive prices per pound (U.S. 27¢-28¢), to Argentina, Colombia and the U. S. Total sales are running about \$20 million per year, and the company is now making a small profit. It employs about 540 workers.

The plant is now being expanded to 22,500-ton capacity. This will involve a total of 150 melting pots and an installation of a carbon plant to make electrodes. The total cost of the 22,500-ton installation is \$36 million, including foreign costs of \$20 million financed by Export-Import Bank loans. The actual investment of Reynolds is covered by U. S. AID investment guarantees against risks of convertibility of earnings, expropriation, and war. Serious consideration is being given to further expansion to 50,000 tons. Reynolds reports that it also hopes to enter into a bauxite exploration venture in the Guayana region.

BACKGROUND ON NEW IRON ORE REDUCTION PLANT IN THE GUYANA
(To be visited Wednesday, December 3, 1969)

The Orinoco Mining Company, a wholly-owned subsidiary of the U.S. Steel Company, is now in the final year of construction of a 1 million-ton capacity plant to produce high iron briquettes. The plant will be completed at the end of 1970. It will convert each one and a half tons of crude iron ore of 50 percent pure iron to briquettes containing 86.5 percent iron. The process is the first attempt by U.S. Steel to explore commercially its laboratory model of the process. The plant, which is located in Ciudad Guayana, will use gas, which is plentiful in nearby fields 120 miles north of the site (from Anaco). The pipeline is being constructed by the Government-owned Corporacion Venezolana de Petroleo (CVP). The new plant will consume 40 million cubic feet of gas per day. It will employ 150-200 workers.

Orinoco Mining's decision to locate in Venezuela arose partly as part of a settlement of back taxes between the Government of Venezuela and U.S. Steel in 1966. Rich iron ore reserves in the Guayana region was also crucial.

The total cost of construction is estimated at about \$100 million, including \$50 million in foreign exchange costs. Orinoco Mining obtained a loan from the Export Import Bank for the latter sum.

The final product will be exported from Venezuela at about \$20 per ton. The value of total exports is expected to amount to \$20 million per year. The principal market will be Europe where the briquettes will substitute more expensively-produced products using high cost coke.

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SUMMARY OF BANK LOANS TO VENEZUELA

(in U.S. dollar million)

No.	Borrower	Date Signed	Project	Amount	Disbursed as of October 31, 1969	Terms
306-VE	Republic of Venezuela	Dec. 13, 1961	Expressways Project	\$ 45.0	\$ 45.0	20 years beginning Jan. 1, 1966, at 5-3/4%
353-VE	CVG Electricacion del CARONI (EDELCA)	Sept. 20, 1963	Guri Hydroelectric Project	85.0	83.4	25 years beginning May 1, 1968, at 5-1/2%
390-VE	Republic of Venezuela	Aug. 28, 1964	Second Highway Project	30.0	22.9	20 years beginning Feb. 1, 1969, at 5-1/2%
391-VE	C.A. Administracion y Fomento Electrico (CADAFE)	Aug. 28, 1964	Power Transmission Line	14.0	14.0	20 years beginning Sept. 1, 1967, at 5-1/2%
435-VE	C.A. Nacional Telefonos de Venezuela	Dec. 13, 1965	Telecommunications	37.0	30.6	16 years beginning Sept. 1, 1969, at 5-1/2%
444-VE	Instituto Nacional de Obras Sanitarias	April 14, 1966	Caracas Metropolitan Water Supply Company	21.3	16.8	17-1/2 years beginning April 15, 1969, at 6%
482-VE	CVG Electricacion del Caroni (EDELCA)	Jan. 26, 1967	Extra High Voltage Transmission	15.0	12.2	20 years beginning Sept. 15, 1970, at 6%
616-VE	Republic of Venezuela	Jan. 18, 1969	Cota Mil Expressway	20.0	-	20 years beginning Dec. 15, 1973 at 6%
629-VE	CVG Electricacion del Caroni (EDELCA)	Jan. 30, 1969	Guri Powerhouse Extension	31.0	-	20 years beginning June 15, 1974 at 6-1/2%
				<u>\$298.3</u>	<u>\$224.9</u>	

202
117

17

VENEZUELA

FIVE-YEAR LENDING PROGRAM - 1969/70 TO 1973/74

(In millions of US Dollars)

Sector	FY 1965 and Prior	FY 1966	FY 1967	FY 1968	FY 1969	Total to FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	Total FY 1970 to 1974
<u>ELEC. POWER</u>	2/99 ^Δ	-	1/15	-	1/31	4/145	-	-	-	1/15	-	1/15
Guri Trans.	-	-	-	-	31	-	-	-	-	1/15	-	1/15
<u>TRANSP.</u>												
Highway Const.	2/75	-	-	-	1/20	3/95	-	-	1/20	-	-	1/20
					20	-	-	-	1/20	-	-	1/20
<u>COMMUN.</u>												
CANTV Exp.	-	1/37	-	-	-	1/37	-	1/15	-	-	1/20	2/35
	-	-	-	-	-	-	-	1/15	-	-	1/20	2/35
<u>AGRICULTURE</u>												
Onoco Dev.	-	-	-	-	-	-	-	1/15	1/10	1/10	1/15	4/50
Stock Dev. or Agric. Dev.	-	-	-	-	-	-	-	-	1/10	1/10	-	2/20
	-	-	-	-	-	-	-	1/15	-	-	1/15	2/30
<u>WATER SUPPLY</u>	-	1/21.3	-	-	-	1/21.3	-	-	-	-	-	-
<u>TOTAL</u>	4/174 ^Δ	2/58.3	1/15	-	2/51	9/298.3 ^Δ	-	2/30	2/30	2/25	2/35	8/120

^Δ This figure includes cancellations of US \$0.03 million.

- 51
247
64-28 = 117 202
69-73 = 161

VENEZUELA

SUMMARY STATEMENT

REVISED FIVE-YEAR PROGRAM

I. Key Problems and Issues

A. Excessive dependence on petroleum sector

Petroleum production accounts for about 25 percent of GDP, over 60 percent of government revenues and more than 80 percent of foreign exchange earnings. In the medium-term, the Venezuelan petroleum industry faces increasing competition from African and Middle-Eastern countries in European markets and - probably - from the recent Alaskan and Northern Canadian finds in the North American market. Exploration activities and new investment in production facilities have declined markedly as a result of increasing tax demands on foreign companies and the ban on new oil concessions over the past several years. The Administration due to take office in March 1969 will probably continue the efforts of the outgoing Government in negotiating service contracts with foreign companies as an alternative to granting new concessions. In the longer run, the Venezuelan petroleum industry may be seriously affected by a possible glut of supply in the world petroleum market, as well as by increasing competition from atomic energy. Diversification of the Venezuelan economy is therefore important, especially with respect to the development of new sources of foreign exchange and fiscal revenues.

B. Weakness of agriculture sector

Venezuela's agricultural sector employs more than one-third of the country's labor force but is developing more slowly than other sectors. Most farmers lack dependable sources of agricultural credit. Productivity in many of the agrarian reform settlements could be increased substantially if credit and extension were provided on a sustained and coordinated basis. As a result of unemployment in rural areas, unskilled farm workers have emigrated to the cities, particularly Caracas, where there are limited employment opportunities.

*Why isn't
Per
avail.*

C. Excessive population growth

The Venezuelan population is growing at the rate of 3.5 percent annually. This has created pressures on the educational system and other urban facilities such as the Caracas water system, schools and hospitals, and if not slowed down will, in the long run, aggravate the already burdensome unemployment problem.

D. Economic policy issues

Major policy issues include: (1) Excessive protectionism in industry; (2) a low rate of taxation in non-petroleum and non-mining sectors (about 8 percent of GDP for these sectors); and (3) lack of a program to promote efficient labor-intensive industries.

E. Bank lending and new Government policies

Until the new Government is installed there will be uncertainty concerning public sector investment plans and tax programs. It will therefore be necessary to review the attached lending program thoroughly later in the current year. Minor changes have been made in the amounts and timing of proposed loans as compared with our previous lending program for Venezuela. These changes and an additional \$20 million loan for telecommunication for 1973/74 have been agreed upon with the Projects Departments. In any case, any additional Bank lending, particularly for highways in 1971/72 and telecommunications in 1970/71 and 1973/74, would be warranted only if a more ambitious public investment program is undertaken and if, at the time, more national savings are mobilized from outside the petroleum sector.

II. Creditworthiness

Venezuela's debt service ratio amounts to no more than 2 percent. In spite of the cloudy petroleum export prospects, there will remain a sizeable margin for additional borrowing on conventional terms. The Government has sold bonds in the U.S. (\$15 million in 1965) and West Germany (\$25 million equivalent in 1968); but it is not likely to be able to borrow abroad in amounts sufficient to finance a substantially increased public sector investment program as investors in foreign capital markets are unwilling to accept large amounts of Venezuelan obligations on a sustained basis.

III. Bank Actions Aside from Loans

None is required since Venezuela Government resources are available for this purpose; also UNDP and AID are providing technical assistance. However, as a guide for future Bank policy decisions related to Venezuela and other oil countries, we should undertake or commission a major study of the long-term outlook for production and trade of the world's petroleum economy.

November 19, 1969

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IFC ACTIVITIES IN VENEZUELA

VENEZUELA
(US\$1 = Bs/ 4/50)

I. Existing Investments:

<u>Project</u>	<u>Original Amount</u>	Held by IFC November 15, 1969	
		<u>Loan</u>	<u>Equity</u>
C.A. Venezolana de Desarrollo (Sociedad Financiera), CAVENDES	7,500,000 Loan 1,336,183 Equity ^{1/} <u>8,836,183</u>	6,288,324	1,336,183
Dominguez y Cia.	430,200 Equity ^{2/}	-	430,200
Protinal	2,079,178 Convertible Debentures ^{3/}	663,377	

^{1/} IFC has an option to subscribe 112,500 shares of Cavendes of Bs 100 par each at par up to February 1, 1984. IFC presently holds 15% of Cavendes' equity. If the total option should be exercised, it would hold 33% of Cavendes' equity.

^{2/} IFC purchased Dominguez shares at Bs 11.5 per share. They are paying a dividend of 10% per annum and trading in the Exchange is negligible (in September quotations were 9.75 bid, 11.00 asked).

^{3/} Protinal convertible debentures were purchased at 96%. IFC sold Bs 1.3 million in convertible debentures at 108% and holds US\$0.66 million in non-convertible debentures being traded at 100%.

II. Closed-out Investments:

<u>Project</u>	<u>Original Amount</u>	<u>% Return on Investment</u>
Siderurgica Venezolana "Sivensa" SA.A.	3,145,529	20.44%
Diablitos Venezolanos, C.A.	500,000	26.27%

III. Investments Under Consideration:

<u>Project</u>	<u>Total Cost (\$ mil)</u>	<u>Proposed IFC/IBRD Investment (\$ mil.)</u>
Holiday Inn Hotel	8	2.4-2.6
Inquiry received: August 1969 from Mid-Continent International Corporation Status: Active		
Cavendes (Additional loan)	30-45	10-15
Inquiry received: November 1969 from C.A. Venezolana de Desarrollo (Cavendes) Status: Preliminary		

IV. Future Activity:

Protinal is considering the substitution of 450,000 tons of wheat per year with sorghum by developing 150,000 hectares of land, transportation facilities, silos, etc., at a total cost of US\$40-50 million. Mr. Romer, the President of the company, and two of the directors visited Washington on November 10, 1969 and outlined the plans to IFC's management.

VENEZUELA'S CAPITAL SUBSCRIPTION AND PAYMENTS
(Figures in US dollars or dollar equivalent)

1. Capital Subscriptions

(a) Original capital subscription	10,500,000
(b) 100% increase in capital subscription (1961) ^{1/}	10,500,000
(c) Special increase in capital (1961)	119,000,000
(d) Additional increase in capital (1967)	<u>46,700,000</u>
Total subscribed capital	<u>186,700,000</u>

2. Payment in U.S. dollars

(a) Original subscription ^{2/}	210,000
(b) 1961 special increase ^{3/}	1,190,000
(c) 1967 increase in capital subscription	<u>467,000</u>
Total	<u>1,867,000</u>

3. 9% paid-in portion

(a) 18% of original subscription	1,890,000 ^{4/}
(b) 9% of 1961 special increase	10,710,000 ^{5/}
(c) 9% of 1967 increase in capital subscription	<u>4,203,000^{6/}</u>
Total	<u>16,803,000</u>

^{1/} No payment required.

^{2/} 2% of original subscription.

^{3/} 1% of special increase.

^{4/} Represents 9% after 100% increase in 1961. Lent out and being released in U.S. dollars as repaid to Bank by Borrowers.

^{5/} Released in U.S. dollars over 5-year period beginning February 1, 1965, per letter from Minister of Finance February 15, 1965.

^{6/} Government has agreed to release 9% portion of 1967 increase in capital subscription over 3-year period beginning December 31, 1967 (see cable from Minister of Finance, September 18, 1967).

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Agency for International Development

Loans to Venezuela

(in millions of dollars)

<u>Year</u>	<u>Purpose</u>	<u>Borrower</u>	<u>Amount of Loan</u>
1961	Housing	Banco Obrero de Venezuela (Savings and Loan system)	10.0
1961	Housing	Popular Housing Foundation (Mendoza)	5.0
1962	Agricultural Credit	Banco Agricola y Pecuario	10.0
1962	Housing and Community Facilities	Community Development Foundation	30.0
			<hr/>
			<u>55.0</u>

November 19, 1969

Inter-American Development Bank Loans to
VENEZUELA
(in millions of dollars)

ORDINARY CAPITAL
(and FUND FOR SPECIAL OPERATIONS marked with footnote)

<u>Loan Signed</u>	<u>Project</u>	<u>Borrower</u>	<u>Amt. of Loan</u>	<u>Term (in years)</u>	<u>Interest Rate</u>
8/11/61	Relending-private industry	Corporacion Venezolana de Fomento (CVF)	9.2	12 $\frac{1}{2}$	5-3/4%
8/24/62	Water Supply (Maracaibo)	Instituto Nacional de Obras Sanitarias (INOS)	6.0	17 $\frac{1}{2}$	5-3/4%
4/18/63	Livestock Development	Banco Agricola y Pecuario (BAP)	6.0	10 $\frac{1}{2}$	5-3/4%
5/20/65	Relending-private industry	Corporacion Venezolana de Fomento (CVF)	10.0	12 $\frac{1}{2}$	6%
4/26/66	Relending-private industry	CAVENDES	3.0	12 $\frac{1}{2}$	6%
12/19/62	Consolidation of Rural ^{1/} Settlements	Instituto Agrario Nacional (IAN)	2.7 ^{1/}	20	4%
3/17/67	Water Supply (Cumana, Puerto Cabello, Puerto Ordaz, Sewerage, Maracaibo)	Instituto Nacional de Obrar Sanitarias (INOS)	17.2 ^{2/}	18	2/
1/29/68	Pre-investment (industry on fisheries)	CVF	4.0	15	4%
1/29/68	Relending-private industry	CVF	15.0 ^{3/}	15	3/
1/15/68	University Education	Univ. Catolice Andres Bello	1.5	20	3%
3/15/68	Export Credits	CVF	3.0	4/	6 $\frac{1}{2}$ %
1/22/69	Fertilizer plant expansion	Instituto Venezolana de Petroquimica (IVP)	16.2 ^{5/}	13	5/
1/24/69	Santo Domingo Hydroelectric	CADAFE	16.0	20	6/
SUBTOTAL			<u>109.8</u>		

1/ Fund for Special Operations.

2/ \$10 million from Ordinary Capital at 6%; \$7.2 million from Fund for Special Operations (FSO) at 4%.

3/ \$12 million from Ordinary Capital at 7-3/4%; \$3 million from FSO at 4%.

4/ Repayable in periods specified in CVF credit documents.

5/ \$13.1 million from Ordinary Capital at 7-3/4%; \$3.1 million from FSO at 4%.

6/ \$13.3 million from Ordinary Capital at 7-3/4%; \$2.7 million from FSO at 4%.

SOCIAL PROGRESS TRUST FUND

<u>Loan Signed</u>	<u>Project</u>	<u>Borrower</u>	<u>Amt. of Loan</u>	<u>Term</u>	<u>Interest Rate</u>
11/15/61	Low-income rural housing	Banco Obrero de Venezuela	12.0	20	1-1/4%
5/3/62	Rural water supply (330 towns)	Republic of Venezuela	10.0	20	2-3/4%
5/3/62-	Rural water supply (55 towns)	Instituto Nacional de Obras Sanitarias (INOS)	10.0	20	2-3/4%
6/8/62	Low-income housing	Banco Obrero de Venezuela	10.0	22	1-1/4%
12/19/62	Consolidation of agricultural settlements	Instituto Agrario Nacional (IAN)	10.0	20	1-1/4%
10/17/63	Development of Basic Science of Technology	Universidad de Oriente de Venezuela	1.0	15	1-1/4%
4/29/64	Water Supply (300 towns)	Republic of Venezuela (Ministry of Health)	10.0	20	2-3/4%
7/30/65	Low-income rural housing	Republic of Venezuela (Banco Obrero) (Div. de Venezuela Rural)	10.0	20	1-1/4%
	Subtotal - Social Prog. Trust Fund		73.0		
	Subtotal - Ordinary Capital and FSO		<u>109.8</u>		
			<u>182.8</u>		

VENEZUELA

EXPORT-IMPORT BANK
Statement of Loans and Authorized Credits as of June 30, 1969

<u>Date</u>	<u>Borrower</u>	<u>Project</u>	<u>Amount Authorized</u> <u>(in millions of US \$)</u>
4-02-48	Hotel Tamanaco CA	Goods & Services for Hotel Construction	2.3
7-16-59	CA La Electricidad & de Caracas	Expansion Power Distri. Facilities	16.3
1-19-61	Ind. Integradas SA	Equip.-Plant Mfg. Consumer Goods	1.5
8-24-61	Corp. Venezolana de Fomento	Equip.-Private Enterprises	7.5
6-28-62	Banco Agricola y Pecuario	Finance Agric. Equip.-Farmers	2.5
7-26-62	Republic of Venezuela	Water Supply System	7.5
6-15-61	Tablopan de Venezuela	Construction of Bagasse Plant	1.5
4-18-63	CIA Venezolana de Pulpa y Papel	Pulp Bleaching Plant	0.3
8-23-63	Republic of Venezuela	Highway Suspension Bridge	18.7
1-06-64	Corp. Venezolana de Guayana	Modernize Steel Mill Facilities	10.5
5-07-64	Papeles Venezolanos CA	Expansion of Paper Mfg. Facilities	2.3
6-10-65	Aluminio del Caroni SA	Plant for Fabricating Aluminum	20.5
8-12-65	Venezocana Intl. Aviacion	1-DC-8 Aircraft-Douglas	13.6
7-14-66	Aerovias Venezolanas SA	4 Jet Aircraft	6.4
10-06-66	Siderurgica Venezolana SA	Expansion of Steel Facilities	2.0
12-29-66	CA Venezolana de Desarrollo	Various-Subject for Allocations	1.0
5-25-67	C.A. La Electricidad de Caracas	Gas Turbine Unit-for Utility	5.0
9-29-67	Venezolana Intl. de Aviacion SA	DC-Aircraft-Douglas	16.9
8-03-67	Manufacturas de Papel CA	Facilities-Paper Making	1.3
9-07-67	Banco Agricola y Pecuario (BAP)	Agric. & Cattle Raising Program	5.0
9-11-67	CIA Anonima Adm. Fomento (CADAFE)	Generators-Westinghouse Electric	4.2
4-25-68	Orinoco Mining Company	Iron Plant and Related Facilities	50.0
6-27-68	Aerovias Venezolanas SA	Jet Aircraft & Equipment	1.8
5-01-69	C.A. Energia Electrica (CAEEB)	M&E Gas Turbine Expansion	1.4
	Terminated Loans at Beginning of Fiscal Year		98.5
		Sub Total	284.3
		Less Lapses, etc.	<u>62.7</u>
		Total Loans	<u>221.6</u>

VENEZUELA
STATUS OF UNDP PROJECTS

<u>Project</u>	<u>Agency</u>	<u>Governing Council Earmarkings</u> (US dollars)	<u>Plan of Operation Signed</u> (date)
National Polytechnic Institute	UNESCO	1,254,700	12 December 1963
School of Industrial Engineering, Central University, Caracas	UNESCO	1,038,300	12 December 1963
Training Centre for Telecommuni- cation Technicians, Caracas	ITU	1,110,100	10 February 1964
Sanitary Engineering Education	WHO	736,400	7 December 1964
Venezuelan Institute of Productivity, Caracas	ILO	1,079,800	12 August 1965
Urban Research and Planning	UN	767,300	19 July 1968
National Centre for Training and Applied Research in Com- munity Development	UN	745,300	25 August 1966
Fisheries Research and Develop- ment Project	FAO	1,340,400	15 December 1967
Dairy and Beef Productivity	FAO	1,354,200	20 January 1969
Municipal Administration and Development	UN	701,600	15 January 1969
Programming for Maintenance and Engineering of Health Care Facilities	WHO	358,300	Not yet signed

November 18, 1969

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RESTAURANTS IN CARACAS

Argentine:

El Cortijo
Shorthorn Grill
La Estancia

Av. Francisco Miranda near US Embassy
Av. Libertador El Bosque
Av. Principal La Castellana

Chinese:

El Dragon Verde
El Palmar

Av. Maturin - Los Cedros
Frente a Sears

French:

Avantino
Bagatelle
Biarritz
Hector
Henry IV
La Cascade
La Perrouse
Anatole
Mimmos

Ave. San Felipe Altamira-LaCastellana
(Near Hotel Tamanaco)
Calle El Colegio 14 - Sabana Grande
Avenida Casanova - San Antonio
Avenida Andres Bello y Los Jabillos
Av. Blandin - Plaza de la Castellana
Centro Comercial (La Florida)
Edificio-Izarra Avila, San Bernardino
Avenida Tamanaco - El Rosal

Italian:

Rossini

Sabana Grande

Venezuelan:

El Jardin (good for lunch)

San Bernardino (near La Electricidad
de Caracas)

La Haya
El Carrizo

San Bernardino area
Av. Blandin

Sea Food:

Cubagua
El Mar
Porlamar

San Bernardino (area near Hotel Potomac)
Sur Plaza Altamira (Edificio Auto Comercial)
Urbana el Rosal

Steak and Meat

Lee Hamilton's Steak House
Tarzilandia

San Felipe Ave - La Castellana
10a Transversal - Altamira - Final
S. J. Bosco

Centro Balkanico (Russian-Balkan)
El Pajaro Gordo

Av. Galipan - San Bernardino

General

Hotel Avila
Tony 05

San Bernardino
Centro Comercial al lado Teatro Lido
Ave. Francisco Miranda

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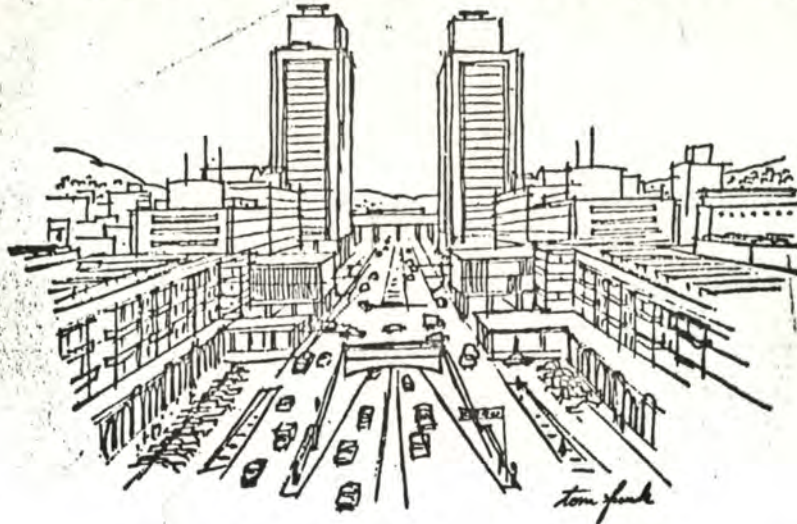
LETTER FROM CARACAS

1965

New Yorker Magazine

WHEN I arrived here for an extended stay some months ago, everyone kept assuring me that the city was "very quiet." It was obvious that they meant politically, for in almost every other way Caracas, a zestful, pushy, cacophonous place, was certainly far from quiet. Years ago, when cars were first introduced, a law required that horns be honked at every corner. That law has long since been repealed, but Caracas drivers are faithful to its memory. I rode one day in a taxi whose horn was broken but whose driver was undaunted. At every intersection, he pounded violently on the side of his cab until the cars ahead moved off. The first time this occurred, I nearly jumped out in alarm. But after a bit, when I had realized what the racket was, I rather got to enjoy the experience, and even rolled down my own window, so that at clogged intersections I could lend a hand. At that point, I began to feel quite Venezuelan.

For most of my time here, I have been staying at the Montserrat, a residential hotel in the Altamira district, which is in the eastern part of town. The hotel fronts on an extremely busy boulevard, and I was lucky enough to get a room in the back, where my balcony overlooks the handsome grounds of one of the last private estates to be found among the apartments and office buildings hereabouts. This is the old Sosa hacienda, a leftover from an age when most of the terrain now occupied by the city of Caracas was covered with sugar-cane and coffee plantations. The prospect from my balcony is a pleasant one, with nearby mist-covered mountains looming right above the trees in the Sosa garden. Mangoes and jacarandas and brilliant flamboyants grow there, and India-rubber trees and bananas, with their floppy, paddle-shaped leaves—the flora one would expect in this climate. There is also a row of pines, which someone planted as a border along the side of the estate near my hotel. The pines are tall, cool, unostentatious, soft-spoken, and it is rather surprising to see them here amid the floral carnival, with fancy birds sporting in their chaste branches and a red-



flowered vine entwined familiarly about their trunks. I moved to the Montserrat after a brief, noisy stay at a big, glossy edifice constructed, for some reason, in the shape of a Mayan temple—with dance band, floor show, swimming pool, and ubiquitous canned music. My first night at the Montserrat, I went to bed well content to have found a comparatively peaceful island in Caracas, but some time before dawn I was startled from sleep by strange loud noises, which, in my confusion, I could only imagine to be the sounds of a huge, rusty pump at work. The same thing happened several mornings in a row, bringing to mind each time the same odd and rather perturbing image. Then, one afternoon while I was on my balcony, my confusion was resolved when I looked out and saw, cropping the grass, not a rusty pump but a small white burro. He is an attractive beast, ever so much smaller than his bray. He still wakes me regularly, but now that I have seen him I find that I don't mind so much. He certainly is loud, though, and if one rode him through Caracas traffic one would not need a horn.

Actually, in Caracas, the era of the burro and of the sugar-cane-and-coffee-plantation way of life ended just a short time ago, though it is hard for the present-day visitor to believe this. Change began only after a long period of stagnation, but once it did it proceeded at a frantic and, for some of the older residents, disconcerting pace. Maurice Rotival, the distinguished international city planner, who has been principally responsible for such planning as Caracas has known, told me, during a conversation we had in New York before I set out for Venezuela, that in 1938, when he began work on

a master plan for Caracas, it was a charming, somnolent, provincial place of about two hundred and fifty thousand, in whose narrow cobble-stoned streets one encountered more burros than automobiles—a town of one- and two-story colonial-style buildings, with life centering on the old Plaza Bolivar, with its statue of the Liberator (a native son) in the center and its four fountains set amid formal plantings at the

four sides. "It was rather a shame to change the town," he said. "But somebody was going to do it, I knew, so I thought it had best be me." At that time, Rotival projected a population rise to six hundred thousand by 1970—a prediction that caused most of the government officials he had to deal with to label him a wild visionary. Now the city's population has reached the million-and-a-half mark, and it is still growing fast. Most of the colonial buildings have been replaced by high-rise offices and apartments; the *autopista*, or freeway, system that Rotival laid out is already jammed to the point of virtual immobility during the day's four rush hours (people still try to dash home for a siesta at noon, and sometimes find themselves having to take the siesta on the *autopista* in their stalled cars); and nowadays nobody can say where the center or focus of the town may be. In the last two decades, Caracas has put up buildings at an extraordinary rate. Situated in a narrow valley about three thousand feet above sea level, and confined by steep mountains that rise at least another three thousand feet, the city suggests an urban river flowing from west to east—the direction of its growth. The eye as well as the ear is assaulted by an exuberant discord. The new architecture of Caracas is not reticent. It employs a wide variety of forms, materials, textures, and spatial relationships. Color is used lavishly. Even quite tall buildings are faced with bright-colored Italian or Spanish tiles, and stretches of wall on the sides of buildings or between stories are apt to be adorned with paintings or mosaics. Much of the architecture is, I should say, excellent and imaginative, but the over-all effect of the splashy colors and anarchic form is

quite dazzling and strenuous, particularly under the bright sunlight of this latitude—just ten degrees above the equator—where sharply delineated patches of light alternate with deep shadow. After a bit, as one drives about Caracas, the buildings seem to be vibrating before one's eyes like the decorations strung across the entrance of a used-car lot.

Most of Caracas's present buildings, along with the countless grandiose monuments to be found on every hand, went up in the regime of the dictator Colonel Marcos Pérez Jiménez, between 1952 and 1958. During that time, the government poured vast sums into the capital to make it a showplace, while cruelly neglecting the rest of the country. The dictator's motives in this effort were apparently not entirely disinterested. Construction projects notoriously offer a grand opportunity for boodle. By the time he was overthrown, Pérez Jiménez is said to have amassed a fortune of over two hundred million dollars. This is an old story with Latin-American dictators, but here there is a novel element, in that after the dictator fled, expecting to rusticate luxuriously in Miami for the rest of his days, the democratic regime that took over, under President Rómulo Betancourt, broke all the Latin-American rules of the game by obtaining his extradition. For a year and a half, he has been in confinement here, and as time goes by frequent speculation is heard that so many prominent Caracans run the risk of being embarrassed by Pérez Jiménez's testimony that the odds are he will never be put on a public witness stand.

Because of Venezuela's relative lack of ancient cultural heritage, other Latin Americans like to say disparagingly of the Venezuelans, "They fell out of the trees into Cadillacs." The way of life here is just as new as the fancy buildings and monuments. In Caracas, even the slums are new. In these *ranchos*, as they are called, live almost half a million people—nearly a third of the city's population—most of whom have come in from the countryside within the past decade, pulled as if by a magnet from the hopeless land to the vibrant metropolis. They are squatters, the *ranchero* dwellers; throughout the city, they have seized hillsides that were thought to be too steep to build on and have put up their shacks of cardboard and scrap wood and whatever else may have come to hand. This is a city in which the rich live down below and the poor up above. The people down below get paved streets, utilities, police protection,

schools, playgrounds, and all the other amenities of modern life. Those above get fine vistas, fresh breezes, and little else. The *ranchos* are a dominant element of the cityscape; almost everywhere you go in Caracas, you have only to lift your eyes to see them. It is a view that is likely to shock the visitor, for it obliges him to contrast the deprivations of the *ranchero* dwellers' lives with the extravagance and wealth of the city proper, yet it must be said that there is something oddly impressive about the sight of these makeshift homes jammed together in crazy fashion, clinging to the hillsides. The prospect elicits respect for the people who, in defiance of gravity and all constituted authority, have put them there.

Contrasts between extremes of wealth and poverty are a commonplace in Latin America, but, because of Venezuela's oil riches, they are sharper and more glaring here than anywhere else on the continent. It is sometimes said that this country should be called The Venezuelas, so deeply is it cleft in two. One need go only a few miles outside of the glittering capital to find a way of life that can hardly even be considered to have reached a feudal stage of development; though there have been serious efforts at agrarian reform in recent years, the most prevalent agricultural existence is still that of the *conquero*—the nomadic peasant who, without the help of mules or oxen, and with only the most rudimentary tools, raises subsistence crops on mountain slopes that he has cleared and burned and then, when the soil becomes exhausted, moves on to a new patch of land, puts up another rude shelter for his family, and starts over. The oil companies here, mostly United States-owned, pay Venezuela royalties of about a billion dollars a year, while iron-ore production brings in another hundred million or so in foreign exchange, and the result is an impressive average-per-capita-income statistic of eight hundred dollars a year—a figure that not only is far higher than that of any other Latin-American country but compares favorably with the figures for all except the most advanced Western European nations. It would, however, be a big mistake to assume, on the basis of this statistic, that the average Venezuelan lives on the same level as the average Netherlander or Austrian. At the top, three per cent of the people enjoy some thirty per cent of the national income, while down near the bottom the thirty-five per cent of the people who live by farming share just seven per cent of the national wealth—



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and among these the great majority, more than a quarter of the population, are *conuqueros*, who are scarcely part of the market economy at all. For some time, there has been talk of the need to "sow the oil"—that is, use the oil revenues to develop the country's economy on a sounder, more diversified basis—and sizable steps have been taken toward the attainment of this goal. There is widespread recognition of the fact that if the opportunity is not seized now it may be lost forever, because at the present rate of production Venezuela has only about fifteen years to go before her known oil reserves are used up. Exploration may reveal new reserves, but it is a chancy prospect, and the uncertainty is compounded by the difficulty of forecasting future demand and future prices for the product on which so much depends. Ambitious development programs are now being formulated by the government, the most significant being a scheme for the creation of a great industrial city in the sparsely populated Guayana region, at the confluence of the Orinoco and Caroní Rivers. The programs envision something close to an overhaul of the entire country—education, agriculture, technology, social structure, and all. Every day, the newspapers carry stories of new projects inaugurated, new plans announced, new industries fostered. Experts, brought here at the government's expense from all over the world, come and go in droves to give advice on everything from police reform to the question of whether it might be feasible to develop a pulp-and-paper industry, using the hardwoods of the vast tropical forests. All this is part of the lively atmosphere of Caracas—an ambience quite different from that of many other Latin-American capitals, notorious for their apathy and inertia. An American anthropologist I met here, who has worked in several Latin-American countries, one day summarized his findings on Caracas for me. He said, "This place is jumping."

IN the midst of all the bustle and ferment, I nevertheless became aware, almost as soon as I arrived, of the quiet that people were talking about; indeed, everybody seemed to be listening intently to that silence within the hubbub. The missing element was the political terrorism that had been an explosive part of the city's daily life only a few months before. The regime of President Betancourt encountered continual stormy going before it ended last spring with the peaceful succession

of President Raúl Leoni. There were repeated violent attempts not only upon Betancourt's government but upon his life, by both the Right and the Left—the former being represented primarily by agents of the late Dominican dictator Rafael Trujillo and the latter by local followers of Fidel Castro. Ultimately, it was from the Left that the greater threat was mounted. Between Castro and Betancourt, confronting each other across the Caribbean, an implacable rivalry grew up. Though Betancourt was a generation older, the two men had many things in common. They had taken office at almost the same time, on the heels of corrupt and brutal military dictatorships, and each led a country whose economy had long been heavily dominated by United States investments. The lines of development of the two men's political ideologies would make an interesting pattern on a graph. Betancourt started out as a Marxist, but during ten years of exile before the downfall of Pérez Jiménez he came closely under the influence of José Figueres, of Costa Rica, and Luis Muñoz-Marín, of Puerto Rico, and he modified his position to that of an eclectic and pragmatic social reformer with an avowed commitment to the democratic process. Castro, on the other hand, started out in the Sierra Maestra by espousing ideals moderate enough to warm the cockles of the New York *Times'* heart; it was only some time after he took office that he declared himself to be a Communist and summed up his attitude toward the democratic process in the contemptuous slogan "Elecciones—para qué?" Each man accused the other of betraying a revolution. Each aspired to set an example that would reverberate beyond the borders of his own country, for each, in his own way, sought to show other Latin-American countries how to emerge from the morass of political corruption, social inequality, and economic stagnation. Betancourt wished above all to demonstrate that significant social changes could be brought about by democratic means. Just a few years ago, he told the leader of an extreme Left Wing faction that was breaking away from Acción Democrática, the Betancourt party, in order to devote itself to the cause of active revolution, "We want the same things you do." He was speaking only in terms of ultimate goals, for though he sought change, he was not in favor of upheaval. For instance, the Left Wing continually pressed for the expropriation of the

industry, but Betancourt was realistic enough to know that he could never get away with it—the brutal likelihood being that Venezuelan oil would be boycotted on the world market and the country would soon be brought to its knees. Anyway, Betancourt said, there was no profit to be gained from expropriation; he often pointed out that the earnings Mexico realized from her oil industry after nationalizing it were proportionately lower than those Venezuela received as her share of the foreign-owned oil companies' profits. But if Betancourt had no intention of throttling the life out of foreign-owned companies, he was a canny enough nationalist to squeeze as much from



them as he could get, and he obtained a sizable increase in the government's oil royalties—as much as sixty-five per cent of the profits, instead of the previous fifty per cent. (In 1936, the figure had been only thirty per cent.) Then he made it clear that while he would honor all existing royalty agreements, no further oil concessions would be given, and that with the revenues obtained from the oil companies he intended to finance a social revolution in his country that would ultimately free it from its dependence on oil and on the United States. Castro, meanwhile, has been financing his social revolution with massive loans from the Soviet Union, so it seems that he has merely substituted one set of chains for another.

That Castro should show greater animus toward Betancourt's comparatively liberal government than he did toward any of the reactionary dictatorships entrenched in Latin America might be thought strange if there were not ample historic precedent for such an attitude. In Germany, after all, the Communists fought the Social Democrats much more bitterly than they fought the Nazis. For that matter, in the days when Castro was playing the role of unaffiliated idealist in the Sierra Maestra, the Communists in Cuba fought against him and his movement almost to the very end, while enjoying the fruits of the corrupt peace they had made with Batista—a scandalous episode that the present Cuban regime keeps trying to forget or rewrite. But then there is always more to ideological rivalries than mere ideology, as Marx so carefully pointed out. Practical and tactical considerations count for at least as much as ideals do in the Communist-dominated efforts to upset the Venezuelan government. For one

country to get at from Cuba, in terms of the smuggling of agents and arms. Then, with the American presence so much in evidence and with a social situation that could be pointed to as virtually a textbook example of the inequitable distribution of wealth resulting from exploitative capitalism, Venezuela has long provided an inviting target for Communist propaganda. And looming largest of all, of course, is the oil that comes welling up from the depths below Lake Maracaibo at the rate of more than three million barrels a day. In total oil production, Venezuela ranks third in the world, being surpassed only by the United States and the Soviet Union, and for decades it has been the world's leading exporter of this strategic commodity. Direct investments by United States firms total a whopping four and a half billion dollars (more than four times the stake we had in Cuba), with Creole Petroleum Corporation, an affiliate of Standard Oil of New Jersey, being by far the biggest Venezuelan corporation, and with Nelson Rockefeller and his brothers being the largest investors. As much as two-thirds of the Venezuelan government's revenue comes from royalties and other taxes on oil. (With its oil money, Venezuela does a lot of shopping in the United States, and despite the fact that it has only eight million people, it ranks as our third-best customer, after Canada and Mexico, in the hemisphere, and our twelfth-best in the world.) There can be little doubt that if such a prize were to fall into Communist hands it would constitute a blow to the United States that would make our Cuban troubles look minor.

Early in the Betancourt regime, the coalition of Left Wing oppositionists known as the Armed Forces for National Liberation, or F.A.L.N., showed that they meant business. In 1962, having succeeded in winning some Navy junior officers over to their cause, they staged an uprising at the harbor city of Puerto Cabello, which was put down only after four hundred lives were lost. The total number of F.A.L.N. activists has been estimated at no more than a few thousand, but this proved enough to do considerable subsequent damage, largely because, instead of trying additional frontal attacks, the organization shifted its tactics to terrorism and sabotage. The F.A.L.N. blew up oil pipelines and burned warehouses, destroying about twenty million dollars' worth of property, most of it American-owned, and it planted bombs in department stores, office buildings,

and movie houses in an effort to disrupt the fabric of normal life. During the year before the Presidential election of 1963, some fifty policemen were killed by the F.A.L.N. As terrorism mounted, the inexperienced and increasingly jittery police—mostly raw recruits—developed a tendency to blaze away with their submachine guns on the slightest provocation, and, as might be imagined, this did not contribute much to the general peace of mind. Almost everyone I have talked with here has told me of some unpleasant personal experience. One young woman recalled being in a building when a bomb went off in it. She was in a hallway on the third floor, and the explosion occurred two floors above, but the blast was powerful enough to knock her down. As she got to her feet, she saw a band of men rushing up the stairs toward her, brandishing guns. They were dressed in civilian clothes, but she immediately deduced—from the fact that they looked like thugs, she said sardonically when she was describing the episode to me—that they were members of the Dige-pol, or national security police. She fled. She thinks it's a wonder they didn't shoot her down, and so do most of the people to whom she has told this story.

It was such an atmosphere of civic distrust and unease, along with inexcusable trigger-itchiness on the part of the police, that produced the regrettable recent episode in which a young American Peace Corps man was killed and another seriously wounded by plainclothes police in the San Bernardino district here. It happened late at night. There had been some rioting that day, in connection with a taxi-drivers' strike and some student demonstrations. A carload of terrorists had driven past the police station in the district and sprayed it with bullets. Not more than an hour later, four Peace Corps volunteers happened to be driving past in a jeep. The police took off after them, firing to force them to stop. Each group apparently mistook the other for terrorists. When the jeep stopped, the police ordered the occupants to get out. As soon as they complied, with their hands in the air, the police fired a volley of bullets, felling two. The Venezuelan government has expressed its "regret and grief."

Distrust of the police and the government has been systematically fostered among the public by the revolutionaries, aided by such stupidities as this latest one. Some of the notable F.A.L.N. exploits during the pre-election period—such as hijacking a ship,

stealing paintings from the Museo de Bellas Artes, kidnapping the assistant chief of the United States Military Mission to Venezuela, Colonel James K. Chenault, and planting a bomb within the United States Embassy—were perpetrated for the purpose of making a mockery of the government by giving people the impression that the revolutionary organization could do anything it cared to. During one phase, the F.A.L.N. adopted the tactic of strewing tacks along the *autopista* and other main roads, to cause flat tires and jam up traffic. The government's reflexive response was to ban the purchase of tacks without a permit, which set the public to grumbling that things had come to a pretty pass when it was easier for a man to obtain a gun than a tack. More substantively, the Betancourt regime found itself forced at length into the disagreeable position of having to suspend certain constitutional rights if it was to survive. It outlawed the Communist Party, suspended the political immunity of Communist members of Congress and arrested them for inciting terrorism, began putting numerous suspected terrorists under "preventive detention," and banned the publications of the revolutionary opposition. (Unofficial estimates of the number of political prisoners still in jail range from two to five thousand.)

The F.A.L.N. frequently staged holdups of banks and other large establishments, but it preferred to call these operations "levies for the cause" rather than robberies. A characteristic instance of its members' efforts to pose as idealists was the behavior of several who raided the home of an American Embassy political-affairs officer. The officer, Edward T. Long, was away at the time, but Mrs. Long was there. The F.A.L.N. men bound her arms, then began searching the house for weapons and for Embassy documents. In a drawer in a bedroom they found some currency, but one of the F.A.L.N. men threw the bills on the floor, declaring haughtily, "We are not here for money." After that, they took paint spray cans from their pockets and set about painting slogans on the bedroom walls. "Oh, be careful!" cried Mrs. Long. "Don't spray my paintings!" The terrorists promptly stopped, took down all the paintings, and stacked them neatly in a corner. Then they resumed their spraying.

The F.A.L.N. members did not always succeed in cutting such a dashing figure. An acquaintance of mine presented quite a different picture in de-

scribing his first encounter with them. He was visiting the owner of an *abastos*, or small grocery store, who happened to be a petty functionary in Betancourt's Acción Democrática, when three F.A.L.N. men burst in. Their objective, it soon became evident, was to scare the grocer into abandoning politics. The raiders were all very young, and were obviously scared themselves. In fact, as my acquaintance recalled it, their fear was the most frightening thing about them. As they delivered their threats and their immature political lecture, their hands trembled so violently that it seemed likely that the guns they held would go off at any instant, whether they actually intended to shoot or not.

LIKE many other things in Venezuela, democracy is something new as an experience though it is old as an ideal. Arturo Uslar Pietri, a respected historian and novelist who is today a leader of one of the nation's political parties, the Frente Nacional Democrático (F.N.D.), a centrist group, has written, "The high-minded, steadfast enthusiasm for the republican ideal is one of the determining factors of Venezuelan history; it is, in some respects, analogous with the tenacious and resolute search for the city of El Dorado during the sixteenth century. The Venezuelan seeks the City of Justice as his forerunners sought the City of Gold, with the same dedication, the same indestructible hope, and the same splendid determination." And, Uslar Pietri might have added, with the same impracticality and the same fated lack of success. The City of Gold and the City of Justice are both mirages. While searching for them, the Venezuelan has always neglected the real world around him and shirked the job of making it, if not perfect, at least a little better. He has never learned the art of reasonable compromise or found a working mean between unrestricted liberty and total subjection, between extravagant wealth and abject poverty. It is now nearly a hundred and fifty years since Simón Bolívar inspired the South American colonies to break away from Spanish rule and proclaimed his own country a republic. During that time, Venezuela has had twenty-four constitutions, each document being more noble than its predecessor but no more effectual, and it has had more than a hundred revolutions. Except for brief periods, the nation has been ruled throughout its history by one Army *caudillo* or another. It is clear that the F.A.L.N., in formulating its strategy,

was counting on making use of the precedents set by this turbulent, melancholy history. Once the leaders of the F.A.L.N. had perceived that they lacked the strength to foment a revolution that would put them into power directly, their strategy became one of provoking sufficient disorder so that the Army would feel compelled to take over the government, as it had done so often in the past. Then, the F.A.L.N. leaders calculated, they could capitalize on the public outrage this would inevitably engender—on that ever-present, though so often thwarted, enthusiasm for the republican ideal of which Uslar Pietri speaks—and lead a popular counter-revolution that would displace the Army. Or, if this failed, they might be able to win over enough younger officers to enable them to seize power through a coup within the Army itself in due time.

In either case, the last thing that the F.A.L.N. leaders wanted to see happen was an orderly and peaceful transfer of the reins of government by democratic process. For a while, it looked as though their efforts to sabotage the Presidential election in December, 1963, might succeed. As Election Day dawned, local political analysts were by no means certain that any substantial portion of the electorate would risk going to the polls in the face of F.A.L.N. threats to machine-gun anyone who did. Despite the threats, though, over ninety per cent of the registered voters turned out to cast their ballots, and the Army guarded them in exemplary fashion, while the F.A.L.N. lay low. Leoni, the winner, had served as second-in-command of the Acción Democrática under Betancourt and was Betancourt's choice as candidate. (Betancourt was limited by the constitution to one five-year term.) The events of that day were widely hailed as one of democracy's rare triumphs in Latin America, and Betancourt received much praise, particularly in the United States press, for taking long strides toward ending that chronic state of political underdevelopment which in the opinion of some observers is more responsible than economic underdevelopment for holding Latin-American countries back. Such plaudits struck some of the more sophisticated Venezuelans as a trifle overwrought, but most of these people were disposed to be tolerant of our emotionalism, for they realized that it had been quite a while since the United States had found itself on the side of a popular winner

in Latin America. The election, incidentally, marked the first time since the founding of the country that there had been two free elections in a row. A young Caracan businessman said to me, "There's no doubt that it was crucial for us as a nation to succeed in holding the election, and it would have been disastrous if we hadn't. But as for its being such a tremendous achievement—I can't think of it that way. I feel that the country is like someone who has failed a course repeatedly and has finally managed to get a high score on a makeup test. It's gratifying, certainly, and a great relief, but, good heavens, it was high time!"

This young man told me that, with the polls due to open at 6 A.M., he decided to get to his polling place at five-thirty, in the hope of voting reasonably early, but even at that hour he found a long line of people waiting. It was four hours before he finally reached the voting booth, and during all this time he and the others in line kept wondering when the bullets would start to fly. "It was no joke, that experience," he recalled. "But as you stood there, you did have rather a good opportunity to think about what democracy meant to you."

Though the election has been heralded as a popular repudiation of Communism and of Castroism, I got the impression after talking with people here that they thought they were simply expressing their determination not

to be bullied any longer by anybody—that they were voting for the right to vote more than for anything else. Though Acción Democrática retained control of the government, the results could hardly be read as an overwhelming endorsement of the party's policies. There were six other parties in the field, and Acción Democrática

received only thirty-three per cent of the total vote, or some fifteen per cent less than it had received in 1958. In second place came the Christian Democratic Party, or C.O.P.E.I., which, mainly through imaginative efforts to enlist young people, had gained strength rapidly. Incidentally, all the parties on the ballot, including the Christian Democrats, espoused programs well to the left by U.S. standards.

After the election, the terrorism ceased abruptly, and in March Leoni was inaugurated without any disturbances whatever. When Betancourt placed the symbols of office in his successor's hands, he became the first elect-



ed President in the history of Venezuela who had managed to complete his term and leave office voluntarily. To establish this precedent had by then become Betancourt's most passionate personal ambition. He was as stubbornly set on yielding power as most men are on retaining it.

FOR a couple of months after Leoni's inauguration, the terrorists remained inexplicably quiet. The public basked in the new tranquillity like sunbathers. Some were so optimistic as to conjecture that the F.A.L.N. was beaten for good and that Venezuela might well now enjoy an extended period of political peace. Others surmised that the Peking-Moscow split was making it hard for the local Communists to agree on what line to pursue. Then suddenly, in the first week of May, violence broke out again. The week or so that followed was a period of "bullets and flames," in the words of a local magazine. The first outburst was an attack by five F.A.L.N. members on a gun-repair shop in southwestern Caracas, which netted them a small arsenal. A couple of days later, three men and a woman, armed with sub-machine guns that they had brought with them in suitcases, raided a government identification bureau. The director of the bureau pressed an alarm button, whereupon they killed him and then made off with quantities of passports, identification cards, official seals, and other materials that could be used in the forging of documents. Student demonstrations usually break out during troubled periods here, even when there appears to be no direct link between the demonstrations and other political events. Sure enough, the next episode was a high-school demonstration in San Cristóbal, in the Andes, about five hundred miles southwest of Caracas, over regulations to which the students objected. In the melee, the police fired into a crowd, killing one boy and wounding a dozen other young people. The following night, in Caracas, an Army colonel was killed at his home. Next, students rioted at Mérida, another city in the Andes, and two were wounded. In Caracas that same day, eight members of the F.A.L.N. raided the Venezuelan Boy Scout headquarters and captured a radio transmitter, a mimeograph machine, and the equivalent of several thousand dollars in cash. The Boy Scouts might seem to us an odd target, but Left Wingers in Latin America tend to suspect the Scout movement of being an

arm of Yanqui imperialism. On an earlier foray into a Boy Scout supply center, the terrorists had carried off stores of Scout garb and camping equipment—a depredation that led some observers to wonder whether the F.A.L.N. might be thinking of setting up a juvenile division, whose members would be expected to perform one bad deed a day. The next afternoon, a party of six armed men held up the main Caracas post office and got away with close to a hundred thousand dollars. This was a particularly blatant piece of impertinence, because the post office is just across the street from the headquarters of the Minister of the Interior, whose job it is to extirpate terrorism and preserve the peace of the realm.

As if stung into action by the post-office holdup, the national security police staged a raid of their own the next day, choosing as their target the campus of Caracas's Central University, which is commonly considered to be an F.A.L.N. bastion. Like most other Latin-American universities, it is an intensely political place. Attitudes are bitterly and rigidly sectarian, and political warfare is waged at a pitch that strikes the outsider as close to hysterical. Classes are frequently disturbed by political rallies, and sometimes they have to be suspended altogether because of student strikes. The most recent strike, which began early last summer and lasted for several weeks, was a protest against a new university rule that students who repeatedly flunked two or three of their courses would be kicked out. In most parts of the world, such a rule would be taken for granted, but student leaders here declared that the reason students were flunking was that the professors were reactionary and incompetent and their teaching methods antiquated. There is truth in the charge, but, characteristically, the quarrel had its roots in politics—an assertion by the university authorities that many of the students were on the campus solely to agitate, and had no intention of devoting any time whatever to academic work. It is true that firearms are carried by a good many students—and not just revolutionary Left Wingers but their Acción Democrática and C.O.P.E.I. opponents as well. On the campus, one may see plaques commemorating students killed by the police in the course of street fighting or political demonstrations. One day, as I walked about the place, I came upon a number of students gathered in one of the campus's many charming plazas. They were painting signs announcing a mass

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rally. One of the largest of the signs declared in red letters, "LEONI CONTINUES THE ASSASSINATION POLICIES OF THE BETANCOURT GOVERNMENT." Such fierce bitterness seemed in striking contrast to the setting, for the campus, whose buildings were all designed by a remarkable Caracas architect, Carlos Raúl Villanueva, is delightful. It has a humane, genial, flexible quality. Some buildings are treated playfully, and others, such as a boldly cantilevered stadium, make the spirit soar. Works of art—by Arp, Calder, Léger, and many others—abound. There is a constant attractive play of light and shadow, and the pleasantest integration of structure, foliage, and decoration that I have ever seen.

In the Latin-American tradition, the Central University possesses a certain amount of autonomy, which makes it a special enclave within the city—something like a medieval monastery. The police say that because they are forbidden to enter the university grounds without a warrant, car thieves and other common criminals often take refuge there to escape capture. Obviously, no love is lost between the police and the students. When the police burst onto the campus the day after the post-office holdup, they said they were looking for caches of arms, but there is no doubt that they were also looking for trouble. For much of that day, the university was in a state of siege. Because of flying bullets, traffic on the nearby *autopista* had to be rerouted. The day's toll, fortunately, was only two wounded, but there were times when it looked as if the affray were going to turn into a catastrophe. One particularly grave moment occurred as the university's vice-rector was trying to persuade a policeman to leave the campus. The policeman levelled his submachine gun and would have shot the vice-rector dead if another policeman had not intervened. While all this was going on, high-school students elsewhere in the city were rioting in sympathy with the university students, and tear-gas bombs were being used to disperse them.

THE week's final episode of violence was a fire that broke out the next morning in the eastern part of the city, in a complex of chemical and paint factories owned by two refugees from Czechoslovakia, brothers named Hans and Lothar Neumann. The papers later said that it was the largest fire in Venezuela's history. Rooftops throughout the city were covered with people peering toward the east. where

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a great column of black smoke rose. Sirens wailed. All day long, the radio broadcast bulletins about the efforts being made to contain the fire, and President Leoni was reported to have gone out personally to check the situation. It was taken for granted that the F.A.L.N. had set the blaze, and wherever people gathered they were talking about what it might presage. On the sidewalk in front of my hotel, I heard a man comment knowingly, "They knew what they were doing, all right. The stuff in those factories—resin and paint and varnish, and what have you—makes about as spectacular a fire as anybody could want."

Another bystander remarked, in some puzzlement, "I don't think they've ever burned any factories before—just warehouses. They didn't want to alienate public opinion by doing anything that would throw people out of work."

"It's a new phase, obviously," said the first man. "They've decided that it's no use even pretending to care about public opinion anymore. Things could get very nasty now."

"But why should they pick on the Neumanns?" a woman asked him. "They're not Yanquis."

"Well, everybody knows that the Neumanns are anti-Communist," he replied.

I knew this myself. I also knew that the Neumanns were certainly not identified with the government, either, and had always tried to steer clear of politics. During my stay in Caracas, I had become acquainted with them, and, as it happened, just the afternoon before I had visited their factories, where I had lunched with Hans Neumann and had been shown about the premises. Hans and his brother are Jews from Prague, where their father owned a prosperous paint factory. The Nazis killed their parents and most of their kin, but Hans and Lothar, then young men in their twenties, managed to survive by means of a series of bold stratagems. Lothar stayed in Prague, and when his deportation appeared imminent he got some friends to pose as Gestapo agents and "arrest" him, since he knew very well that the Czech police, who had the task of rounding up Jews for deportation, would never presume to ask questions about anybody they thought had been taken off by the Gestapo. He spent the rest of the war in hiding in a Prague apartment. Hans had escaped from Prague some time earlier and, using an assumed name and forged papers, had made his way to the place where, he reasoned,

the Nazis would be least likely to look for him—Berlin. The Berlin Gestapo, at one point after his arrival, sent a routine query about him to the Prague Gestapo, and he probably owes his life to the way the message was worded: "Is anything negative known regarding Jan Sebesta?" This was the alias he had taken, and since no Jan Sebesta had ever existed in Prague, the answer, naturally, was no. He got a job as a chemical engineer—the vocation for which he had been trained. After a time, the firm he was working for transferred him to a special top-secret project, which turned out to be an aspect of rocket development. This was rather more than he had bargained for when he fled from Prague, but he took advantage of the opportunity and passed information to the Allies through a Dutch espionage agent who had got in touch with him. At the end of the war, he returned to Prague, where he and his brother not only got their family paint factory going again but also, as industrial advisers to the government, played key roles in the resurrection of Czechoslovakia's economy. When the Communists took over the country in 1948, however, the Neumanns decided that it was once more time to make themselves scarce. They made a careful study of world conditions in their business, looking for the likeliest country in which to establish a paint factory, and Venezuela got the nod.

The Neumanns started their business with a loan of a hundred thousand dollars, and in fifteen years they have multiplied this investment fiftyfold. Pinturas Montana, the company they established, supplies the bulk of the Venezuelan market, its sales amounting to twelve million dollars annually. A not inconsiderable portion of all this paint, I should guess, must be used for political purposes, since it is a rare Venezuelan wall that does not bear some violent political slogan. The F.A.L.N. boys, with their spray cans, must be good customers of the Neumanns. In addition to turning out paint, the Neumanns have become the leading Venezuelan manufacturers of varnish, resin, ink, and paintbrushes, and they also own and operate a very modern paper-converting and printing plant, which they started because none of the local printers were able to produce satisfactory labels for their paint cans. The Neumanns are considered prime examples of a breed of industrialist new to the Venezuelan scene,

for they simultaneously exhibit technical competence, entrepreneurial drive, and a sense of social responsibility—an almost unknown combination here.

Of the two brothers, Hans is the one I know better, because, for much of the time I have been here, Lothar has been away in Europe. A vigorous, well-built man of forty-three, Hans has close-cropped gray hair, alert green eyes, a bent nose (it was broken in a youthful boxing match), and a mouth rather more sensitive and expressive than one might expect to accompany a broken nose and a decisive personality. He is a lover of art, and has a splendid collection of modern paintings and sculpture. In addition, he is the president of the Museo de Bellas Artes, and has done much to foster the development of art in this country. I noticed many attractive works in the offices and hallways of his headquarters, and the factory buildings themselves were light and spacious, and looked as serene and busy purposeful as such a place could be.

My visit, as I've said, was on the afternoon before the fire. Now, as the flames mounted, I hailed a taxi and told the driver to take me out the Avenida Francisco de Miranda toward the factories. About a mile from the fire, traffic was being diverted by the police. I left the cab and started to walk, joining a large hurrying throng. Water-tank trucks rushed past us at top speed, each preceded by a motorcycle escort with sirens screaming. The entire sky was covered with smoke. We got as far as we were allowed to go on the avenue, and here several thousand people were gathered. Out in the roadway, several Boy Scouts were busy directing traffic. They were licking pop-sicles they had got from a vender who was circulating through the crowd, but nevertheless looked quite business-like. In Latin-American countries, Boy Scouts are often recruited for duty in such emergencies. I remember that when I went to Havana on a journalistic assignment just a few days after Batista fell and Castro took over, I was amazed to see the city being controlled just by Boy Scouts—or so it appeared, for Scouts directing traffic at intersections were the only visible agents of law and order. The reason there were no police to be seen was that they had all been disarmed and dismissed, and it seemed, in those early, visionary days, as if none would ever be necessary again. Now, in Caracas, the Boy Scouts were by no means alone but



were merely a youthful adjunct to a heavily armed show of the forces of order. A great many police were in evidence, and so were several units of the Army and National Guard. Most of the troops had submachine guns slung from their shoulders. Some, who were controlling the crowd, carried bare swords or machetes. Some of these carried popsicles as well. It was noon, and the day would have been hot even without the waves of heat that came shimmering from the burning buildings. Many of the people in the crowd had transistor radios, over which they listened to bulletins about what they were seeing. The mood of the spectators was a curious one. It was apprehensive but also oddly festive—as if the people were attending a bullfight or some other dangerous spectacle being staged for their pleasure. From the radio of a man standing next to me, I learned that the fire had started in the resin factory and from there had spread to the small ink factory. *Montana Gráfica*, the printing plant, was also on fire. The big question at the moment was whether the fire could be kept from spreading to the large paint factory, which was just across the street from the ink plant. Every once in a while, as time passed, we would hear an explosion and the curtain of black smoke over the buildings would be rent apart to reveal a sky full of bubbling fire. The crowd would sigh "Ay!" and flinch. All the while, the water-tank trucks, with their motorcycle escorts, rushed back and forth along the avenue. It was later learned that, as part of a city water-conservation program during this dry season, the water mains had been turned off in the district, as they regularly were for a number of hours a day. They had, in fact, not only been turned off but locked. There was just one key, and the man who had it was nowhere to be found. Since it was Saturday, he might have gone to the beach—nobody seemed to know—and urgent messages went out over the radio to him, wherever he might be, to please come back and turn the water on. Water, of course, would not have put out the fire in the resin factory, but it could certainly have kept it from spreading to the printing and the ink plants. The Neumanns had installed electrically operated automatic fire-extinguisher systems, but these were also unable to function, because some city official had shut off all the electric current for this part of the city as soon as the fire was reported. In the public mind, all this was further evidence of the

F.A.L.N.'s careful planning and the government's laxity and incompetence.

When the flames were at last extinguished, thirty-six hours later, the paint factory had been saved, but the resin, ink, and printing plants were an almost total loss. The verdict of an official investigation conducted after the fire was that the blaze had resulted simply from the spilling of some volatile material from a vat in the resin factory. The knowing members of the public received this announcement with skepticism, following a strong Latin-American tendency to doubt anything given out by the government—an attitude that has generally been justified by a long history of censorship and misrule. In this case, though, there seems to be no objective basis for controverting the official findings. It is true that the F.A.L.N. at first tried to spread rumors that it had been responsible for the fire, but when it became apparent that the episode had created a wave of sympathy for the Neumanns, the terrorists denied all. The day after the fire, Hans Neumann announced that his employees would continue to be paid their full wages, and that by subcontracting he would fill all orders on hand. Within a week, the resourceful Neumanns had decided exactly how they would rebuild and were able to declare that all plants would be in full production again within six months.

AFTER that, things quieted down considerably, and except for an occasional flareup, like the kidnapping of another high U.S. officer last October and the recent shooting of the Peace Corps volunteers, they have remained fairly quiet in the capital since then. For me, that particular week was a revealing interlude, in that it showed both the abiding insecurity of the public temper and how precarious democratic government still is here. It seemed to teach the lesson that it takes more than one election to make a democracy. During that week, I happened to have an interview with the Minister of the Interior, Gonzalo Barrios, and naturally I was curious to learn how he was reacting to all the excitement. Barrios, a short, sturdily built man in his late fifties, is a jovial person but not, I think, an easygoing one. I have heard him spoken of as a fox. With Betancourt and Leoni, he founded the *Acción Democrática*, and he is now the ranking Minister in the government, functioning both as the President's spokesman in Congress and as the party vice-chairman and chief strategist. Our conversation took

place in his office at the end of what must have been a strenuous day, but he seemed full of vigor. He did not appear very much troubled by the resumption of terrorist activity, dismissing it as essentially a meaningless flurry. "They're very weak now, those gentlemen, compared to last year," he said. It is, of course, the job of a Minister of the Interior to be the picture of assurance during interviews, but I thought Barrios did his job most convincingly. When I asked about the post-office robbery across the street, he brushed the matter aside with a wave of his hand. It was, he said, a "self-holdup"—that is, an inside job. He said he was far more concerned about the university, and he planned to put the question before Congress for full-scale examination and debate. "The situation simply can't be allowed to go on like this," he said. "I'm sure that most of the students feel trapped in that environment, and it is up to the government to take the initiative in leading them out of the trap. We don't intend to impede freedom of thought or interfere with the university's freedom of administration, but we can no longer permit the place to be used as a stronghold of terrorists and common criminals. This concept of autonomy—of asylum—may have been suitable for the Middle Ages, but it has no place in a modern nation."

Like most of Venezuela's present political leaders, Barrios was an active revolutionary in his own student days—one of the much honored "Generation of '28," which stirred up protests against the dictator then in power, and many members of which, including Barrios, suffered imprisonment and exile. As a student, he had fought fervently for the concept of university autonomy as an essential safeguard against the tyranny of the state. I now reminded him of this. He smiled, but he was obviously not amused. "Times have changed," he said curtly.

At the time of our interview, Venezuela was operating under a minority government. The election results, which weakened the *Acción Democrática* and strengthened the *Christian Democrats*, had led to the disruption of a coalition between these two parties which Betancourt had effected. This had created an extremely unstable situation, and I had noticed much fretting about it in the newspapers. I asked Barrios what he, as his party's strategist, thought, and I got quite an unconventional answer.

"I know what everybody's saying," he began, leaning back against an arm

of the sofa on which we were both seated. "And theoretically it is true that the election results have made things more unstable here. But in practical terms I should say just the opposite. I think they have actually made things more stable." He scrutinized me for a moment, enjoying my puzzlement.

"How so?" I asked.

"Well," he said, "the other parties all did better than they had ever dreamed of doing. They had all thought that the *Acción Democrática* was unbeatable. Now they suddenly realize that they have a chance to win in the next election, so they all love the democratic system and would do anything to keep it from being overthrown. That's what I mean when I say that the reduction of our winning margin has actually strengthened democracy in Venezuela."

I remarked that, according to such Jesuitical logic, the way for his party to strengthen democracy even further would be for it to lose the next election altogether.

"No, thanks," he replied, with a laugh. "We've done enough for democracy along that line."

SINCE that interview, the government has succeeded in putting together a majority coalition among *Acción Democrática* and a couple of the smaller moderate parties, leaving the Christian Democrats as the main opposition, so this particular source of instability, if it was one, has been removed. A number of issues remain to be resolved, though, if democracy is to thrive rather than just stagger along. One is the perennial Latin-American issue of land reform. Venezuela's leaders like to boast that their country initiated a land-reform program even before the Alliance for Progress came into being, and this is true. The program has been a political success, in that it has encouraged the peasants to believe that the government is concerned with their well-being, but it cannot yet be considered an economic success, and is going to have to be overhauled and much improved if the peasants' hopes are not to be cruelly disappointed. Another crucial issue is unemployment, which now affects almost fifteen per cent of the total employable population, and this is not an easy issue to resolve in a lopsided economy like Venezuela's.

As always, however, the key question for democracy's survival here is the Army. Has it really been domesticated or will it at any moment turn on its civilian masters and take over, as it

has done so often in the past? During the turbulent week I have described, I had a discussion of this matter with a young Army captain under rather odd circumstances. Our talk took place at a large evening garden party held at the home of the captain's in-laws—a christening party for his first child, a son. I had been taken along by a banker's wife, a stately, officious lady who, if I got the relationship right, was an aunt of the honored infant's mother. She had made it clear that I was in luck; few foreigners, she said, get the chance to attend a typical Venezuelan family party, like this one, and see "the real Venezuela." The house was a lavishly remodelled structure, once part of a hacienda, at the foot of the mountains in the northeastern part of Caracas, and in its rooms hung a large collection of apparently authentic inferior paintings by great masters, along with a number of unmistakably authentic paintings by our host, a business magnate. The guests were disposed at thirty or forty tables under the palm trees, and white-gloved waiters in formal attire circulated with trays of champagne and hot hors d'oeuvres. There must have been a hundred and fifty people present, most of whom, I soon gathered, were able to trace, and to expatiate on, their own bloodlines and those—mostly interconnected—of the other guests. This "typical Venezuelan family party," it appeared, was graced by the presence of most of the nation's commercial oligarchy.

This happened to be the evening of the day that the university had been under siege, and each arriving guest paused only to greet the captain and his wife with warm embraces and present them with a gift for the baby before reporting some new rumor. One of the rumors, which seemed a source of personal distress to some of those who heard it (and which later turned out to be false), concerned a large holdup in a certain Caracas bank. There was also talk of an uprising that was taking place, or was about to take place, in a town whose name I did not catch, and that might at any moment require the young captain to tear himself away from the festivities and rush off to active duty. (This rumor, too, turned out to be without foundation.) After most of the guests had arrived, I found myself chatting with the captain near the garden entrance. A rather gaunt man of about twenty-seven, he was wearing civilian clothes, which hung loosely on his bony frame. He had a long, stern, dark face, with big ears, and his eyes, which were large and

brown, sometimes took on most plaintive expression. It minded me of some Army I had heard in the Plaza recent Sunday morning—at the same time martial and melancholy. We talked about the Army's political role.

"As soon as things aren't going so well," the captain said, "the people come running to us and say, 'Look what a mess everything's in. Please take over the government!' We say to them now, 'No! We won't.'" He put up a hand, as if to bar the people's plea. His voice had taken on an edge. "We tell them, 'It's your government. You elected them. We didn't—we don't have the vote. So you stay with them now, and don't come running to us anymore.'"

A waiter came over with a tray of champagne. I put down my empty glass and took one of the full ones. Some late guests arrived, and the captain joined his wife, a few paces away, to receive them. It was a mild night, with just a bit of breeze rustling the palm leaves. The sky was full of stars, including both the Southern Cross and the Big Dipper, for Caracas, being situated just north of the equator, is able to enjoy the celestial best of both hemispheres. After a bit, the captain returned and, resuming his seat, continued the conversation. "We cannot intervene, for it would be against the constitution."

He went on for some time about the Army's obligations under the constitution, and at last I asked, a little teasingly, "How is it that you are able to speak so solemnly, almost reverently, of the constitution, as if it were Holy Writ, when Venezuela has had more than twenty constitutions?"

"Only fifteen," the captain replied, gazing at me rather reproachfully as he made this correction—a correction that, like the rumors circulating that evening, turned out to be false. I later did some research on Venezuela's constitutions, and I not only verified the fact that there had been twenty-four but also discovered that they had once been classified by an American political scientist according to various Polonian-sounding categories: Bolivarian, Conservative, Radical, Federalist, Centralist, Personalist, and, finally, three "unclassifiables." The Venezuelans who heard what the scholar was doing could not believe that he was seriously studying their constitutions as political documents. They decided he must be a poet, with a predilection for works of fantasy.

After a moment, the captain added,

"No matter how many we've had, the constitution is the constitution, and we must respect it."

A group of guests came down the path, preparing to leave. The captain went over to say goodbye, and the leave-taking was accompanied by another round of embraces. When he came back, he said, "There are different points of view in the Army, you know—not just one Army point of view. I cannot speak for the Army. I can speak only for myself, and tell you what I myself think. And that is that a coup would be stupidity. If you were to come to me and ask my help in a coup, offering me as reward the post of chief of ordnance, or some such job, I would say you must be crazy. For one thing, I do not yet have the experience or training for a high post. Anyway, I think the days of such coups are over." He eyed me fiercely, as if he expected me to challenge him, but I was not inclined to do so.

Shortly afterward, as the guests began to thin out, I said goodbye to him and his wife, wishing their son a long and peaceful life. The captain's words had reinforced an impression I had already formed—that Venezuela's young officers, having strong aspirations toward professionalism, are not likely to try an old-fashioned power grab. They no longer regard their country as legitimate booty. Nevertheless, a suspicion lingers that these young men, so used to regarding civilian government as incompetent and chaotic, might still be susceptible to an argument on idealistic grounds—the argument, say, that under certain conditions it was their duty to take over and impose order.

ALBERTO LLERAS CAMARGO, the former President of Colombia and one of the initiators of the Alliance for Progress, has lamented that in Latin America a President can never do as much as he should while he is in office, because he has to spend fully half his time just trying to keep from being overthrown. President Rómulo Betancourt was very much aware of this fact of life. In 1948, he had had the unhappy experience of being tossed out of power by the Army after his party had won an election, and he had determined not to be caught napping next time. During his term, he did whatever had to be done to keep the Army in line, cultivating it assiduously yet also bringing as much coercion as he could to bear on it. He granted large budgets to the armed forces and acceded to their wish that the Minister of Defense be a military man, not a

civilian. He contributed to the Army's sense of importance by giving it a major role in the fight against terrorism, but he kept the over-all direction of the fight in his own hands. Those military figures who posed potential threats to him he sent into what is known here as "golden exile" by making them ambassadors or chiefs of overseas military missions. He set aside an hour every Thursday afternoon during which junior officers and noncoms could come to the Presidential palace and talk over grievances with him. And he frequently toured the military bases and camps, making his presence felt and educating the military as to their proper role. "I don't care what your politics are, but you are not to engage in any politics as long as you are in the armed forces," he would tell the assembled troops and officers. "And don't ever forget," he would add in a thunderous voice, eying the higher officers meaningfully, "that I, Rómulo Betancourt, am your Commander-in-Chief." Betancourt is a compelling speaker and a magnetic personality. A small, pugnacious, fiery type, he walks with the cocky bounce of a bantamweight prizefighter, and he relishes a good brawl. I am told that when he thought any of his high-ranking officers were failing in their obligations, he would not hesitate to give them a tongue-lashing, and that they would take it as meekly as schoolboys.

President Leoni, for his part, has presumably been spending much of his time keeping the armed forces pacified, but, being a very different kind of person from Betancourt, he is doing it in a much quieter manner. A few months after he became President, the newspapers here carried some dull and rather cursory stories about the resignation of an admiral who had been Commander-in-Chief of the Navy. The fact was, I learned from a high government source, that Leoni had fired the admiral. If Betancourt had taken such a step, there would have been a great ruckus, but under Leoni the whole affair passed off as if it were mere routine.

Before Leoni ran for the Presidency, he was not well known to the public, even though, in addition to playing a major role in Acción Democrática, he is considered to have been the man chiefly responsible for the development in Venezuela of a strong and—at least by Latin-American standards—honest labor movement. He has still not caught the popular imagination, and he probably never will, but he seems to be functioning effectively. The son of a

Corsican shopkeeper who settled in the little farming town of Upata, in the Orinoco region, Leoni is a large, swarthy man of fifty-nine. He is bald, and wears glasses over sad, bloodhound eyes. His manner in public is diffident; his voice is gravelly and monotonous. During a brief interview I had with him, I was impressed by how still he sat as he talked, not making a single gesture. Perhaps the fact that he is no "personality" will be good for Venezuela. A magazine here commented recently that Betancourt may possibly prove to have been Venezuela's last *caudillo*—the last man to claim leadership by virtue of personal magnetism, even though in his case the leadership was exerted on behalf of democracy. If a drab President like Leoni can serve his entire term, it will be a very healthy sign for democracy here—a good-sized step toward putting it on an institutional, rather than a personal, basis.

Over the years, I have had occasion to talk with the leaders of several small countries, and there is a question I have habitually put to them. I have asked these men what special contributions, apart from those directly connected with political power and influence, they think their countries can make to the world. I put this question to Leoni, too. We were in his office, a vast, heavily guarded room in the Miraflores Palace. Along the wall behind him were life-size portraits of Venezuela's past heroes, almost all of them military men. It was about democracy that Leoni wanted to talk. He said he wanted his country to be able to show other underdeveloped countries, in Latin America and elsewhere, that a nation could develop economically and still maintain democratic rights. He appeared to be fully conscious of the concept that, as one Venezuelan put it, "developing a country under democracy is like trying to play poker without bluffing," but he seemed to feel that Venezuela could do it, and despite his sad eyes, his diffident manner, and his stiff posture, his words carried conviction. "This is what Venezuela wishes to contribute to the world," he said. For a country that has enjoyed so little democracy during its existence, it seems a brave ambition. —BERNARD TAPEP

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GLOSSARY OF ABBREVIATIONS

BAP	Banco Agrícola y Pecuario Agricultural and Livestock Bank
BI	Banco Industrial Industrial Bank
BO	Banco Obrero Worker's Bank (Housing)
CADAFE	Compañía de Administración y Fomento Eléctrico Electric Power Development and Administration Company (Subsidiary of CVF)
CANTV	Compañía Nacional de Teléfonos de Venezuela National Telephone Company
CVF	Corporación Venezolana de Fomento Venezuelan Development Corporation
CVG	Corporación Venezolana de Guayanas Guayanas Corporation (Regional Development)
CVP	Corporación Venezolana de Petróleo Venezuelan Petroleum Corporation
EDELCA	Electrificación del Caroní Caroní Power (Subsidiary of CVG)
IAAFN	Instituto Autónomo de Administración de Ferrocarriles Nacionales Autonomous National Railroads Administration
IADA	Instituto Autónomo de Diques y Astilleros Autonomous Docks and Wharfs Institute
IAN	Instituto Agrario Nacional National Agrarian Institute (Agrarian Reform)
INC	Instituto Nacional de Canalizaciones National Canals Institute
INCE	Instituto Nacional de Cooperación Educativa National Institute for Educational Cooperation (Vocational Training)
INOS	Instituto Nacional de Obras Sanitarias National Institute for Sewage and Water Supply

IPASME	Instituto de Previsión y Asistencia Social para el Personal del Ministerio de Educación. Social Security Institute for Employees of the Ministry of Education.
IPSFA	Instituto de Previsión Social de las Fuerzas Armadas Social Security Institute for Members of the Armed Forces
IVP	Instituto Venezolano de Petroquímica Venezuelan Petrochemical Institute
LAV	Línea Aeropostal Venezolana Venezuelan Airline
MAC	Ministerio de Agricultura y Cría Ministry of Agriculture and Livestock
MOP	Ministerio de Obras Públicas Ministry of Public Works
SNAP	Sistema Nacional de Ahorro y Préstamo National Savings and Loan System