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FM CARACAS 151900Z MAR  
TO PRIORITY F C O

TELEGRAM NUMBER 101 OF 15 MARCH 1983  
AND TO PRIORITY WASHINGTON AND MEXICO CITY  
SAVING TO KINGSTON, BRIDGETOWN, PORT OF SPAIN, SANTO DOMINGO,  
SAN JOSE, PANAMA CITY, TEGUCIGALPA, BELMOPAN AND BOGOTA

VENEZUELA/OPEC AND THE FINANCIAL SITUATION

1. THE O P E C AGREEMENT HAS BEEN RECEIVED WITH RESIGNATION IN MOST QUARTERS AS ANY FALL IN INCOME WILL EXACERBATE AN ALREADY DIFFICULT FISCAL SITUATION. BUT IT IS RECOGNISED THAT A PRICE COLLAPSE WOULD BE A DISASTER FOR VENEZUELA.
2. THE LIKELY PATTERN OF PRICE ADJUSTMENTS AND EXPORTS FOR THE REST OF 1983 ARE TOO IMPRECISE TO MAKE ACCURATE FORECASTS OF THE FINANCIAL EFFECT OF THE O P E C CHANGES ON VENEZUELA. THE FIGURE OF A FALL IN OIL EARNINGS OF UP TO DOLLARS 3 BILLION FROM THE OFFICIAL DOLLARS 16 BILLION ESTIMATE, (MY TELNO 28 OF 28 JANUARY) STILL STANDS AS OUR BEST ESTIMATE.
3. VENEZUELA IS CURRENTLY PRODUCING SLIGHTLY LESS THAN 2.0 MILLION B/D WITH EXPORTS AT 1.5 MILLION B/D. THERE HAS BEEN A BUILD UP OF STOCKS IN RECENT MONTHS AND VENEZUELA WILL TRY TO KEEP EXPORTS UP BY DRAWING THEM DOWN. THEY CAN DO THIS AT THE RATE OF 80-100 THOUSAND B/D FOR AT LEAST A QUARTER. A PRODUCTION QUOTA OF 1.7 MILLION B/D IMPLIES EXPORTS AFTER LOCAL CONSUMPTION OF ABOUT 1.4 MILLION B/D. WITH STOCK DRAW DOWN VENEZUELA WILL PROBABLY TRY TO KEEP AS CLOSE TO 1.5 MILLION B/D EXPORTS AS THE MARKET WILL BEAR.
4. AS A SIGN OF THE TIMES, THE VENEZUELAN INVESTMENT FUND DECIDED ON 14 MARCH TO SUSPEND ALL CENTRAL AMERICAN AND CARIBBEAN AID PROGRAMMES. IT IS UNCLEAR WHETHER THIS EXTENDS TO THE VENEZUELAN/ MEXICAN OIL FACILTY BUT IT MUST BE AT RISK.

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5. THE GENERAL FINANCIAL/ECONOMIC SITUATION REMAINS CONFUSED, WITH LACK OF DIRECTION ON THE APPLICATION OF THE VARIOUS EXCHANGE CONTROL MEASURES ANNOUNCED ON 23 FEBRUARY. IN ADDITION TO LACK OF ADMINSTRATIVE COORDINATION, THERE ARE STILL FUNDAMENTAL DISAGREEMENTS WITHIN THE GOVERNMENT ON HOW THE SITUATION SHOULD BE HANDLED, WITH THE CENTRAL BANK GOVERNOR, DIAZ BRUZUAL, AT ODDS WITH THE FINANCE MINISTER ARTURO SOSA. THIS PARTICULARLY APPLIES TO THE TREATMENT OF PRIVATE DEBT UNDER THE EXCHANGE CONTROL SYSTEM, BUT THERE IS ALSO IMPRECISION OVER WHICH IMPORT CATEGORIES ARE TO BE GIVEN PREFERENTIAL EXCHANGE TREATMENT. THE LIST OF BANNED IMPORTS STILL HAS NOT ISSUED.

F C O PLEASE PASS SAVING TO KINGSTON, BRIDGETOWN, PORT OF SPAIN, SANTO DOMINGO, SAN JOSE, PANAMA CITY, TEGUCIGALPA, BELMOPAN AND BOGOTA.

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