

Chavez vows to punish strikers with strict exchange controls

By Fabiola Sanchez
THE ASSOCIATED PRESS

CARACAS, Venezuela — Smarting from a failed strike to oust President Hugo Chavez, Venezuelan businessmen warned Wednesday that plans to restrict access to foreign currency will bury the reeling economy.

Chavez's leftist government plans to announce the restrictions on Thursday, to try to stop a devaluation of the bolivar and protect Venezuela's foreign reserves, which shrank \$2 billion during the two-month strike.

Details have not been released. But Chavez vowed Tuesday to punish strike leaders by restricting their ability to purchase U.S. dollars, an essential in a nation heavily dependent on imports.

He accused those he calls "coup plotters" of stashing billions of dollars abroad — "our international reserves, belonging to the nation, to the Republic."

That could force thousands of businesses to close for lack of supplies and leave tens of thousands jobless, business leaders warned.

Already, analysts say the failed two-month strike to oust Chavez will close more than 20,000 businesses and leave 200,000 people jobless.

Strike leader Carlos Fernandez, head of the Fedecamaras business federation, said Chavez was trying to impose control over the struggling private sector, which relies on imports for 60 percent of its supplies and raw materials.

Lope Mendoza, president of the Conindustria business chamber, urged citizens in the import-crazy nation to buy Venezuelan products to keep the economy afloat. "The industrial sector isn't going to please the president, who wants to see a cemetery of businesses," Mendoza said.

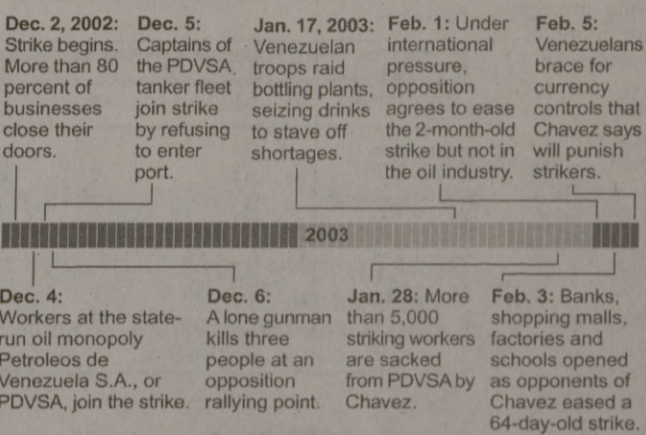
Chavez's threat on Tuesday to provide "not one more dollar for the coup plotters" showed he will devise a discretionary system that will "hand out prizes and punishments," said analyst Luis Vicente Leon.

"He is going to control his enemies' income. Venezuela is too dependent on imports," Leon said.

Chavez's government suspended dollar purchases on Jan. 22 after the bolivar lost more than 30 percent of its worth during the

Strike aftermath in Venezuela

President Hugo Chavez announced currency controls Wednesday that he says will punish those who led a 10-week strike seeking his ouster.



SOURCE: Associated Press

strike, which began Dec. 2 and ended in all sectors but oil this week.

Foreign reserves dropped \$2 billion in part because the government was spending \$60 million a day to prop up the bolivar.

The bolivar last traded at 1,850 to the dollar. On the black market, it's 2,500 per dollar. Devaluation, in turn, sent inflation past 30 percent, and many economists forecast a 25 percent recession this year.

Finance Minister Tobias Noriega said a fixed rate — between 1,600 and 1,850 bolivars per dollar — will be adopted for imports of food, medicines and government transactions.

It wasn't known how many dollars the government will make available to citizens and businesses, what conditions they must meet to buy dollars, and how many dollars they can buy.

Some newspapers speculated Wednesday that citizens will face restrictions on the amount of dollars they can buy for business travel abroad.

N. Korea reactivates nuclear facilities

By Jae-Suk Yoo
THE ASSOCIATED PRESS

SEOUL, South Korea — North Korea said Wednesday it has reactivated its nuclear facilities, a surprise announcement that raised questions whether it was trying to take advantage of Washington's preoccupation with Iraq to ratchet up pressure in its own standoff with the United States.

In Washington, the State Department said that if the announcement was true, "this would be a very serious development." It demanded the North "reverse this action ... North Korea must visibly, verifiably and irreversibly dismantle its nuclear weapons program."

A North Korean spokesman announced the reactivation, deepening the crisis over Pyongyang's nuclear ambitions, just before Secretary of State Colin Powell spoke at the U.N. Security Council, presenting the U.S. case against Iraq.

The North said the reactivated facilities would "for the present stage" be used only to produce electricity — but the United States says the facilities can produce nuclear weapons within months.

Even as it presses toward war with Iraq over alleged hidden weapons of mass destruction, the United States has insisted it wants a peaceful solution in its standoff with North Korea.

White House spokesman Ari Fleischer discounted that Pyongyang was timing the issue with Iraq developments.

"North Korea has a history of doing things like they did in the 90s, outside of the context of Iraq," he said.

The North's announcement came hours after South Korea took a new step in its policy of trying to ease tensions by pursuing reconciliation with the isolated communist regime. Earlier Wednesday, the South opened a road across the heavily fortified border for the first time in more than half a century.

Pyongyang wants direct talks with Washington, something U.S. officials have resisted. Analysts say North Korea, which often accuses the United States of plotting to invade it, fears Washington will turn up pressure on it if a war against Iraq is successful.

The North may hope that heightening the stand-off at a time when Washington is trying to concentrate on Iraq could prompt the United States to make concessions.

Israeli troops, tanks enter Gaza refugee camp

By Mark Lavie
THE ASSOCIATED PRESS

JERUSALEM — Israeli tanks and troops entered a Palestinian refugee camp in the Gaza Strip early Wednesday, exchanging fire with gunmen, Palestinian security officials and witnesses said.

A 62-year-old bystander was wounded, apparently while watching the incursion into the Bureij refugee camp in central Gaza from his window, Palestinians said.

The Israeli military said a routine operation was under way in the Gaza Strip. Palestinian security officials and residents said about 10 Israeli tanks entered the refugee camp, and soldiers searched houses.

The incursion came after a settler was shot and seriously wounded Tuesday by an infiltrator in the Kfar Darom settlement in Gaza. The militant Islamic Hammers took responsibility for the shooting.

Also Tuesday, Israel said the Shin Bet security service captured all 10 members of a cell of the militant Islamic Jihad accused of attacks in the Heron area on the West Bank. Sixteen Israelis were killed in those attacks.

The Syria-based leadership of Islamic Jihad gave the cell its orders, offering money for the purchase of weapons and materials for building bombs, said

security officials, speaking on condition of anonymity. The arrests of the 10 began in December and the last one was caught early Tuesday in Heron, the officials said.

Later, Israeli forces arrested a militant from the Al Aqsa Martyrs Brigade in Tulkarim. The Israeli military said he was involved in planning an attack on the Israeli village of Metzrion on Nov. 10, in which five people were killed.

Salam Fayad, Palestinian minister of finance, confirmed Tuesday that Israel transferred to the Palestinian Authority almost \$60 million in taxes collected from Palestinian laborers and businesses, the single largest payment since fighting began more than two years ago.

Of the amount, about \$20 million is from money owed to the Palestinians that Israel has frozen during fighting, alleging that it is used to finance attacks. Israel transfers tax money to the Palestinian Authority according to interim peace agreements.

Meanwhile, a three-day parade of political party leaders to the official residence of Israeli President Moshe Katsav was to end Wednesday, and Katsav was to pick Prime Minister Ariel Sharon to form a new government.

The consultations were a formality after Sharon's Likud Party and its hawkish allies won a convincing victory in Jan. 28 elections.

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