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Economic Changes Mean Fewer Remittances

by Guest
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[The following article by Mike Ceaser is reprinted with the permission of Noticias Aliadas in Lima, Peru. It appeared in the July 2, 2003, edition of Latinamerica Press.]

Eighteen years ago, Yanet Yerena moved from Cartagena de Indias, Colombia, to Venezuela to seek new opportunities in the oil-rich nation and help her relatives back home. For years, 36-year-old Yerena, who sells fruit from a downtown Caracas sidewalk stand, sent money each month to relatives back home, including her father and one of her sons.

But during the last year and a half, as Venezuela's currency lost more than half its value and her sales declined in a shrinking economy, the bolivares (US$1 = 1,596 Venezuelan bolivares) she sent translated into fewer Colombian pesos. And then, government exchange controls imposed in February amid an anti-government petroleum-industry strike (see NotiSur, 2003-01-10) made sending money out of the country almost impossible.

Two-thirds of Venezuelans live in poverty despite their nation's great petroleum wealth. Nevertheless, during the years, Venezuela has attracted many thousands of immigrants, both from southern Europe and from its South American and Caribbean neighbors, particularly Colombia and Peru, but also Haiti, Trinidad and Tobago, and Guyana. While the Europeans became shop-owners and now form the bulk of Venezuela's professional and technical class, many of the South American and Caribbean immigrants became street merchants, salespeople, and bus drivers.

Now the combination of an economy that shrank 8% last year and has already contracted by 29% this year, the likelihood of continued political and social upheaval (see NotiSur, 2003-06-20), and the exchange controls are making some of those immigrants consider going home.

"[My relatives] miss the money badly," said fruit seller Yerena. "Now I feel like returning to my country."

The government imposed the exchange controls to halt capital flight in the midst of the petroleum strike intended to force President Hugo Chavez from power (see NotiSur, 2003-01-31). The controls, which prohibit bank transfers of currency out of the country without authorization from the government exchange-control agency (Comision de Administracion de Divisas, CADIVI), have helped stabilize Venezuela's international reserves, but at a huge inconvenience to those who need to transfer money overseas, such as import businesses, senders of remittances, and families with children studying abroad.

An employee of a downtown money-transfer agency said that before the controls made sending cash almost impossible, clients sent a total of between US$60,000 and US$70,000 a month.
Cesar Atencio, president of the Zoom Money Exchange in Caracas, said that, nationwide, money transfers to Colombian relatives have plummeted 70%, while some Peruvians pay 40% commissions to send money home through informal channels without any guarantee that it will arrive. "These are people with a low standard of living who don't have any other way of sending resources," said Atencio.

Critics of Chavez say the exchange-control bureaucracy, which has forced businesses requesting dollars for imports to wait for months and wade through tremendous paperwork, is doing more harm than good to Venezuela's economy. The delay in obtaining dollars has produced spot shortages of products including certain medicines, as well as fears of shortages of staples like wheat, which is not grown in Venezuela.

Venezuela's association of wheat processors (Asociacion de Molinos de Trigo, ASOTRIGO), says that several flour mills have already ceased operating for lack of grain. Other businesses warn they will also have to stop production, further raising Venezuela's unemployment rate, already at about 25%.

"Every day, the inventory is closer to running out," said the representative of a bicycle assembler who was waiting for an appointment in CADIVI's Caracas office building. "Up until now there's been nothing [from CADIVI]."

Ingrid Del Rio, 47, carrying an empty bottle of her husband's respiratory medicine from one Caracas pharmacy to another, said she had already visited five pharmacies in a vain search for a refill. "My husband takes it every night before going to sleep," she said. "It's horrible. There are other similar medicines, but I want the right one."

In response to complaints, Chavez says he wants import-dependent Venezuela to become more self-sufficient by producing its own food and manufactured products. The economic hardships have resulted in long lines at many European embassies, as children and grandchildren of immigrants from Spain, Italy, and Portugal seek to return to the homeland of their ancestors.

Others, however, retain faith in Venezuela. Nicolas Carrillo, 36, moved here from Peru 11 years ago and now owns a small clothing factory, which has enabled him to buy a house and send money back to Peru when required. The economic troubles have weakened Carrillo's sales, and the exchange controls produced shortages of fabrics made from imported threads. But Carrillo says his sales and supplies are recovering, and he has even been able to continue sending remittances, albeit only by purchasing dollars on the expensive black market and delivering them to the money-transfer agency. He doesn't know how the agency smuggles the dollars out of the country.

Despite the troubles, Carrillo has no thoughts of leaving his adopted nation. "This is a beautiful country," he said. "I have a house, a business, something that I might not have achieved in Peru. I don't live off [former Presidents Rafael] Caldera, [Carlos Andres] Perez, or President Chavez. I live off my work."