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Venezuelan President Hugo Chávez Nationalizes Gold Industry, Repatriates Gold Reserves

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As Venezuelan President Hugo Chávez's image in the polls has begun to climb again and he has retaken the political initiative by enacting several important measures—including nationalizing the gold industry and repatriating gold reserves—the divided opposition seems to be betting its future on the Revolución Bolivariana leader's demise. Chávez has been convalescing from a cancer operation and receiving further treatment since June. The opposition's campaign includes disputing everything that the government does or says (including carrying out a census) and spreading the direst rumors about the president's health. And for that, it counts on efficient allies abroad, in the press and in the political world.

The positive signs seen several weeks ago regarding an eventual normalization of the always-tense relations between Venezuela and the US seemed to go up in smoke recently, after the US Department of the Treasury, without providing any proof, sanctioned several Venezuelans, including a diplomat, for allegedly supporting terrorist organizations. Venezuela's foreign-trade figures make it clear, however, that the differences between the two countries exist only in the strictly political realm. The US continues to be, as it has been for decades, Venezuela's principal trading partner.

The Venezuelan government, which had become paralyzed when Chávez underwent emergency surgery in Cuba in June for a pelvic tumor (NotiSur, June 24, 2011), has been particularly active in recent weeks. On Aug. 17, the president announced the nationalization of the gold industry, a measure finalized on Sept. 16. On Sept. 18, he announced the decision to repatriate the country's gold reserves deposited in banks outside the country, mostly in Great Britain.

The following day, the government made it known that private banks that had received large benefits—specifically a reduction of the reserves requirement from 17% to 14%--in exchange for providing financing for a government housing plan and had not done so could face sanctions. What the sanctions might be is not yet known, but Chávez made it clear that "the screws are tightening," and the bankers know very well that if they do not fulfill the agreement, the government has the wherewithal to force them to do so or punish them.

Five days after his first announcement, Chávez signed the gold-industry-nationalization decree and said that, in a few weeks, Venezuela would begin repatriating 211 tons of gold reserves, worth some US$11 billion. The majority of the reserves are in British banks. The Bank of England holds Venezuelan gold deposits worth US$4.7 billion; Barclays Bank PLC, $2.1 billion; HSBC, US$1.4 billion; and Standard Chartered, US$1 billion. Venezuela plans to repatriate 57.7% of its total US $18.3 billion in international gold reserves.

Chávez signed the nationalization decree within the framework of a special fast-track authorization (Ley Habilitante) that allows him to govern by decree during a certain period. It establishes that
"all gold obtained from mining operations in national territory must be sold and turned over to the state." It adds that the state "will exercise a monopoly on gold production and sales." In another section, the decree foresees a "process moving toward joint ventures for concessions, authorizations for small-scale mining, and contracts for the exploration and exploitation of gold." It also sets a 13% royalty "on quantities of gold extracted from any mine or deposit."

**Energy minister defends government actions**

Minister of Energy and Petroleum Rafael Ramírez, one of Chávez’s closest advisors, analyzed the context in which the nationalization of the gold industry and, particularly, the repatriation of the gold reserves should be evaluated. Ramírez said that every country whose reserves are deposited in fragile or unstable financial systems should opt for protecting their assets. In speaking of reducing exposure to risk in the face of the global crisis, he referred explicitly to the US and Europe.

"This measure should be studied in the context of a world crisis that had its most frightening moments beginning in 2008, when the housing-sector crisis erupted, which provoked the debacle in the US financial system with damaging effects on world capitalism in 2009 and 2010," said Ramírez. He added that the crisis is concentrated this year in the euro zone---basically in Ireland, Greece, Spain, Italy, and Portugal—and, by repatriating the reserves, the government is strengthening the economy.

The opposition sees things differently. The partisan alliance Mesa de Unidad Democrática (MUD) said that "to move the gold is more a political than an economic decision," and it suggested that the government is trying to avoid confiscation of the gold in case it loses any of several demands by multinational businesses in arbitrage tribunals. Some 50 multinationals are parties in the demands, among them oil giant ExxonMobil and mining company Cristallex International, which presented their cases before the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

Roberto Enríquez, spokesperson of the now diminished Partido Social Cristiano de Venezuela (COPEI)—the party in power during the administrations of former Presidents Rafael Caldera (1969-1974 and 1994-1999) and Luis Herrera Campins (1979-1984)—went further and compared Chávez with ousted Tunisian ruler Zine el-Abidine Ben Ali, Egypt's former leader Hosni Mubarak, and Libya's Muammar el-Qaddafi, noting that the European Union (EU) froze the personal assets of the three, deposited in banks of any of the 27 EU member countries.

The spokesperson for the governing Partido Socialista Unificado de Venezuela (PSUV) Héctor Navarro said that the MUD "does not play fair in the country when it sends a destabilizing message to the economy affirming that the dollar, the euro, and the pound sterling will no longer be the support of the bolivar [national currency]." He said, "The MUD's affirmations that promote an adverse reaction in financial markets with respect to securities and foreign bonds are treasonous."

Presidential elections are set for Oct. 7, 2012. On Feb. 12, 2012, some twenty often-feuding parties that are integrated in the MUD will hold a primary election to choose a presidential candidate from, as of now, eight hopefuls. So far, and with the date getting closer, the opponents have been unable to agree on a common discourse—they disagree even on minor matters—and they depend in large measure on expressions of friendship from abroad. However, they agree on one thing--they are counting on Chávez's death and are spreading persistent rumors about his imminent demise.
Even the census brings opposition

On Sept. 1, work began to collect data for the XIV Censo Nacional de Población, an event that is part of international statistics agreements and that is carried out throughout the world based on a similar questionnaire to which each country adds its own questions. In Venezuela, the form is the same as it was ten years ago. Nevertheless, almost all the opposition, and the MUD, are using it to create fear.

COPEI, for example, launched a campaign using the slogan, "If you feel mistreated, required to give information that you do not want to give, do not answer." Enríquez said, "The problem is political, there is a government that unscrupulously uses information from Venezuelans, that abuses it, that has an obsession to control everyone's lives."

Gov. Henrique Capriles of the state of Miranda and one of the more popular candidates for the MUD nomination in February responded to the COPEI spokesperson. "The national census should not be given a political or partisan connotation; it should be of interest to all of us, because the data obtained are important for knowing the national reality and for programing state policies," said Capriles.

In recent days, the MUD has received the solidarity of the Brussels-based International Crisis Group, whose board is co-chaired by former US ambassador to the UN Thomas Pickering and Britain's Chris Patten, the former European commissioner for foreign relations and governor of Hong Kong.

The IGC gave a novel version of the Venezuelan reality by presenting the existence of "urban collectives that combine political and criminal activities" and said that "the government has shown a particular ambiguity" toward such groups. The IGC said the "collectives" are "armed groups."

But the most explicit help has come from Roger Noriega and the Miami Spanish-language newspaper El Nuevo Herald. Through Twitter and the newspaper, the former assistant secretary of state for Western Hemisphere affairs criticizes the Venezuelan government almost daily, opposes the nationalization of the gold industry, and was responsible for a comment that traveled around the world in seconds. Noriega said Chávez "is not responding to the treatment he is getting." Noriega also wrote in an article that appeared in several places, including Fox News, that the US must prepare for a world without Chávez. "US policymakers must kick-start a Latin American policy to be prepared to clean up the toxic waste left by 14 years of Chavez's anti-American activism."

The next day, El Nuevo Herald reported that Chávez was rushed to a Caracas hospital and, quoting anonymous sources, said that he was "very seriously ill." Chávez responded by appearing in public, and he called on journalists to not allow themselves to be used by "this morbid, crude, and inhumane campaign being waged against me."

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