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Venezuela Opens Way for Paraguay to Return to MERCOSUR

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After a 16-month rupture in diplomatic relations with Paraguay, the Venezuelan government has reopened binational dialogue. In mid-October Foreign Minister Elías Jaua traveled to Asunción to resolve the reopening of respective embassies and the naming of new ambassadors.

In other gestures of rapprochement, on Oct. 30, Jaua invited the Paraguayan government to participate in a ministerial summit of the Southern Cone Common Market (MERCOSUR), and Venezuelan President Nicolás Maduro called Paraguayan President Horacio Cartes "to give him an embrace by phone." Maduro also urged other members of the trade alliance to "urgently bring the fellow nation of Paraguay back to the fold."

On June 22, 2012, when Paraguayan President Fernando Lugo was overthrown in a parliamentary coup, the three other MERCOSUR members—Argentina, Brazil, and Uruguay—decided to suspend Paraguay, whose Senate had until then blocked Venezuela's full integration (NotiSur, July 13, 2012, and Sept. 21, 2012). The three MERCOSUR countries accepted Venezuela as a member at the same time they suspended Paraguay.

The Caracas government’s recent goodwill approach will help eliminate regional tensions and, according to comments by President Cartes, allow the Paraguayan legislature to confirm Venezuela’s membership. Analysts say that with five partners working at full capacity the regional trade organization could to be considered back on its feet.

Right wing hammers Venezuela’s problems

Every South American country applauded the Venezuelan government’s decision that left the country with just one unresolved diplomatic issue—nothing short of normalizing diplomatic relations with the US (NotiSur, July 5, 2013). It also increased the Caracas government’s ability to focus on two issues now keeping the country in a state of anxiety: the economy—including exchange-rate policy, inflation, and supply problems—and the fight against corruption. The right-wing opposition has focused on both issues.

Ignacio Ramonet, a prominent Spanish intellectual and editor-in-chief of the French weekly Le Monde Diplomatique, said the Venezuelan government is a victim of a "slow-motion coup d’état." Landing in Caracas on his first visit in several months, Ramonet said, "The situation is reminiscent of Chile on the eve of the Sept. 11, 1973, coup that overthrew President Salvador Allende."

Following the March 5 death of President Hugo Chavez (1999-2013), Maduro won a hotly contested election and vowed to continue the path of his predecessor who had championed a socialist "Revolución Bolivariana" (NotiSur, April 5, 2013, and May 3, 2013).

In an Oct. 30 interview with the German news agency Deutsche Presse-Agentur (DPA), Ramonet said that the right-wing opposition, led by unsuccessful presidential candidate Henrique Capriles (NotiSur, Feb. 24, 2012) and "strongly backed by large external interests," is "sabotaging electric
and drinking-water services and provoking scarcities, higher prices, and currency speculation to disrupt the government and create social unrest." Ramonet did not specify the source of the external interests but said the opposition has targeted local elections seen as political and social bellwethers. Some 335 state and municipal seats are on Dec. 8 ballots.

"Venezuela is in the midst of extreme tension. If one reads the press in the months leading up to the coup in Chile, the idea was the same when the opposition tried to convince people that Allende’s administration did not know how to govern. Today we know that it was a slow coup awaiting military intervention," Ramonet said.

In this context, the Venezuelan government faces two main challenges—domestic economy and internal corruption.

Foreign-exchange-rate controls—in place for more than 10 years and one of the pillars of Venezuelan economic policy—are being challenged because the state’s currency-exchange monopoly forces individuals, companies, and legal entities to go through cumbersome administrative procedures to exchange currency (NotiSur, Feb. 22, 2002, and July 25, 2003). The controls aim to ensure that the currency exchanged goes to its declared purpose and prevent distortions that have pushed black-market rates to seven times the official 6.30 bolivars per US$1.00. The opposition shamelessly points to this weak spot of official policy, accusing the government of fueling shortages and creating inflation.

Exchange controls require businesspeople and individuals to go to the Comisión de Administración de Divisas (CADIVI) to get the precious dollars, if available, at a rate of 6.30 to the US$1.00. However, buyers argue CADIVI doesn’t have enough dollars to quench the thirst for foreign currency. In response, the government created another tool, the Sistema Complementario de Administración de Divisas (SICAD), which auctions dollars at a price above the official rate. Auction results depend on demand from a varying number of buyers.

Given supply problems for basic products such as food, the government Oct. 14 began to inject US $900 million per week into the economy through SICAD auctions. This amount is in addition to currencies available through CADIVI. Whether this measure will withstand opposition pressure will be seen in the coming weeks.

Municipal officials charged with corruption

Government success in battling corruption, like other achievements of the Revolución Bolivariana, has gone unrecognized by the opposition.

In early October, President Maduro asked for special powers to act on currency exchange and other issues related to the economy. His government announced its first major hit on Oct. 14, killing two birds with one stone when it charged one of its own politicians with misappropriation of public funds. The arrest of the prominent politician not only sent a positive sign in the war against corruption but also silenced the opposition, which until then had complained that the government only cracked down on political opponents in cases of corruption.

Edgardo Parra of the Partido Socialista Unido de Venezuela (PSUV) and mayor of Valencia, the country’s third-largest city and capital of the central state of Carabobo, was arrested along with his son and two other senior municipal officials. Parra is the highest-ranking official to be swept away by the hurricane unleashed by Maduro in what the government calls the "war against public-
sector crimes." The attorney general's office said the investigation grew out of a report that linked the mayor with a group of cooperatives that provided a cover for "syphoning off" public funds. This allegedly allowed large sums of money earmarked for local health and education services to leak from public coffers and into accounts outside the country or at home.

On the same day as the arrests, the governor of Carabobo denounced the municipal corruption and said "a suspicious stampede" of high-ranking Valencia officials—including the city’s finance director—had left the country. Because the proceedings are secret, the inquest did not reveal any related arrests, but the media reported a group of officials were detained along with Parra on charges of conspiracy and violation of public responsibility. The arrests came five days after Maduro had asked the legislature to grant him special powers to give him "a free hand in carrying out the fight against corruption, a scourge of capitalism, as well as the opposition and fake Chavistas."

The fight "is one of life or death for socialism," the president said after acknowledging the emergence of "a new privileged sector, a new elite ascribed to the country’s leadership but actually a deviation of the Revolución Bolivariana."

Maduro concluded by indicating "special powers will be used to ‘clean up’ a country that requires depth, speed, and a serious take on new public ethics [because] if corruption continues to reproduce and perpetuate its capitalistic logic of destruction there will be no socialism in Venezuela and socialism can never consolidate its profoundly human character in the midst of anti-values of corruption."

The arrest of a mayor aligned with the nation’s ruling party paralyzed and silenced the right, at least for the moment, because it could not continue saying that the only people charged with corruption were members of the opposition or, as opposition leader Capriles said just 24 hours before Parra’s arrest, in "the few cases of ruling-party detainees … all low-level officials."

The names and number of persons arrested on charges of corruption indicate the opposite is true. Between July 1—when the government had launched an anti-corruption campaign even prior to receiving special powers—and the first 10 days of October, the government arrested 278 people, both ordinary citizens and officials of various levels. Among them are "low-level officials," as Capriles had said, but also officials from the highest echelons, such as the president of state-owned Ferrominera, the country’s most important iron ore producer; the head of the coastal tax administration of the state of Vargas; and five top officials of the Banco Nacional de Desarrollo Económico y Social (BANDES), a government agency in charge of administering the multimillion-dollar loans from China.

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