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Venezuelan President Uses Decree Power To Fight "Devastating Economic War"

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Locked in an exhausting standoff with Venezuela’s primary economic power brokers, the Venezuelan government, for the first time since the launch of the Bolivarian Revolution in 1999, is finding itself at odds with some of its own supporters.

To reverse the situation—and save the country from a "devastating economic war" launched by leading business and opposition groups—President Nicolás Maduro recently signed a pair of decrees. The first decree introduced a "band system" to regulate currency exchange. The "bands" in this case, are two reference points, set by the state, that establish a minimum and maximum exchange rate for US dollars. The preferential minimum price, currently 6.3 bolívares to US$1.00, applies to essential goods and services. The maximum exchange rate is fixed by a mechanism of weekly auctions. Maduro’s second decree limits companies to a maximum profit margin of 30%. The goal is to clamp down on price gouging, which has sent the inflation rate soaring. Inflation topped out last year at 56.2%.

Government backers support the measures, even if they do not necessarily grasp their true meaning. Opposition leaders are up in arms, saying the decrees amount to "stealth devaluation."

While the topsy-turvy situation has left both sides more than a bit disoriented, the government does have one major advantage: a political structure—the Partido Socialista Unido de Venezuela (PSUV)—that allows it to maintain a uniform discourse. The rightist opposition, in contrast, is suffering from internal divisions that are undermining what might otherwise be an excellent opportunity to score political points (NotiSur, Jan. 10, 2014). The opposition’s own leaders have admitted that the Mesa de Unidad Democrática (MUD), the unified front they were able to establish in recent years—risks breaking apart. And while it continues to use its enormous influence within the economic apparatus to cause problems for the government, the right is doing Maduro another "favor" by failing to propose any solutions of its own.

The bolivarianos, in the meantime, have forged an unexpected alliance with the government in neighboring Colombia. The impetus behind their agreement is contraband smuggling, an issue that affects both nations, albeit for different reasons. On the Venezuelan side, the illegal transport of subsidized goods into Colombia is causing shortages and serious exchange-rate problems. Those same products are hurting Colombia by generating unfair competition for its productive sector.

The Italian news agency ANSA predicts that Venezuela’s new exchange system "will be a great stabilizer" and help the economy grow by as much as 4% this year. In presenting the "bands" initiative, Oil Minister Rafael Ramírez, also vice president for the economy, said the preferential exchange rate applies to 80% of good and services. He made clear it does not apply to travelers or to nonproductive sectors of the economy, which will have to use the higher exchange rate set by the Sistema Complementario de Administración de Divisas (SICAD). The SICAD has been operating since March 2013, carrying out weekly auctions of US$100 million (NotiSur, Nov. 8, 2013). It will now begin auctioning off US$220 million per week.
"If it doesn’t have anything to do with food, medicine, or capital goods; if it’s not a turbine or a motor or a chemical needed for industrial activity; if it’s not included in the import plan or isn’t a resource for students, diplomatic pensions, and health care, then those dollars will have to come from the SICAD," Ramírez said. The official is especially concerned about the US dollars that are sold to travelers. "Everyone has the right to travel. All we’re saying is that the country is not in a position right now to give those travelers a preferential exchange rate," he said.

"Bleeding" economies

The private corporation Polar, the country’s largest processed-food company, announced it would challenge both decrees as being unconstitutional. It expressed particular concern about the measure limiting profits. Venezuela’s two leading business associations, the Confederación de Industrias and Fedecámaras, also warned they would take legal action. A month after the decrees went into effect, however, neither Polar nor the aforementioned associations have followed through on their threats. The major media outlets have taken sides as well, telling people to resist the new measures, but without saying how.

The government, in the meantime, has taken advantage of opposition inaction to launch a number of successful raids. Overall, authorities confiscated thousands of tons of food and other staples that had been stashed away either for illegal shipment to Colombia or to be sold at a later date, when the products could fetch higher prices.

An unexpected result of those operations was a summit, held Feb. 6, in which the two countries’ foreign ministers, María Ángela Holguín (Colombia) and Elías Jaua (Venezuela), agreed on a packet of measures to crack down on illegal trade. Smugglers take advantage of the length (2,300 km) and porosity of the border, which is especially vulnerable along the stretch that hugs northeastern Venezuela.

Both sides see the agreement as an important advance. "This is an opportune moment to put together an emergency plan and fight this problem together, because it’s a crime that is bleeding both of our economies," said Holguín. "Colombia cannot allow these subsidized low-cost products to be [illegally] imported. Venezuela shouldn’t be paying for the food Colombians eat. This is a crime not just because it undermines the effort Venezuela is making, but also because it is tremendously harmful to our industrial sector, which can’t compete with these products."

Jaua claims that between 30% and 40% of the food Venezuela imports to resell at subsidized prices ends up passing through the northwestern border with Colombia. Smuggling involves other products as well. Fuel trafficking alone costs Venezuela an estimated US$1.4 billion per year, the foreign minister said.

An investigation in 2012 by the news magazine Semana, of Bogotá, Colombia, highlighted three cases that, given their characteristics, hint at the dimensions of the contraband problem. 1) In March 2012, authorities intercepted a shipment containing 12 tons of 25- and 50-cent Venezuelan bolívar coins destined for Colombian copper traffickers. 2) In October 2011, police discovered a building in Cali used for the sole purpose of storing merchandise imported illegally from Venezuela. Inside were 700,000 pairs of sneakers. "An entire building! It took 68 truck loads to empty it," the article reads. 3) In the northeastern department of César, fuel smuggling has co-opted an entire town. The community in question, La Paz, is home to approximately 24,000 residents, 80% of whom are...
involved in fuel trafficking, the town’s mayor Wilson Rincón told Semana. Many of those residents have converted their homes into dangerous makeshift warehouses. Fifteen minutes away, in Valledupar, the departmental capital, all of the city’s 22 legal gas stations have been forced out of business, the article claims. Fuel smuggling has been a problem since Caracas began subsidizing gasoline in 1998. In Colombia, a gallon of gasoline is now worth 10 times what it costs in Venezuela.

**Critics from within**

In Venezuela, the chaotic economic situation is fueling discontent not just among the government’s ever-critical opponents but also among some of its traditional supporters. In an article published Feb. 9 on the normally pro-government Web site Aporrea, bolivarian journalists Toby Valderrama and Antonio Aponte accused the Maduro administration of "underestimating the danger" posed by "the oligarchy and gringo [US] groups," which are moving "step-by-step toward a carefully planned coup."

The writers went on to say that the government "lost the strategic initiative, allowing the opposition to strike at us via the souls of the humble masses. It took advantage of our mistakes and encouraged selfishness, individual achievements. It neutralized the spirit of our struggle, convinced people to focus on easy short-term gains, to do anything for a few dollars. It managed to force us into an economic war that is really just a race toward consumerism. It other words, it forced us to fight within the logic of capitalism."

The article also criticized the government’s decision to extend concessions to private companies to make products the state does not know how to produce. The government "needs to get back [on track] because there’s no way to construct a socialist system that is dependent on the bourgeoisie," the piece concludes.

Valderrama and Aponte saw their suspicions dramatically confirmed on Feb. 12, when three young people died following a large anti-government demonstration. Maduro blamed the violence on extremist "fascist" groups, which he accuses of planning a coup d’état. Opposition leaders said the government was responsible for orchestrating the violence. The violence was condemned by the Comunidad de Estados Latinoamericanos y Caribeños (CELAC), the Unión de Naciones Suramericanas (UNASUR), and the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA), which all expressed support for the Maduro administration. The governments of Argentina, Bolivia, Brasil, Ecuador, Uruguay, Cuba, Nicaragua, Irán, China- and Russia made similar statements.

The Valderrama and Aponte article made public what had previously been a behind-closed-doors debate among government backers. The writer Freddy Camel Eljuri published a response, also in Aporrea, criticizing the two journalists for "putting all Venezuelan business people in the same bag as the bourgeoisie."

Filmmaker Jorge Solé, in a social-network posting, joined the discussion as well. "What are we supposed to do?" he said sarcastically. "If, with our social companies, we couldn’t make flour, we have to support Polar. Since we weren’t able to produce enough onions, we keep backing the company El Tunal so that they sell us what we need at 90 bolívares (US$14) a kilo." Solé concluded by saying: "Let’s call these what the really are: conciliatory measures extended to the bourgeoisie for political reasons."
Eduardo Terra, also a filmmaker, added his thoughts on the matter by saying the country not only can but "needs to" get back on its revolutionary track. "We can’t just stand here and do nothing while everything around us is falling apart," he said.

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