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The opposition's inability to capitalize on popular discontent, and the discovery of criminal actions that, to some degree, confirm government claims that the political right and business class are waging an "economic war," have together helped Venezuelan President Nicolás Maduro maintain his tenuous hold on power and stave off calls for his removal.

Since November 2016, while the population continues to suffer from serious supply shortages and high inflation (NotiSur, May 22, 2015), the government has collected information on what it calls an "attack on the currency" (the Venezuelan bolivar) and on the increasing flow of contraband across the lengthy border with Colombia. The governments of both countries admit that smuggling, both in terms of volume and value, has reached a superlative level along the porous, 2,216-km border. Much of the illegal trade involves gasoline, which is cheaper in Venezuela than anywhere else in the world, and subsidized Venezuelan foodstuffs.

The Maduro administration responded to the situation by pulling the country's largest-denomination bills (100-bolivar notes, the equivalent of US$0.10) from circulation and introducing even larger-denomination notes and coins ranging from 500 to 20,000 bolivares. "They were being extracted from the country at an extraordinary rate," the president said of the 100-bolivar bills. The government also decided to authorize the use of foreign currency for border-area gasoline sales.

The moves come at time when billions of bolivares have turned up in countries like Brazil and Paraguay, stashed in places belonging to people in the criminal underworld, generally people who've been accused of drugs and arms trafficking and money laundering.

On Dec. 11, when Maduro announced his decision to withdraw the 100-bolivar notes, he expressed concern about actions taken in Colombia against the Venezuelan currency (via a central bank resolution passed in the year 2000) and the economy in general (via the extraction of bolivar notes and the illegal use of US dollars, dubbed "Cúcuta dollars" in reference to the capital city of Norte de Santander, a Colombian department that borders Venezuela. "Along the border, currency-exchange decisions are made, not by Colombia's central bank, but by the exchange offices, which are controlled by mafia groups linked to the Venezuelan right," the president said.

Maduro estimates that more than 300 billion bolivares have been extracted from the country. "International mafias, using non-governmental organizations contracted by the US Treasury, are carrying out an attack to leave Venezuela without bills," he said without offering any proof. The president also said that Venezuelan money is being hidden in various Colombian cities, as well as in countries such as Switzerland, Poland, Ukraine, the Czech Republic, Spain, and Germany.

Containers of cash

Interestingly, Maduro did not mention Brazil or Paraguay, where on Feb. 13, more than 500 sacks of 50-and 100-bolivar bills—weighing a combined 30 tons—were found stashed in a storage area

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in Salto de Guairá, in the northern department of Canindeyú. Paraguayan prosecutor Julio César Yegros said the owner of the place is accused of money laundering, criminal association, and smuggling, among other things, and is a known drugs and arms trafficker. Three other people were arrested in connection with the case: two Paraguayans and one Brazilian.

On Dec. 19, the Venezuelan government announced a temporary closure of its border with Brazil, where nearly 5 billion bolivares have been recovered. Two months later, on Feb. 14, the website Paraguay.com reported rather vaguely that "some time ago the Special Crimes Unit of the Paraguayan department of Alto Paraná received information about the entry of two containers full of Venezuelan paper money." The site didn't make it clear whether the case had been investigated or what conclusions may have been drawn. And on Feb. 21, a police source in the Brazilian city of Curitiba, in the southern state of Paraná, said offhandedly that "the week before, five containers were found containing an impressive amount of Venezuelan money that appears to have been sold at a good price in Ciudad del Este," a Paraguayan city in the so-called Triple Frontier area (between Brazil, Paraguay, and Argentina) where the Iguazú and Paraná rivers converge.

Ciudad del Este has long been of interest to the US Drug Enforcement Agency (DEA). Various sources claim that US intelligence services also operate there to monitor elements within the city's large Muslim population that are suspected of financing jihadist groups.

In a context where "incompetence and especially sloth reign supreme," as a Brazilian judicial source told the Chinese news agency Xinhua, experts from Paraguay, the Venezuelan attorney general's office, and the DEA met on Feb. 14 in Asunción, the Paraguayan capital, to launch a joint investigation. "We haven't seen a case like this since before the Berlin Wall was built, in the middle of the last century, when communist Germany complained about the extraction of currency and about contraband from West Germany," a DEA spokesperson reportedly told the Paraguayan daily ABC.

Other media outlets around the world have paid attention to the issue as well, but with little apparent interest in accuracy, as evidenced by a Feb. 11 report on Venezuela's Globovisión suggesting that "the shipment of bills found in Paraguay went to Brazil four years ago and from there was transported to Paraguay." The Venezuelan government journal Correo del Orinoco challenged those claims in a Feb. 15 article. "There's a lot at play here and a lot of money involved. And it's not just being collected; it's also being transported around the world," the publication argued. "If what Globovisión said is true, then who's financing this kind of long-term operation, with a payoff that comes only after four years? One would have to think it's some kind of political operation. Pulling something like this off requires the backing of a large economic power, and a large infrastructure. There must be an element of power backing it. A serious analysis ought to recognize that this vastly surpasses what the detained Paraguayan man, a simple gun dealer, could be expected to handle. It's unlikely that he's the central player in such a wide-reaching plan, one that involves the stability of a sovereign and democratic country."

Cross-border profiteering

With regards to Colombia, Venezuela has asked, unsuccessfully, for the repeal of Resolution 8, a 17-year-old central bank decision that facilitates the exchange disparity and unsettles the Venezuelan economy by allowing for a double regulation of currency exchange, with an official rate established by the Banco de la República de Colombia, as the central bank is called, and another rate just for border-area money changers—"without defined patterns or controls."

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Didalco Bolívar, leader of an association of small and medium-sized manufacturers, says there are sectors within the opposition that want a political war against the national currency and therefore support the Colombian exchange rules. “It gradually weakened the bolivar, because it allowed Colombian citizens to play with the value of their currency, to the detriment of the weaker [of the two currencies],” he said of Resolution 8. “The result was an imbalance in the Venezuelan economy that the government is trying to correct by introducing new notes into circulation.”

The government’s other big response to the situation was to start selling gasoline at a differential price in border-area filling stations. A liter now costs roughly US$0.39 for all vehicles with Colombian license plates as well as those with Venezuelan plates but belonging to people who reside in Colombia. Elsewhere in the country gasoline prices are far lower: roughly US$0.10 per liter (for low-grade fuel). Prior to February, gasoline prices were lower still, costing less than US$0.01 per liter. That price had been locked in since the late 1990s.

In February 2014, during another moment of crisis along the border, the mayor of La Paz, a community in the Colombian department of César, made comments illustrating the situation that has played out there since the price freeze went into effect (NotiSur, Feb. 21, 2014). “Gasoline costs 80 times more in Colombian than in Venezuela,” he said. “As a result, 80% of our 24,000 residents make their living from smuggling. And they’ve turned their homes into dangerous storage areas where they hide tens of thousands of gallons [of gasoline].” Things got so bad, said the mayor, that all 22 of the gas stations in Valledupar, the departmental capital located 15 minutes away from La Paz, went bankrupt.

Three years ago, Colombian Foreign Affairs Minister María Ángela Holguín said—just as she is saying again—that the arrival into Colombia of subsidized Venezuelan goods needs to end. “Venezuela shouldn’t be the one paying to feed Colombians,” she said. “Not only is it criminal because it wastes the effort made by Venezuela, but it also affects our industry, which can’t compete with these products.”

The government in Caracas estimates that between 30% and 40% of the food it imports—and then offers consumers at subsidized prices—ends up in Colombian areas along the border. And it estimates losses from trafficked gasoline to be approximately US$1.4 billion per year.

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