By Marco Teruggi
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Venezuelan economy: more complex than you think

Interview by Marco Teruggi with Venezuelan economic analyst Luis Salas Rodríguez published July 16 in Sputniknews.com. Translation by Michael Otto.

“In order to understand the Venezuelan economic situation, it is necessary to get out of this black-and-white movie about good and evil,” says Luis Salas Rodríguez, master of sociology, researcher and editor of the economic portal 15yultimo.com. The screenplay boils down to two narratives which argue that the difficulties are due either to the U.S. blockade or to the Venezuelan government’s incompetence.

Salas explains: “The economic decline began before the blockade, not later, but I need to clarify two things. In the first place the blockade is an escalation in the process of [U.S.] attacks against the Venezuelan economy that have been occurring since 2013, and even since the days of [late President] Hugo Chávez. Not in the ways that began with Barack Obama’s Executive Order against the country in 2015, and the sanctions that he started to apply then, but through attacks on the currency, which were part of a strategy of economic attacks.”

[In 2015 Obama declared “a national emergency with respect to the unusual and extraordinary threat to the national security and foreign policy of the United States posed by the situation in Venezuela.” — WW]

In the second place, Salas emphasizes the fall in oil prices caused by fracking, largely driven by the U.S.: “Fracking was a direct attack on the Organization of Petroleum Exporting Countries, by way of flooding the market with an oversupply of U.S. oil, lowering prices which OPEC in particular had achieved after obtaining hegemony in the world market since 2000, when Chavez reunified OPEC."

The blockade, which was openly declared after 2017, was the biggest escalation in the years of continuing attacks on Venezuela. Faced with this, the government implemented a series of economic measures that Salas describes as contradictory.

Salas points out three major problematic areas: First, the policy of "paying off debt to lower the country's risk and satisfy international markets," which amounted to a $80 billion disbursement between 2013 and 2017. The objectives were not reached, which then "put the government in a much more complicated negotiating position." Second, the fall in oil production, "partly because of the blockade, but also because of internal problems." Third, a shift in the government's economic strategy beginning in 2018: "The government proposed changing the fundamental pillars, and has been moving in a tenuous direction that has not yielded results."

Economic impact shown in data

The Central Bank of Venezuela recently published data on some of the main economic indicators that show the impact of the combination of external attacks and internal problems. Salas stresses that the most relevant data concern the fall of the gross domestic product from 2014 to the third quarter of 2018. Numbers from that period had not been published [as of May 28].

Salas highlighted the following: "From 2014 to 2018 the Venezuelan economy shrank to half of what it was in 2012-2013. It's a fall in GDP equivalent to that of countries embroiled in a full-scale war, such as Sudan, Libya and Syria. We are talking about the Venezuelan economy regressing to the GDP of 20 years ago, but with 8 million more people. That explains many of the things that are happening, such as emigration, because reducing the country's capacity to produce a surplus is also driving a surplus population out."

The CBV also published figures for inflation, one of the most hotly debated issues in Venezuela. The data show the evolution of price increases, the appearance of hyperinflation beginning in late 2017, and the repercussions of the plan announced by the government in August 2018. One consequence has been the decline in inflation in the most recent months of this year.

"The plan has been successful in discouraging the pace of price growth, but the problem has been the cost of that policy. In general, the anti-inflationary strategy has been a therapy of monetary contraction and very strong economic activity. Workers' purchasing power has been deflated and state spending has been reduced in nominal and real terms," analyzes Salas.

Perspective on the economy

The debate on the outlook for the Venezuelan economy cannot occur apart from the political conflict and its main variables: the economic and financial blockade led by the United States in an attempt at strangulation and social breakdown; the ongoing attempt to overthrow the government through a combination of attacks; and the current negotiation process in which the government's demands include the withdrawal of the blockade.

"The main effects of the blockade will begin to be felt in the second half of this year. For example, there is the prohibition of flights from the U.S. to Venezuela, not only of people but also of cargo, which could make some supplies impossible to get or force them to be triangulated via other countries, which increases costs," explains Salas.

Another example is the July 27 deadline for the waiver that allows the Chevron oil company to operate in Venezuela. It's not known whether the U.S. will deny the permit in a bid to redouble the push for economic collapse, or whether, on the contrary, Washington will choose to leave the company in the country in order to avoid allowing its strategic competitors, China and Russia, to advance any further.

Oil is the key to thinking about the prospects for improving the national economy. "I believe that the only real possibility of reversing the trend is to reactivate the oil industry, the only Venezuelan sector with a competitive edge that can produce results in the short term with a multiplier effect," explains Salas.

"Supposing that the Asian market is presented as an alternative to exports to North America. What's certain is that — with current production levels — if that market is opened up, there is no possibility of supplying it because, according to the latest OPEC report, the [oil] industry is producing 700,000 barrels a day." Increasing production levels is crucial, particularly considering that oil [exports] contribute 95 percent of the foreign currency that enters the country. That means [it is necessary] to circumvent the blockades and correct internal errors.

The research Salas carried out rules out the possibility of a recovery based on the productive and export capacity of the private sector, which, as he explains, has received government assistance in recent years: "There is a fundamental, political problem in directing a process of economic recovery that depends upon who finances it.

"Nowhere does the opposition say that the private sector is going to finance development in Venezuela, even assuming that, according to the International Monetary Fund, the private sector in Venezuela has about $400 billion deposited in foreign accounts. There is talk about international organizations, whether private banking or the IMF, which involves privatization processes, particularly of the oil industry," says Salas.

Within the Venezuelan economy sits the condensed strategic kernel of the conflict between the U.S. and the Bolivarian government of President Nicolás Maduro. It applies as much to the viability of the Bolivarian project as it does to the strategy of overthrow, retaliation and destruction of the country. This is a strategy that the U.S. has designed with its local allies.

(Credit: Sputnik News)

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