

## Venezuela Takes Control of Its Borders as Bogota and Caracas Bring Their Cases to UNASUR

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On July 13, 2015, President Nicolas Maduro launched an ambitious campaign to fight organized crime (the Operation to Liberate and Protect the People–OLP) in the most seriously impacted states of the country. Over the past week, as a critical phase of this campaign, Venezuela has moved to take control over its notoriously porous border with Colombia in Táchira State, seriously disrupting the routine but illicit trade in contraband goods coming from Venezuela that has fueled a parallel economy in Colombia. This illicit trade, however, as well as manipulative currency exchange practices in the frontier area, has been generating some of the commodity shortages and the depreciation of the bolívar fuerte suffered by consumers in Venezuela. This is not a new issue. The crime and contraband problem along the border had been brewing for more than a decade. Moreover, a growing public outcry calling for decisive action to address both public security concerns and persistent commodity shortages has become particularly intense over the past two years and now threatens to derail the Bolivarian project ahead of the December 2015 legislative elections. Maduro had to either take decisive action or preside over the demise of the revolution.

This essay argues that there is a *direct relationship* between a significant part of the shortages of basic goods in Venezuela and the parallel economy in Colombia that is fueled by contraband smuggled out of Venezuela. This relationship, moreover, is unsustainable for the Venezuelan side and is a poor substitute for legitimate employment on the Colombian side. Though recent stepped up interdiction efforts over the past year have been intercepting contraband on a routine basis, the movement of subsidized goods out of Venezuela nevertheless has been unrelenting. Even the current operation, however, is only a temporary fix; it will take cooperation between Bogotá and Caracas on security, economic, and social matters along their common frontier to bring about a satisfactory resolution of this issue.

### **The Security Front**

On the security front, Caracas maintains that the smuggling of contraband out of Venezuela for sale in Colombia is not being suppressed with any vigor on the Colombian side. Some of these operations feed networks in Colombia that are even quasi-legal, and thus some analysts suggest that the continued existence of at least part of the parallel economy informs state policy in Colombia.

To make matters worse, the parallel economy in Colombia has involved, to some degree, paramilitary and other criminal elements who have infiltrated Venezuela through the frontier area over the past decade, as well as sectors of the poor and those displaced by the armed conflict, some of whom form

the ranks of lower level operatives of this informal economy. It also has depended upon the collaboration of easily encountered corrupt public officials on the Venezuelan side who have looked the other way for a price or otherwise collaborated with the smuggling networks.

President Maduro first ordered the border with Colombia in Táchira State closed for 72 hours last Wednesday night, after an attack by assailants that wounded three plain clothes members of the Bolivarian National Armed Forces (FANB) and one civilian during anti-contraband operations in the city of San Antonio. The Venezuelan government alleges that the attack was carried out by paramilitary elements from Colombia, some of whom have reportedly been arrested and identified.

On August 21, after alleging the involvement of paramilitary elements in the attack in San Antonio, Maduro ordered the border closed for 60 days (renewable for another 60 days). Caracas has so far deployed over 4500 security forces and declared a state of exception in the municipalities of Bolívar, Ureña, Junín, Libertad and Independencia (August 24), adding the towns of Lobatera, Ayacucho, García de Hevia and Panamericano four days later (August 28). By August 29, 250 inspections had been conducted and 70 tons of contraband were reportedly intercepted by Venezuelan authorities. After just one week, the OLP campaign in Táchira State is already having profound economic and social impacts in frontier municipalities on both sides of the border.

The Maduro administration's account of the incident is not farfetched, as this frontier area has been notorious for the infiltration of Colombian paramilitary elements, such as the Águilas Negras, into Venezuela, particularly subsequent to their demobilization by the Uribe administration in 2003 through the "Justice and Peace Law." In a special report from Táchira (*Las Águilas Negras volaron a Venezuela. El Espectador*, 31 Jan. 2009), Enrique Rivas G. reported that the power of such groups "has reached a point where in the frontier area they manage kidnappings; gasoline contraband . . . narco-trafficking and the theft of vehicles."

According to Amnesty International, demobilization of paramilitary groups in Colombia has not generally translated into a cessation of criminal activities, in part, due to prior neglect of the issue by the central government: "The collusion of sectors of the state apparatus, and some of those in business and politics, with paramilitary groups, and to a lesser extent with guerrilla groups and drugs-related organized crime, continues to pose a serious threat to the rule of law. The most glaring missed opportunity in this respect has been the failure to effectively deal with the noxious phenomenon of paramilitarism."

It is for these reasons that the Maduro administration has made combatting paramilitarism a top priority of its OLP campaign not only along its border with Colombia, but anywhere else in Venezuela that their presence is to be found.

## **The Economic War**

### *Manipulation of Currencies*

Perhaps one of the most difficult areas for Caracas to tackle is the manipulation of bolívar fuerte at currency exchange counters in Maicao, (a small town in the Colombian Guajira) and other towns along



the frontier, a practice that appears to take place with the full knowledge of Colombian authorities as well as those banks that enable electronic transfers to facilitate some of the transactions. In one scheme, what is being exchanged are bolívares for bolívares! A report published by Panorama on February 9, 2015 explains in detail how customers with banknotes from the Colombian Central Bank (Banco Central de Venezuela), with a denomination of 100 bolívares fuerte, can sell these bills at the currency exchange counters for 140 bolívares each (paid with bills of smaller denominations) and return to Venezuela with 40 percent profit for each 100-bolívares bill sold. The money changers or their associates can then repatriate the 100-bolívares bills to Venezuela, carrying the more physically (in terms of weight and volume) convenient load of currency (no small bills), in order to purchase contraband goods of all sorts in Venezuela for later sale in Colombia. The 40 percent premium paid is no big deal because the sale of the subsidized Venezuelan goods can garner up to 1,000 percent profit on the Colombian side of the border. Since the money changers can also pay the \$40 premium by means of electronic bank transfer, collaborating banks in both countries that are cognizant of these transactions are frequently integral parts of the money making process. The gold rush seems to be contagious, for there are now reports of a scarcity of 100-bolívares banknotes in Venezuela. Not even Garcia Marquez could have thought of such a surreal plot for a *novela*.

The currency exchange counters not only pay a premium for 100-bolívares bills, but sell bolívares in exchange for pesos at a deep discount compared to the official exchange rate for the Colombian peso. Sociologist and journalist Franco Vielma, speaking about this scheme on the radio show “El Tren de la Tarde” transmitted by La Radio Del Sur on May 15, 2015, describes the transaction:

“There is an official exchange rate expected by the Colombian Central Bank for the bolívar in relation to the peso, but along the frontier, in Cúcuta, and according to Dolar Today, there is different rate. Today one pays up to 225 pesos for one bolívar [according to the rate expected by the Colombian Central Bank], while along on the frontier the rate is around 8 pesos per bolívar.”

This sale of bolívares at absurdly low discounts depreciates the bolívar, making it cheaper to subsequently buy contraband goods in Venezuela with the deeply discounted, or rather deliberately depreciated bolívares. There is arguably no *invisible hand* at work here. This is not a matter of a determination of the price of a currency by supply and demand but of deliberate manipulation of currency values. In Venezuela, it is not uncommon for pro-government analysts to refer to such manipulation of currency as a feature of an “economic war” against Caracas or one of the many expressions of “speculative capitalism”. For Vielma, the “big question” is whether Colombian authorities are prepared to put the brakes on this situation. If not, Vielma said, “one has to admit that this government of Juan Manuel Santos is aware of the game and is responsible for it (*es artífice de ella*).”

According to Venezuelan economist Luís Salas Rodriguez, this scheme is actually legal in Colombia. “The currency exchange counters of Cúcuta—the majority of them at least—are not illegal. On the contrary, the type of exchange that they establish against the bolívar is manipulated to favor contraband and this is an act of war against our currency and against our economy; it enjoys the permissiveness of the Central Bank of the Republic of Colombia by means of the decree number 8 of the year 2000 [hyperlink added]. That decree authorizes them to set their own [the currency counters of Cúcuta]



exchange rate, which is what then drives down the official exchange rate of the Bank of the Republic of Colombia.”

There is a clear link between currency manipulation and the proliferation of contraband. These forms of manipulation facilitate the purchase of contraband and add to its profitability, and the profits in turn are reinvested in the currency exchange process. The vicious circle is clearly parasitic upon and negatively impacts the Venezuelan economy.

### *Smuggling Operations Fuel Colombian Parallel Economy*

Some of the smuggling operations service businesses in Colombia that have a quasi-legal or perhaps even a legal status on the Colombian side of the border. For example, Daniel Salgar Antolínez in a report for Colombian newspaper El Espectador, interviewed José Abel Correa, president of the union of *pimpineros* (small time gasoline vendors), Sintragasolina. Correa explains:

“On different occasions during the administration of Sergio Entrena as governor of North Santander, one paid a tax in order to sell contraband fuel. Under the government of Ramiro Suárez as mayor of Cúcuta, in 2000, there was also a tax for every *pimpina* [container] sold. In this way [selling contraband fuel] was legalized.” “Our union organization is 100 percent legal and forms part of the *Confederación General del Trabajo*.”

According to Correa, there has been a shortage of gasoline as a result of the closure of the frontier. He argues that this will cause an increase in unemployment in the area. This makes sense considering that, according to Correa, there are 30,000 *pimpineros* in the frontier region! “The *pimpineros*, that normally fill the streets of the city (North Santander) selling Venezuelan fuel, are hardly seen these days.” The few who are seen selling gasoline, says Correa, are now charging exorbitant prices.

There also appears to be big operators involved in the sale of contraband Venezuelan fuel. In February 2015, the President of PDVSA (the Venezuelan State Oil Company) Eulogio del Pino, pointed out that “on a daily basis about 100,000 barrels of fuel leaves [Venezuela] as contraband.” As Franco Vielma points out, in terms of liters (with a barrel equal to 159 liters) “we are talking about the extraordinary hemorrhaging of 15,900,000 liters of gasoline per day, based on estimates from the month of February.” “Basically,” adds Vielma, “if 60,000 barrels a day leaves Zulia [as contraband], the calculations suggest that the daily losses in the region oscillate around 5.2 million dollars, while the annual amount ascends to approximately 1.9 billion dollars.” Given the fall in the price per barrel of Venezuelan oil, it is more important than ever to recuperate these losses.

According to engineer and petroleum expert David Paravisini, not all of the contraband fuel can be absorbed by the *pimpineros*, who sell gasoline in small quantities. A significant amount of this fuel, he maintains, is appropriated by large oil concerns that resell the fuel under their own brand. For example, “Ecopetrol” says Paravisini, “sells Venezuelan gasoline that enters through contraband” and some of this fuel is even marketed to third countries.



Although Caracas wants to see an end to the parallel economy that is parasitic on Venezuelan regulated commodities, there is not likely to be much enthusiasm for such a radical transformation among the Uribistas and the Santos Administration in Bogotá. For the damage done to the Venezuelan economy advances a long term right wing agenda on both sides of the border to undermine the Bolivarian revolution and restore the neoliberal regime.

## **Impact of the OLP in Táchira State**

### *First Impressions*

The prima facie evidence for the direct relationship between the parallel economy in Colombia and commodity shortages in Venezuela became manifest within days of the border closure. Six days after the operation, there had been reports of the appearance of some of the items on store shelves that had previously been in short supply as well as cessation of some of the long lines that had afflicted shoppers at stores in frontier towns on the Venezuelan side of the border in Táchira State.

On the Colombian side, there have been reports of mounting price increases for goods in Cúcuta (capital of the Province of Santander), where there are streets lined with informal vendors stocked with contraband. Since an estimated 80 percent of commerce in Cúcuta depends on the contraband from Venezuela, the price increases are of little surprise. Moreover, videos have also been posted by news media showing persons in long lines of vehicles in Cúcuta waiting for gasoline, a product that has become immediately scarce on account of the seizure of illicit barrels of fuel en route from Venezuela to Colombia. Knowing that they cannot at this time easily cross the closed and guarded border with contraband goods, many *bachaqueros* (small time smugglers) as well as larger operators do not even try.

This OLP action has so far reportedly resulted in the deportation of more than a thousand undocumented Colombians (with between five to six thousand leaving voluntarily, avoiding possible formal deportation); the dismantling of a bordello that was sexually exploiting children; the arrest of a dozen alleged paramilitaries; the discovery of a house used for the production of explosives; the discovery of underground rooms apparently used for kidnappings; and the curtailment of the illicit diversion of thousands of tons of food, thousands of barrels of gasoline and other commodities that had been routinely transported daily by foot, motorcycles, cars and trucks, from Táchira into the frontier towns of Colombia.

### *The Colombian Response*

These unilateral Venezuelan security measures in the frontier area of Táchira State have not gone over well in Bogotá. On August 26, six days after the border closure, at a forum that included the ex-presidents of Costa Rica, Laura Chinchilla; of México, Vicente Fox; and of Chile, Ricardo Lagos; organized by the University of Los Andes in Bogotá, President of Colombia Juan Manuel Santos declared, “The problems of Venezuela are made in Venezuela; they are not made in Colombia or in any other part of the world.” Santos added “I respect the model of Venezuela with regard to the





economy and they should respect the model that we have.”

The problem with this mystification by President Santos is that the two economies, a parallel economy in Colombia dependent on Venezuelan contraband goods, and socialism under construction in Venezuela which regulates the cost of the food basket, gasoline, and other basic goods, are in fact related, and one dimension of that relationship is *intrinsically antagonistic*. In particular, Santos’s statements gloss over the direct relationship between the role of contraband used for commerce in the frontier towns and beyond on the Colombian side of the border, and commodity shortages and illegal smuggling operations on the Venezuelan side. Venezuelan authorities estimate that 30 percent of Venezuelan foodstuffs ended up as contraband in Colombia last year by means of the diversion of commodities available at regulated prices in Venezuela to informal markets in Colombia where smugglers (Colombian and Venezuelan), criminal gangs, and both licit and illicit businesses resell the goods at much higher prices.

In contrast to Santos’s mystifying statements (above), Colombian Foreign Minister María Ángela Holguín has acknowledged (August 13) that “effectively, the shortages in Venezuela have a lot to do with the contraband that is passing into Colombia.” “The large part of the problem is that when you subsidize all of the food products and the country on the other side does not subsidize, then logically there will be contraband (...) and it is very difficult to control and that obviously that is what we are trying to do.” While it is true that cheap Venezuelan gasoline and subsidized prices on basic goods provides big incentives for smugglers of contraband, Caracas has maintained that despite occasional agreements between the two nations to deal with the border issue, the Colombian side has not made any serious effort to curtail the flow of contraband, shut down the offending currency exchange counters, or rein in the paramilitary presence in the frontier area.

The Maduro administration’s anti-crime campaign has triggered charges by Colombian officials of xenophobia against Colombians, violations of human rights, and the creation of a humanitarian crisis. Ex-president of Colombia Álvaro Uribe described the deportations as “genocide” and compared Maduro’s actions to that of Hitler. So far the Venezuelan government has deported more than a thousand undocumented Colombians from Táchira, with estimates of between five and six thousand more leaving voluntarily in the face of the OLP campaign.

The Venezuelan side has argued that it is taking every reasonable measure to ensure the protection of the rights of the deportees, though testimonials and photos of destitute Colombians at shelters in Cúcuta show undeniable hardship. In an area that offers the poor few employment options, the low level smugglers are themselves victims of the parallel economy because this economy only exists in place of an alternative viable economic model that would be able to place meeting human needs above the interests of private accumulation and speculation. Speaking on behalf of the *pimpineros*, José Abel Correa, president of the union Sintragasolina, said: “we are a vulnerable population, without government guarantees. Poor people looking to survive, working hard, ending up being the visible face of the big mafias.”



President Santos, in response to the humanitarian concerns, has promised to assist deported Colombians with employment, housing, and healthcare, and to ensure the matriculation of children in schools. This is a good thing. But it is important to note that in Cúcuta the poverty rate for 2014 was 33.1 percent. These provisions are arguably social rights, however, that ought not be provided only on a contingent and emergency basis but rather should be available to *all* Colombians, including those displaced by the armed conflict or evicted from their homes by the banks.

Venezuelan authorities argue that far from being xenophobic, an estimated 5 million Colombians (15 percent of the total population) reside in Venezuela, and many are receiving social benefits that were not available to them in their home country. According to Venezuelan Ombudsman Tarek William Saab, “25 percent of the persons that have received housing [viviendas] from the Venezuelan Housing Mission are Colombians.” Maduro and other government officials are making an effort to debunk claims of prejudice against Colombians by emphasizing the friendship and historic links between the peoples of the two nations.

### **Bogotá and Caracas Turn to UNASUR for Mediation**

On August 27, just a day after what had appeared to be constructive talks between the foreign ministers of Colombia and Venezuela, the adversarial rhetoric is once again heating up, as first Bogotá, then Caracas recalled their ambassadors for consultations and now prepare to take their cases to the Union of South American Nations (UNASUR) for mediation. President Maduro has suggested that a delegation be formed to visit the border areas so delegates could see for themselves what is happening there.

The US State Department has issued a statement (August 29) urging a diplomatic solution to the “Colombia–Venezuela Border Dispute” and urging “special attention be paid to the worsening humanitarian situation along the frontier” while recognizing “the importance of secure borders and safe and orderly migration.” It is unlikely, however, that Washington will be able to play any critical role in the imminent diplomacy, since along with its Colombian allies, it has staunchly supported the Venezuelan counter revolution and omitted, in the press release, mention of the serious humanitarian concerns raised by the status quo in the frontier region.

While the Colombian government projects the image of being victimized by the OLP campaign in Táchira, it generally omits any denunciation of the paramilitary presence in the frontier region. In a break with the silence on this issue, Colombian Senator Ivan Cepeda Castro (Polo Democrático Alternativo), in a plenary session of the Senate on August 25, said “We strongly reject the exportation of paramilitarism to other countries. This is an act that is real and about which our government has guarded a grave silence.” Cepeda, who has criticized, on twitter, the treatment of Colombians by Venezuelan authorities, also called for a binational dialogue and urged that “the attention to the deported persons from Venezuela ought to be a priority; to ensure their housing and provide for their necessities is urgent.”



The Venezuelan right wing opposition coalition, The United Democratic Roundtable (MUD) has also weighed in against the OLP actions in Táchira. The Executive Secretary of the MUD, Jesus “Chuo” Torrealba tweeted on August 28 “After deporting more than a thousand humble Colombians, and after attacking thousands of Venezuelans, Maduro says ‘I believe in diplomatic methods...’” While attention to the well being of deportees is indeed legitimate, it is notable that the MUD as well as Bogotá, have omitted any strong denunciation of paramilitarism and the deliberate assault on the Venezuelan economy.

Maduro has calculated that the majority of Venezuelans and Colombian immigrants will back the OLP campaigns. During a mass demonstration in Caracas against paramilitarism on August 28, the President appealed to Venezuelans as well as Colombian immigrants to take a stand against paramilitarism and to defend the OLP and the right to live in peace. Maduro has committed to keeping the border with Táchira State closed until Colombia enforces the law on its side of the border. Given the dependence of Colombia’s parallel economy and collaborating networks in Venezuela on contraband coming from Venezuela, however, this is a tall order, but one that is an urgently necessary part of Maduro’s bid to recuperate the Venezuelan economy.

As this article goes to press, a meeting is being held at the Organization of American States to discuss the Colombian–Venezuelan border issue.

Note: Translations by the authors from Spanish to English are unofficial.

Direct quotation added: The quotation about the Venezuelan Housing Mission by Tarek William Saab was added in place of a paraphrase on 09-02-15 and the source for Saab’s statement, *El Universal*, was provided by hyperlink.

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