

Maduro plays all in, with a new economic plan

Antonio De La Cruz

Director Ejecutivo

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Nicolás Maduro is betting the little political capital he has left and decides to play all in with the rest of the economic measures announced last Friday. He seeks, with the application of a new economic plan, "Plan for the National Economic Recovery", to rebuild the trust that is necessary to get out of the severe political, social and economic crisis that Venezuela is going through.

The sustained protests of nurses for a salary increase and medical supplies, as in other sectors of the government, the continuous cuts of the electric service, the lack of water supply, high food prices and the shortage of medicines make Venezuela a turbulent and conflictive country. Thus, most Venezuelans want Maduro and his regime to leave (Meganálisis).

Also, the apparent drone assassination attempt puts Maduro on the ropes. The regime failed to get democratic governments to show solidarity with the alleged attack, while representatives of the diplomatic corps accredited in Caracas attended the session of the National Assembly that dealt with the disappearance of Representative Requesens -apparently linked to the assassination attempt- and the violation of the parliamentary immunity.

The Plan de la Patria 2013-2019 (Chavez's plan for Bolivarian socialist management: "a powerful country socially, economically and politically") led to the economic collapse of Venezuela. In five years, the gross domestic product (GDP) will have fallen 50%, according to the International Monetary Fund (IMF). That is, the size of the economy will be reduced to the level as when Hugo Chávez came to power in 1998. The 20 years of the Socialism of the 21st century swept away the Venezuelan economy. The trillions of dollars that entered the country from oil and non-oil exports did not translate into economic and social welfare for the nation. Quite the opposite.

To keep the Plan de la Patria alive, Maduro financed the public deficit, increasing the bolívares fuertes in circulation, and implemented price and currency controls. However, he could no longer support the issuance of inorganic money, and that is why he appealed for a financial re-engineering. He asked Venezuelans to have faith and wait two years to see the results of its implementation, the "economic package" because the tactic of the "plan for national economic recovery" is to execute complete social control on Venezuelans and to nationalize the economy.

The enabler for this purpose is the "Fatherland Card" (Carnet de la Patria) that is currently associated with the CLAP food boxes. Besides, it will include the gasoline subsidy, the economic conversion bonus, and the payment by the State of the differential between the current and the proposed salaries accrued by the workers of the Small and Medium Enterprises and the entire private sector for 90 days. The latter will impact business liabilities, which will allow Maduro to nationalize or buy the businesses through the new generation of boliburgueses close to the couple Maduro-Flores -such as Putin did in Russia with the oligarchs.

The other determining factor in the paquetazo rojo (big red package) is the management of the bolívar as a medium of exchange, accounting unit and stock of value, for which Maduro created the sovereign bolívar anchored to the petro. At the same time, the petro is pegged to the price of one barrel of Venezuelan oil. That is, a petro is equal to a physical barrel of oil in the reservoir as a reserve or as future production.

With this Maduro seeks to "oil" the economy, so he ordered PDVSA to register all its operations in petros, as an accounting unit, starting on August 20.

In practice, the petro is a petroleum debt that the Maduro regime will cancel with oil reserves or with oil shipments. The Russian oil company Rosneft and the China National Offshore Oil Corporation have been working on the first form of payment as collateral for their debts, and the delivery by Maduro of the hydrocarbon reserves of the Ayacucho 2 block to the BCV to strengthen international reserves has the same intention, the indebtedness of oil reserves. Also, the payment with shipments of crude oil in the future is the current form of cancellation of the line of credit of the Chinese Fund (Venezuelan oil barrels in exchange for Chinese goods and services).

The rest of the paquetazo rojo:

- 3,361% salary increase;
- devaluation of the currency at 2.311%;
- an increase of the value-added tax (VAT) 4% to go to 16% -subsequently 4 places, and it occupies the sixth place in the table of countries that pay the highest VAT in Latin America-;
- 2% increase in the tax on large financial transactions, except for the industrial sector;
- repeal of the Law on illicit exchange rates;
- an opening of 300 exchange houses in the country;
- exemption from the payment of income tax to PDVSA and subsidiaries and joint ventures domiciled or not in Venezuela;
- exemption from import taxes and customs duties on capital goods and new and second-hand manufactured products acquired in the international market; and
- gasoline increase, not yet announced,

seeks to stimulate the supply and demand of goods and services, the closing of the fiscal gap and, according to Maduro, the objective is a zero-fiscal deficit.

Maduro knows that the viability of the Plan de la Patria is a failure if he continues been addicted to the consumption of bolívares to finance the fiscal deficit. Also, there is no productive apparatus to deal with the vice of the bolívar.

Therefore, to get out of this situation, Maduro seeks to subdue the Venezuelan people with the Carnet de la Patria, to the point that with the card everything, nothing outside of it; and deliver

the resources of the subsoil, hydrocarbon reserves and petroleum production through the petro in markets that will accept it.

Consequently, Maduro plays all in, with a new economic plan.