

The rise of fuel prices in Venezuela is a political move

Antonio De La Cruz

Executive Director

11/Sep/2018

A week has passed since Nicolas Maduro announced an increase of the price of gasoline in Venezuela. At that time, he said "the new payment system was going to be subjected to trial for 15 days in eight of the 23 states in the country: the southern state of Bolívar, bordering Brazil; those of Delta Amacuro, Falcón and Sucre, in the Venezuelan Caribbean coast, and in the west the states of Amazonas, Apure, Táchira and Zulia, bordering with Colombia". He also informed that the sale of fuel in the 85 border municipalities would be through an electronic system with several security measures to prevent smuggling to neighboring countries, because the "new system aims to cut off the hands of Colombian scoundrels that steal gasoline from us and take billions of dollars of gasoline belonging to Venezuela".

The new system to buy gasoline subsidized by the regime requires citizens to be registered in the Carnet de la Patria System and their vehicles to be registered in the National Transportation Census. The rest of the population will have to pay "the international price of fuel" to be announced on October 1st. Also, the new system incorporates the use of fingerprint technology to activate the fuel pump.

The official explanation for this social control method is to be used as a mechanism to prevent fuel smuggling. By 2015, illegal fuel export was 100,000 barrels per day, according to Eulogio del Pino. It is an illicit business worth around 4.5 billion dollars a year, with the price of fuel in Colombia 0.77 dollars per liter of gasoline.

On the other hand, the volume of gasoline smuggling in Venezuela is at the same level as other activities developed by the Mafia-like state, such as drugs, gold, coltan, and others. According to the Organized Crime Research Center, Insight Crime, the illegal export of gasoline in the Colombian-Venezuelan border is managed by the National Guard of Venezuela (GN) and the National Liberation Army (ELN) of Colombia.

The significant fall in oil production and refined products due to the crisis affecting the oil industry in Venezuela leads to a collapse in fuel supply. So, the measures were taken by the Maduro regime point to rationing of gasoline in Venezuela, to continue satisfying the business of gasoline smuggling.

The confirmation done by the regime that the new price of gasoline will be above the price in Colombia is not viable, because the resulting value would be 47 *bolívaes soberanos*. And with this new price, filling a 40-liter tank would cost the equivalent of a minimum wage.

Also, Maduro's intention to "save more than 10 billion dollars [to invest] in benefits for our people" is a fairy tale, because the reality indicates that the vast majority of Venezuelans will buy gasoline subsidized by Maduro. So, PDVSA will continue to subsidize gasoline as it has done so far.

Maduro affirmed that 80 percent of the car fleet, 3 million 385 thousand 837 motor vehicles, was registered in the National Transportation Census (CNT), and that "one million 800 thousand Venezuelan Carnet de la Patria cards were issued in the country". Adding to 18 million 395 thousand 792 card holders "equivalent to 90 percent of the Permanent Electoral Registry".

So, the adjustment of the price of gasoline is not an economic decision, nor a financial one. It is political. The adjustment has the objective of dominating the will of the Venezuelan people, rationing the use of fuel and controlling its movement. At the same time, it allows Maduro to keep smuggling gasoline with the National Guard and the ELN.

Therefore, Maduro says "trust me, have faith, absolute confidence that the new fuel policy with the Carnet de la Patria System and this fingerprint machine will bring [the sea of] happiness, prosperity, savings, and net income". And the Minister of Defense, Vladimir Padrino López, supported this statement by saying: "The President has taken a bold step to reverse the [economic] situation. We have to give a dose of confidence to the program [red package]. We have to trust, to be optimistic. We have to bet on the program and its success".

The price of gasoline below 50 bolívares soberanos and its subsidy generate the conditions for the growth of a black market and fuel smuggling.

It is because of all this that Maduro does not announce the new price of gasoline yet, because it would deflect the political intention of the increase, which is the submission of the Venezuelan people to a country that is going to be paralyzed.