

Chavismo and Post-Chavismo's Economic Labyrinth

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Socialism of the 21st Century, the political project of Chávez and the Castro brothers, is expressed internationally through Petrocaribe and the countries of the Bolivarian Alliance for the Americas (ALBA for its Spanish acronym); and through the *social missions* within Venezuela's borders. The financial resources required to implement them come from Petróleos de Venezuela (PDVSA).

Petrocaribe is the mechanism through which Venezuela and its allies take control at the Organization of American States (OAS) of any initiative that challenges the legitimacy of their governments.

The ALBA is the concretion of the countries' social side that displays the project's so-to-speak "human phase". This is where a government, that rules so that the weakest sectors embrace the hope of improving their quality of life, exercises its power in exchange for their identities as free peoples who live in a democratic system with efficient institutions and independent powers.

The social missions are the key element of the electoral strategy which, through the administration of the people's expectations about their basic needs like housing, health services, food, extort voters by means of fear while exercising their right in any balloting process.

PDVSA represents 96% of the total exports of Venezuela. That is to say that the government promotes a public-financing model through the oil's revenues. Likewise, PDVSA confers 95% of its income (\$) for oil exports to the government and the purchase of public debt by means of loans and debt emission (petrobonos).

This political model that's backed by a government whose decisions are made by one *caudillo*, Hugo Chavez, is based on the assertion that the economic process follows a rule of the social organization of humans and that the production means have to be owned by the community. And, consequently, cooperation is crucial to reach efficiency.

The results in Venezuela indicate a monetary deficit to cover public expenses that reveal a fiscal deficit equivalent to \$45 billion; a foreign-exchange parallel market that is four times the value of the official one; a shortage of basic food products; a delay on payments to the beneficiaries of the social missions and a cash flow deficit in PDVSA.

Why?

After seven years of continuous efforts to fulfill the persistent need of resources that are essential to sustain *Socialism of the 21st Century*, PDVSA is facing a cash flow deficit that jeopardizes its solid operational stability.

According to the official figures conveyed to OPEC by PDVSA, the production goal for 2013 would be 2.8 million barrels per day (b/d).

PDVSA might obtain revenues of approximately \$65 billion for a net oil export volume of 1.5 million barrels per day (b/d); for other ordinary/extraordinary incomes as well as for its participation in other subsidiaries abroad. The oil estimated market value is \$100/barrel and the exchange rate of 6.30 VEB/US\$.

Likewise, PDVSA would pay the government \$30 billion for taxes and perks as well as contributions to the different saving funds like Ahorro Nacional, Independencia 200 and FONDEN. Hence, it would have \$35 billion to control.

Nonetheless, in order to operate, PDVSA needs to run an OPEX (operational expenditure) of \$34 billion and to keep its production potential, similar to 2012, it requires a CAPEX, capital investment, of \$22 billion. It also has loan commitments for \$7.5 billion for the projects with the subsidiaries abroad and a service debt for 2013 is in the amount of \$3 billion.

The total charge, OPEX and CAPEX of PDVSA for 2013 add up to \$66.5 billion. Consequently, **PDVSA would have an estimated shortfall in cash flow of \$31.5 billion.**

If we include the promissory notes of the National Treasury --Oficina Nacional de Tesoro (ONT for its Spanish acronym)--which PDVSA has used since 2010 to meet its obligations with the Central Bank of Venezuela, the fiscal deficit would reach \$38 billion.

Socialism of the 21st Century's project has become an economic labyrinth for the Chavismo and the Post-Chavismo's government. Its effects may be experienced today because of the following: an accelerated decline in the quality of life of the Venezuelan population; it holds the continent's highest inflation rate which is expected to reach 40% by the end of the year; it is one of the most dangerous countries in the world; it has a diminished productive system with an importation level of 70% of its goods used as inputs in the production; its oil production is committed with China to supply 360.000 oil barrels per day until 2022; PDVSA's accounts payable balance to its suppliers is past-due 180 days and it amounts to \$13 billion; it must subsidy the 210.000 barrels per day that are to be shipped to the signatory countries of Energy Cooperation Agreements (Petrocaribe and ALBA).

The economic labyrinth that implies the financing of ***Socialism of the 21st Century*** entails a dilemma between getting bogged down in debt abroad, aside from making macroeconomic adjustments such as increasing the price of gas; or to establish a program that aims at improving the operational efficiency of the industry as well as to review the donation mechanisms to the different Funds.