

Politics versus trade

Hugo Chávez stamps out regional economic integration.



Business is slack at José Nelson Uribe's tiny grocery store in San Antonio del Táchira, just a stone's throw from Venezuela's border with Colombia. "I'm not selling even a quarter of what I sold before," says Mr Uribe. His woes are a result of the political conflict between his namesake, Colombia's president, Álvaro Uribe, and Venezuela's Hugo Chávez. "Before" means before July 28th, when Mr Chávez declared a "freeze" on diplomatic ties and said he would seek alternatives to Colombian goods. This was officially a response to an agreement formalising American use of seven Colombian bases for anti-drug operations, but it also coincided with questions as to how anti-tank rocket-launchers sold by Sweden to the Venezuelan army ended up in a camp belonging to the FARC guerrillas in Colombia. It is not the first time that Mr Chávez has threatened trade sanctions, but this time he seems serious.

The impact on the border region was swift. For each country, the other is the second-biggest trading partner (after the United States in both cases). Bilateral trade totalled \$7.2 billion last year, of which \$6 billion consisted of Colombian exports, mainly of food, live animals, clothing and cars. Four-fifths of that trade passed along the twisting mountain road that links San Antonio with the state capital, San Cristóbal. "That represents 50,000 direct jobs and 250,000 indirect [ones]," says José Rozo, a local business leader. Many of these are in transport firms and customs agencies. "Before, the local lorry drivers were doing around 500 trips a day," Mr Rozo says. "Now it's down to about 80." Industry in Táchira has been hit too, since many companies depended on imports from Colombia.

The border is not closed. But few of the 30,000 Colombians who used to cross each day to shop do so now, because Venezuela's National Guard confiscates their goods when they recross the border, says Mr Uribe, the shopkeeper. Venezuela's government has stopped issuing import permits, nor is it providing dollars at the official exchange rate for imports from Colombia (a dollar costs almost three times more on the parallel market).

Many of the businesses in Táchira are owned and staffed by Colombian migrants, and the state is governed by the opposition. But the trade sanctions will hurt Venezuelans throughout the country, albeit less visibly. To substitute Colombian goods, Mr Chávez signed import deals with Argentina worth \$1.1 billion, including 10,000 cars (an import quota previously assigned to Colombia), medicines, 2m pairs of shoes and rice. The government claims these will work out

cheaper, partly because import tariffs will be waived. But it is not clear whether Argentina's farmers, who have suffered drought and punitive taxes, can deliver the goods. And Venezuela's inefficient ports are already choked.

Trade has hitherto served to damp down the frequent flare-ups between Mr Chávez and Álvaro Uribe, political opposites who share a volatile temperament. Luis Carlos Villegas, the head of Colombia's industrialists' association, says that although exports will fall, they will remain "high" because of the two countries' economic interdependence. But some Colombian businesses are already looking to other markets in Latin America and beyond. "We will not accept threats and blackmail," says Javier Díaz, president of the National Association of Exporters. "We will keep selling to them, but we can no longer depend on the Venezuelan market." Exports were already falling before the latest measures. Colombian exporters say they are owed \$545m by Venezuelan importers, whose payments must be approved by the government's foreign-exchange authority. Brazilian exporters make similar complaints. Although some Colombian businesses will adapt, clothing makers, cattlemen and car-assembly firms may find it hard to find other markets.

The main winners in all this are the mafias who smuggle petrol, foodstuffs and other goods across the border. "These gangs involve powerful interests, linked to both civilian and military authorities," says Mr Rozo. "Their capital comes from illicit activities like drug-trafficking and kidnapping." Local people say lorries apparently loaded with smuggled goods are crossing the border nightly.

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