Venezuela, share of uncertainties for the Colombian economy

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As long as Chavism leads the country, Venezuelan economy will be a factor of uncertainty for Colombia's foreign trade, although not a determining factor in its results.

The transformation of the economic and political system undergone by the brotherly country when Hugo Chávez took the reins of the government 14 years ago, forced Colombia and its entrepreneurs to reformulate their foreign strategy and to break their dependence on who has always been considered as their natural partner.

With a background of a more diversified map of businesses abroad, Colombia has managed to increase its exports to the aforementioned country thanks to a resumption of political and diplomatic relations led by Santos' government, preceded by a profound crisis generated during the eight years of Uribe administration.

In 2012, the country exported 60.208 billion dollars, 4.2% of which hardly represent the share allocated for Venezuelan market, although this figure increased by 1.4 percentage points compared with 2011, according to the official figures.

This figure lags behind Panama (4.7%), China (5.6%), the European Union (15%) and the United States (36.5%).

As a result of the diversification accomplished by Colombia given the difficulties arising from exportations to Venezuela, along with the development of commercial treaties, the map of the country's exports currently includes over 25 new destinations for our products.

In 2012, Colombian companies sold assets in the value of some USD 2.556 million to Venezuela, which represents an increase of 48.2% over 2011.

According to many analysts, this increase is also explained by the entry into force of the Partial Scope Agreement between both countries, with the objective of establishing new rules with regard to commercial relations, after Venezuela made allegations against the Cartagena Agreement in 2006 and after a five-year transition aiming to develop new mechanisms for binational relations at economic level.

Even though businesses have grown, the internal situation of the neighboring country does not set a clear path to ensure a recoupment of losses.

After the recent death of President Chávez, his successor had to "command" a devaluation and, at the time of writing this article, he had to hold an auction to offer dollars to large companies with the purpose of boosting the economy and controlling the inflow and outflow of foreign currency.

Orlando Gutiérrez, a member of the International Economy Observatory of the International Development Research Centre (CID) and a Lecturer at Universidad Nacional de Colombia School of Economics, states that if the Maduro administration manages to keep the currency outflow under control, Venezuelan economy will not be underfinanced and foreign trade, namely with Colombia, will continue at the same level.

"For this reason, I do not think there will be a radical change. Binational trade will continue to grow since Venezuela has a rent-based economy; it depends on oil prices, which are unlikely to drop or to be threatened. Venezuela has sufficient funds to buy to Colombia exactly the same as in previous years", affirms the expert.

In his view, the binational dynamic trade will thus not increase significantly but growth can be sustained and the revenues obtained by the neighboring country from oil are the foundation for maintaining purchases and eventually increase them.

Nevertheless, Gutiérrez warns of a phenomenon that the Colombian government itself and entrepreneurs started to feel: the encouragement of some products' smuggling to Colombia due to devaluation.

Meanwhile, the exporters themselves are skeptical about the development that their businesses might have within the Venezuelan market. They believe that, despite this country's import needs, there are no available dollars to buy and therefore imports are restricted in practice.

To this situation is added the fact that there is a reality which will be difficult to overcome as long as Chavism leads the country: the private sector's distrust of a government which does not address the problem of old debts, bases the progress of a country on the State and looks upon entrepreneurs with suspicion instead of considering them as allies.

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