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Contradictions in Venezuela

While Venezuelan President Hugo Chávez censures unbridled capitalism, businesses agree there is still money being made dealing with South Florida's top trading partner.

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These may be the best and the worst of times for business in Venezuela.

A recent Greater Miami Chamber of Commerce event on the business climate in the South American country highlighted the success of companies tapped into Venezuela's oil industry and consumer boom. But for those facing surging costs from rising inflation and import restrictions, times are challenging.

American business executives may also find that doors are opening faster for European and Asian companies, participants warned.

The Chamber discussion underscored deep contradictions between President Hugo Chávez's rhetoric against unbridled capitalism and a thriving business environment, as well as keen interest in the topic in South Florida.

An overflow crowd of 115 local and Venezuelan executives attended the Jan. 24 meeting, "Post-Election Venezuela: What Does the Future Bring for Commerce?" and heard from executives doing business in Venezuela.

Jerry Haar, a professor at the College of Business Administration at Florida International University and moderator for the event, said the idea was "to hear from people who are on the ground," instead of government officials.

Riding the surge of oil prices, Venezuela still offers good opportunities for South Florida businesses even as the debate continues about the impact of Chávez's announcement of the renationalization of utilities that were privatized in the 1990s, they said. Only days later, Chávez gained the power to legislate by decree from the National Assembly.

Although the Venezuelan economy has grown at the rate of an Asian Tiger for three years, it is still recovering from a 2002-2003 oil workers' strike that helped trigger a double-digit fall in the country's gross domestic product, the broad measure of economic output.

RISING PRICES

Oil prices have soared in recent years and hover above \$46 a barrel for the country's less expensive, harder-to-refine heavy crude. (Venezuela is one of the top four oil suppliers to the United States, along with Canada, Saudi Arabia and Mexico.)

Companies experienced in doing business with Venezuela have learned to deal with current realities.

Miramar-based General Motors Latin America, for instance, reported record sales in Latin America, Africa and the Middle East in 2006, including an annual sales record in Venezuela.

And Mariano Oliva, Wendy's International's franchise director for Venezuela, said Venezuelan sales at the fast-food chain surged 35 percent to 40 percent in 2006 and the company expected another increase of 25 percent this year.

"Even though we are coming back slowly, we are not at the same level as before the strike," Oliva said at the Chamber event.

SEEKING SUBSTITUTES

Wendy's franchises in Venezuela are exploring import substitution by finding local suppliers for some products and supplies, he said. Wendy's is also looking at importing products from the Mercosur trade bloc -- perhaps French fries from Argentina or paper products from Chile, he said.

Roberto Vainrub, president of the ActiValores brokerage firm in Caracas, warned that the fluctuating price of oil creates uncertainty.

Sentiment can change rapidly, Vainrub said. Chávez's announcement that he planned to buy back the telecommunications firm CANTV at a still undetermined price not only sent people fleeing the stock market but also spooked long-term investors.

"They have taken away 60 percent of the value [of CANTV] with one microphone announcement," said Vainrub, who is also a professor at the country's leading business school, IESA.

"Chávez has a mandate to do what he is doing," Vainrub said. "You are going to see more economic intervention. I believe we will see more currency exchange control."

César Vásquez, a manager in the medical division of Olympus Latin America -- a Japanese company -- said that there are advantages to being a non-American company.

"They would rather buy from Europe," said Vásquez, whose company sells endoscopy instruments.

But trade, tourist and business ties between South Florida and Venezuela continue to be strong.

INFLUX OF MONEY

Despite exchange controls, Venezuelan money continues to pour into the local real estate market and local banks, according to many executives.

The South American country is the No. 1 export destination for products shipped through South Florida's airports and seaports, in part because the country's oil industry is heavily supplied with parts and equipment from the United States.

"If you are exporting then really what is the risk?" said John Price, president of InfoAmericas, a research and consulting firm specializing in Latin America.

But will the best and worst of times continue to coexist?

"Things are going to get tougher and tougher," Price predicted.