

For Venezuela, as Distaste for U.S. Grows, So Does Trade

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CARACAS, [Venezuela](#), Aug. 15 — “Capitalism will lead to the destruction of humanity,” President [Hugo Chávez](#) said this month in a speech in Vietnam, during an overseas tour that included stops in Iran and Belarus. The United States, he added, “is the devil that represents capitalism.”

Yet even as the talk from Caracas and Washington grows more hostile and the countries seem to be growing ever farther apart, trade between Venezuela and the [United States](#) is surging.

Venezuela’s oil exports, of course, account for the bulk of that trade, as the country remains the fourth largest oil supplier to the United States. Pulled largely by those rising oil revenues, trade climbed 36 percent in 2005, to \$40.4 billion, the fastest growth in cargo value among America’s top 20 trading partners, according to WorldCity, a Miami company that closely tracks American trade.

But American companies are also benefiting, as Venezuela’s thirst for American products like cars, construction machinery and computers has steadily grown, rising to \$6.4 billion last year, from \$4.8 billion a year earlier.

The new growth comes even as Mr. Chávez has done his best to try to redirect his nation’s trade toward what he considers more likeminded nations. He has formed a new socialist trade agreement with Cuba and Bolivia. A few Chinese cars can now be glimpsed in showrooms here. Iranian tractors are rolling off a new assembly line. And a Russian company plans to open a Kalashnikov rifle factory soon.

Washington has moved to halt American weapons sales to Venezuela, for what it says is a lack of cooperation in combating terrorism, as Mr. Chávez deepens ties with countries like Iran.

But while the leaders in Washington and Caracas may regard each other with distaste, there is little getting around the fact that the appetite for trade in both nations belies those differences. Especially when it comes to oil, the economies remain mutually dependent.

Some say the ties have left the two nations entangled to a degree that political or ideological disputes would have a hard time undoing. “The U.S. has been Venezuela’s principal trading partner for a century,” said Robert Bottome, editor and publisher of *Veneconomía*, the country’s leading business newsletter. “It’s not easy to dismantle such a relationship, though that is probably Chávez’s ultimate desire.”

Venezuela moved in that direction on Tuesday, with its national oil company saying it had agreed to sell its stake in a Houston refinery for more than \$1.3 billion in cash.

Still, the trade numbers illustrate a widening gulf between Mr. Chávez’s increasingly anti-American speeches, aimed at revving his political base, and the needs of Venezuela’s otherwise freewheeling economy.

For instance, non-oil exports to the United States climbed 116 percent in the first three months of the year, according to the National Statistics Institute. Venezuela also maintains close ties to Wall Street banks, with Morgan Stanley and Credit Suisse advising the governments of Venezuela and Argentina on their coming sale of \$2 billion of bonds.

The growth in economic ties has touched several sectors, even if political tensions have left American companies generally hesitant to call attention to their good fortune or to offer detailed comments on their operations.

Regulatory filings show that Venezuela's economy, which grew 9.6 percent in the first half of the year, is lifting profits for many American companies.

Most delicately, oil services companies like Halliburton, an emblem of the Venezuelan government's distaste with American foreign policy, are at the forefront of the deepening interdependence.

"There's rhetoric and there's business," said an official with the [United States Commerce Department](#) who closely follows trade with Venezuela, and asked not to be identified because of the sensitivity of relations between the countries. "The Venezuelans can't produce their oil without our equipment. It's as simple as that."

With 10 offices and 1,000 employees in Venezuela, Halliburton recently won a contract to assist Petrozuata, a venture between Venezuela's national oil company and ConocoPhillips, in extracting oil from fields in eastern Venezuela.

Melissa Norcross, a Halliburton spokeswoman in Houston, declined to comment specifically on activities in Venezuela, but noted that the company had operated in the country for more than 50 years.

In its July filing with the Securities and Exchange Commission, Halliburton reported that its energy services group, which helps companies drill for oil, hit double-digit sales growth in Venezuela in the first six months of 2006, offsetting a decline in Mexico.

At the same time, Venezuela's government often speaks out against the strength of American multinationals, and recently has exerted greater control over the oil industry, with the largest American oil company, Exxon Mobil, publicly chafing at its treatment.

Chevron, the second-largest American oil company, said last month that Venezuela's reorganization of its oil industry would cut Chevron's output by 90,000 barrels a day later this year.

Mr. Chávez has also been critical of American software companies like Microsoft, and has issued a decree ordering the country's government offices to move toward open-source alternatives like Linux. Government-financed cooperatives in urban barrios and the countryside, meanwhile, churn out everything from shoes to organic cocoa.

Still, demand for American products remains strong. General Motors, Ford and other car manufacturers are trying to meet soaring demand, with sales up 28 percent in July from last year. G.M., Venezuela's largest car manufacturer, said this month that it would invest \$20 million to expand output by 30 percent, adding 600 new workers.

Here in Venezuela's frenetic capital, the pervasive presence of American brands and advertising for American products stands in contrast to the colorful murals heroically depicting Mr. Chávez and Simón Bolívar, and billboards emblazoned with slogans taunting President Bush. (One reads: "Mister Danger, Let Us Make Love and Not War.")

The resilient ties with the United States are too much for some of Mr. Chávez's critics on the left, including Douglas Bravo, a former Marxist guerrilla commander who was once close to Mr. Chávez, but who has broken with him over Venezuela's heavy reliance on energy companies from rich industrial countries.

"If you look at its speech and discourse, this is a revolutionary government," Mr. Bravo said in a recent interview with the newspaper *El Nacional*. "But if you look at what it has accomplished, it is a neoliberal government."

Some government policies have unexpectedly benefited American companies. For instance, after Venezuela restricted access to foreign currency for trips abroad to prevent capital flight during a sharp downturn in the economy in 2003, MasterCard profited because

travelers were still allowed to spend up to \$2,500 on their credit cards outside Venezuela.

Though MasterCard has recently stopped breaking out figures for Venezuela, it credited the exchange controls with helping to raise its gross dollar volume in the country by 82 percent, to \$460 million, in the third quarter of 2005.

“We’re going to have to pass on this one,” Janet Rivera, a MasterCard spokeswoman, replied when asked about operations in Venezuela.

Other American companies continue betting on Venezuela, even as Washington looks at tightening trade ties. Susan Schwab, the United States trade representative, placed Venezuela last week on a list of 11 developing countries with relatively high income levels that could lose preferential trade benefits, a move that drew criticism in Brazil and Argentina but barely a shrug here.

The agricultural giant Cargill spent \$10 million in July to acquire a Venezuelan flour-milling concern, though it has also expressed concern over delays in being able to send dividends to its Minnesota owners.

The AES Corporation of Arlington, Va., owner of the utility that provides electricity to Caracas, is enjoying growth of 5 percent a year here, said Andrés Gluski, a Venezuelan who heads AES’s operations in the region. “There is no question that the stronger economic system in Venezuela has helped our business,” Mr. Gluski said.

But the biggest beneficiary of Venezuela’s commercially robust relationship with the United States is, paradoxically, the government itself, which directly controls the oil producer Petróleos de Venezuela.

Despite persistent criticism of Mr. Chávez’s economic policies from his political opponents, Venezuela enjoyed a \$27.6 billion trade surplus last year with the United States, by far the largest market for its oil.

“I’m reticent to attract much attention to this subject,” said Edmond Saade, president of the Venezuelan American Chamber of Commerce and Industry, with 1,200 members. “But really, we’d like to leave well enough alone.”