



LETTER FROM CARACAS

VENEZUELA: MORE ECONOMIC WOE & DEADLY CRIME

Venezuela's outlook for 2016 is exceedingly grim: a witches' brew of more economic woe and deadly crime, with little chance of relief for its impoverished and restive residents.

Default is looming as one option for this once-wealthy Caribbean tourist destination, saddled with the world's highest inflation rate, one of the highest murder rates and an external debt that is almost a quarter of gross domestic product. Meanwhile, its widely disliked president, who helped steer the country into its present mess, is mired in a deadlock with the new opposition-dominated general assembly.



For years despite a very precarious financial picture, Venezuela's Bolivarian government managed to squeak by, relying on oil revenue for some 96% of export earnings. The noose tightened after the price of a barrel fell to \$100, then \$50 and then to around \$30, and disposable revenue largely disappeared.

Venezuelan petroleum output had already been falling due to incompetent management of the state-owned oil company, when the bottom fell out of the oil market last year.

In response, President Maduro chose to drastically reduce the amount of dollars used to import goods, in favor of continuing to pay off the foreign debt. The decision exacerbated the existing food and medicine shortages and the suffering of the hungry underclass that made up a considerable share of his support. It also dealt a crippling blow to the president's political standing, just in time to contribute to his party's humiliating defeat in the December assembly elections.

Corruption, a feature of the country's so-called socialist administration, delivered an additional insult to his followers. It is an open secret that a share of food imported to Venezuela never reaches supermarket shelves, but is diverted and sold at higher prices on the thriving black market. This further rankled the poor, for whom long lines encircling supermarkets, became the new norm. For a period of time, riots and disturbances were as common a fixture at the supermarkets as the bare shelves.

Venezuela is still a hostage to the price of oil. If the price stays at \$32 a barrel, a recent report from Barclays PLC estimated that the country will need to use more than 90% of its oil export revenues to pay its debt obligations, including sovereign debt and money owed to China.

One alternative solution might be loans from international organizations like the International Monetary Fund (IMF). Venezuela's current leaders, self-declared socialists and critics of capitalism, however, rarely even mention the IMF and similar agencies in polite terms. That might change of course if the political landscape shifts or economic conditions continue to decline. But the IMF would likely demand deep, painful reductions and structural reforms as a condition of loans.

Even without the additional austerity and burdens that might be in store this year, public order is fast becoming a thing of the past.

Criminal gangs, some made up of violent government-employed thugs known as *colectivos*, as well as corrupt police in local precincts, engage in kidnapping, robbery, assault and other street crimes, preying especially but not exclusively on residents in the more prosperous neighborhoods. As a result, the public's confidence and respect in law enforcement has all but evaporated.

In the past few months, according to a security expert, police officers have been murdered for their weapons, probably by criminal gang members. And a

wave of attacks rocked police stations and substations late last year, with assailants hurling grenades and in one case using rockets purchased or stolen from the military. Five Caracas stations in the vicinity of Baruta were hit at the same time and four police were killed.

The failure to control the country's alarming kidnapping wave is evident even as one enters Venezuela at its gateways - the seaports and major airports - for tourists and other visitors to see or hear about, and in some instances experience first-hand.

At Maiquetía Airport in Caracas, an estimated average of three visitors a day are kidnapped, usually as they emerge onto the nearby highway heading for the capital. According to a former local police official, victims tend to be mostly European - Portuguese, Spaniards or Italians - and are either residents or relatives of residents of Caracas; the city houses sizeable numbers of all three nationalities.

Using their contacts, kidnapers can usually determine their victim's financial status. If the victim turns out not to live in Venezuela and has no relatives there, he can be told to call someone in the U.S. or elsewhere who would pay for their release.

Apparently the kidnapers sometimes have collected advance background information on their victims' financial worth, obtained either from local informants or Venezuelan consular officials at home or in the countries where the victims' flights originated. The airport-related kidnappings can be considered extended express kidnaps and usually last from one to five days.

As the economy started to plunge more rapidly into crisis, the kidnapers changed their *modus operandi* and turned away from traditional, long-term kidnaps for cheaper-to-finance and easier-to-plan express kidnappings. At first, their number rose to about the same as the more expensive and difficult-to-stage long-term ones.

Now, more than three quarters of the total abductions are express kidnaps. Most occur during the work week in the municipality of Baruta, home to the capital's glitzy entertainment center, Las Mercedes, as well as some foreign embassies, like that of the U.S. Many express kidnaps target the middle working class and are timed to coincide with paydays.

There are now an estimated average of eight express kidnappings a day with ransoms ranging from a few hundred dollars for a workman to upwards of \$50,000 for well-heeled victims.

In Las Mercedes, potential targets for express kidnapping are sized up and observed by kidnapers or their spotters to determine who is spending heavily in bars and restaurants. They will note how much a prospective target drinks and/or pays for a meal and what kind of car or clothing he sports before settling on a final target.

The ones easiest to take - the prosperous-looking and tipsy - are usually grabbed off the street as they exit the clubs and restaurants; others as they enter their cars. Because importation of cars for normal sale has slowed to a trickle, the price tags for high-end cars have increased geometrically. So their kidnapped owners can expect to shell out additional money for the release of their vehicles.

Carjackers-cum-kidnappers have even used the ruse of calling select restaurants, asking to speak with a diner and reporting that the diner's car has been sideswiped. When he emerges to inspect the car, the caller and his accomplices are waiting.

Traditional or long-term kidnapping has by no means gone away, but is much more discriminating in the targeting. There are an estimated 15 cases each month. Initial demands range between \$2 million and \$10 million, depending on the wealth of the family or target; they last from 15 days to several months.

In October 2015, for example, a former long-time political backer of the late President Hugo Chavez was abducted. The initial demand was \$8 million and the case settled for about \$2 million after several weeks. The kidnappers likely included police from the Bolivarian intelligence service (SEBIN) working with elements of the current government.

About a third of the non-express kidnappings in Caracas involve hostages who can't afford to waste time and, in lieu of traditional negotiations, prefer to settle within the first few days and so pay higher ransoms. They tend to be corrupt government officials or narcotics traffickers, according to a former Caracas police official.

Members of the investigative police unit of the CICPC have again started to hammer kidnappers of late, especially the gangs in the city's grittier neighborhoods like Cota 905 and El Cementerio, where a number of *colectivos* have their headquarters. CICPC reported the deaths of 23 kidnappers this month in operations aimed at sweeping up members of the numerous gangs.

Long-term kidnaps are also carried out by groups of current or former army and/or police officers, and amateurs who may be first-timers or express kidnappers who decide to move up the career ladder. The amateurs are considered most dangerous because they tend to panic and are quicker to use violence against victims at the first sign of resistance. One indication that amateurs are involved in a kidnapping is a ransom demand in Bolivares, the local currency. Experienced kidnappers disdain the nearly worthless Bolivar and deal only in U.S. dollars.

Like most kidnappers, the Venezuelan variety is armed and will use their weapons if necessary. But also like most kidnappers, their first priority is the ransom money, which generally requires that the hostage be handed over in relatively good condition following negotiations and ransom payment.

Refusal or inability to pay, however, can be fatal. One such case occurred in January 2016, with a family of four that was kidnapped by armed men and could not or would not pay the ransom, police said. The bodies of the four were found on 18 January near their burned car by the motorway in the sector of Hoyo de la Puerta, Baruta, a residential municipality of Caracas in the northwest. The 41-year-old father and 37-year-old mother were dead. The children, aged 3 and 7, were alive but had suffered first-degree burns in attempting to pull their parents from the burning car. Police said they had no suspects or any further information.

Now is clearly not the time for the casual business traveler or tourist to plan a trip to what has become one of the world's most treacherous and out-of-control places. Indeed, businesses with expatriate personnel working in Venezuela would be well-advised to re-evaluate their cost-benefit ratio.

If you must travel, be sure to watch periodically for changes in the security situation in the country prior to departure and seek professional advice. Visitors should not plan to arrive at the airport without having made advance hotel reservations in a reputable and trusted establishment and arrangements for pick-up with a vetted security provider. All forms of public transport, taxis included, should be avoided. Be sure to limit your time on the street, avoid displays of wealth and dress down. Before you go, establish a plan to follow in the event of a sudden and drastic change in security conditions whilst there. Register with your embassy so that officials are aware of your presence in the country.

Terra Firma has a presence in Venezuela and our team has extensive experience and knowledge of working in the country. If you would like to know more about the security situation and challenges of working and living in Venezuela, please get in touch.



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