

BUSINESS DAY

'The Venezuelan Factor,' Entrepreneurs Adapt to Nation in Crisis

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CARACAS — Unfazed by Venezuela's political unrest, devastated economy and ranking as one of the world's worst places to do business, two years ago Johel Fernandez started making sweatshirts emblazoned with icons of Caracas for online customers overseas.

Fernandez, 22, is part of a small group of young business people finding opportunities in Venezuela's crisis, building companies in their neighbourhoods at a time when many peers are seeking their fortunes abroad.

"Right now there is a movement of entrepreneurs who have decided 'we are not going anywhere.' Venezuela will always be our centre of operations," said Fernandez, who markets his products with the slogan "Made with love in Caracas."

Working out of a cramped basement workshop, Fernandez's company Simple Clothing is tiny, selling a few dozen articles a month to the United States, Spain and Britain. But the foreign currency earned goes a long way in a country where many professionals make less than \$40 a month.

Triple digit inflation, a recession the central bank says shrank the economy almost a fifth last year and chronic shortages mean socialist-run Venezuela is not the first place that springs to mind to start a company.

The World Bank lists it the fourth-hardest place to do business among 190 countries, ranked between Libya and war-ravaged South Sudan. It takes an average of 230 days to open a Venezuelan business, and just six in neighbouring Colombia.

Fernandez's designs of the capital's metro map, its shanty towns and the country's favourite candy brands are popular among the growing diaspora of Venezuelans. He has opened his production to other designers to help them earn hard currency and ride out the recession.

Like other young businessmen he sees running a business as a way of helping Venezuela survive its current decline.

There are even some upsides in the topsy-turvy economy.

Simple Clothing's individualized export business is viable in part because distortions created by multiple currency and price controls make the cost of sending a package abroad much lower than in nearby countries .

"Shipping from Venezuela is currently super cheap, and it is something we can offer our clients," said Fernandez. "We can send it at no extra cost to them."

For example, to send a small package to Spain from Venezuela by Fedex costs just \$1.50 at Venezuela's widely used black market rate.

It would cost \$56 to send the same package from Mexico, more than the \$36 Fernandez sells his sweatshirts for. In bolivars, his clothes are unaffordable for most Venezuelans at home.

Fifteen seamstresses work by contract for specific orders, giving the company flexibility to adapt to occasional scarcity of the right cloth, as well as riots that force them to shutter up several times a week. The flexible hours also give workers time to scour supermarkets for food.

What Fernandez calls "the Venezuelan factor" means orders are occasionally late.

One of the couriers Fernandez uses, DHL, in June postponed flights to and from Venezuela indefinitely. DHL did not give a reason, but several airlines have stopped flying to Venezuela because they are unable to repatriate earnings.

LOOKING FOR ALTERNATIVES

Despite the challenges, Wayra, a startup accelerator run by Spain's Telefonica, has helped set up 45 tech-oriented companies in Venezuela over five years.

Thirty five are still in business, including MundoSinCola, an app that helps save time in Venezuela's infamous lines at banks and government offices.

Wayra's director in Venezuela Gustavo Reyes estimated there were now 20 startups a year in Venezuela, and with better conditions there could be 10 times that.

Startup Weekend, an organisation that runs boot camps for entrepreneurs, held six events in four cities in Venezuela last year but has postponed this year because of the crisis.

Ideas at Startup Weekend last year included a mobile application to tell you which supermarkets contained scarce products, said Karina Taboelle, a speaker at the events.

"The crisis has had a positive side in that it has pushed people to look for alternatives, to find solutions focussed on the situation in the country," she said.

"OUT INTO THE STREET"

To weather shortages, chef Carlos Garcia, who trained at Spain's legendary El Bulli restaurant, travels deep into Venezuela for supplies for his eatery, Alto, the only Venezuelan business on the coveted 50 Best Latin American restaurants list.

"I used to pick up the phone and the things arrived," Garcia said at a recent lunchtime. "The crisis made us go out into the street and work directly with producers."

Now, Alto buys produce from an urban farm in Caracas, from the Andean state of Merida and the tropical hills of Carora. His meat comes from the Orinoco Delta region of Monagas.

"Only the olive oil and some sugars are imported," Garcia said as waiters served meticulously placed vegetables and local staples such as black beans

blended into a delicately spiced soup.

A degustation menu, in which patrons sample various foods, costs 35,000 bolivars, or about \$4 at the black market rate.

Critics find it offensive that Caracas' high-end restaurants are bustling at a time when it is common to see families looking through garbage for food and malnutrition has soared.

Garcia says the restaurant gives work to 32 people, who are fed twice a day. He points to a giant pot bubbling in the kitchen, cooking a soup that will feed 250 children at a local hospital.

Like Fernandez, he sees building a business at a time of crisis as patriotic, calling it an act of "resistance."

The wave of anti-government protests that began in early April have taken their toll on his business located in an area that often sees clashes between protesters and police. Teargas sometimes drifts between cocoa plants in the restaurant garden.

"There will be no profits this year, the goal is to break even," he said.

"Some mornings I wake up full of hope and belief that this will work out, but today for example I woke up saying, 'I'm not sure if we'll make it.'"

(Editing by Brian Ellsworth and Andrew Hay)