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Venezuela, Black-Market Currency News Site Square Off in U.S. Court

Lawsuit alleges DolarToday.com is destabilizing Venezuelan economy

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Venezuela's central bank and the most prominent website publishing information on the country's currency black market are squaring off in U.S. court where this South American government is seeking the closure of the outlet it blames for destabilizing its entire economy.

Lawyers for Delaware-registered DolarToday.com on Thursday filed a motion to dismiss the lawsuit submitted by President Nicolás Maduro's embattled leftist administration in October, in which it accused the site of engaging in cyberterrorism and manipulating Venezuela's bolivar currency—whose value has fallen 80% in 2015.

Analysts and critics say the government's suit is a last-ditch effort to deflect blame for the oil-exporting nation's severe crisis. The International Monetary Fund estimates a 10% economic contraction this year, while inflation nears 200%.

“This is part of the revolutionary government's ongoing mission to retain its dwindling grip on power and harass, intimidate, and silence anyone who publishes information that sheds light on the troubled state of Venezuela's economy,” DolarToday's general counsel Ben Wolkov said Thursday in the company's first public comments.

Adam R. Fox, a lawyer with Squire Patton Boggs who is representing Venezuela, defended his client's case. “The central bank's case is anchored in the law and in fact,” Mr. Fox said. “This is a motion to dismiss that seeks to put on blinders and proclaim the defendant's narrative as the only one.”

DolarToday is hugely popular in Venezuela where the government's rigid currency controls restrict access to U.S. dollars. Under a cumbersome set of regulations, Venezuela maintains three state-set exchange rates: 6.3, 13.5 and 199 bolivars per dollar. But with the government's strained finances making it nearly impossible to obtain dollars through official channels, many individuals and companies turn to the black market, where one greenback fetches 878 bolivars as of Thursday, according to DolarToday.

In its court filing, DolarToday denied that it brokers currency transactions. Instead, it says it only publishes the exchange rate used by exchange houses in the city of Cucuta, Colombia, a commercial hub on the border with Venezuela. Merchants there for years have used the values of the openly convertible Colombian peso and U.S. dollar to extrapolate a bolivar-to-dollar rate. The latter has become the de facto rate used around Venezuela for unofficial currency transactions as well as for pricing merchandise that is not subject to the state's strict price caps.

Mr. Maduro blames the black market for the country's surging inflation and economic woes. But most Venezuelans, polls show, point the finger at a broken centrally planned economic model that voters largely rejected in Dec. 6 legislative elections where the ruling Socialist Party lost control of the parliament for the first time in 16 years. The opposition, which takes office Jan. 5, has made liberalizing currency controls a priority.

In August, Mr. Maduro cited stemming currency speculation as one of his main reasons for declaring martial law and indefinitely closing the border in key municipalities along Venezuela's frontier with Colombia.

“How are we going to accept that they vulgarly attack our economy and our currency?” Mr. Maduro said at the time.

But that still hasn't stopped the bolivar's slide. The currency's value against the dollar is down 21% since the border closing.

The tumbling bolivar has wreaked havoc on U.S. multinationals operating in Venezuela. Companies ranging from PepsiCo Inc. and Ford Motor Co. to AT&T Inc. have all had to take hefty write-downs on their local assets.

The Maduro administration has tried to undercut the influence of DolarToday, which in addition to publishing the bolivar's value, is an aggregator of antigovernment news. The site is blocked in Venezuela but its information is still accessible through mirror sites and social-media outlets such as Facebook and Twitter.

In its October suit, the central bank alleged that three Venezuelan exiles living in the U.S. are behind the site and are seeking to destabilize Venezuela's economy for political purposes, while enriching themselves. In public comments, Mr. Maduro has threatened to jail the operators.

In their court filing Thursday, the defendants said the Maduro administration's claims of economic sabotage and reputational damage to Venezuela's central bank “are so illusory, speculative, and lacking in ‘facial plausibility,’ that the complaint should not have crossed the proverbial threshold of the courthouse door.”

Mr. Wolkov said Venezuela “has not been able to silence DolarToday because the company is a U.S.-based media outlet with rights to freedom of speech and freedom of press,” adding that the site will continue to publish information.

Regardless of what happens to DolarToday, George Selgin, a director at the Washington-based free-markets advocacy group, the Cato Institute, said his organization is making sure that the black-market bolivar rate remains available.

In a section on its website dedicated to the world's troubled currencies, Cato is also publishing the bolivar's street value.

“Neither the lawsuit nor anything else will succeed in suppressing the information that the Venezuelan government has been eager to suppress,” said Mr. Selgin. “Our main goal is to help the Venezuelan people in having access to this information.”