ANALYZING VENEZUELA’S ECONOMY:

A HISTORICAL PERSPECTIVE

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Since the beginning of time, Venezuela has been a tropical paradise enriched with vast jungles, grasslands, and beaches that stretch alongside the Caribbean Sea. The predominate tribes of Venezuela, before European colonization were the Arawak, Carib and the Chibcha. The invasion of the Americas wiped out the majority of early American civilization. Venezuela, as we know it, is a young state. When Spanish settlers arrived in the late 15th Century, Alonso de Ojeda was credited for giving Venezuela its name. Paying homage to Italy's beautiful port city of Venice, Venezuela translates to "Little Venice". It is also the home of the world's largest waterfall, "Angel Falls", the Andes Mountains and the Maracaibo Lowlands in the northwest (amongst other things). Although the majority of Venezuelans are Catholic, there is a very uniquely diverse group of cultures spread throughout Venezuela. Today, Venezuela's cultures consist of native Americans, Spaniards, Italians, Portuguese and even a small group are German. For many years, Venezuela went almost unnoticed as early colonization focused on areas in the Western part of South America (for their minerals). These early settlers who spread through South America in the late 15th Century were unaware of Venezuela's untapped natural resources which would soon be discovered, and boost their economic and therefore, political power. These massive oil reserves that have to date, been one of the most significant in the world, gave rise to development in Venezuela and for its people. Before the rise of democratically elected governments in 1959, Venezuela was ruled, primarily by the military strongmen who protected the oil industry.
FALTERING GOVERNMENTAL STRUCTURE

Venezuela's Constitution describes its government as a democratic and social state of law and justice. It places high emphasis on human rights, freedom and liberty. In 1999, Hugo Chavez was elected to office as a member of the PSUV (United Socialist Party of Venezuela). Although Venezuela's Constitution maintains a predominant democratic ideology, it is obvious that the Socialist party lead by Hugo Chavez has quickly stymied Venenzuelas ability to progress. According to the Economist "Since Mr Chavez became president in 1999 almost 400 companies have been nationalised, the vast majority in the past two years(Economist, 1). The Venezuelan people have continued to be let down by Chavez's decisions to nationalize companies and in turn, making the poor that much poorer.

SOCIALIST PARTY & ECONOMIC TAKEOVER

Although Venezuela is governed by a socialist, repressive regime, economically it flourishes with an abundance of natural resources. Given its location, population and vast economic resources, it is certain that Venezuela can turn around. At this point, it is difficult to say exactly where Venezuela is heading, but with the power dynamics and organizational changes that are currently underway, Venezuela has the ability to continue to successfully rise, amongst ally and foe, as a economic powerhouse. Venezuela's economy is its dominant source of political power. Economically, the petroleum industry is Venezuela's strength. It
accounts for more than three quarters of Venezuela's total export revenue, about half of the
government revenues, and one third of GDP. PDVSA (Petróleos de Venezuela) is the
Venezuelan state owned petroleum company. PDVSA plays a major role in Venezuela's
economy. Through the usage of Palmaven and CVP, PDVSA manages and strongly supports
social programs such as education, healthcare, job creation and subsidized food distribution.
There has been much controversy over PDVSA's role in Venezuela political realm. Although
Venezuela's oil industry has continuously fluctuated throughout the past few decades, PDVSA
has retained a stronghold upon the country's most abundant and essential resource. Thus,
PDVSA is no longer only funding its own small budget social reforms, but the entire populist
movement. There has been much debate on the many complications due to scope of
PDVSA, and also the response of Hugo Chavez. In 2004 and 2005, Chavez declared that he
wanted to sell the foreign refineries because it was "bad business". As these problems arise,
we can see that oil is about much more than just prices. It is a fundamental part of economic
power and can create stratification amongst nation states. Venezuela is important to world
energy markets because it holds proven oil reserves of about 78 billion barrels, excluding
billions of barrels of extra-heavy oil and bitumen. Venezuela consistently ranks as one of the
top suppliers of U.S. oil imports and is among the top ten crude oil producers in the world.
On the other hand, oil and urban pollution causes deforestation, soil degradation, and has
become a threat to the rainforest ecosystem (due to irresponsible mining operations).
Venezuela is well known for its chief exports (petroleum and natural gas), but is also rich in
iron ore, gold, bauxite, hydropower, diamonds and other important minerals. Still, the
government has a hold on most businesses and does continually taking over still exist,
independently owned companies. They are not buying them out, but in most cases they are
seizing the businesses. The government explains that this is to discourage monopolies when in fact, they are creating their own monopoly themselves. According to the Economist "the government also now controls a quarter of the banking system. Mr. Chavez said recently that any bank which declined to “co-operate with national development” by assigning credit according to government priorities would also be taken over. Nowadays officials openly state that their aim is to implant a socialist economy (Economist, 1).” In order for Venezuela to prosper, it is apparent that the people need a change in direction before the country crumbles.

ALLIES AND FOES

There is a strong bond in the bilateral relations of Russia and Venezuela; primarily for trading and militaristic purposes. Russia's military includes Ground Forces, Navy, Air Forces, Airborne Troops, Strategic Rocket Troops, and Space Troops which rank at the top in comparison to other European military strength and size. It is estimated that Russia has between 735 and 1,365 metric tons of weapons grade-equivalent highly enriched uranium (HEU) and between 106 and 156 tons of military-use plutonium. As the world's largest country, a permanent member of the United Nations Security Council, regional power in Europe and Asia and the principal successor state of the Soviet Union, the Russian Federation wields enormous international clout and consequently hosts a large diplomatic community in its capital city of Moscow. Russian Prime Minister, Vladimir Putin has maintained a close commercial relationship with the economic powerhouse of South America, Venezuela. The president of Venezuela, Hugo Chavez is a frequent visitor and close ally of Putin. The rise to
power of both leaders, at the beginning of the century was accompanied by steady commodity price increases. Chavez and Putin benefited from the increased profit produced, as the gross domestic product of both countries is closely tied to the energy market, and especially to oil. Russia is ranked number six in oil production, and Venezuela is number eleven. PDVSA (Petroleos de Venezuela, S.A.), Venezuela’s state-owned petroleum company, oversees the exploration, production, refinement, and export of oil as well as the exploration and production of natural gas. PDVSA is ranked as the world's third largest oil company. Venezuela has an estimated 78 billion barrels of proven conventional crude oil reserves and additional estimated 235 billion barrels of unconventional extra-heavy crude oil in the Orinoco Belt region located southeast of Caracas (capital of Venezuela). Although PDVSA has not filed financial statements with the U.S. Securities and Exchange Commission since 2004 because of increased tensions between the two countries, oil production is estimated at 3.3 million barrels a day. Chavez has purchased over four billion dollars of military equipment since 2005. In 2008, the leaders of both countries signed an action plan (46 potential cooperation agreements) on various subjects, including hydrocarbons, armament sales, agriculture, telecommunications, transportation, culture and atomic energy. The first Latin American country to sign an atomic energy agreement with Russia, Venezuela's Chavez recently revealed that Russian nuclear technicians were already at work in Venezuela. Venezuela remains one of Russia's most important trading and military allies in South America. For the United States to maintain its dominance it must maintain a strong national will, a large and technological superior army and further the spread of free market philosophy. Due to the lack of global governance, Russia and Venezuela are forced to focus on their own needs. Venezuela and Russia push to expand their power, but they will become marginalized
by other states. As socialist countries, they will both eventually run into a serious of problems as they continue to anger necessary friends, and oppress their own people. Venezuela's relationships with both the U.S and Russia play an extremely vital role in the direction of our world today and in the future.

**CULTURAL CONCERNS**

IGOs, NGOs and International Law severely impact the cultures of each nation within the borders of the two states. They interact on a daily basis and these interactions are significant to the role of their state itself. This raises many new questions that have yet to be explored. Do Venezuelans see themselves as part of a democratic nation-state, socialist movement or do they have an unbalanced opinion mixed between the two? How does this impact their ability to cooperate and reach a consensus? Finally, if Venezuela is heading towards socialism, is this going to further oppression? Many would argue that socialism is fundamental to oppression, but others see this movement in Venezuela as a democratic front with populist ideals. If so, Venezuela could be taking steps in a completely new direction. Venezuelans desire their government to sway towards a free market system and stop the nationalization of businesses. The people feel that their government has lied to them and exploited them in a variety of ways. As they were lead to believe that Chavez would better their quality of life, they have begin to see it quickly fall apart.
REFERENCES


