



June 2018

VENEZUELA ○

Evangelical Pentecostal Union of Venezuela

- Established in 1958, in partnership with Global Ministries for over 40 years
- Grassroots Pentecostal church
- Promotes justice, peace, and reconciliation in marginalized communities

What can I do?

Learn

Watch the Caribbean Initiative's June 19, 2018 webinar with Rev. Elida Quevedo, Bishop of the UEPV

Read news stories and newsletters from mission co-workers

Pray

Remember churches, communities, and families who are affected

Connect

Link to networks or mission partnership with UEPV

Advocate

Write letters and lobby US and Venezuelan officials

Support

Mission partner programs aid marginalized communities and families

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Just Economic Systems and Venezuela

Introduction

At this moment, internal and external forces are causing Venezuela to face the most significant recession in its history and one of the largest ever in the Western Hemisphere. There are food and medicine shortages throughout the country, high prices for goods that are on store shelves, and increased unemployment. It was estimated that 75% of the country's population has lost an average of 19 pounds of body weight between 2015 and 2016 due to food shortages. Also in 2016, infant mortality increased 30% and maternal mortality 65% over the two years prior, according to government figures, due to lack of medical supplies in hospitals. Poverty and unemployment have risen, leading to an increase in violence and an increase in people fleeing across the border to Colombia and Brazil.



Background

One of the internal reasons behind this current economic crisis is Venezuela's dependence on oil. Oil makes up about 95% of its export earnings and about 25% of GDP. When oil prices are high, the government has more money to spend on programs that help the poor and marginalized. During the presidency of Hugo Chavez, oil prices rose very sharply and Venezuela was able to reduce poverty from more than 50% in 1998 to 23% in 2013. Chavez's "Bolivarian Missions" programs were a crucial factor leading towards socioeconomic justice in Venezuela, bringing remarkable success in improving the living conditions of the poor and marginalized. Profits from the oil industry were used to provide subsidies for housing, care for the elderly, literacy, health care, and increased education, among other programs. However, when oil prices fall as they did starting in 2014, there is less money from oil revenues, which leads to debt rising because the government borrows to replace the lost revenue. Because of its economic dependence on the oil industry, Venezuela has to import most of their food, medicine, and clothes from other countries.

Venezuela's heavy reliance on imports goes back decades. Starting in the middle of 1900s, Venezuela abandoned support for the agricultural industry in favor of the oil industry, leading to most of its high-quality arable land lying idle. By 1998, only about 9% of the population had lived on a farm, far below the average in Latin America. In 2004 and 2005, Chavez launched a program to boost local production and began land reform in earnest. The "Vuelvan Caras" mission began to train the urban poor in agricultural and other skills. Tens of thousands of cooperatives were set up, but almost all of these failed. The most important reason behind their failure was that oil prices began to rise sharply. The enormous structural, socioeconomic needs of the people and the need to move the population from a situation of extreme poverty to better conditions, put the government in a position to be more of a provider of goods and provisions through imports rather than to build a whole new system of production.

High oil prices and a need for imports presented the political and business elite with an unexpected opportunity. They own most of the companies that do the importing and they began to acquire US dollars at a preferential rate from the Venezuelan Central Bank for their imports. They then speculated on the growing gap in exchange rates, which started when oil prices began to go down. This allowed for a black market currency exchange to spring up and increased opportunities for corruption. The government blames these importers for the current lack of needed goods and claims they are taking their products away from Venezuela to sell in Colombia for higher profits. The owners of the import companies say that the government is blocking them from importing raw materials and other necessary goods by not providing them with enough US dollars needed to purchase these items from abroad.

Another big problem in Venezuela is that economy is closely tied to politics and each side has differing economic ideas. The current President, Nicolas Maduro, and his allies believe in the Bolivarian model that former President Chavez helped enshrine in the Venezuelan Constitution in 1999. In this model, the national government is a benefactor entity, a state that protects the rights of its citizens, and a state that intervenes in the economy to ensure the existence of a welfare state. The political party that was in power prior to the election of President Chavez (and is now part of the political opposition) believes in the neoliberal capitalist view of the free market, the privatization of public services, natural resources and primary state enterprises. The current government attacks the opposition for being largely greedy business owners who don't care about the people. The opposition politicians claim the government is suppressing free speech by preventing them from campaigning in elections and using the political power they've gained in some elections.

The US government has jumped in and has promoted global economic measures in order to provoke a political change in Venezuela. Part of that campaign is the imposition of financial sanctions on Venezuela in August 2017, which prohibits US banks from lending additional money to the Venezuelan government or the state-owned oil company, PDVSA. This has made financial transactions between Venezuela and the rest of the world more difficult, aggravating the country's economic crisis. The sanctions have affected ordinary people, business owners, and US companies working in Venezuela. The country's food and medicine shortage has been worsened by the sanctions as payments for imported food and medicine have been affected by the financial sanctions.





Embrace the Spirit

The Caribbean Initiative

www.globalministries.org/caribbeaninitiative

Get Involved

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Solutions

A more just economic system is one that combines diversified strategies and resources to overcome the fluctuations of the market as well as meet the basic needs of the people. A significant challenge for Venezuela at this time is to overcome the reliance on oil, which is based on income and the importation of goods, and to accelerate the post-oil model, based on integral economic productivity, importing less and exporting more.

Another large challenge for Venezuela currently is corruption. Those with political and/or economic power are using their power to evade the laws and benefit from the current crisis. The buying of US dollars at a low, preferred exchange rate and selling them at a higher rate on the black market is one such example.

Given the fact that in today's globalized world, just economic systems are closely tied into the interrelation of domestic and foreign policies, the fulfillment of economic justice should be one of respect to the right of self-determination of the people of Venezuela. No country should impose any sanction to other country to submit it into their ways or interests, especially if it affects the more vulnerable and poor in the latter. Venezuelans have the right to choose the political and economic model that better suits their well-being without any further interference from any other country.