Nationalization and Foreign Direct Investment in Venezuela in the Era of President Nicolas Maduro Ramos

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Abstract. Venezuela has been famous of its petroleum source, and is right to be claimed for 90% of the country’s economy income since decades. Thus, Venezuela under President Chavez lead its economy through Petroleum and is seen to nationalize the economy policy. After switching from Chavez to Maduro, Venezuela is experiencing a multidimensional crisis rooted in political instability which then threatens every point of the country’s sovereignty. The fact that Nicolas Maduro is following in the footsteps of Chavez, who is anti-imperialist, has made Venezuela the target of sharp criticism from the world, especially the United States and its allies. Venezuela in fact, with its oil resources, ultimately does not want to be driven by the US or western imperialism. This paper focuses on explaining how the nationalization policy in the Nicolas Maduro era affected the country’s FDI. This case is written by using qualitative method that collect data from article, journal, dissertation, website and any other library resources. This paper is analyzed using the concept of nationalization to build a perspective. The results of this study indicate that political tensions have caused divisions and multidimensional crises in Venezuela. During the government of Nicolas Maduro, along with the policy of nationalization of foreign companies being continuously implemented, FDI inflows were also almost non-existent. Maduro refuses any foreign aid from the West. FDI is only received from socialist countries, in this case, China.

Keywords. FDI, Nationalization, Maduro, Policy

Introduction

The survival of a country can be seen from the policies implemented by its government. This policy helps in the political, economic, educational and socio-cultural matters of the country. One of the factors that can be used as a reference for the welfare of a country is seen from the economic sector. The economic quality of a country shows the life of that country. Since the early 19th century, Foreign Direct Investment became popular in various countries around the world. Foreign Direct Investment is usually aimed at developing countries where foreign capital is needed to build infrastructure, facilities and infrastructure, technology and various other things. One of the main objectives of foreign capital flows is Latin America. Interestingly, Latin America is dominated by socialist countries such as Cuba, Chile to Venezuela.
According to Krugman, Foreign Direct Investment is an international capital flow that companies from one country establishing and expanding their companies in other countries. It means that the capital flow does not only transfer the resources but also control the foreign firms abroad (Miavania, Penurunan Foreign Direct Incestment di Venezuela 2015-2017, 2019). Then he agreed that Foreign Direct Investment gives access to foreign firms to explore domestic management control. It means that both foreign and domestic companies are greatly getting benefit from this investment. Foreign Direct Investment can also promote domestic market competition. The concept of Foreign Direct Investment is establishing firms in the recipient country, establishing firms that the home companies own a majority of the company stock, establishing firms in recipient countries that the firms are under the cost of the home firms, establishing a corporation in home country to specifically operate in other countries or putting assets in other countries by national companies from investors (Owusu-Antwi, Antwi, & Poku, 2013).

Venezuela is one of the countries in Latin America that is experiencing a crisis. The crisis that occurred in Venezuela started from the government’s mistake in carrying out policies for its country. According to a study by the National Assembly controlled by Venezuela’s opposition that the country’s annual inflation rate reached 1,300,000% in the 12 months to November 2018 (Nuryanti & Salsabila, Strategi Kebijakan Pemerintah Venezuela di Tengah Krisis, 2019). As a result of this inflation, the exchange rate of the bolivar became increasingly weak while the prices of basic necessities in Venezuela rose on average double. The crisis experienced by Venezuela occurred during the leadership of President Nicolas Maduro who implemented a mixed economic system, by applying the price fixing for basic needs by the Venezuelan government (Nuryanti & Salsabila, Strategi Kebijakan Pemerintah Venezuela di Tengah Krisis, 2019). As a result of fixing very low prices, producers choose to distribute their wares on the black market whose prices are up to fifteen times higher than the price set by the Venezuelan government, causing food shortages in the country.

In addition, the crisis in Venezuela is also caused by the scarcity of oil prices. Venezuela is known as a country rich in petroleum. In fact, this country is awarded the largest petroleum mine in the world. Most of Venezuela's life depends on the yield of petroleum which reaches up to 95% percentage. Crude oil in Venezuela was first discovered around the 1920s until in 1970 most of the country’s oil production was controlled by foreign companies, which later on the Venezuelan government set a policy of nationalizing oil (Aurelia, Febriana, & Salaeh, 2019).

For the past 20 years, Venezuela has been ruled by the United Socialist Party of Venezuela (PSUV). The previous president, Hugo Chavez, started running the government from 1999 until his death in 2013. After his death, he was succeeded by his right-hand man, Nicolas Maduro. During his 2 decades in power, the PSUV has gained control of many institutions, but during the reign of Nicolas Maduro, the Venezuelan economy has collapsed. The shortage of basic supplies is widespread and has caused approximately 4.5 million people to leave Venezuela for a better life (AFP, 2021).

In the era of President Hugo Chavez, the government’s policy of nationalizing foreign companies was implemented. This brings benefits to Venezuela’s foreign exchange. But in return, Venezuela is heavily dependent on world oil prices. In the era of President Hugo Chavez, Venezuela managed to pay off state forests borrowed through the IMF or the International Monetary Fund and the World Bank with profits from oil exports (Saputra A., 2018).

Since then, Venezuela has succeeded in increasing the GDP of its population as well as the contribution of Venezuelan oil exports which reached 90% and Venezuela has become a
country with quite satisfactory welfare. Due to the high price of oil, the Venezuelan government does not pay attention to other sectors and continuously provides subsidies to its people. However, when world oil prices fell, Venezuela’s economy gradually declined because this country only relied on petroleum products. In addition, there was an error in the management of the proceeds from the sale of petroleum which resulted in a burden on the government budget and resulted in a high enough state budget deficit that led to massive inflation in the country (Swary, 2019). Moreover, the heaviest point in Venezuela’s history of decline fell during the leadership of President Nicolas Maduro who at the same time worsened the Venezuelan economy.

**Literature Review**

In this paper, the researcher uses several literatures as a reference in getting a new perspective. Among these articles are, first; Carlos A. Romero and Victor M. Mijares with the title “From Chavez to Maduro: Continuity and Change in Venezuelan Foreign Policy” (Romero & Mijares, 2016). This research examines the transition from Hugo Chavez presidency to Nicolas Maduro, how does Maduro government, during an unpredicted global scenario, deal with international commitments made by his predecessors during Venezuela’s complex situation. The result of this research is that during the unstable condition, unstoppable political turmoil, widespread demonstrations, an economic crisis that has exacerbated Venezuela’s situation, regional tensions and energy markets pose difficulties for expansive Venezuelan foreign policy. But on the other hand, the policy act as a stimulus for centralizing greater power internally and politicizing the foreign policy agenda. It is suitable for the goals pursued by the Nicolas Maduro regime. This study uses Foreign Policy theory and the concept of National Interest. The difference is that the previous research discusses the change of Venezuela foreign policy during the Nicolas Maduro regime after Hugo Chavez amidst political instability and the Venezuelan economic crisis. The focus of research lies in the change of foreign policy of the Nicolas Maduro regime. While the author’s research focused on how nationalization policy implementation has impacted FDI inflows to Venezuela in the era of President Nicolas Maduro Ramos.

The second research entitled “Do Domestic Firm Benefits from Direct Foreign Investment? Evidence from Venezuela” by Brian J. Aitken and Ann E. Harrison (Aitken & Harrison, 1999). This research examines information about the benefits of Foreign Direct Investment to domestic companies in recipient countries focusing their research in Venezuela. The analysis was carried out using more than 4,000 factories in Venezuela from 1976-1989. The result of this research is that Foreign Direct Investment harms the productivity of domestic companies. The advantages of Foreign Direct Investment are internalized by the joint venture. It means that Foreign Direct Investment does not provide direct benefits for domestic companies in Venezuela except for companies that directly conduct joint ventures with foreign investors. This research uses Foreign Direct Investment theory by the joint venture method. The difference is in the focus of the research. Previous research focused on Foreign Direct Investment benefits on Venezuelan domestic companies. While the authors focusing on the condition of Foreign Direct Investment in Venezuela which was affected by the Venezuelan economic crisis after the nationalization policy implemented.

The third research entitled “Chinese Foreign Direct Investment in Latin America and the Caribbean: Conditions and Challenges” by Ellis & Evan (Ellis & Evan, 2022). This study examines how the relationship between China and Latin America, about influence of China on investment in Latin American region. The results of this research are the relations between China and Latin America have become stronger over the past few decades that China being a
major trading partner for countries in Latin America in recent years. Chinese companies have also begun investing in Latin America. In other words, countries in the Latin America are very dependent on Chinese investment because it brings benefits to the countries involved. This research uses the Foreign Direct Investment theory. The difference is the focus of the research. Previous research focused on Chinese investment in the Latin American region which is influenced by regional relations or good relations with China. While the author examines the impact of the foreign firms nationalization on Foreign Direct Investment conditions in Venezuela focusing in current issue which is Venezuela economic crisis.

Research Question

There is a great deal of research on the Crisis in Venezuela. Several researchers conducted research on the impact of the crisis on the security stability of Venezuela and the Latin American region. There are some who write about the influence of foreign interference who wants to control Venice with the fact that this country is very rich in petroleum. Some also research on evidence from Venezuela that focuses on FDI. From these studies, the authors are interested in examining how the development of FDI in Venezuela if the nationalization policy is still implemented, given the current reality that Venezuela is in the midst of a multidimensional crisis in the government of Nicola Maduro Ramos. Will Venezuela stay like this, or are there other steps that should be taken by Nicolas Maduro to restore or stabilize his country, Venezuela. This question will be discussed in the discussion session in the next section.

FDI in Venezuela

Venezuela is one of the countries in the Latin American region that is experiencing a multidimensional crisis. The crisis that occurred in Venezuela was a combination of several instabilities that occurred in the country. Since 1977 when Latin America experienced a crisis, Venezuela has had the greatest impact of all the countries in the region. Being a country that is very dependent on petroleum has made Venezuela not pay attention to other sectors to develop the country’s economy (Debby, Febriana, & Salaeh, 2019).

Venezuela’s Gross Domestic Product growth can be seen based on the chart below: (Mark & Sandoval, 2009)
Based on the graph shown in Figure 13, the price of oil began to decline since 1981 and because of this, the Venezuelan economy has also declined. However, in 2004, the price of oil began to rise and it is likely that the Venezuelan economy will also experience an increase based on this phenomenon.

During the administration of President Hugo Chavez, a policy of nationalization of foreign companies began to be implemented in Venezuela (Saputra M. A., 2018). The implementation of this policy had a good impact and brought benefits to Venezuela's foreign exchange. But in exchange, Venezuela is dependent on world oil prices. During the era of President Hugo Chavez, thanks to the nationalization policy that was implemented, Venezuela was able to pay off all debts from the International Monetary Fund (IMF) and the World Bank.

The nationalization policy implemented by Venezuela has had a negative impact on the growth of Foreign Direct Investment in the country. In 2002, Foreign Direct Investment fell to a percentage of 60% or the equivalent of 1.3 billion USD. The decline in Foreign Direct Investment in Venezuela can be seen based on the chart below: (UNCTAD, 2002)
Figure 2. Comparison of the Inflow and Outflow of Foreign Direct Investment in Venezuela 1994-2002

Figure 1. FDI flows, 1994-2002
(Billions of United States dollars)

Source: United Nations Conference on Trade and Development

Based on the chart shown in Figure 14, Foreign Direct Investment entering Venezuela experienced a very drastic decline in 2002. This decline was the worst since the inception of Foreign Direct Investment in Venezuela. Meanwhile, the decline in Foreign Direct Investment, the value of Gross Domestic Product actually increased in 2002. The decline in Foreign Direct Investment was triggered by the nationalization of foreign companies implemented in Venezuela. This benefits the Venezuelan people and hurts foreign companies investing in Venezuela.

Nationalization in Venezuela

The decline in Foreign Direct Investment in Latin America was caused by the nationalization policy of foreign companies implemented by Venezuela. This policy harms the United States economy that America was unable to invest in Venezuela. To protect the interests of its country, the United States imposed economic sanctions on Venezuela, called economic embargo. This economic embargo is contained in Executive Order 13808, Executive Order 13827, Executive Order 13835 and Executive Order 13850 in the Presidential Documents of The White House, Washington DC, United States. These economic sanctions caused instability in Venezuela economy, so many foreign investors are rethinking investing in the country. In addition, several Venezuelan alliances also condemned the sanctions imposed by the United States and ignored sanctions from the United States, so that the United States also imposed economic sanctions in the form of economic embargoes against countries that support Venezuela such as Bolivia and Cuba as well as several other countries such as China, Russia, Iran, Turkey and Syria.
Beside the nationalization policy, inflation also led a great caution of Foreign Direct Investment decline in Venezuela. The inflation occurred due to the US sanction towards Venezuela that affects the instability of the balance of payment constraints. The inflation in Venezuela has been getting worsened as the country also nationalized the foreign firms that causes no investments come to Venezuela. The Venezuelan economy began to weaken as the bolivar exchange rate weakened every day. This has caused foreign investors to be reluctant to invest in Venezuela. So that this is also one of the reasons that makes foreign investment in Venezuela decrease dramatically.

Apart from the implementation of nationalization policy and inflation, the movement to separate itself from the control of imperialism is also one of the reasons why foreign investors do not want to invest in Venezuela. Venezuela is one of the socialist countries in Latin America. Even the government of Venezuela, President Hugo Chavez, is very popular as anti-liberalism and Western imperialism. This is also supported by several Venezuelan alliances in Latin America and around the world where they unite against the Western imperialism. Several things have been done by Venezuela, one of them is holding a meeting with Cuba to build the ALBA organization which is an alliance of socialist countries in Latin America. This separation movement has led Venezuela and its allied countries faced the impact on Foreign Direct Investment’s decline.

The relationship between the United States and Venezuela is not going well. The President of Venezuela, Chavez is very opposed to US imperialism and the capitalist system. This can be seen in the statement made by President Hugo Chavez in a speech at the UN General Assembly in 2006, which he called the President of the United States, George Walker Bush a “devil”. The statement can be seen as follows: (Pitaloka, 2019)

“Yesterday, ladies and gentleman, from this rostrum, the President of the United States, the gentlemen to whom I refer as a devil, came here, talking as if owned the world.”

This statement is aimed at the President of the United States, George W. Bush, whom President of Venezuela, Hugo Chavez have a strong hate on him especially for US imperialism under his control. As if the country in the eyes of Hugo Chavez is very arrogant to show that the United States is a rich country. Unmitigated, President Hugo Chavez also added that the arrogance of American President George W. Bush made him look like a devil who spoke as if “he” controlled the world.

This statement was later added by the President of Venezuela, Hugo Chavez that: (Pitaloka, 2019)

“I have the feeling, dear world dictator, that you are going to live the rest of your days as a nightmare because the rest of us are standing up, all those who are rising up against American imperialism.”

President Hugo Chavez’s statement seemed to signal to the world that Venezuela and the countries of the world would unite to fight against US imperialism. This can be seen from the word “all”, as if President Hugo Chavez embraces all countries in the hemisphere. Venezuela’s hatred of the United States is such a strong hatred that the President of Venezuela, Hugo Chavez, boldly declares America as a ‘world’ dictator and will not be able to arrest in peace, as if President Chavez said that President George Bush will arrested his life as a nightmare.

Hugo Chavez’s struggle to fight US imperialism started from establishing good relations with countries in South America and started to establish organizations such as ALBA (The Bolivarian Alliance for the Peoples of our America), CELAC (The Community of Latin
America and Caribbean States), UNASUR (Union of South American Nations), MERCOSUR (The Southern Common market), and build diplomacy through PetroCaribe (Elinda, 2017). In the domestic sphere, President Hugo Chavez carried out a constitutional revolution with what is known as the Bolivarian Revolution.

The Bolivarian Revolution is one of the efforts made by Hugo Chavez to rebuild Venezuela to get out of misery, especially the domination of capitalism. Hugo Chavez with the Bolivarian Revolution emphasized several aspects of achievement, such as remove the “Puntofujismo” ideology and promise a participatory democracy, a Third Way economic model and a meritocratic state. Some of the aims of the Bolivarian Revolution show that Venezuela under the leadership of Chavez is trying to turn ideology towards socialism or the welfare state (Buxton, 2019). The concept of a welfare state is a system which the government carries out the primary responsibility to provide the social and economic security of its population, usually through unemployment insurance, old age pension and other social security measures (Setyono, 2018).

The most influential policy in releasing the hegemony of market capitalism in Venezuela is the nationalization of the Petroleos de Venezuela company, S.A (PDVSA). Previously, PDVSA shares were controlled by foreign companies, such as Chevron, Royal Dutsch Shell, Repsol and ExxonMobil. The main aim of this nationalization was to take advantage of the oil which would then be distributed to the people and most importantly to fight against US control and intervention in Venezuela (Defila, 2016). The nationalization of this company brought benefits to Venezuela, such as an increase in foreign exchange and reduce poverty. But in exchange, Venezuela is heavily dependent on world oil prices. Due to the contribution of foreign firm nationalization, Venezuela was able to pay off debts to the International Monetary Fund (IMF) and the World Bank.

Hugo Chavez’s policy to nationalize foreign firms was carried out based on Article 229 of the Bolivarian Constitution which emphasizes the equitable distribution of wealth, as follows:

“.... The state, together with private initiatives, must promote the harmonious development of the national economy, towards the end of a source of mobilized labor, a high level of domestic added value, increase the standard of living of the population and strengthen the country's economic sovereignty, guarantee the implementation of laws, economic growth that is solid, dynamic, sustainable, and feasible to ensure a fair distribution of wealth through strategic planning and participatory democratization with open consultation.”

The nationalization of Venezuelan foreign companies is also carried out through the merger of national and international companies. It refers to Article 12 of the Constitution of the Bolivarian Republic of Venezuela which contains (Constitute, 2009):

“Mineral and hydrocarbon deposits of any nature that exist within the territory of the nation, beneath the territorial sea bed, within the exclusive economic zone and on the continental shelf, are the property of the Republic, are of public domain, and therefore inalienable and not transferable. The seacoasts are public domain property.”

The foreign firm nationalization policy implemented by Hugo Chavez continued during the reign of Nicolas Maduro from 2014 to the present. This nationalization policy had a very bad impact on bilateral relations between the United States and Venezuela. The fact is that the United States is Venezuela’s partner, both of them have their own dependencies; The United
States depends on Venezuelan oil, while Venezuela is dependent on food imports from the United States as a result of the government being too focused on developing production and profits from oil (Teske, 2018).

The United States’ dependence on Venezuela began during World War II when Venezuela became the largest oil supplier to the United States. The existence of a nationalization policy imposed by Venezuela has made the United States economy deteriorate for several reasons, including the United States being unable to invest in Venezuela so that the oil supply is decreased. This nationalization policy includes asset confiscation, price controls and labor regulations so with these factors, US companies and other multinational companies investing in Venezuela are forced to stop operating.

The nationalization policy adopted in Venezuela has angered the United States and stated that Venezuela supports terrorism by stand next to Iran. This was actually expressed by the United States because of the country’s dependence on Venezuelan oil. However, Venezuela remains continuing about breaking away from the hegemony of the United States and continuing the foreign firm nationalization policy implementation. In response to Venezuela’s policies, in 2015 the United States issued economic sanctions against Venezuela. These sanctions are contained in the Executive Order / E.O. in the name of human rights. This Embargo continues until 2018.

The sanctions imposed by America on Venezuela made the inflation in the country even more out of control and caused millions of Venezuelans to starve, poverty was rampant and many of the Venezuelan people chose to exodus to neighboring countries in Latin America such as Colombia, Brazil, Mexico and Peru. The number of immigrants from Venezuela made the situation in the region unstable. Venezuelan refugees come to neighboring countries in search of new and more decent lives due to the crisis that occurred in their country. This makes the economies of the Latin American region unstable. Countries such as Colombia, which is the largest distribution of immigrants in Latin America, face a dilemma situation where on one side Colombia is responsible for the protection of its citizens, but on the other side Colombia is also one of the countries that ratified the UNHCR where Colombia with this fact is responsible for immigrants from Venezuela. It has caused many foreign investors to think twice about investing in Latin America.

The concept of Foreign Direct Investment pays close attention to various aspects of investing foreign capital in a country. One of the most important factors in foreign investment is the economic aspect. According to Todaro and Smith, the factor that influences the entry of Foreign Direct Investment into a country is a stable economy and pays close attention to the target market.

**Research Analysis**

The nationalization imposed by Venezuela is reasonable. Venezuela purposes freedom of the United States and market capitalism. Apart from the economic instability that hinders Foreign Direct Investment in Venezuela, the sanctions imposed by the United States have also greatly influenced foreign investors to invest in Venezuela. The problem for investors is to avoid investing in Venezuela and the countries involved and transact directly with them. The nationalization of foreign firm imposed by Venezuela makes the United States economy unstable, this is because America cannot invest in Venezuela. The US then imposed economic sanctions on Venezuela as a reaction to attempts by Venezuelan separatism against the US hegemony. But on the other hand, Venezuela has been supported by regional countries argued...
the embargo. According to these conditions, the United States firmly imposes sanctions on countries and individuals who conduct transactions to and from Venezuela.

There are four points emphasized by Lenin in his theory of nationalization. These points include protectionism, the ability to compete with international markets, human capital and the ability of the state to build a country’s infrastructure. Venezuela’s economic protectionism takes the form of nationalization, in which the Venezuelan government tries to block foreign companies’ access to invest. The main objective of implementing protectionism through this nationalization policy is to protect the Venezuelan economy by putting pressure on foreign companies operating in the country. This is in accordance with the concept by Lenin that, a country that wants to be free from the control of other countries should first strengthen the national economy, then plan international programs such as foreign investment and free trade. For a socialist country like Venezuela, protectionism is not a difficult thing considering that this country is also led by a President who is highly anti-Western imperialism.

Having the largest oil reserves in Latin America, protecting the national industry is a top priority for Venezuela. With the nationalization policy imposed by the government, the country has made efforts to protect national industrial activities from industrial pressure by foreign companies. Based on the concept of nationalization by Lenin, a country should be able to protect national industries before finally joining the international market and competing to expand the market. The country’s ability begins with utilizing domestic products to achieve international market value and then competing with these products. One of the things that Venezuela is trying to do is by producing the country’s petroleum. However, Venezuela is too focused on developing quality and relies on only one industrial sector, so what happens in this country is inflation when world oil prices is declined. This seems to be a time bomb for Venezuela.

Education and skills are also Lenin’s criteria in relinquishing control of another country over a country. According to Lenin, the state should have good human capital so that if a country consists of qualified people, it will be easier to advance a country. The President of Venezuela, Hugo Chavez himself has formalized policies for social change in Venezuela, they are Mission Guaicaipuro, Mission Robinson, Mission Sucre, Mission Ribas and Mission Barrio. These five policies are intended to develop the human capital of the Venezuelan people so that people can gradually understand the importance of strength to build the country through education and skills. With this, the third criterion intended by Lenin has been implemented by Venezuela.

The last point emphasized by Lenin was that the government had a big role in the development of state infrastructure and facilities. Venezuela since 1993 has revised several liberalist policies towards a more populist or socialism. So that year was also touted as a change in Venezuelan ideology towards socialism under the government of President Hugo Chavez. Development since that year, Venezuela has succeeded in paying off debts at the IMF and World Bank due to the contribution of petroleum sales worldwide. And in that same year, Venezuela protected the people by providing subsidies for all the people and started building infrastructure, opening free schools, free hospitals and various other facilities. This means that from this, it can be seen that the Venezuelan government is actually capable of meeting the needs of the people, besides that infrastructure and facilities are well developed and managed. Against the fourth criterion presented by Lenin, it is clear that this criterion is good for Venezuela to do. The Venezuelan government is able to stand up, support and provide everything for its own citizen. This should be done by socialist countries or countries with small economies or that are still not sufficiently able to compete in the global market.
Based on the concept of nationalization by Lenin, Venezuela is considered right to enforce this policy. As Lenin said that nationalization is a condition which latecomer states struggle an independence from the core state or market capitalism particularly. To do so, a country must first have economic stability, the country must have the strength to compete in international market. One of the ways offered by nationalism or mercantilism is economic protectionism through economic nationalization.

Conclusion
Foreign Direct Investment’s decline in Venezuela was due to the implementation of the foreign firm nationalization policy in Venezuela. It has a negative impact on the US economy. American-owned companies such as Chevron were forced to stop operating in Venezuela and withdraw investment from the country. Being the largest investor in Venezuela, the United States strives to maintain the economic stability of its country by imposing economic embargo sanctions on Venezuela by issuing Executive Order 13808, Executive Order 13827, Executive Order 13835 and Executive Order 13850. The imposition of these economic sanctions provides access to investors. Foreigners are particularly hampered to invest in Venezuela. Indeed, countries such as Cuba and Bolivia were subject to economic embargoes for not complying with sanctions from the United States and continuing to conduct transactions with Venezuela. So that this is phenomenon also gives impact to Venezuela directly.

Inflation has also caused very significant changes in the Venezuelan economy. Venezuela began to lose capital to build the country’s economy. It has led Venezuela faced the economic instability. Foreign investors are hereby rethinking investing in Venezuela. Left ideology is also an important factor in reducing FDI in Venezuela. This has even had an impact on countries allied with Venezuela. Attempts to break away from western imperialism and economic liberalization greatly affected the flow of trade. As it is known, FDI has its own criteria for investing in a country, one of them is openness level in international trade.

Foreign Direct Investment’s decline has directly made the balance of payments in countries such as Venezuela, Bolivia, Peru and Guatemala harms. In addition, Latin America’s Gross Domestic Product growth, which was previously predicted to continue to increase, with the decline of Foreign Direct Investment, what has happened is that there is no change for the better in the region’s Gross Domestic Product growth. Infrastructure and technology development also increasingly hampered due to the cessation of the circulation of foreign capital to Latin America, this has resulted in a lack of facilities for people in Latin American countries and worsened the social and economic life of the region.

References


