Venezuela Crisis

What is the issue?

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Venezuela is currently facing political and economic crisis.

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What is the current status of Venezuela’s economy?

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- Venezuela is a country with more oil than Saudi Arabia.
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- Earlier presidential regime of Venezuela was marked by an increasing authoritarianism and a gross mismanagement of the country’s oil.
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- It currently faces rapidly declining foreign exchange reserves, poverty and hyperinflation.
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- The inflation is projected to be 720% this year and 2069% in the next year, according to the IMF.
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- It has also been experiencing an acute shortage of food, medicine and other vital supplies.
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What are the reasons of the economic crisis?

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- Due to major fall in crude oil prices since 2014, the country has just $10.2 billion in reserves.
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- As money was in short supply, the government started printing cash, which is also a factor contributing to spiralling inflation.
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- The revenues generated from oil industry was not invested or diversified to other sectors.
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- So the economy was over-concentrated in oil while other sectors became uncompetitive and unproductive.
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- The economy became dependent on imports.
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- Due to excessive price controls measures there was a misallocation of resources and a fixed exchange rate.
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- This further created opportunities for corruption among the regime’s elite.
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What is the reason for political crisis?

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- After the socialist leader, then President Hugo Chavez died in 2013, Nicolas Maduro, also of the United Socialist Party (PSUV), was elected president on a promise to continue Mr Chavez's policies.
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- Chavistas, the name given to the followers of the socialist policies of the late President.
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- They praise the two men for using Venezuela's oil riches to markedly reduce inequality and for lifting many Venezuelans out of poverty.
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- But the opposition says that since the PSUV came to power in 1999, the socialist party has eroded Venezuela's democratic institutions and mismanaged its economy.
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- Chavistas in turn accuse the opposition of being elitist and of exploiting poor Venezuelans to increase their own riches.
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Source: The Hindu

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