

Question Paper

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MBA 678 International Business

Due date: Before 05-18-2020

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Question paper

- 1. Under Chávez's leadership, what kind of economic system was put in place in Venezuela? How would you characterize the political system?**

Hugo Chavez pledged to improve living conditions in Venezuela through government intervention in private businesses_it's a practice found in mixed economies. Mixed economies are economic systems where certain sectors of the economy are left to private ownership and free-market exchange, while other sectors have significant state ownership and government planning.

The political system in place under Hugo Chavez's leadership was a pseudo-democracy. A political system that calls itself a democracy but offers no real choice for the citizen. The freedom was restricted, and the system displayed totalitarian tendencies. Chavez's supporters dominated parliament and state controls over business gave public officials opportunities to enrich themselves.

- 2. How do you think that Chávez's unilateral changes to contracts with foreign oil companies will affect future investment by foreigners in Venezuela?**

Chavez reduced the stakes held by foreigners in oil projects. His goal was to increase royalties paid to the government. He also replaced professional managers with his supporters. But Abolition or reduction of private ownership means that there

will be no or less incentive for individuals to look better ways to serve consumer needs; hence, dynamism and innovation will be absent. As a result of this decision, the demand fell by third, leading the country to a recession.

Chavez viewed the presence of the foreign multinational has an attempt of domination. After his death, his successors continued with the same policies and the same way of thinking. The same way of thinking that will keep Venezuela in the rank of economic and political risk.

3. How will the high level of public corruption in Venezuela affect future growth rates?

The high level of public corruption will negatively affect Venezuela's economy. On July 25, 2019, the United States sanctioned Maduro's¹ three stepsons (Walter, Yosser, and Yoswal Flores), and seven other individuals, as well as 13 entities. They were involved in a complex network of bribery and money laundering that has been stealing from the people of Venezuela through a for-fee food distribution program known as the CLAP. The currency keeps losing its value, and as a result of Maduro's public actions, the people of Venezuela can no longer afford to live in their own country. Economic evidence suggests that a high level of corruption significantly reduces foreign direct investment, the level of international trade, and economic growth.

¹ Nicolás Maduro Moros is a Venezuelan politician and the President of Venezuela since 2013, with his presidency under dispute since 2019.

4. During the latter part of Chávez's rule, Venezuela benefited from high oil prices. Since 2014, however, oil prices have fallen substantially. What has the effect of this has been on government finances and the Venezuelan economy?

The government finances of Venezuela were severely affected by oil prices in 2014. The economy contracted by 4% that year, while inflation surged to around 65%. The sharp fall in oil prices led the country to a recession. The economy was forecasted by the IMF (international monetary fund) to be 23 percent smaller in 2017 than it was in 2013, the worst decline in the world.

On the other side, unemployment was rising. The poverty increased by 2%, and an estimated 75% of Venezuelans lost weight, averaging 8.7 kg because of a scarcity of food. The country revealed a strong dependence on the oil sector. In 2000, the world oil market put Venezuela out of mounting economic difficulties. Now mismanagement in the same sector put the country back in troubles.

5. During the Chávez years, many foreign multinationals exited Venezuela or reduced their exposure there. What do you think the impact of this has been on Venezuela? What needs to be done to reverse the trend?

Chavez's decision to reduce the stakes held by foreigners had serious consequences. It has reduced the incentive for foreigners to invest in the sector and state-owned oil companies have failed to make up for the differences. The country now consists of economic and political risks; a country where the forces of the political environment and economic mismanagement change the business environment and affect the profits of businesses.

What if Venezuela were to take the example of Bangladesh? Bangladesh's economy suffered because of political troubles, war, lack of natural resources, and natural disasters. Today it is ranked 64th of 154 countries in terms of economic progress. How? Thanks to the liberalization of economics sectors, privatization of state-owned companies. Innovation and entrepreneurship are engines of growth and they require a market economy.

References

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