





THE CRISIS IN VENEZUELA: SOCIO-ECONOMIC EFFECT ON

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INTRODUCTION

Venezuela is in the midst of an unprecedented national crisis, that is impacting its economy, political life, infrastructure, and societal. In recent years, events that can be attributed to both domestic decisions and foreign interactions have compounded to create the state of crisis and instability that currently exists in the Bolivarian Republic of Venezuela. This has led to a human crisis that has manifested itself in people's daily existence, at the inter-personal and collective levels.

For more than a decade, Venezuela has been immersed in a deep crisis that has created severe national challenges. The collapse of the Venezuelan economic model which was founded on oil export revenues and a highly centralized state-controlled economy, has led to political, economic, and social challenges. This has revealed the seriousness of the corrosion in the Venezuelan democratic system. After almost three decades of extraordinarily positive democratic developments in Latin America, this crisis has exposed an equally rapid and alarming collapse of the democratic institutions.

As a consequence of uncertainty and violence in the wake of this political, economic, and social crisis, citizens have resorted to demonstrations and rioting all across Venezuelan territory. A growing number of Venezuelans are migrating in search of an improved quality of life amongst neighboring South America countries and the world at large. Between 2015 and 2017 the Venezuelans rate of global migration grew by 132% and in that same period the regional rate

of migration to other South American countries grew by 895%. This essay will content that the crisis in Venezuela has disrupted Colombian socio-economic stability, and that the impact on Colombia is disproportionately higher than other South American countries. To demonstrate this thesis, this essay will explore the political, social, and economic aspects of Venezuela. Then, in a second part, it will analyze the socio-economic impact on Colombia, Peru, and Brazil to demonstrate the consequences of the Venezuela crisis in neighboring countries.

CRISIS IN VENEZUELA

The last few years have epitomized the severity of the political, economic, and social crisis in Venezuela since the Hugo Chavez government gained control of the country. The economic collapse in Venezuela has led to a measurable decline in the Venezuelan quality of life and has cultivated the conditions for the growth of social inequalities among the population.

Despite the growing social inequalities throughout the population, Venezuelans have universally felt the impact of the economic downturn, leading to an overall loss of wealth.

The Venezuelan economy is dealing with the challenging problem of high inflation in its own currency juxtaposed with a black-market that relies on a generally inaccessible US Dollar.² The unmanageable increases in essential consumer-goods prices due to the escalating inflation means that the Venezuelan population's daily life has grown into an incessant struggle to secure essential-goods and medicines. The shortage of essential products is a relatively new experience for a population that has never seen such a shortage of commodities.³

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¹ Luz Mely Reyes, "La migracion venezolana hacia Suramerica", Efecto-Cocuyo, 5 March 2018

² https://www.elnuevodiario.com.ni/economia/459489-bolivar-venezolano-intenta-esconder-inflacion-

³ Patrick Duddy, "Political Crisis in Venezuela", (2015), 2

With the distribution of wealth is increasingly divided among a minority of Venezuelans, the economic situation is beginning to influences the social development of most Venezuelans, leaving the majority without access to a sustaining income. This has already had a measurable consequence on the ability of the population to access education, especially among the poorest parts of the population. The lack of access to education generates a cycle of poverty. Without family income, the educational opportunities are diminished among young members of the population, leading to a direct and proportional correlation to reduced employment opportunities and long-term earnings. Today, most adolescents do not finish their education as they must work to generate subsistence income in the hopes of alleviating the economic burden on the family.

The increase in poverty, unemployment, and the informal economy as a result of the economic situation, is disproportionately felt within the most vulnerable segments of the population. The economic situation has led to mass migrations of people from the countryside to the city in search of employment. The influx of the impoverished rural communities to urban environments has left people living in vulnerable and transient circumstances. These vulnerable and disproportionately young populations have few work opportunities and often turn to delinquent behavior.

This economic crisis, the political and social problems, the insecurity and the shortage of basic necessities has caused not only the domestic migration of the Venezuelan population from the countryside to urban area, it has also caused the increased Venezuelan migration to neighboring South America countries and other parts of the world in search of a better life.⁴
Figure One shows that Venezuelans' applications for asylum and work has grown by three-

⁴ Luz Mely Reyes, "La migracion venezolana hacia Suramerica", Efecto-Cocuyo, 5 March 2018

thousand percent in recent years.⁵ In this context, Colombia and Peru have taken specific actions to facilitate the transition and permanent residence of Venezuelan migrants by creating mechanisms to encourage legal migration channels. For this reason, most Venezuelans choose Colombia or Peru as their destination. Although supported by the government, this is having unintended consequences on Colombia.



Figure 1—Migratory Tendency

Source: International Office for Migration, an Organization within the United Nations.

⁵ Keila Zambrano, "Migracion en Venezuela", February 2018

SOCIO-ECONOMIC CONSEQUENCES IN COLOMBIA

The socio-economic situation in Venezuela is causing the increased immigration of Venezuelans to Colombia, it has also spurred the return of thousands of Colombians who were living and working in Venezuela. All of these migrants are searching of better opportunities in Colombia, hoping to find employment opportunities, or use Colombia as a means to transit to other countries like Ecuador, Peru, or Chile.⁶

The fact that Colombia shares a 2,000-kilometer border with Venezuela, and Venezuela is Colombia's most important bilateral trade partner means that the deepening of the political and economic crisis in Venezuela directly affects the Colombian economy. The Colombian-Venezuelan border is strategically important to both nations' security, trade, and the strong cultural ties that encourage human mobility. The border frontier is also considered one of the most dynamic conflict-ridden areas of Latin America because of smuggling, arms trafficking, and drugs.

Venezuela's socialist and populist government led by President Nicolas Maduro, and Colombia's Juan Manuel Santos who emphasizes a neoliberal approach of free trade, complicates relations between Caracas and Bogotá. The historical links between Colombia and Venezuela mean that any crisis of a political, economic, social, or security nature will have an impact on both countries. It is in this context that Colombia is at the forefront of any residual effects from the internal crisis in Venezuela as it reverberates through Latin America.

Figure Two demonstrates that one of the social effects is the return of Colombians who have lived for decades in Venezuela are now beginning to return to Colombia along with

⁶ Lasilla vacia, "La migracion venezolana ya es una crisis humanitaria", 21 January 2018

⁷ Maria Robayo, "Venezolanos en Colombia, un eslabon mas de una historia compartida", 2014

hundreds of Venezuelans, desperately searching for a better quality of life for their families.⁸ According to data from Migration Colombia, by July 2017 an estimated 350,000 Venezuelans had migrated to Colombia; 140,000 are illegal. In December this figure grew to 552,000; 374,000 are illegal.⁹ The image depicted in Figure Two is happening in Colombian cities along the border but this is encroaching to the Caribbean coast and other cities such as Medellin, Bucaramanga, and Bogota.



Figure 2—Mass mobilization of Venezuelans to Colombia

Source: El tiempo, Carlos Garcia Rawlins/Reuters

 $^{^{8}\} http://www.eltiempo.com/politica/gobierno/migracion-de-venezolanos-a-colombia-es-la-mas-grave-crisis-migratoria-del-pais-178596$

⁹ Lasilla vacia, "La migracion venezolana ya es una crisis humanitaria", 21 January 2018

The migratory avalanche from Venezuela, especially at the three international bridges of Norte de Santander where an estimated 35,000 people cross each day, has expanded to several cities in Colombia where the problem was previously, exclusively, a frontier issue. ¹⁰ The cities of Cucuta, Villa del Rosario, Bucaramanga, La Guajira, Maicao, and Riohacha are some of the cities that are grappling with the migration of Venezuelans, due to their proximity to the border. Their streets are crowded with Venezuelans earning money as street vendors while others wander the streets with suitcases looking for a place to sleep. By lacking a basic subsistence income, the migrant Venezuelans live in the streets, market squares or terminals, without having bathrooms for hygiene. This is leading to a public health crisis. ¹¹

Venezuelans also come to the Colombian border towns to shop for basic necessities, which are in short supply in Venezuela. Historically, Venezuela was the second commercial partner of Colombia, but under Hugo Chávez's leadership, and later Maduro, the Colombian government and the business community began to look for new partners, hoping to replace the Venezuelan demand due to the so-called "Bolivarian Revolution" Venezuelan economic model.

The decrease in Venezuelan average income become a humanitarian issue as citizens are resorting to crime and entered into prostitution to support their families. ¹² This is causing a socio-economic problem in Colombia, as many Venezuelan immigrants do not have legal documentation and do not have access to legal work. In some cases, this leads to numerous families living in the same residence due to their lack of economic resources. This is a source of concern and beginning to be viewed as a public-health emergency due to the declining

¹⁰ Nacion, "Una crisis humanitaria que se extiende por todo el pais", El Tiempo, 11 February 2018

¹² Maria Arias, "La crisis afecta a los colombianos o es solo percepcion", Publimetro, 4 August 2017

availability of health and social services. 13 The urban transit system in the Colombian urban centres is an indicator for desperation of Venezuelans of all socioeconomic levels, including professionals, as they sell groceries or sing in exchange for currency, as shown in Figure Three.



Figure 3—Venezuelan in informal work

Source: Municipal Mayor's Office of Bogota

The Venezuelan immigration into Colombia has also caused a crisis in the Colombian labour force. Venezuelans provide a cheap labour force, creating a conflict for Colombians competing for employment. 14 This is why informal employment has increased, along with the stigma within Colombia towards Venezuelans. Xenophobic attitudes are increasing in cities

Lasilla vacia, "La migracion venezolana ya es una crisis humanitaria", 21 January 2018
 Alexandra Castro, "Migrantes venezolanos y que efectos tiene", Razon Publica, 28 August 2017

where Venezuelan labour is displacing Colombians, or where the vulnerable Colombian population is resentful of foreigners that it believes are being subsidized.

Venezuelans who hold a university degree are not part of this labour debate as the Colombian government decided to grant a "special permanent residency" that allows them to be employed in any professional occupation in Colombia. They can also compete for vacant positions under the 'equality act', resulting in a more competitive Colombian work-force. This said, this does not imply that professional Venezuelans will always be able to work for a more competitive salary.

The Colombian government has not been able to establish a comprehensive strategy to resolve the Venezuelan migrant crisis, or how to finance the cost of providing health and education when the country is struggling to care for its own vulnerable population. This has caused a social crisis that is no longer restricted to the border regions but is consuming all of Colombia.

SOCIO-ECONOMIC CONSEQUENCES IN PERU

Approximately 800 Venezuelan citizens enter Peru daily according to figures from the National Migration Superintendence. ¹⁷ This has generated divided opinions among Peruvians. The Venezuelan migration has increased informal and illegal work as shown at Figure Four, affecting the economy and increasing illegal activities and tax evasion. For this reason, the

¹⁵ Ministerio de trabajo, "Permiso especial de permanencia", 10 October 2017. http://www.mintrabajo.gov.co/prensa/comunicados/2017/octubre/permiso-especial-de-permanencia-permitira-a-venezolanos-en-colombia-acceder-al-servicio-publico-de-empleo-y-a-seguridad-social

Nacion, "Una crisis humanitaria que se extiende por todo el pais", El Tiempo, 11 February 2018
 Superintendencia Nacional de Migraciones Peru, https://www.migraciones.gob.pe/index.php/gobierno-amplio-permiso-temporal-de-permanencia-para-ciudadanos-venezolanos/

Peruvian government has allocated more resources to public services. In recent months it has become common to be greeted by a Venezuelan waiter in a restaurant, listen to a Venezuelan sing on public transport services, or see dozens of Venezuelan street vendors in the city of Lima and in other major Peruvian cities.



Figure 4—Venezuelan in informal work

Source: Andina

The migration of Venezuelans to Peru also impacts the national economy and the social structure because the in the Peruvian service industries, vendors prefer hiring based on the physical appearance of the applicants which generating a significant social challenge.

Venezuelans who receive a Temporary Residence Permit, as described at Figure Five, ¹⁸, allows access to legal work, and also provides access to national services like public schools, and

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¹⁸ Ihid

public health services. This leads to a requirement for more investment by the Peruvian State in social programs. 19

Due to these circumstances, Peruvians are seeing an impact in their ability to work, as many vendors hire Venezuelans as a cost savings measure, by paying a lower income. In this market many Peruvians workers cannot access work with a livable income.²⁰



Figure 5—Venezuelans with Temporary Resident Permit

Source: National Migration Superintendence Peru

In the opinion of Miguel Jaramillo, a researcher at the Development Analysis Group, this migratory flow of Venezuelans has a positive impact on the economy, because more than half of Venezuelans living in the country have technical certificates or professional degrees and can be provide a low-cost labour alternative. 21

²⁰ Luis Lagos, "Consecuencias de la inmigracion venezolana", El peruano, 20 january 2018 ²¹ Miguel Jaramillo, "Migracion venezolana puede afectar el empleo en Peru", RPP, 23 January 2018

¹⁹ Gustavo Loayza, "Migracion venezolana", America Noticias, 12 February 2018

Peru has been one of the most supportive countries to Venezuelan immigrants fleeing a national crisis. However, the massive migration and the decision to extend the Temporary Residence Permit has made the policy controversial among Peruvians. The official legislator Juan Sheput stated that the Peruvian economy, at this moment, cannot absorb the 330,000 people who join the labour market every year because Peru's economy is not growing quickly enough, implying that Peru should stop accepting the Venezuelan migrants.²²

SOCIO-ECONOMIC CONSEQUENCES IN BRAZIL

As conditions in Venezuela worsen, several Latin American countries are overwhelmed by one of the largest migrations in recent history. One of these countries is Brazil as it shares a border with Venezuela. The city of Boa Vista, the capital of Roraima, is no longer a peaceful town. It has become a bustling city, confronted by a host of new social problems that include black-markets and prostitution. Having a population of about 320,000 inhabitants, the local authorities estimate that in a few short months more than 40,000 Venezuelans have arrived (10% of the population). Figure Six shows how these immigrants live in small government shelters or in the streets, ²³ resulting in social and economic challenges for the city. The city has declared a public-health state of emergency due to the dramatic increase in the number of hospital patients. Suely Campos, governor of Roraima, stated that five Venezuelan children are born every day in the hospital.²⁴

²² Karina Martin, "Polemica sobre migracion venezolana en Peru", PANAM POST, 31 January 2018

²³ Angelica Lagos, "Los venezolanos no solo llegan a Colombia", El Mundo, 11 February 2018 ²⁴ Ibid

Boa Vista has a services-based economy, with little industry. Venezuelan migrants can work at lower prices than the Brazilian, causing labour issues for locals and encouraging the emergence of xenophobia.²⁵



Figure 6—Venezuelans in Boa Vista

Source: EFE Agency

Another Brazilian town affected by the Venezuelan migration is Pacaraima. With a population of approximately 12,000 inhabitants, it was transformed in less than three years by the arrival of thousands of Venezuelans who had left their country due to the political, and

 $^{^{25}}$ Agencia Anadolu, "Boa Vista, el punto mas critico de la migracion venezolana en Brasil", El Mundo, 9 february 2018

economic crisis.²⁶ About 3500 Venezuelans have migrated to the city (approximately 30% of its population).²⁷ The majority of Venezuelans who live in this town arrive without any money. Figure Seven shows that many of these migrants will sleep in the streets or in temporary state housing. This sudden population increase has transformed the town and demonstrated the social and economic challenges.



Figure 7—Venezuelans in Brazilian Tents

Source: Reuters Agency

The Venezuelans migration to Brazil has reached a crisis point. Faced with the impossibility of attending to all immigrants entering the country, the governor of the state of Roraima, Suley Campos, requested that the border be closed; or that at a minimum the number of

²⁶ Mundo, "Migracion venezolana trastorna pequeña ciudad fronteriza de Brasil", La Republica, 15 March 2018
²⁷ Ibid

Venezuelan immigrants entering Brazil be limited. ²⁸ In response, the General Prosecutor of the Republic of Brazil ruled against closing the border with Venezuela, as this would violate the international commitments to defend human rights, which are assured by the Brazilian government.²⁹

As a result of this crisis on the border, the Brazilian government has arranged for the transfer of Venezuelans to several other cities in Brazil. 30 Brazil has facilitated Venezuelans with necessary documentation and public services and has adopted mechanisms to speed up their integration into the labor market. To guarantee care for migrants, the Brazilian government has declared the border region "in a state of vulnerability", ³¹ facilitating the State's ability to access federal financial assistance. This provides a budget for the purchase of food and medicines, including vaccines that will be applied to the Brazilian population and to the Venezuelans.³²

CONCLUSION

This essay demonstrated that Venezuela is experiencing a socio-economic crisis. The economic instability is aggravated by high inflation, shortages in consumer-goods, and a growing black market. It was argued that this is also causing a human crisis in Venezuela and permeating into neighboring South American countries as Venezuelan migrants seek employment and stability.

The massive migration of Venezuelans into neighboring countries like Colombia, Peru, and Brazil, is having leading to socio-economic challenges. The citizens of the three countries

²⁸ Notimex, "Huven venezolanos de su pais, afectan seriamente a Brasil", Excelsior, 20 April 2018

³⁰ America Latina, "Brasil comenzara traslado de migrantes venezolanos", INFOABE, 22 February 2018

³¹ Ibid 32 Ibid

are experiencing an impact in their labour markets as many Venezuelans are willing to work for a lower wage. In this sense, many citizens are competing with Venezuelan migrants to secure employment and a livable income.

Although all of these countries are impacted by the crisis, the severity of the consequences is not distributed evenly; The Brazilian socio-economic problems caused by the migration of Venezuelans is focused only along the border, unlike in Colombia and Peru, where it has spread throughout the country. In Colombia the societal consequences are significant, where large numbers of Venezuelans live in the streets, not only at the border cities, but increasingly throughout the country.

From this analysis we can conclude that the crisis in Venezuela affects Colombia in the socio-economic domain in a greater proportion than other countries of South America.

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