Aynoa Rincon

Professor Perparim Gutaj

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Comparative paper #3

 South America is house for many natural resources and amazing geography as well as it has been recognized because of the beauty of the Latina women. As a western continent, recently discovered by the Europeans this continent contains so much diversity and different traditions as well as dialects. In this paper, we are going to study the economic aspect of two of these countries: Colombia and Venezuela. Both coming from the same province conquered by Spaniards. Many similarities exist between the two but since 1998 until today many differences have appeared.

 Venezuela and Colombia have swapped places. When the Cold war ended, Colombia was a crime-infested war zone while Venezuela, its neighbor to the east, was an island of sanity and stability. If one had to choose where to invest 25 years ago, the smart money would have been in Venezuela. It had a small middle class and a great deal of poverty, but that was hardly unique in South in Central America. What set it apart was its vast oil reserves - more than ANY COUNTRY ON EARTH – and its political stability. Colombia is now one of the world’s hottest new tourist destinations while Venezuela is on the brink of collapse.

 Colombia and Venezuela share a history for achieving their independence under [Simón Bolívar](https://en.wikipedia.org/wiki/Sim%C3%B3n_Bol%C3%ADvar) and becoming one nation—the [Gran Colombia](https://en.wikipedia.org/wiki/Gran_Colombia)—which dissolved in the 19th century. Venezuela remains highly dependent on oil revenues, which account for roughly 96% of export earnings, about 45% of budget revenues and around 12% of GDP. Colombia depends heavily on energy and mining exports, making it vulnerable to a drop-in commodity prices. Venezuela is fueled by high oil prices the government spending helped spur GDP growth in 2012. On the other hand, Colombia consistently sound economic policies and aggressive promotion of free trade agreements in recent years have bolstered its ability to weather external shocks. Real GDP has grown more than 4% per year for the past three years continuing a decade of strong economic performance. On the opposite, Venezuela government’s spending, minimum wage hikes and improved access to domestic credit created an increase in consumption which combined with supply problems cause higher inflation 800% being one of the highest inflation rates in the world.

 Both countries hold one of the highest unemployment rates, Colombia has a 9.7% rate in unemployment and Venezuela 7.30%. Former Venezuelan president Hugo Chavez’s efforts to increase the government’s control of the economy by nationalizing firms in the agribusiness, financial, construction, oil and steel sectors hurt heavily the private sector investment environment; reducing productive capacity and slowing exports. Colombia is the world's fourth largest coal exporter and Latin America fourth largest oil producer. The current president Juan Manuel Santos has focused on bolstering Colombia's commercial ties and boosting investment at home. Colombia has signed or is negotiating Free Trade Agreements (FTA) with more than a dozen countries. The annual level of foreign direct investment - notably in the oil and gas sectors reached a record high of $16.8 billion in 2013, an increase of 7% over 2012.

 While Colombia has focused more in foreign relation than solving its internal conflicts, Inequality, poverty, and narcotrafficking remain significant challenges, and Colombia's infrastructure requires major improvements to sustain economic expansion. On the other hand, Venezuela has been dealing with internal crisis and conflict. It has been wrestling with housing and electricity crises, and rolling food and goods shortages, resulting from the government's unorthodox economic policies. The budget deficit for the public sector reached 17% of GDP in 2012 and was trimmed to under 10% of GDP in 2013. The Venezuelan government has maintained a regime of strict currency exchange controls since 2003. Venezuelan law now sanctions a three-tiered exchange rate system, with rates based on the government's import priorities.

 Venezuela looks hopeless, but Colombia looked that way too, not too long ago. Latin America veers far more wildly from the extreme left to the extreme right than most of the west does, but it’s not the middle East. Every Latin American country so far (except Cuba) has reverted to democratic rule after a period of dictatorship. One way or another, Venezuela will get there eventually. Maduro isn’t likely to die in bed while in office like Chavez did in 2013. He’ll lose an election, the army will put him in jail, or he will be strung up from a Caracas lamp post. Whenever it finally happens to get all this chaos and crisis to an end, Venezuela will face a long dig- out.