

Venezuela Agriculture and Food: Resilience or Total Collapse of Food Security Under Repeated Crises?

By Isabelle Tsakok

Executive Summary

Venezuela has hurtled from crisis to crisis since the 1980s oil glut. Time and again, successive governments, whether Democratic or Bolivarian Socialist have failed to utilize Venezuela's plentiful oil revenues to build a stable, competitive, diversified, and inclusive economy, with sustainable food security for all. Years of 'feast' have alternated with years of 'famine' for decades. It is feared that, at the dawn of 2021, Venezuelans are literally in the grip of a looming famine. No end to this tragedy is in sight. What are the root causes of this still unfolding tragedy? There are many views on this, but this paper focuses on only one of Venezuela's many tragedies: the inability of a well-endowed country to strengthen the agriculture and the food security of all its people in a sustainable way.

Venezuela's great asset—its enormous oil wealth—has turned out to be a persistent liability—the inability of successive governments to translate this abundant resource into sustainable and substantial investment in agriculture and other non-oil sectors to develop a diversified and inclusive economy within a stable price and macro-economic framework. It has remained an oil-dominated, inequitable, and unstable economy for decades, irrespective of the political and economic philosophy of the prevailing government.

The development of agriculture has been undermined by the Dutch disease, exacerbated by policies that neglected (i) technology transfer; (ii) market access; and (iii) security of land tenure and usufruct rights for the majority of smallholders in a highly dualistic agrarian structure. Despite short term attempts to reverse the negative impacts of the Dutch disease, these turned out to be too little too late. More generally, government policies have swung from the extreme right—the neo-liberalism of price decontrol and privatization—to the extreme left—centralized control of prices and markets promoting a 'Bolivarian Socialist' agenda. Both extremes have relied heavily on welfare schemes generously funded by oil revenues. Neither extremes have worked. Add to these the seemingly intractable governance problems of corruption, non-accountable public administration, and recurrent coups.

The onslaught of COVID-19 in early 2020 turned a dire food security situation into a desperate one. It is hard to see much sign of resilience in an exhausted nation, although the sheer will to survive the direst circumstances has always been the inherent resilience of humankind.

Introduction

If we adopt the definition of a failed state as “a state whose political or economic system has become so weak that the government is no longer in control”¹, in what sense is Venezuela a failed state? In particular: (i) What are the political-economy roots of this implosion? (ii) Has the economy shown any resilience or has it seen a total collapse in terms of poverty and food insecurity, especially under the COVID-19 pandemic onslaught? (iii) Finally, what lessons does Venezuela’s deepening crisis have for agriculture and food security policy in other commodity-exporting developing economies?

Venezuela, once hailed as one of the economic jewels of South America, is now one of the poorest. (Henderson, Oct 2017). What happened to this ‘jewel’?^{2,3}

As early as the 1930s, oil represented over 90 percent of total exports (OSU, 2017) In a famous 1936 op-ed, Arturo Uslar Pietri urged Venezuelans to “sembrar el petróleo” (plant the oil) by using oil rents to develop the country’s productive capacity, modernize, and educate⁴. Again, in the 1970s, Venezuelan diplomat Juan Pablo Pérez Alfonzo, a founding member of the Organization of the Petroleum Exporting Countries (OPEC), warned

about the Dutch disease, an old problem⁵. He predicted that Venezuela’s dependence on petroleum would leave it destitute. He prophesied, “Ten years from now, twenty years from now, you will see, oil will bring us ruin ... It is the devil’s excrement” (1976)⁶. (OSU, June 2017) With the hindsight of several decades, it has been a self-fulfilling prophecy.

To combat the Dutch disease (also referred to as the ‘resource curse’),⁷ commodity exporters must counter the chronic tendency for the overvaluation of their currency, among other things, to successfully diversify and increase the productivity of their non-oil economies. Did Venezuela’s leadership try to counter the Dutch disease and diversify its economy as other commodity exporters like Malaysia did? (World Bank Group, Nov 2019) Within the constraints of scarce statistical data (especially since 2010/11) on the political-cum-economic functioning of Venezuela, this policy brief focuses on the key institutional and policy features that have undermined Venezuela’s economic diversification, in particular the development of a high productivity and competitive agriculture and agri-food sector.

1. More specifically, according to Britannica: A failed state is a state that is unable to perform the two fundamental functions of the sovereign nation-state in the modern world system: it cannot project authority over its territory and peoples, and it cannot protect its national boundaries. The governing capacity of a failed state is attenuated such that it is unable to fulfill the administrative and organizational tasks required to control people and resources and can provide only minimal public services. Its citizens no longer believe that their government is legitimate, and the state becomes illegitimate in the eyes of the international community.

2. WDI: Venezuela GNI/Cap. (2014): USD 13, 080 (Atlas Method) was classified as an upper middle income country. (Upper middle income country: USD 4,046-12, 535. July 2021)

3. The discovery of oil in 1922 in Cabimas (on Lake Maracaibo), Venezuela, is the beginning of Venezuela as a modern and major oil producer and exporter. Venezuela has an estimated 296.5 billion barrels, roughly 20% of the total world reserves (2012 estimates)

4. Arturo Uslar Pietri (May 16, 1906-Feb 26, 2001) was a famous Venezuelan intellectual, writer, historian, television producer, and politician.

5. The Dutch disease term was first introduced in The Economist magazine in 1977 to analyze the economic situation in the Netherlands (hence the name) after the discovery of large natural gas fields in 1959. Although the Dutch economy increased its revenues from the export of natural gas, the significant appreciation of the national currency from the large capital influx into the sector resulted in a higher unemployment rate in the country, as well as a decline in the manufacturing industry. The phenomenon of Dutch disease commonly occurs in countries whose economies rely heavily on the export of natural resources. In Venezuela’s case, the dominance of oil in the economy has undermined the competitive growth of other sectors, including agriculture and agri-food. The Dutch Disease is also often referred to as the “paradox of plenty”

6. Juan Pablo Pérez Alfonzo (1903-79) was the Minister of Mines and Hydrocarbons under the second democratic government of Rómulo Betancourt (1959-64) during which he created OPEC (Baghdad Conference, Sept 10-14, 1960). He uttered the warning about oil becoming the resource curse in 1976. He was a founding member of OPEC.

7. The term “resource curse” is attributed to British economist Richard M. Auty in 1993. The phenomenon he explored--of how countries with rich resources often develop more slowly, more corruptly, more violently and with more authoritarian governments than others--is as old as war itself. (Perry, June 2010)

Brief Background: Before Chávez (1999-2013)⁸ and Maduro (2013-present)

A history of military dictatorships with periods of democracy: Venezuela has a long history of military dictatorships and repeated coups. Ever since its independence from Gran Colombia in 1830/31,⁹ Venezuela has been ruled by caudillos (military strong men) who vied for political power for extensive periods. With the exception of two periods: 1945-48, known as the Trienio Adecó¹⁰, and the Fourth Republic (1958-98) during which elections were held with universal suffrage, military dictatorship has ruled. Thus, democratic governments ruled under the Fourth Republic (1958-1998)¹¹.

Neo-liberal policies within an import-substitution industrialization-first strategy of President Carlos Andrés Pérez: It is noteworthy that when Venezuela enjoyed the bonanza of the first oil boom of 1973-74, the democratic government of Pérez (1974-79) was in power. Through his La Gran Venezuela plan, he nationalized iron ore (1975), then petroleum (1976), and thus created the state-owned *Petróleos de Venezuela* (PDVSA). He sought diversification through an industrialization-first import substitution strategy, and made huge investments in large-scale, state-owned industrial projects of aluminum and hydroelectric power. He also invested in social welfare and scholarship programs. Notably absent during this period of plentiful petrodollars was public

investment in the productivity growth of agriculture. Like many developing countries, urban bias and agricultural neglect prevailed. Agricultural production was stagnant, and Venezuela imported some 80% of its foodstuffs. The national debt also skyrocketed. In his second presidency (1989-93), he launched an ambitious liberalization program called *El Gran Viraje* (the Great Turnaround). Unfortunately, the 1980s oil glut had replaced the mid-1970s oil bonanza. Oil prices had fallen from \$35/bbl in 1980 (\$109/bbl in 2019 \$) to below \$10/bbl in 1986 (\$23/bbl in 2019 \$)¹² (Wikipedia, 1980s oil glut). After running a populist, anti-neo-liberal 1988 presidential campaign, he nevertheless accepted a loan of \$4.5 billion from the International Monetary Fund (IMF) and resorted to the 'Washington Consensus,' or neo-liberal policies of privatization, which embraced the free market in an economic environment of oligopolies, removal of price controls, and invitation of foreign investments. Removal of financial controls without regulation precipitated a severe banking crisis. The partial elimination of oil subsidies¹³ sparked violent demonstrations and repressions (called the *Caracazo* or the 'Caracas smash' in the 1989 riots) and set the scene for two attempted coups (Feb. and Nov. 1992) by Chavez who eventually won the 1998 election.¹⁴

Neo-economic policy and performance under President Jaime Lusinchi (1984-89): President Lusinchi attempted to reverse the 1983 economic crisis precipitated by the sharp prolonged fall of oil prices, through (i) devaluations of the currency, and the institution of a multi-tier exchange-rate system; (ii) greater import protection; (iii) increased attention to agriculture and food self-sufficiency; and above all (iv) generous use of producer and consumer subsidies. Unfortunately, the use of oil revenues to fund protectionist policies and subsidies in agriculture has precluded their use for public investments needed in areas such as agricultural research, dissemination to farmers of new technologies and techniques, land-tenure reform, and rural infrastructure and market development, all of which could have helped put the sector on a path toward higher long-term productivity and international competitiveness. Instead, these protectionist measures proved to be fertile ground for administrative discretion,

8. Hugo Rafael Chávez Friás (July 28, 1954-March 05, 2013) was elected President of Venezuela four times: Feb 1999-Jan 2001; Jan 2001-Jan 2007; Jan 2007-2013; and Jan 2014-March 05, 2013. He died of cancer at the age of 58. His political philosophy is known as *Chavismo*, a repudiation of both neo-liberal capitalism and Soviet style Marxism-Leninism. His philosophy was a combination of Bolívarianism and socialism for the 21st century. He formed the Revolutionary Bolivarian Movement (MBR-200) in 1982.

9. Venezuela was colonized by Spain in 1522, and won its independence from Spain in 1811. However, this independence was not securely established until it became independent from Gran Colombia in 1830/31. Throughout the 19th century, it was in constant turmoil and under the dictatorship of regional "military strong men" called "caudillos".

10. From 1948-58, a triumvirate of military personnel put in power Marcos Pérez Jimenez whose government was itself overturned by another coup in 1958. A transitional government under Admiral Wolfgang Larrazabal then held power until the December 1958 elections.

11. This period has been labelled the "partyarchy": government of the people, by the parties and for the parties.' It is also referred to as the *Puntofijo* Pact during which democratic parties reigned. The three major parties, the Social Democratic *Acción Democrática* (AD), Christian Democrat Party-- *Comité de Organización Política Electoral Independiente*, (COPEI) and *Unión Republicana Democrática* (URD), wielded political and economic control that guaranteed stability over democratic representation.

12. bbl: barrel of oil. bbl = 42 gallons.

13. There was a 10% increase in the price of gasoline which led to a 30% increase in fares for public transport. Low gasoline prices are considered sacrosanct in Venezuela.

14. President C.A. Pérez was impeached in 1993 for embezzlement; tried and imprisoned in 1996. In 1998, he was prosecuted again for embezzlement of public funds.

hence patronage and corruption at a time of declining oil revenues. The unemployment rate shot up to 20%. These 1984 reforms stimulated a recovery from the negative growth rates of 1980-81 and the stagnation of 1982 with sustained modest growth from 1985 to 1988. By 1989, however, the economy could no longer finance the high rates of subsidies and the increasing foreign debt burden, in particular because of the nearly 50 percent reduction of the price of oil during 1986 (OSU, June 2017).

Deepening crisis and economic performance under President Rafael Caldera (1994-99): When Caldera assumed the presidency for the second time,¹⁵ he inherited a country in crisis: high unemployment in an economy in recession; a banking crisis; falling oil prices and therefore falling government revenues; and high inflation—50%-60% per year (1993-97), peaking at 100% per year in 1996 (OSU, June 2017). Caldera had to allocate 75% annually of a shrinking national budget to bailing out banks until 1996 when the banking crisis was overcome. The bailout amounted to a staggering 13% of GDP (Wikipedia, Rafael Caldera). For the oil industry, he invited foreign investment to increase oil production. He also temporarily imposed foreign exchange and price controls. But in 1996, Caldera launched his Agenda Venezuela to revitalize the economy. In agreement with the IMF, he adopted liberalization policies including: (i) decontrol of domestic fuel prices; (ii) elimination of other price controls except on medicine; (iii) abolition of controls on current and capital transactions; and (iv) unification of the exchange rate system under a temporary float. In 1997, the economy grew above 5% and the inflation rate was halved. But then the Asian Financial Crisis of 1997-98 dramatically lowered oil prices, hence government revenues, thus forcing substantial retrenchment. Poverty¹⁶ increased from around 31% in 1989 to 49% in 1999 (World Bank, March 2001). Unfortunately, there is no evidence of Caldera's government investing in the productivity growth of agriculture.

15. President Rafael Caldera's first term in office was 1969-74. His first term marked the first peaceful transfer of power to an opposition in Venezuela.

16. Poverty line measured as the market cost of a basket of basic necessities.

Bolivarian Socialism from Chavez (1999-2013)¹⁷ to Maduro (2013-present): Impact on the Macro-economic and Social Situation

Chavez inherited a poorly performing economy struggling against the 1980s oil glut: The popularity of Chavez was in no small measure based on the hope the poor and the working class had in his Bolivarian Socialism. During the democratic administrations of much of the 1990s, real GDP per capita growth had averaged -1.2 % per year and inflation had averaged 40% per year. During this period, real per capita growth in the non-oil GDP per year averaged -2% per year. With negative growth, wages fell by an estimated 23 %, and poverty increased. The annual growth of manufacturing continued to fall: from 4.3% (1980-90) to 1.5% (1990-98). Growth of manufacturing would fall further by -5.0% (1998-2002) (DiJohn, 2004). Agriculture, a minor sector since the 1950s, had also shrunk (in 1984 prices) from 7% of non-oil GDP in the 1980s to 6% in the 1990s (DiJohn, 2004). During this period, the oil/GDP ratio rose from 21% in the early 1990s to 26% in the late 1990s. The share of non-oil exports to total exports remained below 25% in the late 1990s, evidence of the lack of diversification of the Venezuelan economy. Estimates of inequality also rose from 1989 to 1998: the Gini coefficient rose from 0.42 to 0.53. Indeed since the 1980s, the economy has experienced not only low growth, but also bursts of inflation and recurrent recessions (World Bank, March 2001).

Bolivarian Socialism under Chavez: Under Chavez, a fragile, oil-dominated (or undiversified) economy was further battered by his three pillars of Bolivarian Socialism. He launched his Plan Bolivar in 2000. Chavez's slogan was "Motherland and socialism. We will live and we will come out victorious." Simon Bolívar¹⁸, revered as a hero of independence against the Spanish

17. There was a military coup against Chavez in April 2002 and an oil strike between Dec 2002-Feb 2003. The political instability caused had a negative impact on the economy.

18. Simon Bolívar (July 24, 1783-Dec 17, 1830), known as The Liberator (El Libertador) was a Venezuelan soldier and statesman, who led the revolutions against Spanish rule in the Viceroyalty of New Granada (now Venezuela).

and a founder of Venezuela, was an inspiration to Chavez. The three pillars of Bolivarian Socialism (also referred to as Chavismo) called for: (i) anti-imperialism in foreign policy (imperialism as exemplified by the United States), and in economic policy, anti-neo-liberalism (particularly as practiced by the IMF and the World Bank); (ii) nationalization of industry although it accepted the principle of private property; and (iii) social welfare programs to reduce poverty and inequity.

Specifically:

- i. Chavez's flamboyant rhetoric against the United States was accompanied by measures to unify Latin America in trade through his Bolivarian Alternative of the Americas (ALBA) in opposition to President George W Bush's¹⁹ Free Trade Agreement of the Americas. He wanted to use trade integration in Latin America for poverty reduction. He used petro-diplomacy by creating Petrosur and Petrocaribe to move oil throughout the region with discounted prices, cheap credit and even barter for agricultural goods (University of Utah, July 2018). Chavez developed close ties with Cuba's Fidel Castro, whom he called a 'brother' and a 'mentor.' He developed deals exchanging Venezuelan oil at below market rate for Cuban intelligence and expertise.
- ii. Chavez's anti-neo liberalism and his nationalization of industry were mutually reinforcing. Thus:
 - Chavez's anti-neo-liberalism dealt with recurrent bursts of inflation particularly for widely consumed staples, through extensive imposition of controls on prices and interest rates.
 - He nationalized a wide range of industry/enterprises considered 'strategic,' including in iron; electricity; banking; transport, motor lubricants, telecommunications; gold mining; and even private holiday homes and hotels.
 - In agriculture, through the Land Law of 2001, he nationalized around 20% of agricultural land, but did not give title to those who were to farm it. He also nationalized processing plants and retail food stores such as rice plants, corn flour factories, sugar factories, and food grocery chains.
 - In the 25-year span between the nationalization by President Carlos Andrés Pérez of the oil

19. George W Bush was the 43rd President of the United States of America, from 2001-2009.

industry (1976) until Chavez, PDVSA had become the largest company in Latin America, and one of the most profitable in the world. It was run autonomously. By law, it had to deposit its revenues into sovereign bank accounts in the Central Bank of Venezuela. However, under the Chavez government, the nationalized PDVSA lost its autonomy—in terms of both management and use of profits. PDVSA profits were used by Chavez to finance his extensive social programs, called 'Bolivarian missions,' as he saw fit.

- iii. Chavez used the expansion of social welfare programs to reduce poverty and inequity. These 'Bolivarian missions,' created in 2003, covered three major areas: education (e.g. literacy); health (e.g. free medical care even to pets); and food (e.g. high quality/nutritious grains, dairy and meat at discounted prices). Although Chavez was a proponent of food sovereignty, the many problems resulting in low agricultural productivity and production meant that most agricultural and food items had to be imported. The Chavez government also rehabilitated and built new housing units for the urban poor, the total number of poor being an estimated 9 million²⁰.

Bolivarian Socialism under Chavez and Maduro—impact on the economy and poverty reduction: As long as oil prices were soaring and high, oil revenues/profits were adequate to finance Chavez's programs on nationalization, price controls in a wide range of sectors, and social assistance to the poor and working classes. After all, Venezuela has vast oil reserves (Wikipedia, Oil reserves of Venezuela)²¹. During the earlier part of the Chavez presidency, OPEC crude oil prices rose from an annual average of \$27/bbl in 2000 to \$105/bbl in 2013, with a sharp dip from around \$100/bbl in 2008 to \$60/bbl in 2009. During these 'fat years,' overall socio-economic developments were good except for persistent high inflation. (Weisbrot and Sandoval, July 2007).

20. Venezuela is highly urbanized: 89 % urban: 11% rural. Rural population is 50% poor; urban is 40% poor (early 2000s) (IFAD, June 2009). Total population was around 25 million in the early 2000s. It is not clear how many of the urban poor received the Chavez housing.

21. How 'proven reserves' are valued depends on crude oil prices. Between 2005-2013, oil prices were soaring. The 2019 edition of the BP Statistical Review of World Energy reports that Venezuela's total proven reserves amount to 303.3 billion barrels (slightly more than Saudi Arabia's 297.7 billion barrels).

Specifically:

1. Central government spending increased from 21.4% of GDP in 1998 to 30% in 2006. Revenues increased even more, so the budget was balanced.
2. Central government social spending increased massively from 8.2% of GDP in 1998 to 20.6% of GDP in 2006 (including social spending by PDVSA).
3. After a brief period of instability and negative growth during 2002-03, GDP growth was high: 18.3% in 2004; 10.3% in 2005; and 10.3 (2006). The non-oil sector grew faster than the oil sector, but it was not sufficiently sustained to diversify the Venezuelan economy.
4. The poverty rate was reduced from 55.1% in 2003 to 30.4% in 2006. This poverty rate measures only income poverty and does not account for the increase in access to education, health care, and public services.
5. Unemployment was reduced from 15% in 1999 to 8.3% in 2007.
6. Inflation remained high, averaging around 19% per year. It was however an improvement, as it was around 38% in 1998 before Chavez took office.

Chavez's welfare programs reduced unemployment and GDP growth no doubt improved the food security of the poor. But under Maduro, the 'lean years' set in. After peaking at \$107.9/bbl in mid-June 2014, oil prices dropped precipitously to \$44/bbl in Jan 2015 (WBG, March 2015). The sharp declines have continued into 2020: \$21/bbl in April; \$41/bbl in September (WBG, Oct. 2020). Given the increasing oil dependence of the Venezuelan economy, and the vastly expanded demands on these oil revenues to finance Bolivarian Socialism, these precipitous declines in oil prices inevitably reduced the profitability of PDVSA, and spelt disaster for Venezuela. In addition, the politicization of this 'cash cow,' undermined the profitability of PDVSA. Following the PDVSA strike of 2002, Chavez purged PDVSA of critics. As a result, PDVSA lost most of its technical expertise, negatively impacting on its performance and profitability. Industry analysts believe that PDVSA's output and profitability performance in 2021 will deteriorate further even if oil prices rise because of multiple problems including: the deteriorated state of much of PDVSA's production infrastructure; lack of cash to invest in needed rehabilitation; political risks and security fears from foreign investors Maduro is trying to attract; lack of demand for oil because of the pandemic; and the severe sanctions imposed by the United States (S&P Global Platts, Jan 2021). With funds for social

programs drying up, poverty increased. According to the National Survey on Living Conditions, 2019-20, (ENCOVI) 'multidimensional poverty'²² rose to 64.8% of the population, and income poverty to 96% in 2019 (Reuters, July 2020). Pre-COVID-19, the contraction of the GDP worsened from: -6.2 % (2015); -17.0% (2016); -32.6% (2017); and -19.6% (2018) (FocusEconomics, Nov 2020). Thus, the boom-and-bust cycle of previous decades under democratic administrations has repeated itself under Chavez and Maduro.

Agriculture and Food Policy in a Highly Urbanized Venezuela

Agriculture a minor sector of low growth since the 1930s—dualistic with high levels of rural poverty: Despite the warnings of famous Venezuelans that oil abundance can be a 'resource curse,' successive Venezuelan leadership has not succeeded in diversifying the economy. Growth of agriculture—productivity and competitiveness—has been struggling against the Dutch disease for decades. The AG/GDP ratio, which was 8% in 1950, declined to 6% in 1998, just before the Chavez-Maduro era (DiJohn, June 2004). In the early 2000s, the agrarian structure was highly skewed with 2% of farmers owning huge farms of 1000 ha + while 60% of farmers owned farms of only 5 ha. Small farmers burdened with a high poverty rate did not have security of usufruct rights or land tenure. From around 1987 until the early 2000s, annual growth of agriculture averaged less than 1% and per capita agricultural growth was negative (World Bank, June 2004).

Chavez's approach to food self-sufficiency, a priority for agriculture in his 1999 Constitution of the Bolivarian Republic of Venezuela²³: His socialist approach was protectionist, interventionist, and pro-poor, and also included land reform. Unfortunately, this approach did not usher in an extended period of political stability and succeed in equipping the majority of smallholders with the

22. 'Multidimensional' means the poverty measurement takes into account not only income, but access to education and public services. According to this measure undertaken by researchers at the Andres Bello Catholic University (UCAB), the rate rose from 51.8% in 2018, the biggest jump since 2014 when the survey started.

23. His rewrite of the constitution was one of his key first steps to put himself above the law. "... Chavez leaves a problematic legacy for those hoping a post-Chavez Venezuela will establish 'a government of laws and not men'" (Partlett, March 14, 2013)

knowledge, assets, and competitive marketing structures conducive to sustained productivity, profitability, and resilience in a world facing climate change. Specifically:

- Trade protection: Both agriculture and the agri-food sector were highly protected, through the Andean Price Band System (APBS).²⁴ Other mechanisms included: a tariff-quota system, import licenses, subsidization of feed mills, and the issuance of sanitary permits. For the ‘sensitive’²⁵ commodities, the government wanted to ensure that domestic production was sold first and at remunerative prices to producers before allowing imports. This increased protection benefited large producers most, and distorted resource allocation and the portfolio of productive activities, thus undermining productivity growth.
- Market intervention: The pervasive interventions in the marketing and pricing in the main commodity sectors included government involvement in price-setting, the use of import licenses and sanitary permits to exclude potentially disruptive imports – as well as the dominance of noncompetitive market structures and price-setting practices between oligopolistic²⁶ producer groups and oligopsonistic²⁷ processor groups. Chavez also promoted directed, subsidized credit to address the lack of credit access of the poor without tackling the underlying causes of such limited access.
- Land reform: Against the backdrop of a dualistic agrarian structure, with huge haciendas,²⁸ and within an inequitable economy, Chavez launched

his land reform (Ley de Tierras y Desarrollo Agrario, LTDA) on November 13, 2001, which replaced the 1960 Agrarian Reform Law (Ley de la Reforma Agraria, LRA). The LTDA gave only usufruct rights to beneficiaries.²⁹ However, given the inadequate functioning of land administration institutions, most beneficiaries did not obtain security with these rights. Their *cartas agrarias* did not enable them to capitalize and thus better exploit the productivity potential of their land assets. Moreover, since the government did not succeed in launching a reliable nationwide land cadaster and land registration system (as officially intended), it is hard to see how the redistribution was actually pro-equity and pro-poor.

- Producer associations: Chavez promoted cooperatives in his ‘missions.’ Land was redistributed to cooperatives formed through these ‘missions.’ In 1999, there were 850 cooperatives. By 2006, there were 56,000 of which 35-40% were in agricultural production (IFAD, June 2009).
- Agricultural research, dissemination, and other public goods and services, including infrastructure and the legal environment: Chavez’s land reform officially recognized the importance of government investment in above public goods and services to make Venezuelan agriculture more productive. Unfortunately, there is as yet no data on how much was spent on these basic public investments, and what their impact has been.

Despite Chavez’s goal of food self-sufficiency and food sovereignty, and despite his protection and subsidization of agri-food, Venezuela imported 70% of its food consumption in 2012 (USDA, March 2013). Protection did not translate into long term public and private investments in agricultural productivity which is what is sorely needed. In any case, whatever the progress under Chavez, by early 2021, the deepening food crisis dominating the daily news has been gripping Venezuela under Maduro.

The climate change challenge to Venezuelan agriculture and economy: Venezuelan agriculture has already suffered from the increase in extreme weather events predicted by climate change experts. For example, the 1999 and 2005 floods had the highest toll in terms of human lives and damages totaling \$3.2 billion.

24. The goal of the APBS is to reduce domestic price instability by buffering fluctuations in international prices through the use of variable import levies or tariffs.

25. The basic staples considered ‘sensitive’ are: sorghum, white corn, rice, sugar, and fresh milk (wheat is also included, although it is consumed but not grown in Venezuela).

26. An oligopoly is a market condition in which sellers are so few that the actions of any one of them will materially affect price and have a measurable impact on competitors.

27. An oligopsony is a market condition in which purchasers are so few that the actions of any one of them can materially affect price and the costs that competitors must pay.

28. According to a source sympathetic to Chavez (The Marxist), the land distribution structure in the 1998 Agricultural Census showed: (i) 60% of farmland was owned by less than 1% of the population; (ii) the 5% of landowners who owned the largest landholdings controlled more than 75% of all landholdings; and (iii) 75% of landowners who controlled the smallest landholdings covered about 5% of all farm land. According to the President of The Land Institute (INTI): total arable land was 30 m ha, of which 19 m ha was owned by the state or under the control of INTI; 11 m ha under private ownership; 10 m ha of total was in dispute; 4 m ha has been transferred through *Cartas Agrarias* (usufruct rights) or rights of ownership; beneficiaries to date totaled 126,000. (2006)

29. The land reform, as stated in the LTDA, was also in favor of the Indigenous peoples of Venezuela.

Agriculture is 96.5% rainfed, with only about 3.5% irrigated, therefore highly vulnerable to the predicted decreases in precipitation—20% less by 2060, (when compared to the base year of 1990), especially in the southern state of Bolivar. Agriculture is also vulnerable to increases in temperature—1^o to 2^oC by 2060. With the drier climate, areas prone to desertification will increase from 39% of the total territory of Venezuela to 47% by 2060 (World Bank, Dec 2009). Chavez’s failure to prioritize technology transfer, for smart agriculture and diversification for example, leaves agriculture vulnerable to a warmer, drier climate, with frequent and more extreme weather events.

Poverty and Food Security in Venezuela Under Bolivarian Socialism (1999-present)

High levels of poverty, inequality, and corruption between 1958-98 boosted Chavez’s popularity in 1999: Despite being an upper middle income country, the high levels of poverty, inequality, and corruption under the predominantly democratic governments proved to be fertile ground for Chavez’s Bolivarian Socialism. President Caldera inherited an economy in turmoil, but his neo-liberal economic policies did not succeed in igniting employment-generating growth and restore price stability. He was battling multiple crises: financial; falling oil prices; and a public angry at unsubsidized fuel and food prices. Under President Carlos Andrés Perez, the weeklong Caracazo incident (Feb 27 - March 8, 1989) was a clear demonstration of the depth of discontent with ‘orthodox’ economic remedies under democratic governments. Chavez promised a government which would wage war against the elite minority—rich and middle class—and put the poor and the working class first. In the 1998 election, voter turnout was 63% of the electorate and Chavez won 56% of the vote (Wikipedia, Hugo Chavez).³⁰

Poverty and widespread food insecurity under Chavez and Maduro: The Chavez appeal to the poor and marginalized was to reduce poverty, inequality, and corruption the

30. How free and fair the elections were when Chavez ran have been hotly debated. Former President Jimmy Carter and his Carter Center declared the 1998 election free of fraud; but this is disputed by the conservative Thinktank The Heritage Foundation.

‘Bolivarian Socialist’ way. Poverty fell significantly, from around half the population to one third, and unemployment was halved between 1999-2007. As yet, there is no data on income inequality post-Chavez. With the continuing fall of oil prices since 2014, coupled with the increasingly severe United States sanctions against Venezuela since 2006,³¹ the revenues needed to finance the welfare programs have practically dried up. Foreign exchange shortage limited imports. Again, Venezuela has been crippled by hyperinflation, severe food shortages, and political instability. With the onslaught of COVID-19 in Venezuela since March 13, 2020,³² widespread hunger turned into desperation for millions. The Maduro government imposed health/lockdown measures in mid-March, measures which it partially relaxed in mid-October 2020. It also launched the Agro-Venezuela Mission (Misión Agro Venezuela) in July with the purpose of strengthening agriculture and agro-industry. Nevertheless, agri-food production and supply kept being undermined by various constraints including shortages of production inputs, fuel and transport; pandemic-induced restrictions; sickness/death of family member(s). The total number of COVID-19 infections were (one year later) 144, 277, with 1,415 deaths (JHU, March 11, 2021). Various media outlets report the swelling of ranks of refugees to neighboring countries to around five million (for many, only to have to be quarantined in border stations and returned to Venezuela) (BBC, Dec 2020). The aggregate GDP contraction since 2013 is estimated to be around 80 percent. Some 44 percent of the population above 15 years old has been economically inactive. World Vision estimated that around 96% of households were below the poverty line by Dec 2020 (FAO, Jan 2021).

Conclusion: Any lessons for Resilience or Only Total Collapse?

The coping mechanisms of Venezuelan households under prolonged stress include drawing upon savings; incurring debts; selling productive assets; and consuming less animal protein. They have also resorted to less typical mechanisms: such as decapitalization and

31. Under three presidents, the USA imposed sanctions on Venezuela for: (i) non-cooperation in anti-drug and counter-terrorism efforts (G.W. Bush); (ii) human rights abuses, corruption and anti-democratic actions (O. Obama); (iii) economic sanctions against Maduro (D. Trump). (Congressional Research Service, Jan 2021)

32. This is the date of the first officially confirmed case of COVID-19 infection in Venezuela.

selling livestock (FAO, Jan 2021). Millions have fled to neighboring countries.

As of early December 2020, Maduro was blocking food aid from the World Food Programme (WFP) because he insisted on his administration controlling the food aid. Maduro has put the military in charge of food imports and distribution, and it is alleged that the military is profiting from this monopoly (Associated Press, Dec 2016). In its distribution of food aid, WFP however must abide by its principles of “humanity, neutrality, impartiality and independence.” As of December 2020, negotiations with Maduro’s government have been going on for eight months (Bloomberg News, Dec 2020). So far (mid-March 2021), there is no solution to this impasse.

Venezuela’s inability to break the stranglehold of volatile oil prices in its oil-dominated economy is a cautionary tale to all commodity-dependent exporting economies. Its alternating ‘feast’ and ‘famine’ experiences show that the building of a diversified, competitive, and inclusive economy from natural resource wealth, remains a challenge to proponents of both extremes: market-orientation and state-domination. Both extremes have not succeeded in delivering sustainable poverty reduction through diversified growth with a strong, productive agriculture and food security for all.

The oil exporting nations of Indonesia and Malaysia also faced the Dutch disease as a chronic problem undermining the diversification of their economies, in particular the broad-based development of their smallholder agriculture where poverty was high. Like Venezuela, they prioritized food self-sufficiency and were highly interventionist. But unlike Venezuela, their vision of long-term development followed what Timmer labelled ‘The Development Trilogy’ in which economic growth rests on the equally important pillars of equity and stability. Within this vision, the transformation of agriculture and the maintenance of stable rice prices play a pivotal role (Timmer, 2015). Although both countries have encountered the inevitable ups and downs of development, they have made tremendous progress in terms of rural and urban poverty reduction; increased value-added in agriculture and agro-processing, and in

food security³³. Malaysia’s agriculture has performed even better than Indonesia’s (WBG, Nov 2019). If Venezuela had been able to seriously heed Arturo Uslar Pietri’s warning of 1936 “semblar el petróleo” by transforming its agriculture the way Malaysia has done, would it have avoided these tragic developments? When more detailed statistical data on Venezuela becomes available, this question is well worth addressing.

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About the author Isabelle Tsakok

Isabelle Tsakok is an adjunct professor at SIPA and a Senior Fellow at the Policy Center for the New South, previously known as OCP Policy Center, who focuses on rural development, agricultural economics, policy analysis, food security and poverty reduction. She holds a PhD in Economics. Dr. Tsakok has worked on development issues for over twenty-five years, first as World Bank staff and since retirement as a consultant. She has specialized in policy analysis, program and project formulation and evaluation, research and training activities in agriculture, agro-business, rural development and poverty reduction. She has worked in most regions of the developing world: Africa, Asia - South, Southeast and East, North Africa and the Middle East and Latin America.

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The Policy Center for the New South: A public good for strengthening public policy. The Policy Center for the New South (PCNS) is a Moroccan think tank tasked with the mission of contributing to the improvement of international, economic and social public policies that challenge Morocco and Africa as integral parts of the Global South.

The PCNS advocates the concept of an open, responsible and proactive « new South »; a South that defines its own narratives, as well as the mental maps around the Mediterranean and South Atlantic basins, within the framework of an open relationship with the rest of the world. Through its work, the think tank aims to support the development of public policies in Africa and to give experts from the South a voice in the geopolitical developments that concern them. This positioning, based on dialogue and partnerships, consists in cultivating African expertise and excellence, capable of contributing to the diagnosis and solutions to African challenges.

The views expressed in this publication are those of the author.



Policy Center for the New South

Suncity Complex, Building C, Av. Addolb, Albortokal Street,
Hay Riad, Rabat, Maroc.

Email : contact@policycenter.ma

Phone : +212 (0) 537 54 04 04 / Fax : +212 (0) 537 71 31 54

Website : www.policycenter.ma