



Photographer: Federico Parra/AFP/Getty Images - Source Bloomberg

Venezuela

Mount Murray Investment
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Venezuela isn't somewhere we invest in currently, but it crops up frequently in discussions. Its headline grabbing collapse scares potential investors who worry that other countries will follow suit, that a wave of contagion is about to overwhelm regional peers, thereby spreading misery and poverty in its wake. We try to be clear on this, the current collapse of Venezuela is definitely the end of the last wave, not the beginning of a new one.

The late Hugo Chavez was the first of several leftist leaders who were elected presidents in Latin America at the end of the '90s and early part of this century, part of a so-called "Pink-tide". Although considered a celebrity by many, and lauded by many celebrities, it was clear from the outset that his economic policies would undermine the

economy, and make it even more dependent on the oil sector. There was not a policy he tried to implement that had not been tried, and invariably failed, before, except for his handing over large swathes of the economy and administration to the Cuban Military. That was indeed new, and a disaster.

Nicolas Maduro, Venezuela's current President, was Chavez's anointed successor and has enthusiastically continued his predecessor's "Bolivarian Revolution" that has destroyed the Private sector, starved the economy of foreign exchange, and led to the current collapse.

Elsewhere in the region, Leftist leaders have been replaced by Right wing populists, and vice versa, in elections generally held to be free and fair. Even Brazil's record recession appears to have ended, and the incoming government of President Bolsonaro seems to have some credible plans to get growth going again.

Suffice it to say, IF any country was likely to follow Chavismo off the cliff, it would probably have done so by now. Sadly, that is not to say other countries have entirely avoided getting dragged into Venezuela's crisis. Brazil and Colombia have millions seeking refuge within their borders, and more arriving every day. Anecdotally, there are now more Venezuelan exiles in Miami than there are Cuban, whilst Spain's statistics bureau counts 274,000 Venezuelans living there.

Therein lies the longer term tragedy of Venezuela. When Maduro is eventually replaced, many of the Venezuelans who would be so vital in rebuilding the economy will have built new lives elsewhere. Even if they are prepared to uproot themselves all over again, they will never be able to go back to what they had before.