

# Venezuela

## *Grim Outlook*

### *for 2014*

**Venezuela's state-controlled economy and volatile regulatory environment make it an increasingly unattractive place to invest, despite the country's tremendous oil wealth.**

In June 2013, Venezuela ranked 181st out of 189 countries in the World Bank's Ease of Doing Business index. Among the criteria weighing the country down were a heavy tax burden, low investor protection and the difficulty of trading across borders. President Hugo Chavez's reelection in October 2012 was followed by increased state intervention in the economy and a wave of nationalization of natural resources. When the president's death prompted a new election in April 2013, finance professionals hoped the new government would take a more investor-friendly approach on legislation, but Chavez's chosen successor, President Nicolas Maduro, has remained on his socialist track, resulting in the country's downgrade from various risk-rating agencies.

Victor Rodriguez, President and CEO of financial services company LatAm Alternatives, explains that the investment climate in his home country is suffering dramatically from Venezuela's socialist policies.

"None of the nationals of any country like to speak about what's bad in their own country, but as a responsible Venezuelan I need to be the voice of the financial and private sector in my country: We are extremely concerned about a lack of willingness to take in the opportunities that the whole world economy might be able to present to Venezuela because of arguments and different points of view on how to run a country," Mr. Rodriguez says.

"Venezuela's leaders – government and opposition – must understand that they need to sit at a table and try to at least set some general rules in the country so it doesn't fall apart. In the whole of Latin America you have a very nice outlook but Venezuela is atypical in that you are now seeing the quality going dramatically down compared to countries like Colombia, Peru, Chile, Brazil and Mexico."

Rodriguez adds that risk-rating agencies are very concerned that what the government is trying implement will create a collapse in the macroeconomic sector and a

fall in interest in the service of the debt. This would further degrade the country's financial sector, which has been unable to capitalize on oil revenues.

One area President Maduro has been focusing on is bilateral relationships with China, and speculation about investment agreements has increased since his visit to Beijing in September 2013. However, there are fears that the country's lack of regulatory transparency will impede the signing of contracts that could boost Venezuela's economic outlook.

"The reality is that the lack of transparency leads everybody to be skeptical about the levels of sophistication and technology

transfer that these associations are creating for the country. Perhaps [Chinese companies] are willing to do business with Venezuela but there are no clear rules, no clear speakers on behalf of the government. It's very difficult to invest and to understand what would be your rights and that creates a very challenging situation for the overall finance of the country," Mr. Rodriguez says.

He calls for international leaders to step in and encourage Venezuela to establish a national agreement on investment to make sure the country doesn't fall apart.

"As of now I don't think any investor that is looking for risk management is willing

to enter Venezuela. The ones that are capitalizing on this are the ones that are willing to take risks and get a big payout because of that. Until recently I was still thinking that in the long term Venezuela might be one of the countries to be in because of the potential rebuilding of all aspects of its economy. But I now believe Venezuela will be going through a lot of challenges for the first two quarters of 2014," he concludes.

