

Political risk in venezuela

[Literature](#), [Russian Literature](#)



The political climate in Venezuela is very unsettled, this is because of the course of action the president decides to take. However the biggest risk is to industry -type company's that have major operations in Venezuela. This is exemplified in the operations of foreign oil companies and mining companies with operation in or with Venezuela. The greatest risk in conducting business is straightforward expropriation. Another major risk that foreign companies face while operating in Venezuela is increased income tax. The tax rates tend to be subjective and can change depending on the revenue and size (growth) of the company.

The largest risk facing any foreign company such as the proposed from class is converting the local currency (Bolivar) to outside currency. This is mainly because of the bureaucracy involved exchanging the currency, which is governed by the Central Bank of Venezuela and the National Exchange Control Administration. This is especially applicable to the U. S. currency because of current relations. * The additional expenditures accumulate because of time and resources required to transfer money abroad.

Venezuela's democracy is broken according to the standards of the OAS Inter-American Democratic Charter.

This may mean that changes to the political climate to further burden the operations of business will prove to be futile. Living Conditions Venezuela has a national poverty percentage of 52% according to the World Bank. There is considerable income inequality, especially in densely populated areas. This becomes a concern because Venezuela has had massive economic growth compared to historical percentages. The unemployment rate is 6. 6% at the year-end of 2009. This is considered to be low when factoring in that many

people engage in subsistence farming and small-scale trade, which is not considered part of the unemployment count.

There is a large gap in income where the population is considerably wealthy or poor to very poor. The population averages out to upper middle class income. The World Bank states that the GNI per capita in Venezuela is \$12,370 USD in 2009 (The World Bank). However with 95% literacy rate we can deduce that many Venezuelans are well educated. This widens the market segment for products that involve interaction with the individual. One such example would be exercise products that come with routines by book and/or video.

Inner city residents live in apartments, condominiums and small houses, which are in close proximity. The cost of living increases closer to the city center especially in large cities such as Caracas. The inner city residents are mostly middle class to upper middle class. Upper class Venezuelans live outside the city usually in the hills in gated communities. The lower class lives in slums located in the perimeter of the cities and use public transportation to go to the city center. The lower class may also live on estates and work for the upper class in large numbers especially on large farms.

Reference

<http://data.worldbank.org/country/venezuela-rb>

www.state.gov/r/pa/ei/bgn/35766.htm

<https://assignbuster.com/political-risk-in-venezuela/>