



Quid pro quo

Venezuela was once Latin America's most prosperous nation, thanks to the largest petroleum reserves in the world. And until 2015, it was New Zealand's biggest export market in Latin America.

Between 1988 and 2015 Venezuela purchased more than \$2 billion of New Zealand milk powder, including \$653.7 million worth in 2008 when the country was New Zealand's most important dairy export market that year.

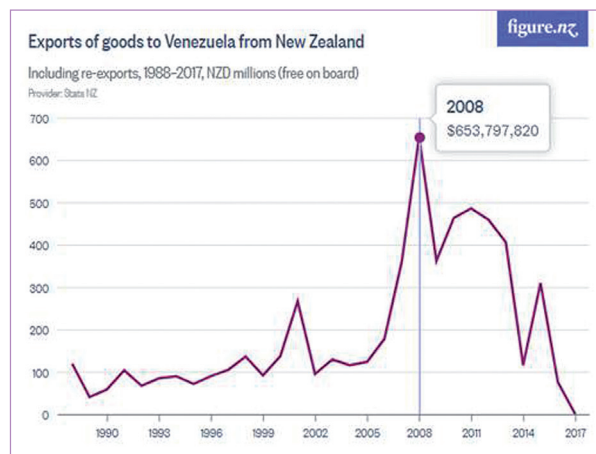
The free health care and higher education, vigorous economy and the best infrastructure in Latin America which enabled Venezuelans to enjoy the highest standard of living in the region are now just faint memories after two decades of socialist rule by kleptocratic demagogues.

Venezuela's problems started in 1999 with the election of socialist Hugo Chavez as president, when high oil prices were able to fund extravagant social spending (including free New Zealand milk powder for workers' children).

Oil revenues account for 95 per cent of Venezuela's export earnings and the largess became unaffordable when oil prices crashed in 2014, soon after Chavez died of cancer and Nicolas Maduro, a former bus driver, succeeded him as president.

The stunningly incompetent Maduro has overseen disastrous, mass nationalisations of businesses and industry, stringent price and foreign exchange controls and food rationing (Venezuelans each lost an average of 11kg of weight in 2017).

When Maduro replaced the democratically-elected Congress with a "Constituent National Assembly" stuffed with his cronies, the massive



street protests which spontaneously erupted were ruthlessly suppressed with deadly force by the military.

Many of Maduro's ministers, including the vice-president, have been indicted in the US for cocaine trafficking and money laundering, as have Maduro's nephews and stepsons.

In May last Maduro launched a new currency called the 'Sovereign Bolivar' by removing the last five zeros from the old Bolivar, as well as a bizarre, underlying crypto-currency called the "Petro". But neither measure has done anything to stem Venezuela's virulent hyperinflation.

Cost of living leads to exodus

The IMF reports that Venezuela's GDP has dropped by 45 per cent since Maduro took office, unemployment is 33 per cent this year and the IMF predicts hyperinflation (which it compares to Germany in the 1920s) at 1 million per cent for 2018 and 10 million per cent in 2019.

A 3,000 per cent minimum wage hike in May (to US\$6 per week) was intended to stem the huge tide of impoverished refugees flooding into Venezuela's neighbouring

states, but the measure has had little effect. The average family needs 20 minimum wages a week to buy a basic basket of food so, to avoid starvation, many chose to leave Venezuela.

So far, three million Venezuelan refugees have been generally welcomed throughout Latin America, with the exception of Brazil where mobs in the border region attacked refugee camps and the army had to be deployed to restore order.

A group of 13 Latin American nations and Canada, the "Lima Group", is trying to broker new, democratic elections in Venezuela although Maduro has dismissed the group as "United States puppets".

The New Zealand Government is actively supporting the Lima Group and has pledged \$145,000 in humanitarian aid for Venezuelan refugee camps in Brazil and Colombia.

New Zealand could do even more by donating milk powder for the many thousands of infants and children caught-up in the desperate exodus.

Milk powder would be a fitting humanitarian quid pro quo for the billions of dollars Venezuela spent on New Zealand dairy products in better times.

Humanitarian considerations aside, supporting refugees with milk powder will build New Zealand's profile and help our dairy exporters reclaim market-share once Venezuela gets back on its feet, albeit this could be a decade or more, given the myriad political and investment challenges Venezuela has to overcome first.