

Primary export model of Venezuela Modelo primario exportador de Venezuela

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Abstract:

The main objective of this article is to study the primary export model in Latin America, and specifically in Venezuela, as an engine of economic growth through exports of natural resource-based products. Conquest and colonization shaped Latin American countries and turned them into outward-looking economies and made them dependent on the metropolis. The methods used to achieve the goal will be deductive and descriptive. As conclusions we have that Venezuela continues to depend on a product of nature, oil, which has suffered ups and downs in its prices, which puts the Venezuelan economy on edge.

Keywords:

Primary export model, Venezuela, coffee, cocoa, oil

Resumen:

El objetivo esencial de este artículo es estudiar el modelo primario exportador en América Latina, y en específico en Venezuela, como motor de crecimiento económico a través de las exportaciones de productos basados en recursos naturales. La conquista y la colonización moldearon a los países de América Latina y las convirtieron en economías volcadas al exterior y las hicieron dependientes de las metrópolis. Los métodos empleados para conseguir la meta será el deductivo y descriptivo. Como conclusiones tenemos que Venezuela sigue dependiendo de un producto de la naturaleza, el petróleo, el cual ha sufrido altibajos en sus precios, lo cual hace poner en vilo a la economía Venezolana.

Palabras Clave:

Modelo primario exportador, Venezuela, café, cacao, petróleo

Introduction

Economic growth has been a persistent search of the Latin American nations, and in that sense Latin America and therefore Venezuela has gone through three growth models from colonial times to the present: 1) the primary export model, 2) the model of import substitution and 3) the neoliberal model. In this paper, only the first will be addressed, that is, the primary export model, which bases

the economic growth of countries on the production and export of products based on natural resources.

In this way, we have that the production of cocoa, together with the production of coffee, constituted a bulwark of the national economy. However, at the beginning of the 20th century, oil activity appeared on the economic scene of Venezuela, creating a crisis in the traditional sector of the economy, originating a displacement of cocoa and coffee exports, due to oil exports. This work is divided into the following sections: 1) Introduction, 2) Theoretical

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framework, 3) Methodology and 4) the development of the work per se, which is subdivided into the following topics: a) What period does the primary model cover? exporter? b) some examples of primary export model in Latin America: Brazil, Mexico and Argentina, c) the primary export model of Venezuela and d) the conclusions.

Theoretical framework

Once the Latin American countries achieved their independence and became the different nations of Latin America, their economic growth was based on the primary export model, in other words, on the export of products based on natural resources (agricultural products and minerals). It was a model in which each country concentrated or specialized in one or a few dominant activities and the goods from these activities were destined for the external market. It is the classic model of the peripheral country, which was present since colonial times, although some authors place it in the period between 1850 and 1930. We distinguish three ways in which this primary export model manifested itself: a) Plantation cultivation, which was essentially based on the cultivation of tropical products: cocoa, coffee, bananas, sugar and other tropical products, cotton, tobacco, rubber: cotton, tobacco, rubber, henequen, etc. b) The mining enclave, whose main metals were: silver from Bolivia and Mexico; c) Export of agricultural products, essentially the extensive use of land for cattle raising and agri-food production. Exports of this type of products are: meat, furs and derivatives, but also, in the sphere of agriculture, cereals.

In the historical periodization of Latin America carried out by ECLAC writers, they speak of development models based on recognizing in each period: a) the engine or essential force of the economic system; b) the nuclear sector or axis of the same. For Pinto [1] during the "outward growth model" or "primary exporter", the demand for primary products from abroad was the main source of dynamism and the progress of the system was linked to its

fluctuations and trends. The key sector expanded or contracted other sectors directly and indirectly, through labour, inputs, food, establishment of infrastructure, and so on. Throughout this model, capital accumulation in Latin America was in charge of mining production and the agricultural sector, in other words, of products based essentially on natural resources. According to Guillen [2], Latin America concentrated on the production and export of products based on natural or primary resources, with the external market being the driving force of the economy. Similarly, Alba and Valencia [3]; Delgado [4] designate this model as an outward development model. The primary export model was based on the export of natural resource-based products and the import of manufactured products. However, it is important to note that this model was actually present since the *novo-Hispanic* period. The metropolises were forbidden to develop manufacturing activities within the colonies that could compete with them.

Methodology

The method used to achieve the objective will be deductive, that is, it will go from the general (some Latin American countries) to the particular (Venezuela) [5]. Similarly, the descriptive method will be used because data from the period known as the primary export model will be analysed and recorded [6].

¿What period does the primary export model cover?

Although this model of economic growth had been in place since colonial times, there are writers who agree in giving this name to the model that was in force from the end of the 19th century until 1930. Among some writers are: Gillen [7], Alba and Valencia [8] and Moreira [9]. For Guillen [10] the model dominated the period from 1850 to 1930. Alba and Valencia [11] only state that the "outward development" or "primary exporter" model emerged from the end of the 19th century until the crisis of 1929-1932. Moreyra [12] locates it for Argentina during the period

1880-1930. In the case of Venezuela, according to Amesty [13], this model began in the sixteenth century and ended when it adopted the import substitution model which was, according to the author, in the second half of the twentieth century.

Some examples of the primary export model in Latin America: Brazil, Mexico and Argentina.

In the case of Bolivia and Mexico, the most important export product during the novo-Hispanic period was silver [14]. The products exported by Brazil during the novo-Hispanic period were: sugar cane and Brazilian wood [15]. In Mexico, on the other hand, during the Restored Republic (1867-1877) and the Porfiriato (1877-1910), it became an exporter of agricultural products: henequen, cotton, coffee, chickpeas, cattle, copper, vanilla and later oil, especially to the United States [16]. According to calculations made with data from INEGI, Estadísticas Históricas de México, between 1872 and 1910, Mexico's most important export products were minerals and metals, followed by agricultural goods, livestock products and vegetable fibers. If we select some goods: silver, copper, lead, coffee, ixtle, zacatón and henequen, we have that, of all these products, between 1901 and 1915, vegetable fibers: henequen, ixtle and zacatón were the most important export product, the first being the most relevant; it even became more important than the export of silver. Between 1875 and 1913 Argentina exported: hides, meat, wheat, corn, flax and wool [17]. In Brazil the star export product at the end of the 19th century and until 1930 was coffee. Segura [18] tells us that "coffee emerged in Brazil as an alternative for economic development. Although it appeared in the first half of the 18th century (1727), the stage of its expansion and dynamism was concentrated between 1850 and 1930". Tables 1, 2 and 3 show data for Brazil and Mexico for some export products.

Table 1.
Main exports of Brazil, 1821-1930 (%)

	Coffee	Sugar	Cotton	Hides and skins	Rubber	TOTAL
1821-1870	39.5	23.2	12.6	8.7	1.2	85.3
1871-1930	43.7	21.4	11.1	7.7	1.4	85.4

Fuente: IPEADATA. (<http://www.ipeadata.gov.br/Default.aspx>).

Table 2
Main export products of Mexico. 1872-1910 (%)

Metals and Minerals	Agricultural Products	Livestock Products	Vegetable fibers	Miscellaneous Products	Total
69.0	23.0	6.1	1.2	0.7	100.0

Fuente: INEGI, Estadísticas Históricas de México (CD, 2000).

Table 3
Mexico's main export products, 1901-1930 (%)

	Silver	Copper	Lead	Coffee	Ixtle	Zacaton	Henequen	Total
1901-1915	23.5	19.2	7.5	11.5	3.3	2.2	32.9	100
1916-1930	38.9	15.2	15.6	10.7	2.2	1.5	16	100
1901-1930	30.7	17.3	11.3	11.1	2.8	1.8	25	100

Fuente: INEGI, Estadísticas Históricas de México.

Venezuela's primary export model

Venezuela's economy is currently focused on the export of raw materials. The main economic activity of the South American country is the exploitation and refining of oil for export. The state-owned company *Petróleos de Venezuela* is in charge of extraction and refining.

Its creation dates back to 1883, when the first barrel was extracted by the "Empresa Nacional Minera Petrolia del Táchira" in the hacienda "La Alquitrana" in the Venezuelan Andes; later the first refinery was built, from which products such as diesel oil and kerosene were obtained.

The Zumaque I oil well in Cerro La Estrella de Mene Grande in 1912 marked the beginning of large scale commercial oil exploitation, the transnational Caribbean Petroleum was in charge of starting the drilling works in the lands of the Zumaque hacienda. In 1960 and as a result of

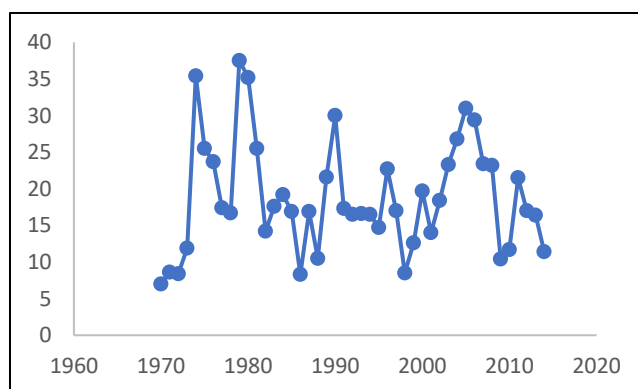
Venezuela's initiative within the world oil market, the Organization of Petroleum Exporting Countries (OPEC) was founded.

Currently, oil is the basis of Venezuela's economy and is the fifteenth largest exporter in the world (Table 4). This commodity constituted 84.94 of its exports of goods and 82.43 of total exports of goods and services, between 2000 and 2018; and contributed 50% of government revenues. However, the economic reality of the South American country, in the 19th century, was very little linked to oil. During most of its colonial life, its economy was self-sufficient until the end of the 18th century. During the Bourbon era it gained dynamism through the royal monopoly on cocoa. The economic history of Venezuela recognizes cocoa as the first exportable agricultural good, generating considerable income and promoting the economic activity of the South American country [19].

[exportadores-de-petroleo-en-el-mundo](#), consultado el día 17 de septiembre de 2021.

Graph 1.

Contribution of oil to Venezuela's GDP, 1970-2014.



Fuente: Banco Mundial,

<https://datos.bancomundial.org/indicador/NY.GDP.PETR.RT.ZS?locations=VE>, consultado el día 15 de agosto de 2021.

Table 4.

Top 20 leading oil exporters, 2019

Position	Country	Oil Exports (Millions of USD)	% Total Exports
1	Saudi Arabia	\$182,500	15.90%
2	Russia	\$129,000	11.30%
3	Iraq	\$91,100	7.90%
4	Canada	\$66,900	5.80%
5	United Arab Emirates	\$66,800	5.80%
6	Kuwait	\$49,800	4.30%
7	United States	\$47,200	4.10%
8	Iran	\$45,700	4.00%
9	Nigeria	\$43,600	3.80%
10	Angola	\$38,400	3.40%
11	Kazakhstan	\$37,800	3.30%
12	Norway	\$33,300	2.90%
13	Libya	\$26,700	2.30%
14	Mexico	\$26,500	2.30%
15	Venezuela	\$26,400	2.30%
16	Brazil	\$25,100	2.20%
17	United Kingdom	\$24,900	2.20%
18	Oman	\$22,500	2.00%
19	Qatar	\$21,000	1.80%
20	Algeria	\$17,500	1.50%

Fuente: Ekos (2019). *Los 25 mayores exportadores de petróleo en el mundo*, en <https://www.ekosnegocios.com/articulo/los-25-mayores->

Before becoming an oil producing country, the South American country was a purely agricultural country throughout the 19th and early 20th centuries. The axis of the Venezuelan economy was based mainly on coffee production. The main products exported by Venezuela at that time were coffee, cocoa, cattle, beef hides, heron feathers, sugar, papelón, tobacco, balatá, gold and rubber.

Table 5.

Oil and non-oil exports, 1920-1968

Years	Oil Exports	Other Exports
1920-1929	40.6	59.4
1930-1939	84.7	15.4
1940-1949	90.1	9.9
1950-1959	91.3	8.7
1960-1968	89.1	10.9

Fuente: [20].

We observe that the percentage of other exports during the 20's of the 20th century was higher than oil exports, however, in the 30's of the same century, exports of black gold, i.e., oil, were already much higher than other exports. Among the other exports was the agricultural sector. The agricultural sector was the most important sector; its economic activity averaged 165.47 million Bolivars between 1900-1908, which was equivalent to 49.75% of the total economic activity [20]. Exports were made up of a heterogeneous group of agricultural goods and some rural manufactures which, in 1907, amounted to 97 products, that is, almost all the goods. Ten products stood out, while the rest were of a smaller amount. The most important were coffee and cocoa, in the vegetable branch; in the livestock branch, meat and hides; there was also a diverse group of forest and wild branches, composed of balatá, dividivi, sarrapia, woods, rubber and heron feathers [21].

The structure and weight of the most important agricultural exports are presented in Table 6. These were led by coffee and cocoa, followed by livestock products: cattle and beef hides, forestry and heron feathers; within forestry, rubber and balata were the most outstanding. Between 1899 and 1909, coffee exports totaled 669.8 million bolivars, with an average of 66.98. Cocoa production was behind coffee with a sum of 280.4 million bolivars, with an average of 28.04, the average of forestry was 11.28 and that of livestock products was 10.6 million bolivars, respectively.

Table 6
Venezuela: main agricultural exports, 1899-1909, millions of bolivars

Year	Coffee	Cocoa	Cattle	Beef hides	Forestry (*)	Heron Feathers
1899-1900	34.7	6.5	1.1	6.8	3.4	-
1900-1901	30.8	13	4.9	4.6	1.9	-
1901-1902	29.6	13.5	6.2	4	5.7	-
1902-1903	20.8	9.8	3.7	2.6	0.6	-
1903-1904	37.4	16.7	8.5	5.5	3.8	0.5
1904-1905	31	12.7	6.5	5	8.6	0.6
1905-1906	37.1	14.7	9	6	5.5	0.6
1906-1907	38	14.3	5.5	5.5	8.8	0.7
1907-1908	35.2	20.9	3.9	2.9	6.4	0.7
1908-1909	40.3	18.1	1	4.6	11.7	0.9
1899-1909	334.9	140.2	50.3	47.5	56.4	-

Fuente: [22]

Table 7 shows the percentage of the main export goods.

Table 7.
Venezuela: relative participation of the main export products in total exports

Year	Coffee and cocoa	Livestock	Beef leather	Main items	Rest of exports	Total
1	2	3	4	5=2+3+4	6	
1901-1902	56.68	6.46	6.03	69.17	30.83	100.00
1902-1903	77.19	9.38	6.58	93.15	6.85	100.00
1903-1904	67.11	10.48	6.89	84.48	15.52	100.00
1904-1905	60.22	8.94	7.36	76.52	23.48	100.00
1905-1906	63.99	11.18	7.43	82.6	17.4	100.00
1906-1907	64.59	5.02	8.12	77.73	22.27	100.00
1907-1908	71.88	5.06	3.66	80.6	19.4	100.00
1908-1909	70.99	4.07	3.85	78.91	21.79	100.00

Fuente: [22].

In Table 5 we saw how in the decade of the 30's of the XX century oil exports dominated over non-oil exports, however, since 1926 oil exports were 306.8 million bolivars, while non-oil exports amounted to 157.2 million bolivars. It should be noted that the year 1920 constitutes a turning point in the Venezuelan economy, since, from that year on, agricultural exports will be decreasing to the detriment of oil exports.

Table 8.

GDP, in percentages, of the agricultural and petroleum sector in relation to the total, 1920-1928.

Year	Agriculture	Petroleum
1920	29.8	0.6
1921	28.6	1.1
1922	28.5	1.5
1923	25.8	2.4
1924	23.4	4.1
1925	18.4	6.8
1926	15.3	10.2
1927	15.0	14.1
1928	14.6	17.8

Fuente: [20].

Between 1920 and 1950, the percentages, with respect to the average GDP, were as follows: agricultural (14.2%) and oil (18.5%). In 1936, information on manufacturing began to appear and from that date until 1950, the average was 5.7%. Between 1951 and 1995, the percentages were as follows: 5.9, 18.6 and 12, respectively. It can be seen that the agricultural sector lagged behind, coming in third place after petroleum and manufacturing. Unfortunately, we do not have GDP growth rates since 1920, however, we do have them since 1950 and up to 2017.

Table 9.

Venezuela GDP growth rates, 1950-2017.

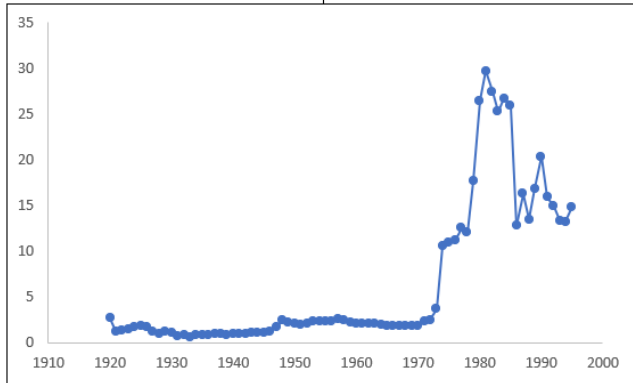
1950-1960	7.9
1961-1970	6.0
1971-1980	4.2
1981-1990	0.7
1991-2000	2.2
01-2010	3.5
2011-2017	-4.5

Fuente: Banco de Venezuela.

We clearly observe that the oil sector is very important for the Venezuelan economy, however, its dependence on a single product is risky for its economy, given that if oil prices decrease, its income will decrease considerably, affecting the performance of its economy, as it has happened in several years: 1931, 1986 and 1992. In 1930 the price was 1.15 dollars per barrel and went to 0.72 cents, while in 1985 its price reached the figure of 25.89 dollars and dropped to 12.82 in 1986; finally in 1990 its price was 20.33 and dropped to 15.92 dollars. It tells us [22] that:

Indeed, falling oil prices are undoubtedly detrimental to economies and contribute to triggering crises in the countries, because other macroeconomic indicators of Venezuela should be analyzed, such as: fiscal deficits, the insufficient dynamism of the non-oil private sector to project itself internationally, the high degree of dependence on imports, the overvaluation of the currency, the collapse of productivity, are all factors that combine to project, with a high degree of certainty, the advent of a crisis, as happened in the South American country.

Graph 2.
Price per barrel exported.
(dollars per barrel)



Fuente: [20].

Conclusions

In 1883 Venezuela was a rural country, in that year it was extracted by the "Empresa Nacional Minera Petrolia del Táchira" in the "La Alquitrana" hacienda. Up to that time, Venezuela's economy was agricultural and livestock, very technologically backward, based on the production and export of coffee, cocoa, leather and other minor items. The most outstanding feature of the economic change brought about by the beginning of the oil era is that Venezuela ceased to be a rural country and became an urban nation, at the same time that it began to be subordinated to a single economic sector. Almost 140 years have passed since then and the Venezuelan economist Gustavo Rojas emphasized: "Venezuela without oil is Haiti" (González, 2009), therefore, it is necessary for Venezuela to diversify its production and not depend on a single product because otherwise it will depend on the ups and downs of international oil prices and in case of a fall in oil prices, this could contribute to trigger an economic crisis.

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