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The Management of the Oil Sector as a Factor of Socioeconomic Control in Two Neighboring Countries: Colombia and Venezuela

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Abstract: This article aims to give an overview of the oil sector in Colombia and Venezuela, in order to contextualize the literature review of the two countries. This sector is of great importance in countries rich in these non-renewable resources, because a large part of their income depends on their extraction. Hence the importance of the management of the organizations that regulate it. In both countries, the oil crisis that has generated worldwide with the rapid decline of oil prices in the second half of 2014, which implies a decrease in their budgets and therefore, if The drop in income is maintained is expected to have a social impact in these two countries in the future.

Keyword: Social impact, oil sector, Colombia, Venezuela.

1. INTRODUCTION

As is well known, the hydrocarbon industry is of great importance in many economies, and it is even the main source of income in many countries with large reserves, so it is important to analyze their evolution and the social impact that the Management of the main organizations in this sector.

This analysis was carried out in Colombia and Venezuela, countries that have great strengths and opportunities due to their privileged geographical situation, which has allowed them to own large natural wealth including oil and gas. The economic dependence of each country on this sector is different, currently there are particular conditions in each of these countries that make their organizational culture is also.

2. METHODOLOGY

In this research study the non - experimental design, given that the variable was not under the control or intervention by the researcher, but his diagnosis and evaluation was applied [1] also states that “the non - experimental research design is one that is performed without deliberately manipulate the variable, observed phenomena as occur in their natural context and then analyze their reality.

3. THEORETICAL FOUNDATION

A brief summary of the history of the hydrocarbons sector in Colombia and Venezuela will be made, in order to contextualize the situation of the oil sector in this region and thus understand the dynamics in each country and the difference in the management of Organizations in each of them.

Oil Sector in Colombia

Summarized in Table 1, the evolution of the oil sector in Colombia throughout its history, highlighting the most important events, were based on the information published [2], [3]; which is the largest oil company in Colombia and the fourth largest in Latin America.

In Table 1 it can be seen that the hydrocarbon sector has more than a century of history in Colombia in the first half of the century, was exploited and developed by foreign companies that obtained concessions to carry out these activities and of course, were the largest Beneficiaries. During the first fifty years the Jersey company was dominant in the exploration, exploitation, production, refining, transport, domestic distribution and petroleum export. However, it is highlighted that there was a growth in the Colombian economy due to a high public expenditure financed by external indebtedness, although this growth was affected by the economic crisis happened in the late 1920s that affected all of Latin America.

Table 1
Important milestones in the evolution of the oil sector in Colombia

<i>Data</i>	<i>Description</i>
1905	The first Mares and Barco concessions were granted to Colombian entrepreneurs.
1920	Standar Oil of New Jersey merged with Tropical Oil Company and entered as a multinational company in Colombia, with the right to exploit Petroleum in the Mares Concession in Barranca Bermeja. Texas Oil Company also purchased the Velásquez land in Boyaca and slowly developed the only oil company on private land in Colombia.
1921	Refining crude oil at the Mares Concession.
1923	The concession was granted for the construction of the pipeline of the Andian National Corporation, also a subsidiary of Jersey, which was inaugurated in 1926.
1926	First ship exporter of oil to United States. This year, the Barco Concession was declared null and offered to the British company H, Yates.
1932	Law 37 was created that governed the exploitation of oil, declaring the sector of public interest. Power was granted to the Nation to expropriate and distribute and to establish royalties, taxes and royalties of production and export.
1951	The national oil company Ecopetrol was founded, the Mares Concession Contract was reversed and it was granted to this company.
1961	Ecopetrol assumed control and management of the Barrancabermeja refinery and 13 years later it bought the Cartagena refinery.
1961-2000	Several oil fields were discovered, among which we can name: Chuchupá (1973); Caño Limón (1983); Cusiana (1988); Cupiagua (1993). In addition, gas fields.
2003	The government capitalized 10.1% of the capital of Ecopetrol and began to give expropriations, restrictions or exclusions of foreign companies.
2013	Creation of the National Hydrocarbons Agency (ANH) in order to divide functions and assume the administrative tasks of Ecopetrol.
2014-present	Global oil crisis that has caused the oil price drop considerably.

Oil sector in Venezuela

According to the story, oil was known in Venezuela many years earlier than in Colombia, the Indians used it for medicinal and domestic purposes and called it “Mene.”

[4], [5], [6], [7], [8], [9], [10], and the data on the history of the sector in Venezuela are summarized in a table. And Petróleos de Venezuela SA (PDVSA) [11], considered the first oil company in Latin America and the fourth in the world.

As can be seen in the table above, oil activity in Venezuela has many more years of history when compared to the evolution of the Colombian oil sector. In this regard, it is important to mention the opinion of [12] who states that:

“The oil resource is an object that, contemplated from Venezuela, is traded par excellence in the world market, rather than in its domestic territory. This means that the person paying the income is the international consumer, not the national consumer. Therefore, that income of the State is international at its origin. The State charges it to the world market, and therefore receives purchasing power of an international character”

Baptista’s statement marks the difference between Venezuela and any other oil-producing country in which its income comes from the country’s internal resources.

Table 2
Important milestones in the evolution of the oil sector in Venezuela

<i>Data</i>	<i>Description</i>
1799	Alejandro Humboldt made the first description of the asphalt in the country.
1850	Hermann Karstwen published the first summary of the geology of central and eastern Venezuela in the Bulletin of the German Geological Society.
1865	First oil concession to General Jorge Sutherland.
1878	Creation of the first oil company "Petrolia del Táchira" and its concession was given until 1934.
1914-1951	It discovered 112 oil fields, 6.164 million barrels of production. In 1920 the first Law of Hydrocarbons was created.
1952-1960	In 1956 the Venezuelan Institute of Petrochemicals was created, attached to the Ministry of Mining and Hydrocarbons and on April 19, 1960, the first state oil company called Corporación Venezolana de Petróleo (CVP) was created under a government decree. During this decade there was an increasing progress of the activities of the industry. Discovery of 33 more fields and increase of production in 9.934 million barrels in this period.
1960-1975	Last years of performance of foreign oil companies concessionaires in the country and achieved a production of more than 3.7 billion barrels per day.
1975-1980	In 1976 the oil industry became the entire state and the Ministry of Energy and Mines began to govern the activity through oil policy through the parent company Petróleos de Venezuela SA (company created for that purpose in 1975) and its subsidiaries. In the same year, the National Institute of Educational Cooperation (INCE) and the Institute of Oil and Petrochemical Training (INAPET) were created.
1990-2000	Rising oil prices and large investments in technology.
2003-2010	Oil shortage and production decline.
2014-Present	Global oil crisis that has caused the oil price drop considerably.

4. RESULTS

The socioeconomic factor of each country is analyzed as a product of the oil management.

Oil sector in Colombia

A positive impact on Colombians is evident in the improvement of the social aspects of the community. Conscious of this, Ecopetrol has defined organizational guidelines such as “Knowledge Management and Innovation” in order to generate competitive advantages that allow it to gain more and more position in the global market, by incorporating new knowledge and best practices, Through its fundamental pillars: leadership, innovation and teamwork.

In addition, Ecopetrol [13] has generated important projects to cultivate this business management among which we can mention: Communities of Practice; Learned lessons; Expert Level Meetings (Rane); Forums of Technological Environment, Corporate University and the assurance of Key Practices and Technological Strengths; Success Stories and Conversation Spaces; Virtual tools such as My Site (and the Management and Collaboration sites), all of which contribute to a greater culture in this sector, which leads to higher quality processes and greater visibility and positive impact on other sectors of the national economy.

However, this impact is not only reflected in the largest company in the sector (Ecopetrol), as Perry and [14] point out, the country’s mining and oil companies represent an opportunity for entrepreneurship and economic development for new companies or entrepreneurs who Can be related to the hydrocarbon sector. According to the study carried out by these authors, the suppliers of this sector are dynamic in terms of diversification of their production and exports; Develop capabilities, skills and connections and/or prestige to sell to this sector which opens other doors to them; The sector has helped them grow and make the decision to start businesses, but they complain about the lack of public aid for these entrepreneurship actions.

Continuing with the social sense developed in these companies, the National Hydrocarbons Agency (ANH) [15] also bets on the plans that seek to improve and take care of society, so they look for any activity in the sector to contribute to it. This initiative calls it “Social Investment” and represents an action that integrates environmental and social factors for the benefit of the population, with a criterion of sustainability.

To achieve this social investment, hydrocarbon exploitation and production contracts contemplate plans that represent a commitment by the contractor to develop projects in the area of direct influence that improve the social, cultural and economic environment of the population that is in the place. They must obtain an environmental license that clearly specifies the natural resources affected during the project and how they will have a lower impact on them and on society.

In the same way, it can be added that the Colombian Institute of Technical Standards and Certification (INCONTEC) [16] has created a manual of “Good social practices for the exploration and exploitation of hydrocarbons” and at social level they stand out: Respect for human rights; Legal responsibility; Ethical self-regulation; Sustainable development; Participation and Transparency.

In its chapter “Fundamentals of social and environmental management”, the Ecopetrol Hydrocarbons Exploration and Exploitation of Hydrocarbons and Applicable Socio-Environmental Standards [17] refers to Article 7 of the National Constitution where the State recognizes and protects diversity Ethnic background. This establishes that the rights of indigenous people must be respected and protected when exploring or exploiting natural resources in their environment, that is, they must be consulted about such work and agree with them on how to do it.

The actions mentioned above seek excellence in social management, people living in areas of exploitation should not be affected by such activities, on the contrary should enjoy the benefits they represent for the community. In this regard, [18] defines that “Royalties are the price of RNNR in the subsoil and therefore can not be interpreted as a tribute to those who exploit those goods.” Understanding RNNR to Non-Renewable

Natural Resources and it may be stated that royalties are not a “price”, but the benefit that is obtained from oil companies by the use of soil and subsoil which can be paid in money or in oil.

For this reason, the granting of licenses to companies must contemplate the granting of royalties that economically benefit the environment where they are developed and the repair of any environmental damage to guarantee the sustainability of the project, which is finally reflected in the activation of the Economy of the country. All these actions represent a commitment in the management of organizations in the sector, in order to improve the quality of life of society in general.

The improvement in the quality of life mentioned, can be evidenced in a better infrastructure, access to a decent housing, construction of schools, good health system, among others. This represents good management of organizations in a country that has greatly improved its economy in recent years.

Oil sector in Venezuela

In order to improve the sector’s activities, according to information published by PDVSA [19], in August 2005 the Oil Sowing Plan (PSP) was designed to manage oil policy until 2030. This plan aims to: stimulate a fairer economic development, Balanced and sustainable to combat poverty and social exclusion; Boost energy integration in Latin America and the Caribbean; Seeks to benefit other developing countries and defend the cohesion and articulation of OPEC’s oil policy.

In 2007, PDVSA [20] officialized information on more oil and gas reserves in the Orinoco belt (located east of the country where it empties with the Caribbean Sea): 20.1 billion barrels of oil and 5.2 trillion cubic feet Of gas in the Orinoco Oil Belt, which for the moment reached a total of 25.9 billion barrels of oil and 6.4 trillion cubic feet of proven reserves. These events have allowed large economic income to the Venezuelan economy, but as in previous years have not invested in generating new sources of production.

In search of social projection PDVSA has also developed the following initiatives:

- Creation of social districts, promotion of Social Production Companies (EPS) and development of endogenous development centers.
- Leverage of the social policy of the State and contribution to the Fund for Economic and Social Development (FONDEN).

It is considered positive, as in Colombia, that the largest Venezuelan oil company (PDVSA) is aligned with social responsibility and sustainability policies. Some plans have been generated in order to create a new model of relationship with companies and the community, in which the opportunities in the demands of goods, execution of works and contracting of services like the so-called “Reports of Social Commitment “(35 reports until January 2010) published in the Official Gazette according to a decree of November 20, 2006, with some actions that were developed at a social level within the company, but from 2010 to the present time no more reports have been issued, Which shows that they did not continue to give it the importance of the socially responsible sustainability that it should have in the most important company in the country.

At the international level, since the first decade of 2000, PDVSA has proposed actions to increase the world market, such as diversifying activity through the penetration of emerging markets such as China and India and seeking a position in Europe and Asia; Strengthen ties of energy, economic and technical cooperation with countries of the Middle East and Eastern Europe and contribute, through the Ministry of Popular Power for Energy and Petroleum, to the underpinning of OPEC as a sovereign organization aimed at achieving the stability of International oil market and fair remuneration for its resources.

It is important to mention the “Santos-Chavez Presidential Summit” held on November 28, 2011 as a Colombian-Colombian hydrocarbons and energy security project [21], as important agreements were signed for the development of Industry with other countries; These agreements are: Letter of commitment from the two governments for the evaluation, design, construction and start-up of an oil pipeline from the Orinoco Oil Belt in Venezuela to the port of Tumaco in the Colombian Pacific; Agreement between Ecopetrol and PDVSA to analyze the recovery of fields in Venezuela and Letter of commitment from the governments to evaluate the extension of the Transguajiro (Ballenas-Maracaibo) Gas Pipeline to Panama and Ecuador with a vision of long-term integration.

5. CONCLUSIONES

Once the situation in each country has been analyzed, it can be said that the oil sector is of great importance in both Colombia and Venezuela.

Colombia is giving clear signals of takeoff and has become in recent years a global focus for foreign investment. The oil sector represents an important source of income but it is not the only one, that is to say, its economy does not depend on this sector, which allows them to keep their budget supported also in other activities and to cope with any contingency that may arise. Oil revenues represent less than 20% of GDP, indicating that its economy is supported by other sectors.

In the case of Venezuela, the oil sector represents the main source of income for the country, the other sectors have no impact on the national economy. More than 90% of its GDP depends on oil and, due to a stagnation in the sector, Venezuelans have been affected by rampant inflation and a totally unstable economy. In addition, an oil-dependent society has been created, accustomed to the obligation of the state to make it a participant of these benefits, do not see the State as an instrument to achieve the objectives but as an entity obliged to provide a state of well-being.

It is clear that the management in each country in this sector reflects an opposite social impact. In the case of Colombia, in recent years the quality of life of its citizens has improved significantly due to the improvement of the economy by oil revenues and in the case of Venezuela the opposite has happened. The social situation has deteriorated and the economy is based only on a resource that is not renewable, leaving aside all the productive machinery of the country. If your profits do not allow you to invest in other sectors, the time will come when they are depleted.

In addition, the crisis in oil prices from the second half of 2014 to around \$ 50 per barrel can not be ignored, which has meant a reconsideration in the budgets of oil countries that expected much higher profits and More in the Venezuelan case where, as already mentioned, its economy depends only on this income. If the situation persists, the society could be seriously affected and it would be interesting to carry out in the future another review of the progress of the sector in the two countries to confirm the conclusions of this work.

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