

**Forum:** Economic and Social Council

**Issue:** Addressing the economic crisis in Venezuela

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## Introduction

Financial collapse and hyperinflation make Venezuela an economic disaster zone. The crisis is no longer confined to one nation: refugees and migrants are streaming into neighboring countries; epidemics and violent crime are spilling over borders, endangering Colombia's fragile peace process in frontier regions. As Venezuela's President Nicolás Maduro looks to cement his hold on power, his country is sinking into a trough of misery. Hyperinflation has compounded the scarcity of food and medicines. Epidemics of preventable diseases and child malnutrition crisis are increasingly deadly. Violent crime has spiked. An estimated four million Venezuelans have emigrated, with tens of thousands crossing the border with Colombia each month in search of a new home. Venezuela's neighbors, once bystanders to its domestic tensions, face a catastrophe on their doorsteps.

## Definition of Key Terms

### Financial Collapse

An economic collapse is essentially a severe version of an economic depression, where an economy is in complete distress for years, or possibly even decades. A total economic collapse is characterized by economic depression, civil unrest and highly increased poverty levels.

### Inflation

Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time. Often expressed as a percentage, inflation indicates a decrease in the purchasing power of a nation's currency. As prices rise, they start to impact the general cost of living for the common public and the appropriate monetary authority of the country, like the central bank, then takes the necessary measures to keep inflation within permissible limits and keep the

economy running smoothly. Inflation is measured in a variety of ways depending upon the types of goods and services considered, and is the opposite of deflation which indicates a general decline occurring in prices for goods and services when the inflation rate falls below 0 percent.

## Hyper Inflation

Hyperinflation is extremely fast or out-of-control inflation. Hyperinflation occurs when price increases are so wild that the concept of inflation is meaningless. Although hyperinflation is considered to be rare, it occurred as many as 55 times in the 20th century in countries such as China, Germany, Russia, Hungary and Argentina.

## General Overview

### Venezuela Under President Chavez

Venezuela's current economic collapse is the result of nearly 20 years of political and economic policies dating back to the election of Hugo Chavez as president in 1998. Chavez succeeded in reducing poverty and increasing opportunities for the country's poor, but it came at a cost. By nationalizing much of the country's farmland and manufacturing industry, while enacting stringent price controls and drastically expanding presidential powers, Chavez made Venezuela increasingly dependent on both its main oil exports and his own power for survival. High oil prices and his cult of personality made this feasible, but it did put the country on delicate political and economic footing.

### *Post-Chavez Era*

Upon Chavez's passing in 2013, the job of keeping Venezuela afloat fell to its new president Nicolas Maduro. As vice president and Minister of Foreign Affairs under Chavez, Maduro was seen by many as the most capable within the government's inner circle and an obvious successor to Chavez and his Bolivarian Revolution. But the drop of oil price from an average of \$109 a barrel in 2012 to just \$40 a barrel in 2016 sent the Venezuelan economy into a tailspin. Having already lost a significant amount of human capital following Chavez's nationalization efforts, there was little else for the country to rely on economically. However, it is the political choices made by Maduro that has led to today's humanitarian crisis.

## History

During the 15 years of Chavez's rule, government respect for human rights eroded, especially in the areas of freedom of the press and the rule of law. Rather than correct this trajectory upon coming to power, in

many ways Maduro doubled down, continuing with Chavez's policies while further consolidating power in the executive branch. In 2014 as the economic situation deteriorated and protests erupted over the lack of food, medicine and other basic necessities in the country as a result of hyperinflation, Maduro reacted by launching crackdowns on protesters, human rights activists, opposition politicians and the media. Since then, both the protests and government crackdown has continued as an estimated 1.5 million Venezuelans have fled the country, looking for basic goods and trying to escape the growing political oppression back home.

More than 8,000 people have been extra-judicially executed since 2015 and more than 12,000 people have been arbitrarily detained since the presidential elections in 2013. In addition to that, the panel found evidence of murder and the targeting of opposition members by state security forces as a means for the government to maintain absolute control over the civilian population.

### *Current Overall Status*

The turbulence of 2017 has magnified Venezuela's hardship and the difficulty of finding remedies. While the government has snuffed out months of civil unrest, stripped the opposition-run National Assembly of its power and established a new Constituent Assembly with authority over all Venezuelan institutions, it has made little effort to ameliorate the country's economic woes.

Instead, it claims to be protecting the Venezuelan public against foreign powers and their domestic allies, decrying reports of the very real humanitarian crisis as lies aimed at prompting an "imperialist intervention". It is also blocking efforts to provide food and medical aid.

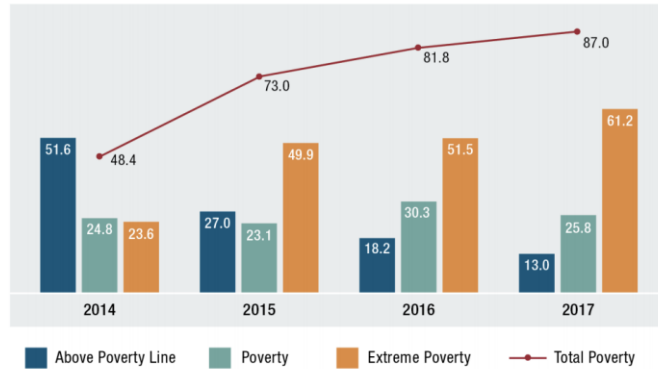
The authoritarianism of the latter years of former President Hugo Chávez's rule and the first years under Maduro has metastasized into full-blown partisan exploitation of state and judicial institutions. Information that challenges official accounts is brushed aside: the state publishes neither reliable economic data nor credible health statistics. A full-scale default on the foreign debt appears but a matter of time. Scarcity and hunger have led to increased, albeit still sporadic, looting.

Appendix E: Poverty and Malnutrition in Venezuela

Poverty according to income levels (poverty line)

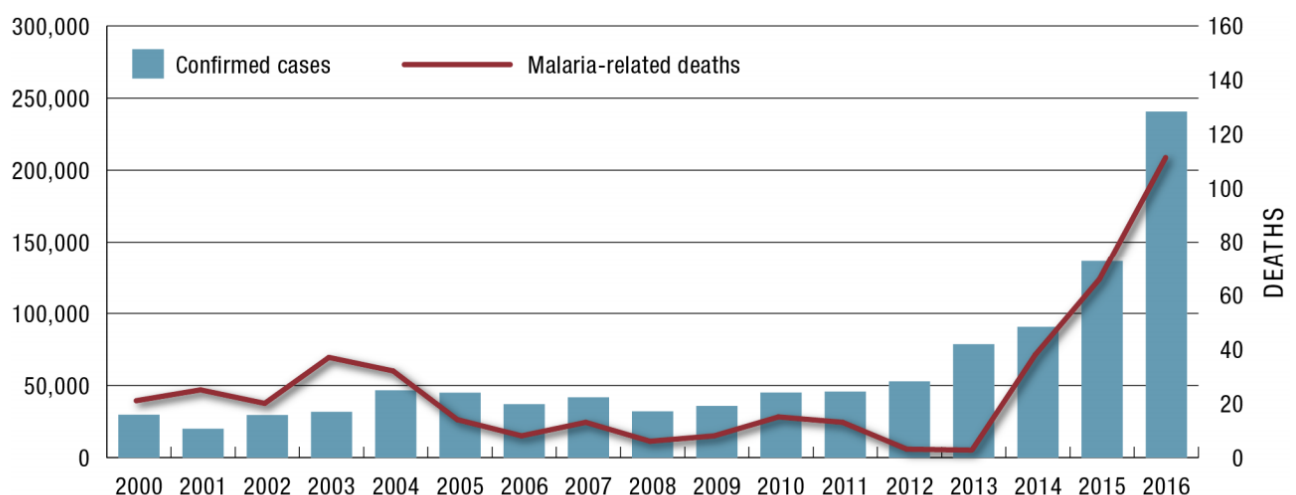
Poverty level	2014	2015	2016	2017
Above poverty line	51.6	27.0	18.2	13.0
Poverty	24.8	23.1	30.3	25.8
Extreme poverty	23.6	49.9	51.5	61.2
<b>Total poverty</b>	<b>48.4</b>	<b>73.0</b>	<b>81.8</b>	<b>87.0</b>

Source: Survey on Venezuelan living conditions 2017 (ENCOVI 2017)



In its quest for hard currency, the government has set aside over 100,000 square kilometers for mining. Its lack of regulation breeds collusion among the military, criminal gangs and Colombian guerrillas. Migrants heading to Colombia must dodge competing state security forces and armed irregulars in border areas. After crossing, the poorest are left to eke out a living in a region with one of Colombia's highest unemployment rates.

Malaria is again common and spreading across borders. Diseases that had been eradicated, such as measles and diphtheria, have returned.



### *Current Governmental Status*

Despite its dismal economic record, the government occupies a strong position.

The Venezuelan opposition is divided and rudderless. A sizeable segment of the electorate rations and other subsidized goods. The electoral authority remains under executive control, and has proven itself willing to bend the rules in the ruling party's favor and even, in one instance, seemingly to commit outright fraud.

Harder-line opposition factions hope for a U.S. oil embargo or foreign intervention as a shortcut to a transition, but the dangers such actions entail in a country besieged by violence and hunger are too great to countenance. Instead, Latin American governments, together with Western and other powers, should take advantage of the strong international and regional consensus that exists on Venezuela's plight to intensify efforts to resolve the crisis.

## **UN Involvement, Relevant Resolutions, Treaties and Events**

### *United Nations Economic Commission for Latin America and the Caribbean*

The Economic Commission for Latin America (ECLA) -the Spanish acronym is CEPAL- was established by Economic and Social Council resolution 106(VI) of 25 February 1948 and began to function that same year. The scope of the Commission's work was later broadened to include the countries of the Caribbean, and by resolution 1984/67 of 27 July 1984, the Economic Council decided to change its name to the Economic Commission for Latin America and the Caribbean (ECLAC); the Spanish acronym, CEPAL, remains unchanged.

ECLAC, which is headquartered in Santiago, Chile, is one of the five regional commissions of the United Nations. It was founded with the purpose of contributing to the economic development of Latin America, coordinating actions directed towards this end, and reinforcing economic ties among countries and with other nations of the world. The promotion of the region's social development was later included among its primary objectives.

## Timeline of Events

**2010:** December - Parliament grants President Chavez special powers to deal with devastating floods, prompting opposition fears of greater authoritarianism.

**2012** April - Government extends price controls on more basic goods in the battle against inflation. President Chavez threatens to expropriate companies that do not comply with the price controls.

**2012** July - Opposition TV channel Globovision pays a \$2.1m fine to avoid having its assets seized. The media regulator imposed the fine in October over Globovision coverage of prison riot. After a six-year wait, Venezuela becomes a full member of regional trading bloc Mercosur, and is given four years to comply with the bloc's trading regulations.

**2012** October - President Chavez wins a fourth term in office, with 54% of the vote on an official turnout at about 81%. Opposition leader Henrique Capriles concedes.

**2016** February - President Maduro announces measures aimed at fighting economic crisis, including currency devaluation and first petrol price rise in 20 years.

**2016** September - Hundreds of thousands of people take part in a protest in Caracas calling for the removal of President Maduro, accusing him of responsibility for the economic crisis.

## Possible Solutions

One solution may include **the increase of aid and security** by the Venezuelan government. For example, it could facilitate the provision through working with international humanitarian organizations of food, medicines and other supplies vital for saving human lives, by relaxing imports and exchange controls, and ceasing the persecution of those seeking to alleviate suffering. It could also agree to the formation of the tripartite group proposed by humanitarian organizations, comprising representatives of the state, civil society and specialized UN bodies, and having no agenda other than coordinating the provision of humanitarian assistance, based on principles of strict neutrality.

Another solution could be **gaining assistance from the UN** itself. The UN should follow up on Secretary-General António Guterres's commitment to provide assistance to Venezuela's neighbours to help them cope with the migration crisis; it should also provide clear and public information on issues such as health,

welfare and social programs. Furthermore, Venezuela's neighbours should work with multilateral bodies, particularly the UN, to ensure the needs of migrants are adequately met and those at risk of trafficking, including women and girls, are protected as best possible.

Finally, it is recommended for Colombia **to adapt its migration law and regulations** governing educational and health services to eliminate bureaucratic obstacles to their provision for migrants.

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