**Committee: Venezuelan National Assembly**

**Topic: Venezuela’s economic crisis**

**Delegate: Roque Valero**

**School: The Study**

An economic crisis is currently taking place in Venezuela, with skyrocketing inflation rates and economic contraction. The cost of basic groceries to keep a family going for the week is 22 times more than the average salary1. Also, the country is lacking basic necessities, such as basic foods and toiletries, forcing the government to install a system where the number of products that people buy is controlled. Because of the shortages, people have to wait hours before getting their hands on essential goods. There has also been a sharp decline in oil prices and because about 95% of Venezuela’s foreign incomes is dependent on its oil revenues, the country’s economy is faltering. In addition, Venezuela’s government controls foreign exchange leaving the country, making Venezuela a country investors tend to not invest in. Because the amount of money taken out of the country is restricted, many local companies produce less because they need to import raw materials from other countries, foreign companies aren’t able to sell their product in Venezuela and it makes it extremely difficult for new companies to operate in Venezuela. This economic crisis is resulting in the emigration of many Venezuelans, most illegally crossing the border to Colombia.

The Venezuelan government blames their economic crisis on external factors. In addition, the two main Venezuelan parties, the PSUV and the MUD, are working against each other instead of working together to find a solution. The UN Commissioner of Human Rights suggests “the government and opposition to work towards this end, refraining from violence and hate speech, and in full respect of all international human rights norms”2. The UNASUR also encourages dialogue in order to “strengthen the political stability and economic recovery”3. Only when proper dialogue is commenced and negotiations are made between the two political parties can Venezuela start to find solutions and help the Venezuelan people. Some charitable organizations are trying to help by providing supplies, however they are not able to get anything across the border because of political infighting. For example, a humanitarian organization donated medical supplies, which are down by 85% in Venezuela, however because of political infighting, the supplies were blocked from entering the countryand stayed at the border4.

The inflation rate of Venezuela was 500% this year and estimated to rise to 1600% in 2017. Supermarkets are empty and the people of Venezuela aren’t getting enough supplies, resulting in violence. In 2003, the government implemented foreign exchange controls. As a result, investors took money, over US$ 500 million, out of the country at the end of 2002. The policy was to prevent money from exiting the economy in the future that could jeopardize the country’s finances. However, this policy backfired because the circulation of money was blocked, as money was prevented from both leaving and entering the country.

It is critical to address this crisis before it further deteriorates. The government must find ways for foreign companies to invest in the country, benefitting Venezuela’s economy as well as the companies. A proposed solution could be to make agreements with foreign companies so that their profits are split between the Venezuelan government and the companies, in addition to allowing the companies to generate returns and repatriate some of their capitols. The government must find incentives to attract companies to invest in their country. These contracts would help with the circulation of money in and out of the country. Another solution could be to encourage the development of industries outside of the oil sector so that the economy is not overly dependent on oil. Because Venezuela’s oil sector represents about 50% of the country’s GDP and because of the collapse in oil prices 5, Venezuela’s economy is suffering. The increase of industries outside of the oil sector will stabilize the economy in Venezuela and decrease the risk of another economic crisis. However, this is a long-term goal, and Venezuela has more pressing matters on their hands.