

United Nations Economic and Social Council (ECOSOC): Crisis in Venezuela



"We are protesting because we are in disagreement with the government of Nicolas Maduro. We are experiencing a serious crisis that is suffocating us"

- LEONARDO BRUZUAL. JOURNALIST

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Letter from the Chair

Greetings delegates,

My name is Jimmy Berger, and I am a second-year student studying philosophy and piano performance in the Bard College Conservatory double-degree program. It is my pleasure to welcome you to the 2018 Bard Model United Nations Conference! Each year, Bard MUNC continues to establish its reputation as one of the foremost Model UN conferences in the area. We strive to provide an enjoyable, engaging, and memorable experience to every delegate who participates in Bard MUNC, and can assure you that this year will be no different.

This committee focuses on the ongoing crisis in Venezuela which, since 2010, has only become increasingly dire. With an estimated inflation rate of 1 million percent by the end of 2018, over two million people having fled the country since 2014. With rampant crime, the second highest homicide rate in the world, 90% of Venezuelans living in poverty, shortages in food and medicine, political corruption, among other issues, delegates of this committee will have much to discuss. Will you alleviate the suffering of millions of Venezuelans and restore the nation, once the wealthiest in Latin America, to its former success?--or will you falter and allow the crisis to spiral downward until the problem is far greater than it already is?

You each will be representing a member state of the United Nations Economic and Social Council, or ECOSOC.

As this committee does not have a crisis aspect, debate and directive-writing will be paramount. You are all encouraged to do independent research in addition to reading the content of this background guide so that debate is informed and robust. In committee, you will cultivate your abilities to reason and argue about complex subjects, to be diplomatic when resolving disagreements, to compromise, and to write clearly and persuasively.

I look forward to sharing a fun and engaging committee experience with you all. See you in November!

Sincerely,
Jimmy Berger

Background

Modern Venezuela, as we know it today, began in 1958 when Venezuela established its first stable, democratic, and independent government. Prior to this, however, it had a tumultuous history since its discovery in 1499. Throughout the 16th century, the Spanish Province of Venezuela was sparsely populated. Spanish colonists set up gold and silver mines which led to the introduction of slavery, both of the indigenous populations and imported African slaves. Economic success came from agriculture, the raising of livestock, and the mining of precious minerals. The society of 1500-1700, Venezuela is reminiscent of a kind of feudalism--wealthy Spanish landowners overseeing native herdsman and slaves.

The Province of Venezuela continued to develop throughout the 18th century economically and intellectually, with the cultivation of cocoa beans bringing prosperity to the region, and a prominent University which taught science, medicine, and Latin in addition to the humanities. In the early 19th century, however, colonists began to grow resistant to Spanish rule, and Venezuela declared independence in 1808. Inspired by the French invasion of Spain, and thus the collapse of the Spanish monarchy, Venezuela, among other Latin American countries, was inspired to revolt. After a tumultuous period of war both against Spain and between various Venezuelan factions, Spain was defeated. Venezuela became part of Simon Bolivar's Gran Colombia, encompassing modern day Venezuela, Colombia, Ecuador, Panama, and parts of Peru, Brazil, and Guyana. In 1830, Venezuela seceded and became a sovereign nation.

The next major chapter in the story of Venezuela is the discovery of oil deposits during World War I. By exporting oil, Venezuela was able to transform its economy from one largely based on agriculture to one based almost solely on oil. This prompted an economic boom that would lead the nation to have the highest GDP per capita in Latin America by 1935, and to enjoy an economic boom that would last until the 1980s. Today, oil accounts for 96% of Venezuela's exports, and over 50% of its GDP.

After a series of military coup d'états in the 1940s and 1950s, an election was finally held that resulted in the formation of a democratic republic. The three major parties of Venezuela, excluding the Communist Party--Accion Democratica, COPEI, and Union Republicana Democratica, signed the Punto Fijo Pact, which ensured that the major parties would accept the results of the election, fight against the specter of dictatorship to maintain democracy, and share the wealth created by oil.

Throughout the 1960s and 1970s, Venezuela's economy grew rapidly due to an oil bonanza. It was during this time that it was the most economically developed nation in Latin America. Throughout the 1970s, it had the lowest rate of inequality and the highest rate of growth in South and Central America. Crime rates were at an all time low. From 1974-1979, the government spent more money than it spent during the rest of its entire independent history. The oil industry, now known as the state-run PDVSA, was nationalized. Much of this money went towards social welfare programs including education, health care, and food subsidies, creating social harmony. But in the 1980s, oil prices fell dramatically and things took a turn for the worse.

With the collapse of oil prices in the early 1980s, inflation levels steadily rose, peaking at 84% in 1989. International investors pulled money out of the country as public debt soared.

Venezuela saw the beginning of economic collapse, as its economy endured its own “black friday” on February 18th, 1983. Currency controls were implemented to halt inflation, and purchasing power of the Bolivar dropped 75% overnight. The resulting economic downturn led to widespread rioting.

This rioting and civic upheaval came to a head on February 27th, 1989, when a wave of protests, lootings, and massacres, now infamously known as Carazco, began. Throughout the 1980s, the Venezuelan economy accrued significant debt, inflation steadily increased, unemployment sharply increased and wages sharply decreased. This downturn was precipitated primarily by the drop in oil prices, and the resulting radical change in state-economy relations. Major state-run companies were privatized, and subsidies which kept the prices of important goods beneath international levels, were removed. This resulted in the most proximate cause of Carazco--the removal of the government subsidy on gasoline, which led to a 100% increase in the price of gas and a 30% increase in the cost of transportation. In response to the rioting, the government declared a state of emergency, implemented martial law, and revoked numerous constitutional rights from its citizens. Firefights between authorities and protestors ensued, resulting in a reported 276 deaths, though some report as many as two thousand. The total cost of damage was estimated to be \$120 million USD.

The Caraszco, alongside political instability and a growing economic crisis, set the stage for a 1992 coup attempt which would set the events of modern Venezuelan history into motion. Hugo Chavez, who would serve as president of Venezuela from 1999-2013, and his social/political organization, MBR-200 (Revolutionary Bolivarian Movement), attempted to overthrow the existing administration. This attempt, however unsuccessful, established Chavez

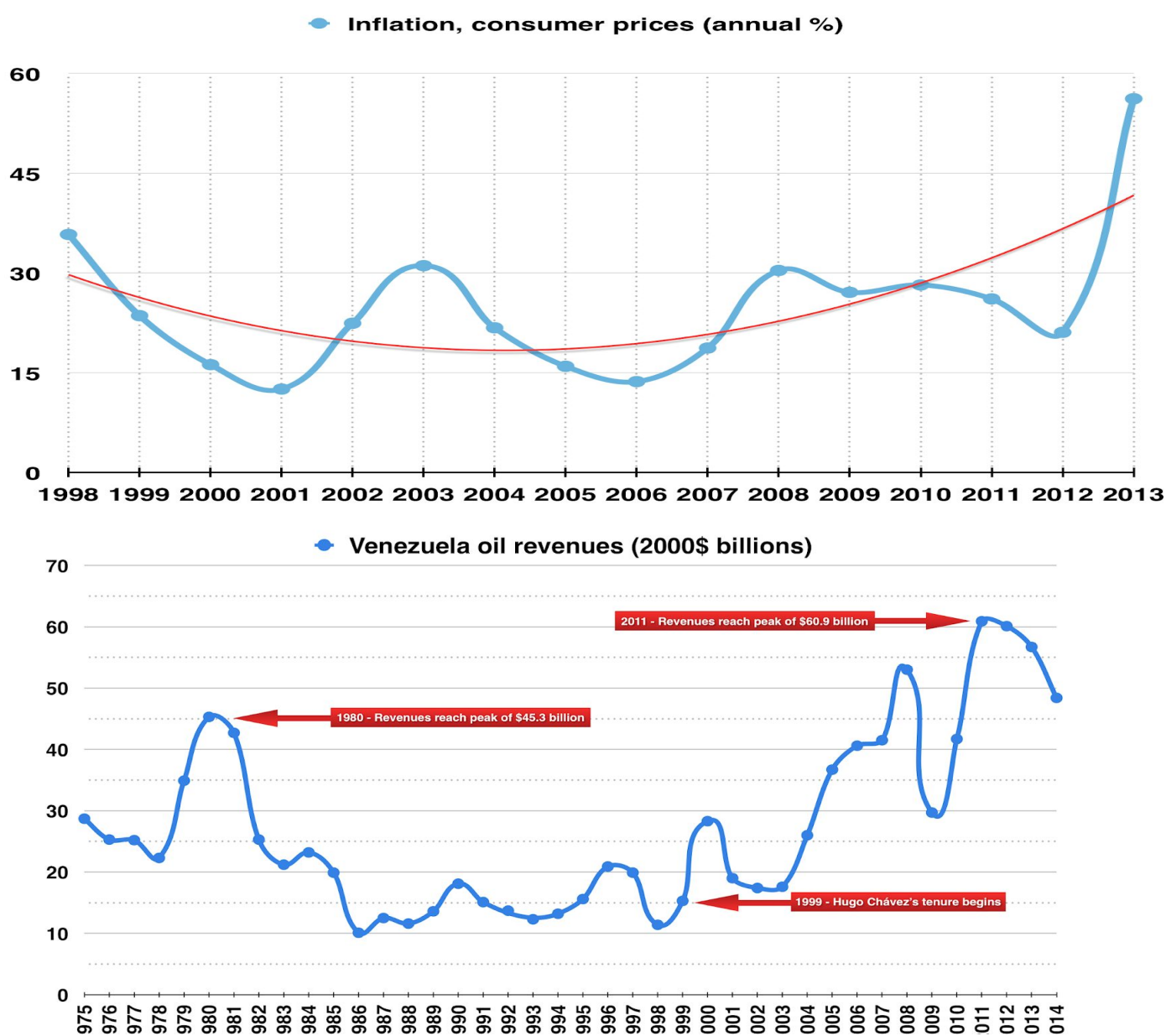
as a hero to much of Venezuela's poor and working class population. He was imprisoned for sedition in 1992, but released after only two years. In 1998, he was elected president. His first act was to hold an assembly to create a new constitution, so as to rapidly bring about radical sweeping social change. This constitution--Venezuela's 26th--became known as the "Bolivarian Constitution" as it was inspired by the political philosophy of Simon Bolivar. It increased the number of rights granted to Venezuelan citizens, including guarantees of education and free health care.

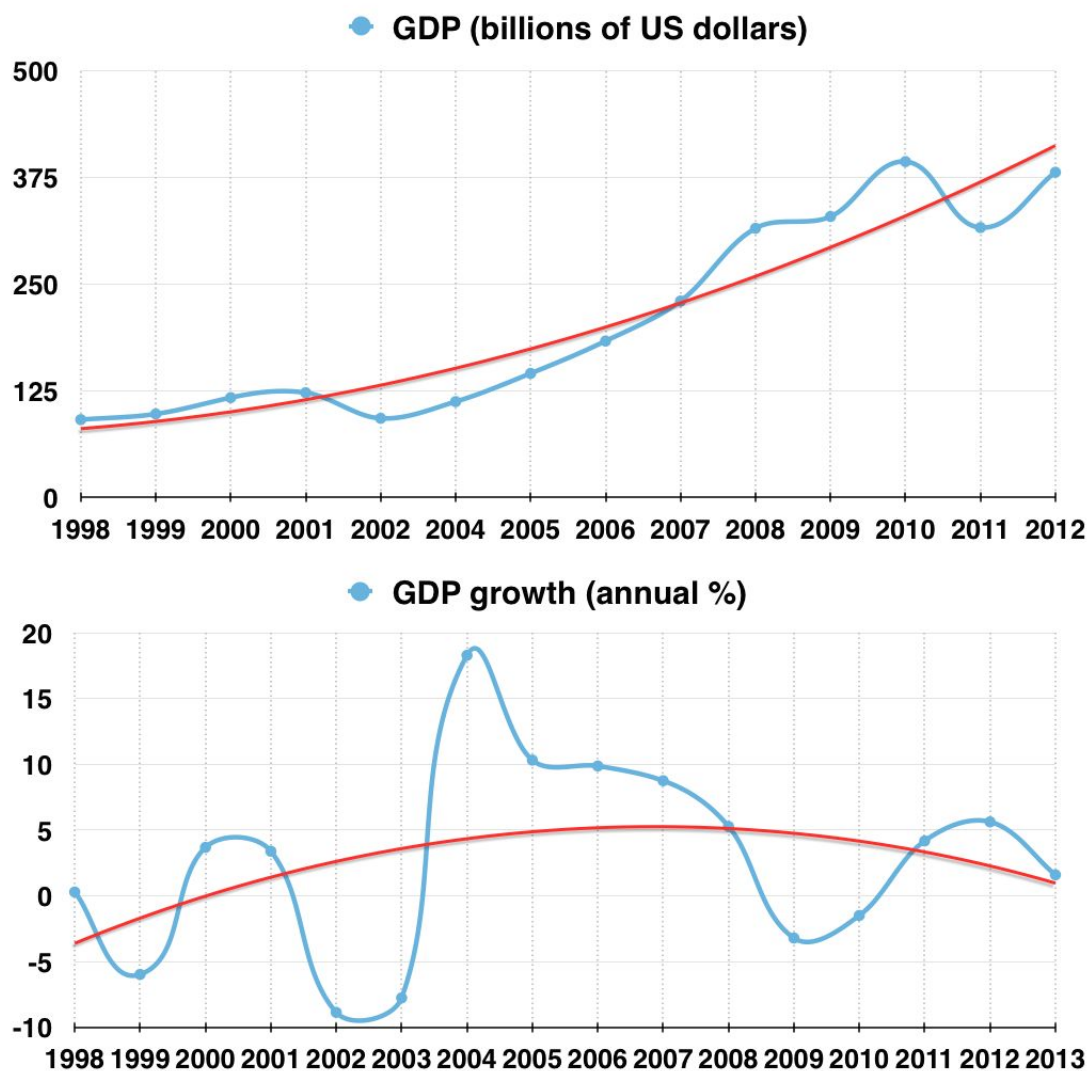
Chavez's presidency was characterized by general economic improvement with many pitfalls along the way. He sought to usher in a "Bolivarian revolution" by implementing socialist policies directed towards aiding the poor and wealth redistribution. Such policies included nationalizing various industries, maintaining strict price controls on many products, particularly food items, massive government spending on housing and infrastructure, and increasing taxes on wealthy Venezuelans.

When oil prices skyrocketed in the early 2000s, the Chavez administration used this explosion of revenue to fund these social programs. However, there were still many problems which persisted and were created under the Chavez administration. On the bright side, however, the rate of extreme poverty fell by 70%, while the rate of poverty overall fell about 25%.

Things began to take a dramatic turn for the worse when in 2010, Chavez declared Venezuela to be in an "economic war" against major Western powers as economic markers showed negative results. Oil prices began to fall, and three of Chavez' keystone policies--expropriating private enterprises, establishing currency exchange controls, and strict price controls on basic goods--began to prove disastrous. Nationalizing industries such as oil,

finance, transportation, and telecommunications resulted in inefficient state-run enterprises which limited productivity. Regarding currency controls, these made it difficult to exchange between the Bolivar and foreign currencies, resulting in less foreign investment and an increased inflation rate, as the government continued to print more money. Additionally, these currency controls made it difficult for foreign companies to import raw materials, resulting in major companies such as Coca Cola pulling out of Venezuela. The policy of price controls was detrimental despite being well intentioned, as they resulted in corporations not making significant profit from sold goods. Without enough money to sustain the same rate of production, corporations could produce less despite increasing demand; hence, ever-increasing inflation.





In 2013, Chavez died of cancer. His hand-picked successor, Nicolas Maduro, doubled down on the unsuccessful economic policies of the Chavez administration. It was the rule of Maduro that ignited and continues to fuel the crisis in Venezuela. During his rule, Venezuela's government has moved more and more towards an authoritarian regime with Maduro clinging to power through the support of the military, extra-judicial killings, and political corruption. Maduro denies that Venezuela is undergoing a crisis at all.

During Maduro's presidency, the price of oil has plummeted, leading to massively reduced government revenue. He has increased police and military presence in cities with high crime rates, yet the crime rate has remained the same, and in some areas, increased. A continuation of Chavez' economic policies--as well as cuts in spending due to a drop in oil prices, and thus decreased government revenue--has led to increased shortages and hyperinflation. Therefore, mass protests have been ongoing since 2017. Hundreds of thousands of Venezuelans protest daily, and over fifty deaths have occurred through conflicts between state police and civilian protests.

In May 2016, leaders of the National Assembly (the one sector of the government primarily composed of opposition) called for a recall referendum to determine if Maduro would remain in office. Enough signatures were obtained, but a few months later, activists associated with the opposition were detained. The Maduro government continually delayed the election, until 2017, when they suspended the election entirely. Rather, a new Constitutional Assembly election was held, much to the dismay of the Venezuelan people and a large portion of the international community. Additionally, the Supreme Court of Venezuela, primarily composed of Maduro loyalists, declared in 2017 that the national assembly was stripped of its legislative authority, and replaced by the Supreme Court. This decision was eventually reversed, but the negative reaction from the public continues to resonate. In May of 2018, a snap election was held, which Maduro won with 68% of the vote. This election was declared a "show election" by nearly 50 countries including the United States. Venezuela is now widely considered to be a dictatorship.

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Problems to Consider

- **Political:**

- **Maduro and his authoritarian rule:** Since his election in 2013, Maduro has primarily acted through “rule by decree” which allows him to enact sweeping changes without opposition. The National Assembly is now the only element of the Venezuelan government elected through fair and democratic processes, yet their power to oppose Maduro has done very little. There is significant censorship of the press, extra-judicial killings, and the imprisonment of Maduro’s political opposition. In August 2018, Maduro was sentenced to 18 years in prison by the Supreme Tribunal of Justice of Venezuela in exile, but the sentence has not been respected. In September 2018, polls showed that 84.6% of Venezuelans wanted Maduro removed from power, and 63% considered him a dictator. Maduro relies solely on the support of the military to maintain power.
- **Crime:** In 2016, Venezuela had one of the highest homicide rates in the world with an overall 91.8 homicides per 100,000 residents--122 per 100,000 in Caracas--according to the Venezuelan Violence Observatory. By comparison, the US has a homicide rate of 5 per 100,000 residents. Venezuela also has one of the highest kidnapping rates in the world, with an estimated five people being kidnapped for ransom every day. The drug and human trafficking trades are also functioning throughout Venezuela. According to Human Rights Watch, police in Venezuela commit one out of every five crimes, and that police in Caracas, in particular, are seen as brutal and corrupt.
- **Mass migration:** The Venezuelan migrant crisis is being compared to the Syrian refugee crisis in 2015. Since 2014, an estimated 2.3 million Venezuelans have fled the country, primarily due to food and medical shortages. Most are settling in Peru, Ecuador, Colombia, and Brazil, and the United States, with Colombia taking the most--600,000--as of April 2018. The influx of fleeing Venezuelans has led to tension in the region.

- **Social:**

- **Food shortages and malnutrition:** Venezuela has rejected help from organizations such as the United Nations and Amnesty International in alleviating its shortage crisis. A lack of food and medicine has ravaged Venezuela during the Maduro presidency, resulting in increased crime, looting, starvation, and civil unrest. The average Venezuelan has lost 24 pounds in the last year, with this widespread weight loss being referred to as the “Maduro diet.” Many Venezuelans are resorting to eating wild fruits or eating out of garbages. In 2017, 61% of Venezuelans surveyed said they went to bed hungry in a three-month period. Child malnutrition levels are at an all time high, with the child mortality rate increasing 100% between 2012 and 2015.
- **Medicine shortages:** Additionally, the prevalence of preventable diseases such as malaria have increased dramatically due to shortages in medicine, drugs, and vaccinations. The pharmaceutical Federation of Venezuela estimates that there is an 85% shortage of medicine, and many hospitals lack food, electricity, and proper sanitation. An estimated 13,000 doctors have left the country in search of better opportunities, as the Maduro administration continues to reject humanitarian aid, and drug/medicine prices skyrocket due to hyperinflation.
- **Protests:** Protests have been frequent throughout Maduro’s rule, but have become near constant since April 2017, when the “mother of all marches” occurred. Following the suspension of a national referendum of Maduro’s presidency, an estimated 2.5 million Venezuelans stormed Caracas alone, with a total of six million protesting throughout the rest of the country. 163 Venezuelans were killed in protests between April and July alone. Many thousands more Venezuelans continue to protest to this day despite the Maduro administration's often violent response.

● **Economic:**

- **Hyperinflation:** Hyperinflation and economic woes in general are arguably Venezuela's greatest problem today. Since the Maduro presidency began, Venezuela's GDP has declined by 45%. Inflation was at 83,000% in July, and experts estimate an inflation rate as high as 1,000,000% by the end of 2018. Prices double every 26 days on average, leading to many Venezuelans struggling to afford basic items. To give some perspective, in May 2018, a cup of coffee cost 2.5 million Bolivars. In August, the Bolivar was redenominated and replaced by the "Sovereign Bolivar," each worth 100,000 Bolivars. Attempts to halt hyperinflation have been futile, however, as the government continues to print more money rapidly. In September 2018, the government increased the minimum wage by 34 times what it was previously, contributing to inflation and making businesses struggle more to make any profit. This has all led to decreased availability of goods, exorbitant prices of basic items, an increase in black market presence, and water shortages/power cuts as investors pull out due to Venezuela's crumbling infrastructure.
- **Poverty:** Today in Venezuela, about 90% of people live in poverty. More staggeringly, about 63% of the population lives in extreme poverty--defined by the UN as "a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information." This means that generally speaking, about 60% of Venezuelans live on less than \$2.50 USD/day.
- **Debt:** Today, Venezuela owes about \$60 billion in government bonds alone, with an additional \$80 billion owed to international investors, primarily from China and Russia. Maduro has refused to receive council or aid from the International monetary fund. Additionally, Maduro declared that Venezuela would restructure and refinance its foreign debt, though it is likely that it will default on its \$60 billion public debt.

Questions to Consider:

- What can be done about Maduro's increasingly authoritarian rule?
- How can Venezuela decrease its dependence on oil and have a more varied export portfolio?
- How can hyperinflation be halted and the economy stabilized?
- How can the shortages and poverty among the population be relieved?
- What can the international community do to handle the mass migration crisis?

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