



CSPCMUN2017

**United
Nations
Economic
and
Social Council**

Committee: Economic and Social Council

Topic: International Involvement in Venezuela's Economic Crisis

Moderator: Monica Valeria Ambriz

Director: Enrique Gonzalez

Sub-Director: Ana Valeria Garza

“Men make history and not the other way around. In periods where there is no leadership, society stands still. Progress occurs when courageous, skillful leaders seize the opportunity to change things for the better.” – Harry S. Truman

Dear Delegates,

First of all, welcome to CSPCMUN2017. It is an honor to have you in this year's edition. We hope that this simulation is a memorable experience. We are confident that during these three days you will develop skills such as leadership, negotiating, and critical thinking while representing a specific country. We expect that in this model you will meet new people who will encourage you to make an impact in our world. I am sure that you will prepare yourself enough so you can get to agreements and help in the resolution of the committee's problematic. We hope that you enjoy this simulation as much as we will. Any doubts you may have, do not hesitate on asking us.

Sincerely,

Mariana Lazo

Chief of Moderators



I. Committee Overview

The Economic and Social Council, known as ECOSOC, is a primary organ of the United Nations. It was created with the main objective to solve worldwide issues of international economic and social cooperation, environment and development for member states. It was established by the United Nations charter in 1946. ECOSOC importance comes from the responsibility of 70% of the human and financial resources. ECOSOC is one of the six main organs of the UN, and its committed for the coordination of making and formulating policy proposals, advising member states as well as being in charge of economic, social, and environmental issues. Currently this Council has 54 members states elected by General Assembly which is composed of: 14 members located in African states, 11 members located in Asian states, 6 members located in Eastern European states, 10 located in Latin American and Caribbean states, and 13 members located in Western European. ECOSOC election follows the General Assembly's rules of procedure, the election requires two-thirds of the majority of votes for the resolution to pass. The Ambassador Frederick Musiiwa Makamure Shava, is the seventy-second President of the Economic and Social Council who was elected on July 28th 2016, and the council have regular meetings throughout the year with representatives from private sectors, non-governmental organizations.

ECOSOC, as an active member of the UN, is always trying to find the best and fastest solutions for making the world a better place for us.

II. Topic Information

Venezuela's misery comes from an economic crisis which is becoming a humanitarian crisis. Various critics of President Nicolas Maduro and the former president, Hugo Chávez, mentioned Venezuela's economic crisis is fruit of years of economic blunder. Meanwhile, scarcity has depleted many of the country's dams, resulting in large scale electricity shortages. The economic crisis that Venezuela is facing is notable, by shortages of food, basic necessities, medical supplies, and

consumer goods such as toilet paper and soap. Professionals say many of Venezuela's economic administrations, such as strict price controls that were meant to keep basic goods affordable to the country's poor, are to blame.

Chávez's policy made dollars available at more than one rate, granting some companies and commoners to access dollars, and thus imports, at advantageous rates. The synthetic and low official exchange rate resulted in shortages for dollars and goods. In 2015, one dollar was equivalent 175 bolívares. Now a dollar is worth around 865 bolívares. To put it in another way, one bolivar is worth \$0.0011 -- less than a penny of the US.

Shortages have squandered the health sector. The Venezuelan Pharmaceutical Federation reported in April that 80% of basic medicines were unavailable. Increasing child mortality from 0.02 in 2012 to 2% in 2015, mostly caused by the well known Zika virus. Malaria and dengue fever have been reported in an increasing rate as well. Important imports, such as medicaments and food, have become more and more expensive as the bolivar weakens against the dollar. Many consumers face the choice of waiting for hours in line for basic goods or might as well pay outrageous prices to the so-called bachaqueros, or black-market traffickers.

Violent crimes are also at its highest point, and almost every civilian mark the economic downturn as a cause. According to the various researches, the homicide rate in 2015 was 58 per 100,000. Independent groups say it could be more than 50% higher. This is a rather high taking in consideration that the US only suffers an homicidal rate of 5 per 100,000.

While this is happening, Venezuela's energy is not safe, since a long term drought has dried up water sources used for Venezuela's dams, which supply two-thirds of the country's electricity. With the constant fear of water and electricity running out, this resources are now being rationed since may.

In addition, several companies such as Toyota, Ford Motor, General Motors, Air Canada, Air Europa, American Airlines, Copa Airlines, TAME, TAP Airlines, and United Airlines have slowed or stopped operation due to the lack of solid currency in the country, with Venezuela owing such foreign companies millions or billions of dollars.

A) History of the Topic

In the early of 1930s, total exports of oil represented over a 90%, national debate focused on better working conditions for workers and increased taxation of the amount of multinational oil companies. From 1950s to the early 1980s, the economy of Venezuela was the strongest and most successful in South America. The continuous development during that period brought many immigrants.

Venezuela is remained the world's leading oil exporter until 1970s. During that period, the government established lots of new enterprises and distribute agencies as the public sector assumed the role of primary engine of economic growth. The Venezuelan Investment Fund (FIV), was responsible for assigning oil incomes to other government entitle .Venezuela was the fourth richest nation per capita in the world in 1976. Today, Venezuela's economy is collapsing. For years, the country has been dependent on oil reserves, which records 96% of export earnings and about half its federal budget. In 1983, the price of oil fell and interest rates lead to the national debt to multiply. Oil reserves could no longer support the arrangement of government subsidies, price administration, and the execution of more than 400 public associations. Common corruption and political support complicate the situation.

At the time the world oil prices collapsed in the 1980s, the economy decrease and inflation levels increase, between 6 and 12% from 1982 to 1986. In 1989, the inflation rate at 84%, the year of the confrontation in the capital city of Caracas suffered from protests and rioting during the Caracazo, following the government spending and the opening of markets by President Carlos Andrés Pérez. After Pérez begin liberal economic policies and made Venezuelan markets more free, Venezuela's GDP went from a -8.3% decline in 1989, to 4.4% in 1990 and 9.2% in 1991, salaries remained low and lots of unemployment among Venezuelans.

The number of people living in poverty rise from 36% in 1984 to 66% in 1995, with the country suffering a severe economic crisis. The economic crisis grown even worse in 1998.

During the 1980s and early 1990s poverty in Venezuela increased , but decreased in the mid to late 1990s. The decreasing continued through the Chávez presidency. Under the Bolivarian government, poverty decreased when Venezuela gained oil funds, poverty began to increase to its highest level in the 2010s.

In 2013, Venezuela ranked as the top number internationally with the highest misery index rate according to the *Global Misery Index* . In Venezuela in early 2013, the bolívar fuerte (monetary unit of Venezuela) was devalued due to growing shortages. In 2014, Shortages in Venezuela leave store shelves empty, it also affected health care, the University of Caracas Medical Hospital stopped performing surgeries as a result of the lack of supplies. Besides, the Bolivarian government's policies caused complications to import medicines and other medical supplies. Due to difficult situation, many Venezuelans died unnecessary deaths because of doctors having to use limited resources methods that were replaced decades ago.

In 2014, the U.S. Congress passed and Obama signed the legislation that authorized the White House with the objective to end punishing actions and sanctions against human rights abusers and corrupt officials in the Venezuelan government.

Right now Venezuela is suffering the worst economic crisis, its economy is collapsing. There are about three-quarter empty supermarkets that had caused ordinary people not having food and basic necessities. Shortages of food, medicine, electricity and other necessities are causing conflicts. Organized crime and extrajudicial police murders have given the state a high amount of murder and violence. The government has declared Venezuela as a state of emergency, food is currently being transported under armed guard, and basic necessities are being distributed.

B) Current issues

Venezuela: The country declared as an state of emergency in May of 2016 due to the inflation rate hit at 180%. Right now the state is facing the worst economic crisis, Oil exports have 95% for earnings and about half of its government's income. Its economy depends mostly on exporting oil but currently the price of oil has

decreased. Venezuela is currently suffering for violence and the lack of basic necessities such as food, electricity, health supplies, etc.

United States of America: The United States and Venezuela have diplomatic relationships since the early of the 19th century especially with trade. The United States is Venezuela's principal trade partner, in 2015 trade between both countries reached \$23.9 billions. The U.S helps Venezuela to support the defense of human rights, the promotion of civil society, and the reinforcement of democratic institutions. But, due to a complex foreign exchange management, price controls, definite labor regulations, restricted access to dollars, have forced many U.S. and multinational firms reduce or cease their Venezuelan operations.

Colombia: Venezuela is Colombia's fourth leading partner for exports, but trade between the two countries diminished by 44% from 2014 to 2015. Between August and September of 2015, Maduro's government closed numerous borders in the state of Táchira because he wanted to reduce the lack of basic goods and it knew that many low-priced basic goods and great amounts of gasoline were going across the border from Venezuela to Colombia, by closing the borders he made more than 20,000 Colombians living in Venezuela returned to their country of origin and deported more than a thousand Colombian citizens. In July 2016, during two continuous weekends the border was opened, letting thousands of Venezuelans to cross over to Colombia to support them on basic necessities.

China: Venezuela is still in debt with China with an amount around \$20 billion of the \$60 billion China lent in 2007, according to experts there's no sign that Venezuela can pay back that amount due to its crisis, however, Venezuela pays back with loads of oil since 2010, Chinese companies have invested over \$2.5 billion a year in projects in Venezuela. Currently with the situation happening chinese companies are losing interest in Venezuela.

Cuba: Cuba has remained Venezuela's strongest ally since the start of the Chávez government, Venezuela and Cuba have signed agreements involving the deliveries of approximately 100,000 loads of oil per day in exchange for the distribution of 45,000 Cuban specialists to Venezuela, the majority of these specialists have served medical and educational missions in Venezuela, but the Cuban government has also

sent military, security, intelligence specialists, and sports instructors to advise the Venezuelan government.

Brazil: Brazil and Argentina will work together to help find a solution to Venezuela's political crisis, Brazil's acting foreign minister said Monday. Venezuela is facing a severe economic crisis, with the world's highest inflation and shortages. Polls indicate most Venezuelans want President Nicolas Maduro out of office.

C) UN Action

An economic team from the Union of South American Nations settled up in Caracas the 23rd of May in 2016, where it works by developing a series of recommendations to help the national government of Venezuela to deal with a worsening economic crisis.

And economic sub-committee, headed by former Dominican President, Leonel Fernandez, was assembled in response to an official request of aid from the President Nicolas Maduro earlier in 2016.

The team is concentrated on developing an agenda to modernize the Venezuelan economy that is in line with the government's Bolivarian project.

Over the past two years, Venezuela has dealt with an increasing economic crisis due to decreasing oil revenues which has seriously disintegrated ordinary Venezuelans' living standards. Politically motivated acts of economic sabotage, such as hoarding and speculating, have also been registered against the government.

United Nation Secretary-General Ban Ki Moon praised attempts to stimulate dialogue in Venezuela's notoriously heated political environment.

The head of the UN said that he was encouraged by UNASUR dialogue and urged both parties to "address the country's current challenges through meaningful dialogue, adhering to the rule of law and the Constitution, for the benefit of the Venezuelan people".

Last week, opposition legislators officially petitioned the Organization of American States to invoke its democratic charter clause against Venezuela.

However, the move was rejected by a number of regional bodies and politicians. Instead, UNASUR has insisted on meaningful dialogue.

For his part, Maduro requested that mediators work to convince the opposition to cease all attempts to oust his government.

III. Conclusion

Venezuela is facing the worst economic crisis of its history. It is of extremely importance to be involved in this humanitarian crisis that is happening at the moment in Venezuela, otherwise this situation would not be solved. Nowadays in Venezuela, there has been an impressive amount of conflicts such as poverty, hunger, diseases, deaths, violence, lack of basic necessities, health supplies, and more. The amount of issues around this issue are increasing and are affecting the people in the country. It is clear that this economic crisis is a serious issue that needs to be solved now. We trust you, to address this crisis correctly and in an effectively way. Good luck delegates!

IV. Essential Questions

1. Has your country been involved with major economic issues?
2. Does your country is or has been involved with Venezuela's economic crisis?
3. Are there any NGOs working in your country to solve this issue?
4. Has this conflict has affected your country, if so, how?
5. How has your country reacted to this issue?
6. Is your country helping other countries to prevent this issue? If so , how?
7. What possible and effective solution(s) does your country recommend to solve this issue?

V. References

"Venezuela - GROWTH AND STRUCTURE OF THE ECONOMY." *Venezuela - GROWTH AND STRUCTURE OF THE ECONOMY*. N.p., n.d. Web. 19 Nov. 2016.

Borger, Julian. "Venezuela's Worsening Economic Crisis – the Guardian Briefing." *The Guardian*. Guardian News and Media, 2016. Web. 19 Nov. 2016.

"6 Things You Need to Know about Venezuela's Political and Economic Crisis." *Washington Post*. The Washington Post, n.d. Web. 19 Nov. 2016.

Federico Merke, Andreas E. Feldmann, Oliver Della Costa Stuenkel. "Venezuela on the Edge: Can the Region Help?" *Carnegie Endowment for International Peace*. N.p., n.d. Web. 19 Nov. 2016.

"Venezuela." *U.S. Department of State*. U.S. Department of State, 2016. Web. 19 Nov. 2016.

@MarcusReview. "Venezuela Has Completely Run Out of Other Peoples' Money." *The Marcus Review*. N.p., 2016. Web. 19 Nov. 2016.

@EurasiaReview. "Venezuelan Crisis, Regional Dynamics And Colombian Peace Process – Analysis." *Eurasia Review*. N.p., 2016. Web. 19 Nov. 2016.

Vyas, Kejal. "China Rethinks Its Alliance With Reeling Venezuela." *WSJ*. Wsj.com, 2016. Web. 19 Nov. 2016.

"Venezuela Undone: Chavez's Chickens Come Home to Roost." *Washington Times*. The Washington Times, n.d. Web. 19 Nov. 2016.

