Introduction

Fig. 1 - Juan Guaido (Left) and Nicolas Maduro (Right)

Venezuela, a country that was once one of the fastest-rising economies in South America, has now been brought to the brink of economic and political collapse. This is due to poor governance, ineffective countermeasures to fluctuating market prices, dependency on fuel manufacturing and a very unstable political climate overall. The country currently faces two large crises: a political crisis and an economic crisis.

The political crisis revolves around the legitimacy of the presidency. While president Nicolas Maduro did officially win the presidential elections, the legitimacy of the results are disputed. Therefore, the Venezuelan National Assembly, which consists of mostly opposition to Maduro, declared the election results invalid and named Juan Guaido as acting president of the country.

The economic crisis of the country is attributed to a poorly managed oil crisis. The earliest signs of an economic crisis were in 2010 when late president Hugo Chavez made questionable decisions in response to Venezuela’s slowly declining economic situation, such as devaluing the currency to boost oil revenue. In 2014, the country faced a full economic crisis as oil prices plummeted, resulting in a decrease in GDP, even worse than what the US faced in the Great Depression, and serious hyperinflation. Citizens were no longer able to afford basic necessities such as food or water. Nicolas Maduro’s government has failed to handle this issue correctly leading to further degradation of the situation. Economists have stated that this crisis is “the single largest collapse economic collapse outside of war in 45 years”.
Definition of Key Terms

Venezuelan Bolivar

The Venezuelan bolivar is Venezuela’s official currency; however, it has gone through 3 iterations over the years. The original bolivar was replaced in 2008 by the bolivar fuerte due to inflation. In 2018, the bolivar fuerte was replaced by the bolivar soberano due to extreme hyperinflation. Prior to the reissue of the currency, Venezuela’s hyperinflation was very high. The annual rate of inflation was roughly 45,000%. With the currency devaluing very quickly, the government introduced a new currency with the hopes of stabilizing the rate of decline. However, this proved to be ineffective as inflation rose to 350,000% in January 2019.

Bolivarianism

Bolivarianism is a political belief that calls for a united effort between South American nations against injustices of imperialism, inequality and corruption. The term is named after Simon Bolivar who lead most of South America in its liberation from Spanish rule. This political belief is manifested in Venezuela through the election of Hugo Chavez and subsequently Nicolas Maduro. When Hugo Chavez was elected, he started the Bolivarian Revolution which introduced several socialist economic reforms to the country.

Chavismo

Chavismo is an extension of Bolivarianism and is based off of former president Hugo Chavez’s political beliefs. It combines some aspects of socialism, populism, patriotism and internationalism as well as a few others. Chavismo and Bolivarianism along with 21st century socialism forms the basis of the beliefs of the United Socialist Party of Venezuela (PSUV), the main party headed by Nicolas Maduro.

Hyperinflation

Hyperinflation is defined as when prices of items rise more than 50% a month. In the case of Venezuela, it is at an unprecedented level similar to Zimbabwe’s hyperinflation in 2008. Hyperinflation is often caused by the government trying to print more money to solve its monetary issues. While this may be a solution for smaller issues, it can quickly devalue the currency if not executed properly. Venezuela is currently suffering from hyperinflation which leads to several other humanitarian issues such as lack of medical supplies and food being too expensive.
Background Information

The situation in Venezuela has become incredibly unstable due to corruption and a steadily degrading political climate. Venezuela is struggling to find a solution to its crisis. With mounting civil unrest, international condemnation and imposed sanctions, Venezuela is pressured to find a proper solution. Solutions are seemingly unable to be implemented due to the current political dispute also dividing the international community. Meanwhile, food shortages, mass emigration, lack of resources and other humanitarian issues continue to be unresolved.

Venezuelan politics

The Venezuelan government is split into two main branches, the legislative branch and the executive branch. The executive branch is headed by the President, who is elected once every 6 years and can decide the ministers and replace the cabinet if they so choose. The legislative branch is headed by the National Assembly which is elected in a separate ballot to the Presidential elections. The National Assembly drafts and adopts legislation. The president can influence, suggest or object to legislation but this can be overruled with a vote by the National Assembly.

The separate voting procedures lay the foundation for the current political issue in Venezuela. In 2015, President Maduro’s United Socialist Party of Venezuela (PSUV) lost its majority in the National Assembly for the first time to the Democratic Unity Roundtable (MUD), which is the opposition coalition to the government. With the majority of government offices still being held by the PSUV while the majority of the National Assembly is comprised of the MUD, the government is essentially split. The two parties often argue over the legitimacy of the results of polls, especially in the presidential election.

2019 Presidential Crisis

This lack of unity within the Venezuelan government lead to the presidential crisis in 2019. In 2018, President Nicolas Maduro won the presidential elections and is sworn in as the president of Venezuela. However, the MUD-dominated National Assembly challenged and contested the results of the election declaring it invalid and instead naming Juan Guaido as acting president. Guaido took the presidential oath on January 23rd.

As a response, President Nicolas Maduro has been trying to get Juan Guaido prosecuted. The Supreme Tribunal of Justice (TSJ), the highest court of law in Venezuela has deemed the National Assembly’s actions as unconstitutional. In 2017, the PSUV formed the Constituent Assembly (ANC) in order to override decisions from the National Assembly and reduce the power of the National Assembly. The ANC voted anonymously to strip Juan Guaido of his presidential
immunity and thus bring him a step closer to prosecution. President Maduro has also accused the United States of staging a coup d'état to overthrow his government.

On the other hand, Juan Guaido continued his attempts to overthrow Nicolas Maduro. In March 2019, Juan Guaido announced plans to go on tour to garner support for “Operation Freedom”, a plan to take the Presidential residence. On April 30, Guaido attempted to start a march with the military; however, there was very little support from both civilians and the military. Tear gas was used to suppress protesters bringing the march to an end. In subsequent days, several officials including National Assembly members were arrested for their involvement in the march.

**Human Rights Issues Regarding the Suppression of Dissent**

Nicolas Maduro’s government has been heavily criticized for their handling of protests and political opposition. Police are authorized to suppress protests and use tear gas. Dissent is also severely punished and the government is considered to be moving towards authoritarianism. Amnesty International has listed the excessive use of force, government denial, detaining children and cracking down on free speech as some of the country’s human rights abuses. After the failure of “Operation Freedom” on June 26th 2019, Nicolas Maduro alleged that there were attempts on his life. One navy captain, Rafael Acosta, was one of those arrested and later died in detention. This was met with condemnation from the United States for their mismanagement of prisoners.

**International Support for the Political Parties**

The international stance on Venezuela has taken up stances similar to traditional allegiances. The United States, European Union and their allies have all recognized Juan Guaido as president while Russia, China and its allies recognize Maduro as the President of Venezuela. This provides friction in the Security Council when the permanent members disagree with one another. Russia
encourages that there is no international intervention in this issue. However, the US and its allies have already begun imposing sanctions on Venezuela due to its political issues.

**Economic crisis**

Venezuela’s economy has suffered greatly from its dependency on oil. In the 1970s, Venezuela witnessed an economic boom in its oil industry, but the government’s failure to implement diversification efforts has effectively doomed the country. In 2014 and early 2015 when gold prices plummeted, the country faced another crisis. Its main source of income had lost value and the poorly maintained oil industry could not produce enough oil to sustain spending. Therefore GDP decreased significantly, and the prices of items began to increase. The government failed to respond properly resulting in the worsening of the situation.

![Venezuela's Annual Inflation Rate (%)](source: tradeprices.com - Banco Central de Venezuela)

**Venezuela’s Hyperinflation**

Venezuela’s hyperinflation is caused primarily by the poor handling of the fall of oil prices. As the prices of oil decreased, the demand for Venezuelan bolivars to buy oil fell, devaluing the currency. This caused import prices to rise, which made it more expensive for a currency that was losing so much value. As a response in 2013, Nicolas Maduro printed more money to counteract the falling currency value. With oil prices continuing to fall, and foreign investors looking for oil elsewhere, the government just kept printing more money to resolve its issues, creating a cycle which led to hyperinflation.

With falling currency value, Venezuelans opted to exchange their currency to the US Dollar instead which further devalued the bolivar. As a response, the government attempted to establish a fixed exchange rate, but due to exchanges on the black market being available, people continued to exchange money anyway. The government devalued the currency by 95% and tied it to more tangible exports such as oil to regain the trust of the people; however, already being...
distrustful of the government due to its failure to address other issues, people largely continued to exchange currency. In August 2018, the government issued the new currency of Venezuelan bolivar soberano, hoping to stabilize inflation; however, this failed and hyperinflation continues to be at an all time high.

**Issues caused by currency devaluation**

The economic crisis has lead to some serious issues in Venezuela. With the value of the Venezuelan bolivar falling so far, food is becoming increasingly difficult to purchase, leading to health and malnutrition issues. The United Nations Children’s Fund (UNICEF) has reported that child malnutrition has reached crisis levels. This, compounded with the fact that the healthcare system has collapsed due to cuts in electricity and high cost of medicine, has devastated Venezuela. It is estimated that there is an 85% shortage of medicines in the country. With a near worthless currency, many people began using the money to make bags to sell to tourists instead.

Venezuelans are also leaving the country in order to find work. More than 3 million Venezuelans have emigrated from the country as of 2018. Venezuelans who have emigrated to work once had high paying jobs, but had to resort to doing service and minimum wage jobs to survive. In Colombia, Venezuelan workers are lucky to make 2-5 USD a day. In cases where Venezuelans are unable to obtain the correct documentation, they are vulnerable to extortion and exploitation by employers. The government so far has failed to address any of these issues, and in fact denies that any real issues are occurring in the country. Very little progress is being made.

**Major Countries and Organizations Involved**

**Venezuela**

As previously discussed, Venezuela’s government has been split into two sides. While there is no civil war occurring in Venezuela, it is clear that the solution needs to be an internal one politically. Reforms need to be made by Venezuelan officials in order to restore the economy and mend political differences. However, this has proven to be very difficult especially when the current government is unwilling to accept that there are any issues whatsoever. In 2019, Nicolas Maduro ordered that highways be blocked in order to prevent foreign aid from the US and the Netherlands from entering Venezuela.
The United States of America and its allies

The United States and its allies have been vocal against Nicolas Maduro’s presidency, citing numerous human rights violations, extrajudicial killings and the suppression of free speech. The US has been imposing sanctions on Venezuelan officials since as early as 2015 and continues to do so. In response to the 2019 presidential crisis, the United States sanctioned a state-owned oil company in Venezuela, Petróleos de Venezuela, S.A. (PDVSA) to force president Maduro to resign. Besides Venezuela, the US has also sanctioned Russian banks for providing a lifeline to the illegitimate presidency of Nicolas Maduro. On August 6th 2019, US president Donald Trump signed an executive order banning all trade with Venezuelan officials and froze Venezuelan assets in the US. This resulted in the halting of ongoing negotiations between Maduro and Guaido.

Most of the western world has joined the United States in sanctioning Venezuela as well, such as how The European Union and Canada have imposed their own sanctions on Venezuela. The European Union has imposed embargoes on trade while Canada has imposed sanctions on 113 Venezuelans, mostly high ranking officials, banning any person from conducting business or providing services to the individuals listed.

Russia and China

Russia has much to lose if Nicolas Maduro loses power, and thus is very vocal in its support of Maduro’s government. To Russia, the situation is quite similar to Syria, where the US is meddling with one of Russia’s key allies in the region. Furthermore, PDVSA owes large amounts of money to Rosneft, a Russian oil company. A regime collapse could mean that Russia will not get repayment and will lead to serious financial repercussions for Russia. China finds itself in much of the same financial situation as Russia and therefore is keen to support Nicolas Maduro. During the march orchestrated by Juan Guaido, it was Russia and China that convinced Nicolas Maduro not to flee the country, keeping Maduro in the country.
The Red Cross

In March 2019, the Red Cross began its operations to bring foreign aid into Venezuela. The Red Cross emphasized that their operations will involve no political influences and brokered a deal with both the Maduro and Guaido administrations. This is the first time Nicolas Maduro has accepted foreign aid, marking a slight acknowledgement that there is an issue in the country. First shipments of aid began arriving on the 16th of April, 2019.

Timeline of Events

<table>
<thead>
<tr>
<th>Date</th>
<th>Description of event</th>
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<tbody>
<tr>
<td>1973</td>
<td>Venezuela enjoys economic benefit from oil boom and its currency peaks when compared against the US Dollar, but grows dependent on its oil industry.</td>
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<td>1992</td>
<td>Colonel Hugo Chavez stages two coups against the then government of Carlos Andres Perez. Chavez serves 2 years in prison but is then pardoned.</td>
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<td>1998</td>
<td>Hugo Chavez is elected president of Venezuela, bringing in a Bolivarian Revolution which brings in a new constitution based on socialist and Bolivarian ideology.</td>
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<td>July 2000</td>
<td>The new Venezuelan constitution calls for new elections to legitimize the government. Hugo Chavez wins the 2000 election and begins his second term as president of Venezuela.</td>
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<td>April 2002</td>
<td>Hugo Chavez is taken into military custody due to an attempted coup but the interim president of Pedro Carmona collapses and Chavez returns to office.</td>
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<td>July 2006</td>
<td>Hugo Chavez signs a 3 billion USD deal with Russia to buy arms.</td>
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<td>December 2006</td>
<td>Hugo Chavez wins a third term in office,</td>
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<td>September 2008</td>
<td>Venezuela and Russia signs an oil and gas cooperation accord, furthering their diplomatic friendship.</td>
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<td>February 2009</td>
<td>Voters in a referendum voted to remove the limit on the number of terms a president can have allowing Hugo Chavez to run again in 2012.</td>
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<td>January 2010</td>
<td>Hugo Chavez devalues the bolivar currency to boost oil exports which shrunk the previous year.</td>
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<td>April 2012</td>
<td>The government extends its price control methods to combat rising inflation.</td>
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<tr>
<td>October 2012</td>
<td>Hugo Chavez wins a fourth term in office.</td>
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<tr>
<td>April 2013</td>
<td>Hugo Chavez dies at age 58 due to complications with cancer, Nicolas Maduro succeeds him as the president of Venezuela after winning the presidential election by a small margin.</td>
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Government begins to cut spending as a result of oil prices dropping, leading to further economic crises in the upcoming years.

The Democratic Unity Roundtable (MUD) wins the majority of seats in the National Assembly, ending 16 years of PSUV rule.

The Supreme Court (TSJ) attempts to take over power from the National Assembly but quickly reverses the decision due to international backlash. This sparks months-long protests that causes the death of 100 people.

The controversial Constituent Assembly (ANC) is elected to draft a new constitution for Venezuela but quickly takes legislative power away from the National Assembly.

Nicolas Maduro wins the Presidential Election. The results are contested by the opposition in the National Assembly.

Nicolas Maduro is inaugurated as president, beginning his second term. Juan Guaido also takes the presidential oath naming himself as the interim president.

The United States begins its sanctions against PDVSA.

The US and Netherlands attempts to send foreign aid into Venezuela.

Juan Guaido begins touring the country to garner support for Operation Freedom.

First Red Cross aid arrives in Venezuela.

Juan Guaido calls for a march on the Presidential Residence but fails due to low support.

Supporters of the march are arrested and prosecuted, Juan Guaido is forced to begin negotiations with Maduro’s government.

An alleged attempt on Maduro’s life prompts him to arrest several people leading to the death of one Navy Captain while in detention.

Relevant UN Treaties and Events

28th February - 2 Failed Draft Security Council Resolutions (Appendix II):

- Draft Resolution S/2019/186 - US introduced this resolution that was vetoed by both Russia and China. The resolution was regarding the restoration of democracy and questions the legitimacy of the 2018 elections.
- Draft Resolution S/2019/190 - Russia introduced this resolution that failed to get enough votes to pass. The resolution placed the solution of the issue in the hands of the Venezuelan government and asked that any action requires the approval of the government.
Several other treaties that Venezuela has ratified that is of importance (Appendix II):

- The International Covenant on Civil and Political Rights (CCPR) - Ratified 10 May 1978
- The International Convention for the Protection of All Persons from Enforced Disappearance - Signed 21 October 2008
- International Covenant on Economic Social and Cultural Rights - Ratified 10 May 1978
- Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment - Ratified 29 July 1991

**Previous Attempts to solve the Issue**

The failure of the UN Security Council to pass any resolutions on the issue so far is illustrative of the complexity of the issue. With the US and Russia being unable to agree and submitting two separate draft resolutions, it is clear there is no agreement. So far nothing has been an effective solution to the issue on Venezuela. As illustrated several times throughout this report, the government continues to attempt to correct its mistakes, but due to a lack of understanding and a political crisis at hand the economic aspect is unable to be fixed as well. The Red Cross is attempting to assist with the humanitarian issues but as of now there has been no permanent solution presented for the humanitarian and migrant crisis. Therefore, all attempts to solve this issue have failed or are insignificant.

**Possible Solutions**

**Negotiations**

With the failed coup attempt on April 30th 2019 by Juan Guaido, the Opposition party is once again forced to negotiate with Maduro’s government. Russia, China and the United States could be willing to attend these negotiations as observer states or participate in multilateral negotiations with the countries to reach a solution. This solution requires much more elaboration in terms of how the negotiations will be conducted and the general agenda the negotiations will follow.

**Addressing the Humanitarian Issue**

Considering that the Red Cross is the main aid organization as of now to be allowed into Venezuela by Maduro, it should be in the interest of all countries to contribute to the aid by Red Cross. Although, direct contributions are highly discouraged as they could be seen as political influence. Governments can initiate programs to encourage businesses and people to donate to the Red Cross to assist with Venezuela’s current issue. Venezuela’s migrant issue can be temporarily resolved by cooperating with host countries to ensure that migrants are given temporary shelter funded by the UN for a certain amount of time.
The Economic Crisis

Hyperinflation is a difficult situation to resolve, but looking at past examples, it is not impossible to resolve. Venezuela needs to re-establish its currency and back it with a more stable currency or resource that it does not produce or can easily manipulate. However, to even begin the process of assisting the country with economic recovery, Nicolas Maduro needs to acknowledge there are economic issues in the country. The UN Security Council should implement several measures to pressure or incentivize Maduro into accepting this through negotiations or the easing of sanctions.

Bibliography


**Appendices**

**Appendix I - Explaining Economic Principles**

For further reading on Economic Principles mentioned in this report:

- Hyperinflation
- Currency Devaluation
- Recovering from Hyperinflation

**Appendix II - Official Documents Mentioned in the Report**

Failed UN Security Council Resolutions:

- S/2019/186
- S/2019/190
Several Other Relevant UN Security Council Documents on Venezuela

Relevant Treaties Venezuela has Ratified:

- International Covenant on Civil and Political Rights
- International Covenant on Economic Social and Cultural Rights
- Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment
- International Convention for the Protection of All Persons from Enforced Disappearance