



BACKGROUND GUIDE

UNCTAD

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WELCOME LETTERS

Dear delegates,

Welcome to the HEC Diplomacy Week, a first in the school's history ! I am Alizée Acket-Goemaere and I will have the pleasure to chair the UNCTAD Committee with Lucas Le Borgne. After a year and a half of work for this event to take place, and seeing the pace at which MUNHEC has grown since its creation, I feel more than happy to present you our Committee topic : the Venezuelan crisis.

Having lived five years in Spain among an international community, I have learnt that, whatever you may think is true, it is certainly not what your neighbour thinks. Our culture, our environment, our past experiences, all shape the way we perceive the world that surrounds us. Diversity of points of view is a wonderful thing, that invites us to debate and learn from each other. Still, in the wake of recent international changes and evolutions, it has become increasingly important to remember the importance of both tolerance and respect.

Taking part in this MUN is an opportunity for you to express your vision of what the international stage could look like, to hear about other views of the world and to ponder on your own convictions. This event is not merely about playing around with countries at a small scale. It is a way true of promoting international exchanges and overcoming the diplomatic hurdles to achieve both a greater understanding and an increased cooperation between divergent actors. In a way, it can be seen as your own way of fighting against isolation, populism and the rise of extremism.

From the moment you'll enter the room, everything will be in your hands : will you make Venezuela great again or will you bring it to a new low ? That's up to you. Play the game as if each one of your decisions had an actual impact on millions of people. Play it as if the entire national economy could collapse, as if political opponents could rot in jail for years, as if children were starving just up your street. This is a real-life situation, something happening right now, not so far from you as you may think. So come out, speak up and try to solve it - Delegates, the game is afoot !

See you soon at UNCTAD !

Alizée Acket-Goemaere
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Dear delegates,

It is my pleasure to welcome you to the Diplomacy Week, organised by the MUNHEC association. My name is Lucas Le Borgne and I will be co-chairing the UNCTAD committee with Alizée Acket-Goemaere on the subject "The Venezuelan crisis - role and place of OPEC countries, major banks and other strategic players".

I am currently a first year student at HEC and a MUNHEC member. Through attending 5 MUNs I have found myself a passion for diplomacy, politics and international relations, and today I seek to share those with you. MUNs are outstanding experiences that bring together students, rid them of their assumptions and bias, and compel them to fully adopt a country's stance, hereby embracing the broader picture. They are about open-mindedness, passion, and fun.

This year's UNCTAD brings forth an intricate weaving of political, economic and social interests, in the form of the Venezuelan crisis. After growing through oil exports in the 2000s, the Venezuelan economy, based on deficit spending and fixed prices, entered recession in the early 2010s. Following the fall in oil prices, Venezuela entered a dire crisis in 2014. The population is now faced with extreme shortages and massive inflation. President Nicolas Maduro has also resorted to authoritarian moves, such as dissolving the opposition-led Assembly or murderously repelling the millions of people that demonstrate throughout the country.

Today, many interests collide about Venezuela. We have purposefully gathered 15 countries and organizations of diametrically opposed interests to make the conference more exciting. What will the represented countries and organizations do to help Venezuela's 32M inhabitants, or its regime? How many compromises are they ready to make? The decision is in your hands.

Best regards,

Lucas Le Borgne
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INTRODUCTION

PRESENTATION OF THE COMMITTEE

History of the Committee

The United Nations Conference on Trade and Development or UNCTAD was created in 1964 in Geneva, Switzerland. In the aftermath of World War II, when the United Nations Organization was created, three other intergovernmental bodies were supposed to be established to support reconstruction and economic development : the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the International Trade Organization (ITO).

Nevertheless, many developing countries like Brazil, China or India denounced the principles of the latter because it was under American influence, which was leading to a very liberal and pro-market orientated structure. Concessions required by these countries were too important for the US government, which dropped the project to focus on the General Agreement on Tariffs and Trade (GATT), primarily designed to fulfil the needs of European countries.

This underrepresentation of developing countries in international economic institutions created a feeling of frustration in the Third World, which was increasingly expressed until 1962. At that date, the United Nations sent Raul Prebisch to an economic forum organized by 32 developing countries in Cairo, Egypt where he noticed the need for more justice and equity regarding international trade. Understanding the seriousness of the situation, Raul Prebisch offered to set up a multilateral meeting to discuss these subjects in spite of the disagreement of the United States government at that moment. Finally, in 1964, the Johnson administration reconsidered its position to prevent the USSR from gaining even more influence in the Third World, which paved the way for the first Conference on Trade and Development.

The UNCTAD is the most prominent body of the United Nations General Assembly regarding trade, investment, and development issues. Its missions include helping developing countries to maximize trade, diversify their economy, control their debt, attract new investments, encourage innovation, and adapt to climate change. Since its creation, the organization has gained an authoritative standing as a platform for North-South dialogue and negotiations and has been a major designer of international trade regulations, such as the Generalized System of Preferences (GSP)³.

Although the UNCTAD primarily works for development, investment and trade, it also has the power to intervene in dire situations and, as such, has a yearly \$40M budget for aid and technical intervention. But, most importantly, the UNCTAD is a body of the UN that deals with development issues in developing countries and as such is a platform to discuss multilateral intervention.

Furthermore, many problems that Venezuela is currently faced with are issues the UNCTAD commonly deals with. For instance, sovereign debt mechanism updates for developing countries are currently on the UNCTAD's agenda, as many African countries such as Ghana find it increasingly difficult to repay their debts.

Structure of the Committee

During this conference, you will be simulating a smaller body of the UNCTAD composed of the most relevant countries for this topic, and will have the opportunity to represent one of the fifteen countries or organizations. Each delegation is composed of two delegates.

The countries are divided into four blocks, each representing different points of view at the beginning of the conference; however, belonging to a block does not mean you share all interests with your fellow block members.

The four blocks are:

- *The Bolivarian Countries:* Venezuela, Cuba, Ecuador, the Dominican Republic and Bolivia. These form a political (leftist) and economic alliance since the 2000s.
- *The Debt Holders:* the United States, China, Russia, France, the IMF and Private Banks. Currently, Fidelity Investments is the bank that owns the most Venezuelan debt.
- *The OPEC Members:* Saudi Arabia, Nigeria, Qatar and Iran. These have very conflicting interests in general, and especially on what policy the OPEC should run now.
- *The Diplomatic Opposition:* Colombia, Brazil, Canada and Spain. These have regularly run into diplomacy issues with Venezuela, but still have interests there, or are neighboring countries.

What is Expected of Delegates

Delegates are expected to have a solid knowledge of the economic situation of the country they are representing and a good understanding of respective points of view of the different actors including the private sector (international banks).

As long as it does not become the main topic of the conference, delegates can question voting procedures and the presence of private interests as part of the debate considering the specificities of debt management and diplomatic relations. Of course, delegates are requested to respect the thoughts and views of others and to behave accordingly to diplomatic protocol and etiquette.

HISTORICAL OVERVIEW

POLITICS

In 1999, Hugo Chavez came to power in Venezuela. Chavez was the leader and founder of the United Socialist Party of Venezuela, a left-wing party that progressively switched to the far left. Upon becoming president, Chavez set up a new constitutional assembly. The constitution that was created and approved by popular vote (although abstention was superior to 50%) established the 5th Republic of Venezuela. It not only recognized 5 branches of government (the last 2 being electoral power and citizens' power), it also gave the presidency far superior powers, to the assembly's loss, effectively weakening Venezuela's "checks and balances" system. Similarly, the Supreme Court of Venezuela was replaced by the Supreme Tribunal of Justice, and the Constitutional Assembly granted itself the power to remove judges from office. Democracy was further weakened when Chavez appointed 12 new justices in 2004, and later removed the limit on the number of presidential terms in 2009.

Chavez faced recurring demonstrations and even violent contestation during his two presidential terms. In 2002, Chavez was temporarily removed from power by a coup by part of the Venezuelan military. The coup eventually failed due to how unpopular the removal of Chavez's policies was at the time. Chavez also remained in power despite the end of the 2002 national strike, and the 2004 recall referendum. Re-elected for a fourth time in 2013 (he was indeed elected in 1999 under the previous Constitution, and in 2001 and 2007 under the new 1999 Constitution), Chavez died from cancer shortly after his re-election, and vice-president Nicolas Maduro took office instead.

FOREIGN POLICY

In 2004, the Bolivarian Alliance (ALBA) was sealed with Cuba, and new countries later joined in, including Bolivia in 2006 and Ecuador in 2009. The primary goal was to propose an alternative to free trade and form a block against the United States of America. On the economic side, a virtual regional currency, the SUCRE, was created in 2009. Regional oil and broadcast companies were also created. Most importantly, Venezuela and Cuba would establish a particular trade partnership: Venezuela provided embargoed Cuba with oil, and Cuba would provide Venezuela with doctors. On the political side, the ALBA was a means to stand up to the USA and protect the member states' political line. For instance, Venezuela and Cuba denounced the USA through pictures of the American invasion of Afghanistan in 2001.

When Venezuela asked its fellow ALBA members for help in 2015, most countries distanced themselves, as their primary goal was in all likelihood to reap the benefits of Venezuelan oil. The ALBA started weakening.

ECONOMY

Venezuela, an oil producer and OPEC member since the beginning, reworked its economic model under Chavez. Oil exports, fixed prices and deficit spending were the fundamentals of a state-driven economy. In the 2000s, the model proved efficient, as oil prices were reaching record-high levels every year until 2008, following the BRICS' growth and demand. The Venezuelan state invested heavily to expand access to food, healthcare, housing and education: thousands of clinics for the poor were created, housing subsidies were distributed, etc. through the Bolivarian Missions, a set of reforms started in 1999.

The economic situation deteriorated all throughout the Chavez presidency, but this only started to be felt at the beginning of the 2010s. Indeed, Venezuela suffers from a "Dutch Disease", as 95% of its exports revenues come from oil. When the prices dropped by more than half after the 2008 shock, and the Chinese growth slowed down, the Venezuelan model was no longer viable.

Furthermore, Venezuela has been facing a growing housing crisis: despite the construction efforts and billions of dollars invested by the government, Venezuela's housing shortage went from 1.6M homes in 2005 to 2M homes in 2011.

RELEVANT UN ACTIONS

So far, the United Nations Security Council hasn't taken any action in Venezuela, despite a meeting on May 17th, 2017. In fact, the meeting was hardly productive and endangered the resolution process. The only serious declaration that has been made in the past few months is that the Human Rights Council wants President Nicolas Maduro tried for crimes against humanity.

According to a spokesperson, Antonio Guterres, Secretary General of the United Nations Organization, remains determined in his hope of bringing together the regime in place and the opposition to achieve a consensus. Talks have been put in place by some intermediaries, the most successful right now being the Dominican Republic.

Still, Venezuela has lost its voting right in the UN because of its millions of dollars of unpaid debt - and this, for the third time in a row. The country might win it back if it pays back a part of the sum during the year to come, as it did through last year.

CURRENT SITUATION

HOW TO MANAGE VENEZUELAN DEBT AND INITIATE A STABLE ECONOMIC RECOVERY ?

Due to the oil price decrease, orchestrated by Saudi Arabia, Venezuela cannot sell its barrels with an acceptable margin anymore. As it represents such a huge source of income for the country, balancing budgets has become an impossible task over the last few years. Combined with internal factors, the slackening of global demand following the 2008 crisis has deeply affected the system currently in place. Nowadays, given the state of development of the country and the global economic context, the Venezuelan economy hardly seems viable, not to mention sustainable. Thus, the country had better identify new opportunities and invest in other industries in order to diversify its revenues and lessen its risks.

This has become a top priority as Venezuela must face important deadlines in link with its debt payment. Its debt amounts to nearly 70% of its GDP and is divided into two components: $\frac{3}{4}$ is made of bonds issued and loans contracted by the government, and the rest is owed by PSDVA (Petroleos de Venezuela SA).

The main debt holders are European and American private banks, followed by Russia, China and international institutions such as the IMF. Debt restructuring might be debated as some actors such as Russia have already undertaken negotiations with the Government. One of the main concerns currently is that political instability may affect interest payments: national risk is thus affecting the country's chances of achieving a better recovery.

The lack of international currencies entering the Venezuelan territory has created a high dependency to the American dollar, thus worsening the situation. Inflation is skyrocketing and has reached a 2 610% peak in 2017, which led to prices being nearly doubled in December 2017. This phenomenon has encouraged Venezuelans to turn to the black market, which means the State is gradually losing control on internal trade. This further endangers hopes of meeting again the 2012 economic performance and weakens the overall stability of the country.

HOW TO SOLVE THE CURRENT POLITICAL CRISIS AND THE LACK OF LEGITIMACY OF THE PRESIDENT ?

In October 2015, Mario Vargas Llosa -a famous Peruvian writer- has described Venezuela as a country where "institutions, from education to justice, show signs of putrefaction". Cases of corruption and misappropriations are paralyzing national institutions at all levels and wearing down the citizens' trust. This institutional crisis combined with recent political developments has done nothing to stabilise the country.

Venezuela has been shaped by the Hugo Chavez era, making him a national symbol of hope and leadership in spite of different controversies. After his passing away, his protégé Nicolas Maduro took the lead but his legitimacy was questioned from the very moment he was elected: no less than 3 500 voting irregularities were listed. Beyond this, Maduro has had a really hard time trying to continue Chavez policies, especially in light of the economic situation. Given that oil incomes were decreasing at a quick pace, nationwide social programs could not be funded anymore and showed their weaknesses. What had been achieved in terms of fight against poverty was barely held up and minimum wages plummeted.

In 2016, results from the 2013 election were invalidated. A referendum to dismiss the President was launched but was cancelled by the CNE (Electoral National Council). This was seen as a serious miscarriage of democracy, that threatened the principles of the national Constitution. Open communiqués from other countries worrying about the situation were denounced as unwelcome interventionist conducts.

At the same time, opposition leaders were forbidden to leave the national territory as they were reportedly suspected of manipulating voting procedures. The National Supreme Court invalidated all decisions made by the Assembly, which triggered an answer from the Parliament, controlled by the Opposition. In retaliation, all Parliament decisions were declared as void. Finally, the Assembly determined that the constitutional order had been breached and debated the possibility of summoning Nicolas Maduro to appear in Court, in spite of not legally having that power.

That was when the President decided to convoke a Constituent Assembly, based on a national referendum. The procedure was affected by attacks on polling stations and huge demonstrations throughout the country. Nicolas Maduro has lost nearly all legitimacy in the eyes of many Venezuelans but intends to remain in power. His position is blocking the country and throwing the entire system into chaos: the leading position of the PSUV (Socialist Party of Chavez and Maduro) is eroding at a quick pace after decades of ruling the country.

Political changes are definitely needed - however, they can only be undertaken once the major institutions have been stabilised. An important point of debate will be the place of President Maduro in the years to come. As he expanded the Presidential powers and is the only one firmly in place, it appears difficult to remove him from the picture. And yet, he seems to have lost the trust of a wide part of Venezuelans who reproach him the current economic and political disaster. Presidential elections take place in April 30th : Maduro has been chosen by the Socialist Party to run for a second term at the head of the country. Solutions must come from within, but passions are running high at the moment and uncertainty rhythms each step taken.

HOW ANSWER THE HUMANITARIAN NEEDS CREATED BY THE BAD SUPPLY OF VITAL RESOURCES ?

The institutional blockage and the economic crisis have had massive repercussions on the population : the rise of poverty, housing issues, shortages of basic-need products and healthcare system issues are only some of the main problems that pile up on citizens. Unemployment has tripled over the last three years, reaching a record 25% of the active population. Even though this must be pondered with regards to the shadow economy that is developing, it is a worrisome indicator for the possibilities of social development.

Due to the government lacks, basic needs are not being met. Last year, hospitals had to use water bottles during surgical operations because the water network had not been maintained properly. Food and medical supplies are also exposed to shortages that affect the entire territory, especially in the urban areas.

The bolivar is now worth next to nothing and Venezuelans do not know what they will be able to purchase with their salary for the month to come. A cup of coffee can cost 2 000 bolivars (0.08 US\$) while the minimum salary in 2018, announced by Maduro at the beginning of January, will barely be enough to buy one cup a day. As savings accounts have lost their worth, some Venezuelan bet everything on cryptocurrencies to try to protect what they have, taking important financial risks while doing so.

This crisis has not only affected the country : opponents have sought political asylum in neighbouring countries, special food imports have created conflicts, a war-time-like number of refugees has been reached in time of peace. People flee the country following Maduro's most recent tentative of consolidating his grip on the situation. Colombia has suffered the brunt of the impact and is now trying to juggle between the immigration pressure from Venezuela and its diplomatic issues with Maduro's regime. Due to the harsh conditions they live in, some Venezuelan immigrants have begun stealing in Colombian fields and shops in order to survive, thus adding a layer to the diplomatic tension between the two countries. At the beginning of February 2018, President Santos appealed for international help as Colombia can no longer cope with the influx of refugees, nicknamed the 'Bolivarian diaspora'.

Thus, major international institutions and different NGOs have been asked to intervene as intermediaries and to help contain the situation. The main concerns cover very diverse issues such as respecting both civil and political liberties, meeting the population's basic needs, or preventing a massive exodus. Globally, there is a wide moral condemn about Maduro's regime but no real action has been undertaken yet.

BLOCK POSITIONS

BOLIVARIAN COUNTRIES

Venezuela, Cuba, Ecuador, the Dominican Republic and Bolivia

These form a political (leftist) and economical alliance since the 2000s. Their interests are mainly political: preserve the leftists regimes, economies and alliance in the face of foreign "imperialist" powers, and especially in the face of the US and the IMF. Their position in the conflict is influenced by the defense of a common ideological view, as they all wish to form a "Bolivarian front".

DEBT HOLDERS

The United States, China, Russia, France, the IMF and Private Banks

Currently, Fidelity Investments is the bank that owns the most Venezuelan debt.

Delegates representing Private Banks could adopt capitalistic interest of ROE optimisation (keeping in mind that a suffocated client is not a good one). Delegates representing the IMF could aim at defending global interests and economic stability. The United States, China and Russia, in spite of all being Venezuelan debt holders, do not entertain the same relationships with the South American countries. Both their historical and current ambitions in the region differ greatly - but all concur in their search for influence and power.

OPEC MEMBERS

Saudi Arabia, Nigeria, Qatar and Iran

These have very conflicting interests in general, and especially on what policy the OPEC should run now. Saudi Arabia has just shifted its policies, aiming for a rise in oil prices to \$60-\$70 per barrel, whereas it was an average \$50 in 2017. This will be achieved by cuts in global oil production, on which OPEC agreed, last november.

Meanwhile, Iran seeks to develop its production as best it can, which clashes directly with the OPEC's most recent policy changes. Qatar is stuck between two poles: it seeks to reap maximum benefit from oil and gas while it modernizes its infrastructure and diversifies its economy, effectively reducing its fossil fuel production. OPEC decisions may greatly affect the Venezuelan situation as 95% of its export revenues come from the oil industry.

DIPLOMATIC OPPOSITION

Colombia, Brazil, Canada and Spain

These countries have regularly run into diplomacy issues with Venezuela, but still have interests there, or are neighboring countries. For all three, there is a wish to maintain an influence over the country: Spain in line with its historical importance in the area, Brazil in line with its South American strategy of influence, Colombia as a neighbour that is directly affected by any instability on the other side of the border (especially as it is finally overcoming the FARC issue). Still, their condemn of Maduro's decisions has been seen as unwelcome and interventionist, thus preventing them from exchanging directly with the government.

QUESTIONS TO CONSIDER

The main question to address could be defined as : what is the role and place of Venezuela at an international scale ? This general subject would give you enough freedom on what could be debated while giving a general orientation for the weekend. Thus, topics as different as economics, internal policies, global geopolitics and the place of international institutions could be broached under a wider question concerning Foreign Policy.

It is also possible to divide the problem according to different timelines. For example :

- In months to come, what actions are needed on an international scale to relieve Venezuela ?
- In the short term , how could Venezuela undertake systemic changes in order to enjoy a new growth phase ?
- In the long term, what could be the role of Venezuela both on the South American subcontinent and globally ?

Or subtopics could also be addressed by theme, separating economics and politics or internal and external actions. However, this seems less relevant as, like any important crisis, factors are deeply intertwined.

Topics can be organised in many different ways. The first debate session will play a decisive role in how we will address the subject : it will be determined both by your opening speeches and the manner in which you will tackle the issue in the first moments. So be creative and surprise us !

SUGGESTIONS

We strongly advise you to prepare an Opening Speech - that is, a short speech that presents your country's interests and main policies in light of our Committee topic. This will help you determine your line of action and will guide your decisions and diplomatic moves throughout the MUN. Plus, it will be an excellent ice-breaker for the beginning of the negotiations !

Writing a Position Paper will also be useful as it will give you the opportunity to perform an in-depth research. By knowing extensively your country's position and interests, it will definitely give you strong arguments for the moderated debates and thus an advantage in early discussions.

Finally, the last advice we can give you is to take the discussions at heart. Diplomatic rules may seem heavy at the beginning but they have been created for a reason. Discuss with passion, keep in mind what is at stake and involve yourself in every decision : sessions will be so vibrant you won't even notice the weekend is over !

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