

# **THE LAND OF CRISIS: A DEEP ANALYSIS OF THE CURRENT SITUATION IN VENEZUELA**

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## **ABSTRACT**

The paper deals with the current scenario which has developed in the state of Venezuela. The state which was once one of the wealthiest nations of the world has now been turned into rags due to a series of bad economic decisions taken in the past. Due to which the state which was once considered as a paradise of the world has now been brought into the ruins. There are several reasons for such drastic change of conditions in the country which includes bad economic policies, too much focus on Socialism etc. The period of the presidency of Hugo Chavez which is considered by many citizens of Venezuela and people from around the world was in fact the worst period which is responsible for the present day condition of Venezuela. His presidential term from 1999 -2013 saw some of the worst decisions to be taken in terms of economic policies which has now resulted in the current atrocities which has to be faced by the entire population of Venezuela. The paper basically divided into three parts out of which the first part deals with the background of the crisis which has erupted in Venezuela. The second part deals with the different crises which are there in Venezuela, mainly political, economic or humanitarian due to the period of bad economic decision being taken by the policy makers. The third and the final part deals with the possible actions or measures taken by government to solve the current situation of hyperinflation and bring the economy back on track by taking examples from many other nations who have gone through this phase. The paper is moreover an effort to explain in detail to the readers in a layman's language about the Venezuelan crisis in detail by covering all the related topics in one paper.

## **INTRODUCTION**

*“Venezuela has really become the poster child for how the combination of corruption, economic mismanagement, and undemocratic governance can lead to widespread suffering”*

The starting of another decade from 2010 has brought with it many more conflicts and crisis like the Syrian war crisis, Yemen civil war, Liberian and other crisis in African countries. All these crises have broadly resulted in a specific sort of atrocities in the nation like humanitarian crisis, refugee crisis, economic crisis etc. But there is one nation which has suddenly caught up the attention of international media due to its influx of many such crises seen in the state all together. Venezuela, the country which was once considered as a paradise for the other people is now being wrecked due to the worst economic decisions taken by the government. The crisis in Venezuela is believed to have started from the year 2013 in the presidency of Nicolas Maduro but its seeds have been sowed in 1999 during the presidency of Hugo Chavez. The different crisis, which can now be seen in Venezuela is a result of various factors which includes both at the top level like government policies ( monetary ,fiscal) and at the lower level which included too much focus on socialism and providing welfare schemes to the citizens. These decisions have eventually led to the present situation of the country and have resulted in the tragic humanitarian issues to be faced by the citizens of the state.

The crisis began in 2013 when the newly elected president of Venezuela named Nicolas Maduro came into power. Venezuela whose economy dependent purely on oil due to its large revenue saw a decline in the prices of oil per barrel due to several international factors. Venezuela is dependent on oil for more than 90% of their exports started to see an intense and noteworthy drop in the foreign revenue .with drop in foreign reserves and revenue. With drop in exports significantly the prices of basic goods and commodities started to swear up intensively. Inflation increased at a rapid rate and within a span of few months became a situation of hyperinflation in the country. As the government of Venezuela has no at all focused on any other industry within the country, with no big privatized company seen or any other sector given focused on, the oil revenue was sufficient to fulfill all other demands of the citizens. The PDVSA was providing employment as a social welfare scheme at a massive rate. There was a hidden political motive behind it as the previous President Hugo Chavez wanted to continue to his regime by such public welfare projects.

But since 2013 when the prices of oil in the international market started decreasing at an alarming rate that is when it all got changed. The inflation rate became higher and higher due to the reducing export revenue. To curb this Venezuelan authority started printing more notes in the form of paper currency which resulted in the devaluation of the currency in the international market. Thus the paper revenue became waste and useless. Due to all these reasons, there is an immense humanitarian crisis in Venezuela with people starving due to the non-availability of the basic food materials. There are shortages of the basic necessities of life like water, food, medicines, sanitary pads, toiletries, etc. The crime rate has also increased significantly, making Caracas the capital city of Venezuela the second most dangerous city in the world thereby even surpassing Syria. Refugee crisis has also taken place and people are leaving the country at an alarming rate. The favored destination to seek asylum are Colombia, Peru, Chile, Brazil, USA, etc.

The paper discusses on all such issues separately in detail to bring out the readers the main reasons and current eco-political scenario in Venezuela.

## **BACKGROUND**

### ***Chávez presidency-***

Hugo Chávez in 1998 was elected as the President of Venezuela. He was a former reputed military officer despite having established and led unsuccessfully executed coups in 1992. The starting of the 21<sup>st</sup> century saw a significant rise in the price of oil<sup>1</sup>, which helped Venezuela to gain funds at an astonishing amount.<sup>2</sup> With the increase in foreign reserve the Chavez government focused on providing welfare schemes at a large level throughout the country to improve the socio-economic conditions of the people. To implement this task the Chavez government established the Bolivarian Mission.<sup>3</sup> Some analyst said that the economic crises which are prevailing under the Maduro government would have also prevailed if Hugo Chavez continued to be in power.<sup>4</sup>

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<sup>1</sup> See. <https://www.macrotrends.net/1369/crude-oil-price-history-chart>

<sup>2</sup> See. <https://worldview.stratfor.com/article/venezuelas-expensive-friendships>

<sup>3</sup> See. <http://venezuela-us.org/live/wp-content/uploads/2009/08/socialmissionsinvenezuela-12.11.09eng.pdf>

<sup>4</sup> See. <http://knowledge.wharton.upenn.edu/article/post-chavez-venezuela-enters-downward-spiral/>

### ***About Bolivarian Revolution-***

The Bolivarian Revolution is a political process in the state of Venezuela which was led by Hugo Chavez who was the founder of the PSUV (United socialist party of Venezuela). The term was named after Simon Bolivar, who was a revolutionist in South America.<sup>5</sup>The Bolivarian Revolution had two policies namely the Domestic and International policy.

### ***Domestic policy-***

The domestic policy of Chavez included nationalization, social welfare programs which is also called Bolivarian mission. He also opposed neoliberalization, including the various policies of the I.M.F and World Bank. The policy of Chavez supported various aspects like democracy<sup>6</sup>, promotion of private<sup>7</sup> and social properties.<sup>8</sup> Hugo Chavez in 2007 proposed to build Venezuela as a communal state by building the different self-government institutions like the communes, communal cities and councils.<sup>9</sup>

### ***International Policy-***

The International Policies of Chavez was to have a hostile and confrontational posture towards the United States; he also planned to show his autocratic, socialistic model to the other countries of the region.<sup>10</sup> For strengthening the relationship between the other nations of Latin American countries, Chavez signed many bilateral trade agreements and aid agreements. The methods also included the ‘‘Oil diplomacy’’<sup>11</sup> making it more dependent on oil and increasing the long-term vulnerability.<sup>12</sup> Chavez tried to implement these policies in the other Latin American countries, but these policies were too erratic.

### ***Bolivarian Mission-***

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<sup>5</sup> See. <http://www.worldfuturefund.org/Reports/Chavez/Chavez.html>

<sup>6</sup> See. "La democracia participativa es un concepto chavista". *Correo del Orinoco* (in Spanish). 16 November 2013. Retrieved 3 February 2014.

<sup>7</sup> See. Sivaramakrishnan, Arvind (6 March 2013). "Hugo Chávez: Death of a socialist". *The Hindu*. Retrieved 3 February 2014.

<sup>8</sup> See. <http://www.eluniversal.com/economia/120613/plan-chavez-preve-crear-30-mil-empresas-de-propiedad-social>

<sup>9</sup> See. Azzellini, Dario. "The Communal State: Communal Councils, Communes, and Workplace Democracy". North American Congress on Latin America.

<sup>10</sup> See. Colmenares, Leopoldo E. G. (February 2016). "Criminal Networks in Venezuela". *Military Review*.

<sup>11</sup> [https://web.archive.org/web/20050306151332/http://www.guyana.org/Update/guyana\\_diary\\_feb2004.html](https://web.archive.org/web/20050306151332/http://www.guyana.org/Update/guyana_diary_feb2004.html)

<sup>12</sup> See. [https://noref.no/var/ezflow\\_site/storage/original/application/5ac5220191adf69475fb57f9e303479c.pdf](https://noref.no/var/ezflow_site/storage/original/application/5ac5220191adf69475fb57f9e303479c.pdf)

The social programs in Venezuela are termed as the Bolivarian mission, which aimed at providing social welfare and reduce disparities in the state. The major funding for these projects came from the oil revenue generated. The social programs are-<sup>13</sup>

- **Plan Bolivar 2000-** It was the first program of the Bolivarian mission. The motive was to show the supporter of Chavez that he aimed to work for the welfare<sup>14</sup> and for it he involved 40000 Venezuelan soldiers in door to door anti-poverty activities including mass vaccination, food distribution and education.<sup>15</sup> He started this just 23 days after his inauguration. The program got several corruption allegation and misappropriation of funds.<sup>16</sup>
- **Mission Barrio Adentro-** The mission aims at providing dental care, health care and sports training to the poor communities of the state. Several thousands of two stories health care medical clinics were constructed these also included doctors' offices as well as resident certified medical professionals. In 2006 the staffs comprised of 31,439 professionals, technical personnel, and health technicians.<sup>17</sup> This program was praised by both WHO and UNICEF. The mission despite aiming to provide welfare had many flaws in it, saw in 2007 Douglas Leon reporting that almost 70% of the modules were abandoned or left incomplete.<sup>18</sup> There have been several complaints regarding the program's effectiveness by the locals for Caracas.<sup>19</sup>
- **Mission Habitat-** The aim of the mission was the construction of thousands of houses for the poor people of the state. Apart from houses it aimed to build an integrated housing zone containing services like education and health care facilities. But the mission failed as out of the 150000 houses which were proposed to be built in 2006 only 24% of the total target was completed.<sup>20</sup>

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<sup>13</sup> See. [http://news.bbc.co.uk/hi/spanish/specials/2009/chavez\\_10/newsid\\_7837000/7837964.stm](http://news.bbc.co.uk/hi/spanish/specials/2009/chavez_10/newsid_7837000/7837964.stm)

<sup>14</sup> <https://web.archive.org/web/20161231100518/https://www.state.gov/documents/organization/143547.pdf>

<sup>15</sup> See. <https://venezuelanalysis.com/analysis/213>

<sup>16</sup> See. Opinión y análisis – ¿Sabe el Ejército de Corrupción? Archived 6 March 2012 at the Wayback Machine

<sup>17</sup> [https://www.researchgate.net/publication/311452896\\_A\\_Logic\\_Model\\_Evaluation\\_of\\_Barrio\\_Adentro\\_in\\_Venezuela](https://www.researchgate.net/publication/311452896_A_Logic_Model_Evaluation_of_Barrio_Adentro_in_Venezuela)

<sup>18</sup> See. [http://www.2001.com.ve/registro\\_noticias.asp?registro=81599&sw=1](http://www.2001.com.ve/registro_noticias.asp?registro=81599&sw=1)

<sup>19</sup> See. Pan American Health Organization, "Mission Barrio Adentro: The right to health and social inclusion in Venezuela Archived 4 March 2016 at the Wayback Machine, Caracas, Venezuela. July 2006

<sup>20</sup> [https://web.archive.org/web/20080411130530/http://english.eluniversal.com/2006/07/31/en\\_eco\\_art\\_31A756381.shtml](https://web.archive.org/web/20080411130530/http://english.eluniversal.com/2006/07/31/en_eco_art_31A756381.shtml)

- **Mission Marcel-** The mission was carried out to provide subsidized food and basic goods to the people. The project was carried out with the help of a state run company called Mercados de Alimentos. 2010. The Company employed over 85000 workers.<sup>21</sup> It had been reported that 4543 metric tons of food was distributed every day and has benefited around 11.36 million people in Venezuela.<sup>22</sup> Currently there are shortages of food materials and lack of running stores in the state has made the availability of the products even scarcer.<sup>23</sup>
- **Mission Robinson-** The program aimed at using volunteers to provide elementary education program like reading ,writing, and arithmetic to more than 1.5 million people of Venezuela who were illiterate before 1999.on 28<sup>th</sup> of October 2005 Venezuela declared itself as a “Illiteracy free territory” as 96% of the country’s population could read and write.<sup>24</sup> There has been little evidence of statistical reduction in the illiteracy of the population. It was also seen that the number of illiterate in the country were almost 1.1 million as compared to the figure of 1.6 million illiterate showed by the Venezuelan authorities.<sup>25</sup>

#### ***Impact of Bolivarian Revolution on the other countries-***

Bolivarianism failed to spread through Latin America and the Caribbean as in these nations the concept of democracy and political parties prevailed.<sup>26</sup> It failed in Ecuador and Bolivia as it experienced a political party crisis. The revolution also led to a coup in Honduras against President Zelaya. Eventually the worst happened after 2010 due to the various methods adopted by Chavez like price control<sup>27</sup> and overspending<sup>28</sup>. The economy suffered Dutch Disease<sup>29</sup> and it faltered with the increase in inflation and poverty in the country.

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<sup>21</sup> See. <https://www.bloomberg.com/news/articles/2010-03-11/a-food-fight-for-hugo-chavez>

<sup>22</sup> See. [http://www.eluniversal.com/2006/05/04/eco\\_ava\\_04A703401.shtml](http://www.eluniversal.com/2006/05/04/eco_ava_04A703401.shtml)

<sup>23</sup> See. <https://web.archive.org/web/20140508043027/http://www.el-carabobeno.com/portada/articulo/76462/usuarios-molestos-por-venta-rationada-de-alimentos-en-pdval-y-mercal>

<sup>24</sup> See. <http://news.bbc.co.uk/2/hi/americas/7794293.stm>

<sup>25</sup> See. <https://www.economist.com/the-americas/2008/02/28/propaganda-not-policy>

<sup>26</sup> See. Torre, Carlos de la (2017-04-10). "Hugo Chávez and the diffusion of Bolivarianism". *Democratization*. **0** (7): 1271–1288. doi:10.1080/13510347.2017.1307825.ISSN 1351-0347

<sup>27</sup> See. <http://intpolicydigest.org/2016/03/14/venezuela-in-crisis/>

<sup>28</sup> See. [http://firodriguez.web.wesleyan.edu/docs/working\\_papers/How\\_Not\\_to\\_Defend.pdf](http://firodriguez.web.wesleyan.edu/docs/working_papers/How_Not_to_Defend.pdf)

<sup>29</sup> See. <http://intpolicydigest.org/2016/03/14/venezuela-in-crisis/>

### **Maduro's Presidency-**

After the death of Hugo Chavez, Nicolas Maduro was elected as the President of Venezuela by defeating Henrique Capriles Radonski.<sup>30</sup> Though there was high inflation rate<sup>31</sup> and poverty with reducing foreign reserve, he continued the existing economic policies. Maduro is often criticized for paying attention to public opinion rather than improving the economy<sup>32</sup>. By 2014, Venezuela entered economic recession<sup>33</sup> and it had an inflation rate of 800 by 2016 which was the highest inflation rate Venezuela has seen till that date<sup>34</sup>. The inflation rate to increase to close to 1000000% till the end of 2018<sup>35</sup>.

This marks the end of the background of the crises in Venezuela. The next part deals with the different economic and humanitarian crises prevailing in Venezuela now.

## **DIFFERENT CRISIS IN VENEZUELA**

### **1) Economic Crisis in Venezuela**

The economic situation in Venezuela has been on a constant degrading nature due to the various policies framed and actions taken in the past by the Chavez government and now being carried out by his successor Nicolas Maduro. Venezuela whose economy dependent on the export of oil for its running saw a massive setback when the prices of oil started to decrease due to the 2010 oil glut.<sup>36</sup> In 2015 out of the 100 dollars that came 90 of it came from the oil exports. The effect of the poor economic crisis can be explained in few indexes like debt, housing, GDP, inflation and effect on business. We shall discuss all these indexes in detail below.

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<sup>30</sup> See. <https://venezuelanalysis.com/news/8626>

<sup>31</sup> See. <https://qz.com/192395/venezuelas-black-market-rate-for-us-dollars-just-jumped-by-almost-40/#/h/56869,3/>

<sup>32</sup> See. Gupta, Girish (3 November 2014). "Could Low Oil Prices End Venezuela's Revolution?". *The New Yorker*. Retrieved 15 November 2014

<sup>33</sup> See. Pons, Corina; Cawthorne, Andrew (30 December 2014). "Recession-hit Venezuela vows New Year reforms, foes scoff". Reuters.

<sup>34</sup> See. <https://foreignpolicy.com/2015/07/13/looking-into-the-black-box-of-venezuelas-economy-caracas-bolivar-maduro/>

<sup>35</sup> See. <https://www.theguardian.com/world/2018/jul/25/venezuela-inflation-crisis-nicolas-maduro>

<sup>36</sup> See <https://www.reuters.com/article/us-global-oil/oil-skids-toward-11-year-low-as-iea-warns-of-worse-glut-idUSKBN0TU02C20151211>

**Debt-** The Venezuelan debt kept on increasing with the fall in the oil price since 2014. It is reported in that in November 2017, the country's debt was \$105 billion US Dollars and its reserves at \$10 billion US dollars.<sup>37</sup> The things got even worse when in August 2017, the U.S President Donald Trump put sanction on transactions with the state debt of Venezuela and including in debt restructure process.<sup>38</sup> In November the ISDA committee consisting of 15 big banks admitted the default on the state debt obligation.<sup>39</sup> There are 20 international bonds of Venezuela that are in default.<sup>40</sup>

**Housing-** There is a housing shortage in Venezuela for long. Despite the Bolivarian mission aimed to provide houses to every people it failed to keep up its promise with an estimated 1.6 million houses to be made only 10000 of it was actually built based on a report of CVC ( Venezuelan Construction Chamber). Despite being billions being invested in the project, it was unsuccessful in meeting its aim.<sup>41</sup> By 2012, the shortage of building materials had also begun to slow down construction, with metal production at a 16-year low. By the end of Chávez's presidency in 2013, the number living in inadequate housing had grown to 3 million.<sup>42</sup>

**GDP-** There was a report submitted by the central bank of Venezuela that after 2015 the GDP contracted 5.7% and by the end of 2016 it reduced by 18.6%.<sup>43</sup> As the country's export depends 96% on oil and thereby its price reduction led to the turmoil in the total GDP of the country. There was no heed paid to the building of other sectors and giving power to the private companies to expand freely.

**Inflation-** The inflation rate in Venezuela has kept on increasing since Hugo Chavez came into power and since then has constantly been on an uprising with the situation of hyperinflation

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<sup>37</sup> See. <https://www.thetimes.co.uk/article/president-maduro-brings-venezuela-to-brink-of-bankruptcy-k8dfw03mx>

<sup>38</sup> See. <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13808.pdf>

<sup>39</sup> "Final List of Deliverable Obligations for the 2017 Bolivarian Republic of Venezuela Credit Derivatives Auction Settlement Terms". [www.cbonds.com](http://www.cbonds.com).

<sup>40</sup> See. <http://cbonds.com/countries/Venezuela-bond>

<sup>41</sup> See. [http://www.washingtonpost.com/wp-dyn/content/article/2005/11/15/AR2005111501993\\_pf.html?noredirect=on](http://www.washingtonpost.com/wp-dyn/content/article/2005/11/15/AR2005111501993_pf.html?noredirect=on)

<sup>42</sup> See. <https://www.latintimes.com/venezuela-housing-shortage-nicolas-maduro-announces-abandoned-cars-will-be-turned-homes-171317>

<sup>43</sup> See. <https://www.reuters.com/article/us-venezuela-economy/venezuela-2016-inflation-hits-800-percent-gdp-shrinks-19-percent-document-idUSKBN154244>

continuing for long. The inflation rate of the country was 69% in 2014,<sup>44</sup> 181% in 2015,<sup>45</sup> 800% in 2016,<sup>46</sup> 4,000% in 2017<sup>47</sup> and 2,295,981% in February 2019<sup>48</sup> and is projected to be around 10 million by the end of 2019.<sup>49</sup> In August 2018, President Maduro announced that a new currency named the sovereign Bolivar to fight hyperinflation. The new currency replaced the existing paper Bolivar at a rate of 1/100,000 which in laymen's language means that a 100,000 Bolivar note becoming a 1 sovereign Bolivar note. It was introduced to the country on August 20, 2018.<sup>50</sup>

**Effect on business-** The hyperinflation and poor economic policies has affected the business and industries to a great extent in Venezuela. The airline industries in Venezuela started to find it difficult to operate its flight in the country due to the changing and unstable economic scenario. Due to which many airline companies like Air Canada, Lufthansa and Alitalia have left its operations in the country. Apart from the airline industry a number of firms and companies have also left its operation in the country due to the present scenario.

This marks the end of the Economic crisis prevailing in Venezuela.

## **2) Humanitarian Crisis in Venezuela**

The people of Venezuela have been suffering from a lot of atrocities for long ever since the reign of Hugo Chavez but the things got even worse after Nicolas Maduro took control. There has been a great humanitarian crisis in Venezuela observed by the international community. This part deals with the different humanitarian crisis now observed in Venezuela, namely the problem of Starvation, healthcare, Refugee crisis and crime.

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<sup>44</sup> See. <https://www.reuters.com/article/venezuela-inflation/venezuela-2014-inflation-hits-68-5-pct-central-bank-idUSL1N0VN2H720150214>

<sup>45</sup> See. <https://www.reuters.com/article/us-venezuela-economy/venezuela-annual-inflation-180-percent-opposition-newspaper-idUSKCN0RV4WN20151001>

<sup>46</sup> See. <https://www.reuters.com/article/us-venezuela-economy/venezuela-2016-inflation-hits-800-percent-gdp-shrinks-19-percent-document-idUSKBN154244>

<sup>47</sup> See. <https://www.reuters.com/article/us-venezuela-food/venezuelans-report-big-weight-losses-in-2017-as-hunger-hits-idUSKCN1G52HA>

<sup>48</sup> See. <http://www.lefigaro.fr/flash-eco/au-venezuela-l-inflation-annuelle-avoisine-les-2-millions-pour-cent-20190314>

<sup>49</sup> See. <https://in.reuters.com/article/venezuela-economy/imf-sees-venezuela-inflation-at-10-million-percent-in-2019-idINKCN1MJ1YX>

<sup>50</sup> See. <https://www.nytimes.com/2018/08/16/world/americas/inflation-venezuela-currency.html>

**Starvation-** Ever since the price of oil in the international market started to drop there has been a significant drop in the food materials import into the country. Venezuela did not focus much on growing the agricultural sector and imported the food materials. As the price dropped and the foreign reserve decreased the country found itself in a situation of starvation. The survey done in Venezuela on the living conditions of the people by three universities found out that nearly 75%<sup>51</sup> of the population lost at least 8.7 kg in 2016 and nearly 64%<sup>52</sup> said they lost around 11 kg in 2017 due to lack of food and nutrients. This led to food rationing in the country, resulting in people standing in queues outside the shop all day for food. The paediatrics saw an increase in the patients at an alarming rate which never happened before. There is high rate of killing of dogs, cats, donkeys, pigeons and even the stealing of garbage cans in the city for food.<sup>53</sup>

The doctors from the country have said that there has been a high growth rate in the number of cases of malnutrition in the children and more than hundreds have been dead due to this. The government has stopped it and other journalists from reporting this to prevent the government's image in the outside world and has imposed a fear on the doctors to report this issue.<sup>54</sup>

**Healthcare-** The government established many hospitals and clinics to provide free medical aid to the people but its suffered utter failure in maintaining the sector. Due to this mismanagement and reduced spending in the health care projects introduced by Bolivarian Revolution the country saw a massive number of death cases. The professional doctors hired from Cuba have also migrated to some other country due to the unliveable conditions prevailing in the country.<sup>55</sup> Hugo Chavez's too much reliance on import of goods and medical products created a complicated exchange rate in the country and by 2010 there is a heavy shortage of medical products in the country. The goods which were designated for the public were sold to some other by the doctors illegally.<sup>56</sup> Since 2014, there occurred too much shortage of medical supplies in the state ran hospitals that it was sufficient enough to give treatment to only 7% of the total patient and the private hospitals were in a drastic shortage that many patients were

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<sup>51</sup> See. [https://www.upi.com/Top\\_News/World-News/2017/02/19/Venezuela-75-of-population-lost-19-pounds-amid-crisis/2441487523377/](https://www.upi.com/Top_News/World-News/2017/02/19/Venezuela-75-of-population-lost-19-pounds-amid-crisis/2441487523377/)

<sup>52</sup> Sequera, Vivian (2018-02-21). "Venezuelans report big weight losses in 2017 as hunger hits"

<sup>53</sup> See. <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article131778819.html>

<sup>54</sup> Meridith Kohut; Isayen Herrera (December 17, 2017). "As Venezuela collapses, children are dying of hunger"

<sup>55</sup> See. <https://www.thetimes.co.uk/article/thousands-dying-early-as-medical-system-implodes-in-venezuela-cj3t6ddkrzr>

<sup>56</sup> See. <https://foreignpolicy.com/2015/04/27/chavez-maduro-healthcare-venezuela-cuba/>

dying because of the diseases which can be treated easily<sup>57</sup>. It was also reported that since December 2014, the doctors at the famous University of Caracas medical hospital have stopped performing surgeries due to the lack of supplies of medical facilities.<sup>58</sup> By 2015 there were only 35% of beds available and more than 50% operating room were non-functional due to lack of medical resources.<sup>59</sup> There was 68% shortage of surgical supplies and 70% shortage of medicines in the pharmacies.

**Refugee Crisis-** Due to the constant degrading liveable condition in Venezuela it has forced millions of people to flee the country in search of better living condition and lifestyle.<sup>60</sup> The United Nations High Commission for Refugees gave a report in 2018 November that more than 3 million people from Venezuela have left the country and migrated to some other nearby country. The majority of the people migrated to the different Latin American countries and Caribbean.<sup>61</sup> The massive increase in the number of people leaving the country is due to the increasing crime rate, depleting medical services, lack of food and essential material etc.<sup>62</sup> It was reported that around 1.5 million people left Venezuela from 1999 to 2014<sup>63</sup> but around 1.8 million people left the country by 2015.<sup>64</sup> It was estimated that around 500 people left the country every day in the first part of 2018.<sup>65</sup> The migration of the Venezuelan people increased at a rapid pace at the later part of the Chavez rule and further increased during the Maduro's rule. The second phase of the migrants was mostly the lower class people who were directly affected by the economic crisis prevailing in the country.<sup>66</sup> In the year 2016 alone there were more than 150,000 people who have migrated from the country. The people have migrated to

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<sup>57</sup> See. <https://web.archive.org/web/20141110005057/http://bigstory.ap.org/article/doctors-say-venezuelas-health-care-collapse>

<sup>58</sup> See. <https://web.archive.org/web/20140228074857/http://globovision.com/articulo/medicos-del-hospital-universitario-paralizan-procedimientos-quirurgicos-tras-falta-de-insumos>

<sup>59</sup> See. <https://www.bostonglobe.com/opinion/editorials/2015/04/28/medical-crisis-venezuela-requires-world-attention/EAGdzuzc9WebDGCZ0QY8GI/story.html>

<sup>60</sup> See. <http://www.eluniversal.com/nacional-y-politica/140913/best-and-brightest-for-export>

<sup>61</sup> "Number of refugees and migrants from Venezuela reaches 3 million". *UNHCR*. UNHCR, IOM. 8 November 2018.

<sup>62</sup> Gonzalez, Angel; Minaya, Ezequiel (17 October 2011). "Venezuelan Diaspora Booms Under Chávez"

<sup>63</sup> Olivares, Francisco (13 September 2014). "Best and brightest for export". *El Universal*.

<sup>64</sup> <http://globovision.com/18-millones-de-venezolanos-han-emigrado-en-10-anos-segun-estudio/>

<sup>65</sup> See. <https://www.nytimes.com/2018/04/28/world/americas/venezuela-brazil-migrants.html>

<sup>66</sup> See. [https://www.nytimes.com/2016/11/25/world/americas/hungry-venezuelans-flee-in-boats-to-escape-economic-collapse.html?\\_r=1](https://www.nytimes.com/2016/11/25/world/americas/hungry-venezuelans-flee-in-boats-to-escape-economic-collapse.html?_r=1)

the neighboring countries. They have crossed into northern Brazil where they are seeking refugee status with the help of UNHCR.<sup>67</sup>

**Crime-** Violence has increased in Venezuela at a rapid rate with more than 27,875 homicides committed in 2015<sup>68</sup> and 23,047 homicides committed in 2018.<sup>69</sup> The matter has gone even worse due to the fact that only two percent out of the total homicides committed have been prosecuted.<sup>70</sup> The end of the Chavez's regime, Venezuela was the most insecure nation in the world.<sup>71</sup> Crime has also continued to increase under Chávez's successor, President Nicolás Maduro, who continued Chávez's policies that had disrupted Venezuela's socioeconomic status. Chávez's government sought a cultural hegemony, promoting class conflict and social division in order to establish hegemony, eventually encouraged "criminal gangs to kill, kidnap, rob and extort".<sup>72</sup>

This marks the end of the different humanitarian crisis prevailing in Venezuela.

### **3) Political Crisis and Present Situation-**

There has been a crisis in Venezuela since January 2019 on who the legitimate President of the state is after the National assembly declared the current president Nicolas Maduro as illegitimate and appointed the leader of the assembly Juan Guaido, to be acting president of the nation. There has been a discontent with the government among the people after the death of Hugo Chavez with the Maduro government due to rising inflation rate, resulting in the lack of basic amenities and food materials in the country.<sup>73</sup> The repercussions were seen in the 2015 Parliamentary election where the opposition won 109 seats out of the 165 seats.<sup>74</sup> The Supreme tribunal of justice was also filled with the allies of Maduro.<sup>75</sup> The tribunal disqualified 3 opposition members from their seats to prevent the opposition from gaining supermajority in

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<sup>67</sup> "The Venezuelan Walkers". *Human Rights Watch*. 5 September 2018.

<sup>68</sup> See. [https://elpais.com/internacional/2018/06/07/colombia/1528350157\\_004846.html](https://elpais.com/internacional/2018/06/07/colombia/1528350157_004846.html)

<sup>69</sup> See. <https://dataunodc.un.org/crime/intentional-homicide-victims>

<sup>70</sup> <https://dataunodc.un.org/crime/intentional-homicide-victims>

<sup>71</sup> See. <https://news.gallup.com/poll/175082/latin-america-scores-lowest-security.aspx>

<sup>72</sup> Werlau, Maria C. (August 2014). "VENEZUELA'S CRIMINAL GANGS: Warriors of Cultural Revolution". *World Affairs*.

<sup>73</sup> See. <https://edition.cnn.com/2013/03/06/business/venezuela-chavez-oil-economy/>

<sup>74</sup> See. <https://www.nytimes.com/2017/03/30/world/americas/venezuelas-supreme-court-takes-power-from-legislature.html>

<sup>75</sup> "Venezuela's Lame-Duck Congress Names New Supreme Court Justices". *Bloomberg*. 23 December 2015. Retrieved 31 March 2017.

the national assembly.<sup>76</sup> The tribunal further gave more powers to the Maduro government in 2017 which resulted in a huge protest in the state. Soon Maduro called for an election to select the members of the constituent assembly which will draft a new constitution of Venezuela by replacing the previous constitution on 1999.<sup>77</sup> The majority of the opposition boycotted the election and did not participate in it as the new Venezuelan constitution was according to them being drafted to give even more power to Maduro and keep him indefinitely in power thereafter.<sup>78</sup> More than 40 countries told that they will not recognize the new constituent assembly.<sup>79</sup> Due to the boycott by the opposition party in the election for the new constituent assembly all the seats eventually went to the PSUV party by default.<sup>80</sup> Another decision was taken by the Maduro government on the 8<sup>th</sup> of August 2018 where he stripped the National Assembly of all its power by banning it and gave all the powers to the newly formed constituent assembly.<sup>81</sup> He dissolved the National Assembly in 2017.<sup>82</sup>

In February 2018, Maduro called for an election which was four months prior to the prescribed date.<sup>83</sup> Maduro won the election but as the major opposition leaders and parties were banned from contesting the election and due to many other irregularities it was observed by many as invalid.<sup>84</sup> There were rumors of rigging, manipulation of votes, and the election saw a significant low turnout as low as below 49%.<sup>85</sup> With this the international pressure continued to mount on Maduro as his election was considered illegitimate. He was pressured to step down by many countries including the LIMA group excluding Mexico, The USA and the OAS (organization of American states).<sup>86</sup> From the May 2018 Presidential election and Maduro's

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<sup>76</sup> "Venezuela's Lame-Duck Congress Names New Supreme Court Justices". *Bloomberg*. 23 December 2015. Retrieved 31 March 2017.

<sup>77</sup> See. <https://www.usatoday.com/story/news/world/2017/05/01/maduro-citizens-congress/101175468/>

<sup>78</sup> "Venezuela opposition boycotts meeting on Maduro assembly, clashes rage". *Reuters*. 8 April 2017. Retrieved 7 August 2017

<sup>79</sup> See. <https://www.infobae.com/america/venezuela/2017/07/31/la-lista-de-los-40-paises-democraticos-que-hasta-el-momento-desconocieron-la-asamblea-constituyente-de-venezuela/>

<sup>80</sup> See. <https://www.latimes.com/world/mexico-americas/la-fg-venezuela-constitution-20170730-htmstory.html>

<sup>81</sup> Goodman, Joshua and Fabiola Sanchez (8 August 2017). "New Venezuela assembly declares itself superior government branch". *The Chicago Tribune*

<sup>82</sup> See. <https://web.archive.org/web/20190110231014/https://www.bbc.com/news/world-46821653>

<sup>83</sup> See. <https://www.bbc.com/news/world-latin-america-42984448>

<sup>84</sup> See. <https://www.bbc.com/news/world-latin-america-42304594>

<sup>85</sup> See. <https://www.aljazeera.com/news/2018/05/venezuela-elections-2018-key-points-180518100733025.html>

<sup>86</sup> See. <https://www.aljazeera.com/news/2019/01/peru-paraguay-recall-diplomats-maduro-inauguration-190110180310100.html>

inauguration, there were demands to form a transitional government.<sup>87</sup> Alexis Ortiz, a former Venezuelan legislator said that Castrochavism rots in incompetence, corruption and surrender of national sovereignty and called for a transitional government to work on reconciliation, to establish general elections, to provide humanitarian help and protect the civil and political rights of the citizens.<sup>88</sup>

The Venezuelan oppositions demand to form an interim transitional government is based on three articles of the 1999 constitution of Venezuela. These are Article 233, 333 and 350. They are-<sup>89</sup>

- Article 233 of the Venezuelan constitution states that “when the president-elect is absolutely absent before taking office, a new election shall take place (...) and while the president is elected and takes office, the interim president shall be the president of the National Assembly.”
- Article 333 of the Venezuelan constitution states that “the constitution shall not lose validity if it ceases to be observed by an act of force or its repeal.” In this case, “every citizen will have the duty to collaborate for the re-establishment of its effective validity.”
- Article 350 of the Venezuelan constitution states that “The people of **Venezuela**, true to their republican tradition and their struggle for independence, peace and freedom, shall disown any regime, legislation or authority that violates democratic values, principles and guarantees or encroaches upon human rights.”

Article 233 was invoked in after Hugo Chavez death and an election was called within 30 days period the same Article is now being invoked by the opposition in 2019 as the de facto leader is dictatorship and not a form of Democracy.<sup>90</sup> Juan Guaido being the leader of the National Assembly was declared as the interim President of the state for 30 days and can serve longer if

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<sup>87</sup> See. <https://www.elnuevoherald.com/opinion-es/opin-col-blogs/opinion-sobre-venezuela/article219161250.html>

<sup>88</sup> Ortiz, Alexis (30 November 2018). "Primera meta de gobierno de transición en Venezuela: la estabilidad". *El Nuevo Herald*. Retrieved 26 January 2019.

<sup>89</sup> See. <https://web.archive.org/web/20160309160908/http://venezuela-us.org/live/wp-content/uploads/2009/08/constitucioningles.pdf>

<sup>90</sup> See. "AN se declara en emergencia ante la usurpación de Nicolás Maduro en el cargo de la Presidencia de la República". *Asambleanacional.gob.ve* (in Spanish).

the election happens within a reasonable period of time.<sup>91</sup> As the electoral council which conducted the elections in 2018 was believed to be an ally of the Maduro government the National Assembly said that it would appoint a new National Electoral Council for the new election.<sup>92</sup>

**Recognition by states-** As of February 2019, Juan Guaido is recognized as the official legitimate President of Venezuela by more than 50 states namely the United States, the member nations of the European Union, Latin American countries except Mexico.<sup>93</sup> Whereas Maduro is recognized as the legitimate President of Venezuela by China, Russia, turkey, Bolivia, Mexico Iran, Syria, Cuba etc.<sup>94</sup>

This marks the end of this part concerning the current political crisis and the situation prevailing in Venezuela.

## **MEASURES TAKEN TO IMPROVE THE ECONOMY**

Venezuela is dealing with the worst case of hyperinflation in the world since the 1900s.<sup>95</sup> It is due to the poor social and an economic policy that has resulted in the significant weakening of the Venezuelan Bolívar. The international monetary fund has predicted the inflation rate to touch nearly 10 million % by the end of the year.<sup>96</sup> As of now, no economic strategies have been effective in addressing the crisis.

This part is divided into two sub-parts in which the first deals with the measures already taken by the government to restructure the economy and the other part deals with the measures that can be taken further to improve the economy.

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<sup>91</sup> Zambrano, Diego A. (1 February 2019). "Guaidó, Not Maduro, Is the De Jure President of Venezuela". *Lawfare*.

<sup>92</sup> "Asamblea Nacional on Instagram". *Official Page of Venezuela National Assembly*(in Spanish).

<sup>93</sup> Meredith, Sam (12 February 2019). "How a nationwide protest against Maduro could shape Venezuela's future". *CNBC*.

<sup>94</sup> See. <https://www.nytimes.com/2019/02/04/world/americas/venezuela-support-maduro-guaido.html>

<sup>95</sup> See. <https://panampost.com/sabrina-martin/2018/10/09/venezuela-one-of-the-worst-cases-of-hyperinflation-in-human-history/?cn-reloaded=1>

<sup>96</sup> See. <https://in.reuters.com/article/venezuela-economy/imf-sees-venezuela-inflation-at-10-million-percent-in-2019-idINKCN1MJ1YX>

**1) Measures already taken by the government to restructure the economy-**

- i. Firstly, the government has introduced cyber-currency in place of the original Venezuelan Bolivar. The Cyber-currency was named Petro.<sup>97</sup> As the hyperinflation in Venezuela has increased so much that it was not being possible for the government to print the paper currency due to the cost incurred in printing it. It was presumed that the Petro would gain its value by the oil supplies, but it eventually proved to be ineffective as the oil supply kept on fluctuating and it became unpredictable.<sup>98</sup> Due to a large risk involved in Petro and it not being stable, many big countries like the U.S has abstained itself from doing financial transaction in Petro.<sup>99</sup> Electronic currency in general had an unstable character which was evident in the case of Bitcoin which lost its value significantly.
- ii. Maduro's government has brought several policies to restructure economy like increasing the minimum wage by 3000%, subsidising gas price and increasing the corporate tax rate and oil price.<sup>100</sup>
- iii. Maduro's government adopted a new policy and decided to forcibly cut-off " 5 zeros" from the current currency. It in Layman's language means that 1 million Bolivar would now become 10 Bolivar.<sup>101</sup>

**2) Measures that can be taken to improve the economy-**

- i. The first and the most important thing is to stabilize the economy. The best way to make this happen is to allow the market to flow. It is estimated that it would settle to around 150-200 Bolivar but it would be eventually way less than the black market price prevailing now. It happened in 2002 in Argentina in which the devaluation by free flow exchange rate helped in stabilizing the economy for the other 6 years and resulted in the fast growing of the economy. If the Venezuelan government unifies the exchange

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<sup>97</sup> See. <https://www.aljazeera.com/news/2018/02/venezuela-petro-cryptocurrency-180219065112440.html>

<sup>98</sup> See. <https://www.investopedia.com/news/why-venezuelas-cryptocurrency-petro-failure/>

<sup>99</sup> See. <https://www.zdnet.com/article/trump-bans-venezuelas-petro-cryptocurrency-in-the-us/>

<sup>100</sup> See. <https://www.panoramas.pitt.edu/economy-and-development/maduro's-new-solution-hyperinflation-venezuela>

<sup>101</sup> See. <https://www.panoramas.pitt.edu/economy-and-development/slashing-zeros-venezuela-new-currency-among-crisis>

rate breaking the inflation-depreciation value, which will help the government to save it from losing precious reserves it has.<sup>102</sup>

- ii. When the currency is made stable then the price of the commodities can be protected from getting raised. Thus the government can begin to lift some of the dysfunctional price control and stabilize the prices of the commodities.
- iii. Another possible action can be to lower the oil prices over the long run which can help in diversifying the economy from oil and thus the country can focus on other sectors to grow and diversify.
- iv. Another possible action would be to have Food Stamps by making the important required goods like food, medicines water, available to the people at a fixed rate without any fluctuation. This system is being used in the U.S where more than 45 million people receive food stamps. Venezuela has funds to carry on this system and make the daily necessities available to them.<sup>103</sup>

This marks the end to the final part of the paper. We shall now move on to the conclusion of the paper.

## **CONCLUSION**

Through the paper, the author tried to have brought out a clear understanding and explanation to the readers about the crisis in Venezuela. The various dimensions in this topic have been clearly stated in detail and brought forward with citation to verify the sources. Venezuela's crisis has a long and complicated stretch of events due to which it is in its current scenario. Different section might be having different opinions on these crises mainly condemning the humanitarian issues but it is equally important to know the grassroot cause of this problem. The emphasis on welfare at large with bad economic policies has led to the current situations of this country. The crisis can be looked upon by many such other nations in the world who are focusing too much emphasis on Socialism thereby neglecting the bigger picture which will shape their future. It is important to look after the humanitarian needs but it is equally necessary to make such policies which will secure the future of the nation. Venezuela being one of the

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<sup>102</sup> See. <http://fortune.com/2016/02/20/venezuela-oil-bolivar/>

<sup>103</sup> See. <https://www.usa.gov/food-help>

richest countries of the world has now been brought to ruins by these events of decisions. With more than 80% of the population in humanitarian help suffering from different problems it is now upon the other nations of the world to stand up and help Venezuela to stand back .But eventually it can be seen how the state has been divided into two sects by the other bigger states for their own benefits and has been planning to fight a proxy war in it. This is a common example of how the bigger states instead of proving help and support to the needy state come up to fight for their own agendas thereby destroying the civil rights of the people. The world must stand with Venezuela to rebuild itself and stand again in the world.

