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Research Report

Forum: United Nations Security Council

Issue: Addressing the Economic Collapse and
Political Instability in Venezuela

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Introduction

Venezuela was once one of the most prosperous countries in all of Latin America, yet it is currently facing one of the most severe political and economic crises in its entire history. Its dependence on oil exports, years of economic mismanagement, corruption and political repression have led to hyperinflation, widespread poverty and collapse of public services. The power struggle between president Nicolás Maduro and his administration and the opposition have deepened societal division and caused the country to become unstable as a result. The sanctions on Venezuela that have been imposed in opposition of the Maduro Administration has caused the civilian population to suffer. Combined, these two factors have resulted in over 7.9 million people fleeing Venezuela. The challenge before the international community is how to help restore Venezuela's economic stability, rebuild its democracy and address the humanitarian emergency without worsening the suffering of the Venezuelan people or deepening geopolitical tensions.

Definitions of key terms

Rentier State Dynamics

A political-economic condition in which a country makes a significant portion of the majority of its national revenues from a single export good, usually referencing natural resources. This brings systemic vulnerability issues in a country, including institutional dependency on said natural resources, low resilience to economic shocks or sanctions, and byproducts above mentioned vulnerabilities.

Political Legitimacy and Deficit Thereof

Refers to the general public of a nation's opinion on whether a government or an administration thereof is deserving of its obedience. A lack thereof is usually caused due to corruption, contested elections, and weakened democratic institutions and undermine the ability of a government to reform and better the conditions of itself.

Human Capital Flight

The emigration of skilled professionals and educated citizens at a large scale due to deteriorating conditions. Throughout history, this phenomenon has caused erosion of domestic capacity of recovery, worsening, hindering its future recovery and causing regional migration crises.

Monetary Erosion

Refers to the persistent decline in the purchasing power of a national currency, usually due to excessive issuance of money, loss of public confidence or an absence of stabilizing fiscal policy. It is more abnormal than regular inflation and denotes a structural collapse of monetary credibility, a serious threat to national economy.

Monetary Mismanagement

Refers to poor handling, whether intentional or not, of a nation's currency and financial policies. It often involves excessive money printing, artificially fixed exchange rates, or other reasons.

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General overview

Venezuela used to be one of the richest countries in Latin America but now it's one of the most broken. The main reason is that the people running the country made a ton of bad choices and kept making the same mistakes over and over. Instead of building a strong economy with different industries they put everything into oil. Oil made them rich for a while but when prices dropped the country had nothing else to fall back on. Add in corruption political fighting and mismanagement and Venezuela went from wealthy to desperate in just a few decades.

The biggest problem is how dependent the country has always been on oil. Almost all of Venezuela's money came from selling it. That sounds great when prices are high because the government can spend a lot but it's a nightmare when prices go down. This exact thing has happened before like in the 1980s when oil prices collapsed. Instead of learning from that later leaders kept doubling down on oil. Hugo Chávez in the early 2000s used the high prices to pay for social programs that made him popular. People got subsidies free programs and a lot of benefits. But when oil prices fell again in 2014 the money ran out. The government kept spending like it was still rich and that's when things really started falling apart.

Another huge mistake was how they handled money. The government printed way too much which made the bolívar their currency basically worthless. Inflation got so bad it turned into hyperinflation. Prices would jump like crazy even in a single day. People's life savings vanished and even if you had a job your salary couldn't buy anything. At one point a loaf of bread could cost millions of bolívars. People had to switch to U.S. dollars or trade goods just to survive. This destroyed normal life. Families couldn't buy basics like rice soap or medicine. Stores had empty shelves and businesses couldn't plan or operate. Many of them closed down or left the country.

The government also completely wrecked PDVSA the state oil company that used to be one of the strongest in Latin America. Instead of letting professionals run it they replaced experts with political loyalists. Corruption took over billions of dollars disappeared and maintenance was ignored. Production crashed from over 3 million barrels a day in the 1990s to less than 1 million now. Since oil was basically the backbone of the economy this was like breaking the country's spine. And it didn't stop there. The government also hurt private businesses by forcing strict price controls which made it impossible to make a profit. They even took over farms factories and banks. Investors didn't feel safe anymore because property rights meant nothing. During oil booms the country just imported cheap goods instead of making its own. So when things went bad there was no industry left to fall back on.

On top of all the economic chaos the politics made everything worse. Under Chávez and Maduro Venezuela slid into dictatorship. The courts elections and other democratic systems were taken over. Opposition leaders were silenced censored or thrown in jail. The government used oil money to reward loyal supporters and used the military to crush anyone who resisted. Over time people stopped trusting any institutions. The police courts schools and hospitals all lost credibility. In some areas gangs or military groups basically replaced the state which made violence even worse.

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For ordinary Venezuelans life has become extremely hard. Food shortages led to malnutrition especially in kids. Hospitals ran out of medicine doctors and equipment. Many doctors and nurses left the country because they couldn't do their jobs anymore. Electricity and water systems started failing causing blackouts and sanitation problems. Diseases that should have been preventable came back. It wasn't just about money anymore; it was about survival.

Because of all this millions of people have left. Over 7 million Venezuelans are now living outside the country which is about a quarter of the population. This is one of the biggest refugee crises in the world similar to Syria or Ukraine. People left to find food work safety and hope. Colombia Peru Brazil and other nearby countries have taken in huge numbers but it hasn't been easy. Their schools hospitals and job markets are stressed. Some countries try to help with legal paths for Venezuelans while others see backlash and xenophobia. The crisis isn't just inside Venezuela anymore—it's affecting the whole region.

Globally the crisis has split big powers too. The U.S. and European Union are against Maduro's regime while countries like China Russia and Iran support him. That makes it even harder to solve the situation. What started as an internal crisis in Venezuela is now a regional and global problem with longterm consequences.

When you look at it all together Venezuela's collapse wasn't caused by just one thing. It was bad leadership corruption and overreliance on oil mixed with political repression. Hyperinflation destroyed the currency and businesses couldn't survive under government controls. People lost trust in their leaders their institutions and even their future. The mass migration shows how hopeless many felt—millions didn't just want to leave they felt like they had no choice.

The sad part is that Venezuela once had everything going for it. Oil made it rich and it had the chance to use that money to build schools industries and infrastructure for the future. But instead of preparing the leaders wasted it stole it and used it for shortterm popularity. Now the country is stuck in a deep crisis that won't be fixed quickly. It's a warning to other nations that relying too much on one resource and letting corruption spread can destroy even the wealthiest country.

In the end Venezuela's story is about wasted potential. From rich to broken in just a few decades all because of bad choices greed and poor leadership. For the people who stayed daily life is still a struggle. For those who left they may never come back. The road to recovery will take generations and Venezuela will never be the same again.

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Major parties involved

Government of Venezuela

Formerly led by Chavez and currently by Maduro, the government maintains control through the military, state institutions, and alliances with countries including Russia, China and Iran. It is heavily criticized for authoritarian practices, corruption, and being responsible yet lacking any counterinitiative against the current crisis.

Opposition Bloc

Led by parties such as Primero Justicia(Justice First), Voluntad Popular(Popular Will), and Acción Democrática(Democratic Action), seek political transition, institutional reform, and restoring democratic governance of Venezuela. They are fragmented and lack the control of the military, but continue to challenge the Venezuelan government domestically and internationally.

The Military

The Military holds a decisive role, as their loyalty is extremely important for both sides to overpower and potentially destroy the other side. The Maduro government is criticized for granting high ranking officials access to the economic sector in return for their loyalty. This has enabled Maduro to consistently be favored in political standoffs between his administration and the opposition.

The United States(US), Canada, United Kingdom(UK) and the European Union(EU), among others

Due to concerns of humanitarian breaches, specifically but not exclusively, insufficient democracy in the opinion of the above countries, the US, UK, EU, and Canada have come together to pressure Venezuela into reforms through sanctioning. While they provide humanitarian aid, they are criticized for worsening the conditions of ordinary citizens of Venezuela.

Russia and China, among others

Russia and China, among other nations have supported the government of Maduro, framing their support as a support for national sovereignty of the rightful ruling party over Venezuela. They continue to conduct trade and invest in Venezuela. Amounting to millions. They have a large stake in the further developments in the nation and its in their interest to make sure there is no regime change.

Regional neighbors

Many members of the Organization of American States are directly affected by Venezuela's instability through migration flows, which cause border security concerns, societal change, economic strain, abnormal increase in population, among other complex and threatening concerns.

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Timeline of Key Events

Date	Description
1920s	Since the 1920s the petroleum industry in Venezuela began prospering as a result of the nation's abundance in petroleum. Venezuela's petroleum export gradually replaced other export commodities and turned Venezuela's into a rentier state
1960s-1970s	Benefiting from the 1970s energy crisis, the nation became prosperous under president Carlos Andrés Pérez, who increased public spending to create a strain to the Venezuelan economy even under the prosperity of the benefits. He caused the Venezuelan external debt to increase from \$2 billion in 1972 to \$33 billion in 1982.
1980s	When the oil prices inevitably collapsed during the 1980 due to the excess supply in oil as a result of the 1970s energy crisis, political instability ensued. Luis Herrera Campins was voted in, but was ineffective in solving the problem of the downturning economy, upon which Jaime Lusinchi became president. He focused on paying off the external debt, but overpressured the economy, with policies too radically straining for ordinary Venezuelans to bear. He managed to pay \$15 billion in debt before his presidency ended in 1988, leaving the Venezuelan public to begin to suffer from inflated prices and shortages.
1990s	After Carlos Andrés Pérez was elected, his approach was to sell national companies for profit, in order to pay off debt. This approach alleviated the public from Jaime Lusinchi's radical approach, but also lessened the Venezuelan government's ability to hold monopoly in many sectors, effectively weakening the ability of the government's initiative to its own economy. The internal conditions did not cease to worsen: by the end of the 1990s, under President Rafael Caldera the country suffered a banking crisis and consistently hit inflation rates above 50% between 1993-1997.
1999-2012	Under President Chavez, the economy stabilized due to an increase in oil prices from 1999 to 2000. President Chavez successfully, albeit slowly, started to revive the damaged Venezuelan economy. He reduced inflation rates to 20%, a rate considered low compared to previous presidencies. However, his policies which enabled him to

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	gain the loyalty of the national oil company PDVSA and the military only worsened Venezuela's dependency on petroleum, and his success owes more to the rising oil prices than effective presidency. The weakness only needed a downturn to be exposed.
2013-Present	As Maduro was elected after Chavez, the oil prices began to drop again, but Maduro inherited a society that had little trust for public institutions as Chavez had used them to ensure his power. With even poorer ability to cushion the shock, the Venezuelan economy entered into a state of crisis. The 2010s oil glut worsened in 2024, halving the price of a barrel of oil, which caused hyperinflation to be essentially so out of control that the government had stopped making estimates by 2018, shortages were critical, reaching every industry and most basic necessities due to strict foreign exchange policies and price controls. Sanctions by its greatest ally, the United States ultimately cut the Venezuelan national income to be furtherly worsened.

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Previous attempts to solve the issue

Currency Controls and Exchange Reforms

One of the earliest strategies to address the crisis was the imposition of currency controls. Already introduced in 2003 to curb capital flight and becoming more strict after 2013, this solution, when implemented correctly, could stabilize the bolívar in favor of the Venezuelan economy. However, the current execution of the controls created severe distortions in the economy, creating parallel exchange rates as the official currency could not keep up, and ultimately worsening inflation.

Price Controls and Subsidies

The government pursued, after 2013, to control prices with subsidies. However, the price controls, in an attempt to hide the condition of the hyperinflation, were overly optimistic and caused shortages as providers were unable to restock with costs to produce being far higher than revenue.

Debt Restructuring and External Funding

Venezuela attempted to restructure its external debt and sought financing from international partners, especially China and Russia. Although these agreements brought relief for the economy temporarily by selling oil to the countries through more secure agreements, they also heightened the vulnerability. Most of the revenue also went to maintaining the unsustainable subsidies and immediate paying of debt rather than diversifying the economy or improving productivity.

International Mediation and Sanctions Relief Proposals

Venezuela has been the subject of international mediation efforts, particularly by organizations such as the United Nations and regional actors, but they largely failed due to the government's reluctance to concede power and the opposition's mistrust of state institutions, continuing the situation in a status quo in a stalemate.

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Possible solutions

Currency Stabilization

Introducing a credible and independent monetary authority to control inflation, possible through dollarization or a regional currency stabilization fund, to attempt to restore confidence in the financial system of the country.

Diversification of the Economy

Probably the most obvious solution, but the hardest. Reducing dependency on oil could be done by investing in agriculture, manufacturing, and technology to create sustainable growth beyond the petroleum sector.

Debt Restructuring

Negotiating with the owners of the Venezuelan external debt to restructure or partially forgive external debt which would give Venezuela breathing space for reinvestment in domestic industries and social services.

Reforming PDVSA and the Oil Sector

Improving governance, transparency, and efficiency within the state oil company would stabilize oil production and revenues, ensuring they are reinvested rather than lost to mismanagement or corruption.

Humanitarian and Social Assistance

Coordinating with international organizations to secure food, medical aid, and educational support would ease the immediate burden on the Venezuelan people while reforms start to take effect.

Improved rights for international investors

Guaranteeing international investors security of investment in Venezuela will attract more investors, diversify the economy, and help Venezuela gain global attention which may be useful for other ways of aid.

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Further reading

1. <https://en.wikipedia.org/wiki/Petrostate>
This source goes in depth to explain oil dependent states, their tendency of development, their internal structure, and gives a full perspective on petrostates.
2. <https://www.cato.org/commentary/petrostates-changing-world>
This source explains the economic impact that petrostates have on the world
3. <https://2017-2021.state.gov/a-democratic-crisis-in-venezuela/>
Helps understand the perspective of the US and associated sanctioning countries

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