

Forum:	Economic and Social Council
Issue:	Aiding the fleeing regional crisis in Latin America
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Introduction

The Latin American crisis is a financial crisis that surfaced around the early 1980s, in which Latin American countries reached a point where their foreign debt exceeded their earning power, which meant they were unable to repay it. In the early 1960s and 1970s, several Latin American countries loaned large sums from international creditors for the expansion of industrialization, more specifically infrastructure programs. These countries were able to successfully attain these loans because it was believed that sovereign debt was a safe investment. When the world economy fell into recession, oil prices sky-rocketed and created a breaking point for most of Latin America.

The attempts at import substitution industrialization (ISI) collapses alongside the debit crisis and in response, most nations changed their economic models into an export-oriented industrialization. However, this market reform had three implications that further resolved to political in stability. The efforts to achieve greater growth and efficiency through market liberation actually left regions with a “social deficit”, including low wages and a severe lack of secure employment.

Latin America’s largest migration in recent years is driven by hyperinflation which caused violence, food & healthcare shortages and is stemming from the recent year of political turmoil. Currently, once-eradicated diseases such as cholera and malaria has resurfaced and the number of people dying of causes associated with hunger & malnutrition has increased. According to the U.N International Organization on Migration, more than 11 million people have settled in Colombia, 506,000 in Peru, 288,000 in Chile, 221,000 in Ecuador, 130,000 in Argentina, 96,000 in Brazil and 300,000 in the USA. The International Monetary Fund (IMF) further predicts that number of displaced people may increase to more than 5.4 million in 2019.

Definition of Key Terms

Hyperinflation

Hyperinflation is a very high and accelerating type of inflation that eradicates real value of the local currency, as the prices of all goods increase and causing instability in a nation's economy. (Kenton)

Migration

The movement of people from one place to another with the intentions of settling down either permanently or temporarily. (Webster)

Recession

A business cycle contraction when there is a decline in economic activity over 6 months, meaning that there is a significant decline in real GDP, income, employment, manufacturing, and retail sales. (Chappelow)

Fiscal Deficit

Occurs when a nation's expenditure exceeds the revenue that it currently generates. A debt occurs over an accumulation of yearly deficits. (Kenton)

Background Information

Historical Information

The Latin American debt crisis of 1980s is the most traumatic economic event ever faced in Latin America's economic history. This decade is often referred to as the "lost decade" in which the region's per capita GDP dropped from 112% to 98% of the world average.

Oil Economy

From the 1920s to 1970s, Latin American regions started discovering oil. The region's economic development began heavily based on rising prices & profits in oil exports. Nations like Venezuela, who found to have possession over the world's largest reserves, began to have stable and uprising economy. The turbulence in the Latin American economy started from the 1980s to 1990s when the global recession occurred and global oil (refer to figure 1) prices plunges. This directly resulted in Latin American economy to contract and the region began to face massive debt sums.

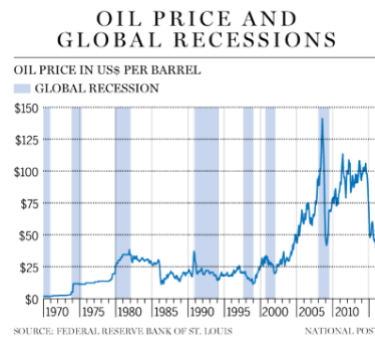


Figure 1: Oil prices during the global recessions (specifically 1980s to 1990s)

Latin Americans Fleeing

Due to Latin American governments' lack of consistency in battling hyperinflation, citizens of the region began to flee as a result of the poor economy and severe shortages in food and healthcare (mainly Venezuelans whose government also participates in corruption that surfaced in the early 20th century following the peak of oil economy). Citizens are suffering from hyperinflation because daily prices are increasing rapidly, and it also decreases the value of the currency. This worsens their living conditions because prices are rising too fast for them to keep up daily expenses, hence worsening the economy and leading to poverty. Venezuela, in particular, currently holds the largest population of displaced persons seeking refuge in other Latin America regions and the United States. According to the United Nations Refugee Agency (UNHCR), as of February 2019, the country's economic and social crisis had led to the exodus of 3.4 million persons. However, several governments of Latin America are taking steps to block Venezuelans seeking refuge. Ecuador, Peru and Chile all have passed legislations that restricts

admission to only those carrying passports. Mass number of immigrants have also placed burdens on surrounding countries due to an excessive number of labour.

Key Issues

Introduction to Key Issues

The key issues resulting in the regional crisis in Latin America is progressing at alarming rates, which is very concerning as it not only affects the citizens seeking refuge abroad but also the neighboring countries where these people are fleeing towards. In an overview, the Latin America's largest migration in recent years is a product of hyperinflation, political instability and food and healthcare shortages. These severe issues are costing these nations thousands of lives and therefore requires immediate aid.

Hyperinflation and Shortages

Currently, hyperinflation is in its most severe case in Venezuela. The annual inflation rate in the Venezuela region has risen hundreds and thousands of percentage points throughout the regional crisis. By 2010, inflation eliminated any advance of wage increases. In 2014, its inflation rates reached 69%, which was the highest in the world and by November 2016, Venezuela entered a period of hyperinflation. By the end of 2018, inflation rates reached 1.35 million percent. The International Monetary Fund predicts Venezuela's inflation rate will reach 10 million percent in 2019. This made Venezuela currency virtually worthless, rendering its population's savings worthless and making necessities to flee the country inaccessible, for example, bus fares, thus forcing families to flee the region by foot. For many civilians, the ever-accelerating inflation is leaving them no choice but to flee the country as hyperinflation has caused catastrophic decrease in their savings worth, leaving them unable to afford to provide for their families. To put this into perspective, a liter of milk would cost an average Venezuelan a quarter of their monthly wage. In reality, the devastating economy has caused prices to almost double daily, making it impossible for people to make informed decisions about which goods to purchase. As food is becoming less and less affordable, more individuals are making the decision to escape their crippling economy. Food and healthcare has been in a severe decline over the past few years in Latin America. Malnutrition and healthcare shortages has led to the death of many. In a statement by a hospital in

Venezuela, 14 children have died in just July 2019 due to an uncontrolled outbreak of amoebiasis (a type of dysentery) transmitted by contaminated food and water. Other kids in the facility that have been contaminated by this outbreak are not able to receive proper treatment due to the lack of sterilized medical supplies. “There is nothing here, they have no medicine, they don’t have food” says Marleea Marino, who lost her two-month-old son to the amoebiasis outbreak. This is, unfortunately, the case of many other healthcare facilities throughout Latin American regions.

Political Instability

Political instability is thought to be one of the major problems that directly lead to the current regional crisis in Latin America alongside the oil price crash. Though other countries in the region are not facing such severe hyperinflation like Venezuela, it is clear that mounting public anger is caused by the political instability and inequality. In Argentina, Mauricio Macri was elected president in 2015 with the promise of broad economic reform to kickstart economic growth after years on years of economic and political instability. However, the promise was not fulfilled due to a rise in US Treasury that resulted in a sell-off in markets which forced Macri to request help from the IMF. In the upcoming year, he will be facing protests from an enlarging opposition. As for Mexico, its problems originated from a victory for Andres Manuel Lopez Obrador which is the first “leftist” president elected in Mexico since the 1930s. Political outrage began after building for years. Public corruption has been constantly hitting the news. Gang-related violence and homicides has been rising constantly, even in areas that were previously considered “safe”. As for Venezuela, Maduro was reelected to a second 6-year term in 2018 despite boycotts and outbursts by the opposition. However, this election was overruled by the National Assembly due to fraud in the condemned selection. Currently, Venezuela is under temporary rule by the interim president Juan Guaidó recognized by United States, Canada and the majority of the EU. All of these countries have been in more severe crises in the past but by far, there is no sign of them heading towards a better, more stable, political environment.

Neighboring Countries

The exodus of Latin America regions has affected its neighboring countries. (Refer to figure 2) The route of Los Caminantes is the common route taken by Venezuelan refugees to travel to Colombia. Many whole families who feel they have no

choice but to go often travel on foot through illegal crossings. This has become a severe issue for these neighboring countries as the numbers of unregistered refugees are climbing at alarming rates, creating complications and generating economical & political disruptions. According to the Work Bank report, as of last November, the cost of “additional education, health, water, early childhood, humanitarian, employment, and institution building services” that is a direct product of the mass migration from Venezuela is approximately taking up between 0.2 percent and 0.4 percent of Columbia’s GDP. Given figures from neighboring countries all suggest that the growing numbers of persons leaving their nations in Latin America will cause short-term damages to their economy. It is important to note, however, that other regions of Latin America and the Caribbean are opening up their doors to migrants in recognition of the magnitude of the crisis



Figure 2: The Route of Los Caminantes

Major Parties Involved and their Views

Venezuela

Venezuela is a nation located in northern South America and is prone to hyperinflation predicted at 10 million% in 2019. It is one of the countries with the largest number of fleeing residents due to people’s lack of trust in the government and poor living conditions caused by hyperinflation.

International Monetary Fund (IMF)

The International Monetary Fund (IMF) is an organization consisting of 189 countries working to foster global monetary stability. The IMF forced Latin America to make reforms that would favor free-market capitalism, further aggravating inequalities and poverty conditions.

Timeline of Relevant Resolutions, Treaties, and Events

Date <i>MM/DD/YY</i>	Description of Event
1960	Inflation spirals in Brazil at 2900%, in Uruguay at 1100%, in Argentina at 990%, and in Chile at 500%
1965	Uruguay's inflation decreased from 1100% in 1960 to 88%
1973	Chile's president Allende was overthrown and commits suicide as inflation reached 500% again and GDP decreases by 7%
1974	Hyperinflation in Peru
1975	Peru's new president launches an economic austerity program to curb inflation
1990	Argentina's inflation spirals to 8000% and the economy has shrunk by 10% over the past decade
1995-2005	Inflation slightly subdues across the whole of Latin America
2009	Venezuela's inflation reaches 27%, the highest in Latin America
2018	Venezuela's inflation nears 1,000,000%, and more than 2 million people fled the country since 2014
2019	About 10% of Venezuela's population fled the country to escape from hyperinflation, hunger, crime, and disease.

Evaluation of Previous Attempts to Resolve the Issue

Previous attempts to aid the fleeing crisis include the World Bank's attempt to announce countries' eligibility for funding from organizations such as Global Concessional

Financing Facility, which is a platform that supports countries hosting large numbers of refugees. This attempt has been effective because nearby countries have more ability to host refugees. This means that the refugees are better off because they are more likely to be able to find countries to take them in.

However, not all solutions were effective.

Possible Solutions

Delegates should consider solutions that can tackle two aspects of the issue.

First of all, delegates should consider ways to help the refugees by making their migration process easier. This can be done by further securing funds for countries receiving funds. Moreover, delegates can consider long-term solutions that can improve the welfare of the refugees, such as providing them with proper education so that they have a higher chance of getting employed when they move to another country.

Secondly, delegates should consider how to solve the key issues that caused the fleeing crisis. Key issues include hyperinflation, political instability, and food and healthcare shortages. To tackle these root issues would mitigate the magnitude of the fleeing crisis because it would improve the condition of the country at stake and less people would be inclined to flee. Potential solutions include the use of monetary or fiscal policies to tackle hyperinflation, third party investigations to mitigate government corruption, and provisions by NGOs to resolve food and / healthcare shortages.

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