

Forum: Special Conference

Issue: Facilitating replacement of the US dollar with the SUCRE in Latin America to ensure economic sovereignty

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Introduction

The capitalist world system and economy are going through a very fragile and fluent period. Under these circumstances, uncertainty and fear are common in all areas. The lack of a solution for current problems and insisting on classic measures reduces confidence in the current system and the US dollar. Both the declining confidence and economic problems created by the US afflict the dominance of the dollar. In a global environment where power is shared and privileges and superiorities are diminishing, it is unrealistic to expect the domination of a single currency to continue.

With this mindset, at the Bolivian Summit, a decision was made to create a common currency against the dollar.

Leaders representing Latin American countries and the Caribbean have adopted a resolution to establish a regional currency in order to reduce the use of the US dollar. According to this resolution, the Bolivarian Alliance Organization (ALBA) summit in Bolivia will be held, and 'Sucre' will be considered the exchange currency among trade partners in the Latin American and Caribbean, such as Venezuela, Ecuador, Bolivia, the Dominican Republic, and Nicaragua. Described as an autonomous and sovereign monetary system, Sucre was first used in 2010 and became the common currency among Latin American countries.

Definition of Key Terms

Sucre: Sucre is the common trading currency unit used by Venezuela, Ecuador, Bolivia, Dominican Republic, Nicaragua, Latin American and Caribbean countries.

Bolivarian Alliance for the Peoples of our America (ALBA): ALBA is a union established by South American States to promote social, economic and political integration between Latin American and Caribbean countries.

Union of South American Nations (UNASUR): UNASUR aims to develop the South American integration process by providing integration in cultural, social, economic and political fields among the member countries. It aims to eliminate regional socio-economic inequalities and

poverty through common policies. It operates in the fields of political dialogue, social projects, education, energy, infrastructure, finance, and environment, to strengthen regional democracies and to increase civil society participation in management processes.

Community of Latin American and Caribbean States (CELAC): Consisting of thirty-three countries in Latin America and the Caribbean, CELAC is a regional forum for discussion and political agreement. CELAC aims to form collaborative dialogue between countries to ensure respectful communication between countries on topics such as social development, education, nuclear disarmament, agriculture, culture, finance, energy, and the environment.

Banco Del Sur: The Bank of the South is a monetary fund and lending organization established on 26 September 2009 by Argentina, Brazil, Paraguay, Uruguay, Ecuador, Bolivia and Venezuela with promises of initial capital of US \$20 billion.

International Monetary Fund (IMF): The International Monetary Fund was established in order to provide an international financial order, short-term credit facilities to countries with a payment balance sheet.

Inflation: A sustained increase in the prices of goods and services over months or years, as measured by indexes like the Consumer Price Index. This leads to a decrease in the purchasing power of the currency of the country. High inflation rates have a very negative impact on the economy, harming disadvantaged individuals the most. An excessively high rate of inflation is described as hyperinflation.

Economic sanctions: The withdrawal of customary trade and financial relations with a specific country, often to force a certain political, economic or social change on the recipient.

Organization of American States (OAS): Organization of American States. International organization founded in 1948 and composed of the 35 independent states of the Americas, whose main aim is improving continental cooperation and integration in economic, political and other issues. The organization has the mission of defending democracy and Human Rights in the region.

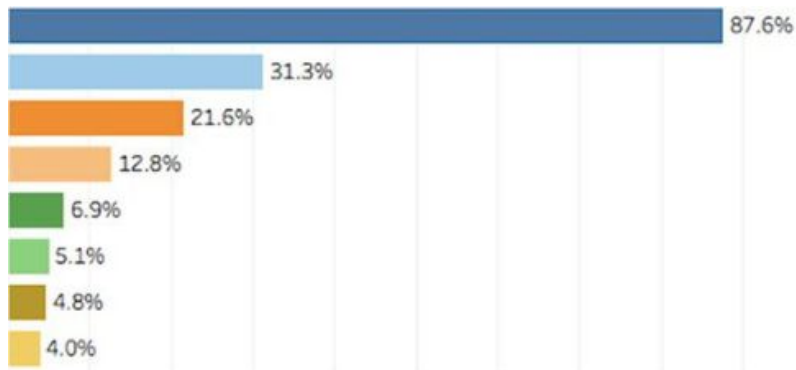
PDVSA: Oil and natural gas extraction, refining and commercialization company owned by the Venezuelan government. Founded in 1976 after the oil industry was nationalized. The company is in charge of exploiting the oil reserves in Venezuela, which are the largest in the world. PDVSA is crucial for the Venezuelan economy.

General Overview

Global Domination of the US Dollar

The global recognition of the US dollar, which is the national currency of the United States, is a fact that no one can deny. This is mainly because the functions of intermediary service, value

measure and saving instrument in the exchange of goods and services of any country can be carried out by the dollar on a global scale.



*Distribution of total international transactions between the first eight currencies
Top-down: US Dollar, Euro, JPY, Australian Dollar, Canadian Dollar, Swiss Franc, Yuan

Despite the efforts of some national or union money to buy shares in this sense, the dollar is still clearly ahead of its competitors. According to the IMF, BIS and Swift reports, approximately 5 trillion of international reserves correspond to 64% and 42.1% of international trade is in US dollars.

The United States took over the world power leadership from the UK after the First World War. Even though it is said that during the Cold War, with the USSR, there has been an evolution of multipolarity for the last ten to fifteen years, the US is still the world's leading, decisive force, having strengthened its position with the contribution of international organizations under its influence.

With a national income of about 18 trillion dollars, representing 22% of the world's economic size, the world's most powerful armed power, the United States, the leadership of world governance, undeniably affects the decisions of the IMF, World Bank, World Trade Organization.

In terms of global hegemonic power, there are two elements that should not be ignored. The first one is the large and effective multinational corporations that dominate the central capitalist Western countries, especially the USA. The other is the US universities and research institutions, which play an important role in determining the development agenda of United Nations. Among elements that make the US a hegemonic power on the economic plane, the dollar's status as a global currency is perhaps the most significant.

One of the reasons behind the high level of privilege and prevalence of the dollar currency is that the dollar-denominated investment instruments (such as equities, treasury bills, derivative products, funds, etc.) are always valuable and accessible. The American economy is directly related to its global coverage and depth, which this report explains in the previous sections. In this context, in the IMF's special drawing rights (SDR), the share of the dollar is still 42%.

The Economic Situation of Latin America

Starting with Asian countries and under the influence of Russia, the economic crisis in Latin America is considered to be a disaster by investors and experts. The current economic structure in the world does not allow any economic crisis to be confined to a certain region. The trade network, inter-bank relations, and international investment make up an economic whole that cannot be easily abandoned. From this point of view, the cost of ignoring the increasingly severe economic problems in Latin America will result in a serious error.

The importance of the Latin American economy that should be considered in order to estimate the extent of a possible crisis is the foreign trade balances of the Latin American countries. This criterion will reveal the countries' openness ratio and the real position of the real economies.



The Future of the American Dollar's Comprehensiveness

When we entered the 2000s, various criticisms about the concepts, practices and evaluations related to globalization began to rise. These criticisms have been observed to include concepts such as the Great Middle East Project, rising powers, resource competition, geo-economy, and the geopolitical approach.

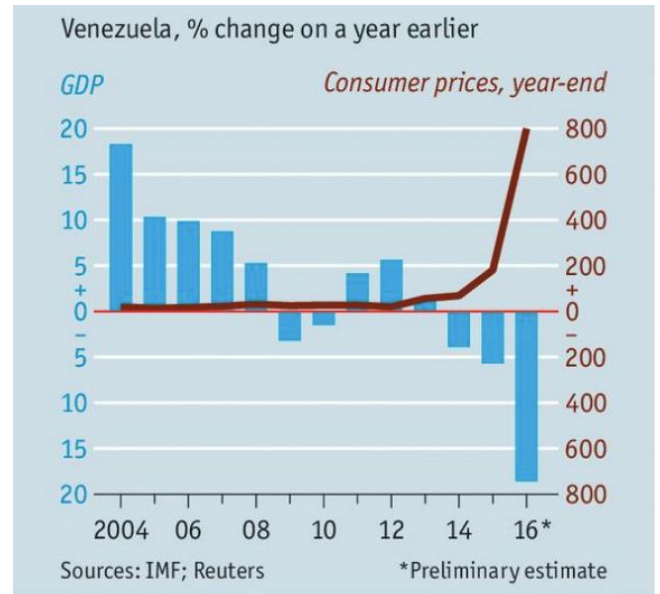
In the context of shaking the dominance of the dollar; Russia started to recover and repair its military power by taking advantage of the rising oil prices due to the Iraq War. China has risen as a new power in the world; In order to meet the raw material, energy and food needs of its economy, it has begun to create a place in the spheres of influence of Western powers and to create a global space.

Such developments brought the balance of existing powers into geopolitical power structure. The US is forcing China to prevent its tendency to build expansion and hegemony, and to adopt the current rules of the world economy

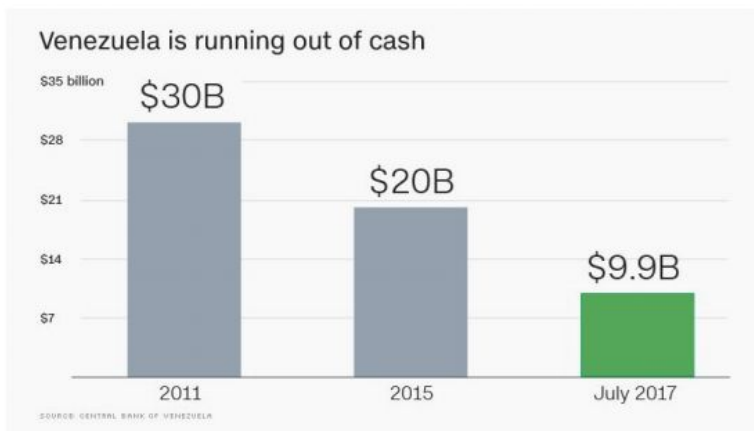
During the 2000s, the economic crisis in the EU countries and the financial crisis led to the divergence between the central and peripheral countries of the Union. As a result, Britain left the EU and the Union and globalization within the Union became increasingly powerful. After the decision, the Pound lost value and fell to its lowest level for 31 years. Financial instruments such as dollars, gold and bonds increased in value. There was an increasing demand, falling appetite, deepened losses in global stock markets.

Venezuela's Economic Decline

The Venezuelan economic crisis stems from a number of factors. These include systemic corruption, lack of diversification of the economy beyond oil, fiscal deficit, mismanagement of nationalized oil companies, failed attempts by the government to control prices and excessive government spending. The situation is manageable so far as oil prices remain high and provide the country with large export revenues (oil accounts for 95% of the country's exports). When oil prices fall, the deficit grows and the SUCRE starts losing value, leading to high inflation. Venezuela begins accumulating debt and losing reserves. Its economy shrinks. Government attempts to control prices fail and scarcity of basic goods, including food and medicine, becomes the norm.



*Graph showing the exponential increase in inflation in Venezuela coupled with economic recession.



*Graph showing the decline of reserves in Venezuela

In addition, the government's hostility towards foreign business and Chavez's nationalizations have caused big companies to leave the country partially or entirely. This also increases unemployment in the country. Inflation keeps getting worse, and prices are expected to rise over 10000% next year. Maduro blames Venezuela's unfavorable economic situation on his opponents, such as the United States, and their alleged attempts to stop Venezuela's revolution.

Major Parties Involved and Their Views

Venezuela: Venezuela is now struggling against starvation, civil war and rebellion. Especially after the fall in oil prices, the economy faced an alarmingly rapid decline. This is because the most important source of income is oil, since Venezuela has a petrol-based economy. Apart from petrol-based products, they produce almost nothing.

Ecuador: In the last five quarters, the economy of Ecuador has been declining and Ecuador's

economy experienced recession in 2016. The economic crisis hit Ecuador and its social consequences were very severe. Over the past year, 350,000 workers from the private sector and the public sector lost their jobs, a considerably high proportion of Ecuador's population. The country had never faced a situation at this level before. In the face of the lack of funds created by low oil prices and economic stagnation, the government implemented the measures it has previously rejected: a large amount of foreign loans, the use of the money reserve, the emission of bonds, the issuance of flexible labor laws and so on. In 2009, the external debt increased to 7 billion dollars, and has currently exceeded 40 billion dollars.

Bolivia: 53% of the population of Bolivia, which is a developing country, lives below the poverty line. The main livelihoods in the country are agriculture, animal husbandry, fishing, mining, and textiles. The country is rich in various mines, especially lithium, natural gas, and tin. Half of the world's lithium reserves are reported in Bolivia. Gross domestic product expectation \$39 billion for 2020, Bolivia is the world's 96th largest economy. The national income per capita is 119 thousand in the world with 3500 dollars.

Nicaragua: Nicaragua is one of the poorest countries in Central America and its economy is based on agriculture. The main import products are crude oil and petroleum products, pharmaceuticals and electrical appliances. Nicaragua is largely dependent on the US foreign trade. The financial transfers of Nicaragua people living in the USA and neighboring countries to their countries constitute an important source of income for the country's economy. In 2016, Nicaragua's economic value is estimated to be worth US \$26 million.

The Dominican Republic: Although it is known that there are problems in the previous years in the Dominican Republic, the country's economy has continued to grow in recent years. The major income of the economy is foreign tourists.

Timeline of Events

1989	Venezuela seeks IMF loans and launches austerity programs against economic depression. This leads to a general strike and riots that leave hundreds dead.
2008	Venezuela strengthens relations with China and Russia through different military and economic deals.
July 2010	The first Sucre transaction between Ecuador and Venezuela takes place.
2011	States extend price controls on basic goods to try to control inflation.
2015	As oil prices keep falling and the economic crisis worsens, ALBA members announce cuts in public spending.

2016	Latin American governments announce devaluation and petrol price rise to fight economic crisis.
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UN Involvement

The Security Council has not issued resolutions regarding the crisis in the Americas. In November 2017, Russia, China and other members boycotted a Security Council meeting on the issue. However, other UN bodies are involved in the situation in a variety of ways.

The United Nations has offered humanitarian aid to Latin American countries in case of crisis. However, this has been turned down by former administrations, who claimed to be afraid of the international community interfering in the countries' internal policies by misusing humanitarian aid programs.

Relevant UN Documents

United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean:

Report of the Secretary-General – [A/72/99](#)

General Assembly Resolution – [A/RES/72/61](#)

Treaties and Events

In 2007, Chavez lost a referendum to increase government power to control the economy and expropriate property.

In 2008, Latin American countries strengthened relations with China and Russia through different military and economic deals.

In April 2013, after Nicolas Maduro was narrowly elected president. In November, the venezuelan National Assembly gave Maduro emergency powers in an attempt to tackle the rampant inflation of more than 50% a year.

In December 2013, the Socialist Party won local elections in spite of economic crisis in Venezuela.

In February 2016, presidents of ALBA states announced devaluation and a rise in petrol prices to fight economic crisis.

Evaluation of Previous Attempts to Resolve the Issue

Many resolutions were adopted at the thirty fifth session of the ECLAC economic commission

for Latin America and The Caribbean. Unfortunately, they were ineffective in face of the rising inflation. The inability to use natural resources prevented the economic balance from shifting in favorably.

The UN Security Council rejected rival resolutions on Venezuela by both the United States and Russia. Russia and China vetoed the US call for new elections, while Russia's proposal failed to win sufficient support. Russia and China were concerned about the threat of US military intervention against the territorial integrity and political independence of Venezuela.

Possible Solutions

To change this situation, Latin American (ALBA) states should industrialise their economies. Such a process would require that governments encourage local investment. To make this possible, planning is required.

A change in the global trade paradigm is another option. Instead of a homogeneous periphery, governments should search different forms of interrelation that links developing countries with central economies, in order to boost their circulation.

Especially Venezuela should move away from a semi-industrialized economy and start to spend its natural resources with their own responsibility and permission.

Notes from the Chair

1. The delegates should distance themselves from a mechanistic view of dependency theory.
2. They should be aware that globalisation made it clear that in order for a nation to grow, its own companies should be encouraged to compete at the global level rather than promoting an increase in import tariffs to protect domestic markets.
3. Venezuela and rest of the countries are going through very difficult life conditions but they have large reserves of fossil fuel, such as petrol, gas and fuel-oil. Delegates must bear in mind that in the current situation, it is quite difficult for them to rise up against the developed economies who have been controlling them.
4. When considering how to solve this issue from an international standpoint, it is important to understand that multiple problems exist at the same time: diverse solutions are needed for the political and economic problems.
5. Delegates should bear in mind the following questions: What are the priorities of the ALBA countries in achieving the Sustainable Development Goals?

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