

# Aff File

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## Case

We affirm on the basis of two contentions.

### Contention One is Jumpstarting the Oil Sector.

*America has imposed economic sanctions on the Venezuelan government to show its disapproval of the Venezuelan government and ruler Nicolas Maduro. While America hasn't fired any bombs or missiles in Venezuela, U.S. economic sanctions have been just as catastrophic and deadly.*

Rodriguez of Foreign Policy finds that the recovery of world oil prices led to economic recovery in every nation except one: Venezuela.

Ellyat of CNBC writes that 98% of Venezuela's exports come from oil, which is why American oil sanctions have taken a toll on Venezuela's economy. Since America was its largest buyer, Parraga '19 of Reuters explains that Venezuela's oil exports sank 40% in the first full month of American sanctions.

Moreover, Zuniga '19 of the Financial Times finds that Venezuela heavily relies on refining supplies from America to improve the quality of its oil. Sadly, sanctions have made it harder for Venezuela to attain these supplies, meaning it has to sell its oil at a less profitable price.

*Even though other issues existed in the Venezuelan economy, sanctions were the straw that broke the camel's back.* Economist Francisco Rodriguez explains that other issues such as corruption and poor management were not significant enough to cause the collapse in Venezuela's oil production, leaving sanctions as the main cause.

Overall, Weisbrot of the Center for Economic Policy Research quantifies that after sanctions, Venezuela's oil production fell at three times the rate it had fallen before then.

Emersberger of Venezuela Analysis quantifies that, in twelve months, sanctions slashed Venezuela's oil revenues by \$6 billion, representing 6% of Venezuela's current GDP. For context, health spending in most Latin American countries is about 7 percent of GDP. Moreover, Emersberger finds that cutting Venezuela off from his subsidiaries in the US costs Venezuela \$1 billion dollars every year.

*Lower oil revenues have devastated Venezuela.*

The CEPR finds that the government uses revenue from oil to subsidize the cost of food and medicine for the poor. Therefore, any sanctions that reduce oil exports reduces the imports of these life-saving goods.

Economist Francisco Rodriguez warns that under sanctions, Venezuela will suffer a disastrous famine within the next year, causing hundreds of thousands of deaths.

# Contention Two is Restructuring the Economy.

*Venezuela's debt is spiraling out of control.*

Heeb of Markets Insider reports that Venezuela's debt reached \$156 billion, which is four times higher than other emerging economies.

To stabilize Venezuela's economy, Moatti of Harvard University finds that Venezuela requires large-scale international assistance and debt restructuring, which allows Venezuela to renegotiate its debt.

Unfortunately, Kargman of International Economic Policy finds that sanctions prevent Venezuela from restructuring its debt because US creditors are not allowed to negotiate with Venezuela, and Venezuela cannot exchange old bonds for new ones.

*Thankfully, absent sanctions, Venezuela could prosper again.*

Fuentes of Moody's Analytics finds that restructuring the debt and the return of foreign investment will enable Venezuela's economy to grow at double-digit rates, a complete turnaround from its negative trajectory.

While there are typically harms of restructuring, Harvard University writes that most of the negative impacts have already occurred with Venezuela, leaving only benefits for the country if it decides to restructure its debts.

Indeed, Arlook of the CEPR writes that Venezuela's rapid growth in 2004 and 2005 lifted millions of people out of poverty. The Nation Institute finds that countries like Mexico recovered from similar crises with the help of international financial institutions.

**Overall, America's strategy is quite clear: put pressure on Venezuela by ripping out the social and economic fabric of the country. Make people suffer as much as possible until the country plunges into chaos so that the U.S. can step in and impose their choice of government.**

**Thus, we affirm.**

# Frontlines

## C1) Jumpstarting Oil Sector

### F2 Crisis preceded sanctions

1. Rodriguez of FP: When oil prices recovered, every single country's economy also recovered except Venezuela, showing that sanctions are what caused its decline
2. Weisbrot: The decline of oil production was three times faster after sanctions. \$6 billion.
3. This doesn't respond to our warrant about waivers. Even if the crisis is caused by other factors, once waivers expire, Venezuela's oil exports will be cut in half.

### F2 Mismanagement = cause of oil collapse

1. Rodriguez: In a regression analysis, he finds that these other factors like mismanagement and corruption don't affect oil production.
2. Rodriguez: At no point under Maduro's regime were 1/3 of PDVSA's positions filled by the military, which is less than under Chavez

### F2 Maduro blocks aid

1. Bloomberg: Lifting sanctions solves this. Maduro said he would accept aid if they were lifted.

### F2 \$ won't go to food/Corruption

1. Venezuela Analysis in 2020 finds that Maduro sold his gold reserves to buy food and medicine. Latin American Risk Report says that he is running out of gold, so we need to lift sanctions.

### F2 Maduro wants the crisis

1. Reuters: Gold precedent

### F2 Shift away from oil is inevitable

1. MarketWatch: Oil demand will continue to increase for the next decade for three reasons: 1) high population growth in developing countries 2) higher demand for SUVs 3) insufficient investment in renewables
2. Shift away from oil only happens decades in the future, our argument is about short-term relief and ending the famine

## F2 Oil Production Recovering

1. Gentile '19 of SP Global: Even though the oil company can temporarily boost output, a lack of diluent because of sanctions prevents a long-term recovery.
2. Gentile: The "increase in production" is just them selling off old inventory at an unprofitable price, not producing more oil

### F2 Production rebounding

Gentile, Gary. "Analysts doubt Venezuela's ability to boost crude production in 2020." SP Global.

December 24 2019//SK

<https://www.spglobal.com/platts/en/market-insights/latest-news/oil/122419-commodities-2020-analysts-doubt-venezuelas-ability-to-boost-crude-production-in-2020>

Caracas, Venezuela — Venezuela's PDVSA is hoping to boost its crude production to over 1 million b/d, but **analysts are skeptical the state-owned company, faced with deteriorating infrastructure and a lack of buyers due to US sanctions, will be able to push output higher in 2020. While PDVSA may be able to bolster output in the short term,** an exodus of experienced workers and **a lack of diluent for crude blending will present major challenges down the road.** PDVSA's crude production averaged 700,000 b/d in November, up from 650,000 b/d in October, according to an S&P Global Platts survey. PDVSA was planning on producing 1.1 million b/d in December, but that will be difficult to achieve, analysts said. One analyst, Einstein Millian, thinks Venezuelan crude production, which has fallen from 2.1 million b/d in February 2017, has bottomed out. "The sizable reduction in blackout periods, and the shift from upgrading to blending extra heavy crude, allowed PDVSA to stop a consistent production drop observed during the whole year," said Millian. According to Millian **"there is no increase in production. The increase we have seen in recent weeks is an illusion caused by draining inventories."** **"The total accumulated inventory up to October exceeded 40 million barrels, which have been gradually finding their way out in spite of the US sanctions,"** Millian added. "Effective production will remain around 700,000 to 750,000 b/d," Millian said. Other analysts also believe that the recovery of oil production in Venezuela will be very difficult in the short term. S&P Global Platts Analytics expects production to end 2020 at around 600,000 b/d. Thomas O'Donnell, professor of energy and geopolitics at the Hertie School of Governance in Berlin, sees two main factors depressing production: PDVSA's declining ability to produce crude, and its inability to sell crude. "First, declining ability to produce the oil. This is due to utter disrepair from chronic absence of investments, managerial incompetence and PDVSA not paying employees enough to make it possible to go to work," O'Donnell said. "Although Venezuelan Orinoco Belt crudes strata have very simple geology structure, unfortunately the damage done by 20 years of underinvestment and mismanagement, and by now often the complete shutdown of wells, will be difficult to recuperate. It will require investment, technology, infrastructure and skilled labor. PDVSA, or any domestic successor, will not be able to do this in the short term," O'Donnell said. BRAIN DRAIN As Venezuela's economy has collapsed, PDVSA has lost high-value oil sector employees. According to the most recent figures from the Central Bank of Venezuela, the Venezuelan economy contracted 26.8% in the first quarter of 2019 compared to the same in 2018. According to Venezuelan union leader Ivan Freitas, in the last five years 30,000 trained oil workers have migrated to other countries, while another 30,000 have applied for early retirement. "Of 70,000 professionals and technicians, only 10,000 remain in PDVSA," Freitas said, citing statistics kept by oil unions. DILUENT SHORTAGE **Maintaining, let alone lifting, production will also be a problem in 2020 due to a shortage of diluents, such as naphtha and light crude.** PDVSA and its foreign partners have concentrated their major production projects in the Orinoco Belt, one of the largest fields in the world. However, Orinoco crude is very heavy, with a high metals and sulfur content, and needs to be diluted to transport and market. PDVSA needs one barrel of diluent for every three barrels of extra-heavy crude. PDVSA planned to stop the production of Merey 16 crude in December due to lack of diluent, according to PDVSA crude plan seen by S&P Global Platts. The plan says that the joint ventures, Petropiar and Petromonagas, will be out of service due to lack of diluent, or light crude. Petro San Felix and Petrocedeno joint ventures also will be out of service. **Until January, PDVSA received naphtha from its subsidiary, US refinery Citgo, but US sanctions eliminated those imports. Companies from India, Russia and China had been regular suppliers of naphtha, but have seen their deliveries to Venezuelan ports reduced due to the unavailability of tankers willing to risk US sanctions. Without access to imported diluents, PDVSA uses light Venezuelan crude oil, but its production has also fallen and is insufficient to meet production requirements in the Orinoco Belt and maintain supply to local refineries.** According to official figures, the production of light crudes (Mesa 30, Santa Barbara and Anaco Wax) is 285,000 b/d, which are used almost entirely to dilute extra-heavy crude,

leaving very little for local refining. LACK OF BUYERS Even if PDVSA could lift production, the company has a hard time selling barrels, said O'Donnell. "US sanctions have reduced exports to mainly efforts by Russia's Rosneft, largely for Chinese delivery, although Chinese firms themselves firms have broadly withdrawn from Venezuela," he said. "Spain's Repsol reportedly is the second taker, then Cuba," O'Donnell said.

## F2 Can't recover production because of poor infrastructure

1. The Economist '19 finds that the main factor that mitigated the fall in oil production is the presence of foreign private-sector partners who provided expertise and services to Venezuela. However, WOLA '18 finds that sanctions prevent such partnerships from taking place.

## F2 Can't recover production because of lack of workers

1. The Economist: Venezuela uses partnerships with private companies to make up for this

## F2 New oil shipping regulations

1. EnergyFuse: shipping only accounts for 5% of global oil demand

## F2 VZ oil is specifically unprofitable

1. Bennet '19 of Mining News: Countries in Asia and Africa will demand heavier crudes in the future for things like diesel, meaning that Venezuela's oil will be more profitable.

## F2 Venezuela's crude is unprofitable

Bennet, Nelson. "The Asian market for Alberta crude." Mining News. 8/27/19//SSK

<https://www.mining.com/the-asian-market-for-alberta-crude/>

"There is no credible evidence to suggest that Asia is likely to be a reliable or a significant market for Alberta bitumen," Anderson wrote to the Trudeau government in June. Anas Alhajji, an expert in global petroleum markets, begs to differ. "No one wants Alberta bitumen," he said. "But once upgraded and blended, everyone wants it." He said **a mismatch between what is being produced – a whole lot of light oil in the U.S. – and what many refiners need – heavy crude – adds up to a looming increased demand for heavy crude**, with Canada being one of the few countries capable of meeting that demand, if it can get it to tidewater. "I don't think anyone who is familiar with those issues questions the profitability or the business of this pipeline," he said of the Trans Mountain expansion project. "We are hearing new voices right now because they are desperate. They want any evidence to support their case. There is no business case against the pipeline." Alhajji, who has a PhD in economics, is a contributing editor to World Oil, a former chief economist for NGP Energy Capital Management and a current managing partner at Energy Outlook Advisors LLC, and frequently advises governments and industry on oil markets and trends. He is bullish on heavy crude and Canada. Anti-pipeline activists have suggested that the boom in American oil production somehow means a falling demand for Alberta crude. But most of that oil is light oil, and Alhajji said it poses a problem for refiners. "Globally, we will have a mismatch between the quality of the crude produced and refining capacity," he said. Prior to the shale oil boom, petroleum companies invested in complex refineries capable of processing heavier crudes. Complex refineries are more expensive and involve more processes than simple refineries, but produce more gasoline and diesel per barrel than simple refineries set up for lighter crudes. **The expected trucking boom in Asia and Africa needs a massive growth in diesel.** Alhajji said. **That diesel will come from medium and heavy crudes, not from the super-light crude that comes from U.S. shale.** Light oil refineries can increase their diesel production, but that requires producing more gasoline. "To get a lot of diesel you have to produce a lot of gasoline and naphtha and crash their markets just to sell diesel," Alhajji said. He recently wrote that because of the mismatch between crude quality and refining capacity "we have already hit a refining wall in the US. This explains why all additional crude produced [in the US] has to be exported. But **soon we are going to hit a worldwide refining wall, with plants not suited to running such a light slate.**" **Ultimately, he sees a growing demand for heavy oil, especially in Asia.** While Canadian heavy crude is often discounted against American benchmarks, like West Texas Intermediate (WTI), once new markets open for seaborne Alberta oil, Alhajji said that discount will disappear. "The Canadian crude will get a higher premium if it is exported to Asia, because it will be priced at the international price, not our WTI or any other American crude."

## C2) Hyperinflation

### F2 Dollarization

1. WOLA: Only the rich have access to dollars, which is why only upper-middle class areas have seen recovery while the poor are suffering a famine.
2. Which is why... Time24 in January: QUOTE “Dollarization is not enough to contain hyperinflation.” Even though inflation has slowed, it is still extremely high at 20,000 percent.

### F2 Hyperinflation already decreasing

1. Time24 in January: QUOTE “Dollarization is not enough to contain hyperinflation.” Even though inflation has slowed, it is still extremely high at 20,000 percent.

### Venezuela still in a terrible crisis

Smilde, David. “Venezuela Weekly: Economic Recovery for Some.” WOLA. December 16 2019//SK  
<https://venezuelablog.org/venezuela-weekly-economic-recovery/>

**Venezuela’s economic context is in transformation yet again with a process of liberalization and dollarization leading to a small recovery, alleviating some but leaving others even worse off.**

After almost twenty years of extreme state intervention and repression, the government of Nicolas Maduro has started to allow a certain flexibility in the economic sector. Chavista leader, Fredy Bernal, recognized the importance of [the private sector](#) in this new economic direction and even celebrated that for the first time ever, Venezuelan commercial outlets celebrated “Black Friday,” the traditional beginning of the holiday shopping season in the U.S. **The partial dollarization of the economy and relaxation of controls has created**

**bubbles of well being in middle-class areas, where bodegones** (small stores that sell exclusively imported goods) have

mushroomed. The fact that Venezuela’s oil production appears to be slowly improving (in November increased [more than 20% from](#) the prior month) means that probably Maduro government will have more funds to provide a sense of [economic recovery](#). Maduro is moving the oil

sector to private hands, [promoting partnerships](#) with relatively unknown international companies. **Nevertheless, this new**

**economic reality runs parallel to the continuing collapse of infrastructure and production. Civil society**

**organizations have denounced kids dying in hospitals due to the lack of equipment and medical**

**supplies. Protests over the lack of water continue throughout the whole country, while the shortage**

**of domestic gas creates an extra headache for many. It is unlikely that the Venezuelan economy will**

**return to growth rates anytime soon, especially as electric power shortages continue. The government**

**has only managed to tame, not control hyperinflation. The National Assembly reports inflation was**

**35.8 % just in November, and suggests it will be 5,515% for 2019.** Negotiations In an [extended interview with El País](#),

National Assembly President Juan Guaidó underlined the possibility of a new National Electoral Council that could lead to free elections. Nicolás Maduro also [expressed his desire](#) to reach a consensus with the Venezuelan opposition and elect together a new CNE that will lead the country

to next year’s National Assembly elections. The prominent [Venezuelan lawyer and former president](#) of the Inter-American Court of Human

Rights, Pedro Nikken, passed away. Nikken’s death is a significant loss for the country as he was an active proponent of dialogue and

negotiations as the best way to resolve any political crisis. Numerous international and national organizations have [expressed their](#) sorrow for

Nikken’s death and sent condolences. A [recent report](#) of the International Crisis Group reviews the negotiation process in Venezuela during

2019, identifies the pitfalls of these processes, and argues that Maduro’s government and the opposition should return to the negotiating table

and try to reach a workable agreement. Government Nicolás Maduro announced that state-sponsored civilian militia in Venezuela [reached](#)

three million, three hundred thousand people, and that soon each of them [will have a weapon](#). This has been a recurrent promise-threat of

Maduro in the last years. Venezuela’s comptroller [requested the freeze](#) of bank accounts of the directors of the opposition’s managed company

Citgo, as well as those of the deputies of the National Assembly involved in the allegations of corruption that the Armando.info portal reported.

Human Rights Director of digital news outlet Efecto Cocuyo, Luz Mely Reyes, [received the Franco-German Prize](#) for Human Rights and the Rule



of Law. Representatives of NGO's Foro Penal and Una Ventana a la Libertad [argue that the situation](#) of the human rights in the country has not improved since UN High Commissioner, Michele Bachelet, published a highly critical report of the Maduro government last July. In fact during 2019, the number of political prisoners, and deaths at the hand of police increased. The Cotejo.info reported that [there were 362 women killed in Venezuela in 2019. Almost one-third were related to gender violence.](#) Humanitarian Crisis [In the recent "Global Humanitarian Overview 2020" report, the UN estimates that 7 million Venezuelans require humanitarian assistance. The report mentions that the main drivers of the humanitarian situation are likely to continue in 2020.](#) Civil Society The executive director and founder of Transparency International Venezuela, Mercedes de Freitas, in an interview, [expressed her preoccupation](#) with the corruption in the country's political institutions and authorities, including the opposition-controlled National Assembly. The Venezuelan justice will continue to investigate the journalist Luis Carlos Díaz for one more year, despite, as many civil society groups have denounced, there is no [evidence to support the accusations](#) against him (public incitement). Migration Human Rights Watch said that Venezuela's migrant kids in Brazil face the risk of [becoming homeless, abused, or recruited by gangs](#). The organization stated that more Venezuelan children flee the country alone. The Brazilian government [granted refugee status](#) on 21,432 Venezuelans in an extraordinary one-day event. The number of Venezuelan refugee applications in Brazil increased from 17,685 in 2017 to 61,681 in 2018 (a 245% increase). The Dominican Republic is the latest country that [will require a visa for Venezuelans](#) that plan to visit the country, a measure that will go into effect on the 16th of December. Guaidó said that he would ask from the Dominican authorities [to revise or Roll back](#) | this decision.

### **Informal vs formal dollarization, policy failing rn, sanctions are the barrier**

"With hyperinflation, Venezuela experiences informal dollarization | World." Time24. January 7 2020//SK

<https://www.time24.news/2020/01/with-hyperinflation-venezuela-experiences-informal-dollarization-world.html>

### **Venezuela arrives in 2020 in its seventh year of recession, with hyperinflation and an informal dollarization process so advanced that the government itself is considering adopting the US currency.**

The country has been in recession since 2014 and ended 2018 with annual inflation of 1,370,000%. [Inflation has slowed but remains high – the monthly rate was 35.8% in November and the annual rate was 13,475.8%.](#) according to the National Assembly estimate. [Private economists talk about monthly inflation of 50% and annual inflation around 20,000%.](#)

With Venezuelans losing the benchmark of the value of the sovereign bolivar, the local currency, the country sees informal dollarization advance. In major cities between 48% and 86% of cash transactions are made in dollars. In late November, President Nicolás Maduro strengthened the debate by saying, for the first time, that he "thinks no bad idea" to dollarize the economy to end hyperinflation. Economists, however, warn that [dollarization alone is not enough to contain the inflationary spiral.](#) According to research by consulting company Ecoanalítica, 48.5% of transactions in Caracas are made in dollars. In the city of Puerto Ordaz this total reaches 49%, in Barquisimeto, 59.6%, and in Maracaibo, the second largest city in the country, 86%. The US currency was used in 94.7% of home appliances and electronics purchases, and in 84% of clothing and footwear purchases. The dollar was also used in 52.2% of food purchase transactions. The survey shows that, on average, 53% of Venezuelan operations at the end of 2019 were in US dollars, compared to 40.1% in April. "With a 3,000% inflation forecast for 2020 and further deterioration of the means of payment, it is not difficult to think that dollarization in Venezuela will become more common in the future," the consultancy report says. Maduro said in November that a formal dollarization process could help restore the economy. "I don't see it as a bad thing (...) this process they call dollarization. It can serve to recover the productive forces and the functioning of the economy," he said. He added, however, that Venezuela will not give up the bolivar, although Venezuelans are increasingly abandoning the local currency. The speech marks Maduro's change of attitude, which just over a year ago demonized the dollar, calling it the "empire" currency, and criticized the idea of dollarizing the country's economy, as proposed by Henri Falcón, its rival in election of 2018. "It's a major change of position, as Maduro admits the country's harsh reality and also the idea that dollarization could be a good thing if done in an orderly manner," says Henkel García of Econometric consulting. [US sanctions are the biggest hurdle, as formal dollarization requires a coordinated process with the currency-issuing country.](#)

"Imagine what that would be like between Venezuela and the USA today...", says García. [Unlike the ongoing informal dollarization, in which the dollar is not an official currency but is used in certain operations, formally dollarizing the economy means getting the bolivar out of circulation.](#) "This would have the advantage of solving the inflationary problem almost immediately.

## F2 Remittances

1. Vasquez '19 of Bloomberg: Inflation is rising so fast that not even remittances can keep up with it. The average remittance can't even pay for a basket of food.
2. Rosales '19 of Globe and Mail: The poorest Venezuelans don't have access to remittances and are suffering a famine. WOLA: Only seeing recovery in small bubbles while the rest of the population starves.

### Dollarization not working

Vasquez, Alex. "Not Even Dollars Can Save Venezuelans From Inflation's Wrath." Bloomberg. August 2019//SK

<https://outline.com/5w3Bf7>

Carmen Rojas used to be one of the fortunate Venezuelans who lived off a steady flow of money from relatives abroad, with \$150 from her two sons providing enough cash to last a month. Today, she's lucky if that amount gets her through the week. Luxuries like trips to restaurants and the movies are long gone. The 65-year-old homemaker gave up meat and now mostly eats arepas -- a corn patty staple -- with lentils and beans. The owner of two stray dogs, a third of her monthly intake is eaten up by them alone. A Venezuelan holds a U.S. dollar received as a tip at a coffee shop in Caracas. Photographer: Adriana Loureiro Fernandez/Bloomberg "Two years ago, I lived like a queen," Rojas said. "Today, I barely leave my house." Venezuela's rampant inflation, which helped sink the country into deep poverty in recent years, is now also squeezing the growing number of people who get by on the remittances sent by relatives living abroad. What once provided a lifeline -- and even extra spending money -- now can scarcely cover the basics in a country in the midst of economic collapse. Why? Because the government imposed austere measures to stabilize its foreign exchange rate, helping keep the bolivar relatively steady against the dollar while consumer prices continued to climb in Caracas. So a cup of coffee, for instance, that cost the equivalent of \$0.51 in late January had soared to \$1.02 by late June.

**The problem with those who depend on remittances is that since inflation is rising faster than devaluation, purchasing power is less and less.**," said Asdrubal Oliveros, director of the Ecoanalitica research firm..

Venezuelans have increasingly been relying on dollars from abroad as the country's economic system spirals. Almost a third of the country's families depend on remittances to survive, according to the latest data from Caracas pollster Datanalisis, up from just 5.2% in 2017. Hyperinflation and shortages of basic necessities, including medicine, have sent roughly 4 million citizens fleeing the country, according to the latest figures from the United Nations. Many of them are then sending funds home to desperate family members. U.S. dollars and Venezuelan bolivars sit in a tip jar at a coffee shop in Caracas. Photographer: Adriana Loureiro Fernandez/Bloomberg **But the value of those remittances have plummeted. Between June 2018 and June 2019 the cost of living in dollars has risen 545%, said Oliveros, whose firm tracks the dollar value of a monthly basket of goods.** As a result, living in Venezuela these days can be as expensive or more so than in the U.S. A jar of peanut butter that costs about \$5 in the U.S. is sold for \$15 in the oil country. Food Money Gabriel Chollet, an 18-year-old law student, lives on the \$35 a month his mother and his brother send from Peru and Chile. The money is barely enough to buy some vegetables, beans and, sometimes, sardines for a week. "They don't make much money -- he washes cars and she's a waitress," Chollet said from the Guarico state slum where he lives, in central Venezuela. "A year ago, I managed to buy food for a month. Today, everything is more expensive." **The printing of bolivars to finance a massive budget deficit**

**fueled six-digit inflation and destroyed the local currency. Attempts to relaunch the currency by cutting off zeroes and printing new bills failed on multiple occasions after just months.** With Nicolas

Maduro's government teetering economically and politically, authorities have looked the other way at the adoption of the U.S. greenback as an accepted form of payment. Dollar bills are seen both in street markets and fancy restaurants, while foreign credit cards are widely accepted. In an effort to contain the inflationary pressures, the central bank imposed [draconian reserve requirement limits](#) that effectively force banks to lock up all of their excess bolivars to severely limit liquidity. That's caused a shortage of bolivar bills and prompted Venezuelans to lean even more on the dollar. In parallel, the official and black market exchange rates merged for a time and held steady after years of depreciation. The government's policy has shown signs of working, albeit at the cost of further strangling an economy that's been atrophying for years. The annual inflation rate tumbled to 34,900% from 224,900% at the end of last year, according to Bloomberg's Cafe Con Leche Index. But still, it hasn't slowed inflation as much as the rate of the bolivar's declines. "Even if reserve requirements have slowed down inflation, it's done so by shrinking production," said Luis Vicente Leon, head of polling company Datanalisis. **While you can find many expensive**

**imported goods straight from the U.S. these days, local industry has been decimated. A chocolate bar made in Venezuela can cost twice as much as one imported from the U.S.** A couple of years ago, eating imported

chocolate was a luxury. Not Enough In a country where salaries can pay as little as \$4 a month, dollars are increasingly crucial. **The average amount that a family receives in remittances has almost doubled to \$110 per month in the past year, and total flows may reach \$3 billion this year, according to Datanalysis. But that won't get very far. The monthly price for a basket of goods needed to support a family of five was some \$200 in June**, according to the Caracas research group Cenda. "When I have to buy medicine, I have to text my sons and all my relatives abroad, because I simply can't afford it," Rojas said while painting a wooden cup holder that she'll try to sell to friends and neighbors for extra cash. "It's embarrassing."

### **Informal dollarization bad**

Rosales, Antulio. "The dollarization of Venezuela's economy will only worsen the humanitarian crisis." Globe and Mail. March 2019//SK

<https://www.theglobeandmail.com/opinion/article-the-dollarization-of-venezuelas-economy-will-only-worsen-the/>

I went into a store last week on Sabana Grande boulevard in Caracas, and asked how much a shirt cost. "Twenty-two dollars," the clerk responded without hesitation. Unlike previous years, this was a common scene during my most recent visit to Venezuela. **Regular people such as taxi drivers, waiters, auto mechanics, as well as professionals such as dentists, doctors and lawyers are now operating in U.S. dollars.** During the controversial presidential elections last May, Henri Falcon, the only relatively known opposition candidate who ran against incumbent Nicolas Maduro, offered to dollarize the economy as his main policy to curb hyperinflation. Some [argued](#) that the election had one definite outcome: The loss of the bolivar as the legal tender. **Mr. Maduro was then launching the petro, a cyptocurrency backed by oil reserves and pegged to the U.S. dollar. But doubts around the petro make it less than functional and the greenback has gained ground despite Mr. Maduro's fierce control over the economy.** Increasingly, dollars flow from government officials sanctioned in the U.S., Canada and Latin America. As the economic crisis soared, some 3.4 million Venezuelans migrated en masse according to [UN statistics](#). Most of them are refugees in neighbouring countries seeking work prospects, basic health care and education for their families. These migrants represent an important source of support for their families back in Venezuela. Remittances have become an integral part of Venezuelans' survival strategies, while alternative food delivery services are now proliferating in the country. With the current political stalemate between Mr. Maduro and the speaker of the National Assembly, Juan Guaido (who claims to be Venezuela's legitimate interim president), the economy is expected to deteriorate further. [U.S.-imposed sanctions](#) on Venezuela's oil subsidiary, CITGO, restrict financial transactions for oil between Venezuela and the United States. **These sanctions mean that the Maduro regime desperately needs new markets for its heavy and extra-heavy crude if it wants to keep the country's already diminished cash flow.** In search of fresh sources of hard currency, the government stealthily devalued the official bolivar exchange rate, something it refused to do for more than a decade despite [calls](#) from [experts](#). For the past several weeks, customers paying with international credit cards got a better rate in stores than if they sold their dollars on the black market, which was common practice for many Venezuelans and foreigners in the country. With oil exports rapidly declining, these purchases have allowed the Central Bank to obtain millions of dollars cleared through international banks. Long-lasting dual exchange rates have been at the crux of Venezuela's economic distortions. The government has kept currency controls for over 16 years that stimulated black markets and enormous gains for the select group of businesses that can get a hold of hard currency sold cheaply by the government. The government's control over oil wealth allowed it to use hard currency to reward and punish businesses and redirect wealth to cronies. [Corruption scandals](#) have been widespread in the food [import](#) business. In turn, the distribution of subsidized food remains the government's main social policy and tool for [political control](#). With the dwindling of government funds, its capacity to import necessary items such as food and medicine will decline further, affecting those who depend on government hand outs. The bolivar's devaluation coupled with the use of the dollar demonstrate the political nature of Chavismo's currency policy. But these sudden changes only complicate the economic panorama of the country. **As dollarization becomes more widespread, Venezuelans' purchasing capacity worsens. More people are calculating their incomes and costs in dollars, but those who only hold bolivares are getting hit the worst as prices continue to increase** Inflation is [expected](#) to reach 10 million per cent in 2019. With the freezing of CITGO accounts and Venezuela's collapsing oil production, keeping an overvalued exchange rate makes no sense to a predatory elite that needs new sources of financing. These fresh sources may well come from Venezuelans abroad, in the form of remittances, and the dollars from regular citizens. After the U.S. imposed a new set of targeted sanctions last Monday, it is urging Latin American partners to restrict the use of Venezuelan government funds in the region. **The implications of the de facto dollarization in the context of tightened sanctions are difficult to predict. But the gap between those with access to dollars and those who solely rely on bolivares to survive will widen further. If the Maduro government remains in place in the medium term, oil sanctions will hit the poorest – those**

**who depend on government subsidized foods and those who do not have remittances.** The government demonstrated [last weekend](#) its willingness to use coercive force to block any attempt for humanitarian aid to reach the Venezuelan people.

**The government's insensitivity to its people's needs, in addition to tighter sanctions may lead to increased inequality and the risk of famine among the poorest.**

## F2 Economy growing

1. [WOLA in December](#): It's unlikely that Venezuela will return to growth rates anytime soon.
2. It's unequal growth. [MercoPress](#) explains that only richer areas are seeing recovery, which is making Venezuela THE MOST unequal country in the world.

### Venezuela still in a terrible crisis

Smilde, David. "Venezuela Weekly: Economic Recovery for Some." WOLA. December 16 2019//SK

<https://venezuelablog.org/venezuela-weekly-economic-recovery/>

more funds to provide a sense of [economic recovery](#). Maduro is moving the oil sector to private hands, [promoting partnerships](#) with relatively unknown international companies. **Nevertheless, this new economic reality runs parallel to the continuing collapse of infrastructure and production. Civil society organizations have denounced kids dying in hospitals due to the lack of equipment and medical supplies. Protests over the lack of water continue throughout the whole country, while the shortage of domestic gas creates an extra headache for many. It is unlikely that the Venezuelan economy will return to growth rates anytime soon, especially as electric power shortages continue. The government has only managed to tame, not control hyperinflation. The National Assembly reports inflation was 35.8 % just in November, and suggests it will be 5,515% for 2019.** Negotiations In an [extended interview with El Pais](#), National Assembly President Juan Guaidó underlined the possibility of a new National Electoral Council

### Hyperinflation will continue

"No end in sight for Venezuela's hyperinflation as November indexes are released." Merco Press.

December 10 2019//SK

<https://en.mercopress.com/2019/12/10/no-end-in-sight-for-venezuela-s-hyperinflation-as-november-indexes-are-released>

**Hyperinflation continues to reign supreme in Venezuela as it reached 38.5% in November, with a cumulative rate of 5,515.6% and an interannual of 13,475.8%,** the opposition National Assembly reported Tuesday. **Its intensity has diminished, but it is maintained and it will surely be maintained throughout the first half of next year because the disorders which boosted hyperinflation are maintained,** said Deputy Angel Alvarado of the Parliament's Finance Commission. According to their figures, inflation had fallen by 2.8% in October to 20.7% after it closed in September at 23.5%. Alvarado said that the items to vary the most were: **Education, 102.3%, household equipment, 58.1% and clothing and shoes 54.6%.** He also pointed out that inflation in November already outpaced the minimum wage, since the food basket worth about 135 US dollars at the official as opposed to salaries around 3.5 US dollars at the same rate). In other words, "the minimum income only covers 2% of the [basic] food basket," according to Alvarado, who added that as a result of the erroneous economic policies of the Nicolás Maduro regime, economic activity fell by 43% in the third quarter of the year. "The non-oil GDP has fallen 78% this year and this as a result of the credit restriction, the legal reserve, which mitigated the speed of prices, but generated a very deep, widespread recession," he said. To make matters worse, this situation is coupled with the shortage of fuel and electricity in most parts of the country except from Caracas. "We have a country without a public budget, neither in 2019 nor by 2020, because it was not submitted [for approval], which generates a great fiscal disorder, and a Central Bank with no [currency] exchange goals or monetary policies, that is, we do not know what to expect," Alvarado explained. He added that a 12,000% monetary expansion to finance the Executive guaranteed further hyperinflation. He also warned "Venezuela can become a big money launderer," as a consequence of the piping of euros of unknown origin into its economy, while **the de facto dollarisation that the country goes through is increasing the social gap between the small sector that**

**has access to the dollar and the vast majority of Venezuelans who do not," which makes Venezuela "the most unequalitarian country in the world according to the Survey of Living Conditions (Encovi) carried out by the three main national universities.**

## F2 No Political Will for Reforms

1. CEPR: Already tried currency reforms, but it failed because of sanctions
2. Maduro recognized that the dollar is a good thing in December

### **Maduro endorses the dollar**

"Maduro says 'thank God' for dollarization in Venezuela." Reuters. December 2019//SK

<https://www.reuters.com/article/us-venezuela-economy/maduro-says-thank-god-for-dollarization-in-venezuela-idUSKBN1XR0RV>

CARACAS (Reuters) - **Venezuelan President Nicolás Maduro embraced the currency of his bitter rival the United States on Sunday, calling it an "escape valve" that can help the country weather its economic**

**crisis** amid U.S. sanctions aimed at forcing him from power. The official currency, the bolivar, has depreciated more than 90% this year, while hyperinflation in the first nine months of the year clocked in at 4,680%, according to the central bank. The inflationary spiral has slashed the purchasing power of the South American country's minimum wage, which together with food assistance, is equivalent to about \$10 per month. "I don't see it as a bad thing ... this process that they call 'dollarization,'" Maduro said in an interview broadcast on the television channel Televen. "It can help the recovery of the country, the spread of productive forces in the country, and the economy ... Thank God it exists," the socialist leader said. Maduro, who at least until 2018 forbid the use of the dollar, added that while he is still evaluating transactions in U.S. currency, which have been growing in recent months, the bolivar will continue to circulate as the official currency. Since 2003 the official exchange rate has been set by Venezuela's central bank but the rate has become increasingly flexible.

## F2 Already doing crypto peg

1. CEPR: This exact program is bound to fail because of US sanctions

## F2 Currency Peg bad b/c lack of independent monetary policy

1. Mishkin '98: Emerging economies (like VZ) don't have the political/monetary institutions to do coherent monetary policy anyway, so they don't have much to lose in the first place. They can only gain by pegging to the dollar

### **Pegging not applicable to emerging market economies**

Mishkin, Frederic. "Exchange-Rate Pegging in Emerging-Market Countries?" Columbia University.

1998//SK

<https://www0.gsb.columbia.edu/faculty/fmishkin/PDFpapers/IF98.pdf>

**This criticism of exchange-rate pegging may be less relevant for emerging market countries than it is for developed countries. Because many emerging market countries have not developed the political or monetary institutions which result in the ability to use discretionary monetary policy successfully, they may have little to gain from an independent monetary policy but a lot to lose. Thus, they would be better off by, in effect, adopting the monetary policy of a country like the United States through exchange-rate pegging than in pursuing their own independent policy.**

## F2 They can't maintain the peg/failure to maintain peg causes crisis

1. Pretty easy for a country that sells an international commodity like oil to peg their currency because they'll constantly receive dollars; also Venezuela can also sell a small portion of its oil reserves for dollars

## C3) Water Infrastructure

### F2 Mismanagement/Corruption Root Cause

1. Hitcher: It was good before
2. Dunlevy '19 of Pacific Standard: **While Venezuela has experienced water shortages before, the country has never experienced repeated water crises of this magnitude**
3. WHO: 93% had water in 2015

#### VZ hasn't experienced crisis this bad

Dunlevy, Leah. "IN VENEZUELA, REPEATED POWER OUTAGES HAVE TRIGGERED A WATER CRISIS" Pacific Standard, April 2019//AM

<https://psmag.com/news/in-venezuela-repeated-power-outages-have-triggered-a-water-crisis-in-photos>

Two major blackouts have triggered a widespread water crisis across Venezuela. In the wake of repeated outages, **roughly 20 million people (two-thirds of the country's population) have experienced water shortages in the last two weeks**, according to the *Washington Post*. **As a result, some Venezuelans are resorting to contaminated water sources, which has led to a rise in diarrhea, typhoid fever, and hepatitis A**, Maria Eugenia Landaeta, who heads the infectious-disease department at the University Hospital of Caracas, told the *Post*. The South American country has been experiencing economic collapse amid an ongoing political struggle between President Nicolás Maduro and opposition leader Juan Guaidó. **United States oil sanctions began in January and have sharply curbed the nation's profits, which previously came almost entirely from oil revenue. The persistent outages have only amplified the political conflict. While Venezuela has experienced water shortages before, the country has never experienced repeated water crises of this magnitude.** Medical services, public transportation, and schools have all been drastically impacted by the continued outages. Maduro has blamed Venezuela's recent struggles on "sabotage by the opposition and its U.S. backers," who he believes are trying to undermine his government, according to the *Post*.

### F2 Lack of Workers for Infrastructure

1. Lifted sanctions → Unfrozen funds → they can pay more workers. CEPR '19 confirms that sanctions accelerate the migration of skilled workers
2. Green Left: Clearly they have at least some workers left, because they've been able to implement short-term solutions like cisterns and water tanks

"Economic Sanctions as Collective Punishment: The Case of Venezuela." CEPR. 2019//SK

<http://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf>

But the accelerating economic collapse that current sanctions have locked in have many more impacts on health and premature deaths.

According to the Venezuelan Medical Federation, some 22,000 doctors — about one third of the total — have left the country.<sup>39</sup> **As**

**migration accelerates in 2019 due to the tightening sanctions, more of these health professionals, as well as others with necessary technical skills, will leave Venezuela.**

## F2 UN Providing Aid

1. (4 months more recent) Relief Web: The UNICEF water program in Venezuela is only 9.5% funded and is facing massive difficulties due to a LACK OF WATER INFRASTRUCTURE SUPPLIERS → which is exactly our argument, sanctions prevent parts from coming into VZ
2. The aid is not enough--NYT from a few days ago finds that ¾ of Venezuelans in cities don't have reliable water, which is millions of people.

## F2 Blackouts are the cause

1. Collins '19 of Al Jazeera: Sanctions prevent Venezuela from importing fuel, which NYT finds is **causing** the prolonged blackouts in Venezuela

### Fuel shortages increase cocaine trafficking and violence

Collins, Joshua. "Venezuela's oil crisis destabilised Colombian black markets." Al Jazeera. June 2019//SK <https://www.aljazeera.com/ajimpact/venezuelas-oil-crisis-destabilises-colombian-black-markets-190621003555829.html>

Parra estimates that half of the people in his neighbourhood worked in the black market, either as vendors, smugglers or hired hands for the paramilitary and guerrilla forces that battle to control the illicit paths across the border. **Until the recent shortages, petrol was effectively free in Venezuela.** But **the most recent United States sanctions have hampered the country's ability to import the fuel it needs to dilute and process its especially heavy crude oil.** This, combined with ongoing countrywide blackouts, caused Venezuelan oil production to plummet - and the cost of petrol to skyrocket. Despite the fact that Colombia has less than one percent of its neighbour's reserves, it now produces more oil than Venezuela. "The collapse doesn't only affect the 3,000 to 4,000 people who directly [sold] petrol in the streets," says Wilfredo Canizares, director of Fundacion Progresar, a human-rights group that provides information about the Venezuelan border. "It also affects all of the people indirectly employed, as well as the local economy. And **as petrol prices rise, so does the cost of food.**" This is a particular problem for La Guajira, one of the country's poorest regions. Extreme poverty makes the residents there especially vulnerable. From fuel to cocaine La Guajira is known for its coca farms

### Sanctions cause blackouts

Hetland, Gabriel "Venezuela's Deadly Blackout Highlights the Need for a Negotiated Resolution of the Crisis" The Nation 2019//MN

<https://www.thenation.com/article/venezuela-blackout-us-sanctions-maduro/>

For US officials, most of the mainstream media, and opposition leaders in Venezuela, this is the end of the story. Yet things are not so simple. Over the past 10 years blackouts have become a regular occurrence. The current blackout is significantly worse, however, in both its breadth and duration. A key reason is the lack of diesel and gasoline, which are needed to fuel backup generators. As **The New York Times notes, "Not one of more than a dozen diesel- and natural gas-powered backup plants built by the government in the last decade came online to compensate for the Guri outage." Buried at the end of this story, the Times says that US "sanctions have affected Venezuela's ability to import and produce the fuel required by the thermal power plants that could have backed up the Guri plant once it failed."** **In other words, US actions are a key reason this blackout has been so prolonged and devastating.** To be blunt: Washington is directly responsible for increasing Venezuelans' suffering. Mark Weisbrot argues that "the death toll from the [US] sanctions...is likely in the thousands or tens of thousands so far." As Weisbrot notes, US sanctions have been wreaking havoc on Venezuela for years, with the damage set to increase dramatically in the wake of the extremely debilitating sanctions imposed on Venezuela's oil sector in late

January. **The most appalling aspect of US policy toward Venezuela is that the officials directing it, including Florida Senator Marco Rubio, appear to be fully aware of the suffering they are causing.** CBS Miami recently [reported](#) that Rubio “predicted the Maduro regime will be crippled by increased sanctions. ‘Over the next few weeks, Venezuela is going to enter a period of suffering, no nation in our hemisphere has ever confronted in modern history,’ he said.”



## Durham Aff

We affirm. (656)

### **Our First Contention is Oil.**

*The United States has instituted strict sanctions on Venezuela's oil sector.*

Rodriguez '18 of Foreign Policy finds that the recovery of world oil prices should have given Venezuela more money to recover its economy. But due to American sanctions, the exact opposite happened. Since America was its largest buyer, Parraga '19 of Reuters explains that Venezuela's oil exports sank 40% in the first full month of sanctions.

Moreover, Zuniga '19 of the Financial Times finds that sanctions have made it harder for Venezuela to attain refining supplies.

Overall, Weisbrot '19 of the Center for Economic Policy Research quantifies that after sanctions, Venezuela's oil production fell three times faster.

Emersberger '18 of Venezuela Analysis quantifies that sanctions uniquely cut oil revenues by \$6 billion. Moreover, Emersberger finds that cutting Venezuela off from its subsidiaries in the US costs \$1 billion dollars per year.

Furthermore, Hellenic Shipping in 2020 explains that due to Maduro's recent takeover of the country's legislature, Trump feels pressured to be harsh on Venezuela. Thus, the US will likely allow a sanctions waiver for Chevron and other US oil companies to expire soon. Scheid '19 of S&P explains that Chevron's assistance is preventing an oil collapse in Venezuela, concluding that allowing the waiver to expire would cut Venezuela's oil production in half.

*Revenue gained from lifting sanctions would go towards subsidizing food and medicine.*

The CEPR finds that the government uses revenue from oil to subsidize the cost of food and medicine for the poor.

Conversely, Maté '19 of the Gray Zone warns that maintaining sanctions will cause a severe famine in the next year that threatens hundreds of thousands of deaths.

### **Our Second Contention is Hyperinflation.**

*There have been seven episodes of hyperinflation in Latin America. In all of these cases, the government adopted a program to get rid of the hyperinflation. While other countries have recovered from hyperinflation, Venezuela has suffered.*

Sachs '19 of CEPR explains that countries use a policy called Exchange-Rate-Based Stabilization to solve hyperinflation. Essentially, they create a new exchange rate and peg their currency to the dollar, thus solving hyperinflation.

*Unfortunately, Sachs explains that sanctions have cut Venezuela off from the dollar-based financial system, preventing them from pegging their currency.*

Greg Wilpert of the CEPR explains that Venezuelan President Maduro has already introduced reforms to end hyperinflation, but these can only succeed if sanctions are lifted.

*Even if the economy was declining before sanctions, Wilpert writes that sanctions prevent Venezuela from ever recovering.*

*Hyperinflation has devastated the poor, preventing them from affording basic goods. Thus, Sachs quantifies that US sanctions caused 40,000 deaths in Venezuela in just one year.*

## **Our Third Contention is Water.**

*Sanctions have destroyed Venezuela's water infrastructure. Hitcher '19 explains that before US sanctions, the water network was "stable" in delivering water to "the great majority of Venezuelans."*

However, GreenLeft '19 explains that the Venezuelan government has tried to send funds to acquire new water pumps, but US sanctions have blocked companies and countries that try to help Venezuela. Thus, they conclude that 20 percent of Venezuelans face water shortages **due to US sanctions**.

Kurmanaev '19 of the Independent explains that 1 million Venezuelans drink contaminated water, putting them at risk of waterborne viruses and creating a potential epidemic. He furthers that the lack of water is the **number one** health risk in Venezuela.

NBN '19 confirms that Venezuelan malaria is already spreading to Brazil, Colombia, and Ecuador. The Guardian '19 furthers that if Venezuela does not control the spreading outbreaks of diseases, there will be a continent-wide epidemic of epic proportions, wiping out 18 years of public health gains.

Fortunately, there is still time. UNICEF '19 finds that repairing water infrastructure will have an immediate impact on families, preventing and reducing waterborne diseases.

Furthermore, water is a prerequisite to economic growth. The WHO found that improved water infrastructure increases GDP growth by 3 percent.