



WTO General Council: Venezuela

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1 Introduction and Executive Summary

As the country with the largest oil reserves in the world, member of OPEC and the WTO, Venezuela is of greatest interest for global trade. During recent years, however, Venezuela has—despite its enormous wealth in natural resources—fallen into a serious economic and societal crisis and it is more than questionable, whether it will be able to escape depression on its own. The international trade community provides various possibilities, to refill the governments empty coffers and people's empty stomachs.

During the upcoming meetings at the WTO, Venezuela's delegation should focus on

- persuading key OPEC members Saudi Arabia and UAE to raise oil prices,
- establishing economic partnerships with China and
- convincing the international community of Venezuela's capabilities as a reasonable trade partner.

This dossier may serve the delegation as a brief introduction and as a starting point for further research.

2 Economic Structure

With over 300 million barrels of proven reserves, Venezuela has the largest amount of proven oil reserves in the world. The country's oil is a relatively new discovery. Previously, Saudi Arabia had always held the number one position.

The oil sand deposits in Venezuela are similar to those in Canada. Venezuela also boasts plenty of conventional oil deposits. Venezuela's Orinoco tar sands are significantly less viscous than Canada's, so the oil sands there can be extracted using conventional oil extraction methods, giving it a considerable advantage over the Northern American rival in terms of capital requirements and extractions costs. [2]

The economy of Venezuela is mainly based on petroleum exploitation and manufacturing. Petroleum alone makes up more than 50% of the country's total GDP.

Venezuela once had a strong and growing economy due to its large-scale petroleum production. Currently, however, it is facing an economic disaster. Basic necessities such as food, electricity, and medicine are scarce and insufficient for its residents. In addition, this country has experienced extreme inflation. For example, the cost of a bag of groceries today is 524% more expensive than in 2015. One of the reasons for this crisis is that the country has overly depended on petroleum rather than focusing on diversifying its economy. Between 2014 and 2015, the price of oil dropped by 50%, cutting earnings by around \$ 60 bln. [3]

3 Trade Partners

Despite the US's critical view of Venezuelan politics, it is still Venezuela's main trade partner, accounting for 39% of exports.

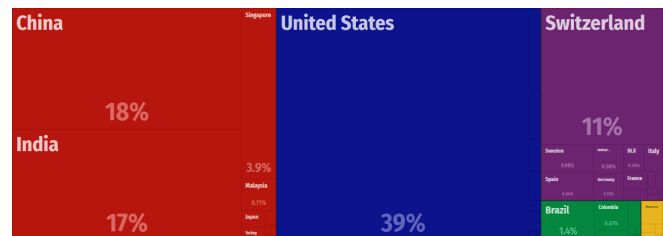


Fig. 1: Venezuela's export destinations by percentage of exports in 2016. [4]

China, in second place, may, however, become more important in the future. Especially President Trump's mentioning of a possible "military involvement" as the Venezuelan crisis worsened on 11 August 2017 cast a chill on US-Venezuelan diplomatic relations.

4 Trade Interests

The Minister of Oil has been in negotiations with the Organization of the Petroleum Exporting Countries (OPEC), of which Venezuela is a founding member. These discussions have centered around reducing the oil production of other OPEC members in an attempt to drive up oil prices. So far, the talks have been unsuccessful although, there has been a slight increase in prices. The government has also been working to form a strategic partnership with China. This partnership will provide ownership rights of Venezuela's natural resources to China in exchange for bailout loans. Other countries have offered humanitarian assistance to Venezuela, although the government has generally declined to accept this aid. [3]

5 References

- 1 Atlas of Economic Complexity: 'What did Venezuela export in 2016?', <http://atlas.cid.harvard.edu/explore/?country=236&partner=undefined&product=undefined&productClass=HS&startYear=1996&target=Product&year=2016>
- 2 worldatlas: 'The World's Largest Oil Reserves By Country', <https://www.worldatlas.com/articles/the-world-s-largest-oil-reserves-by-country.html>
- 3 WorldAtlas: 'The Economy Of Venezuela', <https://www.worldatlas.com/articles/important-facts-related-to-the-economy-of-venezuela.html>
- 4 Observatory of Economic Complexity: 'Venezuela', https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/ven/show/all/2016/

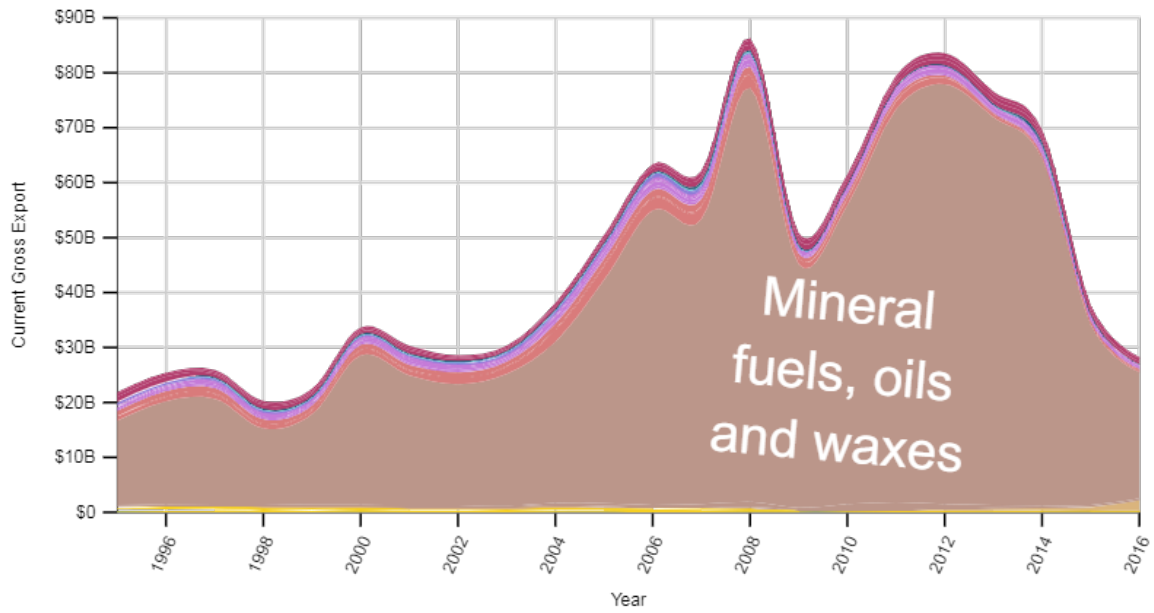


Fig. 2: Venezuela's total exports between 1996 and 2016. Mineral products—foremost petroleum and crude oil—are Venezuela's most important export product, accounting for more than 80% of Venezuela's exports in 2016. [1]