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AQ FEATURE

Venezuela: How Long Can This Go On?

BY Boris Muñoz

Will the country make it to the next elections?

On April 10, Venezuelans stayed up past midnight to watch an event on TV that just a few weeks prior would have seemed incredible, almost miraculous: after three months of intense protests, headed by students in alliance with the most combative sectors of the opposition calling for President Nicolás Maduro's departure, the government and the opposition, thanks to mediation from the Unión de Naciones Suramericanas (Union of South American Nations—UNASUR), sat down to negotiate.

In fact, according to Henry Ramos Allup, a veteran National Assembly member from the opposition party Acción Democrática (Democratic Action—AD), it was the first time in over a decade that the main actors in the political conflict in Venezuela debated as civilized people. An extraordinary moment in a country whose unicameral national legislature has become at times a boxing ring.

Public opinion surveys show that between 70 and 84 percent of Venezuelans support the negotiations. But one month after the start of the talks, any hope that they would resolve the crisis evaporated.

The talks broke down over the government's brutal breakup of protester camps in Caracas by the National Guard in the middle of the night while the occupants were sleeping, and over the massive arbitrary arrests—more than 300 in a week—of students and young people across the country.

The surge of repression destroyed any remaining trace of confidence that the opposition had in the government.

The *Mesa de la Unidad Democrática* (Democratic Unity Roundtable—MUD), the opposition umbrella organization that is participating in the dialogue, has also suffered savage criticism from more confrontational members of the opposition, who accuse the MUD of complicity with the Maduro government and betrayal.

Government representatives such as Jorge Rodríguez, of the *chavista* politburo, and Diosdado Cabello, president of the National Assembly and considered the strongman of *chavismo* without Chávez, have sought relentlessly to prevent any real progress. They have declared that the government will not give in to the "fascist" opposition.

The triumvirate of UNASUR's foreign ministers overseeing the mediation effort—from Brazil, Ecuador and Colombia—has jetted in and out of Caracas to try to rescue the dialogue by scoring some small, concrete results quickly. But even if they can achieve this increasingly fleeting goal, the crisis has already started to shift to phase two.

Dissent from Outside and Within

To begin, what was once confrontation between two blocs—the government on one side and the opposition on the other—has started to fragment further, as camps in both sides express unease or discontent with the policies of their leaders.

In mid-April, Roland Denis, former vice minister of planning and development, and one of the spokespeople of *chavismo*'s left wing, published a provocative article on the left-leaning web portal

Aporrea.org, asking if anyone within *chavismo* would dare tell Maduro to go to hell for squandering the legacy of Chávez and the construction of socialism. The challenge caused a stir among *chavistas*, many of whom do fear that the government has betrayed the ideals that inspired the Bolivarian Revolution.

I sat down with Denis in early May in a cafe in Caracas. Skipping any diplomatic language, he said the government is on a downward slope—propelled by a bureaucratic and corporate approach to power that has concentrated decision-making, as well as the control of oil revenues, in the hands of a small group within the government.

"The control of the economy through oil revenues and currency exchange control generated a bizarre relationship between Chávez, the popular bases and the government, and created a new class of privileged, super-rich groups, a new bourgeoisie that is not foreseen in [Bolivarian] ideology," he told me.

According to Denis, the *chavista* economic model sparked capital flight, the deterioration of social programs and the destruction of the agricultural and working-class sectors. Chávez' long illness and eventual death—and the resulting power vacuum—made the situation even worse, provoking the looting of dollars through the complicated and artificial exchange rate scheme that reached as high as $27 billion in 2012, according to the government's own estimates.

"Without understanding this mechanism of corruption, one cannot explain how there is a fiscal crisis in a country with such abundant resources," said Denis.

Innovative protests: Students from the Universidad Nacional Experimental de las Artes (National Experimental University of the Arts—UNEARTE) participate in a performance protesting military repression against students and civil society. Photo courtesy of Juan Barreto/AFP/Getty.

Today, the Venezuelan economic and political crisis is omnipresent. Every day, Venezuelans must deal with shortages of essential goods and services. The list includes toilet paper, chicken, cornmeal, medicine for blood pressure and diabetes, cars, and even tin for producing caskets. To make things worse, there are periodic interruptions of water and electricity that last, in many places, for most of the day.

The phrase that sums up the state of national opinion is a declaration of realism: "*Esto es lo que hay*" (this is what there is), implicating not only the lack of many products, but also the government in charge of the country.

Although the government publicly blames the business sector for sabotaging the economy, it is quietly working with individual sectors and groups to keep the country from falling into the abyss.

In addition to the political dialogue, the government launched a pretentiously named campaign: the *Comisión Económica de la Conferencia de Paz de Venezuela* (Venezuela's Economic Commission for Peace Conference), to "build basic agreements that reactivate production and overcome scarcity, hoarding and speculation problems." The campaign represents a noteworthy change in tone from a government that over the past decade has been trying to marginalize and even harass the private sector. In spite of the failed talks with the opposition, the commission has kept working with the private sector on a number of agreements to ease some of the restrictions that have paralyzed economic activity, like price controls and mandatory wage increases.

The government has also been quietly attempting to adjust some elements of its economic policies. A telling example is airfares. In recent weeks it announced an agreement with international airlines to start resolving the $4 billion debt owed to the companies because of exchange rate controls. As a consequence, airfares, which up until now were set by the government's official exchange rate, will be adjusted to the international market price; ticket prices will increase up to five times in the coming months. The same with many other products. But the big question is whether the changes being adopted are sufficient.

On May 21, Jorge Roig, president of *Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela* (Venezuelan Federation of Chambers of Commerce—*Fedecámaras*), declared to the press that the government needs to further loosen the restrictions on the economy by adopting flexibility in pricing and employment. He also said that there is no efficient access to the currencies needed to revive the economy.

The business leader offered to discuss with the government a 16-point plan of action, ranging from "respect of private property" and "recognition of debt to the private sector," to "exchange control" and "labor laws that promote productivity and competition."

But the private sector in effect is proposing a re-examination of the one thing the government doesn't want questioned: its economic model. Angel Alayón, an economist, said that the government seemed to have adopted a more pragmatic vision when it created a new body to administer foreign currency, called the *Sistema Cambiaro Alternativo de Divisas II* (Ancillary Foreign Currency Administration System II—SICAD II). But the reform was insufficient, given the scarcity of hard currency—a

broader structural issue that an office tasked with overseeing currency exchange could not resolve.

Protests over the deterioration of the economy have ramped up. In 2012, there were just under 5,500 social protests across the country, according to the *Observatorio Venezolano de Conflictividad Social* (Venezuelan Observatory of Social Conflict). Between January and March of 2014 alone, there were more than 4,000 protests, a 550-percent increase from the same period a year earlier. Although the demonstrations that erupted in February were more political than social in nature, it should be clear to the government that only with broad support across all the parties will it be able to restore order. That will require addressing the population's festering economic discontent.

The recent departure of Jorge Giordani, the architect of the *chavista* economy, and the government's tilt toward the private sector are the most telling signs that the economic model of Chávez' so-called twenty-first century socialism is running out of steam.

"Without economic measures that business people can trust to make long-term investments, such as building new plants and production lines," said the source, "it will be impossible for the government to establish an agreement that makes real change viable and allows it to share the political and social costs that emerge as a consequence of the reforms."

But other knowledgeable Venezuelan observers don't agree.

Francisco Rodríguez, senior Andean economist at the Bank of America and one of the most careful and objective analysts of the Venezuelan economy, believes monetary issues are at the heart of the current crisis—specifically the loss of control over the exchange rate. In Rodríguez' opinion, the government's current adjustments are not enough, but could be improved with a slightly more aggressive readjustment.

"The government has moved efficiently to adjust prices and could adjust the principal exchange rate (SICAD I) between 17 and 20 *bolívares fuertes* [the national currency at the official exchange rate] per dollar, which would help to recoup the fiscal deficit more quickly," he told me.

But the government appears less concerned by the protests than by the prospect of losing control of the National Assembly in the 2015 legislative elections. Meanwhile, the opposition is struggling with internal divisions, and public opinion is focusing on the protests and repression.

The pragmatic wing of the *chavista* government, headed by Rafael Ramírez, the powerful president of *Petróleos de Venezuela* (Petroleum of Venezuela—PDVSA) and vice president of economy, favors the mild reform approach, which would include relaxing the Central Bank's rules to allow PDVSA to sell part of its income in dollars directly to the private sector.

Nevertheless, the leadership's radical wing opposes any concession to the private sector on the grounds that it would reduce funding for social programs and, by doing so, weaken the government's appeal to its traditional base among Venezuela's low-income voters. Their argument has a certain logic. Draining the government's precious hard currency reserves to prop up the private sector leaves much less of Venezuela's already scarce cash available for social spending. The only prospect of replenishment is through a theoretical "bonanza" in oil revenues in 2016, when new wells will start pumping crude in the Orinoco Petroleum Belt.

But an oil boom and subsequent recovery may not save Maduro.

Historically, in Venezuela, economic stability does not guarantee political stability. Nor does it even provide a solid foundation for the kind of economic expansion that could cool the mass protests, given the country's 35-year history of economic stability with very low growth.

Thus, as Rodríguez says, even if "Maduro has relative economic success and gains a loose alliance with opposition sectors to adopt urgently needed, though possibly unpopular, measures such as an increase in gasoline prices," the government will have gained only a temporary breathing space.

Small Acts of Rebellion

In social terms, the collapse of the economic model of *chavismo* signals the inability of the government to keep Chávez' promise to improve the standard of living for the country's poorest. Social indices that at one time showed social improvements on pace with economic growth between 2004 and 2009, have stalled and even begun to fall. One striking example is the loss of real wages following the recent devaluations. If the current monthly wage of 4,250 *bolívares fuertes* is measured at the official exchange rate of 6.30, it works out to $675, but if measured at the other official rate of 50, the equivalent is $85. Every day the majority of Venezuelans live with the insecurity that comes from this type of dual calculation.

The government's inability to improve the quality of life for the majority, including in non-economic areas such as public safety and health, is what's driving the growing frequency of protests in both urban and rural Venezuela.

In mid-May, I visited Las Lomas, a hamlet some 60 miles (97 km) from Caracas that is reached by crossing a dirt highway, with Henrique Capriles Radonski, governor of the state of Miranda and former opposition candidate. Although Valles del Tuy, the region where Las Lomas is located, is one of the bastions of *chavismo*, the people there endure an exacerbated version of the problems afflicting the country: they lack running water; suffer permanent electricity outages; do not have a paved highway or public transportation; and are beaten up by criminals—and by the police.

Capriles was the first regional government leader to visit Las Lomas since it was founded seven decades ago. The leader can still connect with the people, but he's no longer the exuberant rock star of a year ago. He was welcomed enthusiastically, but the excitement of the presidential campaigns of 2012 and 2013 was missing. In other words, Capriles went to Las Lomas essentially as governor, but also as opposition leader. Can his ascendance help to reunify an opposition that today is fractured in apparently irreconcilable factions?

While the social and economic deterioration has hurt the government, the opposition has often failed to capitalize on popular discontent—the result in part of not listening to popular sentiment before making a grandiose speech. That was what Capriles tried to do in Las Lomas.

The governor was astonished when he heard Neilha Rivas, spokesperson for the *Movimiento de Mujeres por la Paz y la Vida* (Women's Movement for Peace and Life), talk about a group of 12 women from five community councils. Upon taking the microphone, the stout, energetic Rivas proclaimed herself a *chavista* and a revolutionary, but also gave her blessing to Capriles "for being the

only one who has extended himself to listen to [our] problems."

Shortly before engaging the governor, I sat down for a chat with Rivas and another member of the council, Nelly Falcón, a local organizer for the opposition. Rivas told me that the women of Las Lomas had united without political flags to combat common problems. "Nelly's needs are the same as mine," she said. "When I lack water, so does she. When the lights go out, we're both in the dark. When the gangs kill one of our kids, we all suffer from it." The more-reserved Nelly emphasized concrete problems and values, as many in Venezuela's middle class do.

Capriles praised the villagers for their teamwork and asked them to use education to protect themselves from poverty. He promised to build a multi-purpose sports court and improve the elementary school, and gave titles of land ownership to several farmers. He then presented a plan to help the people of Las Lomas build their own houses with materials and technical expertise provided by his government. Capriles concluded by exhorting them to keep an open mind about change, and told them that the only thing they had to fear was a continuation of the current situation, because it would end up in a "social eruption."

Capriles knows that the disenchantment of *chavistas* like Rivas provides an opening for the opposition—and perhaps for his own leadership ambitions. That's why his message includes an appeal to Venezuelans to unite against the old and the new "establishment." And he is not shy about drawing a distinction with those who have been fomenting the street protests.

"There was a conversation with people who I won't name, in which I asked, 'OK, and where are the poor in your plans?'" he told me. "They responded that countries were governed by elites. I do not feel part of any elite, nor do I want to be. I am not in politics to protect economic groups or individual interests, nor to defend the rich. The rich must produce, pay taxes and generate progress for the country."

Capriles wants to take the opposition out of the trenches of liberal principles and reinvent it, broadening its reach within a social-democratic framework to include the sectors of the population that once supported Chávez but have now grown disenchanted: the disillusioned *chavistas*.

There's no guarantee of success in a society facing economic collapse, and scarred by more than a century and a half of militarism—of which Chávez was an exemplary figure, but not an exceptional one. There are many steps before arriving there.

The first is for the dialogue being carried out today by the government and the opposition to produce tangible results in the restoration of state institutions. However, the crucial element will be organizing to attract those Venezuelans who are unhappy with the Maduro government.

Ramón José Medina, spokesperson for the MUD, is confident that, despite the toxic environment, the dialogue will restart under the pressures of UNASUR. "We can win the release of political prisoners and the appointment of a National Electoral Council and a Supreme Tribunal of Justice that are more independent of executive power," he told me.

Those would be basic indicators of success. But what would happen if the dialogue fails, as would be desired by powerful elements of the government such as Cabello, who indefatigably repeats that the

government will not give in to anything?

As at other times in Venezuelan history, the virus of rebellion and anarchy is present.

“Failure will return us to the point at which the crisis began: the game of *#lasalida* [the hashtag of the more hardline opposition protesters meaning both “the exit” of Maduro and “the solution”], but now with the students as beaten up and fragmented as the opposition,” Medina said.

But what happens when *#lasalida* fails to transpire? What alternatives exist if the sectors of the opposition that have been calling the current situation intolerable and demanding the end of the government fail to accomplish their objective? Guerrilla warfare? Call for a military coup?

Each outcome is dangerous and only threatens to push Venezuela into a downward spiral of more violence. For Medina, mistakes have been made by the government and by the opposition. Venezuela’s leaders must help the country make it safely and peacefully to the legislative elections.

Getting there will require that the government seek a pragmatic solution to the economic crisis, which implies a profound reform to the current economic model. And it means the opposition must set aside short-term political tactics and promises, and listen to the core economic and social concerns of Venezuelans—all Venezuelans.

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