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Populist Armageddon

Venezuela's parallels and lessons for Africa

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Strengthening Africa's economic performance

THE BRENTHURST FOUNDATION

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Contents

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Executive Summary

Comandante Hugo Chávez and his red beret Bolivarian Revolution were once feted as a new dawn for socialism. In a eulogy after Chávez's death five years ago, Julius Malema (who had visited the Caribbean nation in 2010 to examine its nationalisation programme) praised his fellow commander-in-chief: 'Chávez was able to lead Venezuela into an era where the wealth of Venezuela, particularly oil, was returned to the ownership of the people as a whole.' He is not alone. The British Labour leader, Jeremy Corbyn, described Colonel Chávez as 'an inspiration to all of us fighting back against austerity and neoliberal economics in Europe'. Yet Venezuela is today living an entirely man-made humanitarian emergency. If you want to make your people entirely dependent on the state, and poor, then Chávez, his successor Nicolas Maduro and their Bolivarianistas are a model to emulate. If you are interested in wealth creation, then do your utmost to avoid their calamitous example.

Introduction

Venezuela is living a man-made humanitarian emergency.[1] Five years to the day since the death of Hugo Chávez, the father of a new Bolivarian Republic, Venezuela is collapsing amidst a combination of hyperinflation, violent crime, political repression, and widespread hunger, a humanitarian catastrophe in the making. Indeed, the country is set to become the first failed state in modern Latin American history.

The rising crime rate has made the Latin American nation, by 2018, one of the most dangerous places in the world. The Venezuelan Observatory of Violence calculates that 28 479 people were killed in 2016, translating into a murder rate of 91.8 per 100 000 inhabitants country-wide. In the capital, Caracas, there are 140 homicides per 100 000 people. South Africa, regarded as one of the more dangerous countries in the world, has a homicide rate of 34/100 000.

> Venezuela is set to become the first failed state in modern Latin American history

Crime is but one measure of collapse. Venezuela has sparked a regional migration crisis that is now compared with the civil war in Colombia that displaced millions of people over five decades. In February 2018, in anticipation of a surge of migrants, the Colombian government deployed an extra 3 000 soldiers to the border town of Cucuta, which is connected by a pedestrian bridge to Venezuela. At the time there were an estimated 600 000 Venezuelans living in Colombia. But over 1.3 million Venezuelans had registered for Colombian day passes allowing them to transit the border to buy food, medical supplies and other basic necessities.[2]

Toward the end of 2017, three million Venezuelans or 10 per cent of the population, had left the country since the late President Hugo Chávez came to power in 1998. Most agree, this is a result of the country's economic meltdown, hastened by the 2014 fall in the global oil price.

Between 2013 and 2017 Venezuela's economy contracted by 38.7 per cent. This is expected to plummet yet further with a 50 per cent contraction by 2019 at current rates of collapse.

Although government stopped providing official figures in 2016, monthly inflation reached 100 per cent in February 2018. This will translate into annual rate of inflation of more than 1 000 000 per cent. While government studiously maintained an official exchange rate of 14 Bolivars to the US Dollar, the black-market rate, which shops openly use, is 240 000:1. Times are impossibly tough for virtually everyone, save the elite. University professors earn US$6 per month; a police superintendent with 17 years of experience, the same. It requires an estimated 98 times the official minimum monthly wage of 700 000 Bolivars to merely survive.

Eggsplosive – More than US$3 000 at the official exchange rate per egg

Day-to-day life is surreal. Venezuela is either the cheapest or most expensive place on earth. It all depends on your access to foreign currency. At the unofficial rate it costs just US$0.02c to fill up a vehicle's 50 litre tank of fuel. A bill for five at a family restaurant is either US$500 000 or US$30.00, exchange rate depending. This helps to explain why so many have given up and left the country. As many as 20 000 people per day are taking one of the six daily flights to Miami, or the 15-hour bus ride from Caracas to the Andean city of Santa Cristobel to hop over the Colombian border. By June 2018, some estimates predict up to six

million Venezuelans living outside of the country, or 20 per cent of the population. Little wonder some Venezuelans refer to their country now as a 'diaspora nation'.

While hyperinflation and debt defaults are not uncommon in Latin America, at the start of 2018 Venezuela was one of the few countries worldwide with a shrinking economy, and the only one with hyperinflation. It has the dubious honour of being the only petroleum exporter simultaneously to suffer hyperinflation while defaulting on its international debt.

In a country that produces just over one-tenth of its food consumption, relying almost entirely on unaffordable imports, supermarket shelves are bare. This is hard to believe given its fantastic endowment of natural resources, including the largest reserves of oil worldwide and significant stores of gold, coltan, copper, bauxite, nickel and gold.

But despite its embedded wealth and boasting by far the highest per capita income in Latin American up until the mid-1980s, today Venezuela is ranked top on Bloomberg's Misery Economy Index for the fifth straight year in a row, which sums up inflation and unemployment outlooks for 66 countries. In 2017 South Africa was second, though its score is just 33.2 compared to Venezuela's 1872, where zero is happiest.[3]

How did this happen? The answer is not oil, or its price, even though it may have made things worse and distorted ambitions and governance. This is a humanitarian emergency not based on a natural disaster or external events, but a crisis of domestic politics and bad policy.

Historical Sources of Instability

Venezuela's politics proved volatile from the start. Immediate post-independence, liberated from Spanish rule in 1823 in a campaign led by Simon Bolivar, Venezuela was characterised by instability, autocracy and even anarchy. This was a country ruled by a series of military dictators and *caudillos* strongmen.

The first of these, General José Antonio Páez, controlled the country for 18 years until 1848. The period that followed involved an almost uninterrupted chain of civil wars, abbreviated by the rule of General Antonio Guzmán Blanco from 1870 to 1888. A theatrical pattern of despotism and reformism was developing – and continues in the 21st century.

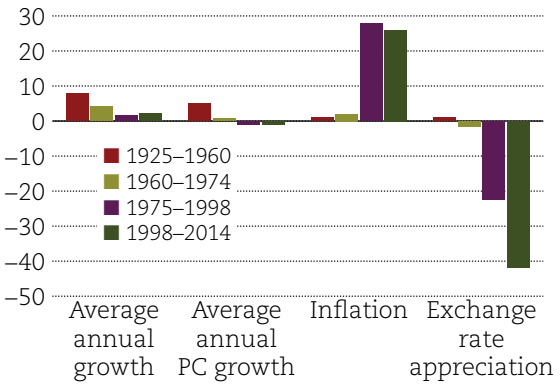
Simon Bolivar has a lot to answer for in his name

Following a series of debt defaults throughout the 1800s – Venezuela has the highest number of defaults of any country since 1800 – Oil was discovered at Lake Maracaibo under the rule of General Juan Vicente Gómez in 1914. This transformed the economy. By 1929, Venezuela was the second-largest oil-producing country in the world (behind the US), pumping 60 000 barrels per day (bpd), and the world's largest oil exporter. By 1935, the time of Gómez's death, the per capita income of Venezuela's three million citizens was the highest in Latin America, drawing large-scale immigration from Europe.

The *Gomecista* dictatorship system – so-named after Gómez's 27 years in power, sometimes as president but always the strongman – continued after his demise but with some relaxation, including the legalisation of political parties. This reform process was hastened by a 1945 coup that ushered in a democratic regime and was then set back by a further coup in 1948. The military junta led by Marcos Pérez Jiménez ignored the results of the election it staged in 1952, until it was once again forced out in January 1958. Yet, much of the infrastructure of modern Venezuela was laid down

during his junta, including contemporary power supply and transmission, and Venezuela's road network.

Venezuela: Key Indicators, 1925–2014 (%)



By 1960 oil production reached 3.6 million bpd, ensuring Venezuela's by now seven million people a high standard of living. 'Oil was a development asset,' says the economist Orlando Ochoa, 'when it went together with sound macro-economic management.' In spite of its tumultuous political record that ebbed and flowed from one junta to the next, Venezuela somehow maintained solid economic fundamentals.

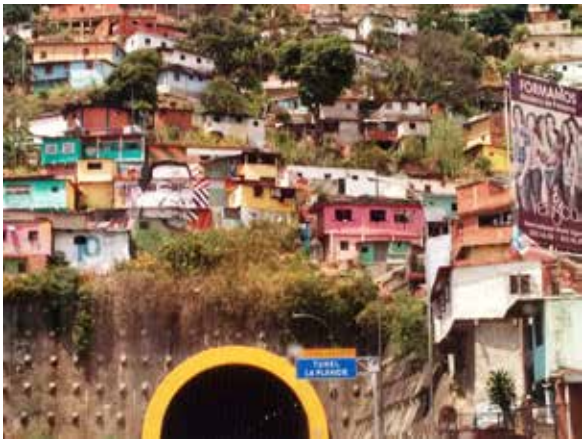
Two parties – Democratic Action (Social Democrats) and COPEI (Christian Democrats) – emerged and dominated politics until Chávez's ascendancy four decades later in the 1990s. The 1973 spike in oil prices caused things, however, to start to fall apart. The sound macro-economic management which had made oil a development asset crumbled under unbridled public spending, including a massive US$30 billion (in 1970s prices) infrastructure plan.

Enter Chávez: The Seeds of Democratic Demise

The drop in oil prices in 1983 and the weight of accumulated public debt sowed the seeds for Chávez's populism. With the devaluation of the Bolivar in 1983, standards of living fell sharply and political instability rose. Hundreds were killed in the Caracas and Guarenas riots of February 1989. Two attempted coups followed in 1992, one staged on 4 February by Lieutenant-Colonel Hugo Chávez when troops under his command stormed the capital's Miraflores presidential palace. Pardoned in March 1994, Chávez was elected president in a landslide victory four years later.

President Chávez was briefly ousted in a 2002 coup following street demonstrations and expressed discontent from the traditional political elite. But pressure from a popular backlash to his removal and the Latin American region resulted in him quickly being reinstated to power. *El Comandante* also survived an August 2004 'recall' referendum to consolidate his power in subsequent elections. He was re-elected in December 2006 and again, for a third term, in October 2012, although he was never sworn in following this final victory due to his declining health.

Like Margaret Thatcher, Chávez was a game-changer.[4] He broke the mould of Venezuelan politics and defied stereotyping, rising quickly to become a global icon, and was the only Venezuelan political figure before or since Simon Bolivar, who was widely known outside Latin America. Chávez's populist alternative, focusing on its revolutionary symbols and slogans, the plight of the poor and the dispossessed and the use of redistribution as a means of instant social justice, became a model for those elsewhere that sought a rapid way out from poverty and inequality.



The ubiquitous eyes of Chavez

This approach had appeal beyond Venezuela's borders. As Thabo Mbeki, then South Africa's president put it in September 2008 on the occasion of Chávez's state visit, '[W]e have paid close attention to your initiatives to improve the lives and social

conditions of the marginalised masses, not only in Venezuela but also in the Caribbean and Latin America … the people of our country share the same vision with the people of Venezuela; a vision of a world based on freedom, equality, justice and prosperity for all. Accordingly, both our people draw inspiration from the same heroes and heroines of our struggles for freedom.'[5]

Mbeki is not alone. The British Labour leader, Jeremy Corbyn, in 2013 described Chávez as 'an inspiration to all of us fighting back against austerity and neoliberal economics in Europe'. In 2014, he called to congratulate the new president, Nicolas Maduro, live on Venezuelan TV, being introduced by Maduro as a 'friend of Venezuela'. The left-wing anti-austerity *Podemos* movement in Spain, led by Pablo Iglesias, has been plagued by allegations of shady funding from Venezuela and Iran. Spanish professor Alfredo Serrano from the Centre for Political and Social Studies, a Podemos affiliate, is a principal adviser to Maduro, proving that bad ideas do travel.[6]

Latin Americans have a long history of picking strongmen and messianic leaders, especially in times of hardship when they are in desperate need of hope and change. Chávez, and Venezuela at the time, fitted this scenario perfectly. Gabriel Garcia Marquez, the Nobel laureate and ardent leftist activist, made an interesting observation in his description of Chávez following a discussion with the incoming leader just two weeks before he was being sworn in as president in 1999: 'I was overwhelmed by the feeling that I had just been traveling and chatting pleasantly with two opposing men. One to whom the caprices of fate had given an opportunity to save his country. The other, an illusionist, who could pass into the history books as just another despot.'[7]

Mythology apart, there was much else about Chávez's brand of politics that was not fresh. 'You must remember,' notes Dr Ramon Aveledo, a former speaker of the parliament and MP for two decades, 'that Venezuelan politics before Chávez was hardly that of Scandinavia. Ideology in Venezuela is not Marxism, socialism or capitalism, but *rentism*. It is based on a belief among Venezuelans that they are entitled to the nation's wealth. And when you don't get money, there is also a belief that someone is taking it from you.' Thus *Chavismo* was not, in his words, 'a barbarian invasion.' A cultural history of entitlement has prevailed in Venezuela. When oil prices collapsed after 1983 'there emerged a distance between people and power, causing the population to look for another benefactor. First, they chose Perez in 1988 to try and bring back the wealth of his first term in office during the 1970s'. Then they tried Calderon, who was seen as an honest man [but with little joy]. Finally they turned to Chávez, who had become popular as a result of his failed coup. 'He reflected', says Aveledo, 'the anger of the population'. Chávez did not discover the system; rather, he deepened its characteristics and took full advantage of them.

Latin Americans have a long history of picking strongmen and messianic leaders, especially in times of hardship when they are in desperate need of hope and change

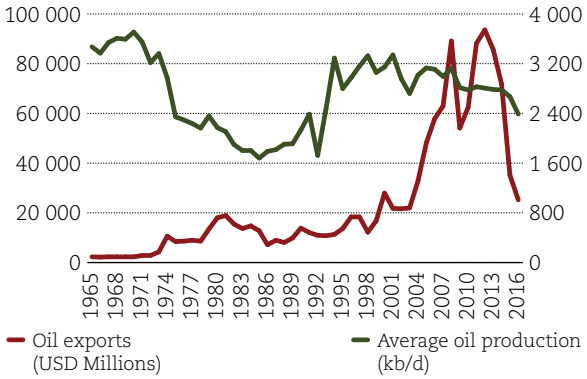
While maintaining the rent-seeking system of patronage, during his 15 years in government, Chávez's Bolivarian Revolution perfected a fresh brand of populist politics, using state resources to buy support and a combination of the military and international relations to cement it. Its method was feudal in buying political support through subsidies, state jobs and seizures, fed by an oil bonanza of more than US$1 trillion between 2002 and 2012. When he took over in 1998 the price of oil was just US$20 per barrel. It peaked at US$145 in 2008.

One of the most notable, and certainly visible, developments during this time was the construction of low-cost housing in Chávez's signature *Gran Misión Vivienda*.

Predominantly available to party members,[8] the Mission's objective was to build up to two million homes across the country, including entire cities, such as the 'socialist city' of Ciudad Caribia and Ciudad Tiuna, the complex of nearly 20 000 units

in the country's largest military base in the centre of Caracas. This programme was to deal with the sprawling informal *ranchos* that creep up on the hillsides of Caracas and elsewhere, such as Petare in eastern Caracas, supposedly the largest slum in Latin America, with an official population of 370 000 and an unofficial one of over 1.5 million inhabitants. In 2017 the government claimed it had delivered nearly two million new *Gran Misión Vivienda* homes;[9] in reality, say critics, it may be just 10 per cent of this figure.

Venezuela: Crude Production and Export Revenue



But Venezuela's oil windfall was largely consumed and not invested. This is one reason why oil production has fallen in 20 years from 3.5 million bpd to 2.8 million bpd in 2013 and just 1.8 million bpd by 2018. This has had dire consequences on the economy and day-to-day living. Basic water and electricity infrastructure is near collapse, and unemployment is rampant. Just one-third of public buses work for lack of spare parts. While the state oil company PDVSAs (*Petróleos de Venezuela*, S.A.) debt increased from US$3 billion in 2006 to US$40 billion in 2018, this was not used for investment improvements to production and operations. And the situation was worsened by the export, free of charge, of up to 9 per cent of annual production to Caribbean nations, specifically Cuba, not to mention the changing composition of production away from light to heavy crude at Chávez's stipulation.

Enjoying an unprecedented ten years of high oil prices, the country went on a rampant spending spree. This was not only to the advantage of the poor to whom his rhetoric was directed. Rents were also distributed to the middle-class through preferential access to cheap foreign currency, at rates of 4.3 Bolivars to the US Dollar, as opposed to the then official 10:1, through the CADIVI system. Critics describe this not as a revolution, but a '24/7 Zara and Tommy Hilfiger spending spree.'

A fuel station without fuel in a country that should produce 3+million barrels per day

By 2018, total government debt was estimated at US$150 billion, more than 100 per cent of GDP. In 2017 the government's bond default was US$2.5 billion. For 2018 it is projected to be US$10 billion.

Chavismo and the Opposition

Chávez's regime was also increasingly authoritarian in suppressing the opposition and manoeuvring around governance institutions as required. This included creating institutional pretexts like a supreme National Constituent Assembly to do so, and manipulating elections through control of the National Electoral Council, which ultimately became 'just an appendage of government', voter registration fraud, gerrymandering, manipulation

of the party list system, and intimidation. This went hand-in-hand with increasing centralisation around the executive, and the subverting of the justice system to the presidency and party. And if this was not enough, the government has used the justice system against dissidents and opposition businesspeople. Chávez is said to have ruled along the lines of the mantra, 'To my friends, everything, for my enemies, the law'.[10]

The opposition has been routinely demonised, harassed and intimidated. Presidential candidate Henrique Capriles, who received 49.12 per cent of the vote in the April 2013 election, is under house arrest, as is Leopoldo López, a prominent opposition party organiser. SUVs with darkened windows and soldiers of the SEBIN, the Bolivarian National Intelligence Service, stand guard outside their houses. President Maduro has referred to these two politicians and opposition leader María Corina Machado as 'mercenaries' and 'fascist parasites', the government describing them as the *trilogia de mal* (trilogy of evil).

Machado gained government notoriety when she co-founded an election watchdog Súmate, which encouraged people to vote in the 2004 recall referendum. The ruling party brought charges against her for conspiring to 'destroy the nation's republican form of government'. They have fastened onto a US$50 000 grant she had received from the US National Endowment for Democracy to conduct voter education. Although the government case collapsed, they routinely attacked her and other members of Súmate on television as imperialist lackeys. Described by Chavistas as *la candidata contrarrevolucionaria* (the counter-revolutionary candidate), she ran for Congress in 2010 under the banner 'Somos Mayoria' (We are the Majority). 'I hold two records as a member of Congress,' she laughs. 'I am the one with the most number of votes ever, and the one, too, with the shortest number of days in Congress' having been expelled days after taking her position on account of her appearance at an Organisation of American States (OAS) summit.

Laughs aside, the work of an opposition politician in Venezuela is tough. The strain is apparent in her voice. 'I have been called a romantic and a loser. But this is an ethical fight, to do with values.' She adds, 'I have not been able to leave the country for the last four years. I cannot travel in commercial aeroplanes. For the last 18 months they have been unable to take me at the threat of the operator losing their licence.' A friend who gave her a ride in her plane had it impounded on landing. Her bus trips to campaign have been blocked and aggressively interfered with, vandalising the vehicles and slashing their tires.

The opposition has been routinely demonised, harassed and intimidated

Her experience is not unique. As one young councillor, Jesus Armas, has said: 'After the 2017 demonstrations, the SEBIN arrived at my home. I escaped, but they went to my office, and robbed it of my computer without a police order. I went into hiding for two months. It is very difficult to be a politician in Venezuela, with consequences for yourself and your family. Even if you just publish on your Twitter account, you can end up in jail.'

In 2017 the National Constituent Assembly passed the 'Hate Law'. 'Everything can be a hate crime,' says one opposition leader, 'from speaking against the government or against corruption or even speaking on political developments. If Leopold [López] can go to jail for four years as such a public figure with his international support, and the support of the parties, then it is very much more difficult for the smaller people, for less well-known politicians' he says, gesturing around to his eight young colleagues. 'This is what happens when you have a country,' he states, 'without the rule of law. It's a government that does not care about proof when they have all the power to put you in jail.' His colleagues speak of telephone tapping and the replaying of private conversations on government media as another government tactic of intimidation and slander.

The opposition has also been undermined by changes in the political party funding regime, ending public support – apart from the ruling party of course. Their attempts to find alternative sources

have been made impossible by government threats against the private sector.

Altering State Structures and Centralising Power

Chávez's grand plan was to recentralise the state, ensuring absolute loyalty in his socialist project. This included the creation of communes under party control within and overlapping existing municipal boundaries. Empowering party appointees with the distribution of goods undermined formal, decentralised government. These intentions were laid down early in his ten-point 2004 *El nuevo mapa estratégico*, and restated in *Plan de la Patria* laid out by the Chavistas for the period 2013 to 2019.

A burgeoning civil service of political loyalists has been created. For example, by 2018 fewer than five of the 90 heads of Venezuelan missions abroad are professional diplomats. The civil service has increased from 700 000 to more than 2.5 million over the last 25 years. And the ruling party has kept its key constituencies onside. The senior ranks among the military and *Guardia Nacional*, together perhaps numbering as many as 300 000 soldiers, has benefited disproportionately from access to foreign exchange and contracts. And the petroleum company, PDVSA, inflated its staff from 40 000 to 150 000.

The media was singled out for special attention. Most independent print and broadcasting agencies have been forced to close. Cases of physical violence against journalists run into the thousands. Newspapers have been firebombed, while access to television and radio is dominated by the government, which has used the threat of heavy fines to encourage auto-censorship by journalists. The government has used national stations to repetitively broadcast propaganda including the *cadenas*, endless presidential broadcasts, which have provided a caricature of a totalitarian state. In his 14 years in power, Chávez talked on his *cadenas* for a loquacious total of seven months and one day.

Venezuela ranks 137/178 on the World Press Freedom rankings.[11] And the government simply refuses to accept news that it does not want to hear, or which does not neatly fit its world view. This explains the moratorium on official statistics.

Roberto Briceno runs the Observatory of Violence based in Caracas. When the rate of homicides increased from 19/100 000 in 1998 to 48/100 000 in 2003, the following year 'the government decided to censor all information on crime.' As a result, he bandied university colleagues together to compile annual crime stats. This was hardly surprising, given that the country's murder rate had surged despite the robust growth of oil income during this time. 'While there are usually two hypotheses for crime in Latin America, which is a link to poverty or inequality,' he notes, 'I propose that in our case it is linked to the state of institutions, rules, norms and the social contract.' This did not fit the government's thesis, however, so it went into denial. 'Chávez decided not to enforce the law as part of a belief that in Marxian thinking "violence is the midwife of the revolution". Whereas we had 118 arrests for each 100 homicides in 1988,' he explains, 'by 2006 we had just five arrests.'

The government simply refuses to accept news that it does not want to hear, or which does not neatly fit its world view

There is a growing culture of impunity. Now the military have become involved in fighting crime through 'extra-judicial killings in the barrios', in which 'an estimated minimum of 5 500 people were killed in 2017, or 15 every day.' This similarly undermines respect for the law. According to Briceno, 'The government has been saying for years not to use the police to enforce the law. Now they are using force to kill people, and not to enforce the law.'

Corruption is the tie that binds the elite together. This is especially true among the military, which has a hand in everything from drug trafficking (an estimated 50 per cent of Colombia's cocaine production transits Venezuela), food and medicine distribution, and fuel trading, both

internationally through its control of the state oil company PDVSA and regionally. For example, a full load of a petrol tanker will cost little more than US$10 at the black-market rate, and can be sold for US$25 000 across the border in Colombia where the official petrol price is US$0.80c a litre.

An estimated 100 000 bpd of Venezuelan oil production is diverted via the military. Venezuela now ranks 169/180 on Transparency International's Corruption Perception Index, just below Iraq and one place above that paragon of virtue in Equatorial Guinea.[12]

Venezuela's failure to redistribute social goods is another example of why a state-run economy is no more an efficient long-term answer to poverty as it was in the Soviet Union. It certainly is no substitute for the private sector. In this, natural resources are a very helpful endowment towards success. But it is how these proceeds are used (spent or invested) that is critical.

Finally, while redistributive spending might be a means of ensuring political support and power, the revolution ultimately cannibalises itself as a mix of raised expectations, state capture and lack of long-term private sector investment turns ugly.

Technical Solutions

Among local experts there is a reasonably clear process that needs to be implemented to stabilise and fix the economy, including to:

- Liberalise the exchange rate at its root by taking control of the Central Bank. 'Stopping the printing of money', and through a guarantee by the International Monetary Fund, which would require re-engaging with the international community and multilateral lenders in particular.
- Control the government deficit. Improve productivity and output by privatising public enterprises, and removing subsidies and price controls.
- Open up the banking system.
- Improve public services, in part with the savings from the sale of assets.
- Re-establish commercial control of PDVSA.

In the latter regard, as industry expert Luis Oliveros has put it, 'It is impossible to recover the economy without recovering the oil sector. It's the only one that has the necessary dollars required.'

But new investment is needed from the private sector, and that requires a new law and management. Instead, even optimists in the oil sector predict a further 200 000 bpd production fall in 2018, in stark contrast to Maduro's promised 700 000 bpd increase. Getting to this point demands, however, a fundamentally different political philosophy and governance system to the current Chavistas. It's very difficult to see how Venezuela is going to make such a necessary leap.

Dying Democracy

Chávez laid out a radical playbook for other, wannabe authoritarian democrats. Paradoxically, while *El Comandante* relied on elections to acquire power and legitimate his government, with each election the country lost more of its democracy.[13] It ranks 117/167 and is classified as 'authoritarian' on the Economist's Democracy Index, slipping from being denoted a 'hybrid' regime the previous year. And it was rated as 'Not Free' with a score of 26/100 (where 100 is most free) on Freedom House's rankings.

Popular support lasted just about as long as Chávez, who died in office in 2013, and the oil boom. Thereafter his successor, Nicolas Maduro, lacking Chávez's rough charm and charisma, guile and the institutional commitment of the former military officer, and facing rapidly dwindling oil revenues, has ridden roughshod over any institutional niceties.

In the face of growing financial instability and shortages, parliamentary elections were held in December 2015. These were the fourth to take place after the 1999 constitution, and the first since Chávez's passing. In the run up, the former Chacao mayor and leader of Popular Will, Leopoldo López, was sentenced to 14 years in prison. Still, the ruling United Socialist Party of Venezuela (PSUV) were decisively defeated by the Democratic Unity Roundtable (MUD), losing control of the Assembly for the first time since 1999.

The MUD gained a so-called supermajority, thereby preventing (or enabling) a change of the constitution. They won 112 seats against the PSUV alliance's 55, receiving 7.7 million votes, an increase of 2.4 million from the 2010 elections. PSUV received 5.6 million votes.

Undeterred, Maduro simply went around the constitution, using the Supreme Court to remove the supermajority. After the failure of a Vatican-mediated dialogue between the government and the opposition, in October 2016 a recall referendum against Maduro was cancelled by the National Electoral Council, following which more than one million Venezuelans took to the street in protest.

After the failure of further dialogue attempts, the Supreme Tribunal of Justice (TSJ) took over the powers of the National Assembly in March 2017, stripping its members of their immunity, a dissolution termed as a 'coup' by the opposition and the OAS. Though this was later reversed, public protests continued, claiming more than 120 lives and injuring over 1 900 by July, leaving 600 behind bars. In response Maduro called for a National Constituent Assembly on 1 May to draft a new constitution, stating that this was necessary to counter the opposition. The Assembly was duly elected, a process condemned by, among others, the European Union, OAS and Mercosur.

This has only hastened the economic collapse. Where local industry has been destroyed by economic policy folly and virtually everything is imported, including food, the government no longer has the funds to do so. Once the best performing economy in Latin America, the percentage of the population living in poverty is well above 80 per cent and extreme poverty has leapt from under 24 per cent of the population in 2014 to more than 61 per cent three years later. Long food queues snake around the 1970s and 1980s skyscrapers which, with the cluttered hillside *ranchos*, define contemporary Caracas, as do the ubiquitous scenes of beggars rifling through garbage. It's a city which is literally turned off at night. People stay off the streets and shops close early out of fear of crime. Little wonder 58 per cent of Venezuelans feel threatened in their home, 61 per cent fear exposure to crime in the street, and 76 per cent when taking public transport.[14]

More than 80 per cent of Venezuela's population now lives in poverty, despite efforts to upgrade housing through such signature developments as *Gran Misión Vivienda*

Maduro had transformed the country from Chávez's authoritarian democracy to a 'hegemonic' state. Control, or loyalty, has been maintained through the distribution of a monthly box of basic goods contained in the CLAP (*Conité Local Abastecimiento Popular*) distributed to a claimed 2.5 million holders of an electronic party card, the *Carnet de la Patria*. Through the card the government is able to monitor the voting pattern of an estimated 2.5 million signatories. Without the card, medicine, food and housing are near impossible for ordinary citizens to access.

Now Maduro is planning an unprecedented trifactor presidential, state and municipal election on 20 May 2018, a plan the opposition has resisted both for reasons of a lack of notice and the absence of necessary election guarantees. In short, there is no guarantee that the election will be stolen, and it refuses to legitimate such an obviously railroaded and potentially fraudulent process.

While the most obvious lesson from Venezuela is about how not to squander a national resource bonanza, perhaps the most important lesson of all is what opposition forces should do to counter the emergence of a rentier authoritarian system? Here the Venezuelan opposition is not alone.

Zimbabwean Parallels

Venezuela's situation draws parallels, inevitably, with the most recent case of hyperinflation, that of Zimbabwe, which suffered a rate of 79 billion per cent before it was Dollarised in 2009. The parallels do not end there, since the ruling Zimbabwe

African National Union (ZANU) party has established a similarly extractive and corrupt political economy to Chávez, and poverty has mushroomed under the circumstances. And the Zimbabwean economy has declined in per capita terms by half since independence in 1980 as a result of the largely the redistributive and corrupt urges of ZANU.

Supermarket shelves without food in a country with bountiful land

There are of course differences. For one, the majority of Latin American states, as represented by the 17-nation Lima Group,[15] is unsupportive of the Maduro government's 'democratic' tactics. In southern Africa, the region – with the notable exception of Botswana – closed ranks around Robert Mugabe's rule, preferring a soft landing in the form of the creation of a Government of National Unity when he lost the 2008 election, or indeed no landing at all. Whereas the Zimbabwean government has used humanitarian food assistance to reduce its responsibilities to its own population and its distribution to maintain political control, Venezuela has refused such assistance, despite dire circumstances, so as to maintain its own distribution and control networks. Perhaps harshly, Venezuelan activists have been very willing to take their fight to the streets, more so than Zimbabweans. No fewer than 120 were killed in the Caracas uprising of 2017 for example.

There are other similarities: For one, these crises go on for much longer than imagined sustainable, even when things appear as bad as they can get. Both cases have involved the ruling party's (and specifically, the military's) control of natural resources, in Zimbabwe's case diamonds. Both possess a mythology of liberation politics, blending this equally over time with repression, intimidation and fear. They have engineered a dependency on the state, using access to resources as a tool of loyalty. There is a relatively low cost to repression, and a high cost for the elite of losing power, which remains a disincentive to change. Both have had targeted sanctions imposed on the ruling elite, which employs this as an excuse as to why the economy has melted down, even though this has nothing to do with the folly of their decisions and illegal actions which caused the crisis. While the opposition in both expect, or hope, more dramatic forms of external intervention, it has not come to pass, despite the fact that Zimbabwean activists are always claiming this was because the country lacked oil. Whereas Zimbabwe attempted to play the China card in a 'look East' policy, with limited success, Venezuela has been more successful in cultivating relationships through oil with Russia and China, which consume more than 50 per cent of production. The US share has declined to 40 per cent of total production.

Venezuelan activists have been very willing to take their fight to the streets, more so than Zimbabweans

The respective regions, Latin America and southern Africa, have been a safety valve in both cases, accepting a large number of migrants. Finally, in the case of Zimbabwe, even if the man at the top (Mugabe) changes, the system does not necessarily do so.

The solution to the crisis in both is much the same, too. There is little prospect of change without unity among the opposition, not just between political parties, but including community groups. Avenues for dialogue are essential in making this happen. Second, there is a need to elevate the costs of repression, in part through those international sanctions which raise the costs for the elite and their families, while ensuring that the pain of

economic decline is shared. Third, international engagement should stipulate media access, pro-rata funding and clear election rules, including long-term observation as a condition for financial or other forms of assistance, without which the election process and outcomes cannot be legitimated. The international community should be, in Maria Machado's terms, 'no nonsense' around its sustenance for democratic processes, not least since there is already considerable international funding, direct and indirect, for incumbents. Support internationally, through NGOs, universities and other civil society bodies for pro-democracy movements is key to comparing notes and building consensus. Opposition requires a funding campaign strategy itself, but also from the international community. But fifth, there needs to be a realisation, overall, that change will have to come from within. Opposition groups require a convincing narrative to attract support, and a clear, differentiating policy offer. To get this across they will require local activism among poorer communities, and dialogue with some sectors of the establishment, including the military.

A heroic overthrow of the status quo is unlikely, in Venezuela as Zimbabwe; rather a carefully worked out and sweated transition. And there is a chance, too, that if the opposition remains weak and divided that Venezuela's transition is, like Zimbabwe's from Robert Mugabe to Emmerson Mnangagwa in November 2017, within the regime.

A Playbook for Democrats?

Maria Machado is aware of the challenges ahead. 'We live in a unique moment,' she says, 'as painful and dangerous as it is exciting when you realise that what you do or don't do changes the lives of several generations, in Venezuela and elsewhere in Latin America.' Speaking from her modest *Vente* movement headquarters in Caracas' upmarket suburb Chacau, she continues: 'It's hard to imagine a transition that will be tougher and more complex than the one we face. We have a humanitarian crisis, an internal security crisis, and an economic crisis, which is deteriorating so fast.'

The system has had incredible power, she adds, fuelled by the rapid increase in the oil price from the time Chávez came to the helm. 'It is unimaginable how much money they used and were free to give away. Their capability was strengthened through Cuban and Russian involvement, in intelligence, creating a state of terror in which people were and are being watched in every sector, where there is a mafia placed in universities, the armed forces, political parties, the church and in schools, the media, everywhere. This helps to explain certain people's behaviour.'

Opposition groups require a convincing narrative to attract support, and a clear, differentiating policy offer

Machado, an outspoken anti-government parliamentarian, once branded Chávez a 'thief' to his face, agrees that the opposition needs a narrative. 'We shouldn't feel guilty. We should be audacious. We should be emotional in terms of connecting with the self-esteem of Venezuela, which has been so damaged. It has to offer a dramatic change from what we have.' This is a huge challenge for the opposition's message, which has to compete with the populism of Chávez and Maduro. It should not undervalue what the working class of Venezuela is expecting, and what they demand, and the opportunities that they seek.

'Until now,' she observes, 'unfortunately the mainstream message of the opposition has been to try and emulate Chávez. Instead we need to develop a message on entrepreneurship, private property, investment, globalisation and free markets.' And she is clear about her sympathy with the plight of ordinary Venezuelans, and the need for the opposition to develop its message and plans to address their plight. 'We need to fight the origins of this drama, which links with the solution.'

'I am pretty clear. The only way to deal with this problem is through regime change. When you see people who depend on food handouts, it's a slap on our hearts. But it was planned. They looked

for a country of slaves, and wanted to see talented Venezuelans leave, and destroy our sources of autonomy through nationalisation and a crackdown on the private sector.'

She is dismissive of the international community's response. 'I went to the OAS in 2014. Only the US, Canada and Panama supported me. We have struggled alone for almost two decades. But the regime is not alone. The Cubans are just one part of it. The international community has a degree of responsibility. The US believed that they could solve the Colombian crisis and the Cuban issue first, but that was a huge mistake as this required a co-ordinated response on this side of the border.

'We need no more excuses [from the international community]. No more excuses about the lack of unity among the opposition. Give me a break! Before, however, we subordinated the effectiveness of the fight to try and be united. So we ended up moving at the speed of the slowest in the direction of the weakest. This worked very well for the regime, but not for us.'

She is aware of what the regime's response will be too. 'It is clear that they won't accept an electoral exit. They won't let go. They know the crimes they have committed. This is the psychology of criminals whose dynamic is to gain time, even if a fraction, all of the time. To counter this, we need a strong international coalition whose focus is not the US, but rather Latin America. We have to increase the costs of staying in power, and lower the cost of leaving, for both the civilian and the military. We also need money to do our job. We are literally starving. Even though we depend on volunteers, we still need to pay for transport, and for printing.'

'Finally,' she concludes, 'we have to establish lines of communication. We traditionally have underestimated the nature of the regime, even those like myself who state its totalitarian nature. We also underestimated the strength of the people. The opposition should trust in its own strength. We have also not been effective enough in conveying to the international community how dangerous the regime is to their own interests. We have also fallen short on communication, networking, security of communication, and technology.'

'We should,' she states, 'never underestimate the strength of our people. We had four months of civil rebellion [in 2017]. Grandparents in wheelchairs came together with students in the streets. The whole country came together with courage, vision and passion, because of the need for freedom … Now, with my streets blocked,' she gestures to the entrance of her house, and the National Guard outside, we need just such a strength and the will to make change happen, to rebuild a united Venezuela.'

We also underestimated the strength of the people. The opposition should trust in its own strength

Venezuela is a reminder of the cost of getting things badly wrong. The opposition will have to provide a positive example to others, and have a clear method and leadership, particularly in a country that is fond of its *caudillos* – big men by another name.

Haiti Ahead?

Chávez's remains are interred in Caracas in the Cuartel de la Montana, in the midst of the *barrio* of *Vente Tres de Enero*. There four guards stand, rotated every two hours, resplendent in 19th-century red and gold tunics. Water surrounds the marble sarcophagus, flanked by photoshopped images of Bolivar, several pots of flowers denoting earth, a cooling breeze funnelling down the corridor. At the entrance sits an eternal flame; outside, under the flags of all the 35 members of the Organisation for American States (OAS), next to a small 'Plaza of Eternal Motion', the 100-year cannon is ceremonially fired after four peals of the nearby bronze bell at 4 p.m. each day, its muzzle aimed in the direction of the white Miraflores presidential palace below.

Red flags emblazoned with '4F' fly overhead the entrance, symbolising 4 February 1992, when

Chávez's men assaulted Miraflores in an attempted coup. *El Comandante's* impact verges on the crypto-religious. His successor, Nicolas Maduro, admitted that he sometimes slept next to Chávez's casket, seeking inspiration, and that Chávez's spirit had spoken to him in the form of a bird. Other aspects of the revolution are less romantic, however, and more realistically menacing and destabilising in the long term.

Chávez was an excellent salesman and superb actor. He had some success because he resided over the petroleum boom, and he tapped into a sense of injustice. But even before he died the economic situation was becoming complicated. Despite his and subsequent claims of imperial America and the impact of sanctions, it is inescapable but to admit that the current economic and social disaster has its origins with *El Comandante*. He and his successors did not know how to manage an economy, let alone a modern one. Politics trumped common sense. Proving that sincerity is no guide to genius, Chávez left his successors with a huge debt, an inflated public service, and more corrupt than the rotten two-party political and economic system he sought to replace. It's a reminder again of the cost of getting policy wrong, and of the danger of central planning and state appropriation, even in one of the world's (at least on paper) largest oil exporters.

As in Zimbabwe, the insecurity created around ownership has seen international investment all but dry up. This is a result of a corrosive system, hollowed out institutions and bad economic policy.

It's not possible to muddle through the current situation. For one, Venezuela is not the oil country it once was. Production is in free-fall. Many of its best, brightest and certainly most energetic have left, and many more are poised to go. The monetary system has failed. The country is in the midst both of hyperinflation and a debt default. 'If we can't increase oil production, which we can't in the short-term,' says one analyst, 'and Maduro stays, we become Haiti.'[16]

Still, his successors have learnt another message from *El Comandante*. They won't easily or willingly leave power. Unless that happens, Venezuela is staring at a very dark future, just as those countries contemplating a similar path.

Endnotes

1. This paper is based, partly, on two research trips to Venezuela in November 2013 and February-March 2018. Thanks are expressed to the Konrad Adenauer Stiftung in hosting the latter visit. Unless otherwise referenced, all quotes and statistics are taken from presentations and meetings held during the 2018 trip. All opinions expressed here are, however, the authors' alone.
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6. See https://www.politico.eu/article/european-fans-venezuela-nicolas-maduro-corbyn-tsipras-podemos-melenchon-pope-francis-5star/; and https://panampost.com/orlando-avendano/2016/08/16/spanish-marxist-professor-alfredo-serrano-is-the-man-behind-venezuelas-economic-messalfredo-serrano-the-man-behind-the-economic-crisis-in-venezuela/.
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8. See http://www.panoramas.pitt.edu/news-and-politics/best-intentions-politicization-gran-misi% C3%B3n-vivienda-venezuela.
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10. Cited in William Dobson, *Dictator's Learning Curve*. New York: Vintage, 2012.
11. At https://rsf.org/en/ranking.
12. At https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table.
13. See Dobson, *Dictator's Learning Curve*, p. 96.
14. ENCOVI Survey 2017.
15. The Group was established following the Lima Declaration on 8 August 2017 in the Peruvian capital where representatives of 17 countries met in order to establish a peaceful exit to the Venezuelan crisis. Its members are: Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Guyana and Saint Lucia.
16. Latin America's and the Caribbean's poorest country.