



FORUM

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Abstract: *This article analyses the short- and longer-term roots of the current crisis in Venezuela. It explains the genesis of the country's modern political history, and how this set the scene for the rise of both Hugo Chávez and the broader Bolivarian project. It then assesses the causes and consequences of the present crisis, with a specific focus on both the implications for democracy in Venezuela, as well as the wider legitimacy of the Bolivarian state within the country's politics.*

Keywords: Venezuela, Crisis, Democracy, Policy Changes, Chávez

To begin to understand the contemporary Venezuelan reality, its situation within the current global context, and to correctly gauge the dramatic dilemmas implied by this great political, social and economic crisis that surrounds the nation, one would need to briefly review the historical and political events that unfolded in the years prior to the governments of Hugo Chávez Frias and Nicolas Maduro.

The moment that President Carlos Andres Peres assumed office in 1973 was a watershed for Venezuela in terms of both steady growth and a limited ambition to play a major role on the world stage. From that historical moment all the way back to Venezuela's return to democracy in 1958, the country had a multiparty system and three changes in government. During those years the Presidents came from different political parties: Betancourt, Leoni were from the Social Democracy party (AD) and Caldera was a Christian Democrat (COPEI).

The political climate was a troubled one in those early years of democracy. This was especially true during the government of Rómulo Betancourt, which saw numerous attempted coups. Yet Betancourt survived all attempts to overthrow him. Leoni's term in office was one of greater stability. However, that was also the decade of guerrilla insurgency in Venezuela. Some important figures in today's national and political life actually began their careers as members or leaders of the Venezuelan guerrilla movement. It was an era when the then Venezuelan left considered that the time was ripe for the taking of power by revolutionary means. This situation continued throughout the 1960s, and it was not until Rafael Caldera won in the next election and instituted what was called a 'policy for peace' did the guerrilla troops embrace that policy and integrate fully into national life. Indeed, under Caldera's watch, it is arguably the case that guerrillas in Venezuela practically disappeared. Even the remaining small and isolated groups were gradually disbanded. The Communist Party in Venezuela almost disappeared too. It would later give way to the Union for Advancement (UPA), which grew out of a rift on the radical Left. This would eventually also give rise to the MAS Party (Movement Towards Socialism).

During this historical epoch, Venezuela had a slow, but nonetheless consistently increasing, growth rate; a burgeoning middle class with a strong currency which was the envy of the region; and, above all, a balance of payments position that had no external debt. Indeed, the debt-free legacy had been an enduring one: from long before the dictatorship of Pérez Jiménez, through the era of Rómulo Betancourt and Rafael Caldera, the country had essentially no external debt.

GRAND DEVELOPMENT PLANS

What was the international trigger for the drastic change of policy? It was the Arab-Israeli war. Taken in isolation, such a war had no reason to create concerns beyond the obvious ones related to regional instability. Venezuela was a young member OPEC at this time. However, in addition to the developments in the Middle East, the world faced dramatically rising oil prices, and Venezuela, one of the world's leading producers, found itself flooded with petrodollars overnight and became a country of apparent wealth. It was the time when Carlos Andrés Pérez held the presidency (1974-

1979) after having won the election against then COPEI candidate Lorenzo Fernandez.

Faced with this new situation, the government decided to develop grand development plans which required huge amounts of investment. Unlike in earlier years, it was decided that the best policy was to find external funding. The World Bank, seeing the country's sudden growth in wealth, was more than willing to finance such plans, believing that there was a near inexhaustible source of revenue within the country. It therefore had little genuine concern for loan repayment. This was a period of domestic history that could be called the 'Saudi' Venezuela: characterised by big plans, excess money circulating in the market, big contracts, and an increasingly large debt. In retrospect, it was also a time of great self-sufficiency where losses were unthinkable in business. Venezuela was surrounded by an aura of not only newfound wealth, but also an uncontrolled and explosive growth. Large oil revenues seemed endless. Venezuela was the envy of the region.

However, the big planners were wrong. The World Bank was misguided, too. A great opportunity to really invest the proceeds from oil was lost, and the slow but steady path the country had taken towards development was also lost. Oil prices began to decline and almost hit \$40 a barrel. The large projects continued to soak up large amounts of investment and loans became harder to pay under the contracted terms. A few years later, in 1979, when oil prices again fell to levels that were unable to facilitate the servicing of the debts, Venezuela's miniscule external borrowings of the past had bloated to over \$30 billion (USD).

The problem, however, was less the amount owed, and much more related to the country's ability to pay. Moreover, many of the major projects were in the initial stages, and the state lacked the necessary resources to adequately meet its commitments and ensure that they continued. The road thereafter was full of serious obstacles and setbacks.

DEBT, DEVALUATION AND THE ATTEMPTED COUP

Subsequent governments have had little choice but to devote a substantial portion of the national budget to honour the external debt. This, among other things, made the focus on priority areas of national development more difficult. During the presidency of Luis Herrera Campins (COPEI, 1979-1984), which followed that of Carlos Andres Perez (AD), the infamous Black Friday occurred,

during which there was a sharp devaluation of the national currency. This was something that had not happened for many years, for the rate was then \$1US to 4.30 Bolivares (Bs.). In fact, the historical strength of the currency had exacerbated high production costs, and this was actually one of the major obstacles for the competitiveness of Venezuelan exports. The government of Luis Herrera was followed by that of Jaime Lusinchi (AD), the latter dogged by serious allegations of corruption. The President famously stated: 'I have a jar full of resources'. Then came the second government of Carlos Andrés Pérez (CAP) (1989-1993).

The events during his term in office were the sparks that ignited the Venezuela of today. It is impossible to understand the government of Hugo Chávez without taking into account the second presidency of Carlos Andrés Pérez. He came to power with a campaign that was not as spectacular as his first, but people thought he would bring back the conditions of Venezuela during the period 1974-79.

The CAP administration formed a cabinet of technocrats, among them Miguel Rodríguez, Ricardo Hausmann, Moises Naim, and attempted to implement a policy of fiscal austerity to deal with the economic situation. However there was a high social cost. At the same time, Pérez tried to remove untouchability taboos in one of the most sensitive aspects of the Venezuelan economy: gasoline prices. Specifically, he decided to increase them, relying on the widespread popularity he enjoyed his early days as head of state. It is interesting to note that both Gabriel García Márquez and Fidel Castro were among the special guests his inauguration.

So, what happened? Caracas faced an unprecedented, un-orchestrated and spontaneous social explosion. Rising gasoline prices led to an almost immediate increase in public transport fares, the cost of foodstuffs, and in all areas of economic activity that were directly or indirectly related to gasoline. What nobody imagined was that this event would bring the revolt that subsequently followed. It was a time when anyone with a plan and a desire for power could have easily gained control of the reins of power. Several academic analyses pondered on what would happen if the slum areas took the city neighbourhoods by force, and that was literally what happened. Caracas simply became ungovernable. Assaults, vandalism, and looting were the symptoms of the explosion of a people whose limits of endurance could

stretch no more. At the same time, police and military repression and excesses led to an appalling loss of life.

Among the most damaging consequences of this drama was that a recently elected government was placed in a weakened position that paralysed its ability to implement the necessary economic adjustment policies.

Then came 1992 and the famous 4th February. This date will go down the annals of Venezuelan history: as both a marker of the last decade of the twentieth century; and also as a key to unlock the meaning of what is happening today. If we reflect a little on the phrase 'what would have happened if ...?', we might consider that if there had not been a February 4th and the three minutes of televised coverage the government afforded Chávez (which he wisely used to create a strong social impact), it may be quite possible that Hugo Chávez would never have come to rule the destiny of the country. The failed coup attempt instigated by Chávez ended with his imprisonment, but also an increasingly weakened government.

Furthermore, February 4th would bring an unexpected change in Venezuela's political landscape: the resurgence and momentum towards a revitalized - albeit temporary - leadership of one of the two great pillars of Venezuelan political life in the twentieth century and the beginning of a strong and unabated fall in other leaders of the political firmament. Rafael Caldera gave an address during those difficult days, where he scathingly criticised, not the coup but a democracy of want and hunger. With renewed vigour, he entered the fight for the upcoming electoral contest, which he won in December 1993.

THE POLITICAL RISE OF HUGO CHÁVEZ

After both the failed coup of February 4th 1992 and a subsequent failed attempt on the following November 27th, the government of Carlos Andres Perez ended up losing the little political capital that remained. In the face of claims of misuse of public funds to support the government of Violeta Chamorro in Nicaragua, and with unbearable political pressure, Pérez was forced to resign with just six months left of his term of office.

Much has been said about this event and its consequences. One can speculate as to whether the country would have continued along its traditional course. The truth is that the CAP resigned and

Ramón J. Velásquez was elected to serve the remainder of the Presidential term of office.

In December 1993, Rafael Caldera was elected after a close race and thanks to the support of the so-called 'Chiripero', a mix of diverse and antagonistic political forces. The percentage gap between the winner and his two closest opponents was no more than 3 per cent. The second term of the Caldera government was extremely controversial. It is today still difficult to comprehend the full impact of that administration, and more time will need to pass before it is possible to have the perspective to do so.

Nonetheless, what appears to be the general consensus is that it led to the rise of Hugo Chávez five years later. Three specific events happened during the Caldera era which were independent of his economic management and policies:

- a national banking crisis that led to the closure of several banks, among them the second most powerful bank in the country and with it the savings of a substantial number of Venezuelans;
- the dismissal of the case against Chávez for the events of February 4th, 1992 which led to his freedom, his ability to fully exercise his political rights, and his eligibility for the post of President of the Republic; and
- the collapse of oil prices in the final year of the Caldera administration.

Beyond this, there were also other factors on the political scene, which, in 1998, were pivotal in the electoral game. Irene Sáez appeared as a new COPEI candidate, Luis Alfaro Uceró represented the Democratic Action Party (AD), Henrique Salas Römer represented Project Venezuela and Chávez himself was also a candidate supported by the MAS and other leftist groups. One would have expected that the organisations would continue to support these candidates up to the date of the elections, but that was not the case.

History, in other words, gave some unexpected turns. The strong initial advantage that Irene Sáez enjoyed began to rapidly evaporate after April 1998. The candidacy of the AD party that represented everything that at that time was rejected by the majority of the population, never offered a real alternative to

power. Salas Römer, COPEI's former leader, was gradually gaining the support of his former party colleagues who rejected the atypical candidacy of Sáez. Given the increasingly rapid advance of Hugo Chávez in the polls, both COPEI and AD decided to rescind their applications shortly before the elections and support the candidate for the Venezuela Project. The result was the undisputed triumph of Chávez and the pathetic defeat of the two larger parties.

Many factors explain the victory of Hugo Chávez. One was the electorate's exhaustion and disillusionment with the so-called 'systemic' parties. Another was the equivocal, unclear and contradictory electoral campaign that did not really involve the party memberships. A third reason was undoubtedly the media support that Hugo Chávez received during the second half of the campaign.

A FUNDAMENTAL BREAK

So, what happened thereafter in Venezuela? The answer to this question is nothing short of a fundamental break with the policies that were in place for much of the twentieth century.

Between the fall of the dictatorship in 1958 and 1998 Venezuela was governed by a presidential democratic system where political parties alternated in the exercise of power. An imperfect representative democracy prevailed and there was a tacit agreement that the executive committees of both Houses of Parliament would be composed of all parties.

Political conflicts and problems of state were settled by negotiation. The recourse to other means was unthinkable if they were not founded upon the democratic framework. It was in deference to these democratic rules of the game that Carlos Andrés Pérez was forced to leave office before his term had ended. Dialogue and negotiation were the *sine qua non* for the daily exercise of democracy.

This is not the case today. The parameters of the new political scenario are different. The rules of the game have changed. The checks and balances of previous years that were indispensable to keep a degree of equilibrium in the system have been weakened. Although political parties continued to exist, the new government changed the rules by which they operate. Presidentialism was replaced with authoritarianism, and negotiation and dialogue were replaced by the orders from the centre. The separation and independence of powers, vital oxygen for a democratic regime and

necessary for the rule of law have been weakened, shaken, and subordinated to just one of the powers: that of the executive.

What came to exist could partly be termed a democracy similar to that which existed in Mexico in the years before the election of Vicente Fox. For years, the country was under what Mario Vargas Llosa called the 'Perfect Dictatorship'. It was the country of the 'as if it were a democracy', being in reality a dictatorship of one party that controlled the whole system of government. The case of Venezuela, however, exhibits fundamental differences. In fact, the core difference between the Venezuela of today and other Latin American countries is the revolutionary project of the government, which has sought to change, not just certain policies, but the entire way of life, including societal values, and the norms of conduct underpinning social, economic and political life. It has sought to reshape the cultural system itself, or, in the broadest sense, the country's very foundations. At the same time, this has also led to a fundamental change in foreign policy.

If different values become central to policy, then national interests and international agendas will also change: strategic alliances, the search for like-minded countries, the focus of international cooperation, a new concept of development (and how it should be implemented), as well as the notion of geopolitical balance all become issues that take a radical turn.

Now, if that is what happens when there is a fundamental change in what the role of the state is perceived to be – along with the means by which the common good will be achieved - the international community will also necessarily change its view of Venezuela. As such, countries that previously trusted the country now regard it with suspicion, and vice versa. The positions previously held and defended in international forums will no longer hold if they clash with the new project, and therefore allies will change. This is the new reality.

THE CRISIS IN CONTEMPORARY VENEZUELA

So, the country's crisis does not only manifest itself in the internal political confrontation. There are many problems. The economy is deteriorating. Industry – primarily oil – is in a state of intensive care. The value of currency is depreciating rapidly. Foreign exchange reserves are in decline, and their true level is actually unknown. Inflation is among the highest in the world.

Consequently, we can assert with some confidence that the crisis is multifaceted. And next to this internal crisis, we have the external, which is manifested in: increasing diplomatic isolation within the region; political tension with our major trading partners; an increased perception of the country as a sanctuary for terrorist groups; and reluctance of foreigners to invest in Venezuela because the country is not seen as either attractive or reliable.

The government of Hugo Chávez that commenced in February 1999 and ended with his death in early 2013 was based on some fundamental and distinctive characteristics. First, there was his personal charisma. There is no doubt that Chávez was a telluric phenomenon, who was able to speak to the masses in language that the people understood. He established a very strong bond between himself, the leader, and the followers, his people, irrespective of his inability to keep his promises. Second, and related, his government was a government based on unfulfilled promises of populist nature, Chávez symbolized the break with an existing political model that had run its course, but he did not offer a fresh alternative to the traditional bi-partidism, but a government in which the concentration of power rested solely in the hands of the Head of the nation. The disillusionment with the traditional political establishment was a fertile ground for discontent and for Chávez to offer hope.

Chávez's government enjoyed the greatest income in the national treasury thanks to the meteoric rise of oil prices. This was squandered as he built a *personalistic* and continental leadership that was based on an ambiguous and utopian 'Twenty-First Century Socialism'. Several 'missions' were launched: the 'housing mission' to provide homes to the most marginalised; the '*Barrio Adentro*' mission that sought in theory to provide health care to the farthest corners of the country. Those - the most iconic - and others maintained the hope and loyalty of half of the population for fourteen years. Yet they did not address the country's fundamental economic problems, and at best were palliatives with an ephemeral glow.

Hugo Chávez also sought to lay the blame for the economic and social crisis at the feet of the entrepreneurial class, the economically solvent, and a large part of the middle class. He used a consistent policy of confrontation with this group, blaming on it all of the country's ills, and identifying it as the enemy to be defeated by the wider population. This political provocation, rivalry, and polarization divided the country into two irreconcilable halves. It

was a consistent policy that brought electoral dividends to Chávez personally, but it also turned Venezuela into an unrecognizable country in which there was an end to relative political and social peace and understanding.

One of the most important characteristics of his government was the connection to the Cuban government and to Fidel Castro in particular. The latter was a filial relationship. For Chávez, Cuba is, the 'sea of happiness', the ultimate socialist utopia, and the desideratum that epitomized the virtues of the 'new' man. It mattered little that Cuba was an anachronism in the international arena, a dying dinosaur that on the political front has just managed to survive in recent years, and that thanks largely to a Venezuela that pays homage and gives free resources and money.

This relationship was a kind of symbiosis. For Chávez, separating Cuba from Venezuela or considering it a different territorial political space was unthinkable. Castro and Chávez were of one mind. The gauntlet of tropicalized socialism was passed to the disciple whose diffuse ideology and form of government was more like military authoritarianism. Just before his death, Chávez publicly named Nicolas Maduro as his successor. The latter won the April 2013 elections amid highly controversial results, de to the control of the electoral body and the Supreme Court of Justice by the government

MADURO'S INHERITANCE

This was a government in which the separation of powers - a prerequisite for democracy - was non-existent. The National Electoral Council is today fully under the control of the Executive, and the judges of the Supreme Court are handpicked. Democracy is mere rhetoric. This is the country that Nicolas Maduro has inherited. However, he does not share the strength of Chávez's histrionic gifts, his charisma, nor his special union with the grassroots. His only claim was that he had the blessing of Fidel and Raúl Castro, and that he was a staunch supporter of a largely out-dated political model.

Add to all of this the dwindling of the great petroleum dollars that have been thoughtlessly wasted with very little in the country's infrastructure to show for it. There is also the growing discontent of the masses over the unfulfilled promises made almost fifteen years ago. The new president used the first six months in

office to try to identify himself publicly as the true heir to his predecessor, Chávez. In recent months he has had to face an economic, political and social crisis that not even the high oil prices on the global market have been able to quell. What is more, he faces internal conflicts and rifts within the ruling party, the PSUV.

Venezuela is now a country with food shortages that can no longer be disguised. There is excessive insecurity with more than 25,000 violent deaths per annum. There is total helplessness exhibited by those who profess a different creed from the ruling political regime before the courts, along with the open persecution of democratic dissent.

President Nicolas Maduro employs an aggressive approach that can only lead to confrontation in a polarized and divided country. While apparently having recourse to the Constitution, he adopts a confrontational approach that has ending up undermining the already weakened support for the government.

The university students are spearheading the social movement. More adherents are joining the political leadership: Maria Corina Machado, Leopoldo López (currently imprisoned for exercising his constitutional right to protest) and Antonio Ledezma, long-time political leader in Venezuela. The so-called Table of Democratic Unity - or *Mesa de Unidad Democrática* (MUD) - along with the main opposition leader, Henrique Capriles, have gradually have been giving way to this much wider social movement, which is in turn increasingly uniting and permeating all layers of society. As a consequence, it is thereby placing the Maduro government in a position that may be difficult to sustain in the long term if violence and threats are used as deterrents.

Given the current geopolitical context, we could say that the country's present state is unsustainable. Any solution inevitably will require a change in its executive. Why is this so? One essential element in politics that is needed for a country's development is trust. A second element that is vital for government policy is legitimacy. And a third, the very essence of democracy, is genuine rule of law.

What builds trust? It is not something that you can touch with your fingers, but it does have to be based on tangibles, such as political stability, continuity of projects, clear rules of economic engagement, respect for freedoms, and support for free enterprise, real domestic and foreign investment incentives. Trust is very easy to lose and difficult to regain.

Legitimacy embodies more than the formal electoral requirements that led to the assumption of power at a particular historic moment. Above all, it necessitates coherence and continuity in the principles upon which the head was elected and respect for the principles contained in the Constitution of the Nation.

Genuine rule of law presupposes actual separation and independence of powers. If it does not exist, you can talk about anything but the free exercise of individual rights and a democratic regime.

These three elements are being methodically desecrated in Venezuela today. This is the crisis in which Venezuela is immersed. Therefore, any improved future is inextricably linked to their restoration.

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