FORUM

Venezuela: A Crisis Three Years in the Making

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Abstract: For the past few months, Venezuela has witnessed intense protests against the rule of President Nicolás Maduro by the opposition. In this article, I provide context for the protest movement, particularly its root causes. I explain that the students currently in the streets of Venezuela are too young to remember the opposition’s past failures. I also link the current wave to the last three years of Venezuela’s history, a period that witnessed a dying President, a rapidly deteriorating economy, a sharp rise in crime, and the curtailment of civil liberties.

Keywords: Venezuela, Populism, Chávez, Social Movements, Protests, Human Rights

For the past few years, Venezuela had been living through a long-simmering political crisis. The Bolivarian Revolution seemed firmly in control, but a large part of the population disagreed with its policies and its ideology. Instead of taking to the streets to vent their anger, these forces had chosen to use electoral politics as their weapon, and they had, for the most part, been unsuccessful.

Through it all, President Hugo Chávez remained firmly in command as his government rode a commodities boom, and his opponents were demoralized and were left looking for answers. The cracks in this stalemate, however, began to appear on June 30th, 2011, when the president announced to a stunned nation that he was suffering from cancer.
Chávez, of course, did not last another two years, a period during which he was rarely seen in public. Although he managed to win re-election yet again in spite of limited campaigning, the date of his announcement roughly tracks the beginning of the end of Venezuela’s economic mirage and, with it, its political truce. Finally, a little over a month ago, the crisis exploded.

THE PROTESTS

Venezuela’s students, along with its opposition leaders, took to the streets on February 12th to demand changes from the government led by President Nicolás Maduro, Chávez’s appointed successor. The nationwide protests ended with bloodshed, which in turn sparked a wave of violent protests and barricades, leaving dozens dead, hundreds wounded, and more than a thousand people detained. Both the government and the opposition accuse each other of responsibility for – and complicity in - the violence. The opposition claims most of the violence is perpetrated by government paramilitaries and the Bolivarian National Guard, while the government alleges that the opposition is responsible for arson, and that their barricades have caused the deaths of several people.¹

Until recently, the protests were relatively constrained. They were concentrated primarily in the western bastions of San Cristóbal and Mérida, two medium-sized cities that sit high in the Andes, close to the border with Colombia. However, after the February 12th killings, they quickly spread all over the country – from Ciudad Guayana in the East, to Maracaibo, in the Far West.

Protesters are not always peaceful. The government claims that barricades have prevented people from getting to hospitals, and several National Guard members have been shot dead in unclear circumstances. However, the bulk of the violence has been suffered by the opposition, as witnessed by the many accounts of excessive use of force and even torture.²

Students have been protesting against the government for several months. The causes are numerous: Venezuela is suffering rampant crime, soaring inflation, and record-setting shortages of basic staples. A new ‘Law of Fair Prices’ sets a maximum profit rate of 30 percent for all goods and services and imposes a penalty of immediate expropriation for all companies failing to comply. Needless to say, this will only aggravate the shortages, as firms will likely cut down on their investments and/or choose to restrict their
presence in the country in order to avoid having to deal with the severe regulations.

Interestingly, the protests have not only expressed discontent with the government; they have also shone a spotlight on the conflicts bubbling away within the opposition. Henrique Capriles, the former opposition presidential candidate and purported leader, has been lukewarm in his support of the protests, and has clearly shunned the ‘barricade’ movement. The protest’s main organizers, legislator María Corina Machado and the leader of opposition party Voluntad Popular, Leopoldo López, are widely viewed as the main rivals to Capriles’s leadership, and in fact they competed – and lost - against Capriles in a 2012 primary to pick the opposition’s unity presidential candidate.

However, at the time of writing, López was now in jail, and Machado may soon follow. The government has stepped up its persecution of other political figures, including recently-elected opposition mayors, but it has not yet gone after Capriles. In spite of their differences, Machado, López, Capriles, and the rest of the opposition have shown restraint in their public comments. This does not quite mask the fact that there are deep divisions on how they should respond to a rapidly deteriorating economic and political climate. While López and Machado favor a more confrontational approach with the government, Capriles is striking a more moderate tone, keeping the doors open to dialogue and hoping to keep the focus on what they perceive to be the government’s unimpressive track record in issues such as crime and the cost of living.

The media has done its best to look away from the protests or to shed them in a negative light. Most TV and radio channels are either owned by the government, owned by business people linked to the government, or they practice self-censorship. Reporters claiming to be from some of these outlets even have anonymous Twitter accounts that enable them to skirt corporate guidelines on what can be reported.

As for newspapers, many continue to take editorial lines against the government, but now the administration is retaliating by refusing to provide them with foreign currency with which to import paper. Many newspapers have stopped circulating, while some of the most influential ones are warning that they might be shut down at any moment. Meanwhile, Maduro has hinted of impending new rules that will regulate newspaper ownership and content.
As in many places around the world, social media has largely done the job that traditional media has either been unable or unwilling to do. Pictures of beaten-up students circulate on Twitter and Facebook, and apps such as Zello have played an important role in helping to organize the tactics of the different groups. Social media has also been instrumental in carrying the story of military detentions.

TOO YOUNG TO REMEMBER PAST FAILURES, YET TOO OLD TO NOT DO ANYTHING

The failure to effect change in the last few years has left a bitter taste in the mouths of many in the opposition. The general feeling among opposition leaders and activists was that protesting against an apparently authoritarian government with a large petro-checkbook accomplishes little to nothing.

If this is the case, why are they taking the streets now? What has changed to make young people rebel against the government at this point in time? The answer can be found in the country’s rapidly changing demographics.

Many of the nation’s young, educated people want to leave Venezuela, a depressingly common theme among their age group. The nation’s middle-class young people are tired of enduring one of the world’s highest inflation rates, highest murder rates, scarcity of basic staples like toilet paper, and the near certainty that things are going to get worse before they get better. For instance, the Associated Press recently reported on Venezuelans camping on the sidewalk to get information about emigrating to Ireland. Of course, these are only a subsector of Venezuela’s demography. But they are also the most highly educated of the country’s under-30s.

Those with graduate degrees from overseas institutions and English skills are certainly lucky, but they are a relative minority. Most others—particularly those under 25—are not quite so lucky. These are the youths currently protesting and burning tyres in the streets of Venezuela’s major cities. They are mostly middle-class high-school and college students. They have seldom ventured into the streets, and they reject the path Venezuela is taking. Their objectives are hazy, ranging from an end to rampant crime to the resignation of the president (who, in turn, calls them ‘fascists’).

Mostly, these young people are desperate. They see a dark future ahead: one in which Venezuela’s slow slide into a Cuban-style autocracy accelerates and is finally realized in its entirety. It is
not clear how long their protests will continue, but they have vowed to stay on the streets. In a remarkable act of defiance, they have continued to protest throughout the country, even after President Maduro supposedly ‘banned’ all protests. This ‘ban’, apparently decided on a whim and not really enforced, highlights the absurd contradictions of a government that appears to have lost both its propaganda skill and its compass.

Maduro has launched a government ‘program of peace and tolerance’, during which he denounced the protestors as ‘Chucky fascists,’ after a doll in the 1980s horror movie ‘Child’s Play,’ which is particularly popular in Venezuela. Since then, he has hosted several ‘peace’ conferences, but not a single member of the opposition has been present. Typically, all TV and radio stations in the country are forced to broadcast these peace conferences. Yet this takes place as the National Guard attacks peaceful demonstrators with tear gas.

The government’s tone throughout the crisis has been defiant, with a heavy dose of Orwellian doublespeak. For example, it has appointed a ‘truth’ commission to investigate recent events, but this was made up exclusively of Chavista legislators. The second most powerful man in the country heads the commission: National Assembly President, Diosdado Cabello. The government claims protestors want ‘a coup’, and that they are in turn defending ‘democracy’, all while forcing a Colombian news channel, NTN24, off the cable grid for providing too much coverage of the protests and the ensuing violence. They have also interfered with Twitter and broadband internet service in the country.

The use of such language has left the opposition increasingly frustrated. The government claims the scarcity and inflation which are generated by its own economic policies are somehow the consequence of an ‘economic war’ engineered by the opposition. The president claims that his predecessor died of cancer because his enemies—namely, the US—‘inoculated’ him with the disease. These two examples underscore the genuine feeling among protesters that the government’s leaders have a shaky grasp on reality.

Today’s protesters were too young to be fighting the government in 2002, when massive street protests led to Chávez’s brief toppling. They have not lived through the disappointment experienced by their parents and relatives back then. This poses some serious challenges; though the protests have been spirited, they are also unfocused. While most protesters want the Maduro
government to go away, they have no clear vision of how to accomplish that. They do not believe fair elections can take place in Venezuela, since the government has a tight grip on all public institutions, and yet they also claim that they do not want a ‘coup’. The startling lack of organization in the protest movement is the main reason people such as Capriles remain skeptical of it.

The other difference between now and 2002 is that protesters are confronting a much more heavily armed and less restrained government. Unlike before, the Venezuelan government is now willing to confront protesters with armed gangs similar to Iran’s Basij militia, which played a prominent role in quashing the protests there in 2009.

The protest movement consequently faces enormous obstacles, both internal and external, so its staying power is dubious at best. Regardless, Venezuelans appear determined to resolve their disputes in the country’s streets, a telling sign of a sick political system.

IN THE END, IT’S ABOUT THE ECONOMY

Nicolás Maduro recently published a striking decree: the ‘Organic Law of Fair Prices’. Written without the consent of the legislature thanks to the extensive executive powers recently granted to him under, it must be said, dubious circumstances, the bill makes clear that doing business in Venezuela is a hazardous endeavor, and not just because of the country’s soaring crime rates.

After a bland introduction in which it claims to seek ‘greater political efficacy and revolutionary quality in the construction of socialism’ (sic), the bill quickly gets to the point. The first thing that jumps out is its claim to protect the incomes of all citizens, by setting maximum profits for everything.

Everyone the bill applies to (people or corporations, foreign or domestic, who do business in Venezuela) must submit all relevant information (costs, prices, production processes, etc.) that the government requires in order to set prices and margins.

The main regulatory arm of this mammoth law is the National Superintendence for the Defence of Socio-Economic Rights, known by its Spanish acronym of SUNDDE. Putting aside the fact that its enormous task will require tens of thousands of employees, the very name spells out just how the government views private businesses: as something people need to be ‘defended’ from. The gist of the law is precisely what it says: everyone must submit their
costs so that the government can set their margins and their prices. Everyone can be audited at any point in time. The maximum margin allowed is 30 per cent of costs.

How will the government determine what counts as a cost? The law is purposefully vague about this. For example, suppose you are an international airline operating in Venezuela\textsuperscript{23}. What is your cost of production? Should you bill the cost of the plane? How do you account for depreciation? What about currency risk? Or say you are a novelist. What is the cost of writing your book? Suppose you are doing research on a new anti-malarial drug: how could you account for your costs under the current law?

It does not seem to matter. The government will decide what your costs are, and only allow you to set prices up to a maximum of 30 per cent above that. The bill explicitly threatens everyone who fails to comply with the law with expropriation without compensation. In fact, it raises the specter of expropriation in the very first pages of the bill; even before it is outlined what the bill requires people to do. Most menacingly, the bill threatens companies or people who are found to be non-compliant with all sorts of sanctions, including a ban on engaging in economic activities for up to ten years. Those selling at prices higher than the ones set by the government face jail sentences of eight to ten years. If you are found to be ‘hoarding,’ you also face stiff jail sentences. Indeed, the government has already begun jailing businessmen,\textsuperscript{24} even though the law just came into force.

The bill is also full of non-sequiturs. For example, after outlining an enormous regulatory burden for companies, the bill says it is guided by a principle of administrative ‘simplicity,’ and that all paperwork must be kept to a minimum. It also claims to be regulating prices, margins, and costs, all without acknowledging that if you control costs and margins, you are automatically setting the price. The effect of this bill is clear: entrepreneurship in Venezuela is now an illegal activity. The basic freedoms that should guide any society - freedom to innovate, private property, even the right to a fair trial - have essentially been taken away. Everyone, from lowly street vendors to the executives of multinational corporations, runs the risk of landing in a Venezuelan jail if a government bureaucrat thinks they are charging too much for a product that they are selling.

Of course, the probable outcome is that the law will only be very selectively applied, and that the bureaucrats let businesses off the hook in exchange for paybacks. But this hardly seems like an
enticing environment in which to do business. The law itself has not caused Venezuela’s economic crisis, but it has convinced business leaders and the opposition at large that the problems will only get worse.

Venezuela’s economic problems are partly a direct consequence of Chávez’s policies in the oil industry. A combination of lack of maintenance in local refining facilities, together with a policy of giving away gasoline for free means that Venezuela now imports millions of dollars in refined products from the United States at market prices. Furthermore, a shift in Venezuela’s customer base has negatively affected its balance sheet.

Years ago, Chávez decided to sell less oil to the United States and more oil to emerging economies such as China and India. Venezuela is now a close-to-marginal supplier of crude to the United States, and sales of oil to India and China have surged. This shift has come at a cost: sales to China are used to pay for generous Chinese loans, and sales to India are affected by large shipping costs. According to the local oil consultancy Subaeshi, the shift in markets meant foregone revenues for Venezuela of an estimated $9 billion in 2012, or 3 per cent of its GDP.

The expectations of economic agents are that Venezuela’s model is unsustainable. That is why most of the dollars sold at the official rate end up in the surging black market – and are not used to import the things the country requires. The combination of revenues that do not grow, unsustainable subsidies, a thriving black market, and immense corruption, all conspire to keep the store shelves barren.

CRIME RATES MAKING LIFE UNBEARABLE

Mónica Spear seemed to have it all. A former Miss Venezuela, she was beautiful and talented, and her career as a soap-opera actress was on the rise. A few years ago, she left Venezuela looking for broader horizons, fleeing the crime wave sweeping the nation. She returned home for the holidays and spent the first days of 2014 crisscrossing the country with her British husband and five-year-old daughter, all while faithfully uploading pictures of her trip onto Twitter.

On Monday, January 6th, Spear’s car broke down on the highway near the central city of Puerto Cabello. As they waited to be towed, the family was approached by a group of armed thugs. The details are sketchy, but in the end, she and her husband were gunned
down and senselessly murdered. Their daughter was wounded, but survived. While several people have been jailed, the crime has yet to be solved.

Spear’s horrific story is part of a broader trend. Venezuela has become one of the most dangerous countries on Earth. The Venezuelan NGO Observatorio Venezolano de Violencia (OVV) estimates that, in 2013, there were 24,763 murders, up from 21,600 a year earlier; a murder rate of 79 per 100,000 inhabitants. By way of comparison, the rate in Mexico last year was 22 per 100,000 people. Tellingly, the government does not publish reliable murder statistics, and even these horrifying numbers from the OVV are heavily disputed. Perhaps the worst aspect of this problem is that it is only getting worse. In 1998, before Hugo Chávez first took office, there were 19 murders per 100,000 inhabitants. Back then, Venezuela was dangerous, but only slightly more so than the average Latin America country, and certainly less dangerous than places like neighboring Colombia was at the time. Yet last year, Colombia’s murder rate was 50 percent lower than that of Venezuela.

There are numerous explanations for why Venezuela has become so dangerous. To begin, the country is awash with guns. The problem, though, is less the absolute number of weapons, and more a question of who owns them. No matter where you stand on the gun control issue, even the most conservative, gun-loving person in the world would have to agree that irresponsible gun ownership and complete lawlessness is a dangerous combination. Many Venezuelans who own guns are engaged in drug smuggling, gasoline smuggling, and other sorts of black market activities; a fact that only highlights the complete breakdown of law and order. The police force, if at all present, is simply there to be bribed.

The problem is compounded in the justice system. According to the Organization of American States, Venezuela has far fewer prosecutors - 2.47 per every 100,000 inhabitants - than a country of its size requires. It also has only 6.86 judges per 100,000 inhabitants, far fewer than it should have, and way below the norm on the continent. In comparison, Chile, a less violent country, has 50.41 judges per 100,000 inhabitants. And the few judges that the country does have face enormous pressures to keep people out of jail, since Venezuela has one of the most overcrowded, and hence violent, prison systems in the world. The result is that the justice system has simply stopped working. That is why roughly six
out of every ten crimes goes unreported. It is also why few of the crimes prosecuted end in a conviction. In spite of this tragedy, not all Venezuelans accuse the government of being soft on crime. A recent opinion poll by the local firm IVAD showed that while roughly 60 percent of Venezuelans blame the government for the country's electricity crisis, only half of them blame it for the crime wave. The country has recently renewed efforts to promote tourism. In one of the saddest ironies of the Spear saga, Ms. Spear’s late husband was involved in promoting sustainable tourism in the country through his ownership of a local travel agency.

THE INTERNATIONAL IMPLICATIONS

It is undeniably tempting to draw comparisons between the situation in Venezuela and those which are unfolding in Ukraine or Thailand. However, there are sharp differences. Venezuelans have experienced fifteen years of Chavismo, a period that has regularly witnessed mass street protests. Most of them focused on the late Hugo Chávez himself. In 2002, protesters demanded that he resign, and this led to a short-lived coup; in 2007, they wanted him to reopen a TV station that he had seen its broadcast license expire. The crowds lost in both cases, while Chávez survived. And while tensions in places such as Ukraine and Thailand have clear ethnic and/or geographical components, the divide in Venezuela is not cut along those lines.

Venezuelan polarization is so sharp, in fact, that people in the same city – sometimes even in the same neighborhood – do not have anything in common anymore. There are strong opposition protests in all of Venezuela’s major cities, and both rich and poor neighborhoods boast both a sizeable opposition presence and a massive Chavista one. There is precious little common ground between these two sides. Sadly, though, the international community can do little to prevent the conflict from escalating. Both sides appear to want further confrontation, and neither one has shown an honest willingness to engage the other.

The countries in the hemisphere, particularly those in the Caribbean basin, are widely seen as bowing to the pressures of Venezuela's heavy-handed oil diplomacy. With few exceptions, the opposition in the country sees few honest brokers or reliable partners elsewhere in the region. In fact, one of the few remaining consensuses in the opposition movement is that the cheap oil
programs for the Latin American and Caribbean region must be indefinitely suspended, and that Venezuelan claims in the Essequibo region in Guyana must be reactivated.

Venezuela’s protest movement is splintered, determined, and unwilling to bend. Its government is under siege, and it too does everything it can to escalate the conflict and ‘crush’ its opponents. Caught in the middle, a large swath of the population waits for a solution to their everyday problems, one that seems impossibly out of reach at the moment. And while the protests may well die down at some point in the near future, the political crisis will continue as long as the government insists on imposing a radical agenda that a large portion of the population simply does not want.

NOTES ON CONTRIBUTOR

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NOTES


2 While these are allegations and have not yet been proven, the allegations are serious enough to warrant an investigation according to the United Nations Office of the High Commissioner for Human Rights. See the press release from the OHCHR dated March 6 2014, available at http://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=14318&LangID=E

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