

ENDGAME IN VENEZUELA

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Dictatorship or re-democratization?

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DICTATORSHIP OR RE-DEMOCRATIZATION?



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- The political struggle between the Venezuelan opposition and government has reached its endgame. Unlike before, the opposition now stands united behind a civil resistance campaign.
- Deeply unpopular, President Nicolás Maduro can only remain in power by establishing a full-fledged dictatorship. To this end, he is escalating repression and expanding his coercive powers by setting up new paramilitary forces.
- The international community could help prevent such a scenario by increasing pressure on the regime to accept talks with the opposition for a power-sharing agreement. Using a careful ‘wedging approach’, the splits now surfacing within the regime could provide an opening for a negotiated re-democratization.
- For re-democratization to take root, the interests of the armed forces and *Chavistas* currently enjoying an entrenched position in the Venezuelan state will need to be protected to some extent.

The endgame unfolding

Venezuela is being rocked by nationwide protests organized by the opposition coalition, Mesa de la Unidad Democrática (MUD), against the government led by President Nicolás Maduro. While the Partido Socialista Unido de Venezuela (PSUV) government has responded with a violent crackdown on protesters, with at least 67 people killed in protest-related violence (as of June 8), the demonstrations that began in April do not seem to be tapering off. Unlike earlier waves of protest, which have been driven by a small faction of the opposition, the MUD now stands united behind the demonstrations, as does the influential Venezuelan Bishops' Conference, representing the Catholic Church. The government having closed down all parliamentary avenues for the opposition to exercise power, it is likely that the MUD's civil resistance campaign has passed the point of no return and that the crisis in Venezuela has reached its endgame.

How this endgame unfolds will depend on the cohesiveness of the opposition and the government, respectively, as well as the actions taken by the armed forces and the international community. A first scenario is for President Maduro to remain in power through full-scale repression of political dissent. This would mean a descent into a Cuban-style dictatorship with further deteriorating living standards and a mass outflow of Venezuelans across the Americas. A second scenario is for the military to oust Maduro, either through an internal coup or a rebellion in the army. While this could pave the way for democratic restoration, such an outcome is highly uncertain. Senior military officers benefit disproportionately from the current state of affairs and if they decide to oust Maduro through a putsch, it will probably be because they perceive him as too weak to defend the status quo. A rebellion by middle- and lower-ranking members of the armed forces, who have not directly benefited from the current regime, is more likely to eventually produce some form of re-democratization. However, the presence of a large number of die-hard *Chavista* paramilitary groups, who remain loyal to Maduro, makes this a precarious scenario.

The international community should work towards a third scenario, re-democratization through negotiations between the opposition and the government. This means pushing for a power-sharing

agreement that would re-establish the effective legislative powers attained by the opposition in the 2015 parliamentary elections, together with credible guarantees that current regime leaders will not be persecuted if they lose the 2018 presidential elections. Having gained an entrenched position in the Venezuelan state during the *Chavista* era, the armed forces will also want guarantees of being able to retain their internal autonomy, while returning to the barracks. Amendments to the current constitution, lowering the power stakes by establishing a system of strong checks and balances between different state branches, together with special guarantees for protecting the rights of political minorities, need to be made. While radicals in both political camps will surely resist a negotiated compromise, the international community should work towards supporting moderates willing to negotiate a power-sharing agreement in earnest. That may include crafting a 'wedging approach', designed to punish hard-liners and reward soft-liners within the ruling regime, and through that strengthen incentives for negotiating compromises with the more moderate elements of the opposition.

What follows in this Briefing paper is a brief analysis of the character of Venezuela's current political crisis and of President Maduro's strategy for political survival, together with a discussion on what the international community can do to facilitate re-democratization.

Venezuela's fall

Venezuela is in free fall – economically, socially and politically. According to the Economist Intelligence Unit, last year its GDP contracted by 14 per cent and inflation exceeded 500 per cent. In 2017, GDP is expected to shrink by another 5.5 per cent and inflation to accelerate further. The budget deficit has ballooned in recent years and is forecast to stand at 19.6 per cent of GDP in 2017. This huge deficit is being financed by printing money. Given the thin international reserve cushion, shrinking to a meagre US\$10.988 billion by the end of 2016, and the rapid rate by which the reserves are being depleted, there is an imminent risk of a sovereign default.

The social consequences of this rapidly deteriorating situation are acute. The poverty rate had increased to 82 per cent of the population by the beginning of

2016.¹ Food shortages are widespread and there is a dire shortage of medicines and medical supplies. The hospital system is crumbling, with the result that infant mortality has risen dramatically and the control of epidemic diseases is failing. Violent crime has become a massive problem and Venezuela now has the second highest homicide rate in the world.

Unable to resolve the socio-economic crisis, but determined to cling onto power, the Maduro government is resorting to ever more repressive means. The December 2015 parliamentary elections were overwhelmingly won by the opposition, producing a supermajority against the government in the National Assembly, Venezuela's legislature. However, making use of a compliant judiciary, the government has effectively eliminated the National Assembly's powers. Actions by the legislature have been declared unconstitutional as required by the government, and President Maduro has been governing under emergency powers decrees, according to which he can claim wide latitude for issuing executive branch orders and override the National Assembly.²

Knowing that free and fair elections would lead to further defeats for *Chavismo*, the government has arbitrarily postponed gubernatorial and municipal elections. The National Electoral Council, also controlled by the government, has issued a requirement for all political parties that secured less than 1 per cent of the popular vote in at least 12 states in the December 2015 parliamentary election to re-register, which effectively concerns all opposition parties but not the ruling PSUV. To remain in existence, they will have to secure the signatures of at least 0.5 per cent of the electoral roll in 12 states, a criterion that many smaller opposition parties will not be able to

1 L. P. España N., 'Encuesta Nacional de Condiciones de Vida en Venezuela', IIES/UCAB, February 2016.

2 The already wide latitude for issuing executive branch orders was broadened on March 30th 2017 when the government-controlled Supreme Court issued a decision to usurp all functions of the National Assembly. After an outpouring of international and local criticism, President Maduro asked the Supreme Court to partially reverse its decision, which it duly did. What went largely unnoticed internationally was that the initial ruling, which gives the president significant new powers to sign oil deals without legislative backing, still holds.

meet. To further stack the deck, popular opposition leader Henrique Capriles has been barred from running for the presidency in 2018. Other high-profile opposition leaders, most prominently Leopoldo López, have been jailed together with an increasing number of human rights activists and journalists.³ In his May Day speech, Maduro also unveiled plans to convoke a handpicked assembly to rewrite the constitution of 1999.

Prevented from exercising its legitimate powers in the parliamentary arena, the opposition coalition has thrown its weight behind street protests. Earlier protest waves have achieved little because intra-opposition disputes over how to confront the government left the opposition coalition splintered. The more moderate wing led by Capriles has been focused on gaining power through parliamentary means, and has therefore not endorsed the strategy of civil resistance driven by the more radical wing of López and Marina Corina Machado. In containing the 2014 protests, the government cleverly exploited these intra-opposition divisions by offering a dialogue with the moderate wing of the opposition coalition, while jailing actors from the more radical wing. Now, however, as the parliamentary route to power appears to be closing down for Capriles and the moderate wing as well, the opposition coalition is uniting behind a common civil resistance campaign. The entire MUD coalition now recognizes that it is facing the imminent prospect of a one-party state and that this may be the last chance to prevent the opposition from descending into political irrelevance.

Maduro's strategy for survival

President Maduro still retains control over the country's security forces, which gives him a number of tools to quell the protest movement. The National Bolivarian Intelligence Service has a broad mandate to surveil and arrest potential protest leaders and political dissidents. Herein, the government also enjoys considerable support from Cuban intelligence

3 *The New York Times*, 'Ranks of Political Prisoners Grow as Democracy Ebbs in Venezuela', 31 March 2017.

operators.⁴ When push comes to shove, the civilian National Bolivarian Police and the National Guard (a militarized gendarmerie under the Ministry of Defence) are used to repress anti-government protests.

President Maduro also relies on informal paramilitary organizations known as *colectivos* to crush the growing protest movement and repress dissent. Originally formed as pro-government community groups, *colectivos* have been armed by the government to work as its enforcers, supposedly to fight crime. Yet several news outlets and local NGOs have reported on *colectivo* members forcefully intervening against protestors, allegedly killing several demonstrators, and increasingly appearing at universities to violently repress dissent.⁵ Fiercely loyal to President Maduro, the *colectivos* control vast swaths of towns and cities in Venezuela and are becoming an increasingly essential tool for the government to maintain its grip on power.

Ultimately, it is the military that will determine the political survival of the regime. In the event that the National Bolivarian Police and the National Guard were unable to prevent the escalation of social unrest, the armed forces would be called in to exert a violent crackdown on the protesters. Yet it is uncertain how the military would react to such a situation. So far, the armed forces have repeatedly expressed loyalty to the Maduro administration, but speculation abounds concerning the limits of their loyalty, and there are reports of deepening disaffection with the regime amongst the army ranks.⁶

Fearing a military insurrection, Maduro has sought to up the stakes for leading military figures in his quest for survival. Key government positions have been handed to officers or former officers. The military top brass also run key businesses. Some military officials have been given access to US dollars at the very cheap price in bolívares set by the

government, giving them opportunities for lucrative arbitrage. The control of state food distribution has been given to military officials, through which they are able to profit given the ongoing food shortages.⁷ Provided with these opportunities to profit, many officials, especially the top brass of the armed forces, have a strong vested interest in the status quo, and can therefore be assumed to be prepared to go to great lengths in defending the current regime. Yet that may not be the case with less senior officers, who are increasingly falling victim to the economic crisis themselves and who may feel uneasy about the prospect of having to violently repress fellow citizens. There are reports about growing divisions between high-ranking officers who are profiting from the current state of affairs and those in the lower ranks who increasingly perceive the former as corrupt.⁸

In order to minimize the risk of an army rebellion, the Maduro administration has moved to strengthen the surveillance of its armed forces. The General Directorate of Military Counterintelligence has begun to monitor mid-level officers stationed in Venezuela's Strategic Defence Zones.⁹ As a result of Venezuela's close relationship with Cuba, the government can also rely on a large number of Cuban intelligence and military advisors that have been deployed in military units, the national telecommunications company and other state branches. Around 400 Cuban military advisors provide direct support for the Presidential Guard and help train the country's security services to monitor dissent against the Maduro administration.¹⁰

The government has also begun to form a new paramilitary force to be incorporated into the military's command structure. For this purpose, the PSUV's existing grassroots networks, known as the Bolívar-Chavez Battle Units (UBCH) will be transformed into

4 K. Ginter, 'Truth and Mirage: The Cuba-Venezuela Security and Intelligence Alliance', *International Journal of Intelligence and Counterintelligence* 26, No. 2 (2013): 215–240.

5 E.g. *The New York Times*, 'Armed Civilian Bands in Venezuela Prop Up Unpopular President', 22 April 2017.

6 F. Merke, A. E. Feldmann, and O. Stuenkel, 'Venezuela on the Edge: Can the Region Help?', Carnegie Endowment for International Peace, June 2016.

7 B. Fonseca, J. Polga-Hecimovich, and H. Trinkunas, *Venezuelan Military Culture*. Miami: Florida International University, June 2016.

8 E.g. *The Economist*, 'The Armed Forces Will Decide the Fate of Venezuela's Regime', 4 May 2017.

9 Stratfor, 'Venezuela's Greatest Threat Comes from Within', 20 March 2017.

10 T. Piccone and H. Trinkunas, 'The Cuba-Venezuela Alliance: The Beginning of the End?', Brookings Institution, Policy Brief, June 2014.

a new militia – the Combatant Corps for Integral Defence. The UBCH was formed in 2013 to help distribute government handouts such as food aid, construction supplies and other direct subsidies to PSUV supporters, and is made up of around 14,000 nationwide activists. These activists will now be given military training and weapons, providing significant new manpower to counter demonstrations in the street and local rebellions. Importantly, the government will duly become less dependent on the military for maintaining order and cracking down on protests.

Another important aspect of Maduro's strategy for political survival is cultivating the loyalty of people reputed to be involved in drug trafficking and other persons under investigation or indicted by US federal prosecutors, and filling senior government posts with them.¹¹ Safe in the knowledge that these persons have a lot to lose if ousted from power, Maduro assumes they will try to keep him in office to safeguard their own future. The recently appointed Vice-President, Tarek El-Aissami, has been sanctioned by the US for his alleged participation in drug trafficking, but drug trafficking charges have been unveiled by the US Justice Department against a large number of senior government officials. Increasing evidence also suggests that Venezuela's armed forces are deeply involved in international drug trafficking and other criminal activities, seemingly with the government's tacit approval.¹² As a result, Venezuela has become a major transshipment point for cocaine out of South America, with most of it ending up in the US and Europe.¹³

Changing international environment

The international community could still have a critical impact on the way in which Venezuela's immediate future will unfold. Up to now, external efforts to support a negotiated solution to Venezuela's crisis have been feeble or counterproductive. The dialogue between the government and opposition, sponsored

by the Vatican and the Union of South American Nations (UNASUR), is widely considered to have been exploited by the Maduro administration as a delaying tactic. The government has not been willing to meet any key opposition demands, such as the release of political prisoners or recognition of the constitutional rights of the legislature. Key regional powers such as Argentina and Brazil, Chile and Peru have not been willing to put sufficient pressure on the Venezuelan government to engage in earnest in a meaningful dialogue with the opposition. Neither has the European Union. While the US has attempted to exert pressure, President Maduro has been able to count on regional support in deflecting US criticism of the lack of democracy in Venezuela.

However, this external environment may now be changing. President Maduro's announcement that he will distribute 500,000 rifles to civilian militias in order to defend the government on the streets has raised concerns in neighbouring countries that some of those rifles may end up on the black market and over the borders. Fearing a social implosion, with ensuing refugee flows, neighbours also have other reasons to engage in Venezuela more actively. Brazil and Colombia have started to see a large inflow of immigrants from Venezuela, with some areas declaring a state of emergency as their public healthcare systems have been unable to cope with the sudden influx of migrants. With Maduro showing little willingness to take any measures to resolve the humanitarian crisis, a refugee crisis cannot be ruled out and the situation is nearing a large-scale social explosion with destructive bouts of looting already engulfing major cities.

Argentina, Brazil and Peru have also seen leadership changes that profess no ideological affinity with the Maduro regime and that have more principled agendas of democracy promotion across the region. In December, the South American regional economic group Mercosur suspended Venezuela over its failure to comply with the group's democratic principles. Maduro's apparent descent into dictatorship is making it difficult for most regional actors to continue to back him up, and with the oil price in the doldrums, Maduro can no longer rely on petrodiplomacy to buy the political support of smaller states in the region. Regional groupings such as the Bolivarian Alliance for the Americas (ALBA) and PetroCaribe, on which Venezuela has previously

11 Brookings Institution, 'Venezuela: A Path Out of Crisis', April 2017.

12 M. Camero, *El tráfico de drogas ilícitas en Venezuela*, Observatorio de Delito Organizado, March 2017.

13 European Monitoring Centre for Drugs and Drug Addiction & Europol 2016, *EU Drug Markets Report: In-depth Analysis*.

been able to count for diplomatic support, have been weakened by the changing regional political dynamics and Venezuela's own diminishing soft power. In April 2017, the 34-country Organization of American States (OAS) approved resolution 1078 denouncing the 'unconstitutional alteration of the democratic order' in Venezuela and activating the Inter-American Democratic Charter. Only Bolivia and Nicaragua opposed the resolution, exposing the extent of Venezuela's current diplomatic isolation. The OAS also voted to convene a meeting of the region's foreign ministers to discuss Venezuela's political situation further, but no consensus could be reached over how to proceed. In its most outspoken reaction yet, the EU also issued a statement in May urging the Venezuelan authorities to hold elections, halt the use of violence against anti-government protesters, and to release political prisoners.

How the international community should play it

The international community should aim to influence developments in Venezuela by facilitating a negotiated re-democratization. To this end, international actors should keep in mind that re-democratization processes almost invariably begin as a consequence of divisions within the authoritarian regime itself. Tentative signs of fissures inside the ruling regime have also begun to appear. Maduro's proposal for convoking a constituent assembly to draft a Cuban-styled constitution has met with resistance from some Chavistas, and even from regime loyalists inside the Supreme Court. The attorney-general, Luisa Ortega Díaz, has distanced herself from the hard-line factions inside the regime by criticizing the judicial coup against the legislature and the decision to call a constituent assembly. The fact that she has not yet been removed from office shows that she enjoys the support of important factions within the government and armed forces. According to some reports, the chief of the armed forces, Vladimir Padrino, advised Maduro to revise the Supreme Court's ruling on March 30 that would have usurped all functions of the National Assembly.¹⁴ An unverified leaked memorandum from a meeting of the top leadership also describes a 'heated discussion' between military officials over

the decision to call a constituent assembly.¹⁵ On June 13, the Head of Venezuela's National Defence Council, General Alexis López Ramírez, resigned over Maduro's plans for a constituent assembly. Taken together, these reports suggest that there are factions within the regime that want to halt Maduro's slide into dictatorship.

What external actors can do is exacerbate those splits by crafting a careful 'wedging approach', designed to punish hard-liners and reward soft-liners within the ruling regime, and thereby strengthen incentives for negotiating a power-sharing agreement with the more moderate elements of the opposition. The personal costs to the ruling establishment of continuing the current authoritarian trajectory need to be raised. Here, the US could help by incrementally expanding sanctions targeting key regime officials. It may also mean creating an escape route for some regime members and rewards for defecting from the regime. Sending a strong message of possible targeted EU sanctions would compound the effect. At the same time, the EU could also offer humanitarian assistance to local civil society organizations, helping to convey the message that international efforts are meant to assist the Venezuelan people.

Protest and resistance campaigns are also more likely to succeed when they are designed to exacerbate such divisions and spur defections from within the ruling regime. Resistance movements should thus stay open to negotiation with ruling elites and withstand pressure from more radicalized elements to go for a 'maximalist' strategy. Indeed, Maduro himself seems to have been deliberately trying to instigate an escalation of the conflict, so as to make way for more systematic repression. The opposition would be well advised to resist such efforts and stay focused instead on peaceful civil resistance aimed at attracting more mass support and incorporating former *Chavistas* into their camp.

If properly managed, the splits currently surfacing in the regime could provide an opening for a regionally brokered solution to the Venezuelan crisis. Behind the scenes, there is talk of replacing the discredited mediation effort by the Vatican and UNASUR with an

14 *Wall Street Journal*, 'Failed Power Grab Rattles Venezuela', 3 April 2017.

15 *Financial Times*, 'Venezuelan Armed Forces Stay Loyal to President Maduro', 30 May 2017.

ad hoc ‘group of friendly countries’ – a formula used to resolve several Latin American conflicts in recent decades. In addition to regional heavyweights such as Brazil, the group would probably need to include Cuba, and perhaps the US and China as well, which all have considerable interests in Venezuela and the ability to exert influence. Having provided over US\$65 billion in loans since 2005, China is worried that an opposition-led government would refuse to honour those loan commitments, and hence it continues to support Maduro.¹⁶ The EU could help coordinate with international financial institutions such as the IMF and the World Bank in order to develop a plan to reboot Venezuela’s economy and provide credible guarantees of debt repayments to China. Assets frozen by US and European authorities stemming from the major corruption schemes at Venezuela’s state oil company and drug trafficking, worth billions of US dollars, should be repatriated to the Venezuelan state once the re-democratization process starts.

Any negotiated solution will have to deal with the sensitive issue of persuading the military top brass to accept re-democratization. This task is made easier by the fact that – so far – the armed forces have not been directly responsible for any repressive acts and thus have less grounds for fearing persecution by incoming civilian leaders. The ‘dirty’ tasks have been executed by the paramilitaries and the National Guard. However, the military top brass currently enjoys an entrenched position in the state bureaucracy and the economy, and hence may have to be bought off and given guarantees of institutionalized autonomy.

It should be remembered that successful re-democratizations usually build on pact-making through which the parties agree to forego their ability to harm each other by extending guarantees not to threaten each others’ vital interests.¹⁷ As such, they are also necessarily conservatizing to some extent, because only institutional arrangements that make

radical changes difficult can provide the necessary security to the establishment of going along with re-democratization. For re-democratization to take root, the interests of the forces capable of spoiling it must be protected to some extent, in this case including some of the interests of the *Chavistas* and the armed forces, although not necessarily those of Maduro and his immediate allies.

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16 See M. Wigell, ‘China’s Advance in Latin America: Geostategic Implications for Europe, the US, and the Region Itself’, FIIA Briefing Paper, August 2015.

17 For a seminal account of pacted democratization, see G. O’Donnell and P. C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusion about Uncertain Democracies*. Baltimore: The Johns Hopkins University Press, 1986.