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Venezuela

# A turning point for Latin America?

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**“They hit us in the stomach. The revolution, and we as social movements, haven’t been able to deal with the problem of food.” Marisa, community activist in La Vega, a day after the election.**

## Confrontation inside and outside parliament

On the morning of Tuesday, 5 January, a few thousand supporters of Venezuela’s right-wing opposition gathered around La Hoyada metro station in central Caracas. Most had travelled in from the better-off neighbourhoods to the east. The mood was euphoric, but tense. They would march the short distance west to the National Assembly, in the company of their newly elected representatives who were about to be sworn in.

The parliamentary elections on 6 December had given them a huge, and unexpected, majority. 109 members of parliament had been elected on the ticket of the opposition MUD coalition. All of the three seats reserved for indigenous representatives also went to candidates aligned with the opposition. That gave them 112 seats, exactly the two-thirds majority that could enable them to enact sweeping changes and roll back the Bolivarian revolution. The Venezuelan United Socialist Party (PSUV) and its allies had won just 55 seats, down from 98 in the previous parliament. In 17 years since Hugo Chavez was first elected, there had been 20 sets of elections and referendums. The Bolivarian forces had won all of them, except one referendum in 2007, when Chavez presented a radical but confused proposal to reform the Constitution, and lost. This latest parliamentary poll was the first real defeat for the process, and it was a big one.

That same Tuesday morning, a few blocks north of the Assembly building, around the Miraflores presidential palace, a somewhat larger crowd of chavistas was also beginning to gather. They had been marching in from the working-class bastion of 23 de Enero and other popular barrios to the west and south. The mood here was defiant. ‘We will not allow them to destroy what we have gained’, was the basic message of their chants and placards. They too would be heading towards the Assembly, with members of their much reduced socialist group.

As the two forces converged, literally on either side of the National Assembly, the scene was set for a showdown inside and outside of parliament. This confrontation is sure to be protracted, often bitter, often convoluted and often difficult to follow. But it is one that will partly determine the future of the left in Latin America, and to an extent beyond the region too.

The first battle within the Assembly would be over exactly how many members would be sworn in. At the end of December, the Supreme Court had temporarily suspended the election of all four representatives from the state of Amazonas, pending an investigation into alleged irregularities. Three of them were from the MUD, one from the PSUV.

The opposition claimed the Court had been stacked with government supporters and swore in its three barred members anyway. The Supreme Court ruled the Assembly was in breach of the law and said none of its decisions would be valid as long as the barred representatives remained. There was a tense stand off. In the end a temporary truce was reached, the three members stood down, and President Maduro was able to deliver his Annual Address before the Assembly on 15 January.

His speech was characteristic of the moment, mixing defiance with conciliatory words. He angrily rejected opposition aims to give the beneficiaries of the government's public housing programme the right to buy and sell their homes.

"... We will not let you apply any capitalist model to the Housing Mission. That's for sure. I will not allow it. ... Together with the people I won't allow it. ... The fact is, [as mayors of Greater Caracas] you haven't built a single home. And now you want to privatize the homes we have built together with the people? No! Where have you built a single house, Guanipa? Where? Tell me where you have built any homes, Richard Blanco... You have built none, we have built a million. Do you think we are going to let you privatize those. No, no, no! You'll have to overthrow me to pass a privatization law."

But later in the address he also made a call for collaboration.

"The people want answers, solutions, and nobody thinks that those solutions will come from just one sector. It is down to all of us, in a continual process of convergence... I call for constructive dialogue and action to build a new economy, to reverse the mechanisms of speculation and hoarding. A transparent dialogue to prevent capitalism from destroying our people's lives."

For most of the speech, the opposition majority listened respectfully. The first battle was over. It turned out to be more of a skirmish. A symbolic flashing of swords followed by an uncomfortable handshake. But this is merely the opening round.

## Reasons for defeat

The single most important reason for this defeat is clear. The economy. Particularly the acute shortages of basic goods and the dramatic erosion of purchasing power for the majority of Venezuelans. That is what Marisa meant when she said they had "hit us in the stomach".

The Venezuelan Central Bank has just released figures it had not published for over a year. Up to September 2015, inflation was at 109%, or 142% at an annualised rate. GDP fell 7.1% in the third quarter of last year, which means the country has now been in recession for two years. Venezuela's reserves have also plummeted, and the country faces major foreign debt repayments in the coming months. But all this doesn't say much about what it feels like for most working-class Venezuelans.

It is important to clarify here that the dramatic situation that most people face in their daily lives does not mean that Venezuela is experiencing widespread hunger or extreme poverty. That could become an issue if things don't change, but it has not been the case so far. In fact one of the reasons for the shortages is that, along with important gains in social provisions – health, education and so on – the 17 years of Bolivarian revolution have seen big increases in consumption. Many more people are eating and buying much more. And Venezuela's already feeble and distorted agriculture and industry have been unable to keep up.

The plunge in the price of oil, which accounts for about 96% of Venezuela's foreign exchange earnings, has obviously taken an immense toll. But it has only aggravated a perverse mechanism which was already sapping the economy, and people's support for the revolution. A detailed explanation would take too long, but the short version is this. For over a decade, exchange controls and price controls boosted the living standards of most Venezuelans, especially the poor, by ensuring affordable access to food and other basic necessities. But they began to create a situation that is now out of control and utterly unsustainable.

## A turning point for Latin America?

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For the majority of Venezuelans, their wages are set in line with two official, fixed, exchange rates: 6.30 Bolivars to the dollar for medicines and other priority imports; 13.50 Bolivars to the dollar for most other goods. So a graduate, a few years into their professional life, might be earning 18 thousand Bolivars a month, or approximately 1300 dollars a month. With that, in theory, they can buy a more than adequate supply of basic goods whose prices are set by the government, also in line with those two fixed exchange rates. The problem is that the majority of wholesalers and retailers remain in the private sector, and most of them, and even some state ones too, refuse to sell their products at those prices. They can make much more money by selling them to informal street vendors, smuggling them across the border to Colombia, or simply hoarding them until the price goes up. That leaves our graduate with two choices. Either she can wait in queues for five hours or more to pay the “correct” price for basic goods that may or may not turn up – one day for milk, the next day for coffee or sanitary towels. Or she can buy them on the “open” market, often a street corner, and pay maybe fifty or a hundred times more.

For the reality is that most prices in Venezuela are now calculated at somewhere between the third, official, floating exchange rate, currently at around 200 Bolivars to the dollar, and the illegal but dominant, parallel market rate, which is now over 800 Bolivars to the dollar. By that calculation, our young professional’s monthly income is not 1300 dollars, but somewhere between 22 and 90 dollars.

The government has for the last two years or more been blaming these huge price disparities, and the shortages that accompany them, on an “economic war” waged by the Venezuelan right and their backers abroad. No doubt there is a deliberate political attempt to use these economic difficulties to undermine the Bolivarian government. But one thing that seems to emerge from the election results and from discussions that broke out among chavista communities in their aftermath, is that this explanation is no longer convincing most people. And on its own, the “economic war” argument diverts attention from the policy choices the government needs to face. These choices are difficult, but, as Maduro said, people want solutions.

The second main reason for disaffection among Chavez supporters is corruption. It comes up in almost every debate, declaration or interview with both activists and ordinary citizens since 6 December. And of course it overlaps with the economic problems people face. For the corollary of the extreme distortion in the exchange rates is systematic and massive fraud in the use of foreign currency. Private importers get dollars for essential imports at the 6.30 rate from the government. They then sell the goods at a price closer to the 800 parallel rate, making a profit of many thousands percent. Or they import a much smaller quantity of the goods, or none at all, and use the unspent dollars to make a killing on the parallel exchange market. And of course private importers can only do this, if someone in the public administration gives them a hand, or looks the other way. Similarly, you can only smuggle endless tanker loads of fuel or truck loads of medicine into Colombia, if someone in the state oil company or health ministry lets you take them, and if someone in the National Guard waves you through the checkpoint.

Everyone knows this corruption exists. It is not new, it goes back many decades, but the Bolivarian revolution has been unable to stop it. And that some of its leaders, or their families, have joined in. But very few want to talk about it openly or specifically. The case of President Maduro’s two step nephews was emblematic. They were arrested in Haiti a few weeks before the election in a sting operation by the DEA, and swiftly flown to New York to face drug charges. It seems there was a large measure of deliberate theatre in this affair, staged to undermine Maduro ahead of the poll. The two could be completely innocent. And the fact that Maduro made virtually no comment about it at all, could just be down to a decent sense of respect for family and their sensibilities. There has never been any indication that Maduro himself is other than scrupulously honest. In the end, the affair probably had very little impact on the elections. It merely added to an impression of generalised opacity and impunity.

But this issue, too, is more complicated than it seems. It is not just about impunity for a handful of high-ranking officials who may have filled their pockets on the back of the revolution. Those surely exist, and nowhere more than in sections of the Armed Forces and the judiciary. However, similar if less spectacular mechanisms of graft exist in almost every other area of public administration and employment, as well as in the private sector. To a large extent,

these are traceable to 100 years of dependence on oil rent, which corroded almost every nook and cranny of the Venezuelan state and economy.

All this is evidence of a larger question: the extent to which the Venezuelan revolutionary process has been held hostage to an old, and particularly corrupt, state apparatus; and the extent to which it could, or should, have confronted this.

The failure to address these structural issues, and the lack of transparency surrounding them, overlaps, in part, with another failure that community activists and critical chavista commentators have mentioned since 6 December. That of the public media (still a relative minority compared with the private media) to foster a political culture of debate and critique, and provide a space for the constructive confrontation of alternative ideas and proposals. And this in turn reveals another problem, the danger that appeals to “unity” act as cover for a culture of intolerance.

## What exactly happened?

Many chavistas and their supporters, including this writer, thought that the biggest danger in December's elections would be abstention. The assumption was that the basic divide in Venezuelan society, between the approximately 55-60% who have sympathised with the Bolivarian revolution, rooted mainly in the poorer sections of the population, and the 40-45% who opposed it, rooted largely among better-off layers, would not change. The danger, according to this view, was that many of the first group, the chavista “social majority”, demoralised and angry at the difficulty in finding basic goods and the erosion of their incomes, would just not vote. That might allow the opposition's “social minority” to squeak past with a narrow electoral majority.

However, this is not quite what happened. The turnout was very high, 74.17% overall, compared with 66.45% in the previous parliamentary elections in 2010. And in several of the traditional chavista strongholds in Caracas, it was even higher: 77.22% in 23 de Enero, 75.87% in La Vega, 75.63% in Antimano. While in some of the main opposition bastions in the east of Caracas, the turnout was lower than the national average: 63.28% in Chacao, 66.93% in Baruta, and so on. There was also an increase in spoiled or blank votes, from 2.5% in 2010 to 4.77% this time, although in the Venezuelan voting system it is impossible to tell how many of these were deliberate.

The overall share of the vote on 6 December 2015 was 56.22% for the opposition MUD coalition and 40.91% for the PSUV and its allies. More statistical analysis is required. But even taking into account the uneven spread of abstention and spoiled ballots, and the big increase in the electoral roll, by almost 1.8 million, as new voters registered, this indicates that a significant number of former chavista votes did indeed shift to the opposition. One of the most shocking consequences was that the PSUV actually lost in several of its traditional Caracas strongholds. In 23 de Enero, of all places, the opposition won the first-past-the-post seat and took first place in the list vote, albeit by a whisper. In La Vega, the opposition won by a larger margin. While in Antimano, the PSUV held onto a clear advantage, although its vote dropped considerably. These were very serious defeats indeed.

It is less clear whether this means that a significant part of the old social base of the Bolivarian revolution has transferred its allegiance to the opposition. This can only be tested by developments in the coming months. But a number of analysts and critics from within the chavista movement argue that most of the PSUV's losses were the result of a “punishment” vote. And there is some anecdotal evidence to back this view that former chavistas did not so much vote for the opposition, as against what they perceived as the shortcomings of the government.

## What the opposition could do

It is now unclear when or whether the opposition will secure its two-thirds majority in parliament, following the temporary withdrawal of those three suspended members. But if it does, and that seems the most likely outcome, the opposition can do a great deal of damage to the Bolivarian government. It can, of course, introduce its own legislation, which the president can send back but cannot in the end veto.

A few days after the elections the MUD posted a list of legislative priorities on its web site. It was short on detail, but indicated a return to classic neoliberal dogma. Apart from a promised amnesty for the hard-line, opposition leader, Leopoldo Lopez, and other alleged “political prisoners”, at the top of the list was repealing the price controls in the Fair Prices and Food Security laws, which aim to ensure access to cheap basic necessities to all Venezuelans.

Two other laws would open the way to privatizations, reversing the nationalization of strategic enterprises and “decentralizing” public services, handing them over to local authorities who would then be able to subcontract them to private service providers. A third law in this area would open large infrastructure projects to foreign tender and seek finance from multilateral funding institutions. The very real problem of crime would be tackled by giving more power to municipal and state police forces, which are often controlled by opposition local governments. It is worth recalling that in 2002, it was the municipal police in Caracas that played a key role in the failed coup attempt against President Hugo Chavez. And on the media, the opposition majority in parliament proposes a law to, quote, “end hegemony” in the public media and ensure, quote, “the independence”, of those in charge of those media outlets.

With this majority the opposition can also overturn or rewrite so-called “organic” laws, including the 2016 budget that the old National Assembly approved in November. And it can delay or block requests from ministries and the public sector for additional, discretionary funds, which is in practice how government departments in Venezuela run their business. (One of the main aims of Maduro’s “state of economic emergency”, declared on 15 January, is to limit this possibility.)

With a super-majority, the opposition can also demand the replacement of Supreme Court and other judges, government ministers and the Vice-President. It can pass amendments to the Constitution, or even call a Constituent Assembly to draw up a new one. And once the president has completed half his term – that should be in April for Nicolas Maduro – this opposition “super-majority” in parliament can call a Presidential Recall Referendum without having to collect 4 million or so signatures, as it would have to do if it didn’t have the two-thirds majority. The indications are that this is the path the opposition will seek to take. That could mean a recall referendum as early as June or July, more probably in August. And if President Maduro were to lose, there would have to be fresh presidential elections three months later. During those three months, the Speaker of the National Assembly – that is the opposition – would assume the presidency.

However, the opposition majority may find all this more difficult in practice than in principle. It needs every one of its 112 votes to pass the more far-reaching measures. And the MUD is a fractious coalition of parties which has so far been able to agree on little except its desire to get rid of Maduro and the Bolivarian revolutionary process. The biggest single component, with 33 members of the National Assembly, is now Primero Justicia (PJ), which has its own internal contradictions but which overall has a different, and apparently more moderate approach to that of the others. PJ emerged over a decade ago as a “modern”, neoliberal party, sometimes with gestures towards social liberalism, sometimes leaning more overtly to the right. Shortly after the election, one of its leaders and the opposition’s former presidential candidate, Henrique Capriles, began insisting that the opposition’s priority should be to tackle the economic crisis, obviously with neoliberal policies, not to get rid of Maduro as soon as possible. And Primero Justicia has been promoting its own list of four legislative priorities, somewhat different to those put forward by the MUD itself. While it agrees on the need for an amnesty, its economic proposals suggest a more subtle version of neoliberalism, emphasising a safety net for pensioners and that right – lambasted by Maduro in his annual address

– for those who benefit from the Bolivarian government’s huge public housing programme, to become owners of their own homes.

Nonetheless, it is the second largest component of the MUD in parliament, Acción Democrática (AD), with 25 seats, which for now seems to have seized leadership of the coalition. Supported by most of the smaller opposition parties, including the most hard right groups like Leopoldo Lopez’ Voluntad Popular, Acción Democrática managed to get its veteran general secretary, Henry Ramos Allup, elected as the opposition’s first Speaker of the National Assembly, over Primero Justicia’s leader, Julio Borges. But it was a fairly evenly split vote in a secret internal ballot.

Allup immediately made clear that his priority is indeed to find a “constitutional” means to get rid of President Maduro within 6 months. AD is the oldest party in congress. It was once one of the biggest social democratic parties in Latin America, although some would have preferred to characterize it as populist. From 1958, along with the now almost defunct Christian Democratic party, Copei, it became one of the pillars of the two-party Punto Fijo pact and the Fourth Republic. In the process it degenerated into a kleptocratic, electoral machine, ever more identified with corruption and manipulation, ever more distant from its social-democratic roots. With a large measure of ignorance or deliberate disinformation, much of the international media continues to refer, absurdly, to Acción Democrática, and indeed most of the Venezuelan opposition, as “centre left”. In fact it is difficult to characterize AD’s politics or ideology today, except to say that is clearly of the right and represents most of what Chavez and the Bolivarian revolution sought to overthrow 17 years ago. And its leader, the 72 year-old Ramos Allup, is the epitome of that tradition. In his opening speech to the Assembly, Hector Rodriguez, the new, 32 year-old leader of the socialist bloc, looked at Allup and said, “You were a member of the National Assembly before I was born, when I was at junior school, when I was at high school, and when I was at university”. And that, he warned, was what the new majority wanted to take Venezuela back to.

Apart from the opposition’s own limitations and internal divisions, there is enough ambiguity in the way the Constitution specifies the powers of a two-thirds majority to give ample space for extended procedural and constitutional disputes between parliament, the president and the supreme court.

## First responses

In the first hours and days after the results came in, there was shock, but also mobilization, among the organized communities that make up the social base of the Bolivarian revolution. Countless meetings and debates occurred more or less spontaneously in the shanty towns perched above Caracas and other working-class and poor neighbourhoods, towns and villages across the country. Almost all were intensely critical. Something had gone badly wrong. Marisa’s comments about being hit in the stomach came at one of these, in La Vega. But there was also a spirit of defiance: things have got to change, because we are not just going to roll over, we have to resist.

The first responses from the government were also largely positive. After immediately recognizing the results, President Maduro called for a process of reflection: to identify the mistakes, learn the lessons and take the opportunity to relaunch the revolutionary process. This theme of a “rebirth” of the Bolivarian movement has been a constant since then.

In its final sessions in December, the chavista majority in the outgoing National Assembly pushed through several pieces of progressive legislation that it had been discussing for some time. The Seed Law was one of these. It had been put forward initially by Venezuela’s growing environmental movement. Its aim is to prevent the use of GM seeds and block the development of large-scale agribusiness in the Venezuelan countryside. Instead it seeks to recover the ancestral diversity of seed types and make family farming and agroecology the basis of agricultural development –

something that has to be a priority in a country that has excellent arable land but has long imported well over 70 percent of its food. Another was the Popular Communication Law, intended to promote and protect the community media that have been encouraged over the last decade and a half.

President Maduro himself used the special powers granted him by parliament earlier last year to introduce several other progressive measures. All Venezuelan workers would enjoy job security until 2018. They can only be sacked for specific, justifiable reasons. This was intended to block the opposition's efforts to begin mass layoffs, as are already happening in Argentina since Mauricio Macri assumed the presidency in December. Maduro also removed tax loopholes to ensure large companies could no longer avoid the corporation tax they owed, and introduced a new tax on large financial transactions.

More fundamentally, the government proposed a strengthening of popular power, calling a National Communal Parliament, bringing together representatives of communes from across the country to discuss projects coming from the organized communities. Activists in pro-chavista demonstrations could be heard chanting, "parliament in the streets, parliament in the barrios, parliament in the workplaces, parliament in the schools and colleges". The opposition immediately denounced it as a move to undermine and bypass the elected representatives of the National Assembly. President Maduro said this was a step towards the "communal state" that Hugo Chavez had advocated. But ministers also sought to refute the opposition by insisting that this was a body of local democracy that did not challenge the National Assembly and was completely in line with the Bolivarian Constitution of 1999.

The government has also been emphasising the role communes should play in boosting the economy. "I call on all popular power bodies to join in and turn this into productive popular power. We can't have communes that don't produce", said Aristobulo Isturiz, a veteran chavista leader who had just been named Vice President in Maduro's reshuffle, the day after the "economic emergency" was declared. He was visiting one of over a thousand "communal markets" being held that Saturday across Venezuela, selling basic goods at controlled prices to the local community. According to Isturiz, the commune here in Macarao, on the outskirts of Caracas, had been organized by 68 community councils, and had allowed for the creation of a community textile works, a community bakery and these regular food-distribution days.

This has always been seen as one of the aims of the communes. And it has been part of the three-pronged, economic "strategy" developed explicitly by Chavez from 2004, after he won the recall referendum against him that year: firstly, the development of a non-state, non-private, "social economy" or "social sector"; secondly a strengthened state sector, with the nationalization of more strategic enterprises; and thirdly a more heavily regulated private sector.

But the results have so far been meagre. From 2004, tens of thousands of new cooperatives were set up, alongside poles of "endogenous development" and a variety of other community enterprises. Within a few years, almost all had failed, as sharply rising oil prices made it much easier and cheaper to import everything. In recent years, attempts to develop a "communal economy" – production projects centred on the communes – have fared little better.

President Maduro also talked of the communes in his Annual Address before the National Assembly. In this time of rebirth of the chavista project, these forms of popular organization must be given "a most decided and solid relaunch".

But there still does not seem to be a clear strategic vision behind this talk of a "communal economy". Indeed, there are probably two or three competing strategies here. Some see it as an instrument of transition to a post-capitalist economy, as an alternative to state-led "socialism", though they are probably a minority. For others it is merely one more piece in a decidedly mixed economy. Or it maybe it is just part of a pragmatic search for anything that could add to domestic production and cut the import bill.



## Is there a way forward?

All that said, there remains a hugely positive legacy which is far from over. Even more important than the impressive social gains, which most people on the left are aware of, there are political gains in Venezuela that are unlike any others on the planet. With all the inadequacies and frustrations of popular power as it exists, seventeen years of Bolivarian revolution have fostered a population that is mobilized and self organized to degree that is probably unique in the world today. The idea of socialism, and the belief that a transition to something called socialism was underway – strongly identified with the character of Hugo Chavez – is not dead. Nowhere else in recent history have millions of people actually believed that. And the belief in solidarity across the region, and a break with imperialism, is also uniquely strong in Latin America. Venezuela has been the crucible of that too.

There are crucial, and difficult, economic choices to be made. Some on the “pragmatic” left are advising the government to make a “tactical” retreat; to lift or relax price and exchange controls in order to rebalance the economy, and then use the state to “direct” investment and finally make a transition to a more productive, less oil-dependent economy. Many others on the radical left, including trusted Bolivarian intellectuals like Luis Britto, are pushing for more fundamental curbs on capital, including taking state control of imports and exports, the banking system, and possibly the entire food supply chain. For the time being, the government seems intent on continuing down its middle course. But in the wake of December’s defeat, more of the same looks less and less convincing to the chavista grassroots.

Whichever route is taken, the ability, or failure, to regenerate mobilization, participation and hope will be decisive. And the key to that is regenerating popular power.

The concept and practice of popular power applied by the Bolivarian revolution has always been contradictory. On the one hand, it was the kernel of Hugo Chavez’ revolutionary strategy, when he talked of the need to replace the still existing bourgeois state with a new, communal state. It wasn’t something he always defended or promoted, but he returned to it time and again. On the other hand, many Bolivarian leaders have treated the structures of popular power that have emerged, like the community councils and communes, as mere adjuncts to the existing institutions of state.

So Isis Ochoa, shortly after being reappointed as Minister of Communes in Maduro’s new year reshuffle, said that the National Communal Parliament that had just been called, was “an organizational expression of the Venezuelan state”. Of course she was responding to the opposition’s attacks on this Communal Parliament as illegitimate and an attempt to undermine democracy and the elected National Assembly. But the right has always used such arguments to attack any form of participatory democracy that looked like it might acquire real power. To defend it in this way is to meet the bourgeoisie on its own terrain. It suggests that Isis Ochoa hadn’t quite grasped what Hugo Chavez meant in one of his last televised cabinet meetings before his final trip for cancer treatment Cuba. The speech he made there, dubbed “A change of course” (El Golpe de Timón) became his political testament. In one of the most poignant moments, he turned to Maduro, his chosen successor, and demanded, “Where are the communes, Nicolas? Where are the communes?”

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