

The implosion of Venezuela's rentier state

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Crisis hits every aspect of people's lives

The main trigger of the crisis Venezuela is undergoing today – though obviously not its only cause – was the collapse in oil prices over the last three years. From US\$100 per barrel in 2013, the average price of Venezuelan crude went down to US\$88.42 in 2014 and US\$44.65 in 2015, falling to its lowest level in February 2016, when it was worth just US\$24.25.¹ Far from accepting that an alternative to capitalism necessarily had to be a departure from the destructive development model of unlimited growth, and far from questioning the rentier petro-state model, the government of President Chávez intensified it to extremes unknown in the country's previous history. Over the 17 years of the Bolivarian project, the economy became steadily more dependent on oil income. Without that income, it would not have been possible to import the goods required to meet people's basic needs, including a wide range of items that used to be produced in Venezuela. During that time, welfare policy was seen as more of a priority than changing the economic model. Income poverty was reduced, but without altering the structural conditions that perpetuate exclusion.

Identifying socialism with statism, the Bolivarian government took forward a series of nationalisations which expanded the scope of the state far beyond its capacity to manage everything. As a result, the state today is bigger but also weaker and more inefficient, less transparent and more corrupt. The extensive involvement of the military in the management of state-owned enterprises has contributed significantly to those outcomes. If they are still operating at all, most of the companies that were brought under state control only manage to carry on thanks to being subsidised by oil revenues. Both the social policies – which significantly improved people's living conditions – and the many Latin American solidarity and integration initiatives promoted by the Venezuelan government were only possible thanks to high oil prices. Ignoring historical experience regarding the cyclical nature of commodity prices, the government operated as though the oil price was going to remain above US\$100 per barrel indefinitely.

Given that oil came to account for 96% of the total value of the country's exports, practically all the foreign exchange that came into the country during the last few years did so via the state. A controlled exchange rate policy worsened an unsustainable pegging of the local currency to the dollar, meaning that the entire economy was being subsidised. The exchange rate differentials that characterised this policy reached more than a hundred to one. Compounded by the discretionality with which the officials responsible are able to decide whether or not to provide the foreign currency applied for, this meant that the management of dollars became the principal breeding ground of corruption in the country.²

During the years of plenty, all the surplus fiscal revenue was spent, and the country even racked up high levels of debt. No reserve funds were set aside for when the oil price went down. When it did collapse, the inevitable

happened: the economy fell into a deep, long-lasting recession and *chavismo's* political project began to founder.

GDP shrank by 3.9% in 2014 and 5.7% in 2015.³ ECLAC forecasts a 7% fall in 2016.⁴ The fiscal deficit is significant and growing. According to ECLAC, the external debt doubled between 2008 and 2013.⁵ Although it is not yet alarming as a percentage of GDP, the drastic reduction in foreign exchange income makes the debt difficult to pay.⁶ The country's international reserves have fallen heavily. Reserves in June 2016 were equivalent to just 41% of what they were at the end of 2012.⁷ Access to new international funding is limited by the uncertainty that surrounds the future of the oil market, the country's inability to access western financial markets, and the very high interest rates it is currently required to pay.

Added to this is the highest rate of inflation in the world. According to official figures, inflation hit 180.9% in 2015, while for food and non-alcoholic drinks it was 315%.⁸ This is undoubtedly an underestimate. For this year no official figures are available, but inflation in the first six months was very much higher than last year's rate, particularly for food.

This severe economic recession could lead to a humanitarian crisis. There are widespread shortages of food, medicines and household products. Venezuelan families are having to spend more and more time going to different shops and queuing in search of food that they can afford. People are cutting back on food consumption significantly. Based on data up to 2013, the FAO published an "acknowledgement of noteworthy and exceptional progress in combating hunger," noting that less than 6.7% of Venezuelan people were malnourished.⁹ Since then, the situation has changed to one where people find it increasingly difficult to obtain food and where hunger has become the subject of everyday conversation. According to the latest official statistics, there has been a sustained reduction in the consumption of practically all categories of food since 2013. In some cases the reduction is very pronounced. Between the second half of 2012 and the first six months of 2014, consumption of milk fell by more than half.¹⁰ These figures are from before the shortages got worse and inflation spiked over the past year. Surveys find that an increasing number of families have stopped eating three times a day, while the percentage of families who state they only eat once a day is also rising. According to the polling firm Venebarómetro, the vast majority of people (86.3%) say that they are buying less or much less food than before.¹¹

The situation with regard to access to medicines and health services is equally critical. Hospitals and health centres report severe shortages of basic supplies and a lack of medical equipment and instruments due to the difficulty of obtaining spare parts and other supplies, both locally produced and imported. It is common to find that hospitals and health centres are unable to treat or feed patients unless their family members bring the necessary supplies and food. Operations are frequently postponed due to the lack of equipment, supplies or medical staff. Many

patients requiring dialysis are not receiving treatment. There is a severe shortage of essential medicines for treating diseases such as diabetes, high blood pressure and cancer.

The government refuses to acknowledge the possibility that the country is on the verge of an emergency that will require outside help. One reason is that this would be seen as an admission of the government's own failure. But it also wants to avoid such an acknowledgment being used as an invitation to mount a *humanitarian intervention* operation – armed if necessary – with the predictable consequences.

Over the last few years the government has launched various operations and mechanisms to distribute food. These have not lasted for long and usually failed due to inefficiency and the very high levels of corruption. They have not managed to dismantle the mafia networks – both governmental and private – which operate at every stage of the distribution and supply chain, from the ports to retail sales outlets. Furthermore, all these mechanisms have focused on the distribution side, without systematically addressing the serious crisis in domestic production.

The latest initiative is the Local Supply and Production Committees (Comités Locales de Abastecimiento y Producción - CLAP), which are mainly aimed at selling bags of certain subsidised food products directly to households. This mechanism has proved very controversial, among other reasons because there is not enough food available to supply everyone, and because it operates partly through governing party (PSUV) structures. The committees have only been operating for a very short time, but many complaints have already been expressed, both about their political nature – they are said in many cases to exclude those who do not identify themselves as government supporters – and, once again, about corruption.

With the exception of Caracas, electricity was rationed for months in 2016, with power cuts lasting for four hours a day.¹² To save electricity, government offices all over the country only worked two days a week for months and then for a reduced number of hours per day, weakening the Venezuelan state's already diminished capacity to run the country still further. The water supply has also been rationed, disproportionately affecting low-income groups. There is an equally severe crisis in public transport due to the lack of spare parts, even the most common ones such as batteries and tyres.

All this has led to a serious deterioration in people's living conditions, meaning that the social improvements achieved in previous years are rapidly being lost. The government has stopped publishing the main economic and social statistics, or only publishes them with a lengthy time lag. The only sources of up-to-date figures are therefore a few university studies and private polling firms.¹³ In the latest study published by a multi-university research project,¹⁴ looking at income and people's ability to afford what is defined as the *standard food basket*, 75.6% of the

population is described as poor and half are classified as extremely poor.¹⁵ More than a deterioration, this represents a complete collapse in the purchasing power of the majority of the population.

The fall in purchasing power is widespread, but it does not affect all sectors of the population equally. This means that social inequalities are getting worse. The reduction in income inequality was one of the Bolivarian project's most important achievements. The current deterioration in purchasing power mainly affects those who live on a fixed income, such as salaried workers and pensioners. In contrast, those who have access to the foreign currency that can buy ever more bolívaes, and those who are involved in the many forms of speculation in the informal economy known as *bachaqueo*, often end up benefiting from the shortages and inflation.

Current conditions mean that the government no longer has the resources it needs to more than partially supply food to the people through large-scale import programmes. For the same reasons, the impact of the social policies known as "missions" is steadily being eroded.

In fact, the government's current economic policy operates as an adjustment policy that contributes to the deterioration in people's living conditions. Paying the external debt is seen as more of a priority than the food and health needs of the Venezuelan people. According to the then Vice-President for the Economy, Miguel Pérez Abad, Venezuela will cut back substantially on non oil-related imports this year in order to meet its debt repayment commitments.¹⁶ It has been announced that the total amount of foreign exchange available for non-oil imports in 2016 will be just US\$15 billion,¹⁷ enough to buy only a quarter of the imports bought in in 2012. Nevertheless, President Maduro has reported that "...over the last 20 months, the Venezuelan state has paid US\$35 billion to our international creditors..."¹⁸ This is extraordinarily serious, given the high level of dependence on imports to meet people's basic food and health needs.

Various proposals have been formulated by political and academic organisations, as well as popular movements, for possible ways to obtain the resources needed to meet the people's urgent needs. One of the most outstanding of these is the Public Citizen Audit Platform (*Plataforma de Auditoría Pública y Ciudadana*)¹⁹ which is calling for an in-depth investigation of the extraordinary level of corruption that has affected the procedures whereby state institutions hand over subsidised foreign currency for imports.²⁰ Such an audit would make it possible to start recovering the funds stolen from the nation. This proposal has been rejected by the government. It would be like opening Pandora's box and would undoubtedly implicate high-ranking public officials – both civilian and military – as well as private businesses.

Equally important would be an audit of the external debt, in order to identify how much of it is legitimate and how much is not. This information could be used to renegotiate debt payment conditions, based

on the argument that meeting people's immediate food and health needs takes priority over paying creditors. Another proposal is to levy an extraordinary tax on the assets of Venezuelans living abroad, together with tax reform to increase the amount paid by the wealthy, especially those in the financial sector, who currently pay very low taxes.

It goes without saying that none of this would have much of an impact unless effective social oversight mechanisms are created to ensure that these resources reach the people who need them, in a context of widespread corruption.

A new economy: the many faces of “*bachaqueo*”

In the last three years significant restructurings of the country's economic structure have occurred, especially in the commercial sector. The way many Venezuelans access basic goods today is through the informal mechanisms of what is known as *bachaqueo*. Some of the country's worst corruption scandals in recent years have involved hoarding and speculation with imports and in public and private food distribution channels.

This complex new sector of the economy, which has recently become hugely important, includes a wide range of public and private arrangements and mechanisms. Because of the widespread shortages and runaway inflation, regulated products may be sold in informal markets for ten or twenty times their official sales price, or even more. This activity, which involves a lot of people and moves a great deal of money around, operates on different levels. It includes the large- and small-scale smuggling of goods, mainly to Colombia, the diversion of vast quantities of goods away from the public wholesale distribution channels, hoarding by private traders, and the small- or medium-scale purchase and re-sale of regulated products by the so-called *bachaqueros*.

Because it is so new, diverse and constantly changing, there is no reliable information about the size of this sector of the economy and how it relates to other sectors. The people involved in this activity are able to earn much more than most of the country's salaried workers. What is not in doubt is that if this sector of the economy stopped operating overnight, the country would grind to a halt. According to one of the main polling firms, 67% of Venezuelan people admit that they buy all or some products from the so-called *bachaqueros*.²¹

The fact that this sector of the economy operates in such a wide variety of ways means that it is not only difficult to describe but also hard to evaluate from the political or ethical points of view. There is no doubt about the adverse impact on society of corruption in official distribution channels, hoarding and speculation by private individuals and the violent, often armed mafias that control various stages of the supply chain. But this is not the same as the small-scale *bachaqueo* engaged in by the large numbers of people who buy, barter and sell scarce products at speculative

prices as a survival strategy because they have no other alternative to feed their family.

What can be stated is that despite the political process guided for years by the values of solidarity and promoting the many forms of grassroots community organising in which millions of people have participated, the response to this severe crisis has not been mainly solidarity or collective action so much as individualistic and competitive behaviour.

The significant changes that took place in popular political culture in previous years, the sense of increased dignity, subjectivities characterised by self-confidence and enthusiasm at being part of building a better world, are all being reversed. Many of the grassroots community organisations set up over the years (technical water tables, community water committees, community councils, communes, etc.) are now much weaker, due both to the lack of state funding that they had come to depend on and to the increasing erosion of trust in the government and the country's future. Other more autonomous organisations are now struggling to continue operating in these new conditions. This is the cultural landscape that explains, for example, why thousands of children as young as 12 are dropping out of school to join criminal gangs, usually starting with micro-scale drug trafficking. Because of the prohibitionist policies that the country has maintained with regard to drugs, this represents a lucrative business as well as permanent source of violence.

In addition to the consequences of child malnutrition, what might have a longer-lasting negative impact on the country's future is the fact that these interlocking processes are leading to a breakdown of the social fabric, widespread distrust and a deep ethical crisis in much of the collective consciousness.

The political situation

The death of Hugo Chávez in March 2013 gave rise to a new political situation in the country. In the presidential election held in April 2013, Chávez's chosen candidate, Nicolás Maduro, beat opposition candidate Henrique Capriles by just 1.49% of the vote. Five months earlier, in the last election he stood for, Chávez had won by a margin of 10.76%.

In the December 2015 parliamentary elections, the opposition organised around the Alliance for Democratic Unity (Mesa de Unidad Democrática - MUD) won by a large majority, obtaining 56.26% of the vote against 40.67% for the government's supporters.²² As a result of an unconstitutional electoral law designed to over-represent the majority when Chávez's party was in the ascendant, the opposition was awarded a total of 112 seats in parliament, thus achieving a two-thirds majority in the National Legislative Assembly.²³

Cracks have appeared in the previously solid support for *chavismo* by the majority of low-income groups. The opposition won in many

constituencies that had hitherto voted decisively for the government.

From a situation where the government controlled all public institutions (the executive, the legislature, the judiciary, the electoral authority, the offices of “citizen power”, and 20 out of 23 regional governments), there is now a new situation where power is split and heralds a potential constitutional crisis.

In practice, however, the opposition’s majority in the National Assembly has not altered the correlation of forces in the state. Every time the executive disagrees with a decision taken in the Assembly, it asks the Supreme Court of Justice to declare it unconstitutional, and the Court swiftly obeys. On matters of critical importance, the government has also been governing by means of presidential decrees, with the endorsement of the Supreme Court. One of the most notorious of these is the *State of Exception and Economic Emergency Decree*,²⁴ through which the President awarded himself extraordinary powers to manage the economy and public order. Consequently, for the first six months of its term the National Assembly has been operating more as a forum for political debate and catharsis rather than a power of state with the capacity to take effective decisions to guide the country’s affairs.

Again and again, the government has announced special measures, presidential commissions, new “drivers of the economy”, state restructuring initiatives, new vice-presidencies and new ministries. Essentially, however, this is a government that is directionless and on the defensive, whose main objective seems to be to keep itself in power. It seeks to bolster its position with an incoherent discourse that is out of tune with day-to-day reality and the people’s immediate demands. It keeps appealing to “the Revolution” and the need to stand up to imperialism, foreign interference, domestic and international right-wing fascists, coup plotters and “the economic war” as the causes of all the country’s woes. It is stepping up the arbitrary use of its control of the National Electoral Council (CNE) and the Supreme Court of Justice (TSJ) to adopt measures designed to block any possibility of change.²⁵ thus gradually chipping away at the legitimacy of the 1999 constitution. Meanwhile, the country’s economic and social situation continues to deteriorate.

It is well known that ever since the start of the Bolivarian government in Venezuela, the government of the United States has provided political and financial support to the opposition, and even supported the coup d’état in 2002. The attacks have not ceased. In March 2016, the Obama government reaffirmed the previous year’s decision to declare Venezuela “an unusual and extraordinary threat to the national security and foreign policy of the United States”.²⁶ In May 2015, for the tenth consecutive year, the US Department of State determined that Venezuela was not “cooperating fully with US counterterrorism efforts”.²⁷

These attacks had little success in the past, while progressive governments and integration processes (UNASUR, MERCOSUR, CELAC) were prominent in Latin America. But a profound shift has taken place in the regional

geopolitical context, with both social movements and progressive governments becoming weaker everywhere in South America. The implications of the abrupt turn to the right in both Argentina and Brazil are therefore significant, as is the consequent weakening of the continental integration mechanisms that President Chávez had played such a leading role in setting up and promoting. Examples of the consequences of these changes are the systematic attacks against the Venezuelan government by Luis Almagro, Secretary General of the OAS, seeking to pressure the organisation's member states to invoke the Democratic Charter against Venezuela, and the resistance against the country taking its turn to hold the rotating presidency of MERCOSUR.

Widespread discontent, protests, looting, repression and insecurity

Confirming the state of mind that is noticeable on a daily basis anywhere that people gather, such as in the queues to buy food and on public transport, all the opinion polls reflect the deep discontent prevalent in the country. According to Venebarómetro, 84.1% of the population has a negative assessment of the country's situation, 68.4% feels that President Maduro's government has been bad, and 68% of those surveyed said that Maduro should leave power as soon as possible and a presidential election should be held.²⁸ According to the polling firm Hercon, 81.4% of the people surveyed feel that "a change of government is needed this year to deal with the crisis Venezuela is experiencing".²⁹ Óscar Schemel, director of the polling firm Hinterlaces which is generally supportive of the government, said that in February 58% of the population agreed that President Maduro should leave office in a manner provided for by the constitution.³⁰ According to a report by the Universidad Católica Andrés Bello's "Electoral Integrity Venezuela" Project, 74% of the population sees the situation in the country as "bad" or "very bad", and more than half feel that those most responsible for the problems are the government and the president.³¹ The polling firm Datincorp reports that 72% of the people surveyed want President Maduro to finish his mandate before 2019.³²

Another striking finding in most surveys is that support for the opposition and the National Assembly is tending to decline as a result of frustration at the failure to fulfil the expectations raised by the MUD prior to the parliamentary elections. A nationwide survey conducted by the Universidad Católica Andrés Bello, an institution strongly supportive of the opposition, found that only 50.58% of the people surveyed trusted the National Assembly and slightly fewer than half trusted the opposition deputies and parties.³³

The problems faced by the vast majority of Venezuelans in their day-to-day lives, especially the difficulty or even impossibility of obtaining food and medicine, the water shortages and electricity rationing, have led to growing levels of protest, including street closures and road blockades, and the looting of food shops and lorries transporting food. Some of the

looting and violent demonstrations may be organised as a form of anti-government political provocation.³⁴

There is no doubt that paramilitaries are operating in the country, but it is clear from the scale of the protests that they are essentially a broad-based social phenomenon. In contrast to the situation in February 1989, when the Caracazo was a widespread popular explosion that took place at practically the same time all over the country, in today's conditions, which are much more serious than in 1989, a Caracazo is happening gradually. In some cases violent armed groups are participating in the protests.

This is compounded by the insecurity that the Venezuelan people have described as the main problem affecting the country for many years. According to the United Nations, Venezuela not only has the highest homicide rate in South America but is also the only country in the region where the murder rate has steadily increased since 1995.³⁵ Some of the so-called "collectives" set up in Chavez's time have turned into armed mafias. A context of generalised impunity in which murders and corruption are not even investigated, let alone punished, has led to a deep and widespread distrust of the police, the judiciary and the justice system. Cases where groups of people decide to take justice into their own hands by lynching criminals have become more common, which tells us a lot about the current state of Venezuelan society. According to a national survey carried out by the Venezuelan Violence Observatory, two thirds of the population feel that lynching is justified when a "horrible crime" has been committed, or when the offender is a "hardened criminal". However, the observatory reports that "in most of the lynchings we have seen recently, the victims had not committed 'horrible crimes'; in fact, they were amateur thieves".³⁶ In one low-income neighbourhood a banner appeared with this message: *Organised neighbourhood. Thief: if we catch you we won't be taking you to the police. We will lynch you!* The images are so gruesome that the TSJ's Constitutional Court has banned them from being posted on social networks.

Faced with this disintegration in a society it can no longer control, the government has found that its usual discourse is becoming less and less effective and it is increasingly resorting to repressive measures. Street demonstrations are often blocked or broken up with tear gas. Every week the media report on deaths caused by police shootings. Even though the constitution expressly prohibits the use of firearms to control peaceful protests,³⁷ in a resolution on "Rules governing the actions of the National Bolivarian Armed Forces in controlling public order, social peace and citizen coexistence in public meetings and protests", the Minister of People Power for Defence decided that faced with a situation of "mortal risk", the military officer "should apply a means of potentially lethal force, using either a firearm or another potentially lethal method".³⁸

In the absence of an integrated, consistent policy on public safety, and faced with the upsurge in violent crime and the public's demands for a response, the government set up a new police operation in July 2015. So

far, the *Operation for the Defence and Liberation of the People* (OLP) has mainly been engaged in carrying out aggressive raids on low-income neighbourhoods. These operations have been denounced by human rights organisations for aggravating inequality because they only crack down on illicit activities by low-income groups, as well as their disproportionate use of force. Since these measures were launched, reports started to appear in the newspapers about the deaths of a large number of “criminals” and “delinquents”. The number of people thus “taken out” is presented by officials as a measure of the success of these operations. The presumption of innocence has vanished and, with the support of public opinion, extrajudicial killings are becoming normalised in a country whose constitution expressly prohibits the death penalty.³⁹

The recall referendum

Venezuela’s constitution provides for the possibility of recall referendums to be held for everyone elected to public office once they have passed the half-way point in their term. This mechanism, which allows voters to evaluate the performance of elected officials, has been lauded by *chavismo* as one of the important democratic advances made by the 1999 constitution and one of the main expressions of participatory democracy.⁴⁰ There are a series of established requirements for holding a recall referendum. In the case of the President of the Republic, if the referendum is held in the fourth year of the president’s six-year term and the majority decides to revoke his/her mandate, the president is removed from office and a new presidential election must be held in the space of 30 days. If the referendum is held when the president has less than two years left in office and the majority votes to revoke his/her mandate, the president is removed from office and replaced by the vice-president (a post that the president has the power to appoint and dismiss at will). This is why the government, knowing that it would lose a recall referendum, has determinedly and systematically placed obstacles in the way of the referendum and sought to delay it as long as possible, making use of its full control over the CNE to do so.⁴¹

The various protests organised by the opposition to put pressure on the CNE to take the necessary steps to hold the recall referendum have been prevented from taking place or repressed. High-level government officials have announced that any public employees found supporting the referendum will be dismissed and business owners coming out in favour of it will not be awarded government contracts.⁴² Students have complained that their scholarships have been withdrawn because they have signed the petition calling for the referendum. The opposition presented about many times more signatures than the number required to start the process. Tens of thousands of these signatures were annulled, in many cases due to formal errors. New requirements have been introduced with no prior notice and deadlines have been systematically altered beyond what the law stipulates.

For many years the CNE was an institution that enjoyed a high degree of legitimacy. The fully automated voting procedures and election auditing mechanisms meant that it was extraordinarily difficult to distort the will of the electorate. Time and again, the international observers present at the many elections that have taken place during the Bolivarian government have stated that the results were highly trustworthy. Jimmy Carter even said that the Venezuelan election system was the best in the world. For years, the CNE played a key role in defending the government's legitimacy from attacks by the US government and the international right. In the last few years, however, it has lost the trust of the electorate.⁴³ As the CNE takes decisions seen as preventing the recall referendum from taking place in 2016, and its current role as implementer of the government's will becomes increasingly clear, it is sacrificing the prestige and recognition it had worked so hard to achieve. From a constitutional point of view, for the government to prevent the holding of a recall referendum that had met all the legally established requirements would be just as serious as preventing an election from taking place in order to stay in power. Therefore, if the government *illegitimately* blocks the recall referendum from happening in 2016, it will destroy its own constitutional legitimacy and become a de facto government from then on. This would be particularly serious right now, when tensions are running high in the country as a result of the crisis. If the Venezuelan people are prevented from being able to decide democratically and constitutionally on the country's immediate future, the risk is that the current situation of multiple but fragmented outbreaks of violence will turn into a widespread violent uprising that would be extremely dangerous given the large number of firearms available to the public.

The longer the government postpones a transition – which would seem to be inevitable given the high level of public disapproval – the more the public's support for *chavismo* and the idea of “another world is possible” will deteriorate. The challenge is how to prevent the end of the Maduro government being experienced as a defeat of the Venezuelan people's expectations for social change. *Chavismo* supporters should not have to bear the burden of this government's failure.

From extractivist oil rentier state to extractivist mining rentier state

The deep crisis Venezuela is going through today represents a fundamental turning point in the country's contemporary history. But in which direction? After a century of the oil rentier economy and the hegemony of a rent-seeking, state-centric, clientelistic system that devastated both the environment and cultural diversity, this ought to be the moment when Venezuelan society accepts that this model is in terminal crisis. Beyond the urgency of taking the extraordinary measures required to deal with the crisis in the supply of food and medicines, this is the time to start wide-ranging discussions and experiment with collective

processes to meet the challenges of the urgently-needed transition to another model of society. Essentially, however, this has not been the response to the crisis. The national consensus around oil has been questioned only in rhetorical terms. Despite their huge differences on every other issue, the manifestos of both the PSUV and the MUD in the last presidential election proposed to double oil production to reach 6 million barrels per day by 2019. In other words, what both sides saw as the future of Venezuela was to intensify the petro-rentier state model.

Apart from the fact that the international oil price is unlikely to recover significantly, what use is it to Venezuela to have the largest reserves of oil on the planet when at least 80% of those reserves need to stay in the ground if we want to have some chance of preventing catastrophic climate change that would place human life itself at risk?

The opposition has lately been focusing almost exclusively on the need to remove the Maduro government in order to return to the normality of the (neoliberal?) order that was interrupted by the Bolivarian project. From the government side, apart from multiple unconnected measures that reflect more improvisation than acknowledgement of the country's current critical situation, the most important response has been to announce a new driver of the economy: mining. In other words, it is seeking to replace the extractivist oil rentier state with an extractivist mining rentier state.

On 24 February 2016, Nicolás Maduro signed a presidential decree setting up a *New National Strategic Development Zone* called “*Arco Minero del Orinoco*”,⁴⁴ thus opening up nearly 112,000 square kilometres – 12% of the country's territory – to the large-scale mining of gold, diamonds, coltan, iron and other minerals. According to the president of Venezuela's Central Bank, Nelson Merentes, the government has already signed up to partnerships and agreements with 150 national and transnational companies, “who will now be able to carry out exploration work to certify mineral reserves and then move on to the production phase, mining gold, diamonds, iron and coltan”.⁴⁵ Which companies these are and what the agreements involve is not known by the public.

Mining, especially on the extraordinarily large scale envisaged in the Arco Minero del Orinoco, means that cash income could be obtained in the short term at the cost of the irreversible social and environmental destruction of a large area of the country and the ethnocide of the indigenous peoples who live there. The area includes tropical rainforest in the Amazon region of Venezuela, extensive savannas with fragile soils, a rich biodiversity and critical sources of fresh water. All this will happen as a result of a decision taken by the president, with no public debate whatsoever in a country whose constitution defines society as “democratic, participatory... multiethnic and pluricultural”, and with none of the environmental impact studies required by law.

Far from representing an alternative to the rentier state model that has predominated in the country for a century, this decree reveals a strategic decision to intensify the logic of extractivism and the rentier state. The

mineral that the government has placed most emphasis on mining is gold. According to Eulogio Del Pino, the Minister for Oil and Mining and president of the state oil company PDVSA, gold reserves are estimated to amount to 7,000 tonnes, which at current prices would be worth about US\$280 billion.⁴⁶

There is no large-scale mining technology compatible with environmental preservation, as experience all over the world has decisively shown. In forested regions like much of the Arco Minero area, open cast mining on a large scale will unavoidably cause massive and irreversible deforestation. It will have a serious impact on the region's biodiversity wealth, leading to the loss of numerous species. Amazon forests are a vital defence against the global warming that is affecting the planet. Cutting down these forests causes an increase in greenhouse gas emissions as well as reducing the forest's capacity to absorb or capture those gases, thus accelerating global warming. The consequences of such actions are therefore felt way beyond the country's borders. Instead of giving priority to the urgent need to halt the destruction of forests that is going on today, together with the damage to watersheds caused by illegal gold mining in large areas of the country controlled by paramilitary groups, the legalisation and promotion of large-scale mining that is planned in the Arco Minero del Orinoco will speed up these devastatingly destructive processes.

This project represents a flagrant, wholesale violation of the rights of indigenous peoples that are guaranteed in Chapter VIII of the *Constitution of the Bolivarian Republic of Venezuela*. It will also violate the rights established in some of the most important laws passed by the National Assembly in recent years: the *Law on the demarcation and protection of the habitat and land of indigenous peoples* (January 2001) and the *Organic law on indigenous peoples and communities* (LOPCI, December 2005). One of the worst rights violations is the infringement of all the rules on prior and informed consent which are firmly established in both Venezuelan and international law (ILO Convention 169) and should be applied in all cases where activities that could have a negative impact on the habitats of the territories occupied by indigenous peoples are planned. In a new blow to the Venezuelan constitution, the government is continuing to ignore the very existence of indigenous peoples, threatening them with disappearance as peoples, now in the name of 21st Century Socialism.

In the past, in Venezuela as in the rest of the world, mining and oil and gas production were seen as taking priority over water, as water was assumed to be an infinitely available resource. The decisions taken in countries all over the world based on this assumption about the unlimited availability of water have had many catastrophic consequences. The most dramatic example in Venezuela is Lake Maracaibo, the largest freshwater lake in Latin America. The result of opening up a shipping canal to allow oil tankers to enter, decades of pollution from agrochemical runoff and the discharge of untreated sewage into the lake has been the slow but certain death of this vital reservoir of water. Is Venezuelan society prepared to see

this environmental catastrophe repeated, this time in the watershed of the Caura, Caroní and Orinoco rivers in the Amazon region? The area south of the Orinoco is the country's major source of fresh water. The deforestation that will inevitably be involved in large-scale mining will undoubtedly lead to a reduction in the flow of water in these rivers.

One of the major impacts on Venezuelan people's lives in the last few years has been the ongoing crisis in electricity supply, due in part to the reduced flow of water in the Caroní, where the hydroelectric dams along the river generate up to 70% of the electricity used in the country. In addition to the disturbances caused by climate change, large-scale mining in the Arco Minero del Orinoco area will be directly responsible for reducing the electricity generating capacity of these dams still further, firstly by diminishing the amount of water in the rivers in the region affected by the mining operations. Likewise, by reducing the plant cover in the surrounding area, mining upstream will inevitably increase sedimentation in these rivers. This will gradually reduce the storage capacity and useful life of the dams. All the hydroelectric dams in this system on the lower Caroní are inside the area marked out for the Arco Minero del Orinoco.

It is envisaged that "private, state-owned and mixed-ownership companies" will be involved in mining in the Arco Minero. The decree provides for a wide range of public incentives for these mining corporations, including relaxing legal regulations, simplifying and speeding up administrative paperwork procedures, waiving certain requirements established in Venezuelan law, creating "preferential financing mechanisms", and a special customs regime with preferential tariffs and other facilities for their imports. They will also have a special tax regime that will exonerate them from paying all or part of the corporation tax and value added tax.

The decree closes off any possibility of protesting against the impacts of large-scale mining in the Arco Minero zone. With the aim of preventing any opposition to the mining companies' operations, a Strategic Development Zone has been created under the control of the National Bolivarian Armed Forces. The decree expressly suspends civil and political rights in the entire Arco Minero area.

Article 25. No particular, trade union, association or group interest or norm may prevail over the general interest in achieving the objective of this decree.

Anyone who carries out or promotes material acts that could hamper all or part of the productive activities in the Strategic Development Zone created by this decree will be sanctioned in keeping with the applicable laws.

The state security forces shall carry out the immediate actions required to safeguard the normal operation of the activities envisaged in the plans for the Arco Minero del Orinoco National Strategic Development Zone, as well as enforcing the provisions made in this article.

The consequences of making “the general interest prevail over particular interests” are extraordinarily serious. The “general interest” is understood to be the mining operations as defined in this presidential decree. Any other point of view, any other interest, including appealing to the constitution, is then defined as a “particular interest”, and therefore liable to be targeted by the “state security forces” carrying out “the immediate actions required to safeguard the normal operation of the activities envisaged” in the decree. But what are the interests defined here as “particular”? The decree is worded in such a way as to allow a broad interpretation. Firstly, trade union interests are expressly identified as “particular”. This could undoubtedly lead to all the workers’ rights enshrined in the constitution and the *Organic Law on Labour and Workers* being suspended throughout the zone. Does it also imply that the “union” and thus “particular” rights of journalists to report on the mining operations will likewise be suspended?

What implications does this have for those who will clearly be the sector of the population worst affected by these operations – the indigenous peoples? Will the actions taken by their organisations to defend the constitutional rights of their people, in keeping with their own “norms”, also be understood as “particular interests” that will have to be repressed if they come into conflict with the “general interest” of mining in their ancestral territories?

All this is even more worrying when we consider that just two weeks before the decree creating the Arco Minero Development Zone, President Nicolás Maduro issued a decree setting up the Military Corporation for the Mining, Oil and Gas Industries (Camimpeg) and assigning it to the Ministry of People Power for Defence.⁴⁷ This corporation has broad spectrum powers to engage in any activity directly or indirectly related to mining or the oil and gas industry, “with no limitations whatsoever”, and is likely to be involved in the operations in the Arco Minero. Thus, far from acting in defence of a hypothetical “general interest” in the zone, the Armed Forces will also have a direct economic interest in ensuring that the mining operations are not hindered in any way. And they will be legally authorised by this decree to act accordingly.

Indeed, we are faced with the prospect of the 1999 constitution being invalidated in 12% of the country’s territory, by means of a presidential decree. This can only be interpreted as pursuing a twofold objective: firstly, to provide the transnational corporations whose investment the government wants to attract with the guarantee that they will be able to operate freely, without the risk of encountering any opposition to their activities; secondly, to give the military even more power within the structure of the Venezuelan state, and thus secure their loyalty to the Bolivarian government. This is being accomplished by criminalising anti-mining protests and opposition.

In short, a government that calls itself socialist, revolutionary and anticapitalist has decreed that the country must subordinate itself to the

interests of large transnational mining companies in a destructive extractivist project that compromises the country's future, with the likelihood of ethnocidal consequences for indigenous peoples.

Various sectors of Venezuelan society have not been slow to react. Among the many forums, assemblies, protests and statements, one of the most important is the "Appeal for annulment and request for preventive measures against the general administrative act contained in the Decree [on the Arco Minero] for being illegal and unconstitutional", which was lodged with the political-administrative division of the Supreme Court of Justice on 31 May 2016 by a group of citizens.⁴⁸

The campaign to annul the decree on the Arco Minero is part of the fight for a democratic future with a non-rentier economy able to exist in harmony with nature. It is also part of the battle to open up a space that makes it possible to go beyond the fruitless polarisation between the government and the MUD in which collective reflection and public debate continues to be trapped.

Notes

1. Although oil prices recovered slightly in May and June 2016, with Venezuelan crude approaching US\$40 per barrel, this is still very much lower than the price required to balance the budget.
2. According to Héctor Navarro, a former minister in President Chávez's government, "of the trillion dollars that came into the country's coffers between 2003 and 2012, about US\$300 billion disappeared, and the people responsible have not been punished." Mayela Armas, "Héctor Navarro: 'Esto no es socialismo... es vagabundería. Fracasó el capitalismo de estado y la corrupción'", *Aporrea*, Caracas, 12 December 2015.
3. Banco Central de Venezuela, *Resultados del índice nacional de precios al consumidor, producto interno bruto y balanza de pagos*, Caracas, 18 February 2016.
4. "CEPAL pronostica que economía venezolana se contraerá 7% este año", *El Nacional*, Caracas, 8 July 2016.
5. CEPAL, *Anuario Estadístico de América Latina y el Caribe 2015*. Santiago, 2016.
6. In fact, the public is unable to access transparent figures on the debt. It has various components, including the debt owed by PDVSA and the debt that is classified as domestic but that has to be paid in US dollars.
7. Statistical information from the Venezuelan Central Bank.
<<http://www.bcv.org.ve/c2/indicadores.asp>>
8. Instituto Nacional de Estadísticas, Cuadro 1. Índice Nacional de Precios al Consumidor. Variaciones porcentuales, 2008 - December 2015.
9. Reconocimiento de la FAO a Venezuela, Oficina Regional de la FAO para América Latina y el Caribe, Rome, 26 June 2013.
10. Instituto Nacional de Estadísticas, "Encuesta de seguimiento al consumo de alimentos (esca) Informe Semestral Segundo semestre 2012 al Primer semestre 2014".
11. Venebarómetro abril 2016, Croes, Gutiérrez y Asociados - April 2016.
12. A high proportion of the country's electricity relies on hydropower. The government attributes the electricity crisis solely to the El Niño phenomenon. The drought has undoubtedly had a serious impact but it alone cannot account for the depth of the crisis. Equally important causes are the devastation of the river ecosystems in Venezuela's Amazon region as a consequence of gold mining by thousands of informal miners, and the lack of forward planning and investment in alternative ways to generate electricity when the cyclical El Niño phenomenon comes around again. Investment in renewable energy has been practically non-existent.
13. Things are happening so fast in Venezuela today that all the statistics mentioned here will of course be out of date already.
14. *Encuesta sobre Condiciones de Vida en Venezuela. ENCOVI, Pobreza y Misiones Sociales Noviembre 2015*, Universidad Católica Andrés Bello, Universidad Central de Venezuela, Universidad Simón Bolívar and other institutions. Caracas 2016.
15. This study suffers from serious methodological problems, as do all the others carried out in Venezuela at the moment. A significant proportion of the income obtained by the Venezuelan people, as well as the goods they consume, comes via informal, illegal and even mafia-controlled channels that are far from transparent. It is therefore extraordinarily difficult to access information that is even half-way reliable.
16. "Pérez Abad anuncia restricción de divisas para cumplir deudas de PDVSA", *Versión Final.com.ve*, Caracas, 16 May 2016.
17. Pérez Abad estimó importaciones no petroleras 2016 en apenas \$15 millardos, *El Cambur*, Caracas, 12 May 2016.
18. *Correo del Orinoco*, 17 May 2016.
19. Plataforma de Auditoría Pública y Ciudadana. <<https://auditoria.org.ve/>>
20. According to Edmeé Betancourt, president of the Venezuelan Central Bank at the time, of the total of US\$59 billion in subsidised foreign currency allocated in 2012 alone, some US\$20 billion went to "shell companies" – an "artificial demand" "unrelated to productive activities". "Presidenta del BCV: Parte de los \$59.000 millones entregados en 2012 fueron a 'empresas de maletín'", *Aporrea/AVN*, Caracas, 25 May 2013.

21. *Informe 21.com*, "Datanálisis: Escasez en Caracas es de 82%", Caracas, 27 May 2016.
22. Analysts tend to agree that rather than reflecting support for the MUD, many of whose candidates were unknown to the electorate, this vote was the people's way of expressing their growing rejection of Nicolás Maduro's government.
23. To prevent the opposition from making use of this qualified majority, which would allow it to take most of the decisions in the Assembly without having to negotiate with the government's representatives, the executive decided to get the National Electoral Council – with the complacent support of the Supreme Court of Justice – to annul the results of the vote in the state of Amazonas, thus reducing the number of opposition representatives from 112 to 109.
24. Decree N° 2323, declaring the "State of Exception and Economic Emergency, given the extraordinary Social, Economic, Political, Environmental and Ecological circumstances that are seriously affecting the National Economy". *Gaceta Oficial de la República Bolivariana de Venezuela*, N° 6227 extraordinary edition, Caracas, 13 May 2016.
25. These include suspending trade union (SIDOR) elections when favourable results cannot be guaranteed, and refusing to recognise the organisation *Marea Socialista* – identified with critical *chavismo* supporters – as a political party, thus blocking their participation in elections. Other examples are the refusal to accept the results of the parliamentary election in the state of Amazonas, mentioned earlier, and – as we will see later – blocking the recall referendum.
26. The White House, Office of the Press Secretary. *Executive Order – Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela*, Washington, 9 March 2015.
27. U.S State Department, Bureau of Counterterrorism and Countering Violent Extremism, *Country Reports on Terrorism 2015*. Washington, 2016.
28. *Venebarómetro abril 2016*, Croes, Gutiérrez y Asociados, Caracas, 2016.
29. Hercon Consultores, Estudio Flash, Contexto Venezuela, 27-30 April 2016.
30. Hinterlaces: "58 % quiere salida constitucional del Presidente Maduro", *El Universal*, Caracas, Caracas, 20 March 2016.
31. Proyecto Integridad Electoral Venezuela, UCAB, *Percepciones ciudadanas sobre el sistema electoral venezolano y situación país*, Caracas, April 2016.
32. Datincorp, Tracking de coyuntura política. Análisis prospectivo, Caracas, February 2016.
33. Universidad Católica Andrés Bello, Proyecto Integridad Electoral Venezuela, Percepciones ciudadanas sobre el sistema electoral venezolano y situación país, Caracas, April 2016.
34. This is the government's interpretation of all these events, as illustrated by the statements made by the Governor of the state of Sucre, Luis Acuña. According to him, looting is part of "a well-designed plan (on the part of the Venezuelan opposition) to scare people". "Venezuela: la resaca después de dos días de saqueos generalizados en Cumaná", *El Nacional*, Caracas, 17 June 2016.
35. United Nations Office on Drugs and Crime, *Global Study on Homicide 2013*, Viena, 2014.
36. Roberto Briceño-León, "Acuerdo Social. Justicia por mano propia", *Ultimas Noticias*, Caracas, 13 June 2016.
37. Article 68. Citizens have the right to peaceful, unarmed protest, with no other requirements than those established by law. The use of firearms and toxic substances to control peaceful protests is prohibited. The law will regulate the actions of police and security forces in controlling public order.
38. *Gaceta Oficial de la República Bolivariana de Venezuela*, N° 40.589, Caracas, 27 January 2015.
39. "Article 43. The right to life is inviolable. No law may introduce the death penalty and no authority may apply it. [...]" *Constitución de la República Bolivariana de Venezuela*.
40. "Article 72. All offices and positions of authority elected by the people are subject to recall. Once the elected authority has completed half of their term in office, a number no less than twenty per cent of registered voters in the relevant constituency may ask for a referendum to be called on whether to revoke their mandate."
41. The PSUV took a further step in this direction by lodging an appeal with the Supreme Court of Justice asking for the referendum process to be suspended, under the argument that fraud had been committed in the collection of signatures. "PSUV introdujo recurso ante el TSJ contra el

referéndum revocatorio”, *Contrapunto*, 17 June 2016.

42. “Diosdado Cabello: Funcionarios públicos que firmaron no deberían seguir en sus cargos”, *Correo del Orinoco*, 4 May 2016; “Cabello: Empresarios que firmaron no pueden trabajar con el Estado”, *El Universal*, Caracas, 11 May 2016.
43. According to a survey conducted in March 2016 by the Universidad Católica Andrés Bello, “Six out of ten Venezuelans have little or no confidence in the CNE. However, 80% of those interviewed feel that the results published by the CNE after the parliamentary election reflect the will of the people and more than 95% believe that elections are the best way to solve the country’s problems.” Universidad Católica Andrés Bello, *Proyecto Integridad Electoral Venezuela*, “Percepciones ciudadanas sobre el sistema electoral venezolano y situación país”, Caracas, April 2016.
44. *Gaceta Oficial de la República Bolivariana de Venezuela*, N° 426514, 24 February 2016.
45. *Agencia Venezolana de Noticias*, “Plan del Arco del Orinoco contempla industrializar potencial minero nacional”, Caracas, 27 February 2016.
46. *Agencia Venezolana de Noticias*, “Gobierno nacional prevé certificar en año y medio reservas del Arco Minero Orinoco”, Caracas, 25 February 2016.
47. *Gaceta Oficial* N° 40845, published on 10 February 2016. Decree N° 2231 authorises the creation of a state-owned enterprise in the form of a corporation, to be called the Military Corporation for the Mining, Oil and Gas Industries (CAMIMPEG), which will be assigned to the Ministry of People Power for Defence.
48. “31 de Mayo: Introducido ante el TSJ Recurso de Nulidad contra el Decreto del Arco Minero del Orinoco”, *Aporrea*, Caracas, 1 June 2016.

Identifying socialism with statism, the Bolivarian government took forward a series of nationalisations which expanded the scope of the state far beyond its capacity to manage everything. As a result, the state today is bigger but also weaker and more inefficient, less transparent and more corrupt. The extensive involvement of the military in the management of state-owned enterprises has contributed significantly to those outcomes. If they are still operating at all, most of the companies that were brought under state control only manage to carry on thanks to being subsidised by oil revenues. Both the social policies – which significantly improved people's living conditions – and the many Latin American solidarity and integration initiatives promoted by the Venezuelan government were only possible thanks to high oil prices. Ignoring historical experience regarding the cyclical nature of commodity prices, the government operated as though the oil price was going to remain above US\$100 per barrel indefinitely.

The deep crisis Venezuela is going through today represents a fundamental turning point in the country's contemporary history. But in which direction? After a century of the oil rentier economy and the hegemony of a rent-seeking, state-centric, clientelistic system that devastated both the environment and cultural diversity, this ought to be the moment when Venezuelan society accepts that this model is in terminal crisis. Beyond the urgency of taking the extraordinary measures required to deal with the crisis in the supply of food and medicines, this is the time to start wide-ranging discussions and experiment with collective processes to meet the challenges of the urgently-needed transition to another model of society.

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