

# Caracas Connect Venezuela Update



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December 14, 2015

## Caracas Connect, December 2015 Report

In the weeks leading to the National Assembly elections in Venezuela, there was little doubt that the opposition would make gains, probably win a majority. Few anticipated the overwhelming margin by which the governing United Socialist Party of Venezuela (PSUV), founded by the late President Hugo Chávez Friás, lost the December 6 balloting. The loss was stunning both in terms of the margin of the national vote and the number of seats won in the National Assembly by the opposition.

The [final results](#) announced by the [National Electoral Council](#) (CNE) showed that the MUD had won 109 seats outright. Three other seats were allocated to indigenous populations, and two seats went to independent candidates. Among the candidates not formally nominated as a part of either block, three can be considered "opposition" aligned with MUD, so the opposition total would be 112, giving it a 2/3 supermajority. A supermajority could allow the opposition to reverse many of the policies and to eliminate some of the programs and constitutional innovations introduced into Venezuela after Chávez's election in 1998.

Abstention seems not to have played a major role. Overall turnout was 75.25 percent, nearly nine points higher than it was in the last Assembly election, in 2010, when the vote was nearly evenly divided between the two largest blocks. In the recent election, the MUD nationally won the overall national vote 56 percent to 41 percent. It would appear that the PSUV suffered the attrition of approximately 20 percent of its base support relative to the presidential election of 2012, won by Chávez, and 9 to 10 percent relative to the 2010 election and the 2013 election to

replace Chávez, the latter won by President Nicolás Maduro.

Prior to the election, there was speculation that even with fewer votes than the MUD, the PSUV might even hold onto its majority because more of its seats are allocated to less populated rural states, where, in past elections, the PSUV has done well. The PSUV has benefitted from its land reform program and from economic and social programs ("missions") that have benefitted poorer parts of the country.

(The skewed distribution of deputies is not due to deliberate gerrymandering by the PSUV. In 1999 the Constituent Assembly in writing the Constitution gave each state additional representatives to partially compensate for the shift to a one chamber legislature, that is, no Senate with equal representation by state.)

The MUD strength was broader than anticipated. It rolled up majorities that enabled it to sweep most of the seats allocated by "first past the post" (the system used for the U.S. House of Representatives, though this is somewhat modified in Venezuela because in a few districts voters choose more than one representative). In fact, the majority of seats could have been even more lopsided in favor of the MUD, but for the fact that the Venezuelan system calls for 51 seats allocated by proportional representation in a way meant to compensate for lopsided distributions that often result from "first past the post."

The red areas this [map](#) show the states where the PSUV won the statewide vote in the recent election, and these are indeed states where the population is more rural than the blue (MUD) areas, but the blue MUD zones extend further in rural areas than in 2010. We can compare this first map to a [similar one for the 2010 elections](#). What you can see is that the PSUV won but six of 24 states last week, a remarkable shift (territorially) from 2010, when the MUD won but 7 states. Particularly noteworthy is the swath of blue running through populous, more urban states (including the Caracas region) along the coast, clearly larger than two years before. (A closer view of the territorial results for 2015 can be seen [on this map](#), which shows results according to the 84 circuits (districts)).

### **Why Such a Large Swing?**

To some extent, the large swing toward the opposition can be attributed to a *voto castigo* (punishment vote). In the Punto Fijo era of

representative democracy (1958-1998), Venezuelans used this term to refer to the tendency for Venezuelan voters to punish the incumbent presidential party for poor governance and economic woes. The long lines outside markets, galloping inflation, and President Nicolás Maduro's dismal approval ratings certainly pointed in this direction for the recent election.

A Colombian journalist, Valentina Lares Martiz, illustrated the discontent of many Venezuelans in an [article](#) days before the election in the Bogotá daily, *El Tiempo*. She quotes a street vendor in Caracas, "What we want is change, señora. Look how we are living. I voted for Chávez, and look, we were able to make a living and could normally buy what we need to have a dignified life. No, this is poverty."

There can be little doubt that this kind of sentiment helps explain the most impressive aspect of the MUD win - how it swept Caracas, including the west side of the city, formerly an unassailable bastion of Chavista support. But Martiz goes on to ask, "Do they [voters like the street vendor] want the government to rectify itself or [do they want] regime change?"

She doesn't answer the question, but she hazards a guess that an overwhelming opposition victory (as subsequently happened) would more likely break down the polarization in Venezuela than bring about a drastic change of regime. In other words, politically, we may have seen the last election in which the vote is divided solely between two electoral blocks. Numerous reports since the election have already noted serious [division](#) in both the MUD and PSUV, especially sharp within the latter.

Maduro's early statements indicate that he is not inclined to compromise with the new Assembly. He continues to blame the country's woes on an "economic war" waged against the government by the country's business class, abetted by the United States. But that explanation is subject to debate even with the ranks of Chavismo, illustrated by a [\[blog?\]on Aporrea.org](#) rejecting the economic war theory.

Before the election, the PSUV suffered the defection of some its committed cadre and skilled organizers when the left wing *Marea Socialista* [decided to split](#) (or was forced out of) the PSUV. Now, some of the divisions in the PSUV have [burst into open wounds](#). But, the left might very well close ranks again if the MUD is able to use its legislative

power to attack popular programs. If the MUD moves to disband communal councils, send home Cuban doctors and nurses, close the Bolivarian University and take similar steps, there will be a response in the streets, with the prospect of renewed political violence.

Surely much of the swing vote was a *voto castigo*, but it cannot be simply equated to anti-incumbent sentiment in the Punto Fijo era. Among those meting out punishment were voters in poor urban districts. Those who swung toward the opposition did so at the risk of empowering political forces that might roll back social and economic inclusion. In the past, they tended to stay home or vote for the PSUV rather than take that risk.

Unlike the case in the Punto Fijo era, polarization in the country is not just political in the narrow sense, when (at the risk of oversimplification) the divide was mainly between two parties competing for power within a larger consensus about maintaining control of oil rents to themselves. In the Chávez era, each side has seen the other as posing an existential threat to its survival. The vote last week was a *voto castigo*, but that is not all it was.

### **What Will the Opposition Do with New Legislative Power? ([See graph on Assembly power](#))**

With only a simple majority of 84 deputies, the MUD would have gained the ability to pass legislation, decide the budget, and control various legislative commissions in Congress - significant but limited power. With a "qualified majority" of 100 (3/5), it gained in addition (among other things) the ability to censure or remove certain officials in the executive branch and to pass an enabling law giving the president decree making powers. While the new Assembly is unlikely to exercise this option with Maduro as president, it might very well do that in the future. Even if Maduro finishes his term, a change could happen as a result of the 2018 presidential election. The next Assembly elections will be in 2020.

The MUD has already made clear that its first priority will be an amnesty law that will free convicted and jailed leaders, including Leopoldo López, the most prominent jailed opposition leader. It will also allow prominent officials who fled the country after the short-lived coup against Chávez in 1999 to return, and it will lift the prohibition on political activity on others (presumably both PSUV and opposition) who have been found guilty administratively of corruption.

Having achieved a supermajority, a majority greater than the minimum two-thirds (111) of seats, the opposition has significantly more clout. It could reshape the judiciary, unilaterally appoint CNE members, pass new "organic laws" and rescind others, and even call a constituent assembly to rewrite the constitution. Many of the coming battles will likely be about organic laws. Common in Latin America, these laws have a quasi-constitutional status and thus require a super-majority to be changed.

A likely early target could be the organic law governing the oil industry, including the state oil company. This change might be less contentious than one might think. The Maduro administration has already begun to back away from the nationalist oil policies of Chávez. Given shrinking dollar reserves and pressing debt, the entire political class, not just the opposition, will likely look for a solution that looks "easy" - that is, ease the terms under which foreign capital can enter the hydrocarbon sector.

An oil "reform" law would likely look to roll back key elements of the Chávez presidency, which included policies that insist on majority Venezuelan ownership of joint enterprises, raised royalty rates, and make Venezuelan courts the last appeal on conflicts between foreign investors and Venezuela.

Conflict may be more likely if the MUD seeks to make good on its announced intention to send home thousands of Cuban doctors and also to end arrangements under which Venezuela supplies Cuba with oil on barter and discounted financial terms. Cuba's medical personnel [are key factors](#) in the popular health "mission" that served as a model for many other social and economic programs in the Chávez era. The MUD has promised to replace Cubans with Venezuelan doctors. This has also been the announced intention of the Bolivarian government, but Venezuela is long way from being able to replace Cuban doctors and nurses in poor areas.

Other MUD priorities are likely to include revising the organic law on education and another dealing with property rights. Another explosive matter would come if the MUD attempts to revise the organic law on communal councils. The councils were to be the building blocks for establishment of a "communal state." While most the Chavistas may not care much about saving that project, they are likely to resist attempts to dissolve the councils, especially in areas where the work. For the

opposition, especially on the extreme side, the communal councils constitute nothing less than Cubanization.

Another contentious area is likely to be land reform. The last few years have seen peasant occupations and movements against landowners and against local authorities, including PSUV officials and security forces, dragging their feet on land redistribution. We will probably see more attempts to reclaim lands already occupied or adjudicated. Violence may be more visible in the cities, but it has [already taken the lives](#) of many peasant leaders in the countryside.

Should political violence rise, it brings into the play the role of the security forces. The internal politics of the military are opaque. While many officers may identify with Bolivarianism, that can mean loyalty to the PSUV or simply loyalty to the constitution. The national officer's academy, inaugurated by Chávez in 2010, is officially "Bolivarian." Under the current organic law, the president is commander in chief and can make promotions with Assembly approval. That may be another early target of the MUD.

Pressure for an aggressive opposition is likely to come from its extreme right-wing, led by Leopoldo López (assuming he is released from prison) and María Corina Machado, both of whom will press for rapid rollback of Chávez policies and major legislation, if not the constitution itself. They likely will renew calls for the "*salida*" (exit) of Maduro. But *Acción Democrática* (AD), the largest party in the coalition, and in the pre-Chávez days the country's dominant power, is more interested in regaining lost ground than battling in the streets. The party's leader, Henry Ramos, says he thinks [Maduro should resign](#), but has also made clear that he thinks legislation aimed at economic reform ought to be the top priority, [not organizing a recall](#).

AD does not share the more libertarian ideology of *Primer Justicia*, another large party in MUD that once was the electoral vehicle for Capriles and López, both of whom have their own personalist followings today. A number of other smaller regional and personalist parties are part of the MUD as well.

Capriles and others have already committed to ending the Cuba programs, an issue of high symbolic importance to most of the opposition. But on other issues, the MUD may find it difficult to sustain

unity. With 112 deputies, it will only take 2 defections (assuming the PSUV block maintains its unity) to block changes in the organic laws. Three of the MUD deputies represent indigenous communities. They may be hesitant to agree, for example, to a call for a constituent assembly to rewrite the constitution, thereby risking the loss of gains protected by the current charter.

## **Venezuela and the United States**

Maduro has blamed the PSUV defeat principally on an "economic war" allegedly waged by the US and the business class in Venezuela. The opposition and the mainstream media in the US make light of the idea of such a war and attribute Maduro's fall mainly to inefficient policies. The *New York Times* editorialized, "This crisis is of the government's making, not the result of a 'war' by shadowy right-wing forces," it recently [editorialized](#). This perspective dismisses the trail of economic warfare that marks Latin America in Cuba since 1961, Chile in the 1970s, and Nicaragua in the 1980s, where the U.S. cooperated with domestic elites on a program of destabilization.

I'll stake my own analysis on the idea that all three factors have played a role in the economic woes that have at least led voters to punish Maduro.

- Oil prices have fallen, but the government has borrowed hugely against future oil exports and failed to curb domestic consumption, which now absorbs one quarter of production from PDVSA (the state oil company). And the company has chronically failed to meet its own production goals. These trends were continued under Maduro, but they began in the later part of the Chávez era. The "remedy" of loosening the terms on which foreign capital can enter the subsoil would represent the return of neoliberal policies to the oil sector, effectively opening the spigot without concern for sovereignty and fiscal return.
- Yes, the economy has been badly managed and is afflicted with corruption. Much of the blame for inflation and exchange rate disasters can be attributed to government mismanagement. That does not mean there has been no "economic war." There is a history of tightly knit business groups in Venezuela deliberately hoarding to create shortages; this went on in the Punto Fijo era, and



why would it not go on today?

- The United States is likely to line up with Capriles and not the López/Machado faction. Maduro is politically wounded, and with oil prices the way they are, there is no hurry to open up the bounty under Venezuela's territory.

### **Implications for Cuba**

Raúl Castro is putting on a brave face in reacting to results. He is presently standing by Maduro, not surprising given that the Venezuelan president has staunchly continued policies that have kept vital oil supplies flowing to Cuba. Optimistically, if not myopically, [he commented](#), "I'm sure new victories for the Bolivarian and Chavista Revolution will come under your leadership," President Raúl Castro wrote to Maduro.

His concerns must be magnified given the recent victory of the center-right candidate, Mauricio Macri, over President Christina Kirchner's chosen successor in the Argentine presidential elections. Brazil's President Dilma Rousseff is attempting ward off impeachment. Both are oil producing countries that could at least partially fill the gap if Venezuela cuts off discounted sales.

Bolivia and Ecuador both remain in leftist hands, and both have gas and oil production, but their production is well below that of Venezuela, and they can hardly step into void that occur if the MUD can end exports. In the last several years, Cuba has depended upon Venezuelan imports for roughly half of its approximately [180,000 barrels of oil](#) per day (bpd). Bolivia produces approximately 58 million bpd; Ecuador, 540,000 bpd. Venezuelan production by contrast is 2.8 million bpd (my estimate from PDVSA official reports, which I believe to be accurate; many estimates are lower).

The dimensions of the opposition victory may come as a shock, but my conversations in Havana with Cuban diplomats and academics at a conference makes me think that the government must also be thinking about a contingency plan. What the alternative might be is hard to imagine, but it cannot be good for Cuba's economy, prospects of political reform, and relations with the US.



And Cuba is not the only country worried about the new Assembly. Recently, a U.S. National Security official [warned Caribbean nations](#) that the US would not be able to supply oil to replace supplies from Venezuela if PetroCaribe is ended.

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