

# Venezuela: Unnatural Disaster

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## I. Overview

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The accelerating deterioration of Venezuela's political crisis is cause for growing concern. The collapse in 2014 of an incipient dialogue between government and opposition ushered in growing political instability. With legislative elections due in December, there are fears of renewed violence. But there is a less widely appreciated side of the drama. A sharp fall in real incomes, major shortages of essential foods, medicines and other basic goods and breakdown of the health service are elements of a looming social crisis. If not tackled decisively and soon, it will become a humanitarian disaster with a seismic impact on domestic politics and society, and on Venezuela's neighbours. This situation results from poor policy choices, incompetence and corruption; however, its gravest consequences can still be avoided. This will not happen unless the political deadlock is overcome and a fresh consensus forged, which in turn requires strong engagement of foreign governments and multilateral bodies.

As the 12th largest oil producer in the world, with the largest reserves, and a beneficiary of the most sustained oil price boom in history, Venezuela ought to be well placed to ride out the recent collapse of the international price of crude. The oil boom, combined in the early years at least with the government's redistribution policies, produced a significant decrease in poverty under the administration (1999-2013) of the late Hugo Chávez. The economy was showing signs of strain, however, well before the 50 per cent fall in prices at the end of 2014, a year in which GDP shrank by more than 4 per cent and inflation rose to 62 per cent. Expropriations of private land and businesses, stringent price and exchange controls and inefficient, often corruptly-run state enterprises undermined the nation's production of basic goods and services. Having incurred massive debts, spent most of its international reserves and emptied a stabilisation fund set up for such contingencies, the government faces a critical shortage of hard currency and the prospect of triple-digit inflation this year and can no longer afford to make up domestic shortfalls of consumer goods with imports.

The impact has naturally been felt most keenly by the poor, who rely on increasingly scarce supplies of price-controlled food, medicines and other basic goods for which they must often queue for hours, with no guarantee of success. Those with ailments such as cancer, HIV-AIDS or cardiovascular disease can go months without medicines they require to survive. Hospitals and even private clinics cannot maintain stocks of medicines and other basic supplies, including spare parts to repair equipment. The hospital crisis is exacerbated by government failure to complete a rebuilding program begun in 2007 or fulfil promises to construct new facilities. Thousands

of doctors and other medical personnel have resigned due to low wages and unsafe working conditions. Surgery waiting lists are growing, and staff vacancies go unfilled.

Some economists predict a sudden collapse in food consumption and widespread hunger, and public health specialists already say that some surveys are showing chronic malnutrition, although the country is not yet on the verge of famine. The collapse of the health service, however, can have pernicious short-term effects, including uncontrolled spread of communicable diseases and thousands of preventable deaths.

Aside from purely humanitarian concerns, Venezuela's neighbours and the wider international community have pragmatic reasons for acting. If a solid institutional and social welfare framework can be restored through a negotiated settlement, and economic measures taken to deal with inflation and scarcity, a humanitarian crisis can be averted. If not, the collapse of the health and welfare infrastructure is likely to make political conflict harder to manage and could lead to a further erosion of democracy and an increasing likelihood of violence.

This in turn would have an impact beyond Venezuela's borders. Potential risks include large-scale migration, the spread of disease and a wider foothold for organised crime. Without a change of economic policy, the country is heading for a chaotic foreign debt default, probably in 2016. An unstable Venezuela unable to meet its international commitments could destabilise other countries in the region, particularly Caribbean nations that have come to rely on subsidised energy from Caracas. It would also have a direct impact in Colombia, along a border already under multiple threats.

This briefing is the product of research conducted between April and July 2015, which included field trips to Zulia state and the greater Caracas area. Among a wide variety of sources consulted were many grassroots sympathisers of the government and several mid-ranking officials. Unfortunately, the ministers of food and health did not answer requests for interviews.

To forestall the severe consequences of a humanitarian crisis in Venezuela:

- ❑ The government must acknowledge the problem. Concealing true statistics and harassing those who publish or demand access to data must cease.
- ❑ Any political dialogue or agreement must prioritise concerted action to guarantee supplies of scarce goods, including medicines, medical supplies and basic foodstuffs, for the neediest, and a social safety net without partisan intervention or manipulation that incorporates as providers non-governmental actors, including the Catholic Church and humanitarian organisations.
- ❑ The current unworkable system of price and exchange controls that fosters corruption, smuggling and the black market and fuels inflation and scarcity needs to be carefully dismantled and replaced with mechanisms that provide a safety net for the poor without stifling production.
- ❑ The government should seek broad support for an emergency program that restores economic equilibrium and protects the most vulnerable from the consequences of the necessary adjustment, rather than blaming the opposition and foreign governments for an imaginary "economic war".
- ❑ The opposition should resist the temptation to score political points, acknowledge there is no painless solution and present a clear economic and social reform agenda.
- ❑ Venezuela's neighbours and the broader international community must abandon their reluctance to act, and explicitly press for restoration of the rule of law and of

institutional checks and balances, beginning with close oversight of the December parliamentary elections.

- They should also help alleviate the social costs of the current crisis by offering food and medical aid and helping Venezuela cope with and control existing epidemics and prevent future ones.

## II. Health emergency

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The Venezuelan government is failing to guarantee minimum acceptable levels of medical attention to the population, as required in the constitution and in accordance with international standards.<sup>1</sup> The underlying causes of a situation that is already costing lives are many and varied. They range from the lack of a coordinated national health service, inadequate budgetary provisions and dismantled (or unbuilt) hospitals, to a lack of foreign currency to import medicines and supplies, poverty wages for doctors and nurses, violent crime and corruption.

### A. *Vanishing Beds, Doctors and Medical Supplies*

Venezuela has been among Latin America's poorest performers on health expenditures. In 1998, before Chávez came to power, it ranked alongside Peru, at 4.5 per cent of GDP. By 2006, this had risen to 5.7 per cent, only to fall back to 4.7 per cent in 2012, a figure that compared poorly with 9.3 per cent in Brazil, for example, and 6.8 per cent in Colombia.<sup>2</sup> The 1999 constitution obliges the government to set up a national health service. However, a bill to this effect never became law, and the situation has worsened, due to the existence of several separate, uncoordinated systems.<sup>3</sup> Paradoxically, the government's partial recentralisation of the hospital system, which involved relieving some state governments of control, has exacerbated the problem.<sup>4</sup>

There is a critical shortage of hospital beds. The minimum required per 1,000 inhabitants varies internationally but typically is between two and three in countries with efficient health systems. Venezuela has 0.9, but according to independent calculations, only half the 33,000 public-sector beds are actually available.<sup>5</sup> Private clinics, with 7,000, attend to 55 per cent of the patients, a figure that five years earlier was below 20 per cent.<sup>6</sup> But not just beds are missing. According to a survey of 130

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<sup>1</sup> "El Derecho a la Salud en Venezuela", report at an Inter-American Human Rights Commission hearing on Venezuela by nine NGOs, including Provea, Codevida and Acción Solidaria, 15 March 2015.

<sup>2</sup> Figures from UN Economic Commission on Latin America (Cepal) include both public and private spending. See also A. Abadí and Julio Castro M., "Cuánto ha invertido Venezuela en Salud y cuáles son los resultados?", *prodavinci.com*, 14 September 2014.

<sup>3</sup> Article 84 of the constitution. For an account of the various systems and their deficiencies, see "El Derecho a la Salud en Venezuela", *op.cit.*

<sup>4</sup> By 4 December 2008 decree, for example, Miranda state was stripped of control of eighteen hospitals weeks after electing an opposition governor. The measure was extended to clinics offering primary attention. According to Miranda's health director, Gustavo Villasmil, this move led to a sharp deterioration in staffing, medical supplies and attention to patients.

<sup>5</sup> Venezuela's beds per 1,000 rate is on a par with Nicaragua's. Brazil has 2.3 per 1,000 and Argentina 4.7, World Bank data, *Médicos por la Salud*, June 2015.

<sup>6</sup> Estimate by Gustavo Villasmil, health secretary, Miranda state, in his book, "Del Mal que Vas a Morir", *Editorial Libros Marcados*, Caracas, 2015. Private clinics have faster turnover than public

public hospitals carried out by NGO doctors, equipment such as x-ray and tomography machines gives only intermittent service, due to lack of hard currency to import spare parts.<sup>7</sup>

The Venezuelan Medical Federation (FMV) said in May that 12,830 doctors had resigned from public hospitals, of whom almost 8,000 had emigrated, along with some 2,500 from private clinics.<sup>8</sup> Health Minister Henry Ventura insisted just 320 had left the country and only to study abroad, then return.<sup>9</sup> The FMV, however, warned that twelve medical specialities were on “red alert” due to lack of staff, including paediatrics, neonatology and anaesthesiology. In 2013, the government addressed the deficit by incorporating “community doctors” (*médicos integrales comunitarios*) without university training into hospital work.<sup>10</sup>

Under a bilateral agreement between Caracas and Havana, thousands of Cuban doctors have since 2003 provided primary health care in Venezuela under the Barrio Adentro program in exchange for oil. Statistics are hard to obtain and of doubtful accuracy, but President Chávez claimed as recently as 2012 that 44,000 Cuban health professionals were in the country. The true figure is probably much lower.<sup>11</sup>

Most medicines sold in Venezuela are either imported or include imported components. By 2013, private pharmaceutical companies were receiving 34 per cent less dollars than in 2011 for these imports, and the impact showed in scarcities. The Pharmaceutical Federation (FFV) said in May that 60 per cent of medicines were unavailable in Caracas, and 70 per cent were unavailable in the interior.<sup>12</sup> Médicos por la Salud reported in March that most medicines on the World Health Organisation’s essential list were unavailable in pharmacies.<sup>13</sup> Human Rights Watch noted: “We have rarely seen access to essential medicines deteriorate as quickly as it has in Venezuela except in war zones”. Complaining doctors, it added, have in some cases been detained and interrogated.<sup>14</sup>

Hospital supplies, from surgical gloves to catheters, are running out. In June, the Association of Importers and Distributors of Laboratory Equipment (Asodilab) said 42 per cent of its members were completely out of stock, while most of the rest had less than fifteen days’ supply, so many standard laboratory tests were difficult or impossible to perform.<sup>15</sup>

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hospitals, in part due to more staff and better access to equipment. Chapter, “Derecho a la Salud”, in annual report, Provea, 2014.

<sup>7</sup> “45% de los equipos médicos están parados por falta de repuestos”, *El Nacional*, 7 July 2015.

<sup>8</sup> “Federación Médica asegura que más de 10 mil médicos se han ido del país”, *El Mundo Economía y Negocios*, 3 May 2015.

<sup>9</sup> “Ventura: Sólo 320 médicos se han ido del país”, *Últimas Noticias*, 10 May 2015. The minister also denied that health conditions were deteriorating, saying life expectancy had increased.

<sup>10</sup> Provea, *Derecho a la Salud*, in 2014 Annual Report.

<sup>11</sup> Maye Primera, “Más médicos para Brasil, menos para Venezuela”, *El País Internacional*, 19 March 2014.

<sup>12</sup> Víctor la Cruz, “Freddy Ceballos: Escasez de medicamentos en la Gran Caracas es de 60%”, *El Universal*, 4 May 2015.

<sup>13</sup> See “19th Model List of Essential Medicines”, World Health Organisation (WHO), available on WHO website.

<sup>14</sup> Diederik Lohman, associate director, Human Rights Watch, “Venezuelans can’t get even the most basic lifesaving medical supplies”, *The Washington Post*, 29 April 2015.

<sup>15</sup> Carmen Sofía Alfonso, “42% de los proveedores se quedó sin insumos para enviar a laboratorios”, *El Nacional*, 26 June 2015.

### B. *The Human Cost of Missing Medicines*

Since 1 April 2015, coagulants for treating haemophilia have only been available for emergencies. Sufferers from Type A haemophilia in Venezuela require 73 million units of Factor VIII every year to cover emergencies and preventive treatment. The latter is vital to avoid deformed joints and loss of mobility, especially among children, and to greatly reduce the risk of emergencies. The Venezuelan state is constitutionally obliged to provide “timely” preventive treatment, but current imports are just four million units every three months.<sup>16</sup> For most of 2014, Factor IX (required by sufferers from Type B) was unobtainable.<sup>17</sup>

In August that year, a sixteen-year-old in San Cristóbal, Táchira state, Christian Saavedra, died for lack of Factor IX after suffering a brain haemorrhage. Vicente Conde, a nineteen-year-old student from Barquisimeto who suffers from Type B, said the country’s 4,000 haemophiliacs live in permanent anxiety. Many are unable to work or engage in normal activities, for fear of even a minor accident. Conde, who used to have his coagulant to hand for an emergency, now relies exclusively on reaching the right hospital in time. Letters to the health ministry, the social security institute (IVSS, responsible for supplying the medicine) and the ombudsman (Defensoría del Pueblo) have gone unanswered. “What they have done is seriously impair our quality of life”, he said.<sup>18</sup>

### C. *Untracked Epidemics*

The government last published a weekly epidemiological bulletin in early November 2014. Six months later, recently appointed Health Minister Ventura said it would no longer be published.<sup>19</sup> Instead, the minister himself would use a weekly press conference to present the situation regarding the 72 communicable diseases and conditions covered by the bulletin. These include mosquito-borne viruses such as dengue, malaria and chikungunya (a disease of African origin that first appeared in the surrounding region in 2014). However, no press conference has yet been held. A deputy health minister said there was no point publishing information that “people sometimes don’t know how to interpret”.<sup>20</sup>

The decision, which met with severe criticism from the medical community, came amid charges that the government was deliberately covering up the scale of the chikungunya epidemic in particular, which it acknowledged had affected some 36,000 people, while independent specialists said there were over two million cases in 2014. Taking into account estimates of those who did not seek medical attention, the number could be much higher.<sup>21</sup> Both dengue and malaria have seen major increases in

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<sup>16</sup> Article 84; Crisis Group interview, coordinator, Venezuelan Haemophilia Association (AVH), 25 June 2015.

<sup>17</sup> Elisa Vásquez, “Hemofílicos enfrentan con su vida la escasez en Venezuela”, *PanAm Post*, 1 September, 2014.

<sup>18</sup> *Ibid*; Crisis Group interview, Vicente Conde, 25 June 2015.

<sup>19</sup> “Todos los viernes divulgarán el boletín epidemiológico”, *Globovisión*, 24 April 2015.

<sup>20</sup> María Emilia Jorge, “Restricción del boletín retrasará respuesta ante epidemias”, *El Nacional*, 4 June 2015.

<sup>21</sup> Cristina Villalobos, Faviana García, “Suspenden publicación de boletín epidemiológico”, *La Verdad*, 18 January 2015. “2 millones de personas padecerían de chikungunya en Venezuela”, *Globovisión*, 4 December 2014. Lissette Cardona, “A un año del brote de chikungunya el virus deja huella y aún amenaza”, *El Nacional*, 7 June 2015.

recent years, and drugs with which to treat them are in short supply. Epidemiologists complain that containment measures are inadequate, and mosquitoes are proliferating.<sup>22</sup> Another mosquito-borne disease, zika, has been reported just over the border in Brazil.

#### D. *Infant and Maternal Mortality*

Maternal mortality is among the highest in the region and rising. Official figures are inconsistent, but according to one source it rose between 2012 and 2013 from 92 to 110 per 100,000 live births.<sup>23</sup> Infant mortality declined in the early Chávez years, but since 2006 has held at around fourteen in the first year for every 1,000 live births.<sup>24</sup> Collapsing hospitals and a failure to build new ones are one reason. The main maternity hospital in Caracas is short of 41 neonatal specialists, and its intensive care unit was closed from 2009 to 2014.<sup>25</sup> Among other contributing factors are that Venezuela has the third highest rate in the region of teenage pregnancies, and almost three fifths of expectant mothers receive no pre-natal care.<sup>26</sup>

#### E. *El Vigía: The Missing Hospital*

In 2014, a mother and daughter arrived at the emergency department of the Santa Bárbara hospital in southern Zulia. The daughter was in labour with her first child and suffering complications. There is no doctor where they live after 1pm or during weekends and no ambulance at any time, so they took a taxi. The hospital said it did not have the capacity to treat her and referred her to the much smaller El Vigía hospital, about 40 minutes away, where medical staff also said they could not help. After another hour and a half in a taxi, the baby was delivered successfully at the University Hospital in Mérida.<sup>27</sup> For staff there, it was a familiar story, but the problem is not confined to rural areas. Women in labour in Caracas reportedly may have to visit up to five hospitals to find one that will admit them.<sup>28</sup>

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<sup>22</sup> Chapter, “El Derecho a la Salud”, in annual report, Provea, 2014. Lisette Cardona, “Aumento de los casos de malaria potencian el riesgo en todo el país”, *El Nacional*, 28 June 2015. Lisette Cardona, “Recomiendan control de vectores por alerta de virus zika”, *El Nacional*, 11 June 2015.

<sup>23</sup> “El Derecho a la Salud en Venezuela”, op.cit.

<sup>24</sup> “El Derecho a la Salud en Venezuela”, op.cit. For comparison, the figure for developed countries such as France, Spain and the UK is three to four per 1,000.

<sup>25</sup> Chapter “Derecho a la Salud” in annual report, Provea, 2014.

<sup>26</sup> “El Derecho a la Salud en Venezuela”, op.cit.

<sup>27</sup> Crisis Group interview with mother, Puerto Concha, Zulia, 7 May 2015. Four new babies died in May 2014, apparently due to a bacterial contamination at the hospital in El Vigía that was unable to admit this young woman. “En emergencia sanitaria se encuentra el hospital de El, 4 neonatos fallecieron la semana pasada”, *Diario República*, 13 May 2014.

<sup>28</sup> Delia Meneses, “Maternidades no reciben partos de alto riesgo”, *El Universal*, 26 August 2013.

Santa Bárbara has a six-storey, 145-bed hospital, the largest in the Sur del Lago area. What it lacks is medical supplies and doctors. Patients say some medicines not available in the hospital are sold outside, at black market prices, by the coffee vendors. Due to the shortage of trained doctors, medical posts are filled by community doctors whom many colleagues consider barely qualified to act as paramedics. In 2007, President Chávez promised six new general hospitals, including one for El Vigía. In 2011, the site was abandoned, and that hospital and the other five promised have still not been completed.<sup>29</sup>

### III. Dwindling Production amid Economic Collapse

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Venezuela has the world's highest inflation rate, combined with a recession projected to cut GDP by 7 per cent in 2015, following a 4 per cent drop the previous year.<sup>30</sup> It also has one of the highest fiscal deficits in the world, which some put at almost 20 per cent of GDP. Gold and hard currency reserves have fallen to their lowest in over a decade, and the financial news agency Bloomberg estimates there is an almost one in two chance of foreign debt default before the end of 2016.<sup>31</sup> The government blames this predicament on an "economic war" it alleges is being waged by the private sector in alliance with foreign "imperialists".<sup>32</sup> Most independent economists, however, attribute it to flaws in economic policy, compounded in 2012 when, to boost the government's popularity in the run-up to a presidential election, state spending was increased to an unsustainable level.<sup>33</sup>

#### A. *Imposing State Control*

In October 2006, Hugo Chávez – a former army officer who had staged a failed coup in 1992 – campaigned on the platform that socialism was the way forward and won his third consecutive election as president.<sup>34</sup> In 2007, he embarked on a wave of "strategic" expropriations in the oil, telecommunications, electricity, banking and food sectors.<sup>35</sup> Expropriation of "unproductive" farmland, begun in his first term, totalled 3.6 million hectares by his death in 2013, according to the then head of the National Land Institute (INTI), William Gudiño.<sup>36</sup> Control of food and agriculture was partic-

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<sup>29</sup> Crisis Group interview, coordinator, Observatorio Venezolano de la Salud, Caracas, 17 April 2015. "Aló Presidente" no. 296, September 2007. Adela Lozada, "Ocho años esperando por el Hospital tipo IV", *El Diario de los Andes*, 12 January 2015.

<sup>30</sup> "World Economic Outlook Update", International Monetary Fund (IMF), 21 January 2015.

<sup>31</sup> "Bloomberg: Con cifra récord, Venezuela tiene 44% de probabilidades de default en 2016", *Finanzas Digital*, 19 June 2015.

<sup>32</sup> Roberto Malaver, "Entrevista a Maduro: 'La guerra económica se decidió en Estados Unidos'", *Telesur*, 22 December 2013.

<sup>33</sup> Jorge Giordani, Chávez's long-serving planning minister, acknowledged this in an open letter after President Maduro dismissed him in 2014: "Testimonio y Responsabilidad ante la Historia", 18 June 2014.

<sup>34</sup> Chávez announced that "Capitalism must be transcended via socialism" in a speech at the Gimnasio Gigantinho, Porto Alegre, Brazil, 30 January 2005, then campaigned on that theme.

<sup>35</sup> "Cronología de nacionalizaciones y expropiaciones en Venezuela desde 2007", *El Universal*, 26 October 2010.

<sup>36</sup> Ileana García Mora, "Inti: Irregularidades en tierras tomadas no propició escasez", *El Mundo Economía y Negocios*, 18 January 2014. According to the 2011 agricultural census by the National

ularly sensitive, in part due to the 2002-2003 business-led, anti-government strike, during which food distribution was partially disrupted. The government set up its own subsidised food network,<sup>37</sup> and the seeds of what became elaborate price and exchange controls were also sown then. Exchange controls were introduced to stem capital flight in 2003, when foreign reserves had shrunk alarmingly. Despite the intervening oil boom, they remain in place, for primarily political reasons, as some in government acknowledge.<sup>38</sup>

By 2011, through expropriations, buy-outs and bilateral or multilateral deals with other countries (especially Cuba), the government controlled almost 100 food companies and had a share in the production of all basic foodstuffs, as well as the biggest distribution network.<sup>39</sup> In 2008, the Food and Agriculture Security and Sovereignty Law (a presidential decree issued under an enabling law) declared the entire industry to be “in the public interest”, allowing expropriations without a court order.<sup>40</sup> In addition to the state-owned subsidised food chains Mercal and PDVAL, the government created the Bicentenario supermarket chain, with 50 outlets nationwide, by expropriating the privately-owned Cada and Exitó chains.<sup>41</sup> Other emblematic nationalisations were of the dairy company Lácteos los Andes (2008) and the Venezuelan holdings of the transnational Cargill (2009), whose products included cooking oil, rice, flour, pasta and sauces. Both were intended to overcome what the government described as deliberate private-sector refusal to supply basic goods such as liquid milk and rice.<sup>42</sup>

### B. Imports Replace Domestic Production

The government’s stated aim is to achieve “food sovereignty”.<sup>43</sup> However, the overall result of price controls, exchange-rate distortions, nationalisations, land expropriation and a policy framework hostile to private initiatives has been a gradual decline in both primary production and food processing. A sharp fall in private investment has not been compensated for by the state, especially in areas requiring long-term

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Statistical Institute (INE), there are 27 million hectares of arable land in Venezuela, of which just over half is pasture and only 10 per cent dedicated to crops. Gudiño denied scarcity was a result of expropriations. In 2009, Chávez declared that, “... the land does not belong to anyone in particular; it belongs to everyone”, “Aló Presidente” (his weekly TV program), 1 March 2009.

<sup>37</sup> The first step was the creation of the Mercal chain, whose account of its origins makes explicit reference to the opposition-led strike. “Mercal, una Misión que Marca Pauta en la Venezuela Socialista”, Prensa Mercal, [www.mercal.gob.ve](http://www.mercal.gob.ve).

<sup>38</sup> “Cronología del control cambiario en Venezuela: desde 2003 a nuestros días”, *El Universal*, 10 February 2015. “Aristóbulo Istúriz: El control de cambios es una medida política”, [Globovisión.com](http://Globovisión.com), 14 July 2014.

<sup>39</sup> Katiuska Hernández, “Crece el negocio de alimentos del Gobierno: controla 94 empresas”, *El Nacional*, 20 January 2011.

<sup>40</sup> Ley Orgánica de Seguridad y Soberanía Alimentaria, Gaceta Oficial no. 5.891, 31 July 2008, Chapter 1.

<sup>41</sup> “Nacen los hipermercados ‘Bicentenario’, donde antes especulaban CADA y Exitó”, [rebelión.org](http://rebelión.org), 14 February 2010.

<sup>42</sup> Chávez said Cargill was producing parboiled, not plain white rice to evade price controls. Cargill said its plant was only designed to produce parboiled. In government hands it continued to do so. A. Contreras, “Arroz del ALBA opera en Cargill”, *El Universal*, 14 December 2009.

<sup>43</sup> Dick Parker, “Chávez y la Búsqueda de una Seguridad y Soberanía Alimentaria”, *Revista Venezolana de Economía y Ciencias Sociales*, vol. 14, no.3 (Sep-Dic 2008), pp. 121-143.



investment, such as cattle-ranching, coffee and sugar.<sup>44</sup> Imports rose dramatically to meet increasing demand due to population growth and rising real incomes, but this was only possible while the boom in crude oil prices continued, especially since oil production was declining.<sup>45</sup> In June 2015, a UN experts body expressed concern that import over-dependence had led to serious scarcity of food and other basic goods.<sup>46</sup>

### C. *Agricultural Stagnation*

After registering sustained growth from 2002-2008, agricultural production declined in the following three years. And although it grew in nominal terms in 2012 and 2013, it registered an annual decline in per capita terms of -1.5 per cent during these two years.<sup>47</sup> Per capita meat production declined by almost a third, and by 2011 the formerly self-sufficient country had to import over half of what it consumed.<sup>48</sup> The monthly deficit of chicken is 50,000 tons, the president of the Venezuelan Poultry Federation, Simón Leal, said in June 2015, with the industry producing only 70,000 tons monthly and requiring \$2.5 billion a year to buy inputs if it is to meet demand.<sup>49</sup> Overall, food and agricultural imports per capita rose from an average of \$65.9 in the 1990s to \$134.6 in the decade to 2010, with a peak of \$276 in 2008.<sup>50</sup>

The policy of increasing state control in food and agriculture continued despite the setbacks. In October 2010, Chávez announced expropriation of the Agroisleña Group, the country's largest supplier of seeds and agrochemicals, which also gave thousands of farmers in nineteen states consultancy, financing and technical support, as well as providing crop-storage silos, machinery and spare parts. He accused it of practising "usury" and trading in unauthorised substances. Under state control and renamed "Agropatria", it now holds a near-monopoly of its various businesses but is said by the farmers' federation Fedeaagro to fail to meet demand, particularly of agrochemicals at critical times in the year, resulting, for example, in a 40 per cent drop in summer rice acreage.<sup>51</sup>

<sup>44</sup> Crisis Group interview, academic expert in food and agribusiness, Caracas, 27 April 2015.

<sup>45</sup> According to the U.S. Energy Information Administration, Venezuela's production of oil and other liquid hydrocarbons declined between 2004 and 2013 from nearly 3 million barrels a day to around 2.5 million. "Venezuela: International energy data and analysis", US EIA, 20 June 2014.

<sup>46</sup> "Observaciones finales sobre el tercer informe periódico de la República Bolivariana de Venezuela", Committee on Economic, Social and Cultural Rights (CESCR), a body that considers the five-year reports from UN member states on their compliance with the International Covenant on Economic, Social and Cultural Rights.

<sup>47</sup> Gutiérrez, S.A., "El Sistema Alimentario Venezolano (SAV): evolución reciente, balance y perspectivas", in *Agroalimentaria*, vol. 21, no. 40, pp 17-57.

<sup>48</sup> "Carne importada en Venezuela abastece el 52% del consumo del país", *América Economía*, 14 February 2011. The agriculture ministry disputed this figure, saying local production covered 80 per cent of requirements.

<sup>49</sup> "Tips", *Veneconomía*, 4 June 2015.

<sup>50</sup> Carlos Machado Allison, "Importación de alimentos en Venezuela: Qué sería razonable", in *Sistemas agroalimentarios y algo más* blog, 17 February 2011.

<sup>51</sup> Daniela Luces, "Productores: en Agropatria no consigues ni matamaleza", *El Tiempo*, 27 October 2014. See also, Nicolle Yapur, "Fedeaagro: Hortalizas se disparan porque el gobierno se negó a entregar semillas", *ELestímulo.com*, 23 June 2015.

#### D. *The Case of the Hacienda Bolívar*

The rich agricultural lands of southern Zulia state in western Venezuela have been among the most disputed since the Chávez administration came to office. In late 2010, the president ordered 47 farms in the area expropriated, arguing, among other things, that their employees were subjected to “semi-slavery”.<sup>52</sup> Some were later conditionally returned to their owners,<sup>53</sup> but among those that remained in state hands was the 4,000-hectare Hacienda Bolívar, with 8,000 head of beef and dairy cattle and buffalo. It was handed over to a state company (Empresa Agroecológica La Maricela) that presided over a collapse in production and partial occupation by squatters.<sup>54</sup>

Milk production fell from 5,000 litres/day to 75 litres/day in four years. In 2014, the ranch was turned over to the local municipality (Colón, Zulia state), by which time the herd had been reduced to 3,600, all internal fences had been destroyed and the several breeds of cattle indiscriminately mingled. An unknown number of animals had been stolen or slaughtered for food, and meat production figures were unknown. The employees had not been paid for five months.<sup>55</sup>

Both private and state-owned farms in the area face major problems. Fuel and spare parts for machinery are very difficult to obtain, as are supplies of all kinds, including such basics as fence posts and barbed wire. Agropatria lacks vehicles to deliver supplies, so farmers have to collect them. Price-controlled goods, from petrol to milk and beef (even on the hoof), are smuggled over the border. In May 2015, Colombian smugglers were offering Bs 150/kilogram for steers that fetched only Bs 110/kilogram in Venezuela.<sup>56</sup> Labour is hard to obtain, because even small-scale black-marketeers (“*bachaqueros*”) can earn Bs 5,000 a day, compared with an official minimum wage under Bs 7,500 a month.<sup>57</sup>

There are five milk processing plants in the Colón municipality. Nonetheless, milk is hard to find. Local producers avoid selling at the controlled price of Bs 38/litre, preferring to sell outside official channels or to convert to products such as yogurt and certain types of cheese whose prices are not controlled. Some have given up selling to state-owned plants because of lack of payment.<sup>58</sup>

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<sup>52</sup> “Hacienda Bolívar-Bolivariana”, *Aló Presidente*, 13 March 2011.

<sup>53</sup> Ileana García Mora, “10 fincas expropiadas serán devueltas a sus antiguos dueños”, *El Mundo Economía y Negocios*, 14 May 2014.

<sup>54</sup> Katiuska Hernández, “En la Hacienda Bolívar se libra una lucha por las tierras”, *El Nacional*, 15 December 2012. According to the municipal authorities, the occupiers included undocumented Colombian migrants, 28 of whom had a paramilitary background.

<sup>55</sup> Crisis Group interviews, specialists from Colón municipality, which is controlled by the ruling PSUV party, 8 May 2015.

<sup>56</sup> To obtain the US dollar equivalent of the bolívar prices mentioned in this report it is necessary to decide which of the three official and one unofficial exchange rates to use. At the time of writing, these varied from Bs 6.3 to the dollar to Bs 630 (the latter being the parallel, or black-market rate).

<sup>57</sup> Around 40 per cent of the economically active population earn the minimum wage or less; eight out of ten earn two minimum wages or less.

<sup>58</sup> Crisis Group interview, government land reform institute (INTI) employee, Santa Bárbara del Zulia, 7 May 2015.

### E. *Processed Foods*

Production of manufactured foods, particularly those subject to price controls, also began to fall. Production of price-controlled foods dropped in three successive years, 2012-2014, for various reasons including lack of materials for bottling and packaging. According to the Venezuelan Food Industry Chamber, Cavidea, absenteeism due to a new labour law also affected production.<sup>59</sup> While the government blames “economic war”, the main reason given by private-sector producers is a price control system that means they often have to produce at a loss, stimulating a black market. They also blame the government for failing to supply hard currency to purchase vital inputs. In June 2015, the largest food manufacturer, Empresas Polar, said its situation was “critical” due to the government not providing the hard currency with which to pay \$530 million in debts to overseas providers of raw materials. The group’s director of administration said some plants had already closed, and others were threatened.<sup>60</sup> Polar produces many of the most basic foodstuffs consumed by Venezuelans.

Food distribution is another critical area. The government introduced a system (known as SICA) under which food and agricultural products could not be transported around the country without a permit specifying where they were going. By June 2015, it was breaking down, with thousands of trucks unable to leave warehouses. The situation was made worse, distributors said, because 20 per cent of trucks were off the road due to lack of spare parts. The government responded by suspending the permit system temporarily.<sup>61</sup>

### F. *Corruption and Waste*

Faced with increasing food scarcity in the last quarter of 2007, the government began to blame private-sector “speculation” and “hoarding”. Inventories declined because producers, distributors and retailers feared prosecution if they were deemed to have too much stock.<sup>62</sup> A new presidential commission (CENBAL), which included Cuban advisers, recommended massive food imports by the state. In October that year, the state oil corporation PDVSA, which had been assigned a significant food sector role, declared a “food emergency”, and by July 2008 its subsidiary Bariven had purchased over a million tons on the international market for \$2.25 billion. Only a quarter of this reached Venezuela. A report by the comptroller general’s office found over-billing, payments in advance for goods that never arrived and acquisition of expired products.<sup>63</sup>

Only 14 per cent was actually distributed, largely because the quantities involved outstripped PDVAL’s capacity.<sup>64</sup> From 2009, large quantities of decomposing food

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<sup>59</sup> Katuska Hernández, “Cavidea: Ventas de alimentos procesados cayeron 5% en abril”, *El Nacional*, 21 June 2014.

<sup>60</sup> “Pablo Baraybar sobre situación de los precios y escasez de alimentos en Venezuela”, *Monitor Proavinci*, 11 September 2014. Dormelys León, “Polar exhortó a cancelar deuda con proveedores”, *unionradio.net*, 12 June 2015.

<sup>61</sup> “Fallas en controles de distribución ponen en riesgo producción de alimentos”, *lapatilla.com*, 19 June 2015. “Autorizan movilización de alimentos sin guías tras colapso del Sica”, *lapatilla.com*, 22 June 2015.

<sup>62</sup> Ezequiel Minaya and Sara Schaeffer Muñoz, “Ir a la cárcel es un riesgo ocupacional para los comerciantes en Venezuela”, *Wall Street Journal Latino*, 9 February 2015.

<sup>63</sup> “Informe de Gestión 2013”, Contraloría General de la República, p.121.

<sup>64</sup> Leaked internal PDVSA memo, cited in Antonio María Delgado, “Auditor de PDVSA alertó de irregularidades en importación de alimentos de PDVAL”, *El Nuevo Herald*, 17 March 2011.

began to turn up in containers and landfill sites around the country. In the main port of Puerto Cabello, 3,257 shipping containers, with 122,000 tons unfit for human consumption, were discovered. In 2010, three PDVAL executives were arrested on corruption charges but later released; two were reinstated in their jobs.<sup>65</sup>

Though food and basic goods scarcities initially declined somewhat from the 2007-2008 peak, inflation continued, especially, for food and beverage prices, prompting the government to introduce ever more rigorous controls. Another executive decree, the “Fair Cost and Price Law” (2011), created a new official body, Sundecop, to analyse costs, fix fair prices and impose large fines and possible expropriation for violations.<sup>66</sup> Yet another, the “Fair Price Law” (2014), set a 30 per cent, across-the-board ceiling on profits as a means of stabilising the economy after annual inflation hit 52.7 per cent in 2013.<sup>67</sup> However, inflation rose to 68.5 per cent in 2014 and food prices by over 100 per cent.<sup>68</sup> Throughout 2013, scarcity of basic goods hardly fell below 20 per cent, and when the rate approached 30 per cent in the first quarter of 2014, the central bank (BCV) stopped publishing the figures.<sup>69</sup> Independent sources predict 150-200 per cent inflation for 2015 and put scarcity of basic goods at over 60 per cent by mid-year.<sup>70</sup>

The most recent official figures for the monthly cost of the “food basket” (the cost of providing a family of five the minimum required calories) are for November 2014, when the National Statistical Institute (INE) put it at Bs 6,382.<sup>71</sup> By May 2015, the monthly figure compiled by CENDAS, a research centre linked to the teachers’ federation, was Bs 24,694, equal to 3.7 minimum wages. CENDAS also reported a 125 per cent annual rise in the cost of acquiring basic necessities and said eighteen of 58 products it measured were hard to find.<sup>72</sup> A press report calculated that a 184-gram can of tuna cost more than a day’s minimum wage.<sup>73</sup>

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<sup>65</sup> “7 años: de Pdval a Pudreval y nadie preso”, *ELeStímulo.com*, 22 May 2015.

<sup>66</sup> *Ley de Costos y Precios Justos*, 14 July 2011.

<sup>67</sup> *Ley Orgánica de Precios Justos*, *Gaceta Oficial* no. 40,340, 23 January 2014.

<sup>68</sup> Percentages refer to the consumer price index for the capital, Caracas.

<sup>69</sup> “Informe de inflación del BCV no incluyó índice de escasez”, *El Mundo Economía y Negocios*, 15 March 2014.

<sup>70</sup> Bank of America report on Venezuelan economy, May 2015. Scarcity figure from Datanálisis, 5 May 2015. The percentage is a weighted average of scarcity in the various retail channels. It refers to the number of basic products missing from the shelves in the average store.

<sup>71</sup> “Valor de la canasta alimentaria normativa, según mes, 2008-2014”, INE.

<sup>72</sup> “Canasta Básica Familiar aumentó a Bs 42.846”, *El Nacional*, 22 June 2015. CENDAS is the Centro de Análisis Social of the Federación Venezolana de Maestros.

<sup>73</sup> Luisa Mendoza, “Venezuela: los salarios no alcanzan para comer”, *Diario Las Américas*, 22 June 2015.

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## IV. Poverty and Hunger

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Venezuela is not facing a famine, but the improvements in poverty and nutrition achieved from 2003 to 2012 have been almost totally eroded, and the welfare of the population is deteriorating dramatically. Even amid the apparent plenty of a few years ago, studies by the National Nutritional Institute and UNICEF revealed disturbing evidence of chronic malnutrition. The government's decision to conceal the true situation by not publishing the relevant statistics will make the crisis more difficult to deal with.

### A. "Missions" Fail to Address Poverty

In the second half of 2013, according to INE, 22.3 per cent of Venezuelans were living in poverty and a further 9.8 per cent in extreme poverty. Though no 2014 figures have been published, Vice President Jorge Arreaza told the annual conference of the UN Food and Agriculture Organisation (FAO) that extreme poverty had fallen to 5.4 per cent, a figure at odds with a number of recent independent studies.<sup>74</sup> Pointing out that all the relevant indicators (including inflation, scarcity, unemployment, welfare cuts and health coverage) were deteriorating, the human rights organisation Provea projected the same absolute number of poor by the end of 2015 (almost eleven million) as in 2000.<sup>75</sup> This was based on a 2014 study (ENCOVI) by three leading universities that indicated 48.4 per cent of households were poor. The authors warned that as many as one third had recently fallen into poverty that could become structural if not dealt with.<sup>76</sup>

The government's principal weapon for tackling poverty, a declared aim on coming to power in 1999, has been the complex of welfare programs known as the "missions". Beginning with literacy and health, and conceived at first as emergency measures, they operate as a parallel welfare service with an explicit party-political slant.<sup>77</sup> Expenditures tend to rise and fall with the electoral cycle.<sup>78</sup> Now totalling several dozen, they embrace matters as diverse as higher education and the environment. Mechanisms include direct cash transfers, educational scholarships and subsidised food via the Food Mission (Misión Alimentación).<sup>79</sup>

However, their role in poverty reduction, academic experts say, has been much less than that of the oil price boom. Their main impact was in 2004-2007, after which they entered a period of unacknowledged crisis.<sup>80</sup> In 2005, for example, the state-

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<sup>74</sup> "Pobreza por línea de ingreso, primer semestre 1997 – segundo semestre 2013", INE. "Venezuela insta a acelerar la lucha mundial contra el hambre", Telesur, 8 June 2015. The UN expert body CESCR expressed concern in June 2015 over a "regressive tendency" in Venezuela's fight against poverty. "Observaciones finales", op. cit.

<sup>75</sup> Informe Anual DDHH, Provea, 9 June 2015.

<sup>76</sup> Encuesta Nacional de Condiciones de Vida (ENCOVI) 2014. Universidad Central de Venezuela, Universidad Simón Bolívar, Universidad Católica Andrés Bello.

<sup>77</sup> It is common, for example, to find contingents of mission beneficiaries at pro-government rallies, all dressed in red Chavista t-shirts emblazoned with the logo of each mission.

<sup>78</sup> Mercedes de Freitas, Transparencia Venezolana, at Pobreza y Poder fórum, Caracas, 26 March 2015. Crisis Group interview, human rights expert, Caracas, 24 March 2015.

<sup>79</sup> See the website of the Comisión de Enlace para la Internacionalización de las Misiones Sociales for an official account of the role, impact and structure of Misión Alimentación.

<sup>80</sup> Carlos Aponte Blank of the Universidad Central de Venezuela's (UCV) Centro de Estudios del Desarrollo (Cendes) at Pobreza y Poder fórum, Caracas, 26 March 2015.

owned Mercal network of subsidised food stores accounted for almost 10 per cent of consumer food spending, but by 2010 Mercal and PDVAL together accounted for just 5.6 per cent. In 2014, more than half their outlets were inactive, and more than half a million families stopped using Mercal between 2013 and 2014.<sup>81</sup> Moreover, these food subsidies are relatively indiscriminate rather than targeted on the poorest. In 2014, just 11 per cent of the poor population received benefits of some kind from the missions.<sup>82</sup>

### B. *Malnutrition and Obesity*

As the economy went into steep decline, by the first half of 2015 there was an “acute [food supply] crisis”, exacerbated by the inability of the state welfare system to mitigate the effects on the poorest.<sup>83</sup> The government continues to maintain that “95 per cent of Venezuelans eat three or more times a day”.<sup>84</sup> Moreover, in June 2015, the FAO awarded Venezuela a certificate of recognition for having “reduced by half” the number suffering from hunger (a UN Millennium Goal).<sup>85</sup> However, the 2014 ENCOVI survey indicated that 11.2 per cent of respondents were eating less than two meals a day, a figure that rose to 39 per cent among the poorest.<sup>86</sup> More than four out of five said their income was insufficient to meet food requirements. Researchers say it is virtually impossible to obtain official statistics. Malnutrition and deaths from diet-related causes such as diabetes and obesity are officially acknowledged to be increasing, however, and are thought to be probably under-reported.<sup>87</sup>

Poor diet is leading to a paradoxical combination of malnutrition and obesity, and also shows up in low birth weights and stunted growth.<sup>88</sup> A 2008-2010 study by the National Nutritional Institute (INN) covering 10,000 children between five and sixteen found that over a fifth were overweight or obese, and more than 14 per cent suffered from malnutrition.<sup>89</sup> A 2013 UNICEF report estimated that 458,000 children had chronic malnutrition, and this had led to stunted growth in 16 per cent of the cases.<sup>90</sup> In theory, those in school receive food through the PAE program. Three specialist NGOs found “grave inconsistencies” in food dispatch and delivery, however,

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<sup>81</sup> IV Encuesta Nacional de Presupuestos Familiares, INE. Memoria y Cuenta, food ministry; Encuesta de Seguimiento al Consumo de Alimentos (primer semestre, 2014), INE.

<sup>82</sup> ENCOVI, op. cit. The government is redesigning some missions in order to focus on the issue of extreme poverty. It is also gathering key missions into so-called “*bases de misiones*”, hundreds of which have been built across the country. In his presentation, mentioned above, at the Transparencia Venezuela forum “*Pobreza y Poder*”, Carlos Aponte Blank of Cendes noted that, “the *bases de misiones* are composed of missions that are already in crisis”.

<sup>83</sup> Observatorio Venezolano de la Salud, Fundación Bengoa, Centro de Investigación Agro-Alimentaria (CIIAL), May 2015.

<sup>84</sup> See, for example, Vice President Arreaza’s speech to the FAO, cited above.

<sup>85</sup> On its website, the FAO points out that the data on which it based its recognition related to 1990-2012 and acknowledges that the government is the source. It also acknowledges the problem of high inflation but says it is mitigated by government programs.

<sup>86</sup> ENCOVI, op. cit.

<sup>87</sup> Crisis Group interview, nutrition expert, Caracas, 15 June 2015.

<sup>88</sup> Ibid.

<sup>89</sup> “Sobrepeso y Obesidad en Venezuela”, Instituto Nacional de Nutrición, Colección Lecciones Institucionales, *Fondo Editorial Gente de Maíz*, 2012.

<sup>90</sup> “Improving child nutrition”, UNICEF, April 2013.

along with unhygienic preparation and “precarious” quality and quantity. The program, they said, was threatened with paralysis due to growing debts to suppliers.<sup>91</sup>

### C. *Rationing and Food Queues*

As demand for food and other price-controlled goods began to outstrip supply, and lengthy queues became a common sight outside supermarkets, pharmacies and other retail outlets, the government and the private sector began to impose rationing of various kinds. Each customer was limited to a specific quantity (eg, two kilograms of maize flour) and could only purchase it on the day of the week corresponding to the last digit of his/her identity card number.<sup>92</sup> In June 2015, the government chains replaced the ID card system with centrally-controlled fingerprinting, the aim of which is to limit what an individual can buy in a given period.<sup>93</sup> Blaming queues on the alleged private-sector war, the government arrested the CEO and managers of the Farmatodo pharmacy chain and managers of a supermarket chain (Día a Día) and one of their lawyers in early 2015.<sup>94</sup>

### D. *Doing without Chicken and Fruit in Caracas*

Elderly people on low incomes are among the most vulnerable. “It’s true, the government has its [subsidised food] programs,” said Silvia Salavarría. “But I’m 85 and suffer from hypertension. If I stand in line for hours, I could have a heart attack”. Salavarría lives on a pension of Bs 7,421.66 a month in the poor barrio of Isaías Medina Angarita in the west of the capital. A kilogram of chicken costs Bs 800. “I can’t remember when I last ate chicken, let alone beef”, she said. “I used to buy apples, pears, grapes, but now I never buy fruit. Just one apple costs over Bs 80”. Another elderly woman interrupted her to describe a recipe for making plantain skins taste like shredded beef.<sup>95</sup>

Many rely on children or grandchildren to help out. Salavarría has six. Francisco Ríos (83), who has just one son, sells lighters on the street to supplement his pension. But every time he buys a box of lighters it costs more. “This one cost me Bs 1,800”, he said. “Just a few days ago it was Bs 1,350. People don’t want to buy them at the price I have to charge. The thing that hurts me the most is, where is all this heading?”<sup>96</sup>

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<sup>91</sup> “Programa de Alimentación Escolar” (PAE), website, Ministerio del Poder Popular para la Educación, 2 July 2015. “El Informe Conjunto al Comité de Derechos Económicos y Sociales de las Naciones Unidas, con Motivo del Exámen del Tercer Informe Periódico del Estado Venezolano en el Período de Sesión 55 del Pacto Internacional de Derechos Económicos, Sociales y Culturales”, published by the Observatorio Venezolano de la Salud, the Fundación Bengoa and the Centro de Estudios Agroalimentario, CIIAL, May 2015.

<sup>92</sup> Gleixys Pastrán, “Desde hoy toda la red pública y privada de supermercados atenderá por terminal de cédula”, *El Mundo Economía y Negocios*, 6 April 2015.

<sup>93</sup> “Gobierno eliminará restricción de venta de productos básicos por cédula”, *El Universal*, 17 June 2015.

<sup>94</sup> Jesús Hurtado, “Más de 20 empresarios han sido acusados por boicot”, *El Mundo Economía y Negocios*, 23 March 2015. “MP acusa a director de Día a Día por boicot y desestabilización económica”, *El Universal*, 24 March 2015.

<sup>95</sup> Crisis Group interview in the street in western Caracas, 5 July 2015.

<sup>96</sup> Crisis Group interview in the street in western Caracas, 5 July 2015.

### E. Scarcity in Rural Venezuela

In Puerto Concha, a small fishing village on the southern shore of Lake Maracaibo, there is frustration.<sup>97</sup> The trucks that used to supply local stores with food and other basic goods stopped coming several years ago. “The National Guard started pestering them, and they gave up”, said a store owner. “The biggest crisis we have is that we can’t get milk”, added the spokeswoman for the local community council.<sup>98</sup> “No powdered milk has arrived since December”. At Mercal, a kilogram of powdered milk – when there is any – costs Bs 17, and at PDVAL Bs 40, but the black market vendors who arrive each evening on motorcycles sell it at Bs 400-Bs 500. Once a fortnight, Mercal sends a subsidised “family package” to those who are signed up, which includes four packets of rice, two of maize flour, a bottle of cooking oil and two packets of beans.

The alternative is to go to the privately owned Garzón supermarket or the PDVAL in Santa Bárbara, at least 45 minutes away by road. PDVAL, however, only serves 40 customers a day, handing out numbers before opening. Reaching Santa Bárbara before the food runs out is difficult. “The other day we left at 7am to go to Garzón”, said an El Paraíso resident, an even more remote community with no public transport. “After queueing for over an hour, we reached the door, and there was nothing left”.

Locals say a large part of the problem is that subsidised food is diverted to the black market. “It’s the bosses’ fault”, said the community council spokeswoman. “Those on the inside are taking the food”. There is more money to be made in the contraband trade than any legal business. “My nephew was a taxi driver”, said a man from a different community council. “He went to work for a private food distributor, and in eighteen months he was a rich man. He said they used to get three truckloads of sugar a week from Caja Seca [a sugar mill nationalised in 2009], transfer it to smaller vehicles and send it over the border [to Colombia]”.

## V. Conclusion

Under the presidency of Hugo Chávez, the Venezuelan crisis reflected a bitter conflict between government and opposition, which questioned each other’s legitimacy and commitment to democracy.<sup>99</sup> The government’s control of a vast cash-flow, primarily derived from record crude-oil prices, allowed it to satisfy popular demands for a higher standard of living while increasingly curbing civil and political rights. But an economic policy based on redistributing ever-growing oil rents, mounting indebtedness, an over-valued currency and a lax monetary policy proved unsustainable. Nicolás Maduro’s successor administration has had to deal not only with the political consequences of Chávez’s death, but with a deep recession caused by that economic policy and, latterly, a sudden collapse in the oil market. It faces parliamentary elections on 6 December with polls indicating a big lead for the opposition, sug-

<sup>97</sup> This section is based on Crisis Group interviews with local inhabitants, 5-9 May 2015.

<sup>98</sup> Consejos comunales, or community councils, are nominally democratic but receive resources only if they are aligned with the national government. Daniel Palacios Ybarra, “Consejos comunales de Chacao denuncian discriminación”, *El Nacional*, 12 July 2013. See also, “Una mirada a los Consejos Comunales desde la perspectiva de los derechos humanos”, Provea, 2009.

<sup>99</sup> For an account of the origins of this conflict, see Crisis Group Latin America Briefing N°30, *Venezuela: Tipping Point*, 21 May 2014.



gesting it could lose its outright majority.<sup>100</sup> Its response has been to reject economic reform and crack down on dissent.<sup>101</sup>

After many years in which violent crime was by far the most important concern of voters, scarcity and the cost of living is now the number one issue.<sup>102</sup> This is not because crime has been reduced – it is worse than ever – but because the vast majority of Venezuelans find it impossible to put enough food on the table or to guarantee their health. Discontent has spread far beyond the traditional opposition. The result is that the political situation has become more dangerous, and a vicious spiral threatens, in which a beleaguered regime, beset by policy paralysis, compounds the errors that undermined its popularity.

While the December parliamentary elections are a major opportunity for the country to make political decisions by democratic means, the conditions are tilted in favour of a government that explicitly rejects the opposition's right to challenge its hold on power. The danger is that the process will further radicalise both sides and spark fresh violence. Immediately after the CNE announced the election date, President Maduro threatened in a speech to put himself at the head of violent street protests if the opposition won.<sup>103</sup> Even without an electoral crisis, there is no guarantee popular frustration will not boil over due to the problems with supplies of food, medicines and other basic goods and inadequate vital services.

In the absence of a coherent package of reforms, the humanitarian situation will continue to deteriorate rapidly, with serious implications not only for Venezuelans but for the country's neighbours. Reforms must not only tackle the enormous macro-economic imbalances caused by government economic policy, but also include measures to protect the most vulnerable members of society from their impact and lay the basis for sustained and equitable growth. They will not be possible without a political settlement that restores institutional checks and balances. Such a settlement will also require credible assurances that the social welfare programs that helped sustain the government's popularity under Hugo Chávez will not simply be dismantled in the name of free-market economics, as many fear.

The international community has for the most part adopted a "hands off" approach based on a reluctance to become involved in what are seen as purely internal issues. This has particularly been true of Venezuela's regional allies, who have often dismissed as "interference" attempts to apply agreed international standards. It is vital that the region and the wider international community should comprehend the extent and depth of the crisis and act accordingly, bringing concerted influence to bear in favour of a comprehensive solution that incorporates respect for the views of all sectors

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<sup>100</sup> Most opinion polls give the opposition a big lead over the ruling United Socialist Party of Venezuela (PSUV) in voting intentions, though more than half the electorate does not identify with either side. Under Article 219 of the constitution, the new legislative period will begin on 5 January 2016.

<sup>101</sup> International concern over the decline in democracy and the rule of law in Venezuela is reflected in the concerns expressed by the UN Human Rights Committee in its review of the country's compliance with the International Covenant on Civil and Political Rights in June 2015. See: "List of issues in relation to the fourth periodic report of the Bolivarian Republic of Venezuela", UN Human Rights Committee (adopted October, 2014). The committee's final observations were expected to be published on July 23, as this report was being finalised.

<sup>102</sup> Gabriela Iribarren, "El abastecimiento es la mayor preocupación del venezolano", *El Mundo Economía y Negocios*, 14 May 2015.

<sup>103</sup> "Maduro: Si oposición gana Asamblea, reacción superará a 'Caracazo'", *Deutsche Presse Agentur*, 22 June 2015.

of society. Failure to do so would leave Venezuela as a long-term source of instability in the region. It would also destroy the prestige of regional arrangements, including UNASUR. In the case of some close neighbours, particularly Colombia, a major humanitarian crisis in Venezuela would have immediate repercussions, especially along the two countries' lengthy common border. Adherence to the widely accepted principle of non-interference must not continue to be used as a pretext for lack of active and positive involvement in a crisis that threatens to become a tragedy.

**Caracas/Bogotá/Brussels, 30 July 2015**

Appendix A: Map of Venezuela



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