

# Venezuela: for sale to the highest bidder?

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The Bolivarian revolution led by Hugo Chavez from 1999, opened a new chapter in the global struggle for social justice. For anti-capitalists across the world, his '21st century socialism' pointed ahead to a new kind of power, defined in the Bolivarian Constitution as "participativa y protagonista" – a participatory democracy in which the people were the active subjects.

It is hard to reconcile that hope with the realities of Venezuela today. The spokespersons of the new State continue to proclaim their revolutionary credentials. Yet they oversee a society in profound and worsening crisis, where hunger has reappeared in a country which just four years ago was congratulated by the U.N. for its virtual elimination of extreme poverty. The right wing media – nationally and internationally – have taken great delight in publishing photographs of food queues marshalled and overseen by armed National Guards. The supporters of Chavismo instinctively refuse to believe the images. But the social crisis they symbolize is real.

## **An economy in crisis**

The levels of inflation in Venezuela have reached catastrophic proportions. The annual figure for 2015 was over 300% and in 2016, even official sources recognize that it is approaching 600% or more. Translated into real lives, it means that a basket of basic goods and services for a family is now calculated at 400,000 bolivars- set against average wages of around 60,000. The government responds by pointing to the fair prices it regularly announces. But in reality the basic products to which those fair prices are attached are rarely available, and it is even less likely that they will be sold at those prices. It is universally recognized that the various commissions and ministries set up to oversee price regulation have failed completely. In fact a number of people appointed to ensure them have been dismissed for involvement in fraud. The Local Committee of Supply and Production (known by its Spanish acronym CLAP), much heralded by the president, which promised that baskets of basic goods would be delivered directly to consumers, has been a failure. They are administered by the government party, the PSUV, and distributed among its supporters – or to some of them at least. The CLAPs are not reaching their recipients, and when they do, are rarely complete. In many areas they are trafficked – as on the island of Margarita.

The enormous queues at practically every supermarket start to form at three or four in the morning. The minimum wait is four to five hours, but there is no guarantee of what will be available when you reach the shelves. The supplies of products at regulated prices are limited, and there are reports that the National Guard controlling the queues themselves take a proportion of the products for resale.

A glance at the contents of a plastic bag carried by a weary shopper finally emerging from the

supermarket after a five or six-hour wait is telling. It will contain only basics – flour, oil, washing powder, perhaps rice or beans (central to the national diet), margarine (butter is a distant memory), perhaps milk or milk powder. Where there are vegetables and fruit available at farmers markets, their price is ten or twenty times what it was a year ago. Ten kilos of fruit and vegetables a week will cost at current prices around 30% of the monthly wage. Bread at the maximum allowed of two loaves per person, (assuming ten per week for a family) will amount to another 16% or so.

A number of external commentators in Europe and the U.S. have insisted that there is no hunger in Venezuela. There is. The calorific intake of most Venezuelans is falling. Electricity, transport, hospitals, schools are falling into physical disrepair and are increasingly unable to offer the services they promise. Water is rationed (to once a week), and electricity severely curtailed (public offices run three days a week, schools, four days). The situation of medicines and drugs is particularly distressing. Whole ranges of necessary medication are simply unavailable, and that includes aspirins and plasters, birth control pills and anti-convulsants. The growing number of incidents of looting, now a daily occurrence, are evidence enough of mounting frustration.

The crisis has been accelerating since late 2014. What is astonishing is that there is no sign of any strategic response from the state or indeed the National Assembly. Instead, Nicolas Maduro, who is fond of long combative speeches, delivers daily denunciations of the “economic war”, the conspiracy that he insists is responsible for the dire situation most Venezuelans are now living through. The reality is a great deal more complex. The groups that dominate the supplies of food and drink are almost certainly hoarding goods, as happened in Chile before the coup against Allende in 1973. Then as now, the purposes are both economic and political. Prices are raised arbitrarily, and each time goods reappear on supermarket shelves after a long absence, their price has risen. Black beans are part of the basic diet; the fair price for half a kilo is 60 bolivars – they are currently on sale at 4000. This is one example of many, but the proportions are roughly the same for most products.

At the same time, the absence of the most basic goods, and the total unpredictability of their supply, adds to an atmosphere of collective anxiety and insecurity. Because wages cannot buy what is necessary, the phenomenon of “bachaqueo” has spread through every level of the society; it refers to the reselling of goods, acquired by a range of means, through networks. Some of those goods are bought at fair prices and then resold, in the poor barrios, at higher prices, but still less than those of the local shop. This applies to everything, from food through spare parts to cement or cars. And if there is an economic war waged against the population, those responsible come from both the business sector and the state. Many members of government, of the state, and of the armed forces, are deeply enmeshed in the involved in circuits of contraband and resale. These extend across the frontiers to Colombia, where vast quantities of goods of every kind are resold at even higher prices with the complicity of the military, the National Guard and in many cases local politicians too. Medicines unavailable in Venezuela are freely available in Colombian pharmacies, some (including the one where I bought medication in Bogota) are in fact Venezuelan-owned.

The heart of the problem, however, is the trade in currency, the buying and selling of dollars. The reality is that there exist two economies here, a bolivar economy and an unacknowledged dollar economy. The exchange system established under Chavismo offered dollars at a preferential rate to importers – a dollar can be bought from the Central Bank for 6 or 12 bolivars. The unofficial dollar price in 2016 has hovered around 1000, and the prices charged for imported goods reflect their black market dollar value. The profits to be made by speculators are enormous. 1000 dollars bought at official prices (for, say, 12000 bolivars) could bring in over 1,000,000 when translated into goods or invested abroad. It was too tempting a prize to resist for all concerned, from functionaries, bank directors, importers to politicians.

Furthermore, the state itself is a major importer of services, technology and increasingly of

materials and consumer goods. Every multimillion dollar trade involved equally gargantuan 'commissions' (bribes), money laundering and capital flight. The actual figures are hard to come by, given the extreme scarcity of government data. But the ex-Minister of the Economy, Jorge Giordani, in a letter signed by several leading ex-members of Chavez's government, estimated that at least \$460 billion had "disappeared" in this way. The real figure is likely to be far higher.

A second consequence of this combination of disinvestment and capital flight was the collapse of domestic production. Some capitalists, like the enormously powerful head of the Polar group, Lorenzo Mendoza, moved production outside the country (in his case to Colombia and later Miami). Others simply abandoned production altogether. In these cases the government bought the plants- it did not expropriate them, since it paid market rate compensation. But in every case production fell, as a result of mismanagement and corruption - even in the flagship EPS (social enterprise) sector. This is not a phenomenon exclusive to Venezuela - the 'Dutch disease' as it is called, appears to afflict all oil-producing economies. There is, however, a fundamental difference here. The Bolivarian project assumed that oil revenues would be socialized and redistributed for the social good, and that a proportion (up to 60%) would be reinvested in new industries to diversify the economy and address the dependence on oil of which the Dutch disease was a manifestation.

If there is in fact an 'economic war' under way, then a radical government should surely respond by taking control of production, establishing control over foreign trade, aggressively preventing currency speculation and genuinely controlling prices. More importantly still, it would act resolutely against the corruption which has financed the emergence of a new ruling class. It includes both the private capitalists and the new Chavista bourgeoisie who have collaborated to create a reorganized Venezuelan state capitalism. (The definitive proof of this reversal of the Chavista project is the Arco Minero programme, to which I return below.) Instead, the profiteers have continued to make their huge gains and the working population has faced increasing misery - while a 'socialist' government has looked on and done nothing.

### ***The Plan de la Patria***

Hugo Chavez's last document was his economic programme for 2013-19, called the Plan de la Patria. In his introduction, Chavez recognized that the transformation of the state, to make it transparent and accountable to the society as a whole, had failed. His successors, including Nicolas Maduro, often cite the Plan de la Patria, but they ignore this key demand regarding the state. Far from fulfilling Chavez's last request, they have consolidated a state based on patronage, clientilism and corruption - the very ills that Chavez denounced in his successful presidential campaign in 1998.

After long delays, Maduro has announced a series of measures to address the crisis, none of which have been effective. The creation of a new vice-presidency for the economy, headed by a neo-liberal economist, Perez Abad, was one. The new vice-president immediately announced that the crisis would be even worse next year. The Fair Prices Ministry has failed. Maduro then called on the urban population to grow their own vegetables.

What was never acknowledged was the collapse of production, both agricultural and industrial. In agriculture a number of problems have combined to bring about a collapse of productivity. State credits rarely arrived and when they did they were often diverted into private accounts; the lack of fertilisers, or their mismanagement, has created disasters in many areas. Yet fortunes have been made by leading Chavistas in agricultural supplies and fertilisers. In addition, a number of agricultural and fishing communities have fallen under the control of drug traffickers.

In industry, the same problems apply. Imported raw materials have simply not appeared, even where funds were allocated for them. Inexperienced managements were more often political appointments.

But most importantly of all, the failure of domestic production meant more imports, and increasing profits for all those involved in currency speculation as well as the import of goods.

## **The elections of 2015**

On 6 December 2015, elections to the National Assembly produced a two-thirds majority for a coalition of right wing parties, the MUD or Democratic Unity Coalition. Its leader, Henry Ramos Allup, belongs to the Democratic Action Party which dominated Venezuelan politics for 40 years through a system of patronage. The 2015 vote doubled the parliamentary representation of the right, reducing to 30% the previous overwhelming majority held by the Chavistas. The MUD's programme, insofar as they had one, boiled down to removing Maduro through a recall referendum, and reprivatizing the oil corporation (PDVSA) whose nationalization had been the heart of the Chavista project. Yet since taking control of parliament, and removing Chavez's portrait from the chamber, they have offered no alternative strategy for the economy at all, concentrating most of their energy on gathering the 1.2 million signatures needed to launch the recall referendum to remove Maduro, and on mobilising for the release of Leopoldo Lopez, leader of the right wing party Voluntad Popular, who is currently in jail for his role in organizing the violent protest of April 2013 - the *guarimbas*.

Maduro never offered any explanation for their victory, nor did any other leading Chavista figures. They simply ratcheted up the level of public rhetoric and announced that the Chavista state would ignore the Assembly and continue to operate through the wide decree powers given by the presidential enabling law (*ley habilitante*). Yet the figures were significant. The right won only 300,000 more votes than in the 2013 election. Its large parliamentary majority reflected the widespread abstention of Chavista voters - probably some two million who simply did not vote. It was unmistakably a protest against an economy running out of control and the accelerating decline in both public services and the social order. The large majorities won by Chavez were clear signs of his credibility among the Venezuelan majority; and even though Maduro won the presidency by just over 1% in 2013, it was the Chavez legacy that sustained his support. For over a year afterwards any unsuspecting new arrival in the country would have assumed that Chavez was still alive and addressing the crowds, so often were his speeches and TV programmes rebroadcast.

The Bolivarian project had always assumed high oil prices- but the levels they reached between 2011-13 - up to \$140 a barrel at one point - could not have been predicted. This was a bonanza for Venezuela, and financed high levels of public spending as well as fuelling corruption. The result of both was a rising import bill (from \$14 billion in 2003 to \$78 billion in 2012). Of those profits 60% were ostensibly to be invested in the national economy. Yet the boom coincided with a decline in production which was expressed in increasing imports of products previously supplied internally - milk, cement, plastics and even petrol, imported to cover domestic demand. Several years earlier the head of PDVSA had promised production levels of 5 million barrels a day by 2015; yet in fact production was hardly greater than the 2.5 million barrels that were produced ten years earlier. No explanations were offered, nor figures published; it was clear, however, that the causes were a combination of problems of maintenance, technical faults and mismanagement. But the important figure was that imports reached double the value of exports.

The real scale of the impending economic crisis was veiled by increased public spending on housing and large scale vanity schemes (most of them still unfinished or simply abandoned), as well as by a growing level of Chinese investment in a number of funds only one of which (Fonden) published accounts. The Chinese investments were clearly partly in exchange for oil (500,000 barrels a day and rising) but were also loans.

The collapse in the world price of oil exposed the fault lines and the massive cracks in a dramatic

way. The per capita gross national product collapsed in 2015 and will fall by 25% in 2016. (Manuel Sutherland "Crisis económica de 2016" in [www.aporrea.org](http://www.aporrea.org)). Gross domestic product, which rose annually until 2013, has fallen for three years running. It is clear that the fall in world oil price had political as well as economic causes. Yet Venezuela has continued to supply a million barrels a day to the U.S. It is in one sense obvious that there will be fluctuations in the world oil price. It was a recognition of the impact that it can have that impelled Chavez's vigorous advocacy of a Latin American regional economy on the one hand, and of economic diversification on the other. The key issue is how the self-proclaimed socialist regime of Maduro prepared for and reacted to the crisis. In fact there has been little if any preparation; it was as if Chavismo believed that the oil price would rise eternally, even though the claim was that the national budget was calculated on a basis of \$60 a barrel. It certainly did not anticipate prices below \$30!

But given the crisis and its devastating impact on working class living standards, it would be expected that a radical government would move quickly to protect its working class base as a priority, whether out of principle or even out of political expediency. And the repayment of loans to the IMF and others would not be an obvious socialist priority. Yet the service on the external debt was promptly paid, and the reserves depleted.

### **2016: the political decline of Chavismo**

The central principle of Chavismo, which was incorporated into the 1999 Bolivarian Constitution written and passed by an elected Constituent Assembly, was a new relationship between state and society. Echoing the Paris Commune, the new state would be participatory and serve the people, to whom it would be answerable through a network of grassroots organisations. As in the Commune, the right of recall of public officials was fundamental. (There was no suggestion, however, that they should receive only an average wage!). Critically, it would represent the end of a notoriously corrupt Venezuelan state which had functioned through patronage and clientelism, lubricated by the oil economy.

The Bolivarian movement's point of origin was always identified as the *Caracazo* of February 1989, the mass rising of Venezuela's poor in response to the imposition of IMF austerity measures. It was a reference both because it had exposed the inequality which the oil boom had hidden, and because it marked the moment when a mass movement exploded onto the stage of history – and was brutally repressed. The new state, and its Constitution would address the inequality and acknowledge the role of mass mobilisations in the political process.

The opposition evoked the recall referendum in 2004, in an attempt to oust Chavez after the failure of its two previous attempts to do so, by a military coup (in April 2002) and a bosses strike to sabotage the economy (December 2002 to February 2003). The mass mobilization of the grassroots at that time was, to my mind, the highest expression of the potential of the Venezuelan Revolution. The recall was defeated by a huge majority.

The right-wing controlled National Assembly has now evoked a recall referendum with the intention of bringing down Maduro. It has gathered the 1.2 million signatures needed to set the process in motion, and it now requires the support of 20% of voters for the referendum to go ahead. The Electoral Commission and the Supreme Court, whose membership is entirely Chavista, have systematically delayed the process. In that way they have ensured that when it finally does take place, possibly in February 2017, the decision can only be Maduro's replacement by his vice-president. Meanwhile it is not clear whether gubernatorial elections in December will go ahead.

The right of recall was a fundamental democratic principle and a genuine advance. It has already been used over 100 times at local and provincial levels to remove ineffective and corrupt officials.

This time, however, leading figures in the Chavista regime have denounced the recall referendum in increasingly threatening terms. Diosdado Cabello and Jorge Rodriguez, leading figures in the state and the PSUV, have asserted that it will never happen; Elias Jaua, leader of the Chavista bloc in the Assembly, has insisted that "it was never meant to be used against a popular government".

The difference between 2004 and today is that the mass base of Chavismo has melted away. It is easy enough to fill squares with state functionaries and party activists who will shout and wave banners as required. But the message of the 2015 election was very clear, and every poll and survey since then, whoever it is conducted by, has shown that Maduro cannot win. But where Chavez, whatever his contradictions, took the challenge on to the political terrain, Maduro's response has been entirely bureaucratic. The right of recall was a key element of the popular democracy Chavez promised. It was not conditional on a foregone conclusion - and it is cynical in the extreme for one leading Chavista to suggest that "some parts of the Constitution are optional". You cannot claim to be a popular democracy and then, in Brecht's famous lines, dissolve the people and elect another when they fail to do your bidding.

Article 62 of the Constitution is clear and definitive:

Every citizen has the right to participate freely in public affairs, directly or through their representatives. The participation of the people in the formation, execution and control of public affairs is the necessary means for ensuring their protagonist role that will guarantee their full development, both individually and collectively. It is the obligation of the state to facilitate the creation of the most favourable conditions to make this possible.

The motivations of the right are unmistakable. It was the mobilized masses who brought Chavez to power and who beat off the challenges of the right three times. But after two years of crisis, and in the face of the corruption whose scale and pervasiveness every Venezuelan knows, Chavismo can no longer mobilise its disillusioned base. The final straw, perhaps, was the development of the United Socialist Party of Venezuela (PSUV) set up by Chavez in 2006. He promised a party that would express the kind of grassroots democracy he had baptized with the name of '21st century socialism', a party that was profoundly democratic and transparent. The reality, however, is that within weeks of encouraging six million Venezuelans to join, the highly centralized and top-down nature of the party became very clear. It is a bureaucratic apparatus, mimicking the Cuban Communist Party (which was its model) in its autocratic nature. Its leadership is accountable to no-one - and in fact it barely meets now, having been replaced by the tiny cabal around Maduro, his wife Cilia Flores, and Diosdado Cabello which now runs both the state and the party from secret weekly meetings.

The PSUV is the expression of the state apparatus. It functions in the same way that the pre-Chavez state, which was so discredited, once functioned, as an instrument for distributing privileges and lucrative public offices in exchange for power. The CLAPs (the baskets of basic goods to which I referred earlier) were an example. They were distributed by the PSUV as prizes for loyalty. Only Chavistas, it would seem, need to eat! It is an instrument for mobilizing support as and when required. But it is not, and perhaps never was, a means for communicating the interests and aspirations of the grassroots.

As the crisis has deepened, and the collapse of the Chavista project with it, the response has not been to address the growing disaster affecting the majority of ordinary people, but to deny its existence. At the same time, the refusal to acknowledge the National Assembly - whose sessions consist of long shouting matches - has led to a government by decree, increasingly unaccountable and increasingly capricious. Power has become concentrated in a shrinking group that increasingly depends, politically as well as materially, on the military. Maduro himself, his extremely powerful wife Cilia Flores, ex president of the Assembly, has distributed her enormous extended family

throughout the administration. Beside them is the sinister figure of Diosdado Cabello, a military colleague of Chavez whose lucrative roles in various infrastructural ministries has given him endless opportunities for enrichment. He also has a critical controlling place among the military. Throughout 2016, furthermore, the places at the cabinet table have been increasingly occupied by uniforms. Elsewhere, Maduro family members have been carefully allocated key roles in ministries, presidential commissions and in the leadership structures of the PSUV. In ways that are all too familiar, well known and equally powerful figures in the Chavista hierarchy have disappeared from view, most notably Rafael Ramirez, ex-president of PDVSA – though they did not leave naked. His rumoured assets in various banks around the world are enormous.

This new bureaucratic class is not only politically dominant; it is also economically powerful. Many of those who claim working class origins, like Maduro himself, are telling the truth – which makes it all the more remarkable that in such a short time they have accrued, collectively, such vast wealth. It is not, however, so surprising, given the trillion or so dollars that passed largely through their hands in the form of oil revenues. As discontent has grown, the response from Maduro and those around him has been a combination of rhetoric and repression. The state functions through presidential decrees and states of emergency. At the same time, however, the new ruling bureaucracy has absorbed members of the capitalist class. The new president of PDVSA, Eulogio del Pino, was brought back from the disgraced layer of technocrats who were responsible for the so-called bosses strike of 2002-3; he has recently appointed to a key post in the corporation a businessman thrown out for corrupt dealings by Chavez himself, Wilmer Ruperti. Lorenzo Mendoza, of Polar, has met with Maduro on many occasions.

The state itself has become increasingly militarized. It is obvious, in that military personnel are visible everywhere, especially in Caracas and on the Colombian frontier. In government, the familiar face of Aristóbulo Isturiz, a wily but popular old style politician, who was appointed to the vice-presidency, has disappeared as suddenly as it appeared. He has been replaced by Padrino Lopez, a senior general who has been named as vice president as well as the minister in charge of supplies and production. He in turn has surrounded himself with generals who fill posts as they become vacant. If the referendum goes ahead, it is Padrino Lopez who will now take over from Maduro.

There have been persistent rumours of what has been called an “autogolpe”, an internal coup with which Maduro would be complicit, to anticipate the referendum result. That seems to me unlikely, in part because the military have already taken control of the Chavista machine, between Padrino and Cabello. Maduro seems more and more dilatory and insecure, though he remains the face of the regime. His social base in the past, the trade unions, has been sidelined, while the PSUV exists to carry out policies but not to debate them. Today, there is new bourgeoisie running a capitalist economy from the state. It has little or no regard for the quality of life of those who carried them to power, and even less connection with them. Its interests are better served by its careful protection of the military, whose living areas contain supermarkets with full shelves of goods at controlled prices. A full scale military coup would have posed the dangerous question of the loyalty of rank and file troops. What I see as an ongoing quiet internal reinforcement of military controls is less risky, though still perilous. But the recent announcements concerning the Arco Minero mineral rights have made abundantly and harshly clear the line of march of future Chavista governments.

### **The Arco Minero: the fall**

The ‘Arco Minero’ is a region in Venezuela’s Amazonian region, in the states of Bolivar and Guayana. It comprises 12% of the national territory (an area larger than Cuba), and is the territorial home of several major indigenous peoples. It contains the sources of much of Venezuela’s fresh water as well as massive reserves of oil and minerals – gold, copper, silver and coltan among others.

There are probably 150,000 people in the area, many of them involved in illegal and uncontrolled mining. The region's infrastructure – roads, transport and so on – is minimal and the conditions of life and work there are appalling. A lawless region famous for its violence and beyond the reach of civil institutions, it is dominated by shadowy criminal organisations and local bosses; increasingly it is the drug cartels that have taken control, particularly since it offers uncontrolled passage to the Caribbean and the external markets for cocaine.

Global capital, however, has had no compunction about taking advantage of the situation, and has been buying gold and diamonds there, illegally, for decades. The presence of the military in the region has done nothing to change the situation. On the contrary, they have become part of the problem – corruption pervades both the local military and political structures.

Some months ago, Nicolas Maduro announced that the state had reached an agreement with between 130 and 150 companies to exploit the mineral resources of the area (which are enormous). There was no public discussion of the decision, and no further information was provided at the time. But two further announcements were made to coincide with this presidential decree. First, the creation of a non-state (i.e. private) company to develop mineral and oil resources in the region which would be based within the Ministry of Defence and be run by the military. Second, the whole area would become a Special Economic and Military Zone. The model here would seem, in my view, to be Cuba, where the armed forces control a major part of the economy, and where significant areas, most importantly the port of Mariel, have been ceded to foreign companies under extremely favourable conditions, including state subsidy and tax exemptions, as well as the suspension of labour laws.

In Venezuela, the creation of a special military and economic zone has even more far-reaching consequences – most significantly the suspension of the Bolivarian Constitution.

The state of Bolivar is home to some of Venezuela's most important indigenous communities, whose rights and territories, after decades of violence and persecution, were finally protected under the constitution of 1999. The planned development of large scale mining will destroy those territories and expel those communities. Whatever promises or assurances may be given, the real and immediate effects of mining on communities are there to be seen in Peru, Ecuador, Bolivia and Brazil – where the same companies now negotiating concessions with the Chavista state have been and continue to be responsible for the expulsion of indigenous peoples and the wanton destruction of their territories.

The constitution also protects the environment, as Chavez repeatedly claimed and reaffirmed. It was for those reasons, for example, that Chavez took the decision while he was alive not to exploit the mineral resources of the Arco Minero. The impact on the environment of the level of exploitation that is proposed will be devastating. It is important to remember that the Orinoco and the Choroni rivers are the source of most of the country's fresh water. Mining will pollute the river systems, as it has done throughout the Amazonian region, particularly with the use of cyanide in gold mining and the wholesale elimination of tree cover which has already caused so much environmental damage in Brazil and Peru in particular. And the Venezuelan rivers are part of the vast network of Amazonian streams, interconnected across the entire region irrespective of the arbitrary frontiers drawn on maps by government functionaries.

The region was previously offered to Chinese companies, but they withdrew – arguing that the conditions of the region did not guarantee the security of their investment. Presumably the militarization of the region will provide those guarantees for future investors; these include Gold Reserve International and Bracko, possibly the world's largest gold mining company. It is especially significant that Bracko's directors include Cisneros, Venezuela's largest private capitalist, who owns



the Coca Cola franchise as well as major media interests in Venezuela and beyond. He has been notably silent throughout the confrontations of recent years.

Maduro has claimed that the Arco Minero project falls within the environmental undertakings of Chavez's Plan de la Patria and will guarantee indigenous rights. The communities themselves, however, have no illusions and continue to protest against the decision. Maduro argues that 60% of external investment will be productively employed. Earlier assurances by Chavez, using the same figure, produced no investment at all. The area is now a military zone, where constitutional guarantees to not apply. In recent weeks, the army has moved in to forcibly remove whole communities, the very ones whose rights were ostensibly guaranteed.

The protests against the project in fact involve indigenous communities, leading academics all of them sympathetic to Chavismo, trade unions, community activists and historic leaders of the grassroots movements. The right, by contrast, has been noticeably silent on the issue. Since this project represents the reintegration of the Venezuelan economy into a global extractive industry, this is hardly surprising.

There is a powerful case for establishing democratic control over the region and protecting its vulnerable populations. But it will not come from opening the region to multinational corporations whose role elsewhere in the continent leaves no doubt at all about how they will conduct their operations, the impact they will have on the environment or the treatment local communities can expect from them.

On 8 August, the executive of a key player - Gold Reserve - announced the terms of the deal to shareholders. (See Edgardo Lander in *Aporrea* 16th August 2016). Gold Reserve owned and ran the Las Brisas Mining Project, involving 10 million ounces of gold (at something like \$1500 an ounce) and 14 billion pounds of copper. In 2009, the contract was cancelled by the Venezuelan state. Gold Reserve then sued Venezuela for \$774 million in compensation, an amount the Venezuelan government has now agreed to pay, plus another \$240 million for technical assistance. The terms of its agreement are extraordinarily favourable. The company will be exempt from taxation for the ten years before extraction begins; it will be able to buy fuel and associated inputs at the subsidized prices paid by state enterprises. It will then provide half of the \$2 billion capital required to relaunch the project - the other half will come from the Venezuelan state. The company will be guaranteed first payment on any outstanding debt with priority over *any other creditor*. It will then pay 5% royalties on all mineral extracted with the right to sell abroad and retain its profits in dollars in an offshore account. Yet just months earlier, a presidential decree made it compulsory for all profits to go to the Venezuelan Central Bank. And if the state negotiates more favourable terms with any other company, Gold Reserve will be guaranteed the same terms. And finally the state undertakes to pay for any environmental damage.

It is inconceivable that any government should be ready to sell its patrimony so cheaply, never mind a state that still claims to be revolutionary. This will be the largest gold mine in Latin America when it is finally working; it will occupy 18,000 hectares (45,000 acres) of land. Gold exploration has a history of contamination and pollution. The government claims there will be no mercury used in the mining. This is blatantly untrue. But it makes no mention of the cyanide that is essential to gold mining. To put it in context, 20 tons of rock must be moved to provide the gold for a single ring. Excavation will go at least 50 feet into the earth and vast amounts of forest cover cut down. Mercury and cyanide will flow into rivers and rise into the air as forest cover is removed.

The Venezuelan state is operating as a collective capitalist, seeking joint or mixed enterprises with global capital. Maduro claims that a proportion of earnings will go to protecting the environment and creating cooperatives. He has even attempted to justify the decision by arguing that it

represents state intervention against the local mafia. In reality it is an exchange of one mafia for another, larger and more powerful one. There is a long history in the state of Bolivar of collusion between the state and the so-called mafia from the highest to the lowest levels. The second company to announce its involvement is Bracko, the world's largest gold mining company. It is unlikely that they will be offered less favourable conditions than their smaller rival, Goldcrest!

The decision has clearly been made with the aim of compensating for the loss of oil revenue. The level of royalties the companies will eventually pay are similar to those paid by the multinational companies who exploited Venezuela's oil prior to its nationalization under Chavez.

The environmental assurances of the state are not credible, given what it has failed to achieve over the last 17 years. And the promise to reinvest in social projects is hardly convincing when social investment has collapsed over the last few years, even when oil prices were reaching unprecedented heights.

The creation of the new private military-led company to oversee oil and mining investment represents the definitive reversal of the Chavista project. The state, operating as a collective capitalist, is creating joint enterprises with global capital. There are no guarantees offered or sought for the way in which profits – in ten years or so – will be used. To describe these operations as “mixed” is to suggest a socially responsible component. In reality what the multinationals have been promised are high returns on their investment without conditions. Private capital is returning, for example to PDVSA, and the new state capitalist class involves both old and new bourgeoisie.

The Arco Minero decision has reversed and destroyed the whole Bolivarian project. It is not only an economic decision; it is a political one, a return to the most brutal sector of the global economy, an acceptance of the most exploitative conditions possible for that involvement and an abandonment in theory and practice of that most fundamental principle – that a nation's resources must be used for the benefit of all its citizens and not for the enrichment of a tiny minority of capitalists who own and/or administer those resources for profit.

The political implications are even more devastating. The Bolivarian Constitution, the symbol and the instrument of a participatory democracy, has been to all intents and purposes abandoned in favour of the interests of a ruling class pursuing its own. The ‘Special Zone’ places 12% of the national territory formally under military control. The Constitutional provisions protecting workers, indigenous communities and the natural environment and its resources are now inoperable here. The announcement of a state of emergency some weeks ago extended that situation to the country as a whole.

The democracy to which Chavismo laid claim is now compromised beyond redemption. Behind the discourses and the states of emergency, democratic procedures are simply ignored. Political decisions are made within the ruling circles and announced amid rhetorical flourishes. The appointment of Defence Minister Padrino Lopez to an unelected but all-powerful role was not exposed to public approval, nor discussed. Like every other Maduro decision, it was announced without explanation at a Cabinet meeting replete with uniforms. Gradually, the key roles in government – and not just Padrino's – are being placed in military hands. Padrino now runs not only the vice-presidency but also a Defence Ministry which contains the newly created autonomous oil and mineral enterprise. He is also purportedly in charge of ensuring food supplies and the productive sector.

And Maduro? His one credential was the seal of approval given by Chavez before his death. He has proved to be incompetent and ineffective, overseeing a corrupt system which has included his own family members. He is a wholly unconvincing leader for a population whose loyalty to Chavez was

unequalled – a loyalty he has squandered. And he has proved inconsistent and vacillating in his decision making – witness the number of top level changes in personnel he has overseen and the number of programmes and missions he has announced that have disappeared without trace.

## **Concluding remarks**

Whatever the result of the recall referendum, the cabal of Chavista leaders who now run the state will continue to conduct government in alliance with the upper echelons of the military. They will also share economic control among themselves and with key elements of the old capitalist class. Corruption combined with a silent but effective repression, exercised jointly by the military and the PSUV, will maintain the power structure.

For an observer, the most poignant and devastating consequence of the crisis of the last two years is not just the desperation of millions of Venezuelan queueing for food but the disappearance of the most inspiring feature of the Chavista experience – the active sense of a collective interest, the social solidarity celebrated in so many ways and certainly encouraged and motivated by Chavez's particular charisma. In a society where people are struggling and competing to feed their families, that solidarity is the first casualty. The refusal to act on behalf of those millions of ordinary people, to use the state to defend and extend popular democracy, is nothing less than criminal. And the worst of it is that those who have claimed to rule in the name of the people will walk away from power with enormous bank accounts and with their future assured by the investments they have carefully made inside and outside the country.

So Venezuela offers two lessons. In the first, an example of the corruption of power and how a group of people for whom power was the sole objective wore the symbols of socialism while accumulating both wealth and political control. The second and most important lesson is the example of what can be achieved when the mass movement organizes from below and creates the kind of grass roots democracy which Chavez called 21st century socialism. The new ruling class has systematically demobilised that movement through corruption and patronage on the one hand and repression on the other. The leading voices against the Arco Minero have been removed from their jobs, for example. But the spirit of the Chavista project remains in the hearts and minds of large numbers of people, though it is tinged with bitterness as the crimes committed in its name are revealed. It is that spirit that will, over time, inform a new movement against familiar enemies – and rediscover its capacity to bring about change through its own actions.

## **Introduction**

The Bolivarian revolution led by Hugo Chavez from 1999, opened a new chapter in the global struggle for social justice. For anti-capitalists across the world, his '21st century socialism' pointed ahead to a new kind of power, defined in the Bolivarian Constitution as "participativa y protagonista" – a participatory democracy in which the people were the active subjects.

It is hard to reconcile that hope with the realities of Venezuela today. The spokespersons of the new State continue to proclaim their revolutionary credentials. Yet they oversee a society in profound and worsening crisis, where hunger has reappeared in a country which just four years ago was congratulated by the U.N. for its virtual elimination of extreme poverty. The right wing media – nationally and internationally – have taken great delight in publishing photographs of food queues marshalled and overseen by armed National Guards. The supporters of Chavismo instinctively refuse to believe the images. But the social crisis they symbolize is real.

## **An economy in crisis**

The levels of inflation in Venezuela have reached catastrophic proportions. The annual figure for 2015 was over 300% and in 2016, even official sources recognize that it is approaching 600% or more. Translated into real lives, it means that a basket of basic goods and services for a family is now calculated at 400,000 bolivars- set against average wages of around 60,000. The government responds by pointing to the fair prices it regularly announces. But in reality the basic products to which those fair prices are attached are rarely available, and it is even less likely that they will be sold at those prices. It is universally recognized that the various commissions and ministries set up to oversee price regulation have failed completely. In fact a number of people appointed to ensure them have been dismissed for involvement in fraud. The Local Committee of Supply and Production (known by its Spanish acronym CLAP), much heralded by the president, which promised that baskets of basic goods would be delivered directly to consumers, has been a failure. They are administered by the government party, the PSUV, and distributed among its supporters - or to some of them at least. The CLAPs are not reaching their recipients, and when they do, are rarely complete. In many areas they are trafficked - as on the island of Margarita.

The enormous queues at practically every supermarket start to form at three or four in the morning. The minimum wait is four to five hours, but there is no guarantee of what will be available when you reach the shelves. The supplies of products at regulated prices are limited, and there are reports that the National Guard controlling the queues themselves take a proportion of the products for resale.

A glance at the contents of a plastic bag carried by a weary shopper finally emerging from the supermarket after a five or six-hour wait is telling. It will contain only basics - flour, oil, washing powder, perhaps rice or beans (central to the national diet), margarine (butter is a distant memory), perhaps milk or milk powder. Where there are vegetables and fruit available at farmers markets, their price is ten or twenty times what it was a year ago. Ten kilos of fruit and vegetables a week will cost at current prices around 30% of the monthly wage. Bread at the maximum allowed of two loaves per person, (assuming ten per week for a family) will amount to another 16% or so.

A number of external commentators in Europe and the U.S. have insisted that there is no hunger in Venezuela. There is. The calorific intake of most Venezuelans is falling. Electricity, transport, hospitals, schools are falling into physical disrepair and are increasingly unable to offer the services they promise. Water is rationed (to once a week), and electricity severely curtailed (public offices run three days a week, schools, four days). The situation of medicines and drugs is particularly distressing. Whole ranges of necessary medication are simply unavailable, and that includes aspirins and plasters, birth control pills and anti-convulsants. The growing number of incidents of looting, now a daily occurrence, are evidence enough of mounting frustration.

The crisis has been accelerating since late 2014. What is astonishing is that there is no sign of any strategic response from the state or indeed the National Assembly. Instead, Nicolas Maduro, who is fond of long combative speeches, delivers daily denunciations of the "economic war", the conspiracy that he insists is responsible for the dire situation most Venezuelans are now living through. The reality is a great deal more complex. The groups that dominate the supplies of food and drink are almost certainly hoarding goods, as happened in Chile before the coup against Allende in 1973. Then as now, the purposes are both economic and political. Prices are raised arbitrarily, and each time goods reappear on supermarket shelves after a long absence, their price has risen. Black beans are part of the basic diet; the fair price for half a kilo is 60 bolivars - they are currently on sale at 4000. This is one example of many, but the proportions are roughly the same for most products.

At the same time, the absence of the most basic goods, and the total unpredictability of their supply, adds to an atmosphere of collective anxiety and insecurity. Because wages cannot buy what is necessary, the phenomenon of "bachaqueo" has spread through every level of the society; it refers to

the reselling of goods, acquired by a range of means, through networks. Some of those goods are bought at fair prices and then resold, in the poor barrios, at higher prices, but still less than those of the local shop. This applies to everything, from food through spare parts to cement or cars. And if there is an economic war waged against the population, those responsible come from both the business sector and the state. Many members of government, of the state, and of the armed forces, are deeply enmeshed in the involved in circuits of contraband and resale. These extend across the frontiers to Colombia, where vast quantities of goods of every kind are resold at even higher prices with the complicity of the military, the National Guard and in many cases local politicians too. Medicines unavailable in Venezuela are freely available in Colombian pharmacies, some (including the one where I bought medication in Bogota) are in fact Venezuelan-owned.

The heart of the problem, however, is the trade in currency, the buying and selling of dollars. The reality is that there exist two economies here, a bolivar economy and an unacknowledged dollar economy. The exchange system established under Chavismo offered dollars at a preferential rate to importers – a dollar can be bought from the Central Bank for 6 or 12 bolivars. The unofficial dollar price in 2016 has hovered around 1000, and the prices charged for imported goods reflect their black market dollar value. The profits to be made by speculators are enormous. 1000 dollars bought at official prices (for, say, 12000 bolivars) could bring in over 1,000,000 when translated into goods or invested abroad. It was too tempting a prize to resist for all concerned, from functionaries, bank directors, importers to politicians.

Furthermore, the state itself is a major importer of services, technology and increasingly of materials and consumer goods. Every multimillion dollar trade involved equally gargantuan ‘commissions’ (bribes), money laundering and capital flight. The actual figures are hard to come by, given the extreme scarcity of government data. But the ex-Minister of the Economy, Jorge Giordani, in a letter signed by several leading ex-members of Chavez’s government, estimated that at least \$460 billion had “disappeared” in this way. The real figure is likely to be far higher.

A second consequence of this combination of disinvestment and capital flight was the collapse of domestic production. Some capitalists, like the enormously powerful head of the Polar group, Lorenzo Mendoza, moved production outside the country (in his case to Colombia and later Miami). Others simply abandoned production altogether. In these cases the government bought the plants– it did not expropriate them, since it paid market rate compensation. But in every case production fell, as a result of mismanagement and corruption – even in the flagship EPS (social enterprise) sector. This is not a phenomenon exclusive to Venezuela – the ‘Dutch disease’ as it is called, appears to afflict all oil-producing economies. There is, however, a fundamental difference here. The Bolivarian project assumed that oil revenues would be socialized and redistributed for the social good, and that a proportion (up to 60%) would be reinvested in new industries to diversify the economy and address the dependence on oil of which the Dutch disease was a manifestation.

If there is in fact an ‘economic war’ under way, then a radical government should surely respond by taking control of production, establishing control over foreign trade, aggressively preventing currency speculation and genuinely controlling prices. More importantly still, it would act resolutely against the corruption which has financed the emergence of a new ruling class. It includes both the private capitalists and the new Chavista bourgeoisie who have collaborated to create a reorganized Venezuelan state capitalism. (The definitive proof of this reversal of the Chavista project is the Arco Minero programme, to which I return below.) Instead, the profiteers have continued to make their huge gains and the working population has faced increasing misery – while a ‘socialist’ government has looked on and done nothing.

## ***The Plan de la Patria***

Hugo Chavez's last document was his economic programme for 2013-19, called the Plan de la Patria. In his introduction, Chavez recognized that the transformation of the state, to make it transparent and accountable to the society as a whole, had failed. His successors, including Nicolas Maduro, often cite the Plan de la Patria, but they ignore this key demand regarding the state. Far from fulfilling Chavez's last request, they have consolidated a state based on patronage, clientilism and corruption – the very ills that Chavez denounced in his successful presidential campaign in 1998.

After long delays, Maduro has announced a series of measures to address the crisis, none of which have been effective. The creation of a new vice-presidency for the economy, headed by a neo-liberal economist, Perez Abad, was one. The new vice-president immediately announced that the crisis would be even worse next year. The Fair Prices Ministry has failed. Maduro then called on the urban population to grow their own vegetables.

What was never acknowledged was the collapse of production, both agricultural and industrial. In agriculture a number of problems have combined to bring about a collapse of productivity. State credits rarely arrived and when they did they were often diverted into private accounts; the lack of fertilisers, or their mismanagement, has created disasters in many areas. Yet fortunes have been made by leading Chavistas in agricultural supplies and fertilisers. In addition, a number of agricultural and fishing communities have fallen under the control of drug traffickers.

In industry, the same problems apply. Imported raw materials have simply not appeared, even where funds were allocated for them. Inexperienced managements were more often political appointments. But most importantly of all, the failure of domestic production meant more imports, and increasing profits for all those involved in currency speculation as well as the import of goods.

## **The elections of 2015**

On 6 December 2015, elections to the National Assembly produced a two-thirds majority for a coalition of right wing parties, the MUD or Democratic Unity Coalition. Its leader, Henry Ramos Allup, belongs to the Democratic Action Party which dominated Venezuelan politics for 40 years through a system of patronage. The 2015 vote doubled the parliamentary representation of the right, reducing to 30% the previous overwhelming majority held by the Chavistas. The MUD's programme, insofar as they had one, boiled down to removing Maduro through a recall referendum, and reprivatizing the oil corporation (PDVSA) whose nationalization had been the heart of the Chavista project. Yet since taking control of parliament, and removing Chavez's portrait from the chamber, they have offered no alternative strategy for the economy at all, concentrating most of their energy on gathering the 1.2 million signatures needed to launch the recall referendum to remove Maduro, and on mobilising for the release of Leopoldo Lopez, leader of the right wing party Voluntad Popular, who is currently in jail for his role in organizing the violent protest of April 2013 – the *guarimbas*.

Maduro never offered any explanation for their victory, nor did any other leading Chavista figures. They simply ratcheted up the level of public rhetoric and announced that the Chavista state would ignore the Assembly and continue to operate through the wide decree powers given by the presidential enabling law (*ley habilitante*). Yet the figures were significant. The right won only 300,000 more votes than in the 2013 election. Its large parliamentary majority reflected the widespread abstention of Chavista voters – probably some two million who simply did not vote. It was unmistakably a protest against an economy running out of control and the accelerating decline in both public services and the social order. The large majorities won by Chavez were clear signs of his credibility among the Venezuelan majority; and even though Maduro won the presidency by just over 1% in 2013, it was the Chavez legacy that sustained his support. For over a year afterwards any unsuspecting new arrival in the country would have assumed that Chavez was still alive and

addressing the crowds, so often were his speeches and TV programmes rebroadcast.

The Bolivarian project had always assumed high oil prices- but the levels they reached between 2011-13 - up to \$140 a barrel at one point - could not have been predicted. This was a bonanza for Venezuela, and financed high levels of public spending as well as fuelling corruption. The result of both was a rising import bill (from \$14 billion in 2003 to \$78 billion in 2012). Of those profits 60% were ostensibly to be invested in the national economy. Yet the boom coincided with a decline in production which was expressed in increasing imports of products previously supplied internally - milk, cement, plastics and even petrol, imported to cover domestic demand. Several years earlier the head of PDVSA had promised production levels of 5 million barrels a day by 2015; yet in fact production was hardly greater than the 2.5 million barrels that were produced ten years earlier. No explanations were offered, nor figures published; it was clear, however, that the causes were a combination of problems of maintenance, technical faults and mismanagement. But the important figure was that imports reached double the value of exports.

The real scale of the impending economic crisis was veiled by increased public spending on housing and large scale vanity schemes (most of them still unfinished or simply abandoned), as well as by a growing level of Chinese investment in a number of funds only one of which (Fonden) published accounts. The Chinese investments were clearly partly in exchange for oil (500,000 barrels a day and rising) but were also loans.

The collapse in the world price of oil exposed the fault lines and the massive cracks in a dramatic way. The per capita gross national product collapsed in 2015 and will fall by 25% in 2016. (Manuel Sutherland "Crisis económica de 2016" in [www.aporrea.org](http://www.aporrea.org)). Gross domestic product, which rose annually until 2013, has fallen for three years running. It is clear that the fall in world oil price had political as well as economic causes. Yet Venezuela has continued to supply a million barrels a day to the U.S. It is in one sense obvious that there will be fluctuations in the world oil price. It was a recognition of the impact that it can have that impelled Chavez's vigorous advocacy of a Latin American regional economy on the one hand, and of economic diversification on the other. The key issue is how the self-proclaimed socialist regime of Maduro prepared for and reacted to the crisis. In fact there has been little if any preparation; it was as if Chavismo believed that the oil price would rise eternally, even though the claim was that the national budget was calculated on a basis of \$60 a barrel. It certainly did not anticipate prices below \$30!

But given the crisis and its devastating impact on working class living standards, it would be expected that a radical government would move quickly to protect its working class base as a priority, whether out of principle or even out of political expediency. And the repayment of loans to the IMF and others would not be an obvious socialist priority. Yet the service on the external debt was promptly paid, and the reserves depleted.

## **2016: the political decline of Chavismo**

The central principle of Chavismo, which was incorporated into the 1999 Bolivarian Constitution written and passed by an elected Constituent Assembly, was a new relationship between state and society. Echoing the Paris Commune, the new state would be participatory and serve the people, to whom it would be answerable through a network of grassroots organisations. As in the Commune, the right of recall of public officials was fundamental. (There was no suggestion, however, that they should receive only an average wage!). Critically, it would represent the end of a notoriously corrupt Venezuelan state which had functioned through patronage and clientilism, lubricated by the oil economy.

The Bolivarian movement's point of origin was always identified as the *Caracazo* of February 1989,

the mass rising of Venezuela's poor in response to the imposition of IMF austerity measures. It was a reference both because it had exposed the inequality which the oil boom had hidden, and because it marked the moment when a mass movement exploded onto the stage of history – and was brutally repressed. The new state, and its Constitution would address the inequality and acknowledge the role of mass mobilisations in the political process.

The opposition evoked the recall referendum in 2004, in an attempt to oust Chavez after the failure of its two previous attempts to do so, by a military coup (in April 2002) and a bosses strike to sabotage the economy (December 2002 to February 2003). The mass mobilization of the grassroots at that time was, to my mind, the highest expression of the potential of the Venezuelan Revolution. The recall was defeated by a huge majority.

The right-wing controlled National Assembly has now evoked a recall referendum with the intention of bringing down Maduro. It has gathered the 1.2 million signatures needed to set the process in motion, and it now requires the support of 20% of voters for the referendum to go ahead. The Electoral Commission and the Supreme Court, whose membership is entirely Chavista, have systematically delayed the process. In that way they have ensured that when it finally does take place, possibly in February 2017, the decision can only be Maduro's replacement by his vice-president. Meanwhile it is not clear whether gubernatorial elections in December will go ahead.

The right of recall was a fundamental democratic principle and a genuine advance. It has already been used over 100 times at local and provincial levels to remove ineffective and corrupt officials. This time, however, leading figures in the Chavista regime have denounced the recall referendum in increasingly threatening terms. Diosdado Cabello and Jorge Rodriguez, leading figures in the state and the PSUV, have asserted that it will never happen; Elias Jaua, leader of the Chavista bloc in the Assembly, has insisted that "it was never meant to be used against a popular government".

The difference between 2004 and today is that the mass base of Chavismo has melted away. It is easy enough to fill squares with state functionaries and party activists who will shout and wave banners as required. But the message of the 2015 election was very clear, and every poll and survey since then, whoever it is conducted by, has shown that Maduro cannot win. But where Chavez, whatever his contradictions, took the challenge on to the political terrain, Maduro's response has been entirely bureaucratic. The right of recall was a key element of the popular democracy Chavez promised. It was not conditional on a foregone conclusion – and it is cynical in the extreme for one leading Chavista to suggest that "some parts of the Constitution are optional". You cannot claim to be a popular democracy and then, in Brecht's famous lines, dissolve the people and elect another when they fail to do your bidding.

Article 62 of the Constitution is clear and definitive:

Every citizen has the right to participate freely in public affairs, directly or through their representatives. The participation of the people in the formation, execution and control of public affairs is the necessary means for ensuring their protagonist role that will guarantee their full development, both individually and collectively. It is the obligation of the state to facilitate the creation of the most favourable conditions to make this possible.

The motivations of the right are unmistakable. It was the mobilized masses who brought Chavez to power and who beat off the challenges of the right three times. But after two years of crisis, and in the face of the corruption whose scale and pervasiveness every Venezuelan knows, Chavismo can no longer mobilise its disillusioned base. The final straw, perhaps, was the development of the United Socialist Party of Venezuela (PSUV) set up by Chavez in 2006. He promised a party that would express the kind of grassroots democracy he had baptized with the name of '21st century socialism',



a party that was profoundly democratic and transparent. The reality, however, is that within weeks of encouraging six million Venezuelans to join, the highly centralized and top-down nature of the party became very clear. It is a bureaucratic apparatus, mimicking the Cuban Communist Party (which was its model) in its autocratic nature. Its leadership is accountable to no-one – and in fact it barely meets now, having been replaced by the tiny cabal around Maduro, his wife Cilia Flores, and Diosdado Cabello which now runs both the state and the party from secret weekly meetings.

The PSUV is the expression of the state apparatus. It functions in the same way that the pre-Chavez state, which was so discredited, once functioned, as an instrument for distributing privileges and lucrative public offices in exchange for power. The CLAPs (the baskets of basic goods to which I referred earlier) were an example. They were distributed by the PSUV as prizes for loyalty. Only Chavistas, it would seem, need to eat! It is an instrument for mobilizing support as and when required. But it is not, and perhaps never was, a means for communicating the interests and aspirations of the grassroots.

As the crisis has deepened, and the collapse of the Chavista project with it, the response has not been to address the growing disaster affecting the majority of ordinary people, but to deny its existence. At the same time, the refusal to acknowledge the National Assembly – whose sessions consist of long shouting matches – has led to a government by decree, increasingly unaccountable and increasingly capricious. Power has become concentrated in a shrinking group that increasingly depends, politically as well as materially, on the military. Maduro himself, his extremely powerful wife Cilia Flores, ex president of the Assembly, has distributed her enormous extended family throughout the administration. Beside them is the sinister figure of Diosdado Cabello, a military colleague of Chavez whose lucrative roles in various infrastructural ministries has given him endless opportunities for enrichment. He also has a critical controlling place among the military. Throughout 2016, furthermore, the places at the cabinet table have been increasingly occupied by uniforms. Elsewhere, Maduro family members have been carefully allocated key roles in ministries, presidential commissions and in the leadership structures of the PSUV. In ways that are all too familiar, well known and equally powerful figures in the Chavista hierarchy have disappeared from view, most notably Rafael Ramirez, ex-president of PDVSA – though they did not leave naked. His rumoured assets in various banks around the world are enormous.

This new bureaucratic class is not only politically dominant; it is also economically powerful. Many of those who claim working class origins, like Maduro himself, are telling the truth – which makes it all the more remarkable that in such a short time they have accrued, collectively, such vast wealth. It is not, however, so surprising, given the trillion or so dollars that passed largely through their hands in the form of oil revenues. As discontent has grown, the response from Maduro and those around him has been a combination of rhetoric and repression. The state functions through presidential decrees and states of emergency. At the same time, however, the new ruling bureaucracy has absorbed members of the capitalist class. The new president of PDVSA, Eulogio del Pino, was brought back from the disgraced layer of technocrats who were responsible for the so-called bosses strike of 2002-3; he has recently appointed to a key post in the corporation a businessman thrown out for corrupt dealings by Chavez himself, Wilmer Ruperti. Lorenzo Mendoza, of Polar, has met with Maduro on many occasions.

The state itself has become increasingly militarized. It is obvious, in that military personnel are visible everywhere, especially in Caracas and on the Colombian frontier. In government, the familiar face of Aristóbulo Isturiz, a wily but popular old style politician, who was appointed to the vice-presidency, has disappeared as suddenly as it appeared. He has been replaced by Padrino Lopez, a senior general who has been named as vice president as well as the minister in charge of supplies and production. He in turn has surrounded himself with generals who fill posts as they become vacant. If the referendum goes ahead, it is Padrino Lopez who will now take over from Maduro.

There have been persistent rumours of what has been called an “autogolpe”, an internal coup with which Maduro would be complicit, to anticipate the referendum result. That seems to me unlikely, in part because the military have already taken control of the Chavista machine, between Padrino and Cabello. Maduro seems more and more dilatory and insecure, though he remains the face of the regime. His social base in the past, the trade unions, has been sidelined, while the PSUV exists to carry out policies but not to debate them. Today, there is new bourgeoisie running a capitalist economy from the state. It has little or no regard for the quality of life of those who carried them to power, and even less connection with them. Its interests are better served by its careful protection of the military, whose living areas contain supermarkets with full shelves of goods at controlled prices. A full scale military coup would have posed the dangerous question of the loyalty of rank and file troops. What I see as an ongoing quiet internal reinforcement of military controls is less risky, though still perilous. But the recent announcements concerning the Arco Minero mineral rights have made abundantly and harshly clear the line of march of future Chavista governments.

### **The Arco Minero: the fall**

The ‘Arco Minero’ is a region in Venezuela’s Amazonian region, in the states of Bolivar and Guayana. It comprises 12% of the national territory (an area larger than Cuba), and is the territorial home of several major indigenous peoples. It contains the sources of much of Venezuela’s fresh water as well as massive reserves of oil and minerals – gold, copper, silver and coltan among others.

There are probably 150,000 people in the area, many of them involved in illegal and uncontrolled mining. The region’s infrastructure – roads, transport and so on – is minimal and the conditions of life and work there are appalling. A lawless region famous for its violence and beyond the reach of civil institutions, it is dominated by shadowy criminal organisations and local bosses; increasingly it is the drug cartels that have taken control, particularly since it offers uncontrolled passage to the Caribbean and the external markets for cocaine.

Global capital, however, has had no compunction about taking advantage of the situation, and has been buying gold and diamonds there, illegally, for decades. The presence of the military in the region has done nothing to change the situation. On the contrary, they have become part of the problem – corruption pervades both the local military and political structures.

Some months ago, Nicolas Maduro announced that the state had reached an agreement with between 130 and 150 companies to exploit the mineral resources of the area (which are enormous). There was no public discussion of the decision, and no further information was provided at the time. But two further announcements were made to coincide with this presidential decree. First, the creation of a non-state (i.e. private) company to develop mineral and oil resources in the region which would be based within the Ministry of Defence and be run by the military. Second, the whole area would become a Special Economic and Military Zone. The model here would seem, in my view, to be Cuba, where the armed forces control a major part of the economy, and where significant areas, most importantly the port of Mariel, have been ceded to foreign companies under extremely favourable conditions, including state subsidy and tax exemptions, as well as the suspension of labour laws.

In Venezuela, the creation of a special military and economic zone has even more far-reaching consequences – most significantly the suspension of the Bolivarian Constitution.

The state of Bolivar is home to some of Venezuela’s most important indigenous communities, whose rights and territories, after decades of violence and persecution, were finally protected under the constitution of 1999. The planned development of large scale mining will destroy those territories and expel those communities. Whatever promises or assurances may be given, the real and

immediate effects of mining on communities are there to be seen in Peru, Ecuador, Bolivia and Brazil – where the same companies now negotiating concessions with the Chavista state have been and continue to be responsible for the expulsion of indigenous peoples and the wanton destruction of their territories.

The constitution also protects the environment, as Chavez repeatedly claimed and reaffirmed. It was for those reasons, for example, that Chavez took the decision while he was alive not to exploit the mineral resources of the Arco Minero. The impact on the environment of the level of exploitation that is proposed will be devastating. It is important to remember that the Orinoco and the Choroni rivers are the source of most of the country's fresh water. Mining will pollute the river systems, as it has done throughout the Amazonian region, particularly with the use of cyanide in gold mining and the wholesale elimination of tree cover which has already caused so much environmental damage in Brazil and Peru in particular. And the Venezuelan rivers are part of the vast network of Amazonian streams, interconnected across the entire region irrespective of the arbitrary frontiers drawn on maps by government functionaries.

The region was previously offered to Chinese companies, but they withdrew – arguing that the conditions of the region did not guarantee the security of their investment. Presumably the militarization of the region will provide those guarantees for future investors; these include Gold Reserve International and Bracko, possibly the world's largest gold mining company. It is especially significant that Bracko's directors include Cisneros, Venezuela's largest private capitalist, who owns the Coca Cola franchise as well as major media interests in Venezuela and beyond. He has been notably silent throughout the confrontations of recent years.

Maduro has claimed that the Arco Minero project falls within the environmental undertakings of Chavez's Plan de la Patria and will guarantee indigenous rights. The communities themselves, however, have no illusions and continue to protest against the decision. Maduro argues that 60% of external investment will be productively employed. Earlier assurances by Chavez, using the same figure, produced no investment at all. The area is now a military zone, where constitutional guarantees to not apply. In recent weeks, the army has moved in to forcibly remove whole communities, the very ones whose rights were ostensibly guaranteed.

The protests against the project in fact involve indigenous communities, leading academics all of them sympathetic to Chavismo, trade unions, community activists and historic leaders of the grassroots movements. The right, by contrast, has been noticeably silent on the issue. Since this project represents the reintegration of the Venezuelan economy into a global extractive industry, this is hardly surprising.

There is a powerful case for establishing democratic control over the region and protecting its vulnerable populations. But it will not come from opening the region to multinational corporations whose role elsewhere in the continent leaves no doubt at all about how they will conduct their operations, the impact they will have on the environment or the treatment local communities can expect from them.

On 8 August, the executive of a key player – Gold Reserve – announced the terms of the deal to shareholders. (See Edgardo Lander in *Aporrea* 16th August 2016). Gold Reserve owned and ran the Las Brisas Mining Project, involving 10 million ounces of gold (at something like \$1500 an ounce) and 14 billion pounds of copper. In 2009, the contract was cancelled by the Venezuelan state. Gold Reserve then sued Venezuela for \$774 million in compensation, an amount the Venezuelan government has now agreed to pay, plus another \$240 million for technical assistance. The terms of its agreement are extraordinarily favourable. The company will be exempt from taxation for the ten years before extraction begins; it will be able to buy fuel and associated inputs at the subsidized

prices paid by state enterprises. It will then provide half of the \$2 billion capital required to relaunch the project – the other half will come from the Venezuelan state. The company will be guaranteed first payment on any outstanding debt with priority over *any other creditor*. It will then pay 5% royalties on all mineral extracted with the right to sell abroad and retain its profits in dollars in an offshore account. Yet just months earlier, a presidential decree made it compulsory for all profits to go to the Venezuelan Central Bank. And if the state negotiates more favourable terms with any other company, Gold Reserve will be guaranteed the same terms. And finally the state undertakes to pay for any environmental damage.

It is inconceivable that any government should be ready to sell its patrimony so cheaply, never mind a state that still claims to be revolutionary. This will be the largest gold mine in Latin America when it is finally working; it will occupy 18,000 hectares (45,000 acres) of land. Gold exploration has a history of contamination and pollution. The government claims there will be no mercury used in the mining. This is blatantly untrue. But it makes no mention of the cyanide that is essential to gold mining. To put it in context, 20 tons of rock must be moved to provide the gold for a single ring. Excavation will go at least 50 feet into the earth and vast amounts of forest cover cut down. Mercury and cyanide will flow into rivers and rise into the air as forest cover is removed.

The Venezuelan state is operating as a collective capitalist, seeking joint or mixed enterprises with global capital. Maduro claims that a proportion of earnings will go to protecting the environment and creating cooperatives. He has even attempted to justify the decision by arguing that it represents state intervention against the local mafia. In reality it is an exchange of one mafia for another, larger and more powerful one. There is a long history in the state of Bolivar of collusion between the state and the so-called mafia from the highest to the lowest levels. The second company to announce its involvement is Bracko, the world's largest gold mining company. It is unlikely that they will be offered less favourable conditions than their smaller rival, Goldcrest!

The decision has clearly been made with the aim of compensating for the loss of oil revenue. The level of royalties the companies will eventually pay are similar to those paid by the multinational companies who exploited Venezuela's oil prior to its nationalization under Chavez.

The environmental assurances of the state are not credible, given what it has failed to achieve over the last 17 years. And the promise to reinvest in social projects is hardly convincing when social investment has collapsed over the last few years, even when oil prices were reaching unprecedented heights.

The creation of the new private military-led company to oversee oil and mining investment represents the definitive reversal of the Chavista project. The state, operating as a collective capitalist, is creating joint enterprises with global capital. There are no guarantees offered or sought for the way in which profits – in ten years or so – will be used. To describe these operations as “mixed” is to suggest a socially responsible component. In reality what the multinationals have been promised are high returns on their investment without conditions. Private capital is returning, for example to PDVSA, and the new state capitalist class involves both old and new bourgeoisie.

The Arco Minero decision has reversed and destroyed the whole Bolivarian project. It is not only an economic decision; it is a political one, a return to the most brutal sector of the global economy, an acceptance of the most exploitative conditions possible for that involvement and an abandonment in theory and practice of that most fundamental principle – that a nation's resources must be used for the benefit of all its citizens and not for the enrichment of a tiny minority of capitalists who own and/or administer those resources for profit.

The political implications are even more devastating. The Bolivarian Constitution, the symbol and

the instrument of a participatory democracy, has been to all intents and purposes abandoned in favour of the interests of a ruling class pursuing its own. The 'Special Zone' places 12% of the national territory formally under military control. The Constitutional provisions protecting workers, indigenous communities and the natural environment and its resources are now inoperable here. The announcement of a state of emergency some weeks ago extended that situation to the country as a whole.

The democracy to which Chavismo laid claim is now compromised beyond redemption. Behind the discourses and the states of emergency, democratic procedures are simply ignored. Political decisions are made within the ruling circles and announced amid rhetorical flourishes. The appointment of Defence Minister Padrino Lopez to an unelected but all-powerful role was not exposed to public approval, nor discussed. Like every other Maduro decision, it was announced without explanation at a Cabinet meeting replete with uniforms. Gradually, the key roles in government- and not just Padrino's - are being placed in military hands. Padrino now runs not only the vice-presidency but also a Defence Ministry which contains the newly created autonomous oil and mineral enterprise. He is also purportedly in charge of ensuring food supplies and the productive sector.

And Maduro? His one credential was the seal of approval given by Chavez before his death. He has proved to be incompetent and ineffective, overseeing a corrupt system which has included his own family members. He is a wholly unconvincing leader for a population whose loyalty to Chavez was unequalled - a loyalty he has squandered. And he has proved inconsistent and vacillating in his decision making - witness the number of top level changes in personnel he has overseen and the number of programmes and missions he has announced that have disappeared without trace.

### **Concluding remarks**

Whatever the result of the recall referendum, the cabal of Chavista leaders who now run the state will continue to conduct government in alliance with the upper echelons of the military. They will also share economic control among themselves and with key elements of the old capitalist class. Corruption combined with a silent but effective repression, exercised jointly by the military and the PSUV, will maintain the power structure.

For an observer, the most poignant and devastating consequence of the crisis of the last two years is not just the desperation of millions of Venezuelan queueing for food but the disappearance of the most inspiring feature of the Chavista experience - the active sense of a collective interest, the social solidarity celebrated in so many ways and certainly encouraged and motivated by Chavez's particular charisma. In a society where people are struggling and competing to feed their families, that solidarity is the first casualty. The refusal to act on behalf of those millions of ordinary people, to use the state to defend and extend popular democracy, is nothing less than criminal. And the worst of it is that those who have claimed to rule in the name of the people will walk away from power with enormous bank accounts and with their future assured by the investments they have carefully made inside and outside the country.

So Venezuela offers two lessons. In the first, an example of the corruption of power and how a group of people for whom power was the sole objective wore the symbols of socialism while accumulating both wealth and political control. The second and most important lesson is the example of what can be achieved when the mass movement organizes from below and creates the kind of grass roots democracy which Chavez called 21st century socialism. The new ruling class has systematically demobilised that movement through corruption and patronage on the one hand and repression on the other. The leading voices against the Arco Minero have been removed from their jobs, for example. But the spirit of the Chavista project remains in the hearts and minds of large numbers of

people, though it is tinged with bitterness as the crimes committed in its name are revealed. It is that spirit that will, over time, inform a new movement against familiar enemies – and rediscover its capacity to bring about change through its own actions.

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