

## Venezuelan Crisis: RSTV – The Big Picture

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Guest:

- Prof. Swaran Singh, School of International Studies, JNU
- Meera Shankar, Former Ambassador;
- A.K. Bhattacharya, Editorial Director, Business Standard

### Larger Background:

- Recently, a woman was shot dead and dozens injured in the Venezuelan capital Caracas in clashes between opposition supporters and pro-government forces.
- Tear gas and water cannons were fired by the military amid rival demonstrations.
- Opposition leader Juan Guaidó called for a series of strikes to force President Nicolás Maduro to relinquish power.
- He urged public employees to act, saying the stoppages would lead to a general strike.
- Guaidó in January, 2019, declared himself Venezuela's interim leader, and he has been recognised by more than 50 countries including the US, UK and most Latin America nations.
- But Maduro - who is backed by Russia, China and the leaders of Venezuela's military - has refused to cede power.
- Meanwhile, Secretary of State Mike Pompeo said that U.S. military action "is possible" in Venezuela to bolster Guaido's bid to oust President Maduro.
- “The president has been crystal clear and incredibly consistent – military action is possible. If that’s what’s required, that’s what the United States will do,” Pompeo told a news channel in the US.
- On this edition of the big picture we will analyse the political crisis in Venezuela.

### Analysis by the Experts:

**Let’s first try and understand and try and put things into perspective the fluid situation in Venezuela at the moment. What’s happening on the ground?**

Meera Shankar, Former Ambassador, weighed in with her arguments here.

- Well, the situation is extremely fluid politically. And, this flows from the great difficulties that Venezuela has faced since Maduro came to power on account of the fall in oil prices, which led to an increase in the prices of imported goods; a fall in the GDP of Venezuela, and hyperinflation which is even difficult to gauge. Some say that it is 60,000 percent.
- The prices of goods double almost every few days.
- This has led to a great deal of public disaffection.

- On the other side, President Maduro says that this is an effort by Venezuela's elite which has been unhappy with the pro-people policies of the government to unseat it. The fact is that the economy is in a shambles today and people face shortages of food, medicine, and other essential commodities. Poverty in Venezuela has grown, and all this is leading to political cleavages and demonstrations. The recent election in which President Maduro was elected was boycotted by sections of the opposition. However, the army continues to back President Maduro, and therefore at the moment the situation is unclear.
- Recently, Mr. Guaidó gave a call to members of the public services, to strike and to come out in his support. His supporters and the supporters of President Maduro and the army have clashed and that is where these injuries and the one reported casualty has been reported.
- The situation is internationally also not without tension; this is because President Maduro is backed by Russia, China, Cuba, Bolivia, and even Mexico (which has remained kind of neutral because there is a whole history of U.S. interventionism in Latin America, which is very emotive because it has always been geared towards protecting some U.S. corporate interest or the other.)
- Having said this, the majority of Latin American countries have backed Juan Guaidó.

**There's a history here isn't it? For example, when you look at Iraq, the Americans went in there and there was this whole section in the society which said that the Americans went in because of the Iraqi oil. When we look at Venezuela, it seems like history is repeating itself and the same accusation is made this time around as well. What is going on here?**

Prof. Swaran Singh, School of International Studies, JNU, weighed in here with his arguments.

- I believe that as Meera Shankar has beautifully brought out the current scenario, and did refer to history as well in doing so, we find that in some ways, this whole episode, is not out of character with the Venezuelan history over the past 100 years or so. Experiments of democracy have come and gone; democratic leaders have become authoritarian in nature, etc. These things have happened quite often. The last stable phase was of Hugo Chavez. It is important to note that from the very beginning, Mr. Maduro's tenure has seen many ups and downs, controversies, and referendums. This entire impasse is reaching a nadir of that tenure. The U.S. intervention is out of character because if we remember, Donald Trump, during his election campaign and even later had been very critical of his predecessors, of their interventions abroad.
- Thus, Donald Trump is now trying if not directly, but certainly through his aids, certain kinds of interventions through sanctions; threatening or influencing others who are supporting Maduro; as a matter of fact, Maduro has even accused the White House of staging a sort of military coup- this is a part which is perhaps out of character.
- My sense is that there is quite a strong wave now when you take into account that around 3 million people have simply left Venezuela; and there are millions on the streets who are protesting.
- Almost 50 countries have recognized the leader of the opposition, who believes that he is the rightful candidate to take over as President. There is a certain amount of wave in favour of change at this stage. How painful and prolonged that might be is still a question of doubt. However, it is something that we can continue discussing. But it seems that the reason as to why military leaders are continuing to support Maduro, is that several military leaders (restricted not just to those of this regime), had a certain hand in the pie of various illicit trade rackets.
- They would be very wary against corruption cases coming out; human rights investigations coming out; they could be jailed, etc. as a consequence.
- Thus, it is largely out of a sense of fear and not out of a sense of loyalty that they are standing with Maduro at this time
- Change is inevitable and we are certainly moving in that direction.

**Is the change also going to bring out changes as far as Venezuela's economy is concerned? The crux of the problem and why we are here today is because of the fact that Venezuela's economy has imploded.**

A.K. Bhattacharya, Editorial Director, Business Standard, weighed in with his arguments here.

Yes, I wouldn't disagree with you at all. The economics of Venezuela's political crisis is quite interesting to track. Venezuela is actually quite a classic example of a petro-state. What is a petro-state? Broadly, there are four characters of a petro-state:

1. The Government income is almost completely reliant on export income. In the case of Venezuela, 98% of its export earnings, comes from oil.
  2. Venezuela's GDP is dependent to the tune of 50% on oil. It is this GDP which has been shrinking in double digits for the last 3 years. It has been shrinking for a variety of reasons. International oil prices have also been falling.
  3. The economic and political powers in a petro state are largely concentrated in an elite minority. We have seen over the years, whether it was Hugo Chavez or his predecessors, it is essentially an elite minority which is taking charge of the economic and political leadership.
  4. The political institutions are very weak. They are almost unaccountable. There is also widespread corruption. Thus, when we look at Venezuela, we find that it has all the instances of a failed petro-state. There are many other petro-states in the world, and Venezuela is clearly one of them.
- Further, apart from the phenomenon of suffering from the trappings of a petro-state, it is also suffering from what is called a "Dutch disease". The Dutch disease is essentially when foreign capital starts coming in and becomes your main source of income. When the main source of income is foreign capital, because of oil. And, Venezuela as we know, has one of the world's largest oil reserves. So, when foreign capital comes in, what happens is that the local currency appreciates. When the local currency appreciates, the trade is largely on imports. Imports rise as a consequence. The traditional activities of agriculture and manufacturing, get replaced by a trading economy where we see a lot of imports because it is easy to import. This phenomenon affects jobs and unemployment rises. Because of the oil price fluctuations, debts start piling up. So, you can see the vicious cycle that Venezuela has got itself into. To my mind, these petro-state features and the Dutch disease that it has contracted cannot be solved unless one has basic fundamental reforms in the Venezuelan economy and indeed its politics. So, the crisis in Venezuela is unfortunate and I would not rule out the suggestion that you made initially that the U.S. interest in Venezuela is largely driven also by the fact that Venezuela is tomorrow's Iraq. This is because it has got one of the world's largest oil reserves. The U.S. might want to get some sort of a military control or some sort of a sphere of influence over Venezuela. Thus, I think that the economy has probably in many ways dictated the politics of Venezuela and the crisis that it finds itself in right now.

**Let's talk about the United States and the statements made by the Secretary of State, Mike Pompeo. He says that the U.S. military action can't be ruled out. How serious do you think this is?**

**Meera Shankar, Former Ambassador, weighed in with her arguments here.**

Well, if the U.S. can achieve its objectives without direct military intervention- then that would be the preferred choice. There was a history of U.S. interventionism in Latin America, whether in Chile, or in Brazil, or in other countries. There were concerted efforts to overthrow Fidel Castro in Cuba and so on. However, in recent years, the U.S. has learnt a little strategic patience in Latin America. Even as many Latin American countries turned left of center, with the coming of nationalist governments in Bolivia, Ecuador, and many other places, the U.S. while trying to change things, lived with it rather than having recourse to a military coup. These were their preferred tactics in the past. Thus, we have to see as to how easily, the Trump administration would actually resort to military intervention. This is because on the one hand, the U.S. is pulling back from Syria, from Afghanistan, from Iraq and on the other hand, if they feel that the outcome is not clear, then there would be reluctance to intervene. If they feel that the situation is ripe and needs a little push, then they possibly wouldn't rule out an intervention. But in politically clouded situations,

military intervention can be a very blunt tool and perhaps not fine enough to shape eventual outcomes.

**Taking the discussion forward from where the Ambassador left, let's not forget, that there are other players in the mix as well. There are some superpowers. There's Russia, China, and others just waiting to get into the picture and sort this mess out. So, Mike Pompeo has referred to that as well. He said that Maduro wanted to leave Venezuela. However, it was the Russians who forced him to stay. Is Venezuela the new playground for the tussle between the United States and Russia?**

Prof. Swaran Singh, School of International Studies, JNU, weighed in here with his arguments.

- I think that if you read the statements by Mike Pompeo and then the responses by Sergey Lavrov, it looks like Venezuela is becoming a battlefield for Russia and the United States in some sense. However, it is also important to note that it is not just statements in terms of just words- as a matter of fact, Iran, Russia, and China have actually sent delegations to Venezuela during this crisis to showcase and demonstrate that they stand by Maduro. The other interesting thing is that President Trump has been himself reluctant although his team is full-throttle. However, there have also been some disjunctions.

**If I remember correctly, there was a tweet by John Bolton who was talking about the fact that the operational freedom, as such, itself has some dictatorial impulses. So, it is a very important statement that has come. However, if you look at the mood on the street, and if you look at the situation of the economy, I believe that this is something that would prove to be a bigger challenge. The internal situation in Venezuela would be far more decisive for Maduro's government to continue. After this, would come the external pairs.**

A.K. Bhattacharya, Editorial Director, Business Standard, weighed in with his arguments here.

- I don't believe that the U.S. would cause a strain because of its internal problems.
- As a matter of fact, GDP of Venezuela is shrinking. Today, Venezuela produces around 2.3 million barrels per day of oil. Out of this 2.3 million barrels around 1.5 million barrels, per day used to be exported. It is this export share that has come down drastically.
- The U.S. is probably now in a stronger position to dictate terms to Venezuela in the hope that it would have a larger say in the Venezuelan oil economy.

### **Concluding Remarks:**

- It is very difficult to predict as to how things will pan out in the coming days. If the crisis comes to a head, leading to change, then there is only one trajectory that one can look at.
- Also, one must note that poverty has increased and people are hungry now.
- The Venezuelan crisis is not a crisis in the making- it is already a crisis facing us as an international community. Thus, the first sense is that the shorter this period is, the better it is. But, how would this period be made shorter? Foreign actors and major players would have to step in and play a larger role. One would tend to agree that Venezuela is part of the backyard of the United States, thus they would be far more emotively responding to the situation rather than the cost-benefit calculus being the only guide. India continues to play an equidistant role. Venezuela's earnings from India as a buyer of oil is important and one understands that India has currently reached almost a zero purchase level from Venezuela.
- International players can make it a less painful and prolonged affair.
- Lastly, Venezuela is the 11th largest producer of oil in the world, and the current crisis there is bound to have an impact on oil markets globally. Venezuela is also a member of the OPEC.
- Therefore, if the oil production in Venezuela is halted or slowed down, as a result of this crisis, then surely the oil market would hotten up. Oil prices may go up, which is bad news for India and India would have to look for alternative sources of supply for its crude oil.

- The international community cannot remain a bystander- this is because Venezuela is too large an oil economy.
- The International community should focus in building Venezuela's institutions- for example, the judiciary in Venezuela is in a state of shambles; its parliamentary institutions are suffering. The infrastructure in Venezuela as well is shattered after years of neglect- this needs to be rebuilt again. The next thing is that because Venezuela is a strong oil economy, it is probably time for the country and the global community, to create some kind of a sovereign wealth fund for Venezuela which can use the oil income that it gets in a better way than it being the preserve of an elite minority in Venezuela.

