

CHAPTER III

THE POLITICAL AND ECONOMIC CRISIS IN VENEZUELA: FROM CHAVEZ TO MADURO

In this chapter, the writer will describe the political and economic crisis of Venezuela from Hugo to Maduro as a comparison and how big the impact of the role of the United States is. In the previous chapter, the writer has described in brief about the two major powers, the United States and China as a prominent role in Venezuela that brought them into security dilemma. If we look at the historical relations between Venezuela and both the United States and China, these two major powers have a different impact on Venezuela's future.

A. Venezuela in Latin America Context

In Latin America, the development and national unity were also obstructed due to the imbalance of geographical areas, racial diversity, as well as economic policy left by the colonial government. Surrounded by impassable high mountains and impenetrable tropical lowlands, these extreme geographic conditions created difficulties to form national integration. Because of its geography, some countries were viewed to gain more advantages than others. Venezuela and Mexico are blessed with enormous oil resources. Brazil, Argentina, Chile, and Peru are rich with mining minerals. Some also have prosperous natural resources, fertile land, and stable climate, which become the biggest supports for the agricultural industry. The population of Latin America is mostly concentrated in coastal areas. Nonetheless, the rest that only

has few natural resources are likely to remain poor (Kline, 2014).

The underdevelopment remains a critical problem in Latin America due to a colonial heritage. A major industrial revolution had led the Europeans to search for natural resources and expand their territories. Latin America is one of the regions they go to. Spanish became the first colonizer who occupied Latin America followed by Portuguese. This colonial-era was characterized by the feudal and semi-feudal estate (Chile) and still continued even after independence. Under feudalism, the land, wealth, and people were all exploited. In Marx's view, two important aspects of feudalism were the relations of production that characterized by the fact that labor was not free and production was predominantly for consumption, not for commodity exchange (Steenland, 1975). On the other side, this also was worsening by the numbers of the population that increase rapidly in the 1950s that caused many people suffered for malnutrition. Due to this situation, people are struggling to work properly. Furthermore, the land ownership system refers to a capitalist system in which the labors that have no land have to work to the elites and get less payment. Because of that, it triggered a new problem which makes the labors suffering from the injustice payment system.

The political economy reformation in Latin America emphasizes the interplay between political and economic reform, and how this might affect policy outcomes, motivated in part by loudly expressed concerns about the compatibility between economic reform and the parallel rise of democratic governance. It is mainly highlighting the role played by democratic institutions in molding a new Latin America's democracies and capacity in doing reformation which needed. Developments on the ground in Latin America thus reinforced developments in the academic milieu to focus investigation and policy attention on improving the quality of economic

policymaking, building the competitive efficiency of Latin America's market economies, and adjusting policy recommendations to the unique conditions of each country (Starr, 2009).

The history of development in Latin America discusses the political and economic prior to neoliberal reform. This also suppresses the conflictual process of neoliberal reform implementation and its results. In the first generation during the 1980s and the early 1990s focused on macroeconomic policies proposed by Washington Consensus. On the other side, the second generation in its form tends to be more mature, democracies, amidst not hyperinflation and financial crisis (Montero, 2005).

The traditional political culture such as the influence from the Iberian and corporatism are some reasons that prevent Latin America to achieve sustained, genuine democracy. They guided and constrained the various waves of democratization. Furthermore, due to the influence from Latin America half-millennium old dominant political culture of monistic corporatism, societies tend to be characterized by authoritarianism, elitism, clientelism, patrimonialism, familism, hierarchy, *caudillismo*, *machismo*, minimal socioeconomic mobility, double standards of sexual morals, reverence for military and political authority, and an aristocratic ethos of disdain for manual labor and high regard for formal etiquette, that rooted in the pre-enlightenment, prescientific-revolution, pre-capitalist, aristocratic, patrimonialism, monolithically Catholic, and structurally semi-feudal world of the Iberian Peninsula of the sixteenth century (Smith, 1994). In this view, a good society integrates or eliminates opposing social and political factions on behalf of collective harmony, not by checking and balancing them through competition, so that, it would create a well-ordered society. Central authority harmonized true fulfillment to

achieve the collective goal of the common good. Things that are not in line with the common good are viewed as detriments, such as social diversity, primary interests, cultural pluralism as well as disrespect for tradition and authority. However, the concept of rights only exists as a group, not the individual.

Venezuela in the general context of Latin America development after democratization completely changed Venezuela's political structure. In the Chavez administration, the development of democracy in Venezuela is quite slow. The performance was also poor because of the lack of basic understanding of the government related to democratic values. Only two countries that got strong support for democracy; Uruguay is about 80%, while Argentina is about 76%. Venezuela is one of the lowest rate among other Latin America countries, about 60%. Due to the low rate, the stability of democracy in Venezuela has been questioned (Whelan, 2003). This also impacted the economic situation because politics and economics are correlated and cannot be separated.

B. The Administration of Chavez

The performance of every country in Latin America related to economic growth, and to reduce the level of poverty becomes a crucial matter for them. The comparison between Latin America countries regarding development and democratic performance as a consequence of political and economic result shows that every country has a different style in managing their democratic performance (Munck G. L., 2009). In particular, Latin America has completely changed politically and economically after the United States democratization. After transformed into a democratic country,

Venezuela faced challenging issue related to the stability of democracy.

Chavez was elected in 1998 and became president from 1999 to 2013. He was known as Bolivarian leader, and his ideology called chavismo. In his administration, he delivered three important purposes; to participate in a Constituent Assembly to write a constitution and improve the country, to counter poverty and social exclusion, and to eradicate corruption. Unfortunately, the promises that Chavez delivered was not in the right place. The Constituent Assembly does not run well, and the rate of corruption was increased. Even the poverty and social exclusion remain strong (Coronel, 2008).

During his administration, the president tried to eliminate the neoliberalism values and the oligarchy (the regime that is marked by the political business alliance from elite minority groups that marginalized the majority from the lower class). Neoliberal and oligarchy were established through the political pact of Puntofujism since 1958. The political pact of Puntofujism is a pact of the agreement by political elite after the military era post-independence that maintained the political and economic interests from the elite military dominant party, catholic church, and union trade which slowly marginalized the interests from the majority in Venezuela.

At this point, Chavez tried to bring Venezuela to socialism through populism politics. Populism is the political idea that does not have a specific political vision because its system was articulated into the expression of the right, middle, and left political depended on the class formation in the political arena in a certain condition. This political culture used massive political mobilization with the support of Chavez as known as a charismatic leader. Populism in Venezuela slowly became an anti-democratic movement which actualized the demands from society to be freedom movement, this movement known as Bolivarian movement. Chavez has approached the society to

get their trust in leading Venezuela to be better in economic. In his oration, one of the projects that he wants to implement was economic nationalization towards oil and natural resources. The purpose of this program is to combine the power of Venezuela's oil and gas through the empowerment of the local community in each rural region, which hold the idea of self-sufficient and people based-development (Pribadi, 2016). As the writer mentioned in the first chapter, Venezuela also nationalized all the United States companies that run in Venezuela because he wanted to control foreign investment which brought both countries into tension.

C. The Administration of Maduro

On 2014, Maduro became the successor of previous president replacing Chavez after the president's death in 2013. During Maduro administration, the political wave is getting worse. The crackdowns happened in the early of his administration, whereas the pro-government groups called *colectivos* attacked the demonstrators. More than 12,500 demonstrations have been arrested for being involved in a riot. This crisis happened because the people were divided into two parties, the supporter of Chavez and the supporter from the current government. The government's opposition was accused of Maduro marginalized people's right for his purpose. The tension continued until 2017, where military courts prosecuted than 750 people in the name of violation of International Human Rights Law (IHRL), and it still happened in 2018 (Report, 2018).

The political crisis has happened because of the resistance from society after the electoral process escalated after Henrique

Capriles Raadonski, another candidate who was lost from Maduro in 2013. It was triggered the International penalties and critics from the United States, European Union, Canada, and most Latin American countries towards Maduro regime. On the other side, since 201, Venezuela has experienced an economic downfall regarding the fall of oil prices. The lack of investment worsens the crisis that ended into a big debt payment. Trump was concerned about the debt that Venezuela cannot pay and culminate imposed a sanction (Seelke, 2018). The inability of Maduro to calm the situation brought Venezuela into critical position. The sanctions that Venezuela got since the administration of Obama is continued until the current administration of the United States lead by Trump.

Furthermore, Venezuela crisis is not only politically but also economically. The challenging issue related to economics is the hyperinflation that ruins the economic structure of the country itself. Based on a study by the opposition-controlled National Assembly, the annual inflation rate is about 1,300,000% in the 12 months to November 2018 (News, 2019).

**Figure 3.1 Venezuela Economic Crisis
(Hyperinflation)**



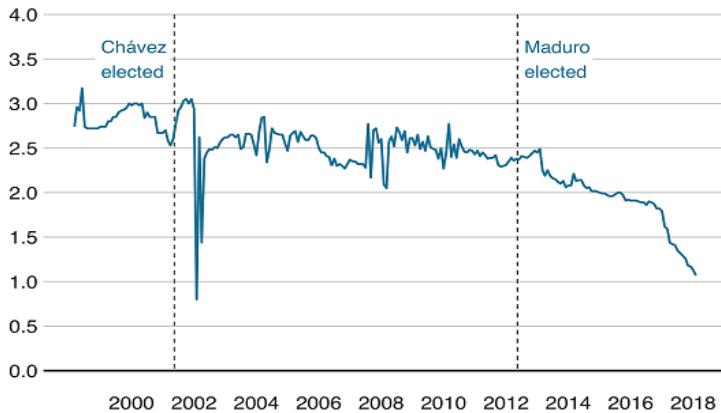
Source: BBC News

The falling price of oil has an overwhelming impact on Venezuela's economy since the country was highly dependent on oil export as economic support. The emergence of inflation in Venezuela started in 2016, which its rate hit 800%. This caused Venezuelan suffered to fulfill their needs. About 3 million people are fleeing to other countries to escape from the struggle situation faced by government, especially Venezuelan people. This is the largest migration rate in Latin America history. As Maduro just has begun his second terms, his administration faced massive domestic and international pressure to hold new election (Carmody, 2019).

Graphic 3.2 Venezuela's Oil Production

Oil production is falling

Millions of barrels per day



Source BBC News

According to Electronic Industries Alliance (EIA), currently, Venezuela's oil production was in average of 830,000 barrels per day. It down from 1.2 million barrels per day at the early of the year. This rate was the lowest level since January 2003 when the suppress from national domestic brought the Petroleos de Venezuela (PDVSA) to a halt. National power outages, mismanagement oil industry of the country, and the sanction from the United States directed at Venezuela's PDVSA and Energy sectors. The production of oil has decreased significantly over the last three years. In 2018, the production declines and decreasing by an average 33,000 barrels per day in each month. The rates of decline increased to over 135, 000 barrels per day each month in the early quarter of 2019. The declines of oil production in Venezuela has limited effects on the United States. The exported oil to the

United States also decreased over the last several years. The crude oil export to the United States in 2018 at the average 505,000 barrels per day. That was the lowest demand since 1989. The struggle still running in January 2019, when the United States imposed the new sanction that banned the United States oil export to Venezuela (crude oils that blended with Venezuela's crude oil for processing). The executive order required the PDVSA-owned petroleum payments and petroleum products into an escrow account that cannot be accessed by the company. In February and March, the import of crude oil of the United States from Venezuela have decreased because, without the direct access to cash payments, PDVSA has a little reason to export oil to the United States. On the other side, China, India, and the other countries continued to receive crude oil from Venezuela. Venezuela probably reserved some crude oil cargoes in floating storage until intended for export until finding the new buyers (EIA, 2019).

In conclusion, the current crisis that happened in Venezuela is the worst in the history of Venezuela development. The political and economic condition of Venezuela was very unstable because of the hyperinflation and political tension between the government and its opposition. The performance of political and economic was also very poor. In the perspectives of the International community, Venezuela's government is accused of being weak in controlling the situation.