

The Battle for Venezuela

A Brief Background to the Current Events

Prepared by Herbert Jauch, February 2019

Venezuela has been in the headlines for several weeks and most of the western and global mass media paint a picture of a dictatorial government oppressing its people. Outside interventions, including economic and financial sanctions and the threat of military interventions are portrayed as the only way to “liberate Venezuela. This narrative is misleading and false and thus this background paper aims to sketch some of the events that led to the standoff between the Venezuelan government and imperial interests.

When Venezuela’s former President Hugo Chavez Frias passed away on 5 March 2013, he left behind a country that had experienced huge socio-economic and political achievements during his 14-year presidency. At the time when Chavez won the presidential elections in late 1998, Venezuela had had several decades of regular political elections but the voters’ choice was largely between two parties that shared the same ideological beliefs. Venezuela was characterised by severe apartheid-style social divisions between the affluent elite on the one hand and the impoverished working class on the other. Whoever ruled was largely unaccountable to the electorate, appointed its supporters into the judiciary and dominated the trade unions as well as civil society organisations.

Before Chavez, the country’s oil revenue was essentially used for elite self-enrichment and to pay for a network of patronage. Venezuela’s economic policies were free-market oriented but this model collapsed in February 1998 when the then government announced that it had to submit to International Monetary Fund (IMF) dictates, abolishing food and fuel subsidies, cutting spending on health and education. The resulting hardships affected the poor the worst and resulted in widespread riots. Upon coming to power, the Chavez government promised to change the political, economic and social landscape through a programme of redistribution and social justice.

Initial reforms

One of the first steps taken was to embark on a series of far-reaching reforms regarding social service provision, for example, access to housing, education and health care. The resources needed for these social programmes were derived from the country’s oil resources. The national oil company, several large manufacturing companies and much of Venezuela’s farmland already belonged to the state by the time the Chavez government was elected but what changed was how these resources were utilised to benefit the poor. The royalty fees payable by private oil companies and an extraction tax was introduced to pay for the extensive, health, housing and education programmes, locally known as “missions”. Their success became visible in the form of freely accessible health care, education from literacy classes to tertiary level, vastly broadened for students from poor families, community housing initiatives, community food kitchens etc. Poverty declined dramatically and Venezuela raised minimum wages to the highest level in Latin

America in the Chavez era. These minimum wages were also paid to those engaged in “house work” in recognition of their contribution to society.

According to the UNDP, Venezuela’s Human Development Index increased from 0,69 in 1998 to 0,88 in 2007 while the rate of poverty fell dramatically. Thus there can be no doubt that Venezuela managed to significantly improve standards of living of the poor during the Chavez presidency.

Grassroots democracy

In political terms, the emergence of grassroots structures of direct political participation were probably the key achievement. Despite the vast powers vested in the presidency, Chavez was well aware that the move towards what he termed the new “socialism of the 21st century” could only be successful if it was rooted in grassroots democracy. Various initiatives were taken such as the “Bolivarian Circles” before the communal councils were established from 2006 onwards. These councils are neighbourhood organisations comprising of 200 – 400 families in urban areas and at least 20 families in rural areas. In the Chavez era, over 70% of Venezuelans were organised in over 30 000 community councils which take decisions in “citizens’ assemblies” attended by residents who are 15 years and older. These assemblies elect their council executive committee, financial management and monitoring committees as well as thematic committees dealing with particular local priorities such as health, education, land, recreation etc. The councils are a practical learning experiment for the poor who had virtually no experience with participatory democracy before. The councils can receive funds directly from the national, state or city governments or through fundraising and donations. This is facilitated through communal banks, which the councils set up as co-operatives.

Despite some tensions between the “formal” political structures like city councils, mayors and governors and the community councils, Chavez regarded the councils as the most important structure to effect fundamental changes. He realised that they facilitate a process of people regaining control over their lives and are an alternative rather than an appendix to the old and often corrupt local government institutions. Chavez regarded community councils and banks as the seeds for Venezuela’s new socialism and pointed out the need to learn the lessons from the mistakes made by socialist states in the previous century.

Responding to pressure “from below”

The initially moderate economic programme of the Chavez government started changing in 2005 when Chavez had survived the failed US-sponsored coup attempt and began to exert some control over the corrupt state administration and oil revenues. Also, the encouragement of social movements began to show visible results. The Chavez government was responsive to pressure “from below”. Former workers at a paper mill that had been declared bankrupt and closed by its owners decided to occupy the mill and re-opened it with the support of the local community. Venezuela’s parliamentarians then passed a law allowing for the expropriation of the mill and to let it operate under democratic workers management. Since then, workers started seizing other companies that had closed down. A worker and community-led movement for the “recovery” of

companies was born and over 800 companies are run by workers themselves, producing for local needs. In addition, some private companies in strategic economic sectors like oil and cement production were nationalised.

The process of change in Venezuela was and still is at times contradictory and there were concerns that Venezuela's "Bolivarian revolution" was too dependent on the personality of Chavez and that the community councils were too dependent on funding from the presidency. Critics within Chavez' own United Socialist Party pointed out that an emerging layer of bureaucrats showed little commitment to the ideals of the revolution and may use political positions of power for personal gain. Chavez himself was very aware of these dangers and regarded participatory democratic structures of mass participation at various levels (such as community councils and banks; worker-run factories; community health centres etc.) as the best defence for the achievements made. He admitted that the old bourgeois state was still alive and kicking and that his government was facing a major challenge "to convert the old counterrevolutionary state into a revolutionary state".

Building Latin American Unity

At international level, Chavez' most significant contribution was the building of Latin American unity to counter the US dominance. He recognised the importance of emancipation from the policy descriptions of the US, World Bank and IMF and thus was the driving force behind several continental initiatives. These included the Union of South American Nations (UNASUR) which is an intergovernmental union integrating two existing customs unions known as MERCOSUR and the Andean Community of Nations. The UNASUR Constitutive Treaty was signed in 2008 in Brazil and came into force in 2011. It takes South American integration a step further with a common parliament envisaged in Bolivia and the Bank of the South (as an alternative to the IMF and World Bank) in Venezuela.

Another key initiative to curb the imperial influence of the USA was the formation of the Community of Latin American and Caribbean States (CELAC) in 2011 in Venezuela's capital Caracas. The "Declaration of Caracas" was signed by 33 countries representing over 600 million people and was a clear sign of deeper integration and a determination to reduce US influence. CELAC is a concrete alternative to the Organisation of American States (OAS) which is under strong US influence.

Perhaps the most important initiative driven by Chavez was the "Bolivarian Alternative for the Americas" (ALBA) as alternative forms of co-operation. ALBA is an attempt to implement "fair trade" (as opposed to "free trade") where each country provides what it is best placed to produce and receives what it needs most - independent of global market prices. Thus Bolivia can provide gas at discounted prices to its neighbours; Venezuela can offer subsidised oil to poorer countries and shares its expertise in developing oil reserves; Cuba can send health-care professionals and train students from other countries at its medical schools. Unlike the free trade agreements, ALBA proposes that the elimination of poverty and marginalisation takes centre stage, including human, labour and gender rights.

Laying the foundation for 21st century socialism

During the Chavez era, Venezuela began a project of reviving socialism in 2005 and was instrumental in launching a new political party, the United Socialist Party of Venezuela, PSUV. Chavez outlined the importance of building a “21st-century socialism”, by which he meant a socialism that would be participatory and fully democratic, in contrast to the 20th-century state socialism of the Soviet Union.

Venezuela’s journey towards “socialism of the 21st century” is work in progress and plays itself out in highly polarised ways: as a conscientised and politicised popular movement emerges from below, it is confronted by state institutions that want to constrain, dilute and co-opt mass struggles in order to maintain the old order. Thus there is an ongoing struggle to convert the community councils into autonomous organs of community power that exercise power from below over state and party institutions.

The backlash

As Venezuela became a symbol for an emerging emancipatory project, it also became the target of US interventions which aimed to destabilise the country and to roll-back some of the achievements of the Chavez era. After the elections of Nicolas Maduro as Venezuela’s President in 2013 and again in 2018, the US and its allies amongst the country’s opposition party intensified efforts aimed at “regime change”. This has a long history not only in Venezuela but in Latin America where democratically elected governments were overthrown repeatedly because they refused to serve US interests. One of the most well-known is the overthrow of the democratically elected socialist President of Chile, Salvador Allende in 1973. It is important to recall that in the run-up to this coup, the then US President Richard Nixon said that part of the US strategy was to “make the Chilean economy scream”. In other words, creating economic hardships was a prelude to the military coup to overthrow a democratic government. This is precisely what we witness once again in Venezuela today.

The war of the US administration against the Venezuelan government became openly visible in 2002 with a failed military coup against President Chavez. This was followed by a private sector lock-out in 2002-3 and a recall referendum against Chávez in 2004. All these attempts failed. In the Maduro era, the US continued to sponsor opposition groups and violent protests such as those in 2014 and in the years that followed.

Economic warfare

Since 2015, when the then president of the United States, Barack Obama, declared Venezuela as an “unusual and extraordinary threat to the national security of the United States,” the US administration unleashed open economic warfare on Venezuela to create public unrest and to force its government to surrender. The former Secretary of the US Treasury in the Obama administration, Jack Lew, pointed out that economic sanctions were the most effective and lower cost option to subdue an enemy, when compared to the common traditional use of military power.

The Executive Order (13692) signed by the Obama Administration in March 2015 initiated the financial blockade actions against Venezuela and tried to legalise the economic attack

against the country. This legal instrument has forbidden the use of the U.S. financial system to import food and medicine by the Venezuelan state.

At the same time, risk-rating agencies, agencies created by the United States to destabilise sovereign countries, published a global map of "risky countries". This is to supplement the economic-financial siege against the Venezuelan government's recovery plans, which tried to counter the loss in revenue due to the fall in oil prices.

Venezuela was catalogued by the French financial company Coface as the country with the highest risk in Latin America, similar to African countries that are currently in situations of armed conflict. The "study" was carried out based on the negative ratings of the three major U.S. rating agencies, Standard and Poor's, Fitch Rating and Moody's, which were largely responsible for the global financial collapse of 2008.

From 2015 onwards, the country-risk variable began to increase artificially in order to hinder the entry of international financing and, until the first half of 2018, these three major rating agencies have stepped up their attacks against Venezuela, in order to push the country towards default and to create an impression of insecurity for potential foreign investment.

During 2016 and 2017, Venezuelan accounts in the United States were closed by large private banks, such as Citibank and JP Morgan, because Obama's Executive Order 13692 empowered the Treasury Department to use surveillance mechanisms for Venezuela's financial transactions in the United States. With the excuse of protecting its financial system from "corrupt officials," the aim was to isolate Venezuela from the U.S. financial system and obstruct both its imports and the payment of foreign debt. Commerzbank, Germany's second-largest bank, joined in.

In April 2017, opposition member of the National Assembly, Julio Borges, demanded that more than 20 international banks cease their economic and financial ties with Venezuela. In his eagerness to coordinate financial and economic sanctions against Venezuela, and using the National Assembly as an instrument to legitimise the financial blockade, Borges met with the then White House national security advisor General H.R. McMaster. The financial blockade prevented Venezuela from importing food and medicines necessary for its survival.

In an executive order of 2017, US President Donald Trump prohibited the purchase of Venezuelan debt and the repatriation of dividends from CITGO, PDVSA's U.S. subsidiary. The U.S. administration then began executing an undeclared oil embargo. U.S. private banks, pressured by the Treasury Department, refused to issue letters of credit for the purchase of Venezuelan crude oil.

In September 2017, the US Treasury Department, through its Financial Crimes Control Network (FINCEN), issued an alert called "red flags" that imposes a surveillance and control system on Venezuela's financial transactions to prevent the payment of food and medicines while, as a result of Trump's sanctions issued in August, CITGO began to have difficulties acquiring crude oil for its refineries and keeping its operations stable.

Other results of the economic war were that some 300,000 doses of insulin paid for by the Venezuelan government did not reach the country because Citibank boycotted its purchase. At the same time, the disembarkation of 18 million CLAP food boxes into Venezuela was interrupted by the obstacles imposed by the U.S. financial system, given that its authorities closed 52 Venezuelan bank accounts in entities such as Wells Fargo, East and City, because of their owners' supposed links to the Venezuelan government.

In November 2017 the European company Euroclear, founded by JP Morgan, decided to withhold 1,650 million dollars that were destined to the purchase of food and medicine by Venezuela. The following month, 19 other Venezuelan bank accounts abroad were arbitrarily closed by U.S. banks, preventing payments to creditors. In January 2018, the current CIA chief and U.S. Secretary of State Mike Pompeo admitted that the financial sanctions against Venezuela had been coordinated by him directly with President Trump.

In April 2018, the United States and Colombia created a financial intelligence group to block the import of food and medicines, internationalizing financial suffocation. A month later, the U.S. oil company ConocoPhillips executed a series of embargoes against PDVSA's assets for claims of a 2.4 billion dollar arbitration award demanded of the International Chamber of Commerce.

This not only limited Venezuela's income but also intensified the damage to the national economy and aimed to destroy the country's social fabric. The financial blockade against Venezuela pursues the massive destruction of the national economy, the dismantling of the social achievements of the Chávez era and the creation of political unrest to effect regime change with a return to neoliberal and pro-US policies.

Violation of UN resolutions

As pointed out by the South African National Association of Democratic Lawyers (NADEL) the use of unilateral coercive measures against Venezuela is unlawful and a breach of United Nations Resolution 70/1 adopted 25 September 2015. Resolution 27/21 states: *"Stressing that unilateral coercive measures and legislation are contrary to international law, international humanitarian law, the Charter and the norms and principles governing peaceful relations amongst states ...*

Recognising that unilateral coercive measures in the form of economic sanctions can have far-reaching implications for the human rights of the general population of targeted states, disproportionately affecting the poor and most vulnerable classes..."

The sanctions imposed by the US and its allies have directly impacted on the shortages of food and medical supplies in Venezuela. As outlined by NADEL, the financial and economic blockade placed on Venezuela by the USA, Canada, European Union, Switzerland and the United Kingdom *"is in direct breach of Resolution 27/21 and a violation of the human rights of the people of Venezuela. The result of the economic sanctions and financial blockade is that Venezuela cannot import food and medicine and health supplies. Most of its food and medicine imports were from the USA. It has directly resulted in the current humanitarian crisis."*

Imperial interests

The interest of imperial nations in the politics and economics of Venezuela is based on the country's oil reserves as well as natural resources such as natural gas, iron ore, gold, bauxite, diamonds and other minerals. A key reason for imperialist powers to support a far-right opposition candidate is that the Venezuelan government refuses to follow the neoliberal economic policies in the form of austerity measures, privatisation and deregulation. Of particular interest are Telesur (the continental public media), the Bank of Venezuela and various public utilities.

Humanitarian assistance?

Against the background of the sanctions and economic warfare against Venezuela, it is absurd for the US government and its allies to declare their concern for the "humanitarian crisis" which they have largely created and now want to deepen for political purposes. Venezuela's government has thus announced that it will not accept any form of aid from the US and that instead the Trump administration must lift the embargo of Venezuela. Aid and supplies from other countries are accepted and welcome in Venezuela.

Venezuela's right to self-determination

Like all other countries, Venezuela must have the right to self-determination, which includes finding its own solutions to the challenges it faces and to redistribute wealth and resources in favour of the poor. Imperial powers must not be allowed to force their interests onto smaller nations and it is therefore essential for the financial blockade and economic sanctions to be lifted. The humanitarian crisis is being used as a pretext for a coup that will only serve imperialist interests. Democratic and progressive organisations and individuals cannot stand by and allow this to happen.