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CONTINGENCY PLANNING MEMORANDUM UPDATE

Political Crisis in Venezuela

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Venezuela is in a state of protracted crisis. Since early 2014, public frustration has been steadily rising over shortages of basic consumer goods and skyrocketing inflation, which spiked above 68 percent last year and may reach 100 percent by December 2015. The economy has contracted sharply and is expected to shrink further this year. The failure of President Hugo Chávez's successor, Nicolás Maduro, to respond effectively to these challenges has caused his approval ratings to plummet to 23 percent. In the past nine months, fissures within the ranks of the government and its base have also appeared. The risks outlined in a 2012 Council on Foreign Relations (CFR) Contingency Planning Memorandum, "[Political Unrest in Venezuela](#)," remain valid, as the possibility of significant political instability continues to increase.

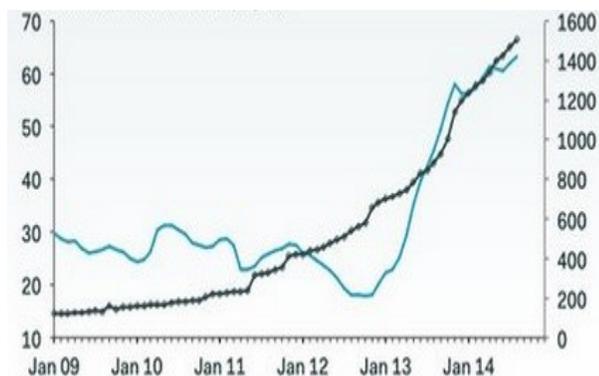
NEW CONCERNS

Venezuela's relations with the United States are toxic. Maduro regularly accuses the United States of complicity in an "economic war" against Venezuela and of actively working to overthrow the government. Maduro used a recently announced U.S. executive order authorizing sanctions and characterizing the situation in Venezuela as "an extraordinary threat to the national security and foreign policy of the United States" as a pretext to seek and receive from the legislature authority to govern by decree until the end of the year. The Union of South American states (UNASUR) has unanimously supported Venezuela and called on the United States to revoke the sanctions and respect Venezuelan sovereignty.

Venezuela could see widespread clashes.

The Venezuelan government has become more authoritarian since Maduro's election in 2013. Anti-government demonstrations in February and March 2014 in response to inflation and shortages were repressed with force, resulting in several dozen killed, hundreds injured, and thousands arrested. The government's reaction to the protests discredited the Maduro administration in the eyes of many international observers.

VENEZUELA'S INFLATION (2009 TO 2014)



Blue: Venezuela's consumer price index (left)

Black: Money supply, M1, in Venezuelan Bolivars (right)

Source: Pantheon Macroeconomics.

The collapse of international oil prices has intensified Venezuela's problems. Oil exports account for over 96 percent of its export earnings. Price controls and a chaotic exchange rate system have resulted in severe shortages of food and other basic necessities. Neither private sector retailers nor government subsidized supermarkets have been able to keep store shelves stocked. Thousands of Venezuelans now stand in lines daily to purchase the limited supplies of staples. Some medical facilities have had to suspend operations or forego certain procedures due the shortage of medicines. The scarcity of basic food items and medicines has become a national calamity. Unless there is a sustained

rebound for oil prices, the Venezuelan people are likely to experience significant austerity throughout the months leading up to the legislative elections in the fall of 2015.

Venezuela could see widespread clashes between opposition demonstrators and armed civilian groups of government supporters (known as *colectivos*) and uniformed security forces if support for Maduro continues to drop and it appears likely the opposition will win control of the legislature, if calls for a presidential resignation gain momentum, or if shortages become more severe. Food riots and looting are also possible if shortages become more severe. Opposition leader Leopoldo López and others are still imprisoned and Caracas Mayor Antonio Ledezma was arrested in February 2015. Their detention has become a rallying point for the opposition. Anticipating a resurgence of protest, the Ministry of Defense has announced that security forces will be authorized to use lethal force to repress demonstrators.

POLICY IMPLICATIONS

There is little the United States can do on its own to affect change within Venezuela, but protracted political and economic crises would be damaging to long-term U.S. interests in protecting human rights, promoting representative democracy and sustainable economic growth in the Western Hemisphere, and curbing illicit financial flows from Venezuelan corruption. It would also make drug trafficking through Venezuela more difficult to track. UNASUR' reaction to U.S. sanctions has given Maduro's confidence a boost and diminished the likelihood that he will change course politically or economically absent strong regional pressure. Further unilateral U.S. efforts to mitigate the effects of the current crisis will be rejected by the Venezuelan government and UNASUR as interventionist.

RECOMMENDATIONS

- The United States should use public diplomacy and the Voice of America to make clear that the United States is not intervening in Venezuela's internal affairs while stressing that the deterioration of the human rights situation and abrogation of political liberties are regional concerns.
- The United States should leverage Department of Defense connections with militaries around the region to stress to the Venezuelan security forces their obligation to uphold the constitution, uphold democracy, and respect human rights. The United States should also assure other militaries in Latin America that it is not considering military action against Venezuela.
- The United States should work with the Organization of American States (OAS) and support UNASUR efforts to restart a genuine dialogue aimed at establishing conditions for free, fair, and credible legislative elections. Member states should also encourage Venezuela to accept election observers as soon as a date is established for the fall legislative elections.
- The United States should privately urge individual countries—particularly Brazil, Chile, Colombia, and Peru—to endorse the OAS secretary-general's call for the release of political prisoners and to remind Venezuela of its obligations as a signatory of the Inter-American Democratic Charter.
- The United States should remind regional governments that the current U.S. sanctions target individuals, not the country as a whole. U.S. officials should stress that the United States remains the largest market for Venezuelan oil and has sought to avoid measures that would impose greater hardship on the Venezuelan people.
- The United States should emphasize publically and diplomatically that it has not broken relations with Venezuela and remains interested in a more productive and practical relationship.
- In the event of a generalized crisis, the United States along with other concerned nations should call on the OAS secretary-general to appoint a special commission to travel to Venezuela to report on developments and promote inclusive dialogue.

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Read CFR's *Contingency Planning Memorandum, "Political Unrest in Venezuela"* (2012) at:
<http://www.cfr.org/venezuela/political-unrest-venezuela/p28936>

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