

# The Referendum in Venezuela

## No Solution to the Political Crisis

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With a majority of 59 percent of the votes, Hugo Chavez was confirmed as the President of Venezuela for the third time since 1998. The opposition, which had pushed through the removal from office referendum after a long legal battle, suffered a clear defeat. However, instead of accepting the result, it now speaks of electoral fraud and provokes new protests. The confrontation between the opposition and the government could therefore continue and paralyze the oil state for an indeterminate period of time. An equally negative scenario would be the further concentration of power in the hands of the charismatic populist and former military Chávez. The most favorable scenario for a solution to the conflict would be the end of the face-off between the political camps, which would, however, require constructive engagement from outside. Such an engagement appears desirable, not least in light of an increasing price of oil.

Over 14 of the 25 million Venezuelans were called to vote for or against the removal of Hugo Chávez, who has been governing for six years. The opposition and the government had organized their supporters weeks earlier, with success: voter turnout was a record 73 percent.

The provisional results, obtained with predominantly electronic means, were clear: 59.06 percent voted against the removal of Chávez (*no*) and 40.94 percent for (*si*). The opposition nevertheless spoke of a “gigantic electoral fraud” and demanded a recount. They suspected a manipulation of the voting machines, which were ordered in the USA, and criticized the composition of the Committee of the National Election Council: three of its representa-

tives are close to the government and the other two are close to the opposition. The random sample counting carried out under the supervision of the Organization of American States (OAS) and the Carter Center did not result in a difference. Ex-President Jimmy Carter and OAS General Secretary César Gaviria, both surely no Chávez sympathizers, confirmed the official result.

The presence of 117,000 soldiers assured a mostly peaceful election. Certainly the massive military show of strength also allows for conclusions to be drawn about the civil-military character of the Bolivarian revolution and the strong position of the armed forces in politics.

### Clear Vote for the President

With an 18 percent advantage over the opposition, Chávez obtained just as a large of a majority as in the first election victory in 1998. Now he will remain in office until at least January 10, 2007. The President can consolidate his position of power and strengthen his Bolivarian project. On the whole, the result was surprising only in that the support for the government turned out to be unexpectedly clear. In light of this, it is incomprehensible why the government had, in the run up to the referendum, persistently refused to allow the popular vote to take place. Therefore, there are still some final doubts about whether the referendum was as fair and transparent as has been claimed.

At the time it is paradoxical that the opposition, through the vote, has provided additional democratic legitimacy for the President. Moreover, it did this with the help of the Bolivarian Constitution, confirmed by referendum in 1999, which the Chávez opponents consider undemocratic. For ten months the opposition fought with the National Election Council and the Supreme Court over the refusal of the government to hold a popular vote and it was finally successful. It was just barely, and only on the second attempt (more than one million signatures had to be confirmed), able to gather, by the end of May, the necessary 20 percent support of the eligible voters. Already then it became apparent that the opposition would not be able to mobilize a majority for the removal of Chávez. Moreover, the President himself would have had the chance, in the case of a defeat at the polls, to again be a candidate in the new elections that would take place only 30 days later.

Thus it is almost political suicide that the opposition had fought for the holding of a referendum, which it so clearly lost. What can explain this miscalculation? Three factors were responsible for Chavez's electoral victory:

**The Poverty Factor.** The political polarization also reflects the deep social divisions

in the country. Apparently the opposition movement misjudged the fact that, above all, Chávez enjoys unquestioned support in the numerous and heavily populated poor areas. For the first time, even if only for propaganda purposes, he made the poor of Venezuela political protagonists. At least 70 percent of the population of the oil state Venezuela is considered as poor, 23 percent must get by on less than one dollar per day. Viewed rather cynically, the popularity of Chávez increases in proportion to the number of poor people, which has not decreased in spite of improved living conditions during his time in office. Moreover, shortly before the vote in the context of the "Identity Mission," Chávez registered more than 2 million new voters domestically and abroad and through that secured their loyalty.

**No Political Alternative.** The opposition was not able to propose either an official campaign platform or a common candidate. The promised political alternative remained largely ambiguous and did not convince the voters. In addition, the fear of an uncertain future and new violence following the removal of Chávez had contributed to the opposition's defeat. Moreover, the fact that the opposition predominantly consists of representatives of the traditional political elite of the country, triggers for many Venezuelans bad memories of the time before Chávez: the two party rule of AD (Social Democrats) and Copei (Christian Democrats), around which the interest groups and unions had grouped themselves, led the country into a deep crisis, which for the first time exploded into the social unrest of the so-called Caracazo 1989 and led to the discrediting of the entire political class at the end of the 90s.

**Oil Profits.** A third and decisive factor, which played into the hands of Chávez, was the unexpectedly high income from the oil sector as a result of the increase of the world market price to almost \$45 per barrel. This unexpected blessing of money created new room for maneuver with

regard to distributions of wealth, from which, in particular, Chávez and his Bolivarian revolution profited. For the government, the high oil prices came at exactly the right time: thanks to the income, elections gifts were generously distributed, and the popularity of the president increased proportionately.

### **Chávez in Good Times: Oil Populism**

Bill Clinton's campaign slogan "it's the economy stupid" can also be applied to the referendum in Venezuela. If the referendum had taken place one year earlier, the results surely would have been closer. In 2003, the country was in a deep economic crisis: the rate of inflation was over 30 percent; GDP fell 13 percent and unemployment increased to 18 percent.

The tide turned in 2004: economic growth in the second quarter is expected to be over 10 percent. Indeed, the structural problems, such as the increasing dependence on oil—representing 50 percent of the federal budget and 80 percent of exports—had not been solved. However, the booming oil sector filled the coffers of the state yet again. The fifth largest oil exporter of the world, which is supposed to have richer oil deposits than Saudi Arabia, was able to build up its foreign currency reserves, through rising oil prices, by US\$24 billion.

In the run-up to the referendum, Chávez could therefore draw on the full resources of the state again. US\$1.3 billion were invested in social infrastructure alone. Shortly before the referendum, Chávez announced the allocation of a further US\$2.6 billion for social programs. The election-motivated tactic of increasing social spending—the expenditures of the state are 32 percent of GDP (in 1999 they were only 18 percent)—was well received by the majority of Venezuelans, who are poor, and secured political support for Chávez. Money is flowing into populist-religious missions, as they are called by the critics, which are modeled on the social work of Juan Domingo Peron. Thus far,

10 projects in the fields of health, education and training, food supply, land distribution, environment and job creation have been presented.

The projects are implemented with Cuban help. On the basis of a 2001 agreement to exchange oil for human resources, the alliance between both countries in the fields of Health, Education and State Security is becoming closer. Some 20,000 Cubans are in the country, in order to participate in the literacy and health campaigns of their friendly brother nation and to support the Bolivarian revolution.

Even if the ideological affinities between both revolutions—contrary to the assertions of the opposition—are slight and Chávez does not want to introduce socialism to the oil state Venezuela, he is carrying out a far-reaching reorganization of the state.

Chavez's people's democracy is supported by referenda and popular participation and replaces the political parties with popular organizations including, among others, the Morality Council (the fourth state authority), the National Assembly and the Bolivarian Circle. The goal of his "revolution" is the establishment of a "plebiscite democracy" of the Fifth Republic as an alternative to the representative democracy of the Fourth Republic, which Chávez identifies with the opposition. His model of the state, which competes with the old system, implies in this respect a strategy of confrontation with his opponents, which includes discrediting them completely as representatives of the "old oligarchy" and as traitors. The result is a divided and polarized country. However, the Chávez opponents have shown themselves to be every bit as wedded to their positions as the representatives of the government camp.

### **Divided Opposition**

The opposition covers a wide political spectrum. It ranges from both traditional parties, AD and Copei, to radical right wing forces that want to restore the prior status quo at any price. Included among

the Chávez opponents are representatives of the old political elite, left wing intellectuals, union members, business associations, the media and a large part of the Catholic Church. The majority of the anti-Chavistas formed the Democratic Coordinating Committee (Coordinadora Democrática, CD) in 2001, a heterogeneous alliance of 48 political parties, interest groups and NGOs.

The fact that the CD could not agree on an opposition leader or on a common platform contributed substantially to the defeat of the opposition. In fact, a commission of the CD did, at the beginning of March, put together a comprehensive plan of action, the "Plan Consenso País." However, with few exceptions, its ideas were vague. Thus the document is meant less as a plan and more as a stimulus for a public debate over the future of Venezuela after the Chávez era.

Shortly before the referendum, on July 25, the CD presented another document, the "National Agreement for Social Justice and Democratic Peace." It is also little more than the stringing together of common principles and moral concepts. The three-page explanation sets up a return to the old political order of the representative democracy. The desired "reconstruction" of the country contemplates the reestablishment of the two-chamber parliament and other institutions as well as the depoliticization of the armed forces, constitutional changes and economic deregulation, including the national oil company PDVSA. However, the document also calls for reconciliation between the enemy camps and national unity.

The latter, however, does not characterize the attitude of the CD up to now. The opposition does not recognize the result of the referendum. According to its own investigation, over four million Venezuelans voted against the government and only 3.5 million for it. After the tug-of-war over the referendum and the recall of the President, the opposition will do everything possible to file another lawsuit, which could para-

lyze the country again for several months. In this respect, the opposition does not adhere to the democratic rules of the game, as it does not want to accept its defeat and use it as a basis for much needed internal reflection. It is clear that after six years of Chavismo, the opposition has not managed to present a plausible political alternative. Its problem is that it has set no goals other than the removal of its political opponents from office. In this respect, the already fragile unity might not be preserved within the framework of the CD.

Instead of proposing a political alternative of its own, the opposition has, since 1998, used all possible means to get Hugo Chávez out of office. The President has shown, however, a truly amazing staying power. He survived three general strikes, countless protests of the CD and an attempted coup d'état in April 2002, instigated by the opposition with the suspected support of the USA.

Now that the attempt to put Chávez on the democratic path has failed, the CD has exhausted nearly all means to get back into power. Two possibilities remain: The use of force as suggested by ex-president Carlos Andrés Pérez and other parts of the opposition or the assumption of a constructive opposition role in the framework of the democratic order.

The defeat has certainly weakened the opposition and it should ask itself questions such as: How did we miscalculate? What kind of political and program alternative to Chávez can be offered and which strategy (peaceful or violent) should be followed in the future? The best evidence of a constructive democratic role for the opposition would be the nomination of a common candidate capable of obtaining a consensus. However, if the opposition is not able to consolidate its loose alliance of interests, a split and/or further weakening of the Chávez opponents should be expected.

## Political Implications and Scenarios

The referendum was a clear vote for the continuation of the populist project of Hugo Chávez; however, it will not change much with respect to the political division of the country, which permeates all of its institutions and contributes to a progressive collapse of the state. The quarrel between the opposition and the government has fatal consequences for the political, economic and social development of Venezuela.

The confrontation between the new and old elite is based on more than just political differences. It is also a fight over resource management, wealth distribution policy and popular participation. The social background of the conflict is the extreme inequality of distribution of oil profits and income as well as the exclusion of the poor from the political process.

The former political establishment does not accept its current status as opposition and wants to return to the "old order," based on a pact among the elite, and to a representative democracy financed by oil revenue. Above all, the opposition represents the well-to-do upper and middle classes of the country, while neglecting the marginalized groups. Chávez, in contrast, is predominantly supported by the voters in the poor areas, the military and parts of the left. In populist style, he has set up a direct dialogue between the leaders and the people as well as a fight against poverty through social programs.

In addition, with respect to oil policy which is critical for the country, the opposition and the government have different ideas: Chávez is following a nationalistic course and, within OPEC, he is committed to high prices and low levels of production (Venezuela lags behind its OPEC-defined quota), his opponents want to bring more foreign investors into the country, privatize the oil industry and boost production. The very different political agendas are barely compatible with one another. That is why with the renewed vote for Chávez so little

has changed with regard to the conceivable political scenarios:

**Confrontation and Violence.** One possible development is the continuation of the spiral of violence and the paralysis of the country through the continuous disputes between the opposition and the government. For years, politics in Venezuela has taken place not in the (already polarized) institutions but in the streets. This leads repeatedly to clashes and bloody fights. The violent demonstrations of the Chavistas and their opponents have claimed numerous lives: In 2002 alone over 100 people were victims of political violence. The effects of this environment on internal security are fatal: the kidnapping industry is blossoming and Venezuela's murder rate is the fourth highest in the world. If the opposition opts for the use of force, the situation in the country could worsen further, and a low intensity civil war would not be out of the question. This would be even more likely if the government uses its election victory for the further development of authoritarian structures within the scope of the formal democratic rules. The media, which is mostly on the side of the opposition, also contributes its part to the political confrontation.

**Authoritarian Chavismo, weak Opposition.** Even now there are signs that a state model with authoritarian-populist characteristics is being built. The military is taking over political and social responsibilities, and thanks to Chávez it can vote for the first time and is his most important institutional supporter. The Bolivarian revolution is as much a national-patriotic as a civil-military project, which enlists the armed forces for internal security tasks and to take care of pre-military training in the Bolivarian schools. Amnesty International and Human Rights Watch criticize the intimidation of political opponents, the violent measures used against demonstrators and the censorship of the media and state institutions. After the clear victory over the opposition, Chávez could intensify his authoritarian style of govern-

ment and proceed decisively against his adversaries. The first signs of this are the President's declaration to deepen his revolution, as well as his appeal to Parliament to replace the Supreme Court and to pass a controversial media law. A further weakening of the already divided opposition or its break up would make this scenario more likely. The strengthening of Chavismo would bring more stability, but it would also increase the risk of authoritarianism.

**National Reconciliation.** In spite of the stalemate, there are signs that both sides are ready to talk. As it is stated in both of the above-referenced documents of the CD, the country urgently needs a policy of national reconciliation and unity as well as an "end of the climate of confrontation." The President, for his part, called for an end to the spiral of violence and invited the representatives of the moderate opposition to take part in a national dialogue. This would imply that after the referendum, which was able to mobilize 41 percent of the voters for his removal, Chávez accept the opposition as his political counterpart.

If both groups were to adopt a conciliatory attitude, it would surely be the best development for the future of the country. A national arrangement between both political camps covering a series of basic principles for foreign, economic and social policy would be conceivable. The prerequisite for this would certainly be the recognition of the electoral defeat by the opposition as well as both sides' abandonment of violence and long-lasting protests. In addition, objective reporting in the similarly polarized media—special programs of the government and radio broadcasts of President Chávez on one hand, opposition television and radio stations on the other—would surely be helpful.

However, so long as the former military Chávez understands "politics as the continuation of war by other means" and the opposition justifies the use of all instruments that would lead to the removal of the President, political normalcy will

remain a fiction in the formerly model democratic state Venezuela. In light of the high potential for violence from both sides, and their readiness to secure victory in the conflict with undemocratic means if necessary, a politically neutral intervention from abroad, in the interest of bringing peace to the country, is required.

### **The Role of External Observers**

There have already been several, solely regional, attempts at mediation by third parties. Since the beginning of 2003, three regional actors in particular have been engaged in Venezuela: the OAS, the Carter Center and the "Group of Friends" of the OAS General Secretary for Venezuela, under the leadership of Brazil.

In May 2003, together they succeeded in bringing the quarreling political camps to the table and to negotiate a political pact. The referendum on the recall of the President was a result of the dialogue between the government and the opposition, which was agreed to after the end of a three month long general strike by the opponents of Chávez.

### **Election Observing**

The holding of the referendum was almost exclusively supervised by regional actors. Approximately 180 external election observers were invited. The OAS, which tends to be dominated by the interests of the USA, and the Carter Center in Washington were the only important organizations that observed the election. Neither the EU nor the Brazilian-led "Group of Friends," in which the former colonial powers Portugal and Spain are also represented, were present.

The European Union had turned down the invitation of the Chávez government. In an explanation of the Council from August 3rd, the EU abstained from sending an election observer mission because the minimum standards of the EU would not be met. The autonomy of the election observers was restricted in a June 22nd reso-

lution of the National Election Council. In addition, there would not have been enough time during the run-up to the election to send experts. In nine further statements, the EU Council supported the engagement of the OAS and the Carter Center, but did not take its own position. In light of the dispute over the election results, the engagement of the EU would have been worthwhile in spite of the restrictions, in order to have a neutral international counterweight to the dominant regional actors.

### **The USA, the EU and Germany**

The USA is by far the most important external actor in Venezuela and at the same its most meaningful foreign policy and economic partner. Venezuela supplies 1.5 million tons of oil to the USA each day making it the USA's third largest supplier—up to 15 percent of US oil imports come from there. In spite of the tense political relationship, economic cooperation is still strong. The USA accounts for approximately half of Venezuelan external trade—over 80 percent of oil exports go to the USA—and is its most important investor. Due to its support of the opposition and its suspected participation in the attempted coup d'état against Chávez in Spring 2002, the USA has discredited itself as a neutral negotiator and is perceived as a potential destabilizing factor by the Chávez government. In spite of the judgment of the Carter Center and the OAS, the US government did not immediately recognize the result of the referendum, but waited until after the recount. In the case of a victory by Chávez, explained Secretary of State Colin Powell during the run-up to the vote, the USA would promote democracy and a national reconciliation in Venezuela.

In comparison with the USA, the EU and Germany do not play a meaningful role in Venezuela, which reflects their relatively minor interest in the political situation in the country. At any rate, the EU obtains 7 percent of its oil from the country. More-

over, Venezuela is a member of the Andean Community and an associate partner of Mercosur, with whom the EU maintains a close relationship.

In German foreign policy, Venezuela is barely a marginal topic. Development cooperation is being discontinued and there is no German position on Venezuela. Even if the OPEC-member Venezuela is clearly not a strategic partner of Germany, one should not underestimate the fact that the continuous political instability of the world's third largest oil producer absolutely has an influence on the world market prices and the production of this strategic raw material. In addition, from this point of view, the EU and Germany should rethink their (non) position with respect to the Andean state. Moreover, in contrast to the USA, the EU and Germany would be neutral and recognized actors, who could impartially intervene in support of the required national reconciliation in a Venezuela that is split in two.

A second Colombia, which once was considered a "model democracy" just like its neighboring state Venezuela, would increase the instability in the crisis-plagued Andean region and also overload the already tense oil market. However, a national solution to the conflict seems as unlikely as a success from the previous mediation efforts of the regional actors.

### **Elections are not a solution**

Already during the run-up to the popular vote, it was more than doubtful that the political conflict could be solved in this way. In the end, thanks to the opposition, Chávez has been given democratic legitimacy once again. Referenda and elections do not contribute to solving the security problem in Venezuela and are even counterproductive, so long as they continue to be misused as an instrument for a permanent measure of power between opposition and government. Moreover, presently in Venezuela, too many rather than too few elections are taking place. As a consequence

of the policy introduced by Chávez—governing politicians can be removed after serving half of their term in office—the country is in a permanent state of elections: there will be nine additional recall referendums, the governor and community elections take place in September, parliamentary elections are in 2005 and at the end of 2006 there will be presidential elections again.

A six-year tug-of-war between the opposition and the government has shown that the problem cannot be solved nationally or through elections. That was also highlighted by ex-US President Jimmy Carter. So it should be expected that the political struggle between Chávez and his opponents will continue in spite of the new clarification of the balance of power. On both sides the readiness for violence is as large as the number of weapons in the country. Both the Chavistas and the opposition respect to a large extent the long democratic tradition of the country, but their readiness for dialogue is doubtful. Chávez lives on the fight against his political opponents and parts of the opposition have already called for his removal from office by force.

age a constructive role for external actors in Venezuela.

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### **Consequences for the Oil Market**

An unstable Middle East, the uncertain future of the Russian oil company Yukos and a politically divided Venezuela are negative influences on the oil price, which continues to rise. According to his own statements, Chávez supports a policy of limited production and high prices. A continuation of the political conflicts could further reduce the supply of oil and make the world market price hit the roof. At a minimum, in the interest of the security of supply of raw materials, the engagement of the international community is needed in Venezuela. In particular, the EU should together with the “Group of Friends” commit itself to bringing calm to the country and a national dialogue. At the same time, a more neutral US position would encour-