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Bare cupboards, empty shelves

President Maduro's disastrous economic policies are starving his people, and their protests are turning violent

Protests over Venezuelan President Nicolás Maduro's authoritarian rule are sweeping the country. Last week, tens of thousands took to the street to demand fresh elections and the release of political prisoners, while Maduro's supporters held their own marches. At least three people died. With supermarkets empty, money worth peanuts and a crack-down on opposition leaders, ordinary Venezuelans are running out of patience, as Michael Langer, leader of the Friedrich-Ebert-Stiftung in Caracas, tells Anja Papenfuß.

Venezuela's received some pretty bad press of late. We read of 500 per cent inflation, no petrol, long lines in front of supermarkets with mostly empty shelves, even a ban on using blow-dryers and irons. Just how bad is the economy right now?

In recent weeks, headlines have highlighted Venezuela's political crisis and its violent street clashes. Along with the country's terrible socioeconomic conditions, it's an explosive combination.

Although there's actually no ban on drying your hair or ironing clothes, and Venezuela with its oil reserves was not without petrol for long, basic foodstuffs, toiletries and especially medicine are either in short supply or totally unavailable. Venezuela's economy of scarcity and rampant inflation have stimulated speculation and smuggling and lowered the purchasing power of already low wages. The remarkable patience of citizens who have calmly queued for supermarkets and ATMs is running out.

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The government of President Nicolás Maduro, who continued to experiment with "Bolivarian socialism" after the death of his predecessor Hugo Chávez in March 2013, created Local Food Production and Provision Committees or "CLAPS" that were meant to supply food to the Venezuela's poor. But most of the food ends up being sold on the black market and never

reaches the people it is intended for. Currency shortages also prevent essential products from being imported.

An irrational currency control and exchange system is at the root of this problem. There is one official exchange rate of 10 Venezuelan bolivars (BsF) per US dollar (USD) for oil exports and for medicine and food imports, and another official rate of around 700 BsF/USD for other goods – as well as a black market rate of over 4,000 BsF/USD that makes arbitrage trading [buying and selling an asset to profit from a difference in the price] extremely attractive for speculators. For a while, just to buy basics you needed wads of cash because the largest available banknote was a 100 bolivar bill. In December 2016, the government tried to remove this banknote from circulation and introduce new high-value banknotes worth up to 20,000 bolivars – but because the new bills weren't yet available, it created total chaos.

Why is the economy in such dire straits?

Anyone who blames Venezuela's poor economy entirely on the Chávez (1999-2013) and Maduro governments is oversimplifying. Earlier governments also financed their good deeds by exporting oil, and were relatively unconcerned about diversifying Venezuela's economy. But now the drop in the price of oil and the cost of servicing the country's large foreign debt means there is almost no money for anything else. The planned economy, as well as huge but ineffective price controls, caused the production system to shrivel and private capital to flee for more lucrative shores. Importing vital necessities became more and more difficult. Assigning the armed forces to strategic tasks in government companies and food distribution helped them to accumulate economic and political power, while the state-owned oil company PDV has had to contend with slumping production, high debts and difficulties in meeting its international delivery obligations.

The current government seems unable to break out of the vicious cycle of low production, minimal foreign exchange revenue and severe supply shortages. They seem far happier to blame the crisis on an "unconventional economic war" and an alleged international conspiracy against their country. To save Venezuela from more misery, the government will have to make a political and economic U-turn, lifting its payment restrictions, discontinuing its bizarre system of exchange rates and charging more for public services – while also ensuring adequate supplies for its people. But politicians and the military all too often put their own interests first. Poverty and income gaps are still growing. It's not unusual now to see emaciated

Venezuelans scrapping over leftover food they've foraged in rubbish bags or skips outside restaurants.

Venezuelans have been protesting against the worsening economic crisis for months. They're also demanding the release of political prisoners and new elections. In early April, the leading opposition politician, conservative Henrique Capriles was banned from politics for 15 years, further angering the protestors. How much longer will President Maduro be able to withstand pressure from the street?

After the government clearly lost the parliamentary elections in December 2015, the majority opposition MUD tried to oust the president in a referendum. But in October 2016 the electoral authority suspended the vote, and cancelled regional elections scheduled for December 2016. Then in March this year, the Supreme Tribunal of Justice, which is packed with Maduro's allies, tried to pull the rug from under opposition's feet. It dissolved the National Assembly and declared its decisions invalid. The supreme court also assumed the parliament's authority to transfer its powers to third parties – including the president.

In the face of national and international protest over this 'self-inflicted coup', the court reversed its decision. But the damage had been done. Venezuela's Chief Prosecutor Luisa Ortega said the constitution had been 'violated'.

The opposition is now back on its feet, and has managed to mobilise large numbers of supporters, taking the government by surprise. Arrests of political opponents added fuel to the protestors' fire.

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Violent protests have now spread across the country. It is hard to determine the precise toll, but it includes many deaths and injuries, over 300 arrests, bomb attacks on party headquarters, and the destruction of public facilities. In a number of cities, armed gangs have gone round looting shops. Concerns are growing that Venezuela could again be rocked by extreme acts of violence and see the same sort of numbers of deaths and injuries as in protests in 1992, 2002 and 2014. The wealth gap is too great, too many Venezuelans are impoverished and there are too many guns in circulation for this conflict to be brought under control.

Whether President Maduro will be able to cope with the situation is a matter of speculation. Supplying basic goods and servicing the foreign debt of USD 170 billion should be his first priority. Even Chavistas

and members of the military are criticising the country's economic situation. The elections demanded by the opposition are seen as a way to regain some element of control. So analysts regard the court's decision to shut down the National Assembly as a failed act of liberation: it basically scored an own goal.

What steps can we expect in the coming weeks?

It would be foolhardy to make predictions. President Maduro has already decided to arm the Bolivian militias under his "plan Zamora". In mid-April tens of thousands took to the streets – both the Chavistas and those supporting the opposition. Again, many were wounded and at least three killed, and there were numerous arrests. International observers are worried. Columbia wants to bring in the UN.

The situation could get completely out of hand. Not only does Venezuela have the world's highest murder rate, it is also home to numerous armed groups. Some of them are legal law enforcement officers, others are paramilitary militias that were founded to defend the Bolivarian revolution and still others are armed gangs. The conflicting parties must take heed of these basic conditions: The only realistic proposals for resolving the conflict involve Venezuela's national army.

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Meanwhile, President Maduro has offered to hold regional elections if the opposition calls off its protest. Allowing the overdue elections would give Maduro a little breathing space. But if free elections are held and the most promising opposition candidates participate, the ruling United Socialist Party of Venezuela (USPV) will probably lose in several provinces. Support for the president within his own party could well drop.

While the opposition is loudly demanding Maduro's resignation and new presidential elections, there are also more and more calls for a transitional government of opposition forces, Chavistas and members of the military. The speaker of the opposition-dominated National Assembly, Julio Borges, has repeatedly acknowledged that dissent exists within the military, whose loyalty Maduro had tried to guarantee by according them special privileges. Although there's been criticism of the military's role in the Chávez and Maduro governments, it will be needed to provide support for a possible process of transformation. Balancing the many economic interests, and including the military juggernaut, is a complex challenge. The

political price of structural adjustment measures and institutional reforms that any transitional government will have to pay will be high.

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Whether it could ever come to such a process is an open question. There need to be serious talks laying out strategies for overcoming the crisis. The conflict parties will surely make bold demands and attempt to resist, and unfortunately, are not likely to contribute much real substance to any discussion. Although the Vatican-brokered talks were unsuccessful, the Catholic Church and the international community should press for more national dialogue to prevent the conflict from escalating further. But there also needs to be a clear agenda. The mediator and former general secretary of the Union of South American Nations (UNASUR), Ernesto Samper, has called for a binding timetable for elections, full recognition of the National Assembly and the release of political prisoners.

The opposition may still mistrust offers to talk with the other side, but it has no authority now and won't get any through regional elections. Violent overthrow is not an acceptable alternative, nor is it likely to succeed. The only route to free presidential elections will have to pass through an agreed process of transformation.



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