



Volatility in Venezuela Threatens the Chavez Legacy

Barbara Kotschwar says the protests over Maduro's narrow victory in Venezuela's presidential election could lead to more political and economic instability.

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Steve Weisman: The recent election in Venezuela produced an unexpectedly close race and new volatility in Venezuela itself. Barbara Kotschwar of the Peterson Institute for International Economics is here with me, Steve Weisman, to discuss the outlook in Venezuela, which is looking more and more unstable. Barbara, first, what happened in the election?

Barbara Kotschwar: The acting president and President Hugo Chavez's designated successor, now President, Nicolas Maduro, won the election with 50.8 percent of the vote. This was a much closer margin than anybody, I think, had expected.

Steve Weisman: He had been way ahead in the polls. .

Barbara Kotschwar: In the polls, he'd had a much larger margin, particularly if you listened to the government polls. The [Henrique] Capriles camp was predicting a Capriles win. So this is a much more divided election than we've seen before. That said, in the October elections Capriles had lost by only 12 percent of the vote, which was a much closer margin than in any of the previous elections. The opposition had been gaining ground in Venezuela. But this was a very close margin.

I think that people expected that after the very emotional outpouring after the death of [Hugo] Chavez, the father of Chavismo, who had been in power for 14 years, there would be a positive result for the Chavistas, that it would be a much larger margin.

I think that there was also some trepidation that the government would use spending and convince people to vote for Chavez. Certainly Maduro's campaign consisted of slogans, such as, "If you don't vote for me you don't love Chavez," "If you don't vote for me you don't love your mother," and similarly unsubtle ...

Steve Weisman: It wasn't just slogans, but he dominated the state-run media.

Barbara Kotschwar: Absolutely.

Steve Weisman: In a way it's a defeat, given all the advantages he had.

Barbara Kotschwar: Absolutely.

Steve Weisman: But now the opposition is charging fraud, demonstrating, protesting. Maduro, according to the news reports, is putting on these ranting television performances. Is there a concern that the country could slip into chaos?

Barbara Kotschwar: This has gone from being an interesting electoral result to a situation that could be very concerning. Yesterday there were bullets fired at protesting students, and today the head of the National Assembly, Diosdado Cabello, has accused Capriles of fomenting violence and has said that he would pursue penal sanctions against Capriles. The government also said that they would not allow the opposition protests. The opposition has been careful and cancelled their protests.

Yesterday you saw tons and tons of people in Venezuela, out banging on pots, which is the Latin American way of expressing protest. You've seen a lot of mobilization which started as democratic peaceful protests, expressions of opinion. Yesterday it really turned a little bit more tense when the government refused to allow the recount of the votes and has accused the opposition of fomenting protests and violence.

The US has also refused to recognize the electoral result. The US and the EU [European Union] have not phoned to congratulate President Maduro, and President Maduro has accused the United States of being behind or of supporting the opposition and also fomenting protests. So this is becoming volatile and there is concern for what's going to happen in Venezuela. Now Maduro comes in an economic situation that's much less favorable than what Chavez had over the past decade.

Steve Weisman: That's what I was about to ask. Do you think the discontent that resulted in a heavier than expected opposition performance derives from economic conditions deteriorating recently or political protests against Chavez's authoritarian rule, or a combination?

Barbara Kotschwar: I think it's both. The economic situation I think weighs heavily on Venezuelans. Venezuela's inflation rate has been high. It's one of the highest in the world. They just devalued in February. They devalued the bolivar by about 33 percent, which hadn't really been expected. I think this was a signal that the government was not really in control of the economic situation, and they had to admit that. For the government, the devaluation gives them some oxygen because oil exports are paid in dollars. They now get more bolivares for each dollar. So it makes sense.

There is a perception that the bolivar is still way overvalued and so one could expect more devaluations, one will expect inflation to continue. Even though the Chavista policies have done a lot for some percentage of the population in terms of giving access to healthcare, giving access to political enfranchisements, allowing people who previously didn't have a voice a voice and a way of participating in the government, and through the visions, which is a very diverse set of programs for the poor, giving the poor some basic services. There really is a perception that maybe things have gotten out of control and people are seeing economic conditions that they haven't seen before. This is causing some concern.

Steve Weisman: And the protests could make things worse.

Barbara Kotschwar: The protests could certainly make things worse. The protests are also probably motivated by the political uncertainty. Neither of the parties is united. Capriles has managed to unite the opposition, but this is a group of coalitions that really want to change from the Chavista model. The president's own party will have to see how united those are. Maduro wasn't the expected successor until last December. Throughout last year one might have

expected that Cabello would be the anointed successor, who had been very close to Chavez. There are others that would have vied for that honor. It remains to be seen how unified the Socialist Party will remain and also where the military will go. Everything is kind of up in the air.

I think that this very narrow margin of victory is probably the worst possible electoral result for Venezuela. For a little while it looked as though this might signify that institutions are working if you have such a narrow margin of victory and the two sides could manage that in a peaceful way. Unfortunately, we don't seem to be having that result.

Steve Weisman: In other cases of highly contested elections with flawed procedures, there are often outsiders like the Carter Center or other political leaders monitoring the scene and trying to reach an accommodation that could settle things down. Because Venezuela is kind of a pariah state, it seems more on its own in this. Europe and the US are watching with, not indifference, but unwillingness to lend a hand.

Barbara Kotschwar: I think it's difficult. I think probably the best thing that the United States can do is keep a respectful distance. The reaction from the United States has been that they don't think this is going to affect their relationship with Venezuela. In fact, even if the political relationship has been difficult with President Chavez calling the US president the devil and talking about the smell of sulfur in the room in the United Nations, economic relations between Venezuela and the United States have continued. Venezuela is still the fourth largest supplier of oil to the United States, and that probably will continue. Venezuela needs the US market and the US refining capacity.

But on the other hand, the rhetoric against the United States has been relatively strong. It's gotten kind of wacky over the past few weeks with Maduro accusing the United States of inculcating Chavez with the cancer. These can be taken as emotional statements by somebody who is starting his electoral campaign. But still, I think the United States is probably quite wise to sit back and wait and see what happens.

Steve Weisman: Thank you, Barbara.

Barbara Kotschwar: Thank you very much, Steve.

