



## LETTER FROM CARACAS – SEPTEMBER 2015

### Venezuela in disarray as parliamentary elections loom

As Venezuelan President Nicholas Maduro limps towards the December elections that his party could lose, he might well decide that the only option to avoid defeat is to impose martial law throughout the country.

In late August, Maduro abruptly declared martial law for Táchira State near Colombia following an attack by smugglers in which three soldiers and a civilian were injured. Vowing that there would be 60 days of martial law for five municipalities in the state of Táchira, he said the border would be closed until further notice.



The president has since made a number of bellicose statements that have raised the temperature and stirred feelings of nationalism on both sides of the border crossing. He then expelled hundreds of Colombians resident in Táchira, many of whom have family ties with Venezuelans there, and implied the Colombians were engaged in crimes against the state.

A week later, he extended martial law to an additional four municipalities in Táchira and seemed intent on elevating the original incident to a bona fide dispute with Venezuela's closest neighbor.

Colombian President Juan Manuel Santos criticized the border closing on humanitarian grounds, but at first seemed more puzzled than annoyed. Santos pointed out that ordinary people on both sides of the border, including children, would suffer the most, not smugglers. Santos could not be faulted for being puzzled.

Maduro's move entails broader issues than just the border crossing. With an economy in free-fall, endemic crime and a popularity rate pegged at 24.3 percent as of July, the president and his party struggle to keep a grip on the once oil-rich Caribbean country.

Formerly the economy's main engine, oil is now pricing at less than half what it was in the halcyon days when a flush Caracas virtually picked up the oil tab for its sister socialist state, Cuba. Now, with the price stuck near \$40 a barrel and inflation at 63.4%, Venezuela grapples with horrific, gang-driven violence, a currency that seems almost out of use, and a severe shortage of basic foodstuffs, toilet paper, beer and most other everyday items.

Interminable lines at supermarkets sparked a recent rash of looting and other incidents, sometimes violent, in reaction to bare shelves and shuttered stores. The worst of the disturbances occurred earlier last month, when one person was killed and dozens detained following looting of supermarkets in the southeastern city of Ciudad Guayana, according to Venezuelan authorities.

Respected Latin American commentator and Miami Herald columnist Andres Oppenheimer weighed in on Maduro's tenuous position and outsized reaction to the attack on the soldiers. Oppenheimer warned that the president's limited declaration of

martial law amid the opposition's ample potential electoral advantage might be a sign that the president is about to surrender to his authoritarian tendencies, take advantage of the existing "chaos" throughout the country and suspend the elections. It would be what Oppenheimer called an "*autogolpe*", or self-coup.

Maduro has used other tactics – from denouncing opponents to disqualifying and then sometimes jailing them to try and insure that the opposition parties remain disadvantaged. Thus far the government has ruled nine opposition politicians ineligible to run in the coming election. Some of the rulings were based on obvious technicalities. And two of the leading opponents ruled ineligible are already in jail in connection with last year's anti-government protests.

It is almost beyond belief at this point that Maduro would be capable of turning things around to the extent that they show signs of starting to improve. As he has done in response to several recent crises, for example, Maduro emerged from Miraflores Palace to place the blame for the food shortages and violence on a plot by the U.S. The president made no mention of the government policy of tight foreign currency and price controls, the increase in the money supply or the huge deficit spending that economists have blamed for the country's woes.

Soaring murder and kidnapping rates are staples of Venezuelan life. One former police official, now a security director, said that violent crimes like murder, extortion, kidnapping, narcotics trafficking and auto theft, have spiraled out of control and beyond the government's ability to impact. "There's no solution for the crime because most of it is fomented by the government and its policies," he said.

Maduro and his predecessor, the late President Hugo Chavez, relied on '*colectivos*', political foot-soldiers who act as auxiliary security forces and help restore order during disturbances like the widespread and prolonged anti-government demonstrations of 2014. Some members of *colectivos* were identified in news videos on national and international television patrolling the streets on motorcycles with police escorts, stopping to harass or beat demonstrators, in some cases fatally.

Colectivo members generally dwell in the impoverished barrios and municipalities at the heart of the ruling party's support, like Libertador and the January 23 neighborhood near the presidential palace. Some have long been linked to gangs involved in extortion and narcotics trafficking and, according to some residents, collect 'taxes' from local small businesses.

Because he was dealing with bedrock supporters, Maduro had to tread carefully in his response to the crime problem. The administration devised a novel solution, and announced in 2014 that it would establish 60 new 'peace zones', disarmament centers reportedly costing \$47 million in the poorest, most dangerous neighborhoods in Caracas and surrounding Miranda state. Police would be barred from entering the zones without receiving prior approval from community boards. The aim was to demobilize the criminal groups and after they surrendered their weapons incorporate them into society.



The experiment quickly failed. Bereft of police presence, the zones morphed into command posts for wanted criminals who preyed on residents and turned the zones into hiding places for kidnapped hostages, weapons, drugs and stolen cars. A number of the zones were located near prisons, with the gangs outside taking orders from leaders behind bars.

Peace zones in the Barlovento area of Miranda State, warned the National Guard's Anti-Extortion and Kidnapping Group in a published report, had become 'criminal training camps' where six organized criminal groups operated. This was due to the constant restrictions imposed on state security services from carrying out

investigations in these areas, nominally under the control of the Interior Relations Ministry, where the idea for the zones originated.

At one point, the crime groups established themselves along the '*Troncal 9*' thoroughfare that spans Barlovento, according to the Caracas daily *El Nacional*. The groups extorted bus and truck drivers that passed through the *troncal* and authorities were unable to intervene since many of the crimes occurred within the zone.



*Troncal 9* in Barlovento

(Diario El Nacional)

As quickly as the idea of the zones failed, the administration backed away from them and tried to claim they never existed, although when Maduro announced the measure he credited a prominent member of the interior ministry. In the past two months, the government has hastily staged a number of take-downs in the worst zones.

In one raid aimed at Cota 905 in Caracas, arriving police were reportedly confronted by sharpshooters guarding the area and competing with two helicopters doing surveillance fly-overs and off-duty police officers guarding entrances. Some 14 people were killed during the ensuing battle.

To make matters worse, according to the security official, police who have been assigned to help secure the neighborhoods in the wake of the raids have generally turned out to be worse than the crooks they were sent to stop.

Amid the chaos, kidnapping and extortion have flourished and taken new and disturbing forms. Increasing numbers of victims have been swept off the streets in express kidnappings, now the predominant mode and often keyed to paydays. Some workmen are ransomed for small amounts of several hundred dollars or less. Those victims who appear to be well-heeled and a good catch are held for extended periods for greater sums than the traditional demands.

According to the former police official and others, a number of abductions are committed by corrupt police or former police assigned to neighborhoods, where they scout out wealthy potential victims. In the upper-crust El Hatillo area, home to a number of government officials and bankers and after extra police were assigned there earlier this year, the kidnapping rate jumped by 80 percent. As an indication of the authors of the crimes, all victims refused to report them, at least initially. Most kidnappers are no longer prepared to deal in the Venezuelan currency, *Bolivares*.

There are disturbing signs that kidnapping has penetrated the confines of the military. In late August, a Venezuelan army colonel and two captains were jailed for abducting the wife of another army colonel, and there is at least one other incident of 'green-on-green' kidnapping.

Maduro has gone to great lengths to keep the military, a chief source of any president's support, in his camp. But the Minister of Defense, Vladimir Padrino Lopez, is recuperating in Cuba from an operation for cancer of the prostate, his second one. A number of key factions within the government, each headed by a key official, are working behind the scenes to gain control of the powerful ministry when Padrino Lopez departs.

And there was one publicized sign in late August that at least some in the army's senior ranks were not happy with current conditions and are speaking out. On August 21, Colonel Jose Martin Raga was briefly detained and then fired from his post after Newsweek en Español published an interview in which he blamed corruption within the military ranks for underpinning border smuggling and the black market trade.

Raga insisted he was a loyal *Chavista*, but denounced the corruption throughout his institution and said it was helping to thwart the goals of the revolution. Among other things, he also asserted that police forces have been corrupted to the point that “policemen are often greater criminals than the ones they’re set against.” It seems unlikely at this point that this incident is anything other than the isolated act of a single individual.

The future of Venezuelan democracy has never been more uncertain. Oppenheimer urged that fellow Latin leaders press Maduro to allow the democratic process to proceed, but they are unlikely to do so. So the turmoil is expected to continue unabated. Now more than ever businessmen planning work trips to Venezuela should consider their options.

*If you must travel, be sure to watch periodically for changes in the security situation in the country prior to departure. Arrange to be met at the airport by a vetted driver and/or contact, and choose your first class hotel carefully, especially if it is your first visit. Be sure to limit your time on the street, avoid displays of wealth and dress down. Avoid street taxis and take only radio-controlled or hotel cars. Before you go, establish a plan to follow in the event of a sudden and drastic change in security conditions while there. Contact and register with the U.S. or other embassy so officials are aware of your presence in the country.*

**Terra Firma has a presence in Venezuela and our team has extensive experience and knowledge of working in the country. If you would like to know more about the security situation and challenges of working and living in Venezuela, please get in touch.**



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