



Venezuela: Tough Talking

Latin America Report N°59 | 16 December 2016

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Executive Summary

Venezuela is in the throes of a profound political conflict that is greatly complicated by an economic and social crisis of almost unprecedented proportions. Soon to enter its eighteenth year in power, the chavista government now led by President Nicolás Maduro has seen its popularity collapse under the effects of an economy that has been contracting since 2014, with inflation approaching 1,000 per cent on an annualised basis. Food and other basic goods are often unobtainable or out of reach of the majority. Yet far from steering in a new policy direction as the oil revenues on which it depends wane, it has intensified state controls, redoubled attacks on supposed business saboteurs and choked off the constitutional channels through which an ascendant political opposition could mount a challenge. As 2017 approaches, political paralysis and economic misery presage serious turbulence unless recently established negotiations with that opposition produce rapid progress toward the transition Venezuela needs to return to democratic rule.

Both the escalating political hostility and the onset of talks can be traced to 20 October, when the government dealt a fatal blow to the only short-term electoral route out of political conflict: a recall referendum against President Maduro, as provided for in the constitution. Responding to rulings by five regional criminal courts, announced not by judges but by state governors belonging to the most hard-line faction of the ruling United Socialist Party of Venezuela (PSUV), the National Electoral Council (CNE) imposed an indefinite suspension of the referendum process. This came less than three months before the 10 January 2017 date after which a referendum would no longer trigger a presidential election, even if successful. The government-controlled CNE's action seemed, therefore, to all but kill the initiative.

The opposition Democratic Unity (MUD) alliance called this a coup d'état and announced a political offensive on three fronts. While stepping up street action in a bid to force the government to change its mind, it simultaneously began proceedings in the National Assembly against President Maduro. It also said it would call on the Organization of American States (OAS) to apply the Inter-American Democratic Charter, whose terms allow for the suspension of a member state.

While the two sides engage in political combat, the distress of society has intensified. Vital medicines are ever harder to find, and the health service is collapsing, causing thousands of needless deaths. The government's reaction to violent crime that costs over 20,000 lives a year is a shoot-to-kill policy against alleged criminals and raids by security forces on poor barrios that have brought widespread accusations of human rights abuses. Elements of the armed forces have recently been implicated in massacres, most recently the killing of over a dozen young men in the Barlovento region of Miranda state.

By denying power to the elected National Assembly and cancelling or suspending elections, the government risks provoking political violence, though that is not the only possible outcome. Despite its weaknesses, it could, under certain circumstances, consolidate itself as in effect a military dictatorship, via rigged elections or their complete abolition. If Venezuela is to save its democracy, negotiation over the terms of transition is needed, mediated by outsiders since no domestic institution commands

the respect of both sides. An abrupt transfer of power, even if possible, might lead to serious instability and violence.

Direct talks between the two sides, “accompanied” by an envoy of Pope Francis I and “facilitated” by former Spanish Premier José Luis Rodríguez Zapatero and two Latin American ex-presidents, began at the end of October, but their future hangs by a thread. A series of leadership changes at the national and international levels early in 2017, possibly including the Venezuelan presidency, raise both the possibility of substantial progress and the threat of a violent or authoritarian backlash. The present deadlock clamours for an approach based on dialogue, ideally leading to an interim, cross-party administration that could enforce urgently needed measures. A concerted effort is required by all political persuasions, but also the international community, especially Latin American governments, regional organisations such as the Union of South American Nations (UNASUR) and the OAS, as well as the European Union (EU) and the UN, to use this period of uncertainty to restore democracy, the rule of law and responsible economic governance.

Recommendations

For a start at restoring democratic rule, economic and social well-being and political stability

To the government:

1. Negotiate with the opposition in good faith for an agreement that provides a clear electoral calendar, preferably advancing the December 2018 presidential poll; lifts restrictions on the National Assembly; and provides for appointment of genuinely independent and qualified Supreme Court justices and CNE board members.
2. Lift restrictions on humanitarian aid from donors to alleviate suffering, without waiting for agreement on a political solution to the crisis.
3. Build confidence in the negotiations by releasing all political prisoners and dropping charges against more than 2,000 opposition activists, most of whom were arrested for participation in anti-government demonstrations.
4. Draw on national and international economic expertise to negotiate with the opposition an emergency plan to restrain inflation and restore the purchasing power of wages.
5. Reconsider urgently the militarised policing policy in light of proven abuses and extrajudicial executions.

To the MUD and the leadership of the National Assembly:

6. Refrain from abandoning talks with the government and make every effort to seek a creative, workable solution to the crisis through establishment of an electoral calendar and economic reform.
7. Maintain the stated commitment to non-violent protest and seek to avoid bloodshed at demonstrations.

To the Vatican and other facilitators:

8. Support and incrementally reinforce the facilitation, pressing both sides to negotiate in good faith.
9. Insist on provision of humanitarian aid, while providing assurances it will not be used to undermine the government.

To the government and MUD jointly:

10. Strengthen the negotiation process by accepting civil society input and international verification procedures for agreements; and be open to using external technical expertise to address deadlocked issues.
11. Reinforce an agreed economic and institutional reform plan through power-sharing arrangements, including participation of opposition representatives in an interim unity government until new elections.

To regional governments, the U.S. and the European Union:

12. Support the facilitation process in regional and international organisations, above all UNASUR, the OAS and UN, and offer to serve as guarantors and witnesses and to finance any external expertise required for the negotiations.
13. Hold Venezuela to its commitments under international law and multilateral treaties regarding democracy, the rule of law and respect for human rights, including by activating relevant provisions of the Inter-American Democratic Charter and Mercosur's Ushuaia Protocol.

Caracas/Bogotá/Brussels, 16 December 2016

Venezuela: Tough Talking

I. Introduction

An imperfect democracy when the present regime came to power in 1999 under the late President Hugo Chávez, Venezuela has been steadily sliding into authoritarianism. Following Chávez's death from cancer in 2013, the presidency passed to his chosen successor, Nicolás Maduro, who won a narrow election victory that April. Maduro has stepped up repression as his popularity has declined and political polarisation has intensified. The plummeting price of oil, on which the economy is almost wholly dependent, has exposed the deep flaws in social and economic policies that combine draconian price and exchange controls and expropriations with high levels of corruption and inefficient handouts to the regime's support base. The result has been widespread shortages, hunger and disease, with a corresponding surge in popular anger and political tension.¹ More than 40 persons died in 2014 during several months of street confrontations between security forces, government loyalists and a faction of the opposition. In 2015, Caracas had the highest murder rate of any city in the world.²

After losing the December 2015 parliamentary elections, the government packed the nominally autonomous Supreme Court (TSJ) with unconditional supporters and has since used it to block all laws and other initiatives by the National Assembly, strip that body of its constitutional powers of oversight and control and, on 5 September 2016, declare all its actions null and void.³ The government-controlled National Electoral Council (CNE) has been used to delay and ultimately suspend a recall referendum on Maduro's presidency and to postpone for at least six months elections for state governors which, under the constitution, should have taken place in December. Protests have been met with outright prohibition, roadblocks and repressive policing, as well as deployment of armed civilians who have beaten and shot at demonstrators. Human rights groups say the government holds over 100 political prisoners, while thousands more are subject to various restrictions on their freedom.

Crisis Group carried out over twenty interviews in Caracas with participants in the dialogue between government and opposition, political and security analysts, diplomats based in the country, journalists and representatives of the business community in October and November during research for this report. Efforts were made

¹ For an account of the collapse in food supplies and medical services, see Crisis Group Latin America Briefing N°33, *Venezuela: Unnatural Disaster*, 30 July 2015. The increasingly authoritarian nature of the regime is dealt with in Briefings N°s 30, *Venezuela: Tipping Point*, 21 May 2014; 31, *Venezuela: Dangerous Inertia*, 23 September 2014; and 34, *The End of Hegemony: What Next for Venezuela?*, 21 December 2015.

² "The world's most violent cities", *The Economist*, 3 February 2016.

³ See Crisis Group Latin America Briefing N°35, *Venezuela: Edge of the Precipice*, 23 June 2016. The TSJ found the National Assembly "in contempt" of its ruling that three MUD legislators from Amazonas state, accused by the government of fraud in the 2015 election, should be barred from taking their seats while their cases are heard. Their absence deprives the opposition of a two-thirds majority and obliges it to seek government support, for example for appointment of CNE board members.

to contact current members of the government to hear their interpretations of recent events, but these approaches went unanswered.

II. The Poisoned Polity

A. *How the Government Aborted the Recall Referendum*

Following the parliamentary elections and installation of the opposition-controlled National Assembly on 5 January 2016, the Democratic Unity (MUD) alliance debated strategies for pursuing its priority objective of cutting short the Maduro presidency, which would otherwise run to January 2019. Each had its proponents among the four leading member parties. They included a recall referendum, a constitutional amendment to reduce the presidential term and election of an assembly to rewrite the constitution and renew all branches of state. But after the TSJ ruled out an amendment to the constitution, the referendum option, favoured by former presidential candidate and state governor Henrique Capriles of the Primero Justicia (PJ) party, won out. The referendum request was formally submitted to the CNE in March, leaving some nine months for a meaningful vote to be held.⁴

The government argued there would not be time to hold the referendum in 2016. The CNE applied the most restrictive, time-consuming interpretation of the regulations governing referendums and improvised new rules as it went along.⁵ It took almost two months simply to issue the official forms on which the MUD, at the first stage, had to collect signatures of 1 per cent of the electorate in order to obtain permission to next gather the 20 per cent required to trigger a referendum. More than two million signed (over ten times the number required), but the CNE rejected over 600,000 for a variety of reasons. Whole pages of signatures were ruled invalid because the president's name or the word "president" were misspelled. Signatures of those who signed outside their home constituencies also were not counted.⁶ Those whose signatures remained had to "validate" them at centres designated by the CNE, using fingerprint machines.

The electoral authorities resorted to further delays and obstacles.⁷ On 22 September, the CNE announced a timetable that ruled out a recall referendum before the

⁴ Article 72 of the constitution states that any elected official can be submitted to a recall referendum after the halfway point of his/her term, provided 20 per cent of voters agree. Article 233 stipulates that if the president's mandate is revoked during the last two years of his term of office, the vice president assumes the presidency until the term is completed. Maduro, elected in April 2013, is due to leave office in January 2019, since he is completing Chávez's six-year term, which began three months earlier. However, if a referendum held before January 2017 were to produce a vote to recall him, an election for a new president would have to be held within 30 days.

⁵ No referendum law has been passed, so the process is regulated by the government-controlled CNE, using a set of 2007 rules ("Normas para Regular el Procedimiento de Promoción y Solicitud de Referendos Revocatorios de Mandatos de Cargos de Elección Popular", Consejo Nacional Electoral Resolución 070906-2770, 18 December 2007). These require the promoters of the referendum to first obtain the signatures of 1 per cent of the electorate, in order to obtain permission to gather the 20 per cent. However, the CNE added several new procedures that delayed the process, including digitalisation of the completed signature forms, a "verification commission" run by the ruling United Socialist Party of Venezuela (PSUV), transcription of the forms and their subsequent auditing. José Ignacio Hernández, "8 violaciones del CNE a la Constitución en el trámite del revocatorio", *Provinci*, 13 May 2016.

⁶ The logic of this rule, promulgated by the CNE after the process began, is uncertain, since the office that is the subject of the referendum (the presidency) corresponds to the whole country.

⁷ The validation process was set for 20-24 June, but hundreds of thousands of voters were unable to comply with the rules because the CNE provided only 300 fingerprint machines across the country,

end of the first quarter of 2017, thus rendering it ineffectual for changing the government. In addition, it conditioned triggering of the referendum on the MUD achieving signatures of not only 20 per cent of the national electorate, but 20 per cent in each of the country's 23 states (plus the capital district). The dates for gathering the 20 per cent were 26-28 October.

The government may have calculated that the MUD would abandon the recall referendum campaign rather than risk failure in a drawn-out process. However, the Maduro administration also pursued a parallel strategy involving the courts. The president had appointed leading pro-government politician Jorge Rodríguez – mayor of central Caracas and a former CNE board member – to lead the effort to thwart the referendum. He and others claimed the signatures rejected at the first stage were evidence of “massive fraud” and petitioned the TSJ to block the entire process and/or strip the MUD of its legal status. For reasons that remain unclear, five regional criminal courts, not the TSJ, produced the “fraud” sentence that led to the suspension of the referendum.⁸ When the MUD petitioned the TSJ to allow it to gather signatures of 20 per cent of the electorate, that court's electoral branch rejected the request.⁹

B. *The MUD's Response*

It took the MUD several days of internal debate and consultations to respond to the CNE's 22 September timetable announcement. On 26 September, it declared that it considered the conditions unconstitutional but would persist with its campaign for a referendum, while simultaneously mobilising street protests, acting in parliament and seeking international support.¹⁰ It rejected outright that the 20 per cent requirement should apply to each state and postponement of the referendum to 2017. It also announced a nationwide protest for 12 October, which took the form of a dress rehearsal for the three days of signature-gathering due to take place on 26-28 October. The response from its supporters, however, was lukewarm.

On 23 October, following suspension of the referendum process by the CNE, the National Assembly began to debate what the MUD termed the “restoration of the constitution”. Also on the agenda was what was loosely referred to as a “political trial” or “impeachment” of Maduro, though without support from other state institutions (all controlled by the executive) the legislature is not constitutionally empowered to remove the president. The MUD proposed to declare him “politically responsible” for the crisis, accuse him of abandoning his duties and investigate allegations he was

many in locations remote from the population centres holding most opposition voters. It then took the CNE until 24 August to acknowledge that the 1 per cent target had been met, whereupon it should have set the date for gathering the 20 per cent stipulated by the constitution. It had already taken 145 days to reach this point, though a reasonable calculation based on its own regulations would only amount to 41 days. “CNE se tomó 141 días adicionales a los previstos para el análisis del 1% de las firmas”, *El Pitazo*, 3 August 2016.

⁸ “5 gobernadores oficialistas anuncian anulación de recolección de 1% de firmas por tribunales regionales”, *Runrunes*, 20 October 2016.

⁹ “Sala electoral rechaza amparo que solicitaba reanudar recolección del 20%”, *Efecto Cocuyo*, 11 November 2016.

¹⁰ “La respuesta de la MUD a las condiciones del CNE para la recolección del 20%”, *Tal Cual*, 26 September 2016.

born in Colombia, so not eligible to be president.¹¹ During the debate, government supporters, some armed, broke into the grounds of the building and were with difficulty prevented from entering the legislative chamber. Some journalists were attacked and robbed.¹² The mob withdrew only when ordered by Jorge Rodríguez.¹³ The president said he was surprised by the incident, but the intruders had entered “cheerfully, some of them dancing”, and their intention had been to ensure their voice was heard.¹⁴

Against this inauspicious background and to the surprise of many, Vatican envoy Monsignor Emil Paul Tscherrig, nuncio to Argentina, announced on 24 October that “the national dialogue has begun”. A first meeting between government and opposition, he said, would be held on Margarita Island on 30 October. The MUD executive secretary, Jesus “Chuo” Torrealba, confirmed this but was almost immediately contradicted by several leading MUD politicians. Capriles said he learned of the agreement “on television”, a claim other opposition insiders have strongly disputed.¹⁵ Both Capriles and Luis Florido, national political coordinator of Voluntad Popular (VP), said conditions were not right for a dialogue. Henry Ramos Allup, speaker of the National Assembly, insisted there would be a meeting only if the MUD as a whole agreed.

The MUD reiterated its call for protest demonstrations on 26 October, but clearly wrong-footed, the leadership spent the following week trying to salvage its position. It insisted first of all, in a bid to allay suspicions it was seeking to negotiate a deal out of the public eye, that any meeting be in Caracas. The mid-week demonstrations went ahead as planned, though the turnout, while not negligible, reflected supporters’ confusion.¹⁶ Wrangling continued to the last minute, with the main opposition parties (the so-called G4) reaching agreement just half an hour before the dialogue began on 30 October. VP declined to take part, while the other three leading parties agreed to walk away if they were unable to achieve the conditions VP demanded.¹⁷ Fifteen smaller member parties issued a statement that the dialogue under current conditions “makes no sense” and demanded that the opposition be represented not only by the G4, but also by other leading politicians and civil society.¹⁸

¹¹ Maduro’s parents were Colombian. He insists he was born in Venezuela but has never presented a birth certificate. He and other government figures have given four different accounts of his precise birthplace, fuelling suspicions he may have been born in Colombia. On 28 October the TSJ ruled that the president is Venezuelan, with no other nationality, and threatened criminal proceedings against anyone who denies this. “TSJ confirma que Nicolás Maduro es venezolano y nació en La Candelaria”, *Efecto Cocuyo*, 28 October 2016. Article 227 of the constitution stipulates that a presidential candidate must be Venezuelan by birth and have no other nationality.

¹² “Toma por asalto a la Asamblea Nacional deja 6 violaciones a la libertad de expresión”, *Espacio Público*, 24 October 2016.

¹³ Crisis Group interview, journalist, 24 October 2016.

¹⁴ “Maduro: Me sorprendió la gente alegre y bailando que entró al Parlamento”, *2001*, 25 October 2016.

¹⁵ Crisis Group interview, political analyst, 22 November 2016.

¹⁶ The MUD claimed hundreds of thousands had turned out in Caracas, but police reports suggested no more than 75,000.

¹⁷ “Voluntad Popular no asistió al encuentro del diálogo por considerar que no están dadas las condiciones y ratifica convocatoria en Unidad a Miraflores”, press release, VP, 30 October 2016.

¹⁸ “15 partidos de la MUD presentaron propuestas ante eventual diálogo”, *El Nacional*, 29 October 2016.

C. *The Dialogue Dilemma*

The MUD had pushed hard for Vatican involvement in the facilitation led by Rodríguez Zapatero, the former Spanish prime minister, whose members many in the opposition regarded as too close to the Maduro government.¹⁹ The Vatican had stressed that it would only take part if both government and opposition formally requested it, and there was clear will on both sides to negotiate in good faith.²⁰ Hence the surprise when, apparently against the advice it was receiving from Caracas, its envoy announced the beginning of talks.²¹ There had been a widespread perception a Latin American pope, whose inner circle includes people with strong backgrounds in Venezuelan affairs, would be well placed to help steer the country toward a negotiated solution, but the moment looked inauspicious.²² While the opposition needed quick results to hold its coalition together, the government seemed to have every incentive to use the talks to weaken the MUD's campaign to reverse the referendum decision and to spin them out until after 10 January, the date after which a referendum could not produce a new presidential election.

Seemingly frustrated at the MUD's dithering over participation, both the Vatican and the U.S. put pressure on the opposition not to abandon its commitment to dialogue. The Venezuelan Church warned that the pope's involvement could not be guaranteed if it walked away.²³ Moderates in the MUD leadership, many with their own doubts about the wisdom of talking at this point, found themselves both under fire from more hardline allies and backed into a corner by the facilitators.

On 3 November, following the first dialogue session, Maduro publicly declared that the opposition would "never again enter Miraflores, either with votes or with bullets".²⁴ The early results – in particular the first substantive agreement, announced after the second plenary session on 11 November – seemed to confirm sceptics' worst fears. Framed in part in language that looked like capitulation to government views, it committed the MUD to accept fresh elections in the three Amazonas constituencies at the centre of the TSJ's September finding that the National Assembly was in

¹⁹ Ewald Scharfenberg, "Capriles dice que Zapatero esta 'descalificado' para mediar en conflicto de Venezuela", *El País Internacional*, 26 June 2016.

²⁰ Vatican Secretary of State Pietro Parolin responded by mid-September letter to requests of Ernesto Samper (UNASUR secretary-general and former Colombian president) and the facilitators led by Zapatero, saying the Vatican would participate if it received, "a direct invitation from the interested parties, once they have taken the firm decision to formally initiate the dialogue".

²¹ Crisis Group interview with senior Church source, 4 November 2016.

²² Chief among the "Venezuela experts" at the Vatican is Secretary of State Parolin, who served as nuncio in Caracas (2009-2013) and has maintained close contacts with the country. The recently elected general of the Jesuits (the order to which Pope Francis I belongs) is a Venezuelan, Arturo Sosa. The pope himself has a long friendship with the Archbishop of Mérida, Venezuela, Baltazar Porras, whom he recently appointed cardinal. There are some tensions, however, between the Vatican and the Venezuelan Church, which the government has long perceived as "counter-revolutionary". Venezuela's other cardinal, Jorge Urosa Sabino, is seen as a critic of the pope (Juan Francisco Alonzo, "El Cardenal Urosa Sabino no sigue los pasos del Papa Francisco", *Tal Cual*, 9 January 2016). Some in the Venezuelan opposition consider the pope a communist.

²³ The Venezuelan bishops conference issued a stern communiqué on 30 October warning against renegeing on the dialogue commitment. Political and Church sources told Crisis Group of the Vatican's withdrawal threat, but the Church was keen to stress the pope's commitment to success.

²⁴ Ibis León, "Maduro: Ni con votos ni con balas entraran más nunca en Miraflores", *Efecto Cocuyo.com*, 3 November 2016. The reference is to the Miraflores presidential palace. Later, Maduro added that the dialogue should continue through 2017-2018.

contempt of court and consequently that its actions have no validity, in return for which the TSJ would lift that ruling. It was also agreed that the two (of five) CNE board members whose terms expire in December would be replaced, supposedly in a way to ensure the body's neutrality, and that political prisoners ("detained persons") would be released. But details were sketchy.²⁵

The problem was compounded by the fact that the two sides gave conflicting accounts of what had been agreed. A particular bone of contention within the opposition was that no reference was made to the recall referendum issue or any form of early elections (the next regular presidential election is due in December 2018). By late November neither matter had yet been formally raised at the talks, despite the MUD's public assertion that this was its main objective.²⁶ The government publicly rejected the notion of discussing them.

D. *Why Has the Country Not Erupted?*

Over the past two years, Venezuelans have endured an almost unprecedented collapse of living standards. Protests over food shortages, poor public services such as water and electricity and the inexorable increase in violent crime have risen dramatically. In the first five months of 2016, those over food shortages were up 320 per cent from the previous year. June was the peak month, with 728, of which 274 were over food. From January to October, there were over 700 incidents of looting or attempted looting. On 14-15 June, a particularly violent and protracted outbreak of looting took place in the eastern city of Cumaná, Sucre state. The police and National Guard response left two dead, two dozen injured and several hundred arrested.²⁷ There was much speculation whether there would be a nationwide social upheaval comparable to the "Caracazo" of 1989, in which hundreds were killed by security forces and that profoundly affected politics and society thereafter.²⁸

However, looting dropped from a high of 126 incidents in June to 58 in July, and social tension subsided somewhat.²⁹ Protests overall were down to 504 in October. Several factors contributed. On the political front, the opposition's mobilisation around the demand for a recall referendum released some pressure by offering a possible way out of the crisis. Deaths and injuries among looters may have discouraged some protesters. But two government moves probably had the most impact. Border controls were relaxed in practice – notably after a partial normalisation of crossings agreed with Colombia in August – allowing private individuals, companies

²⁵ "Los cinco acuerdos del gobierno y la oposición tras la II reunión plenaria del Diálogo Nacional", Noticias24, 12 November 2016. On the contempt ruling and the importance of the three National Assembly seats, see fn. 3 above.

²⁶ Crisis Group interview, member of MUD negotiating team, 22 November 2016. "En el diálogo nunca se ha planteado la salida electoral de Maduro", Agencia EFE, 22 November 2016.

²⁷ Figures from Observatorio Venezolano de Conflictividad Social (Radar de la Conflictividad); D. Iriarte, "Varios muertos y cuatrocientos detenidos por los saqueos en el nordeste de Venezuela", *El Confidencial*, 16 June 2016. The governor of Sucre state, Luis Acuña, denied there had been deaths and attributed the disturbances to "vandalism ... orchestrated by the opposition".

²⁸ Margarita López Maya, "The Venezuelan 'Caracazo' of 1989: Popular Protest and Institutional Weakness", *Journal of Latin American Studies*, vol. 35, no. 1, February 2003.

²⁹ Lorena Meléndez, "Saqueos de agosto de 2016 duplican la cifra de hace un año", Runrunes, 18 September 2016.

and government bodies to import food at market prices.³⁰ And in July, a decision was taken to divert much of the distribution of basic goods at controlled prices from supermarkets (private sector and public) into the Local Supply and Production Committees (CLAPs) system.³¹

Through the CLAPs, run by the military and civilian organisations linked to the ruling United Socialist Party of Venezuela (PSUV), basic foodstuffs are distributed directly to low-income consumers at controlled prices. Though the CLAPs are limited in scope, inefficient and plagued by corruption, they have had the effect of reducing the queues outside retail outlets (a breeding-ground for popular anger) and of enabling the authorities to use food as a tool for political control, by threatening to deny it to dissenters.³² On 4 October, President Maduro decreed that half of food production should be sold to the government for distribution via CLAPs.

Opinion polls indicate that these measures have nevertheless done little to restore the government's popularity, which remains at historic lows for chavismo, while the opposition continues to gain support even in former government strongholds.³³ However, widespread rejection of the government appears not to translate into a collective determination to topple it through mass mobilisation. Public energies have instead been directed first and foremost to putting food on the table, above all through black market income earned via second jobs or hawking goods. A recent study found that 36 per cent of Venezuelans have been forced to sell personal possessions to make ends meet.³⁴

³⁰ "Colombia y Venezuela viven nuevos vientos", *Revista Semana*, 13 August 2016. Anatoly Kurmanaev, "Venezuela backs away from price controls as citizens go hungry", *The Wall Street Journal*, 14 October 2016.

³¹ For an official account of this system, see "Que son los CLAP?", Instituto Nacional de Nutrición, Ministerio del Poder Popular para la Alimentación, 6 August 2016.

³² Franz von Bergen, "La discriminación política opera en los CLAP al repartir alimentos", *El Nacional*, 29 May 2016.

³³ Crisis Group interview, opinion poll expert, 24 November 2016.

³⁴ Mariana Zuñiga and Nick Miroff, "In a hungry Venezuela, buying too much food can get you arrested", *The Washington Post*, 15 September 2016. Blanca Vera Azaf, "Dólar paralelo dispara por alza del gasto público y recorte en entrega de divisas", *El Nacional*, 30 November 2016.

III. Key Players

It is hard to understand the dynamics of the Venezuelan crisis without a grasp of the internal divisions on both sides of the political divide. Neither the government nor the opposition alliance is a homogeneous bloc. Even within some of the MUD member parties there are significant factional differences that can affect the behaviour of the coalition as a whole. Within the government, disputes over management of the economy in particular have led to policy paralysis, while the opposition is pulled in what sometimes appear to be diametrically opposed directions by what are often described as “moderate” (pro-dialogue) and “radical” (more confrontational) forces. This section provides an approximate guide to some of the rifts and factions that steer government and opposition strategy, though with regard to the government, there is a dearth of verifiable information that would permit a more accurate mapping of alliances.

A. Political Factions

The MUD is a heterogeneous coalition, currently of 21 parties. It has a solid record as an electoral alliance but great difficulty maintaining unity at other times. No one party has the strength to impose its strategy, and rival leaders with presidential ambitions complicate cohesion enormously.³⁵ Day-to-day decisions are taken by the G4, the four biggest opposition parties in parliament. In order of size, these are Primero Justicia (PJ, 33 seats), Acción Democrática (AD, 26), Un Nuevo Tiempo (UNT, 20) and Voluntad Popular (VP, 15). Of these, VP – which led the *La Salida* street protests in 2014 and whose leader, Leopoldo López, is serving a fourteen-year jail sentence for instigating them – is most inclined to direct action and least convinced by the current talks.³⁶ UNT is most consistently pro-dialogue, along with Avanzada Progresista, led by the governor of Lara state, Henri Falcón.³⁷ PJ generally is pro-dialogue, but Capriles (twice the MUD’s presidential candidate and currently PJ governor of the important state of Miranda) has shown impatience with the talks and even spoken of a march on the presidential palace.

The remaining member parties, of which Vente Venezuela, led by former National Assembly member María Corina Machado, is the most vocal, have formed a common front to demand greater participation and criticise conduct of the dialogue. On 11 November, they published an open letter to the Vatican accusing the government of using the talks to placate dissent and demanding the referendum. Civil society has also demanded a role and criticised the MUD’s performance.³⁸

³⁵ Four potential candidates lead the opinion polls: Henrique Capriles (PJ), Leopoldo López (VP), Henri Falcón (Avanzada Progresista) and Henry Ramos Allup (AD).

³⁶ The other main leaders of “La Salida” (“the way out”) were Antonio Ledezma (Alianza Bravo Pueblo), mayor of Greater Caracas (currently under house arrest), and María Corina Machado (Vente Venezuela). For an account of this period, see Crisis Group Latin America Briefing, *Venezuela: Tipping Point*, op. cit.

³⁷ Though Falcón’s small party does not belong to the G4, his status as a national figure and consistent, pro-dialogue stance afford him influence in the talks.

³⁸ “Grupo de 15 partidos de la MUD agradece intercesión del Vaticano en el dialogo”, 2001, 12 November 2016. “Una Propuesta Ciudadana”, Pronunciamiento de la Sociedad Civil, 22 November 2016.

The only large government party is the PSUV, founded in 2008 by Chávez. A number of smaller parties, including the Partido Comunista de Venezuela (PCV), are allied with it in the Gran Polo Patriótico (GPP). Like the small opposition parties, they complain they are not taken into account. The PCV has spoken of danger the dialogue may lead to a “new pact [between] elites”.³⁹ Dissident former PSUV members in the Marea Socialista movement similarly argue that the dialogue is a ploy to restore a two-party duopoly.⁴⁰ The PSUV itself, which in effect has civilian and military wings (despite a constitutional ban on participation of active military in politics), is regarded by most analysts as split into factions, though precise membership and views are matters of dispute. At least until 10 January 2017, outward support by all chavismo factions for President Maduro is a *sine qua non*, since his earlier departure would trigger an immediate presidential election and near-inevitable defeat of the regime as a whole. This has tended to obscure differences among the factions and the ambitions of their leaders.

Diosdado Cabello, an army captain, former president of the National Assembly and PSUV vice president, takes a very hard line. Passed over by Chávez in favour of Maduro as his successor, he has support from some elements of the military, considerable power.⁴¹ His brother, José David, heads the internal revenue service, SENIAT.

A number of senior military officers are blacklisted by the U.S. for alleged links with drug trafficking and other forms of organised crime. This is a complicating factor for any potential transition, since, facing a possibility of imprisonment if they were to lose power, they might have little incentive to allow a change of government and possess the means to frustrate it.⁴²

B. *The Security Forces and Pro-Government Paramilitaries*

For most of its history, Venezuela has been ruled by military regimes. There have been frequent coups and coup attempts (most recently in 2002 and 1992). President Chávez (1999-2013) described his government as a “civilian-military alliance” and under Maduro, his chosen successor, the military presence has increased. In December 2015, Maduro said the time had come for the military to “return to the barracks”, but the reverse has happened.⁴³ A 10 February presidential decree created

³⁹ “PCV alerta que dialogo puede ser nuevo pacto de las élites”, *Tribuna Popular*, 11 November 2016.

⁴⁰ Crisis Group interview, member of Marea Socialista, 24 November 2016.

⁴¹ For an account of how the various government factions divided power after Maduro took office, see Gloria Bastidas, “El Mapa del Poder de las tribus chavistas”, *Konzapata.com*, 4 June 2014.

⁴² General Néstor Reverol, National Guard commander and former head of the anti-drugs agency, whose bid for the defence ministry was frustrated earlier in 2016, when General-in-Chief Vladimir Padrino López was reappointed, was appointed interior minister immediately after being indicted on drug charges by a U.S. court. “Maduro promotes Venezuelan general indicted on drug charges in US”, *The Guardian*, 3 August 2016. “Former top leaders of Venezuela’s anti-narcotics agency indicted for trafficking drugs to the United States”, The United States Attorney’s Office Eastern District of New York, 1 August 2016.

⁴³ Franz von Bergen, “Militares controlan más ministerios con Maduro que con Chávez”, *El Nacional*, 25 October 2015. Following Chávez’s death, the “Political-Military Command of the Revolution”, which has no constitutional status and whose precise composition has remained unclear, emerged as the apparent embodiment of a new, collegial authority within the “revolution”. Sofía Nederr, “Ordenan que militares en cargos públicos regresen a los cuarteles”, *El Nacional*, 12 December 2015.

Camimpeg, a military corporation with the right to operate in mining, petroleum and gas. On 9 July, Maduro created the Socialist Military Economic Zone, adding six more companies, in fields as diverse as finance and construction. The armed forces also control a bank, television and radio stations, agribusinesses, a transport company and a vehicle assembly plant.

For over two years, the defence minister, General Padrino López, has also been operational commander of the Armed Forces (FANB). On 11 July, he was appointed to head a newly created “Grand Mission of Sovereign Supply” that gave the military unprecedented control of food supplies, just as food riots were threatening to spin out of control. His longevity in a powerful position suggests he has the backing of a majority of the senior officers, at least in the army, the most important of the FANB’s four components. But he must retire from active service in 2017.⁴⁴ It is unclear who might replace him and whether the two posts will continue to be held by the same person or Padrino López might stay on in some role. The armed forces are likely to play a decisive role in determining whether Maduro is replaced, and if so by whom. But their opinions, individually and collectively, are nearly impossible to determine from the outside.⁴⁵ What is clear is that an elite group at the top of the FANB has a powerful interest in controlling any transition to preserve its interests, including business stakes and their institution’s integrity.

If popular unrest and/or politically-led street protests were to threaten regime survival, overwhelming National Guard and police riot squad capacity to contain them, the army would be the last line of defence. Its units have been trained in riot control, and rules of engagement allow use of deadly force against demonstrators under certain circumstances. Abundant riot control material is reported to have been purchased from China over the past year.⁴⁶ But many defence experts doubt the willingness of the army as a whole to fire on unarmed crowds.

That task would probably fall, in the first instance, to what are usually called the “collectives”, armed chavista civilians, often on motorcycles, whose subordination to the government is deniable and who have shown few scruples.⁴⁷ Half a dozen such groups, openly displaying military weaponry, are based in the immediate vicinity of the presidential palace. Though their deployment in Caracas is mostly restricted to the poor barrios west of the palace, with occasional forays against the opposition, they have frequently attacked opposition demonstrations elsewhere in Venezuela. On 26 October, when a mass march in the capital passed off peacefully, government paramilitaries attacked similar marches in at least five cities. Four demonstrators were reported shot and injured in Maracaibo. The National Bolivarian Militia, a military force created in 2007 that answers to the president and has a national presence, could conceivably also be deployed to control opposition protests.

⁴⁴ The four components are Army, Navy, Air Force, National Guard. The fifth, the Bolivarian Militia, whose commanding general reports directly to the president, has no constitutional status. Padrino López was to retire in July 2016 but was unexpectedly extended. Pedro Pablo Peñaloza, “Padrino López el superministro militar del gobierno de Maduro”, Univision, 13 July 2016.

⁴⁵ Crisis Group interview, defence and security specialist, Caracas, 21 November 2016.

⁴⁶ Juan Manuel Rafalli, “5 claves para entender la Resolución No. 008610 del Ministerio de la Defensa”, Prodavinci, 30 January 2015. Crisis Group interview, defence and security specialist, Caracas, 21 November 2016.

⁴⁷ For a more detailed description of the origins and nature of the “collectives”, see Crisis Group Latin America Report N°38, *Violence and Politics in Venezuela*, 17 August 2011.

Concern over violent repression has grown in the wake of mounting evidence of massacres and other security force abuse, particularly in joint operations against suspected criminal groups. “Operations to Liberate and Protect the People” (OLPs) began in 2015 in response to proliferation of “*mega-bandas*” with dozens, even hundreds of heavily armed criminals controlling swathes of the countryside or entire urban barrios. According to the government, they are not simply manifestations of organised crime, but part of a war waged by the opposition and its foreign allies.⁴⁸ The OLPs, a human rights advocate said, use the “logic of war”.⁴⁹ They draw on combined military and police units, heavily armed and with armoured vehicles. According to the Venezuelan human rights organisation PROVEA, 850 people have been killed in OLPs and 18,000 homes raided without warrants. The government also has a policy of evicting from public housing projects families, almost 1,500 reportedly to date, whose members are suspected of criminal activity.⁵⁰

In November 2016, eleven soldiers, including a lieutenant colonel, were accused of killing and dismembering more than a dozen youths in the Barlovento region of Miranda state during an OLP.⁵¹ The bodies were found in mass graves, and at least five more possible victims were missing, the government ombudsman said. The killings came not long after nine fishermen were murdered in Cariaco, Sucre state, in a massacre attributed to the National Guard.⁵² Killings on this scale are largely a consequence of the militarisation of policing and the impunity that comes with identification between government and security forces. In September, the Bolivarian National Police (PNB) was “restructured” and given a military-style uniform, blue, urban camouflage, with a red beret (a *chavismo* emblem). The PNB head and interior minister to whom he is answerable are military officers. Maduro said the task of this “socialist” police is to “combat the anti-values inculcated by capitalism”. The paper mechanisms to exert civilian, democratic control over security forces have been dismantled.⁵³

C. *The Private Sector*

When Chávez was briefly ousted in April 2002, the main employers’ confederation, Fedecámaras, played an important role. Its then chairman, Pedro Carmona, swore himself in as *de facto* president, with the backing of some generals. Already extremely strained, government-private sector relations have been openly hostile ever since, despite occasional dialogue. The government insists its economic problems are due

⁴⁸ Crisis Group interview, citizen security expert, 25 November 2016. “Operación Liberación y Protección del Pueblo: análisis de fondo”, Misión Verdad, 15 July 2015.

⁴⁹ Inti Rodríguez, coordinator, PROVEA, Unión Radio, 30 November 2016.

⁵⁰ See “Unchecked Power: police and military raids on poor and immigrant neighbourhoods in Venezuela”, PROVEA and Human Rights Watch, April 2016. On 27 July 2015, Maduro said, “anyone using their Misión Vivienda house for robberies, black-marketeering or drug trafficking, I will take it off them”.

⁵¹ “¿Que pasó en Barlovento? La masacre. Las víctimas. Las reacciones,” Prodavinci, 28 November 2016. “Antillano: ‘El gobierno está secuestrado por los cuerpos de seguridad’”, Supuesto Negado, 1 December 2016. By mid-December, twelve members of the army had been charged by state prosecutors with involvement in the massacre.

⁵² Ronny Rodríguez Rosas, “Van cinco personas detenidas por vinculación con la masacre de Cariaco”, Efecto Cocuyo, 24 November 2016.

⁵³ Marcos Tarre Briceño, “Corrupción policial en Venezuela”, *El Nacional*, 1 May 2016.

to an “economic war” waged by private capital in alliance with the MUD and foreign allies, especially the U.S. But today’s Fedecámaras eschews political involvement as far as possible. Business leaders avoid public comment on political issues. The biggest private corporation, Empresas Polar, which produces many staple food items, has been harassed. Its chairman, Lorenzo Mendoza, was recently prevented from leaving the country, threatened with jail and had the intelligence agency, SEBIN, on his doorstep for several days. Maduro said, without presenting evidence, that Mendoza wants to be president.⁵⁴

One of the most effective government weapons has been the exchange controls in effect since 2003. Though originally introduced to curb capital flight after a slump in international reserves caused by the opposition’s lock-out of the oil industry, they have been retained for political reasons, as Vice President Aristóbulo Istúriz has acknowledged. “If we lift exchange controls they’ll overthrow us”, he said.⁵⁵ The government has a near-monopoly on foreign currency, which it dispenses with a total lack of transparency.⁵⁶ There are two official exchange rates: the Dipro rate for food, medicines and other essential goods (Bs 10:\$1) and a variable rate known as Dicom or Simadi (Bs 665:\$1 in mid-December) for everything else. There is no publicly available information on who receives hard currency or the criteria by which it is assigned. Private businesses say they are forced to deal with intermediaries with access to the subsidised rates in order to purchase any imported item. The intermediaries charge at the parallel rate, now around Bs 4,000:\$1.⁵⁷

The number of private companies has shrunk dramatically since Chávez came to power in 1999. The industrial employers federation, Conindustria, estimates that some 8,000 manufacturing firms, around two thirds of the total, have closed since then.⁵⁸ The government expropriated about four million hectares of farmland, as well as roughly 500 food agribusiness and food companies, most of which produce a fraction of what they used to. Thanks to price controls on food and other basic items, many companies are obliged to sell their output below cost, and the retail sector has also been hit hard. For a few months in 2016, companies were able to import food and sell it at market prices, but the sudden sharp rise in the “parallel” dollar rate in November put a brake on that trade, since companies could no longer calculate the replacement price of the goods they sold.⁵⁹

Without private sector help, it will be impossible for the government to resolve scarcity and inflation. Despite a plethora of initiatives under Maduro aimed at reaching agreement with business leaders, however, nothing concrete has emerged, and the underlying problems remain intact.

⁵⁴ “Maduro arremetió contra Lorenzo Mendoza”, *El Nacional*, 11 August 2015.

⁵⁵ “Aristóbulo Istúriz: El control de cambio en Venezuela es una medida política, no económica”, *El Nacional*, 11 October 2016.

⁵⁶ This has led to major corruption. Central Bank chair Edmée Betancourt said in 2013 that some \$20 billion had been embezzled in foreign exchange fraud in 2012. She was fired almost immediately after the statement; no public investigation was made. “Presidenta del BCV: Parte de los \$59.000 millones entregados en 2012 fueron a ‘empresas de maletín’”, *aporrea.org*, 24 May 2013.

⁵⁷ Crisis Group interview, manufacturing business representative, Caracas, 24 November 2016.

⁵⁸ Luis Oberto, “Conindustria: 8,000 empresas han bajado sus santamarías”, *El Nacional*, 16 May 2016.

⁵⁹ Blanca Vera Azaf, “Dólar paralelo se dispara por alza del gasto público y recorte en entrega de divisas”, *El Nacional*, 30 November 2016.

D. *The International Community: Facilitators and Critics*

At the height of the 2014 street clashes, government and opposition held short-lived talks promoted by the Union of South American Nations (UNASUR) and facilitated by the foreign ministers of Brazil, Colombia and Ecuador, as well as the papal nuncio in Caracas, Monsignor Aldo Giordano. Though the talks were fruitless, they established UNASUR and its secretary-general, Ernesto Samper, as potential facilitators in future Venezuelan conflicts, despite the misgivings of the MUD, which saw the organisation as a government ally. The government regarded the Organization of American States (OAS) as a colonialist relic beholden to the U.S. Though its secretary-general, Luis Almagro, had received Venezuela's support for his candidacy, he became an outspoken, voluble critic of Caracas, rendering his participation in any facilitation highly unlikely.

UNASUR was one of the few international organisations to accept the government's restrictive terms for observing ("accompanying" in the official phrase) the 6 December 2015 legislative elections. Unable to reach consensus on a chief of delegation from within South America, it settled on Leonel Fernández, ex-president of the Dominican Republic. Also among the international observers were Spanish ex-Premier José Luis Rodríguez Zapatero and former Panamanian President Martín Torrijos. As the conflict heated up after the MUD's victory, these three – led by the Spaniard – began to try to bring the sides together. On 19 May, the MUD met Zapatero in Caracas, and later that month the three facilitators met both sides in the Dominican Republic. After the government made this public, the MUD was forced to deny face-to-face talks. It issued a statement outlining three main demands: release of political prisoners and an end to political persecution; an end to the ban on international humanitarian aid; and respect for separation of powers.⁶⁰

Though contacts continued over succeeding months, and Zapatero shuttled between Madrid and Caracas, no substantive progress was made. Nonetheless, the Zapatero initiative was endorsed by most major international players, including the U.S. State Department, the OAS Permanent Council, the European Union (EU) and the Vatican. Attempts by OAS Secretary-General Almagro to insist on application of the Inter-American Democratic Charter did not prosper, but there were clear signs that the Maduro government's standing in the region had sharply declined. The Mercosur trading bloc refused to allow Venezuela to assume its rotating presidency in June 2016, and in December its membership was suspended for failure to adapt its regulations to Mercosur norms.⁶¹ In August, fifteen OAS member states signed a

⁶⁰ "MUD emite comunicado sobre reunión en República Dominicana para impulsar diálogo nacional", *Noticia al Día*, 28 May 2016. The MUD communiqué stressed that there was no contradiction between seeking dialogue and pursuing application of the Inter-American Democratic Charter at the OAS, saying that without international pressure, dialogue would be impossible. However, those within the MUD most keen on dialogue (and who initially contacted Zapatero) opposed application of the Charter; its most fervent supporters were the most sceptical of dialogue. Crisis Group interviews, leading opposition figures and political analysts, November 2016.

⁶¹ "El Mercosur suspende a Venezuela por incumplir los acuerdos de adhesión", *Agence France-Presse*, 1 December 2016. Uruguay has resisted moves by the other three members (Argentina, Brazil and Paraguay) to call Venezuela to account under the terms of the Ushuaia protocol, which requires Mercosur members to adhere to democratic norms. The rather unsatisfactory result has been a suspension of Venezuelan membership that itself appears to flout the organisation's rules.

statement calling not only for dialogue, but also for the CNE to complete “without delay” the remaining stages of the recall referendum process.⁶²

Three key allies of Venezuela, two with seats on the UN Security Council, could potentially play a positive role but have declined, at least in public, to step forward. Vladimir Putin’s Russia, which has been a major arms supplier, has expressed support for the dialogue but warned of U.S. “interference”. In early December, Maduro announced that in 2017 Russia would supply “all the flour” Venezuela needed to overcome economic “sabotage”, as well as military equipment, including a missile defence system. The Chinese are primarily concerned about the \$20 billion or so the government owes them and are likely to act pragmatically. Cuba has maintained “revolutionary solidarity” rhetoric, but as Venezuela’s ability to subsidise its energy consumption and provide hard cash declines, there is at least a chance it could contribute to a creative solution.

⁶² “Este es el comunicado firmado por 15 países miembros de la OEA sobre Venezuela y el revocatorio”, Prodavinci, 11 August 2016.

IV. Prospects for 2017

Venezuela began 2016 with hopes that the sweeping opposition victory in the December 2015 legislative elections might bring constructive negotiations between government and opposition, leading to a peaceful, democratic solution to the profound economic and social crisis. But the government's decision to use its control of the courts and the electoral authority to render parliament impotent and block the MUD's campaign for a recall referendum has exacerbated the authoritarian tendencies in government and the opposition's indignation.

It is hard to predict precisely how this will play out in 2017, though some things are already clear. The economy is heading for hyperinflation and levels of scarcity that will overshadow those of 2016. A chaotic default on the international debt cannot be ruled out. On the political front, Maduro's position will be weaker after 10 January since his departure, for whatever reason, could thereafter occur without causing the government to fall. This may lead to factional struggles, as groups within the regime compete to succeed him. The incoming Trump administration in the U.S. is an unknown quantity. The crucial symbiotic relationship between Havana and Caracas may undergo changes following Fidel Castro's death. Both the UN and UN-ASUR will have new leadership.⁶³ If hardliners prevail, talks between government and opposition will break down, and violence and/or outright dictatorial rule will be more likely. Mutual moderation is essential, even when Venezuela's polarisation and economic woes make it seem unlikely.

A. *The Economy*

In the month of November alone, the bolivar lost around two thirds of its value on the free market, dropping from Bs 1,501.17:\$1 to over Bs 4,500:\$1.⁶⁴ The government has not published inflation figures since December 2015, but most economists agree the country is headed for hyperinflation.⁶⁵ New banknotes, promised for mid-December, include a Bs 20,000 bill: the highest denomination previously in circulation – Bs 100 – was withdrawn at 72 hours' notice. The measure, supposedly aimed at combating exchange "mafias", caused chaos in an economy already acutely short of cash.⁶⁶

The economy has been shrinking for ten quarters and, the International Monetary Fund says, is likely to contract a further 4.5 per cent in 2017.⁶⁷ With domestic production of almost all basic goods failing to meet even the diminished demand of a deep recession, there is a pressing need for imports to cover the shortfall, especially in vital goods such as food and medicine. But Venezuela is roughly 96 per cent dependent on oil income to produce the hard currency required; the international

⁶³ Samper lost support among member states as a result of changes of government in Argentina and Brazil particularly. In mid-2016, he announced he would not seek a second term as secretary general but would stay until early 2017 while a replacement was sought.

⁶⁴ Figures taken from the website DolarToday, whose figures are widely used for black market trading. The highest official rate is Bs 10:\$1, the lowest Bs 665:\$1.

⁶⁵ Roberto Deniz, "5 síntomas de que Venezuela tiene hiper-inflación", Runrunes, 10 August 2016.

⁶⁶ "Rechazo e incertidumbre produce anuncio de sacar de circulación billetes de 10 bolívares", Runrunes, 11 December 2016.

⁶⁷ "World Economic Outlook", International Monetary Fund, October 2016.

price of its crude is 60 per cent below its \$103.42/barrel 2012 average, and imports have shrunk accordingly. In May, Economy Minister Miguel Pérez Abad said \$15 billion would be available for 2016 imports, compared with over \$50 billion in 2012.⁶⁸

Starting in 2004, Chávez raided Central Bank reserves to finance the public sector deficit, in violation of the constitution. In 2005, the government determined that it could skim off reserves in excess of what it determined was the “optimum level”, of \$26.8 billion. By the end of October 2016, reserves were less than \$11 billion, having fallen by around \$5.5 billion since the beginning of the year. In addition to financing essential imports, the government needs more than \$9 billion in 2017 to meet foreign debt repayments. A bond swap carried out in October to ease the pressure by extending payment deadlines had only limited success, at the cost of increasing the overall debt burden. Bond yields, financial analysts say, show the market sees default within five years as a 90 per cent probability.⁶⁹

Perhaps the government’s biggest problem in 2017 is its need for hard currency. Even China, which has provided some \$60 billion since 2007, is reluctant to keep bailing out a government that shows no sign of implementing urgently needed economic reforms and whose political viability is in question.⁷⁰ Moreover, the government cannot constitutionally incur debt without National Assembly approval. Though the TSJ ruled the 2017 budget legal without parliamentary authority, international courts would be unlikely to uphold creditors’ claims for repayment of unauthorised debt, reducing the attractiveness of Venezuelan bond offers.⁷¹ This is a powerful factor favouring some kind of political deal in 2017.

B. *The Social Emergency*

Unlike many countries in the region which have experienced hyperinflation, Venezuela has no wage indexation system. Most employees earn the minimum wage, but according to an independent research group, fourteen minimum wages were needed in October to buy essential food for a family of five in Caracas. The cost had risen by 632 per cent in a year. On the basis of the black market exchange rate, the monthly minimum wage is worth just over \$6.⁷² In the capital and around the country, the sight of people foraging for food in rubbish bags is common. Hunger has increased dramatically. Deaths from malnutrition, unacknowledged by the government, are increasing among both children and adults. Between January and May 2016, those

⁶⁸ A. Vargas, “Pérez Abad estimó importaciones no petroleras 2016 en apenas \$15 millardos”, *elcambur.com*, 12 March 2016.

⁶⁹ Sebastian Boyd and Nathan Crooks, “Venezuela’s PDVSA sows payment doubts while extending swap”, *Bloomberg*, 17 October 2016.

⁷⁰ Kejal Vyas, “China rethinks its alliance with reeling Venezuela”, *The Wall Street Journal*, 11 September 2016.

⁷¹ José Ignacio Hernández, “Que significa que la Sala Constitucional y no la Asamblea Nacional apruebe el presupuesto 2017?”, *Prodavinci*, 12 October 2016.

⁷² “Reporte Mensual ‘Canasta Básica de Alimentos, Bienes y Servicios’ Oct 2016”, Centro de Documentación y Análisis para los Trabajadores (CENDA), 30 November 2016. The latest minimum monthly wage increase, to Bs 27,091, (\$6.37 at black-market rate on 10 December) was decreed by President Maduro on 27 October. Additional food vouchers worth Bs 63,720 (\$14.98 at black-market rate on 10 December) are paid to adults of working age.

suffering malnutrition rose from 13.4 per cent to 25 per cent of the population, according to a nutrition expert from the Fundación Bengoa.⁷³

But the social emergency is by no means solely a question of hunger and physical hardship. An unknown number of people have died for lack of essential medicines, equipment or medical services. The public health service is close to collapse.⁷⁴ Diseases that had been eradicated or brought under control are returning as epidemics. The government, however, denies there is a crisis and threatens or punishes those who protest. A Human Rights Watch report found that maternal mortality in the first five months of 2016 was 79 per cent higher than in the same period of 2009, the last for which official figures were available. Infant mortality was up 45 per cent over 2013. Medical staff were reportedly threatened with dismissal if they spoke out, while ordinary citizens who protested were liable to be beaten, arrested and even tried by military courts.⁷⁵

Those who have tried to bring in medical aid from abroad have found it blocked by the government. The authorities seized in November a shipment of medicines and food supplements belonging to the Catholic charity Caritas that had arrived in August from Chile. Customs said Caritas had failed to supply the appropriate documentation. Caritas and the Catholic Church denied this and called for humanitarian aid to be addressed at the talks between government and opposition. On 30 November, a doctor and a worker at the Magallanes de Catia hospital in Caracas were arrested by SEBIN agents after accepting a donation of medical supplies from an organisation led by the wife of political prisoner Leopoldo López.⁷⁶

C. *Chavismo post-10 January*

Thanks to Article 233 of the constitution, the post of vice president becomes particularly attractive to ambitious politicians at the onset of the fifth year of a presidential

⁷³ According to Professor Luis Pedro España of the Poverty Project at the Catholic University (UCAB) in Caracas, 8 per cent of Venezuelans admit to scavenging for food waste. Daniel Pardo, “Cuánta hambre hay realmente en la Venezuela de la ‘crisis alimentaria’?”, BBC Mundo, 21 April 2016. Mariel Lozada, “Victimas del hambre: desnutrición infantil ha cobrado tres vidas” and “Desnutrición, escasez y fallas de estructura amenazan a la niñez”, Efecto Cocuyo, 26 August and 29 November 2016. Sabrina D’Amore, “Desnutrición aumentó 12% en cinco meses a causa de la inflación y la escasez”, Runrunes, 30 June 2016.

⁷⁴ In June 2016, the president of the Pharmaceutical Federation of Venezuela said 85 per cent of medicines that ought to be available at pharmacies were either absent or hard to find. A survey by doctors found that more than three-fourths of public hospitals lacked basic medicines. Nicholas Casey, “Dying infants and no medicines: inside Venezuela’s failing hospitals”, *The New York Times*, 15 May 2016.

⁷⁵ Among the latest diseases to reappear is diphtheria: José Poito, “Brote de difteria se ha expandido por seis estados en dos meses”, Notiminuto, 30 November 2016. The government has not published a monthly epidemiological bulletin since late 2014. Foreign Minister Delcy Rodríguez told the OAS Permanent Council in June there was, “no humanitarian crisis [in Venezuela]”. The government has said claims of a humanitarian crisis and calls for international aid are a cover for foreign intervention. Maira Ferreira, “Delcy Rodríguez: En Venezuela no hay crisis humanitaria”, *El Universal*, 23 June 2016. “Humanitarian crisis in Venezuela: severe medical and food shortages, inadequate and repressive government response”, Human Rights Watch, 24 October 2016.

⁷⁶ Communiqué, Justice and Peace Commission of the Catholic Bishops’ Conference and Caritas Venezuela, 25 November 2016. Diego A. Torrealba, “Sebin detuvo a médico y sindicalista en Hospital de los Magallanes de Catia por recibir donación de insumos médicos”, *El Pitazo*, 1 December 2016.

term. Unlike many countries with a presidential system, Venezuela does not elect vice presidents: they are appointed like ordinary cabinet members. If the president dies, resigns or is removed from office during the last two years of the six-year term, the vice president serves out the term and is in a good position to seek election to the presidency in his or her own right.

There have already been thinly veiled displays of interest in the post by some leading figures. On 29 September, the governor of Carabobo state, Francisco Ameliach, suggested Maduro might name Diosdado Cabello to the post, though he framed it as a means of discouraging the opposition from pursuing a recall referendum beyond 10 January.⁷⁷ The next day, National Assembly member and former Vice President Elías Jaua, a member of Maduro's inner circle, told an Ecuadorean news agency the leadership backed the president for re-election, a statement taken as a riposte to Cabello and Ameliach.⁷⁸ A few days later, Maduro used his weekly television program ("Contact with Maduro") to endorse the current vice president, Aristóbulo Istúriz, another civilian leftist. In somewhat ambiguous terms, he spoke of handing Istúriz the responsibility Chávez had given him before his death.⁷⁹

Cabello embarked on an intensive tour in mid-2016 that took him to almost every state (and many military barracks), leading some commentators to suggest he was campaigning for the presidency. But polls indicate his hardline message and abrasive personality are not popular.⁸⁰ Both Maduro and Jaua, as well as Aragua state governor Tareck el Aissami – another figure rumoured to have presidential ambitions – have better numbers.⁸¹ That all potential PSUV replacements are either as unpopular as Maduro or more so may discourage those who might seek to replace him. Anyone aspiring to the job will also require, at a minimum, acquiescence of the armed forces. Many officers who graduated with Cabello and took part with him in Chávez's 1992 failed coup attempt are now senior generals, but he cannot count on majority support in the barracks. Unlike Chávez, Maduro has not been able to exert full authority over the FANB's factions, but, with the possible exception of the current defence minister, nor has anyone else.⁸²

D. *Prospects for a Negotiated Solution*

The current set-up for talks between government and opposition, under Vatican and UNASUR auspices, seems unlikely to prosper. The next plenary is set for 13 January, but the MUD did not attend the last, on 6 December, and has said it will not partici-

⁷⁷ "Maduro nombraría a Diosdado Cabello vicepresidente", *El Nacional*, 4 October 2016.

⁷⁸ Eligio Damas, "Elías Jaua vuelve a confrontar a Diosdado, esta vez por la candidatura", *aporrea.org*, 30 September 2016. Jaua belongs to the chavista movement's radical civilian left, which is often at odds with the military wing. He is close to the Frente Francisco de Miranda, a Cuban-trained, armed organisation said to number 20,000 militants around the country.

⁷⁹ "Nicolás Maduro pone su confianza en Aristóbulo Istúriz", *Notitarde*, 5 October 2016.

⁸⁰ Cabello's weekly television show, "Con el mazo dando", translates literally as "hitting with the club".

⁸¹ See, for example, the Venebarómetro poll, July 2016, in which three quarters of respondents said they did not trust Cabello: Luz Mely Reyes, "Cinco datos de la encuesta de Venebarómetro para tomar en cuenta", *Efecto Cocuyo*, 24 July 2016.

⁸² Crisis Group interview, security and defence expert, Caracas, 21 November 2016.

pate until the government fulfils its commitments.⁸³ Its position was strengthened by the leak of a 2 December letter to Maduro from Cardinal Parolin in which the Vatican expressed “pain and concern” over lack of progress in the talks and “demanded” fulfilment of four agreements: measures to address the humanitarian crisis; establishment of an electoral timetable; restoration of the National Assembly’s authority; and release of political prisoners.⁸⁴ The government responded with a public letter from Jorge Rodríguez rejecting the demands, accusing Parolin of violating the terms of the facilitation mission and ruling out any change in the electoral calendar.⁸⁵

There are elements within the MUD that would be willing to wait for scheduled elections in December 2018 rather than serve out the last two years of Maduro’s term then to face an electorate that might well be frustrated at the slow pace of change.⁸⁶ But it is politically impossible to say so publicly, given the desperation many supporters feel for an immediate change of government.

Neither side has formally abandoned the talks, however, and whichever did so first would pay a political price, particularly due to the presence of the Vatican, with its considerable moral authority. Especially the MUD, which put such weight on the intervention of Pope Francis, may take seriously the threat that if talks break down and the Vatican departs, it will not easily be persuaded to return. The MUD’s problem, however, is how to defend participation in talks that have produced virtually no tangible results, aside from release of seven opposition prisoners, against the public resistance of vocal elements of its coalition. If the dialogue can somehow be kept going, or revived if it breaks down, the most decisive factor is likely to become the economic and financial crisis to which there is no prospect of a solution without an agreement. Awareness of its likely consequences – chaotic default, social explosion, military coup or a combination of all three – may finally concentrate the negotiators’ minds.

⁸³ “Si el régimen no cumple, MUD no asistirá al diálogo el 6D”, comunicado, MUD, 2 December 2016.

⁸⁴ Emiliana Duarte, “Parolin’s letter”, Caracas Chronicles, 7 December 2016.

⁸⁵ Christian Colina, “Guerra de cartas: Rodríguez arremetió contra la iglesia por críticas al diálogo”, Caraoa Digital, 9 December 2016.

⁸⁶ Crisis Group interview, political analyst, 21 November 2016.

V. Conclusion

Venezuela urgently needs a solution to a crisis that has exacerbated political polarisation and harmed the livelihoods and well-being of a majority of its citizens. The Maduro government has provided little more than palliatives: millions do not have enough to eat, while thousands are dying needlessly because of shortages of medicines and basic health care. The government's deep unpopularity resulted in a sweeping victory for the opposition coalition in parliamentary elections a year ago, but rather than heeding the electorate's voice, the government declined to seek the middle ground. It chose to nullify the result by erecting institutional, at times physical barriers around the National Assembly, hardened its revolutionary discourse and rode roughshod over legal and constitutional norms in a bid to regain lost hegemony.

The opposition responded by seeking a recall referendum against the president and an early change of government. Once again Maduro wielded his institutional control, delaying, blocking and ultimately suspending the referendum campaign, despite clear evidence that it represented the will of the majority. The recall referendum was far from an ideal solution: an early presidential election leading to a sudden change of government would have had severe risks of instability given chavismo's control of the oil industry, state apparatus, economy and armed forces. But it was constitutional, democratic and potentially the least worst option.

Many now look to the 2018 presidential election. With two years of his term remaining, however, President Maduro and his ministers look incapable of averting economic collapse and an even more profound humanitarian crisis. Though a classic military coup seems unlikely, there is a strong possibility that the armed forces will gradually assert greater control. To restore the rule of law and prevent further suffering, an agreement with the opposition is essential and can only be obtained with international assistance. Ideally, an interim government representing both sides would implement urgent economic reforms and restore the independence and professionalism of the judiciary and the electoral authority so as to ensure a free and fair 2018 election. The facilitation process led by the Vatican and UNASUR is a start, but to succeed a more robust structure featuring international verification procedures for agreements, as well as input from civil society and external technical expertise, will be needed.

Caracas/Bogotá/Brussels, 16 December 2016

Appendix A: Map of Venezuela



Appendix B: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early warning bulletin, providing a succinct regular update on the state of play in up to 70 situations of conflict or potential conflict around the world.

Crisis Group's reports are distributed widely by email and made available simultaneously on its website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The Crisis Group Board of Trustees – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring the reports and recommendations to the attention of senior policymakers around the world. Crisis Group is chaired by former UN Deputy Secretary-General and Administrator of the United Nations Development Programme (UNDP), Lord Mark Malloch-Brown. Its Vice Chair is Ayo Obe, a Legal Practitioner, Columnist and TV Presenter in Nigeria.

Crisis Group's President & CEO, Jean-Marie Guéhenno, served as the UN Under-Secretary-General for Peacekeeping Operations from 2000-2008, and in 2012, as Deputy Joint Special Envoy of the United Nations and the League of Arab States on Syria. He left his post as Deputy Joint Special Envoy to chair the commission that prepared the white paper on French defence and national security in 2013. Crisis Group's international headquarters is in Brussels, and the organisation has offices in nine other locations: Bishkek, Bogota, Dakar, Islamabad, Istanbul, Nairobi, London, New York, and Washington DC. It also has staff representation in the following locations: Bangkok, Beijing, Beirut, Caracas, Delhi, Dubai, Gaza City, Guatemala City, Jerusalem, Johannesburg, Kabul, Kiev, Mexico City, Rabat, Sydney, Tunis, and Yangon.

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December 2016

Appendix C: Reports and Briefings on Latin America since 2013

Special Reports

Exploiting Disorder: al-Qaeda and the Islamic State, Special Report, 14 March 2016 (also available in Arabic).

Seizing the Moment: From Early Warning to Early Action, Special Report N°2, 22 June 2016.

Governing Haiti: Time for National Consensus, Latin America and Caribbean Report N°46, 4 February 2013 (also available in French).

Totonicapán: Tension in Guatemala's Indigenous Hinterland, Latin America Report N°47, 6 February 2013 (also available in Spanish).

Peña Nieto's Challenge: Criminal Cartels and Rule of Law in Mexico, Latin America Report N°48, 19 March 2013 (also available in Spanish).

Venezuela: A House Divided, Latin America Briefing N°28, 16 May 2013 (also available in Spanish).

Justice at the Barrel of a Gun: Vigilante Militias in Mexico, Latin America Briefing N°29, 28 May 2013 (also available in Spanish).

Transitional Justice and Colombia's Peace Talks: Latin America Report N°49, 29 August 2013 (also available in Spanish).

Justice on Trial in Guatemala: The Ríos Montt Case: Latin America Report N°50, 23 September 2013 (also available in Spanish).

Left in the Cold? The ELN and Colombia's Peace Talks, Latin America Report N°51, 26 February 2014 (also available in Spanish).

Venezuela: Tipping Point, Latin America Briefing N°30, 21 May 2014 (also available in Spanish).

Corridor of Violence: The Guatemala-Honduras Border, Latin America Report N°52, 4 June 2014 (also available in Spanish).

Venezuela: Dangerous Inertia, Latin America Briefing N°31, 23 September 2014 (also available in Spanish).

The Day after Tomorrow: Colombia's FARC and the End of the Conflict, Latin America Report N°53, 11 December 2014 (also available in Spanish).

Back from the Brink: Saving Ciudad Juárez, Latin America Report N°54, 25 February 2015 (also available in Spanish).

On Thinner Ice: The Final Phase of Colombia's Peace Talks, Latin America Briefing N°32, 2 July 2015 (also available in Spanish).

Venezuela: Unnatural Disaster, Latin America Briefing N°33, 30 July 2015 (also available in Spanish).

Disappeared: Justice Denied in Mexico's Guerrero State, Latin America Report N°55, 23 October 2015 (also available in Spanish).

The End of Hegemony: What Next for Venezuela?, Latin America Briefing N°34, 21 December 2015 (also available in Spanish).

Crutch to Catalyst? The International Commission Against Impunity in Guatemala, Latin America Report N°56, 29 January 2016 (also available in Spanish).

Venezuela: Edge of the Precipice, Latin America Briefing N°35, 23 June 2016 (also available in Spanish).

Easy Prey: Criminal Violence and Central American Migration, Latin America Report N°57, 28 July 2016 (also available in Spanish).

Colombia's Final Steps to the End of War, Latin America Report N°58, 7 September 2016 (also available in Spanish).

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