



State of health

Venezuela remains uncertain of Chávez' future

As Venezuela prepares for presidential elections in October, incumbent President Hugo Chávez is fighting both a close political battle and serious illness. **Andy Webb-Vidal** examines scenarios for this potentially tumultuous period and beyond.

▶ KEY POINTS

- Venezuela's President Hugo Chávez is running for his third term in office in forthcoming presidential elections due in October, although he is facing his possibly strongest political challenge, while also battling serious illness.
- Chávez's PSUV party is riven with factional divisions, while there remains no clear succession plan in place should the president become incapacitated, raising concerns about stability should his health worsen.
- While the incapacitation of Chávez prior to the election, or his defeat in the poll, would raise the risk of short-term unrest or insecurity, his entry into a third term in office, even if this was cut short through illness, would mean that certain more fundamental problems facing Venezuela could remain unaddressed.

Venezuela's President Hugo Chávez expects to run for a third, six-year term in office in October. While Chávez is no novice when it comes to election campaigning, and he remains a formidable opponent for any challenger, the former paratrooper officer is facing what looks set to be the closest vote since he assumed power. Yet after 13 years in office, it could shape up to be an unlucky year for the self-styled revolutionary, as Chávez is fighting not only a democratic and determined bid to unseat him, but is also battling cancer, a situation that has created an extra layer of risk and unpredictability across Venezuela's already volatile political landscape.

After weeks of speculation that he was suffering from a serious illness, in June 2011 a visibly underweight and gaunt Chávez acknowledged he had been diagnosed with cancer. As is the case with other matters of state in Venezuela, opacity rather than transparency is the rule: although Chávez said

a malignant baseball-sized tumour had been removed from his pelvic region, and that he would undergo treatment in Cuba, the type of cancer and other details have since been kept a closely-guarded secret. The following November, Chávez claimed that Cuban doctors had given him the all-clear after several rounds of radiotherapy and chemotherapy. Yet in February 2012, Chávez, who will be 58 in July, said a new malignant lesion had been detected, requiring further surgery.

The president's health has become the most critical issue in Venezuelan politics. The lack of clarity over what should be a matter of public interest has had an effect on both Chávez' political allies, some of whom have glimpsed the possibility of a world without privilege in the shadow of their supreme leader, and on the opposition, which has been gearing up for the October presidential election. Indeed, on 7 October Chávez is due to face the 39-year-old Henrique Capriles Radonski, a youthful challenger who has more democratic



Venezuela's President Hugo Chávez, second from left, attends a military ceremony in Caracas in January.

PA: 1454398

legitimacy than any candidate before him, having won a primary election in February 2012. The politically centrist Capriles is making inroads into convincing voters that his programme of modernisation is the only escape from the maelstrom of economic chaos and violent crime that Venezuela faces. "I wish him a speedy recovery so he can see the changes coming in Venezuela," Capriles said of the incumbent.

In the best scenario, Chávez' physical condition would seem incompatible with the pace of political campaigning required of a presidential candidate, especially for one whose style is so energetic and bombastic. Yet, for the former paratrooper, the need to extend his grip on power is fundamental: Chávez regularly claims that his Bolivarian Revolution – a mixture of socialism, fascism, anti-imperialism and ideals inherited from Latin America's 19th-century independence icon Simón Bolívar – are a matter of destiny.



Venezuelan militia march during a military parade in Caracas, Venezuela, in February.

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'The lack of clarity about President Hugo Chávez' health has become the most critical issue in Venezuelan politics'

Risk in May 2012

To assess the likely evolution of risk in Venezuela in the near future and beyond the October 2012 presidential elections, it is first necessary to analyse the country's current level of stability. This can be established by examining five factors: political, social, economic, military/security, and external.

Political stability

Until his battle with cancer, Chávez had been the odds-on favourite to win re-election in October and to continue governing until 2019. However, his illness has changed the political landscape. Radical anti-Chávez groups say Chávez' health prognosis is far worse than official versions, and that the dearth of official updates on his condition is evidence that he has only months to live. According to an official working at the military hospital in Caracas consulted by *IHS Jane's*, Chávez is likely to be suffering from an aggressive sarcoma, a cancer stemming from a bone or muscle tissue, not colon or prostate cancer.

However, the medics best informed of Chávez' true condition are those who have treated him in Cuba. One diplomatic source in

Caracas told *IHS Jane's* that because Cuba depended greatly on Venezuelan economic aid, Havana has told Chávez' Cuban doctors not to release the true diagnosis, on the grounds that realising the information regarding a potentially terminal condition would trigger panic and make it much more likely that he will lose political control sooner rather than later. According to *IHS Jane's* sources, Chávez' medical team is now comprised entirely of Cubans after a dispute with Venezuelan medics over the course of treatment. The sources said that after a fourth chemotherapy session in October 2011, Chávez had displayed symptoms of marrow aplasia and was given dialysis because of renal failure. This may have happened because the Cuban doctors gave him corticosteroids to reverse weight loss and to ensure that his physical appearance dispelled political speculation that he was seriously ill. Indeed, during the second half of 2011, Chávez appeared bloated during public appearances. Venezuelan oncologists apparently objected to the Cuban application of corticosteroids.

Chávez' illness initially gave him a fillip of sympathy support, but the impression



Venezuela's President Hugo Chávez addresses supporters from a balcony at the presidential palace in Caracas in March. PA: 1454396

that Chávez has become a pale shadow of his former strongman image and that he may soon die or be too ill to govern has had a destabilising effect within the regime, as the cloak of secrecy draped over his diagnosis has intensified the jostling for positions within his inner circle. This in-fighting has been glimpsed within the governing party, the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela: PSUV) which is split between civilian and military factions.

The president's elder brother, Adán Chávez, a radical Marxist and the governor of the state of Barinas, has warned publicly that the PSUV and Chávez' inner circle is beset by treachery. Yet there is no clear individual who would inherit Chávez' role. Constitutionally, the vice-president would take over if Chávez was incapacitated for health reasons, but the president has said he intends to replace the current Vice-President Elías Jaua. Another powerful individual is vice-president of the PSUV, Diosdado Cabello, ostensibly from the more military wing of the party and chairman of the legislature, the national assembly. *IHS Jane's* currently considers that Cabello is the military's preferred successor in the event of Chávez' incapacitation, although Adán Chávez is thought to be favoured by Havana.

Within the opposition camp, Chávez' illness has triggered unspoken speculation that he might have to anoint a substitute candidate, such as Adán Chávez, Jaua or Cabello, but that none of these would come close to having the same degree of public support as the president himself. Yet more important is the fact that by winning a primary election in February 2012, Capriles has been able to

present himself as a legitimate candidate, as well as a fresh face, distant from the former opposition movement dominated by self-interested local media barons and business leaders who had previously put forward candidates selected by consensus. The first opinion polls taken following the selection of Capriles in the primary indicate that Chávez remains in the lead by between 10 and 15 percentage points, but that with the election still six months away, the lead is far from insurmountable and many voters are still undecided. One poll, from Consultores 21, taken shortly before the February primary, showed the two candidates in a tie; another poll, by Datanalysis, taken in late March, showed Chávez leading with 44%, compared with 31% for Capriles, but with 25% undecided.

Social stability

Venezuela is ethnically mixed and racial tensions are practically non-existent, but social cohesion is weak. Poverty indices have declined during the past 13 years under the Chávez government, which has pursued a range of programmes intended to alleviate indigence. According to the official National Statistics Institute, the percentage of Venezuelan households in poverty has fallen from 43% in early 1999, at the start of the Chávez government, to 27% during the second half of 2011. However, social marginalisation is still highly visible.

In addition, public security and crime have worsened significantly under Chávez, especially in the capital's sprawling slums. Caracas is now rated as one of the world's most violent cities. Across Venezuela, the annual murder

rate has roughly quadrupled since 1998, from about 4,500 per year to about 18,000, equivalent to around 75 per 100,000 members of the population, according to non-governmental organisations such as the Venezuelan Violence Observatory.

This situation has seen crime and insecurity come to be seen as the country's biggest problem, according to opinion polls. Yet the government has been unable to tackle the problem effectively, and few believe official explanations that the root cause of violent crime is related to opposition destabilisation campaigns. A national police force began to be instituted in 2009, but it has so far been of limited effectiveness. The situation is not helped by the involvement of elements of the police force in criminal activity, while Venezuela's justice system is painfully slow.

Organised crime such as drugs trafficking, kidnapping and contract murders related to gang warfare has flourished in recent years. Venezuela also faces a host of social tensions, caused by issues such as a chronic housing shortages, decrepit public services and crumbling infrastructure. Yet because these problems have worsened gradually rather than suddenly, the risk of serious social unrest, upheaval or rioting is low.

Economic stability

Venezuela is the world's fifth-largest exporter of oil, accounting for around 95% of its foreign exchange earnings. Reliance on a single commodity means Venezuela has a more volatile economy than other countries in Latin America, and its economic fate depends on the cyclical rise and fall of oil prices. With the price of crude currently rising after a steep decline in late 2008 and 2009, the Venezuelan economy is again growing. The country's gross domestic product (GDP) contracted by 3.2% and 1.5% in 2009 and 2010, but last year expanded by 4.2%, and this year is forecast to grow by a further 4-5%.

Despite this recovery, the Venezuelan economy is beset by major structural distortions and supply bottlenecks. Policy has been guided by nationalisation and increased state ownership of broad sectors of the economy, increased indebtedness due to chronic fiscal deficits, foreign exchange and price controls, and a range of other heterodox and arbitrary measures. As a result, manufacturing and the non-oil industry have been decimated, Chávez' anti-capitalist rhetoric has deterred private and foreign investment, a large part of the economically active population is trapped

in the informal economy, shortages of staple goods are common and the annual rate of inflation is running at around 30%, one of the highest in the world. Rather than correct these distortions, government policy, guided by Chávez' socialist and interventionist principles, is making matters worse. For example, in April 2012 the government extended price controls to a number of non-essential items, a move that is likely to lead to a scarcity of these goods and the appearance of additional black markets.

The current surge in oil prices is politically fortuitous for Chávez in that it is allowing him to ramp up government expenditure ahead of the election, thus inducing popular support. However, should the price of oil once again decline, this would reverse the gains and bring fresh economic pain. *Petróleos de Venezuela (PDVSA)*, the state-owned oil company and the engine of the economy, has seen a steady decline in its operating profit in recent years, as its cash has been diverted to social welfare goals and dividends are siphoned off into official political funds such as the *Fondo de Desarrollo (Fonden)*. PDVSA has invested too little on exploration and the maintenance of oil wells and refineries and, subsequently, oil output has declined. The Venezuelan economy is now structurally more vulnerable than it has been for many years.

Military and security stability

The Venezuelan military has a key place in Chávez' 'Bolivarian Revolution'. Rather than acting as an apolitical defender of state sovereignty, it has been given a role in economic and social development: officers have been given senior positions in government agencies and companies, and soldiers are regularly engaged in welfare programmes, land expropriations and, at times, quelling political demonstrations.

Over the past decade, the armed forces' doctrine has also been infused with anti-imperialist values, Chávez' direct control over the armed forces has been strengthened with the president made commander-in-chief and promotions are now decided by the president and a secretive unit of Cuban intelligence advisers. Accompanied by regular purges of suspect officers that have taken place since the military-civilian coup that unseated Chávez for 48 hours in April 2002, these changes, although designed to ensure officers' and troops' loyalty, have in fact left Venezuelan officers more vulnerable to politicisation and corruption, and made the military as an

institution inherently more unstable and unpredictable. A number of Chávez' former senior military allies who resisted these changes have been imprisoned, such as General Raúl Isaías Baduel, a former minister of defence who was sentenced to more than seven years in prison by a military court in May 2010 on charges of stealing public funds and the abuse of authority.

Complicating matters further, Chávez has also created a parallel, part-time armed militia force called the Bolivarian National Militia (*Milicia Nacional Bolivariana: MNB*). Although officially intended to contribute to national development, and numbering around 500,000 individuals, the MNB is not well regarded by the regular army, which suspects that it was created in part because the president does not fully trust the loyalty of the military, and that the MNB may be employed to resist a military coup d'état by force if nec-

'The most important external relationship that has a bearing on the current and future risk situation in Venezuela is with Cuba'

essary. The president has his own command structure over the MNB, which is separate from the regular military's command and control. While the presence of insurgent groups in Venezuela is minimal, there are a number of small urban-based paramilitary groups that are semi-tolerated by the government and loosely associated with criminal groupings in Caracas. The *Tupamaros*, *La Piedrita* and *Carapaicas* are three such groups.

External stability

The most important external relationship that has a bearing on the current and future risk situation in Venezuela is with Cuba, more so than with the US and neighbouring Colombia. Cuba suffered greatly in economic terms from the collapse of the Soviet Union in 1991, and consequently it has taken steps to ensure that the economic benefits it receives from Venezuela under Chávez, including heavily subsidised oil, are not threatened. Although such elements are shrouded in secrecy, Havana has provided intelligence and political support to the Chávez regime, paramedics, sports and security advisers, as well as cancer treatment for Chávez himself.

While Cuba's communist model is being

slowly dismantled by Raúl Castro, who replaced his elder brother Fidel in July 2006, the Caracas-Havana axis appears as strong under Raúl as it did under Fidel, and there is no sign that Cuba is set to abandon Chávez. Arguably, if Cuban medics, and by extension the Castro government, knew that there was a strong likelihood that Chávez would be unable to contest the October presidential election on health grounds, and Cuba could lose Venezuelan oil supplies because of Caracas' 'fall' to the opposition, it is very likely that Havana would already be seeking new potential allies and sources of oil beyond Venezuela. However, so far, there appear to be no signs of panic emerging from Cuba.

After Cuba, Venezuela's second key international relationship is with the US, to where it exports about two-thirds of its oil. This oil flow has continued unabated under Chávez, despite sometimes tense diplomatic relations

with Washington. Chávez was highly critical of former president George W Bush, the war in Iraq and various other aspects of US foreign policy, and he has also been critical of President Barack Obama. Yet while the US has for the moment been primarily concerned by Chávez' ties with Iran, which shares Caracas' policy platform, within the Organisation of Petroleum Exporting Countries (OPEC), on the whole Washington's earlier policy of containment towards Venezuela, intended to neutralise Chávez' efforts to influence politics across Latin America, has given way to a more benign view, as the US remains far more preoccupied with the upheaval across the Arab world, Europe's economic crisis and China's economic and military rise. It suspects that Chávez may be now be best handled by leaving him alone to face his possibly terminal illness.

Risk factors	May 2012
Political risk	Significant
Social risk	Significant
Economic risk	High
Military & security risk	Significant
External risk	Moderate
Total country risk	Significant

Scenarios

With the October 2012 elections approaching, and given the incumbent's health is the most important variable, three scenarios will be examined, focusing on events that would alter the current situation, namely: Chávez is unable to stand in the 7 October elections; he is able to run for re-election but is defeated by Capriles; and Chávez wins re-election but is incapacitated early into his new term. In all of these scenarios, determining factors will include the power balance of the factions inside the PSUV, the course of events in Cuba and a potentially determining role played by the Venezuelan military.

Scenario one: Chávez is unable to contest elections

Probability

Significant

Given the secrecy surrounding Chávez' cancer, his fresh treatment in February and rumours of metastasis, it is possible that his health situation could take a sharp turn for the worse between now and the October election, meaning he could either die or be so ill as to be required to step down as a candidate and hand-pick a representative or successor candidate. Either case could unleash considerable turmoil. Officially, the incumbent vice-president is required to take over matters of state if the president dies or is too ill to govern – but this does not mean the vice-president would be the most viable political candidate.

An untimely and sudden death would naturally lead to an outpouring of grief among his most radical followers, and the opposition, despite its dislike of Chávez, would probably observe an official period of mourning. Nevertheless, political peace would be short lived and the opposition would be unlikely

to accept PSUV manoeuvres to have the elections suspended for any significant amount of time, if at all, while the government found a new candidate. Any attempt to delay the elections would quickly lead to a flaring of political tensions, and potential disturbances on the streets of Caracas and other major cities.

Were Chávez to be so ill that he is incapacitated, the immediate question is who he – and to a certain extent his Cuban advisers – would anoint from the PSUV as the favoured candidate. In such a scenario, it cannot be ruled out that the political schisms inside the PSUV could erupt, undermining Chávez' ability to even instil discipline and influence the choice of a specific candidate. Key PSUV members include Diosdado Cabello, Adán Chávez or Nicolás Maduro, the minister of foreign affairs. However, none of these men remotely display Chávez' level of charisma or command the potential electoral popularity to win an election against Capriles. Although they would benefit from being publicly endorsed by Chavez, they may not have enough time to campaign

adequately ahead of the vote.

While such a scenario may be surreal, Chávez' incapacitation would amount to a critically unstable political situation, with an increasing risk that radical pro-government groups would take to the streets and clash violently in dispute over who should be the candidate, or over whether elections should indeed be held under such circumstances. Were the situation to continue unresolved, it could lead the Venezuelan military to attempt to impose its own order. Behind-the-scenes manoeuvring by the military, short of a 'coup' scenario, would be also decisive, with the military seeking to defend its role as arbiter and defender of constitutional order.

Risk factors	Scenario one
Political risk	High
Social risk	Significant
Economic risk	High
Military & security risk	High
External risk	Moderate
Total country risk	High

Scenario two: Chávez runs but is defeated by Capriles

Probability

Low

So far, Chávez has given no sign that he is ready to step down as a candidate, or that he is too ill to govern. Although recent polls suggest Chávez has the edge in the electoral contest, it cannot be ruled out that Capriles could gain enough momentum over the coming months to capture a significant lead on Chávez. Capriles is a fresh face, he has the advantage of political legitimacy within the opposition having won a democratic primary, and he is not tainted by connections to the old corrupt political system in place before Chávez. In addition, Capriles, who has experience as a governor and a mayor, is running as a non-confrontational candidate, focusing

on economic modernisation and education. Importantly, he has pledged not to dismantle some of Chávez' social programmes, making him attractive to disillusioned government supporters. With a significant proportion of voters tired of high crime rates, high inflation and a scarcity of basic goods, and Chávez' health curtailing his own campaigning, this range of factors could hand Capriles victory.

However, as in previous elections the October vote will not take place on a level playing field. Chávez will use money and the instruments of the state apparatus to his advantage in the run-up to the October vote. Government spending is already being ramped up to foster the illusion of economic wellbeing. Similarly, the government has packed the

electoral authority with allies who will turn a blind eye to the violation of campaign regulations, while the potential to meddle with the results of the electronic voting system is high. Technically, the military is in charge of security during elections, and unit commanders in vital constituencies will be carefully selected for their political leanings. In addition, despite his illness, Chávez is an experienced campaigner who is currently still able to deliver populist speeches calculated to appeal to the poor and socially marginalised.

If Capriles were to win, the risk of violence is high. At least some elements of the politicised militia or armed urban groups, such as the Tupamaros, La Piedrita and Carapaicas, simply see the opposition camp as unpatriotic

and with no legitimate right to govern, and could therefore react violently. If Chávez accepted defeat, some of these radical groups could pose a violent challenge to governability in the medium term. However, were there to be a widely held perception in the opposition camp that the government manipulated the result to favour Chávez, it is likely that Capriles' followers would also take to the streets in protest. Depending on the intensity

of the disturbances, political violence could last for several days before state security forces would be able to contain the situation.

Yet in contrast to the first scenario, even if the military was aware of behind-the-scenes tampering with the results, Chávez' politicisation of the armed forces may mean that the likelihood that the military would step in to suspend constitutional guarantees and appoint some form of interim junta before fresh

elections are held is low. Of all three scenarios, this appears to be the least likely.

Risk factors	Scenario two
Political risk	High
Social risk	Significant
Economic risk	Significant
Military & security risk	High
External risk	Moderate
Total country risk	Significant

Scenario three: Chávez wins but is incapacitated later

Probability High

Chávez may be in control of the Venezuelan state apparatus, but the serious question marks that remain over his health mean that it is plausible that he could be able to stand in the October election and win, but still face potentially debilitating health problems during his third term.

Capriles has an uphill struggle in the election, as Chávez has all the advantages of the incumbent. Flush with money from rising oil export revenues, Chávez has already unleashed a series of programmes such as free pensions and housing projects to boost his approval rating, while in early April he decreed minimum pay rises for May and September. In coming months he is likely to decree other

populist measures, such as more public holidays and a firing freeze.

Yet, despite Chávez' thirst for power, it is certainly feasible that after winning the October election his health will again deteriorate in late 2012 or through 2013, forcing him to step down after preparing a more orderly transition. Such a process could take place months or even years into his third term. However, it will still probably cause ructions within the PSUV, and speculation and jostling over who will be crowned Chávez' successor.

In such a scenario, Chávez himself could more easily manage a party leadership transition, although political developments will also depend on the performance of Venezuela's oil-dependent economy. Oil prices are currently rising, but they could fall sooner than

expected if the economies of the US, Europe and China face financial turmoil.

In addition, what happens in Cuba is also likely to have a bearing on events in Venezuela. Neither Raúl nor Fidel Castro will be able to retain power forever, and as deep confidantes of Chávez, their possible demise at some point over the next few years and even regime change in Havana, could also have implications for Chávez' hold on power.

Risk factors	Scenario three
Political risk	Moderate
Social risk	Significant
Economic risk	High
Military & security risk	Significant
External risk	Significant
Total country risk	Significant

► Conclusion

With the prognosis for Chávez' medical condition a carefully guarded secret, it is difficult to reach any firm conclusion about the evolution of risk in Venezuela over the coming months. However, the issue of the incumbent's health remains the most important determining factor, a situation exacerbated by the lack of clearly identifiable and viable successors to Chávez and the factional divisions that exist within the ruling party. Meanwhile, the strong challenge being mounted from Capriles means that the outcome of the election is far less certain than in previous years.

The three scenarios listed above all focus on a situation that would mark a significant change in the Venezuelan political landscape. However, it remains possible that Chávez will not only win the October

election, but remain healthy throughout the remainder of his third term. Such a situation would essentially ensure the continuation of his 'Bolivarian Revolution' in its current form.

Although the current risk matrix in Venezuela is more unpredictable than ever before, the third scenario, in which Chávez remains alive and wins the October election, appears the most plausible. While it is impossible to know with any accuracy, it does not currently appear that Chávez has only months to live or that he will withdraw or become incapacitated before the election. Yet, it is a real possibility that, following the stress caused by running an election campaign, his health will progressively deteriorate during his third term and he will be required to step down. Such a scenario,

because it would evolve at a slower pace than the first and second scenarios, would be the least volatile and risky of the three, as it will allow more time for Chávez to groom a successor. ■

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