



Venezuela's Democratic Decline and Brazil's Growing Geopolitical Headache

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There is a growing debate whether or not Brazil is seeking regional leadership and to what extent this role is being accepted or rejected in South America. Within this discussion there is a tendency to default to simple, absolutist arguments about success or failure that obscure the complexity of leadership as well as the extent to which a 'leader' can be constrained not only by their own policy traditions, but also by the nature of their relationship with the putative subordinate. This article examines the democratic crisis in Venezuela, drawing on the logic of Hirschman's (1945) commercial fifth column to highlight a

series of factors constraining Brazil's ability and willingness to act as the sort of democracy-enforcing regional leader that Northern capitals desire. Two brief contributions will be offered by this article to wider debates about regional leadership and democracy promotion in the Americas. First, the paper highlights how deeply the ability to actively lead is constrained by political will even when clear national security and geostrategic threats are present. Second, the paper will outline the extent to which regional democracy enforcement mechanisms are hostage to inter-American foreign policy traditions. In keeping with the arguments advanced by Long (2015) and redolent of Scott (2008), both contributions call for a more sensitive consideration of how we think of power and the extent to which the ostensibly weak often possesses leverage over the strong in international affairs.

Advocates of international intervention to promote and advance democracy face two fundamental challenges. First and in a slightly cynical vein, established democracies in the Organization for Economic Co-operation and Development (OECD) and even Brazil have a long history of accommodating non-democratic regimes when trade, investment, and political returns outweigh the soft power gains of forcefully pushing representative forms of governance. A more difficult and substantive second challenge is found in the very nature of democracy, which is a political regime type reflective of a long process of negotiation between contending power holders within a polity (Moore, 1993; Rueschemeyer, Stephens, and Stephens, 1992). In practical terms, this means that compelling a country to implement a particular form of political regime such as polyarchic variants of democracy requires direct and sustained intervention over an extended period of time (Dahl, 1971; Whitehead, 1991; 1996). In the Brazilian case, these challenges combine with a diplomatic tradition of staunchly observing sovereignty (Fonseca, 2004; IPRI, 1993; Vigevani and Cepaluni, 2007, 2009) and limited political will and military capacity for foreign adventures to leave policy makers in Brasília with a serious geopolitical headache on their country's northern border. The result is a situation where meaningful Brazilian interests are directly threatened by political instability in Venezuela, but viable policy responses remain maddeningly difficult to envision due to Brazil's diplomatic traditions and economic exposure to policy shifts in Caracas. Brazil is consequently left adopting an approach that might best be charac-

terized as a blend of containment of the destabilization caused by refugee flows and humanitarian relief for Venezuelans able to reach Brazilian territory (Leitao, 2018; Al Jazeera, 2018; Baretto, 2018).¹ The implications for the inter-American democracy promotion system are stark, suggesting that major actors such as Brazil are willing to risk very little in the face of increased entrenchment by proto-autocrats such as the Nicolás Maduro government in Venezuela.

Brazil as Venezuelan Hostage

Throughout the thirteen and a half years of Workers' Party (PT) government in Brazil, Venezuela represented something of a bonanza. In 2010, Fernando Portela, director of the Brazil-Venezuela Chamber of Commerce and Industry was unambiguous: "The Brazilian construction companies have no problems working with the Venezuelan government because they are supported by the Brazilian government and its policy of integration with agreements between both countries and the BNDES" (Márquez, 2010). Civil engineering companies regularly won billion dollar infrastructure contracts, with Odebrecht alone netting over USD 10 billion by 2010 (Braga, 2015), leading one Brazilian diplomat to muse that the *empreiteira* might have more business in Venezuela than in Brazil (author interview, 2010). As economic crisis began to cause food shortages in 2015, then Venezuelan Congress president Diosdado Cabello made a trip to Brazil specifically to meet with Joesley Batista, head of the meat packing conglomerate JBS, to try and guarantee continued shipments and renewed financing. For JBS, the agreement was important as the Venezuelan market accounted for over ten percent of its export revenue, with Cabello's petition promising to raise this share even higher (Epoca Negocios, 2015). For their part, Brazilian diplomats in the mid-2000s to early 2010s were sanguine about the market presented by their Northern neighbour, dryly noting that Brazil's firms were among the few that could get paid because of the close links between the PT and the Chávez/Maduro PSUV (*Partido Socialista Unido de Venezuela*).

In total, the Brazilian National Bank for Economic and Social Development provided over USD 3.231 billion in financing for engineering services exports to Venezuela alone during the PT era, finally cutting

flows in June 2017 when it became apparent that, at best, only interest payments on the outstanding debt would be made (Landim and Carneiro, 2017). It has since become clear that the links ran even deeper with Brazilian construction companies also working through their own channels to clear accounts receivables, including USD 35 million in under the table campaign financing to Nicolas Maduro by Odebrecht in 2013 to vouchsafe payments on over USD 4 billion in work. For its part, the PT provided electoral help to the PSUV by deploying its political marketing genius Joao Santanna to Caracas for Hugo Chávez's 2012 presidential campaign (Barnes, 2012). Beyond the billions in trade and cheap financing from the Brazilian National Bank for Economic and Social Development (BNDES) and other state financial institutions, there was also the question of energy supply for Northern Amazonas and Roraima, which relied on Venezuela's Guri dam that was falling into disrepair due to a lack of maintenance (EIU, 2010).

In many ways, the bilateral relationship was becoming too economically big for Brazil to countenance its failure. The conceptual model of Hirschman's (1945: 29) commercial fifth column provides a useful analytical guide. Discussing the economic determinants of World War Two, Hirschman argued that reliance on a single market could transform domestic economic elites into a 'commercial fifth column' that would push their government to maintain policies sympathetic to the rulers of a key external market. While Venezuela certainly was not the only foreign market for major Brazilian companies such as Odebrecht or JBS, it was nevertheless extremely lucrative. Hirschmanesque pressure from Brazilian firms on the Lula government to keep the Venezuelan market open consequently provided Chávez with a not-so-subtle brake on criticism from Brasília when he did engage in clear democratic transgressions, which interviews by the author in Brasília as early as 2007 made clear were seen as a real concern. For Brazil, the worry was about future political stability in Venezuela. The challenge was that public political alignment between the PT and Chávez's government meant that minimal pressure could be overtly placed on Caracas for meaningful political liberalization. While it has subsequently become clear that Chávez's government was seen as a bit of a barrier to progress in South America and an actor that needed to be managed (Amorim, 2013), a very quiet, back channel approach to inciting change was chosen. As one diplomat observed, Brazil was

taking a sociological approach to political transformation in Venezuela, hoping that by creating economic stability political evolution would take care of itself peacefully.²

The thinking in Itamaraty in 2010 was that Chávez had two years to get his country back on track before the 2012 presidential election. During 2010 author interviews in Itamaraty it was quietly suggested that crisis was coming to Venezuela and that this presented a considerable risk to the viability of Brazilian firms building their business model around work there. Despite this increasingly apparent risk, the Brazilian government solution remained quiet engagement, including an Institute for Applied Economic Research (IPEA) mission to Caracas to help with long-term economic planning. Brazil's *Ministerio de Desenvolvimento Social* was also, at the request of Venezuela, helping set up a series of social programs. Serious difficulties faced by Brazilian firms seeking to repatriate profits from Venezuela were directly addressed in regular bilateral meetings between Lula and Chávez, which often took place with only the two leaders in the room. Indeed, the bilateral relationship became increasingly restricted to direct presidential diplomacy for even the most banal of matters.

Brazil was left with a delicate tightrope to walk. Excessive pressure for political opening in Venezuela would alienate Chávez or Maduro. Yet a failure to advocate for effective liberalization to open space for democratic influences that might adopt and consolidate social reforms and create an environment conducive to business per the Brazilian model threatened further radicalization from the PSUV. This became increasingly apparent as a critical risk when Chávez's health declined and, after his death, the reigns of power were assumed by Nicolas Maduro. Brazil's approach to democracy in Venezuela was reminiscent of the sociological approach outlined by Moore (1993) and Rueschmeyer, Stephens and Stephens (1992), which argues that in order for democracy to become an entrenched reality it must serve as an expression of the social and economic demands of society and act as a broker to ensure that balance is achieved in the advancement of competing interests. The Brazilian hope was thus that social improvement and poverty reduction would lead to the rise of moderating voices in civil society, an idea which was given impetus by the plebiscite (2007) and congressional election (2015) defeats suffered by the PSUV. It soon

became apparent that the Maduro regime was not willing to countenance any movement in this direction or accept popular rebuttals of his authority. When combined with the drop in global oil prices, the result was a further radicalization from Maduro that generated a catastrophic economic crisis. This process was also paralleled by a massive decline in Brazilian influence in Caracas. First, Dilma failed to receive the same respect accorded to Lula. Although this was being quietly managed by figures such as Dilma's foreign policy advisor Marco Aurelio Garcia, even this access was soon lost. The 2016 impeachment in Brazil resulted in Michel Temer assuming the presidency through a process that Venezuela squarely viewed as illegitimate. Matters were not helped when multiple ministers in Temer's right-wing government made repeated statements severely criticizing Maduro and the policies of his regime.

With scant influence in Caracas, Temer's government was soon facing multiple crises emanating from a Venezuela seemingly on the verge of collapse. By 2017, the small cities in the northern Brazilian state of Roraima found themselves inundated by over 50,000 refugees looking for food and medicine, swamping the ability of public services in the region to keep up with demand; thousands of more better off Venezuelans quietly moved to the major cities in southern Brazil. This influx subsequently created rising tensions between the new arrivals and Brazilians concerned that the scant resources in their communities were being drained, which as this paper was being written was leading to an increased incidence of violence against the refugees (Correia, 2018). The regional situation was no better.

As the economic and political situation in Venezuela continued to worsen early in 2018, it began to look as if Maduro might turn to the classic tactic of embattled governments: diversionary war. As Venezuelan troops reportedly moved towards the Guyanese border to seize the disputed Essequibo region, Brazil pointedly sent Defense Minister Raul Jungmann on an official visit to Suriname and Guyana with direct warnings to Caracas that a wider regional conflagration was not acceptable (Cavalheiro, 2018; Leita0, 2018; Infodefesa, 2018; Politico News, 2018). Beyond the immediate reputational concerns about what an armed inter-state conflict in South America could mean for international perceptions of the region, a medium-term economic

factor was coming into play as the growing agribusiness sector in Roraima started talking of Georgetown as the most convenient port for exporting inland farmers in northern Brazil (Stratfor, 2018).

All of this created a serious quandary for Brazilian policy makers. Efforts to protect the economic fundament of the relationship and guide Venezuela back to a democratic path were severely fractured when Chávez died. The impeachment of Dilma shattered what little access was left, which was further immolated by assertive statements from Temer's two foreign ministers, Jose Serra and then Aloysio Nunes. More specifically, Nunes bluntly labeled Venezuela a failed democracy and pointed out that the country had been suspended from Mercosur for violation of the bloc's requirement that members be functioning democracies (Government of Brazil, 2017). But these unexpectedly strong words were not paralleled by concrete action to push harder for democratic restoration (Stuenkel, 2017). After all, it was not until late March 2018 that it became clear Venezuela would start defaulting on repayments to the BNDES (Rebello, 2018). Yet, even with this last hope of rescuing economic interests rapidly fading, the prospect of directly intervening to provide even humanitarian assistance in Venezuelan territory seemingly remained off the table. Suggestions that there might be a legal way for the inter-American community to invade and occupy Venezuela to facilitate a return of democracy were brusquely dismissed as 'delirious' by Nunes (Hausman, 2018; Boghossian, 2018). Milder options, such as the uninvited provision of humanitarian assistance or the leveling of massive pressure on Maduro insiders to allow the transport of food and medical supplies, were also apparently viewed as problematic tactics.

At this point we reach the two major lessons from this brief case study. First, other than working through something like the Lima Group, there is precious little that can be done to create real pressure for a return to democracy. Where external action has buttressed fragile and besieged democracy in the region, as in the Paraguayan case, there was a massive level of economic and political dependency on Brazil that made it relatively easy to cajole errant actors in the polity. These levers simply do not exist for Brazil in the Venezuelan case and, thanks to global demand for oil, may not even exist for the United States. Indeed, it may be, thanks to trade flows and the size of outstanding

loans that Venezuela holds some power over Brazil. This points to a need for more concrete action, which is the logic underpinning Haussman's (2018) proposed democracy-protecting invasion. Setting aside the question of the logistical practicalities of such a venture, it is simply politically impossible because no Brazilian president would allow such a precedent to be set, and particularly not a sitting president whose elevation to office through impeachment proceedings is widely branded as illegitimate. Even if 'democracy by imposition', to borrow Whitehead's (1996) parlance, were an option, the aforementioned sociological approach to democracy highlighted by diplomats speaks of an understanding in at least Brazil that such an endeavour could require a costly decades-long commitment. Brazil cannot afford this, and while the United States theoretically might be able to bankroll it, justified historical preoccupations with U.S. interference in South America make this something that would be fiercely resisted throughout the hemisphere.

From this analysis we thus come to a remarkably depressing set of conclusions. First, there is very little in the inter-American system that offers a viable way of pushing errant regimes impervious to peer pressure back to the democratic path. This points to the second conclusion, which is that the weakness of inter-American pro-democracy mechanisms is no accident. Regional countries, often led by Brazil, have made sure that these instruments have very little bark and no bite. Third, the combination of these two factors means that unless the leaders of a collapsing democracy are susceptible to either peer pressure or what can only be labeled economic coercion – be it through a restriction on licit or illicit economic linkages – then there is little that can be done. Finally, economic inter-penetration can actually work to undermine the ability to support and advance democracy through the same mechanisms identified by Hirschman. Big loans from state banks and large trade flows for influential national firms can make it hard for a government to push on a neighbour sliding into authoritarianism. The outlook would thus appear to be grim with similar cases in countries such as Zimbabwe and Myanmar suggesting that sustained economic collapse and societal impoverishment need not be a barrier to continued rule by a determined political elite wrapped in the tattered trappings of formulaic democracy. For security planners, the prospects are dim, ranging from increased refugee flows through the proliferation

of inter-state organized crime networks to the possibility of a shooting war on the Caribbean coast. In geopolitical terms, this is all a major headache, and one for which there appears to be no ready remedy.

NOTES

1. For example, see the following Brazilian presidential actions: Medida Provisoria No 820 of 15 February 2018; Decreto No 9,285 of 15 February 2018.
2. This information is based on research interviews conducted by the author in 2010.

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ABSTRACT

**Venezuela's Democratic Decline and
Brazil's Growing Geopolitical Headache**

This article argues that Brazil's ability to influence events during Venezuela's democratic decline has been severely constrained by a series of internal and external factors. Within Brazil, policy makers have had to grapple with restraints imposed by a tradition of staunchly advancing the norm of sovereignty. This is coupled with an approach to democratization that sees it as the result of internally driven, not externally imposed societal changes. Economic relations with Venezuela have also created a constraint on its neighbour's actions due to the large volume of goods and services imported from major Brazilian companies linked to the PT government. Finally, as long as the PT was in power these constraints were manageable because a sense of leftist solidarity allowed policy makers in Brasília at least to get reliable access to their counterparts in Caracas. The 2016 impeachment of Dilma Rousseff obliterated these close contacts, which has left the Temer government with almost no avenues of influence to manage the looming humanitarian and security catastrophe on his Northern border. The result for Brazil is a massive geopolitical headache that shows little sign of abating.

RESUMEN

**El declive democrático de Venezuela y
el creciente dolor de cabeza geopolítico de Brasil**

Este artículo argumenta que la habilidad de Brasil para influir en los sucesos durante el declive democrático de Venezuela ha estado severamente limitada por una serie de factores internos y externos. Al interior de Brasil, los hacedores de políticas han tenido que lidiar con restricciones impuestas por una tradición de firme promoción de la norma de la soberanía. Esto ha estado acompañado por un enfoque de la democratización que la percibe como un resultado de cambios societarios conducidos internamente y no impuestos externamente. Las relaciones económicas con Venezuela también crearon una limitante sobre las acciones de su vecino debido al importante volumen de bienes y servicios importados de algunas de las principales empresas

brasileñas vinculadas al gobierno del PT. Finalmente, mientras el PT estuvo en el poder, estas restricciones fueron manejables debido a un sentido de solidaridad de izquierda permitida por los tomadores de decisión en Brasilia para al menos obtener un acceso confiable a sus contrapartes en Caracas. El *impeachment* de 2016 contra Dilma Rousseff terminó destruyendo estos contactos cercanos, los cuales han dejado al gobierno de Temer con casi ninguna avenida de influencia para manejar la amenazante catástrofe humanitaria y de seguridad en su frontera Norte. El resultado para Brasil es un masivo dolor de cabeza geopolítico que muestra pocos signos de mitigación.

SUMMARIO

O declínio democrático da Venezuela e a crescente dor de cabeça geopolítica para o Brasil

Este artigo argumenta que a capacidade do Brasil para influir nos acontecimentos durante o declínio democrático da Venezuela foi severamente limitada por uma série de fatores internos e externos. No âmbito brasileiro, os formuladores de políticas tiveram de lidar com restrições impostas por uma tradição de firme promoção da norma da soberania. Isso foi acompanhado por um enfoque da democratização que a vê como um resultado de mudanças sociais produzidas internamente, e não impostas externamente. As relações econômicas com a Venezuela também criaram uma restrição às ações de seu vizinho devido ao importante volume de bens e serviços importados de algumas das principais empresas brasileiras vinculadas ao governo do PT. Finalmente, enquanto o PT esteve no poder, estas restrições foram controláveis porque um sentimento de solidariedade de esquerda permitia que os formuladores de políticas em Brasília tivessem, ao menos, acesso confiável às suas contrapartes em Caracas. O *impeachment* de 2016 contra Dilma Rousseff terminou interrompendo esses contatos estreitos, o que deixou o governo de Temer com quase nenhuma via de influência para administrar a iminente catástrofe humanitária e de segurança em sua fronteira Norte. O resultado para Brasil é uma enorme dor de cabeça geopolítica que mostra poucos sinais de melhora.

