

The Economic Logic of Regime Change: Venezuela Today. Uganda Tomorrow?

The American engineered regime-change taking place in Venezuela should be of interest to Africa and especially those countries which like Venezuela have experienced sporadic episodes of social unrest over a protracted period. President Maduro, like Presidents Mnangagwa of Zimbabwe and Museveni of Uganda has responded with wanton brutality. The actions of all three countries featured in in-depth reports by Human Rights Watch in 2017 alone. Maduro is the only one of the three so far who has attracted the ultimate sanction of regime change.

The Ugandan regime, hopelessly in debt and facing growing disaffection, is vulnerable to a take-over similar to Maduro's. So strong is the disaffection and so likely are the youth to succeed in displacing the National Resistance Movement in a fair election, the United States cannot afford to be complacent if it wants to maintain the *status quo*. The only potential barrier to a second phase of structural adjustment (SAP II) is the fact that support for the new and most popular opposition leader, Robert Kyagulanyi aka Bobi Wine, is rooted in the most excluded and disaffected and not the elite who would benefit from the continuation of the *status quo*.

Going back to 20th-century history, Africa and Latin America formed part of the Tripartite set up in the sixties to represent the global interests of Africa, Asia and Latin America. The high point was the 1966 Solidarity Conference of the Peoples of Africa, Asia and Latin America. The bloc expanded the then existing alliance known in the United Nations as the Afro-Asian *Bloc* and solidified at the Bandung Conference of 1955. The *bloc* was considered a threat by the

United States and Europe as it voted against American interests on matters such as allowing Communist China to sit in the General Assembly. The Afro-Asian *bloc* enjoyed at least the nominal support of the Soviet Union (the depth of that support was tested by the Congo crisis during which the Soviet Union did not in the end support Patrice Lumumba who was assassinated before the colonialisaton of Congo resumed unabated).

In the following years, much of Latin Africa signed on for their first phase of IMF development assistance. The results of the austerity that followed have been much written about, and culminated in the 'IMF riots' of the 1980s and 90s. Recent austerity protests in Zimbabwe continue this trend. Enter Hugo Chavez and his socialist intervention. President Maduro's mentor gained popular support from the poorest and most marginalised for his anti-imperialist platform, enough even to recover from being deposed in an earlier American coup d'état in 2002. [As Craig Murray put it](#), "Hugo Chavez' revolutionary politics were founded on two very simple tenets:

- People ought not to be starving in dreadful slums in the world's most oil-rich state
- The CIA ought not to control Venezuela"

Murray was referring to the [twelve Latin American coups organized by the CIA](#) between 1954 and 2019. Neither Chavez nor Maduro were able to rise above corruption and autocracy. Neither has President Trump, but unlike Donald Trump's America, Venezuela needs outside financial support.

The end of the Cold War and the collapse of the Soviet Union left African countries in the lurch, still in need of access to capital for development, under pressure to continue to supply primary commodities and yet no longer able to play one superpower off against the other. In addition, the 1980s debt crisis forced most of them to sign onto the IMF's structural adjustment programme. Austerity-induced social unrest is the

enduring result. Uprisings in all three, that is Zimbabwe, Venezuela and Uganda, are a response to extreme and worsening economic conditions of high unemployment, hunger and rising taxes. Endemic corruption and economic sanctions only worsened the situation (and were designed to do so) in Zimbabwe. There are no examples *anywhere* of the success of structural adjustment in achieving its stated goals of deeper democracy, greater rule of law, higher respect for human rights, good governance, civil service reform, improved service delivery, an enabling environment for FDI and a rising, prosperous middle class. On the contrary there are only examples of countries having to receive further assistance to achieve the unattained goals of the first phase of IMF and World Bank intervention, [Uganda](#), Zimbabwe, Kenya being a few.

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Structural Adjustment did achieve the objective of liberalising economies. This ensured Western access to cheap primary commodities not otherwise available to major IMF shareholders. The removal of restrictions on exporting capital has meant foreign investors whose role was meant to inject capital into assisted economies, can now freely transfer profits illicitly earned. It is an indisputable fact that there is a net outflow of capital from Africa of \$41 billion every year – that is, [the difference](#) between loans, grants and FDI received and the cost of tax evasion, repatriation of aid, environmental damage, land-grabs and other features of the SAPs.

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When in Uganda political dissent was met by a massive and sustained wave of brutality by the state, in August 2018 Ugandans called on the United States to intervene by

withdrawing their material, diplomatic and moral support from President Museveni. Uganda's constitution like Venezuela's provides for the removal of the president on various grounds of incapacity. The United States did not invoke the article against Museveni as they have done against Maduro.

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Washington did the opposite, effectively endorsing the NRM regime by placing the responsibility for the crisis on the opposition, and pressuring on its leadership to reach an agreement with what is ranked as East Africa's second most corrupt government. They have been assisted in creating a façade of legitimacy for Museveni by organisations such as Transparency International whose global leader handed him an award for his 'fight against corruption' in 2018 – *in the same week that he was being cited in a New York court for having taken a \$500,000 bribe.*

This unstinting support is useful in maintaining the economic *status quo*. Ironically, it is Museveni's rash behaviour that is tipping the balance in favour of regime change. The United States has turned to Kenya for some of its security needs, transferring a lucrative military base from Entebbe to Kenya.

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impunity. Later on, rumours circulate of house-to-house invasions by the armed forces in which young people are dragged out of their homes and beaten, ostensibly for supporting the uprisings.

Leaders of both countries have resorted to unconstitutional means to acquire and maintain power. There was the bloodless coup in Zimbabwe during which the uncooperative and China-embracing Robert Mugabe was ousted. President Museveni simply altered the constitution to allow him first to exceed the two-term limit to the presidency and later, the age-limit. Members of parliament were paid to support both constitutional amendments.

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This brings us to the reasons the United States, backed by the EU, is intervening in Venezuela – why it can justify its intervention of breaches of democratic principles in Venezuela but continue to support Museveni whose method of governance is similar. Officially it is to end President Maduro's undeniably repressive rule and to prevent him from (further) embezzling and squandering Venezuela's resources. There is little point in arguing a defense of President Maduro. However, the fact remains that his removal can only be sanctioned by a ruling of the Supreme Tribunal of Justice that the required constitutional ground/s have been met. There was no such ruling before Guaidò declared himself president. So much for the rule of law.

The answer is that Museveni's continued domination of Uganda until recently met the economic objectives (often cast as security prerogatives) of the United States and Europe, the IMF and the World Bank. However, he is now struggling to

remain relevant in global financial circles. The groundswell of opposition to NRM rule renders the enabling environment for extraction and extortion so risky as to be a bad investment. Should the opposition succeed in ousting Museveni and his cabal, there would be no guarantee the IMF's regime would survive the transition.

In Venezuela's case, Guaidò is already committed to the IMF and Western goals. His economic advisor, Ricardo Hausmann has been a political exile in the United States for years and has been in talks with the IMF. In January 2019 he made some of his proposals known. Although he has warned that an immediate resumption of debt servicing would not be possible, Hausmann does not call for a debt audit to determine whether lenders were duly diligent in lending to past regimes that he opposed on the basis of their alleged corruption, or whether the proceeds of the loans were injected in to the economy.

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"For Hausmann, the key to any turnaround is a swift and massive injection of cash from the International Monetary Fund – to the tune of \$60 billion or more."

"Venezuela is the most over-indebted [sic] countr[ies] in the galaxy," Hausmann said. "First, second and third priorities have to be the recovery of the country. There's a humanitarian disaster. There are millions of Venezuelans flooding into other countries. If you want to fix the problem, you can't take money out of the system to pay yourself back. It will take years to start servicing debt." ([Ben Bartenstein, Bloomberg January 30, 2019](#))

He does not say that illegal, unsustainable, illegitimate or odious debt should not be paid but merely proposes rolling payments over to a later date. If Venezuela agrees, she will

become the new darling of the West.

In return Guaidò has received support unprecedented for a foreign opposition leader. On 24th January, US Secretary of State, Mike Pompeo and the Treasury Department announced sanctions against any persons that continue to do business in Venezuela's oil industry; on January 25th John Bolton, President Trump's National Security Advisor announced [US intention to shift oil production in Venezuela to American companies](#). Ambassador John Bolton tweeted, "The United States will not let Maduro and his cronies continue to loot the assets of the Venezuelan people." And finally, the rule of law in Venezuela was further flouted on 29 January when the United States sequestered Venezuelan bank accounts held there or insured by them, and put them at Guaidò's disposal.

On his part, President Mnangagwa signed up weeks after ousting Mugabe. He will enjoy continued support as long as he too remains committed to repaying Zimbabwe's unsustainable debt. His problem is he is simply unable to implement structural adjustment austerity and obtain a new package of concessional loans. The reason being that although Zimbabwe's outstanding dues to the IMF were paid in 2016, there are unpaid arrears to the World Bank, the African Development Bank and other international financial institutions and development partners. The rules require that these be paid before any further lending can be considered. As their [spokesperson](#) pointed out, the IMF "stands ready to help the authorities design a reform package that can help facilitate the clearance of external payment arrears to international development banks and bilateral official creditors and that then would open the way for fresh financing from the internal community including potentially the IMF. But, again, just to stress as we said before, *[potential financial support from the Fund is conditional on the clearance of those arrears to the World Bank, the AFDB and financing assurances from bilateral official creditors \(emphasis mine\).](#)*"

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Clearance of those arrears which amount to just over US\$5 billion would mean austerity even beyond the conditions Zimbabweans' experiences today. This outcome is not acceptable either to opposition politicians or the general population. In 2017 when the government tried to arrange financing to clear the arrears, opposition politician Tendai Biti [stated](#): "That will not help much or anything at all in reality. The biggest challenges facing Zimbabwe cannot and will not be addressed by paying off arrears on which we defaulted almost 20 years ago; what really needs to be addressed are structural economic issues, de-industrialisation and unemployment. That money could be better used to fund industry revival to create jobs and boost production, as well as increase exports and improve liquidity."

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Similarly, although Uganda has a track record of cooperation with Western financial institutions, it has reached a tipping point. The auditor-general points out that when the principle for some loans becomes repayable in 2020, total debt repayment will require 65 percent of all revenues collected. Mass demonstrations against austerity are likely to escalate. By December 2018 the IMF had made it clear that no new concessional loans were forthcoming until certain steps are taken to rein in overspending, restore fiscal discipline and control corruption. SAP II requires the suspension of

infrastructure projects financed by non- or partially concessional loans (mainly from China). Although Kenya agreed to this condition to its own SAP II package in 2018, Uganda still hopes to find alternative funding for the projects. It is unlikely to be found because the IMF works in tandem with bi-lateral lenders – acting as a debt collector for them, even in cases such as Mozambique where funds were borrowed illegally (without parliamentary approval) and subsequently stolen.

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If support is withdrawn from either Museveni or Mnangagwa it will not be as punishment for their abuses of human rights and democratic principles and public demand that they depart. It will be because their development partners calculate that their own objectives would be better achieved through alternative proxies. The United States and her acolytes will back any candidate that will agree to their terms. Self-proclaimed president of Venezuela, Juan Guaidò is a clear example of that.