

INTERNACIONAL

How Chávez Rules

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Venezuelan President Hugo Chávez made a side trip to the South Bronx, while in New York last September to address the United Nations General Assembly. His flair for publicity drove him to speak airily of using the burgeoning resources of Petróleos de Venezuela (PDVSA), the state oil company, to clean up the Bronx River.ⁱ



But the anti-Yankee gadfly of President George W. Bush and the State Department failed to tell his enthusiastic hosts that he used to be a fan of the New York Yankees. Once a talented left-handed pitcher, Chávez had hoped for a major league baseball career, playing in that Bronx cathedral, Yankee Stadium.ⁱⁱ But the best he could do, as a distinguished visitor, was to throw out the first ball at a Mets game, with ample photo coverage in baseball-crazy Venezuela.

While Chávez talked of cleaning up the Bronx River, the streets of Caracas were clogged with piles of uncollected garbage. After Hurricane Katrina, Chávez later sold fuel oil from PDVSA's Citgo refineries in the United States at a discount to low-income residents of the Bronx and Boston. But these gestures of generosity to foreigners have built resentment among Venezuelans at his neglect of public institutions and infrastructure disorder at home.

When Chávez was first elected in 1998, Venezuelan crude oil was being exported at the depressed price of \$7.20 per barrel. During 2005, the year that Chávez consolidated his control over all public institutions, exports of Venezuelan crude had surged to roughly \$50 a barrel. With this huge flow of oil money, the former paratroop commander was able to promise ever more extravagant aid to potential allies abroad. But opposition to his "Bolivarian Revolution" is again growing. Chávez's future may be decided by the growing discontent at the violence, disorder and deterioration of public institutions and infrastructure at home.

Then there is the issue of growing Cuban influence. It must have been painful for Chávez when Oswaldo Guillén, who became a national hero as the Venezuelan manager of the world champion Chicago White Sox, told a reporter for *El Nacional* during the team's triumphant ticker-tape parade last October: "Everyone is saying, Chávez this and Chávez that, that Venezuela will become another Cuba. I don't think the president will be so ignorant, because the first time he tries something other than democracy we will throw him out. In a minute."ⁱⁱⁱ

Chávez still plays baseball with his army colleagues, for the cameras. But since he gave up his dreams of professional baseball to enter Venezuela's Military Academy at age 17, later becoming a barracks conspirator and then a politician, notions of stardom never left his mind. "Some day I'll be President of the Republic;" Chávez told a friend in the early 1980s as the two young officers drove over the mountains to his home village in the plains of Barinas State. Today at age 51 Chávez is the star and master of ceremonies of his own Sunday TV show, "*Aló Presidente*," running for hours with the aged Fidel Castro often appearing as co-host and with cabinet ministers and army generals as extras. This is basically how his government is run. Chávez has replaced half of his ministers every year.^{iv}

Nobody knows how long this show will be on the air. An insomniac and workaholic, Chávez has exploited his shrewdness and good luck to survive repeated attempts to oust him: a military revolt in April 2002, a long general strike, huge street demonstrations against him, a crippling strike at PDVSA and a recall referendum in August 2004 that he won and turned to his short-term advantage by establishing a black list that impeded or blocked most dealings with the government for the 3.5 million voters who petitioned to remove him. "With the failed military coup of April 2002, he purged the armed forces," observed Chávez's biographers, Cristina Marcano and Alberto Barrera Tyszka. "The general strike of December 2002 and January 2003 enabled him to take control of the oil industry. The recall referendum meant consolidation of his political power and the Law of Contents enables the government to regulate and dominate the media as it fosters self-censorship, which is more subtle and effective."^v In mid-2004, as Chávez's power grew, Gustavo Cisneros, owner of *Venevisión*, the largest TV network, agreed to stop attacking the government at a meeting with Chávez quietly arranged by former U.S. President Jimmy Carter.

"All power is in Chávez's hands," said Teodoro Petkoff, a newspaper editor and former guerrilla leader who may run against Chávez in next December's presidential election. "He is distrustful and doesn't consult with many people. He appoints and dismisses cabinet ministers on his weekly TV program. He has no time for the mediocre leaders of the party he created, the Movement of the Fifth Republic (MVR). Fear and adulation surround 'I the *Supremo*.' The virtual inexistence of any institutional control over his power allows for the maximum incompetence in the exercise of public functions, from uncontrolled corruption to rampant arbitrariness in public management."

"I, Hugo Chávez, am not a Marxist nor an anti-Marxist," he proclaimed as he rose to the Presidency in 1998. "I am neither communist nor anti-communist."^{vi} But Chávez's contacts with Marxism began early, soon after he moved from his home village to study at a *liceo* in the state capital of Barinas, where the southern foothills of the Andes slope into the vast plains that form the fluid and often violent frontier with Colombia. As a secondary student he came under the influence of José Esteban Ruiz Guevara, father of his two closest friends and a veteran communist, who opened his library to Chávez, an avid reader of Venezuelan history who then absorbed the Marxist classics.

He began conspiring in 1977, at age 23, recently graduated from the Military Academy, when he made contact with dissident communist leaders and young rebel officers. In 1980 Chávez met Douglas Bravo, the guerrilla leader expelled from the Venezuelan Communist Party (PCV) in 1962 for disobeying Moscow's orders to stop the armed struggle. Bravo had been creating a network of military contacts since 1957 for the PCV to prepare the overthrow of the Pérez Jimenez dictatorship and in the 1980s helped the young officers win more friends in the armed forces. An air force major, William Izarra, now Vice Minister of Foreign Affairs, traveled secretly to Cuba, China and Libya to seek support. Only after a decade of patient conspiracy did their plans erupt in the failed coup of February 1992 against President Carlos Andrés Pérez (1973-78; 1989-93).

Chávez became a media star when taken prisoner after the rebels failed to take the presidential palace in Caracas, although they gained control of the other main military bases in Venezuela. He

was authorized to make a taped televised appeal to the other rebels to surrender in order to avoid further bloodshed. Instead, he went on the air live, saying: “*Compañeros*, lamentably, *for now*, our objectives were not achieved in the capital...But it now is time to reflect that new situations will arise for the country to take the road toward a better destiny....I thank you for your loyalty and courage and, before you and the country, *I assume responsibility* for this Bolivarian military movement. *Muchas gracias.*”

Chávez was the only conspirator who failed in his mission, yet he became a celebrity to the mass of people sick of corruption and angry at the shock treatment imposed on them to end huge public deficits. After he was elected in 1998 as the youngest president in Venezuela’s history, most of the officers who joined him in the 1992 coup gradually left the government. The noisiest of these departures was that of Jesús Urdaneta, Chávez’s friend of 20 years who was appointed chief of national intelligence and complained persistently of corruption in the new government. Urdaneta told of a final lunch with Chávez when he said: “Look Chávez, I rebelled against a crooked and corrupt government and your government is the same thing! I don’t want to continue playing the useful fool.”

The main targets of his denunciations were Luis Miquelena, a veteran communist who was Chávez’s mentor and Interior Minister, and José Vicente Rangel, then Defense Minister and now Vice President. A vociferous fighter against corruption in previous decades, Rangel told me that “corruption continues despite changes in government. The old corruption is reproduced in the new corruption. Corruption is our worst enemy, apart from Bush.”

For now, Chávez’s control of the National Assembly enables him at any moment to have the constitution amended to permit his perennial reelection. A few months ago, his control of the electoral machinery has made Chávez look like a sure winner of the presidential election set for December 2006. But the 75% of registered voters who abstained from participating in the recent legislative elections, as well as the growing disorder in Venezuela and the collapse of vital infrastructure, suggested that victory for Chávez may not be so easy. At a conference of his party, MVR leaders concluded that a many Chávez supporters “are unhappy with the performance of the rest of the national executive team and of state and municipal authorities.”^{vii}

In securing his hold on power and trying to spread his influence abroad, Chávez pursues three lines of action: (1) securing military support and reorienting it toward his geopolitical goals; (2) obtaining presidential discretion, free of fiscal controls, in spending a large share of oil revenues; (3) launching social programs, mainly in health and education, that transfer small monthly payments to millions of poor people.

1. Despite his lack of combat experience, Chávez has developed a bold strategy to deal with what he denounced as plans for a U.S. invasion of Venezuela and a C.I.A plot to kill him. Following his brief removal from office for two days in April 2002 in a bizarre coup when the army high chiefs balked at his order to fire on a mass street demonstration, Chávez has systematically purged the armed forces of officers suspected of disloyalty. A new Armed Forces Law places all regular forces and a new civilian reserve of 2.6 million volunteers under operational command of the president to face three contingencies: defend against a U.S. invasion with “asymmetrical” guerrilla tactics, a conflict with Colombia and an internal uprising.

Chávez has created elite paramilitary groups under his personal command, independent of regular security forces. He placed large orders with foreign weapons suppliers to overcome the low operational readiness of the 82,000-strong armed forces, which is short of uniforms, boots, helmets, body armor, food supplies, trucks and ammunition. He ordered 100,000 assault rifles from Russia and a fleet of transport and attack helicopters from Russia, advanced turboprop fighter/bombers from Brazil and missile patrol boats and military cargo planes from Spain. The arms deals with Brazil’s

Embraer and Spain may be undermined by U.S. refusal to allow transfer of embedded U.S. technology to Venezuela. The usefulness of all the new hardware will be tested by the level of organization of the armed forces. Moreover, regular officers may resist distribution of Russian assault rifles among the civilian militia.

2. Chávez's fiscal policies bear some resemblance to those of President Pérez when Pérez presided over the oil price bonanza of the 1970s. Both Chávez and his old enemy expanded the discretionary powers of the president, stripping the Central Bank and the Finance Ministry of their traditional authority.

In 2005 Chávez forced the supposedly independent Central Bank to turn over \$6 billion of its reserves to FUNDEN, a new development fund under his personal control, to which PDVSA, the state oil company, also contributes billions of dollars of its export revenues to finance social programs. Moreover, the government drafted its 2006 budget based on an oil price of \$26 a barrel while it has been exporting at more than \$50. The difference creates an off-budget slush fund for Chávez.

“The Central Bank has been politicized and no longer controls the money supply,” said a former official. “Some 250 economists and technicians either retired early or were blacklisted and fired for signing the petitions in 2003-04 for a recall referendum to remove Chávez. They were replaced by his followers.”

In 2005 Venezuela's booming economy grew by 9.4% and consumption grew by 14%, according to official statistics. Although the money supply expanded by 51%, thanks to the oil bonanza, inflation was held to 14% by price and foreign exchange controls, a big increase in imports and aggressive sales of government bonds by the Central Bank to mop up liquidity. Meanwhile, shortages of milk, sugar, grains, tuna, coffee and cornmeal have arisen in response to price controls. Big increases in public spending have been announced for 2006, but the projected expansion of imports may be impeded by the recent breakdown of the highway between Caracas and La Guaira, its port, and the international airport of Maiquetia.

Several economists predict a loss of GDP and more inflation as a result of the disorganization and extra costs created by the closing of this vital artery. Other consequences appear daily. Aeropostal, the main domestic airline, canceled 47% of its flights. Cargill, the American agrobusiness multinational, announced possible closure of its pasta factory on the coast which supplies 40% of the national market, explaining that it could send only seven of the usual 125 daily truck shipments to Caracas. Meanwhile, two leading telecoms companies warned that connections between their undersea cables and the Venezuelan interior may be endangered because of the precarious condition of the optical fibers running along the collapsed viaduct of the *autopista*.^{viii}

Inside the government, it is hard to understand how Chávez's money machine works. A leading state bank, Banco Industrial de Venezuela (BIV), has 31% of its loan portfolio in arrears, requiring an injection of government funds to stay in business. Meanwhile, BIV became a heavy buyer of government bonds, investing 10 times more in financial assets than in loans as it announced plans for international operations, opening branches in Cuba and Bolivia.^{ix}

It also is becoming more difficult to assess the evolution of the Venezuelan economy, especially in view of the politization and rapid turnover of officials at all levels. Specialists complain of adulteration of official statistics, especially in announced reductions in unemployment and poverty and in the levels of oil production. In unemployment, for example, people working as little as one hour a week are now counted as being gainfully employed, while labor force statistics fail to include the annual increase in the working age population.^x

3. Chávez's ambitious and expensive social programs have produced a mixed reaction. The most popular of these is Mercal, the network of government supermarkets selling basic food supplies at subsidized prices. The most publicized of these programs is *Barrio Adentro*, with 13,000 Cuban doctors living and working in poor communities. In the educational "missions," people are paid a small monthly wage to study. *Misión Robinson* seeks to end illiteracy, although only 6% of Venezuelans were illiterate at the start of the program in 2003. *Misión Rivas* grants secondary school (*bachillerato*) degrees after two years of study, after which graduates have the right to enroll with scholarships in new "Bolivarian" universities after taking special preparatory courses. *Misión Milagro* has sent thousands of Venezuelans to Cuba for cataract surgery.

Vuelvan Caras claims to have organized 60,000 cooperatives with the incentive of getting government loans. The minimum number of coop members was reduced from 30 to five because it was hard to organize larger groups. "Many coops consist of family members, who hire outsiders illegally without social benefits," said one experienced observer. "They are paid to train to run these coops. They are given capital and machinery to start their business. Some coops are continually bailed out by the government while others still are waiting for their loans."

The government announced that last year it spent US\$2.9 billion to support these programs. According to a survey by *Datanálisis*, 47% of those questioned benefited from the Mercal supermarkets and 21% had used *Barrio Adentro* clinics, while an average of 4.5% participated in the education *misiones*. Only 1.8% had joined *Vuelvan Caras* projects.^{xi}

During trips to Venezuela in 2004 and 2005, I revisited peripheral neighborhoods where I did field research in the 1960s and 1970s, places with exotic names like *Manicomio*, *Gato Negro* and *Polvorín* and that were settled in the 1940s and 1950s and have stagnated in recent decades. The stagnation was due to the annual losses in per capita income suffered by Venezuelans since 1979 and by the lack of development space in the narrow Valley of Caracas, where many poor communities take the shape of densely packed casbahs of narrow, winding streets and alleys. "The streets are cluttered with piles of uncollected garbage because the municipal government gave the concession to *Vuelvan Caras* coops instead of the old contractors," one local leader said.

Participants are grateful for the monthly stipends they receive from the *misiones* programs, but there are distribution problems. "The revolutionary process is not bad," said Efraim Torres, who lives in the small brick house along a twisting ravine where he was born 40 years ago and where he now gives rent-free lodging to a Cuban sports instructor. "There's lots of favoritism and corruption in handing out money and food packages. One coop leader stole 18 million *bolivares* (US\$8,000). Many Cuban sports teachers are leaving Venezuela. Carlos, our Cuban, teaches our kids basketball, chess, dance therapy and soccer. He also is teaching local people to run the program. Carlos says he misses Cuba. He avoids politics and doesn't talk much about socialism."

In the *barrio* Medina Angarita, settled after the overthrow of Pérez Jimenez in 1958 on one of the steep hills cradling Caracas, Marcos Suarez said the community laid its own water pipes and built a medical dispensary with materials provided by the government. "Before I came here I panned gold in Amazonia and then worked in the steel mill in Ciudad Guayana," he added. "People are willing to leave their houses before sunrise to get to work, but there are no jobs. People are divided for and against Chávez. Chávez says he'll give us money, but the money doesn't come. The streets haven't been repaired since they were paved 40 years ago and the coops don't show up to collect garbage. Chávez may fall in an election or in a tsunami social uprising."

The disorganization of government reflects the disorganization of Venezuelan society. In the failed military revolt against Pérez in 1992 and in the short-lived popular-military movement against him in 2002, Chávez chose to surrender when the odds turned against him. Now fortified in power with control of all public institutions, including the military, Chávez may react differently to

adversity today. Whatever the immediate outcome, Venezuela stands as a warning to the rest of Latin America of the consequences of the degradation and failure of public institutions.

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 - iii Ignacio Serrano, "Guillén: No soy Chavista, pero empecemos a levantar el país," *El Nacional*. Caracas, October 29, 2005/pB2.
 - iv Javier Corrales, "Hugo Boss," *Foreign Policy*. January-February 2006.
 - v Cristina Marcano & Alberto Barrera Tyszka, *Chávez sin Uniforme. Una historia personal*. Caracas: Debate, 2005/p277.
 - vi Cristina Marcano & Alberto Barrera Tyszka, *Chávez sin Uniforme. Una historia personal*. Caracas: Debate, 2005/p53.
 - vii Pedro Pablo Peñaloza, "Ineficiencia y descontento preocupam al MVR," *El Universal*. Caracas, January 26, 2006.
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 - ix "12,5 millardos perdió el BIV en segundo semestre de 2005," *El Universal*. Caracas, January 22, 2006.
 - x Victor Salermon, "Analistas cuestionan estadísticas oficiales," *El Universal*. Caracas, January 22, 2006; "Un gobierno de mentiras y medias verdades," *Veneconomía opina*. January 23, 2006.
 - xi Mayela Armas, "Misiones recibieron fondos por 5,8 billones," *El Universal*. Caracas, December 30, 2005.