UNCERTAINTY IN VENEZUELA

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After the following essay was written, the situation in Venezuela changed abruptly and Hugo Chávez returned to power as president of Venezuela. It is too soon to predict the implications of this series of events on Venezuela's internal and foreign policy.

Hugo Chávez was forced to resign as president of Venezuela on April 11, 2002. He took office in February 1999 and, therefore, was president for about 39 months. The defined term for the presidency in the new constitution—Chávez' constitution—is six years. His period in the presidency was tempestuous, and made fundamental changes in Venezuela's institutional structure.

These monthly notes focus primarily on economic matters, but the political context is essential in dealing with issues of "political economy." Chávez won the presidency—two times, in fact, first in normal fashion and then again a short time later after the new constitution was promulgated—with overwhelming majorities. His coattails at the outset were long enough for him to have large majorities in the unicameral legislature. He was able as well to stack the judiciary. Over time, Chávez managed to alienate most key groups in Venezuelan society, including business, labor, the church, and university communities. Even though he came out of the military, Chávez also managed to turn the military against him and, in the end, this proved fatal to his administration. It became clear as time passed that Chávez had the ability to overturn the inadequate social and economic structure of Venezuela that preceded him, but he lacked the talent and temperament to run a country.

Chávez' shortcomings showed up emphatically in the economic sphere. For Venezuela watchers, both inside and outside the country, it was never clear that Chávez had a stated economic policy, and surely not a coherent one. The history of modern Venezuela is that the country prospered when oil prices were high and stagnated when they were low. Oil exports were 80 percent of the total, more or less year in and year out, and little was done to diversify the economy to smooth out the booms and busts. Until Chávez, the country was unable even to set up an emergency fund to tide it over the inevitable bad times.

The political structure that dominated pre-Chávez Venezuela consisted of two main parties, both of which lost prestige during several decades, a reality that facilitated Chávez' ascent to power. Now that Chávez is gone and an interim civilian president is in place, a new political structure will have to be fashioned. Maybe even a new constitution. How this is done will be a critical issue for the future.

Beyond that, and moving to economics, inequalities in Venezuela are great and poverty is high. I do not fully believe that the 70 percent figure that is thrown around regularly is accurate, but I do not doubt the reality that a majority of Venezuelans live in poverty. Chávez played heavily on the dismal social situation in Venezuela to achieve power. Venezuela has long had a history of low tax collections, which hardly bespeaks much concern on the part of the dominant economic class.

The difficulties that Chávez faced built up gradually during the course of his presidency. Oil is at the heart of the Venezuelan economy and it is fitting that the precipitating event that led to Chávez' ouster (more formally, his resignation) also had to do with oil. The one Venezuelan institution that was respected for its probity and efficiency was Petroleos de Venezuela, S.A. (Pedevesa) and, from the outset, Chávez tried to politicize this institution. Its
respected president was forced out. A succession of military officers was appointed to run Pedevesa and then, more recently, five new members were proposed for the board of directors. It was not apparent that they were qualified for the positions, but Chávez obviously felt they would be loyal to him. The career employees and managers of Pedevesa protested. They called a one-day strike on April 9, and other labor and business groups joined them. The work stoppage was so successful that its organizers decided to continue the action for a second day, and then indefinitely. On the third day, April 11, hundreds of thousands of demonstrators marched on the presidential palace. Chávez was defiant, tried to organize a counter-demonstration, cut off television coverage of the protest, and a number of protestors were killed by gunfire. The military stepped in, ostensibly to keep order, and that was that for Chávez.

It is now time to look ahead. There is no innate reason why the Venezuelan economy cannot be restored to healthy growth-the oil is there, as is the market- but the status quo ante may no longer be acceptable to the general population. Chávez was chosen president because the old system had fallen into disrepair. The various societal groups worked together to oust Chávez, but the task now is more complex-to work together to fashion a more just economic structure. As one looks to the future, the challenges are daunting: Will corruption be challenged head on? Will wealthy Venezuelans pay their taxes? Will an effort be made to diversify economic production? Will there be a serious effort to reduce poverty? All of these problems must be addressed despite the lack of respected political leaders.

There are related political issues. The final arbiter to sack Chávez was the military. To a large extent, the military has long played this role in Venezuela. What does this say about the vigor of Venezuela's democracy? The leaders of the street demonstrations surely were cognizant that President Fernando De la Rúa of Argentina was forced to resign following large street demonstrations. The former president of Ecuador, Jamil Muhuad, was forced out earlier in similar fashion. President Alberto Fujimori of Peru stole an election, but was forced out of office as scandal was budding. Hemispheric leaders have now made democracy a sine qua non of political practice in their countries. Is it democratic to oust leaders by means of street demonstrations? In any event, this is apparently acceptable if one makes allowances for the sponginess of Latin American democracy, as long as the military makes no effort to run the country afterwards.

How will the developments in Venezuela be perceived elsewhere in Latin America and in the United States? Ambiguously, I am sure. Leaders in some other Latin American countries are likely to think, "There but for the grace of God (or circumstances), go I." On the other hand, Chávez was troublesome for other Latin American leaders and most will not be unhappy to see him gone. Had the ouster been organized by elements of the U.S. government, this would have elicited outrage-but the evidence is that Venezuelans instigated Chávez' removal.

As to U.S. policy, the first reaction will be to allow "the dust to settle." It is not clearly known how many protestors were killed, who killed them, or how Venezuelans will now organize their political and economic structure. No tears will be shed in the U.S. government, or by U.S. business leaders, over the ouster of Chávez. Just the reverse, in fact. If the military tries to openly retain power, this will lead to U.S. government criticism, but the Venezuelan military surely understands this. If the oil flows again, President George W. Bush's administration will surely be satisfied. If I were to give advice to the U.S. government, it would be to allow what comes next to be a Venezuelan show-at least, publicly. Large financial support should not be needed, and this eases U.S. policy decisions.

The U.S. Congress and the public at large are likely to react somewhat disdainfully-after all, these things are common in Latin America. Unfortunately, they are. Yet there is no country named "Latin America." The big countries, Brazil and Mexico, have functioning political systems. So does Chile. The analysis must be made country by country-and Venezuela was a country ripe for this kind of change.

Where should Venezuela be going in the longer term? The answer, I believe, is that the leaders must be more constructive than in the recent past. If the country fails to diversify, it dooms itself to a seesaw economic future with the ups and downs of oil prices. If the leaders fail to address corruption, the new government will fall into the same disrepute that prevailed before and during the Chávez period. If poverty is not addressed, there is little reason for the majority of the population to support the new government. If social concerns are ignored, trouble will be brewed for the future.

The tasks ahead are reasonably clear conceptually, but damnable complex in practice. Will Venezuela find leaders up to the task ahead? One surely hopes so.