

WebMemo



Published by The Heritage Foundation

No. 1284
December 12, 2006

What A Chávez Win Means in Venezuela and for U.S. Policy

Stephen Johnson

To no one's surprise, Venezuela's authoritarian president, Hugo Chávez swept to re-election victory on December 3. Chávez clearly intends to turn Latin America and the Caribbean toward authoritarianism and closed markets. To counter those aims, the United States must ratify promised trade ties with allies. It must enhance security cooperation to counter new threats and check any potential arms race advanced by Chávez. Finally, America must strengthen support for fragile democratic and market institutions to keep other countries in the region from sliding toward economic decline, strongman rule, and conflict.

Tilted Contest

Thanks to unfair electoral practices, Chávez handily defeated challenger Manuel Rosales, governor of Zulia State, 61 percent to 38 percent. Before the vote, Chávez lavished oil revenues on social spending and raised government workers' salaries. Chávez loyalists ran the National Electoral Council and made exclusive use of state resources to register hundreds of thousands of new voters. And while Chávez had unlimited access to the media through state television and radio and the ability to pre-empt commercial broadcasting, rivals were limited to a few minutes of advertising per day on private media.

Fifty-seven percent of respondents to an Associated Press poll said they feared retaliation if they voted against Chávez. Names of 3 million citizens who signed a petition for his recall in 2004 have circulated on CDs in Caracas, spreading fear of

reprisals. Energy Minister Rafael Ramírez even warned employees of the state oil company that they were obligated to support Chávez's re-election "100 percent." And on election day, fingerprint scanners scared off some opposition supporters. While voting machines seemed to work, the electoral process was unfair.

Lurch to the Right

Despite socialist rhetoric and a re-election victory dedicated to Cuban dictator Fidel Castro, Chávez's presidency marks a regressive shift in Venezuelan politics. Authoritarian or *caudillo* rule is a relic of Spanish colonialism. It mimics the harsh, centralized control imposed by conquerors and depends on rent-seeking to extract wealth from cheap labor and available resources. Caudillos ruled Venezuela until 1958, when a pact between two political parties to share power brought in a civilian-elected president.

Mounting debt, due to excessive social spending and declining oil prices, weakened the pact, allowing former coup plotter and cashiered army officer Hugo Chávez to win the presidency in 1998 on promises to clean up government. Instead, he had

This paper, in its entirety, can be found at:
www.heritage.org/research/LatinAmerica/wm1284.fm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

the constitution rewritten to expand his powers and time in office, elevated military cronies to key posts, and introduced laws to constrain commerce, muzzle the media, and expropriate property. Corruption metastasized, and Venezuela is now one of the most violent countries in the hemisphere.

Chávez has not yet adopted the totalitarianism of mentor Fidel Castro. But during the 2006 campaign, he spoke of creating a single revolutionary party and of amending the constitution to allow his unlimited re-election. He also suggested replacing local currency with time-limited coupons that could only be spent in the communities where they were earned.

International Agenda

Through oil wealth and Russian arms, Mr. Chávez seeks the kind of regional hegemony that Cuba's Fidel Castro once tried to achieve. Venezuela's activist embassies recently aided populist nationalists running to lead Peru, Nicaragua, and Ecuador. Bolivian President Evo Morales reportedly has Cuban security advisers, and Venezuelan pilots fly his helicopter. In October Chávez warned, "Venezuela will not keep its arms crossed" if the Bolivian government is threatened from outside or within.

Filling a vacuum left by a United States preoccupied with the Middle East, Chávez has bought Argentine debt and offered neighbors many times the \$1.5 billion in foreign aid the United States distributes. After urging the Organization of Petroleum Exporting Countries (OPEC) to limit exports and drive up oil prices, he has given subsidies to needy neighbors in exchange for loyalty. And he opposes the U.S. free trade agenda with his Bolivarian Alternative for the Americas (ALBA), a notional aid scheme to be financed by oil.

Chávez cut military ties with Washington in 2004 and is purchasing fighter-bombers, helicopters, 100,000 rifles, and an arms factory from Russia. Officials claim the equipment is needed to replace outdated inventories. Such arms could be used to intimidate neighbors. Venezuela has an adversarial relationship with Colombia, which is struggling to rein in narco-terrorists who are Chávez's allies. Until his capture in 2004, Revolutionary Armed Forces of Colombia commander

Rodrigo Granda lived in Caracas with Venezuelan identity and travel documents.

Cloudy Future

Increasingly, Venezuela's economy depends on high oil prices. Exchange controls and new regulatory restraints have forced thousands of businesses to fold, reducing economic diversity. Foreign investment is a fifth of what it was in 1998. Even with growing trade surpluses from oil, the government seems to spend more than it takes in. Despite lavish social programs, Venezuela's official poverty figures rose from 44 percent to 55 percent between 1998 and 2004. The government has since abandoned "neoliberal" methods of counting the poor.

Ironically, Venezuela's economy remains highly dependent on selling oil to the United States, which accounts for about 60 percent of its exports. Chávez has tried to limit private participation in Venezuela's petroleum industry, seeking capital from state companies in Iran and China instead. But their expertise and minimal investments may not be enough to counter overall declines in Venezuelan oil production.

Damage Control

Despite Chávez's threats to cut oil exports to the United States, U.S.-Venezuela commerce will continue out of necessity for both countries unless Venezuela directly threatens the United States or a Rio Treaty signatory. Still, Chávez may be expected to incrementally destabilize democratic neighbors where poverty and discontent provide opportunities.

To promote democratic space in Venezuela and minimize potential threats to America, the United States should:

- **Ignore Chávez's insults** and confine discourse to democratic principles, assessments of institutional performance, and incentives for collaboration to avoid a propaganda war;
- **Help sustain Venezuelan civil society** by maintaining person-to-person contacts such as exchanges and public diplomacy outreach programs; and
- **Reduce U.S. dependence on foreign state energy monopolies** by allowing market prices

to spur exploration elsewhere and encourage technological breakthroughs.

To deter Chávez from destabilizing adventures in Latin America, the United States must:

- **Consolidate promised free trade agreements with allies.** This is what more democratic neighbors want instead of stop-gap aid programs. Congress should approve accords already signed with Colombia and Peru and support U.S. efforts to negotiate a pact with Uruguay.
- **Enhance security cooperation** that has declined since the end of the Cold War to counter new threats, such as transnational crime, and boost scrutiny of Venezuela's diplomatic and military actions.
- **Strengthen U.S. support for democratic and market institutions** to keep poor countries in

the region from sliding toward economic decline and, ultimately, authoritarianism.

Conclusion

Like Fidel Castro, Hugo Chávez is a throwback to Latin America's authoritarian past. His loyalists represent a new oligarchy running a manipulated democracy. Unless leaders like Manuel Rosales develop a viable opposition and outside scrutiny deters Chávez's more dictatorial inclinations, the United States and Venezuela's democratic neighbors may get stuck rehabilitating a bankrupt, broken society and its satellite states when the *caudillo* juggernaut finally goes bust.

Stephen Johnson is Senior Policy Analyst in the Douglas and Sarah Allison Center for Foreign Policy Studies at The Heritage Foundation.