Today at age 52 Hugo Chávez is the star and master of ceremonies of his own Sunday TV show, *Aló Presidente*, wearing a blazing red beret, sometimes army khakis, or a jacket that wraps his torso in the red, yellow and blue colors of the Venezuelan flag. He sings songs in his resonant baritone voice, tells stories of his own life, announces government programs and basks in the praise and gratitude of poor people and sycophants alike. *Aló Presidente* runs for up to six hours. The aged Fidel Castro appeared as co-host at times, with cabinet ministers and army generals serving as extras. This is basically how his government is run. Chávez has replaced half of his ministers every year, at times firing them while on television.

1. The Revolutionary Path

Chávez's ideological persona is a mixture of mythology and confusion. 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. As a secondary student he came under the influence of Jose Esteban Ruiz

**Norman Gall** is executive director of the Fernand Braudel Institute of World Economics and editor of Braudel Papers. This continues a series of essays published in 1973 during his residence in Venezuela as American Universities Field Staff Reports, "Oil and Democracy in Venezuela", which can be accessed at www.normangall.com.
Guevara, father of his two closest friends and a veteran communist, who opened his library to Chávez, to sample Venezuelan history and the Marxist classics.

Dr. Edmundo Chirinos, a Caracas psychoanalyst who calls himself “Chávez’s adviser in critical psychic situations,” says that he counseled him after the failure of his second marriage and helped him control nervous twitches with breathing and relaxation exercises. Skeptical of Chávez’s capacity for ideological formulation, Chirinos says: “He is not an intellectual. But he is marvelous at deceiving people. They think that he is well-read. In reality he has memorized one or two pages of all kinds of books and makes people believe that he knows the authors profoundly. He loves power more than anything else. It possesses him. Caffeine is his drug; he drinks 26 to 30 cups of black coffee every day. Yet I like him as a person, despite his defects. He is like an adolescent. I like his spontaneity.”

His home state of Barinas was a battleground in the 19th Century, full of legends and mythological heroes, its vast cattle herds feeding rival armies both in the Independence and Federal Wars. One of his heroes was Ezequiel Zamora, a provincial merchant who became a guerrilla leader in the Federal War (1859-63) and more recently a leftist icon of the “Revolutionary Government of the Armed Forces” of President Juan Velasco Alvarado, which seized power in 1968 and then carried out a radical land reform and turned expropriated banks, rural estates and factories into cooperatives and “industrial communities” run by their workers. “I was 21 years old, in my last year in the Military Academy and I already had clear political motivations,” Chávez recalled. “For me it was an emotional experience as a military boy to live with the Peruvian national revolution. I personally met Juan Velasco Alvarado. He received us one night in the Palace....For years I read the revolutionary manifesto, that man’s speeches, the Plan Inca.”

Herma Marksmen, a history teacher who was Chávez’s lover for nine years, met him at a party in 1984 and accompanied his career as a serial conspirator. “We entertained each other,” she recalled. “We talked politics. Later we recited poetry and sang. Chávez is no great singer, but has no inhibitions about singing at every opportunity and before any audience.” As a conspirator, she said, “Hugo was the leader, who worked without rest every day of the year. I was close to him. He arranged the meetings, set the agenda, contacted the people.”

His old comrade and fellow-conspirator, Francisco Arias Cardenas, who broke with Chávez to run for president against him in 2000 but now is Venezuela’s ambassador to the United Nations, recalled that Chávez “would drive for five hours in a beat-up car to attend an hour-long meeting. He led our group because he was the hardestworking. Chávez is a superb strategist. When we were in the army, Chávez took a course in psychological warfare in El Salvador. He became a big proponent of reverse psychology, baiting opponents into underestimating your strength.” Yet in moments of depression he would say: “I destroy everything I touch.”

“He accepts neither dissidence nor differing opinions.”
In 1980, early in his career as a dedicated conspirator, Hugo Chávez was introduced to the veteran guerrilla leader Douglas Bravo by Adan Chávez, his brother, who until recently was Venezuela’s ambassador to Cuba and, since Fidel Castro’s illness, moved to Caracas to head the Presidential Secretariat. Adan had been a member since 1965 of Bravo’s Frente Revolucionario Venezolano (FRV), formed after Bravo’s expulsion from the Venezuelan Communist Party (PCV) in 1962 for continuing the “armed struggle” against Moscow’s orders. Bravo played a key role in making contact between the PCV and the military in preparing the uprisings that led to the end of the Perez Jimenez dictatorship in 1958. In the 1980s, Bravo became a political adviser to Chávez, introducing him to other military conspirators. Their last meeting was in October 1991, when Chávez rejected Bravo’s plan for an insurrectional strike to precede the military revolt of February 1992. “We wanted the civil society to participate in the revolutionary movement,” Bravo told me. “This was exactly what Chávez didn’t want. He wanted civil society to applaud him but not to participate. He accepts neither dissidence nor differing opinions.

After failure of the February 1992 uprising of middleranking military officers against President Carlos Andres Perez (1974-79; 1989-93), Chávez became a media star when taponister 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, his captors let him go 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.”

At age 38, Chávez had been a dedicated conspirator for 15 years. When he taught Venezuelan military history at the Military Academy, he formed the nucleus of the group that later became the ‘Bolivarian’ movement. There he took advantage of the chance to win over cadets and younger officers who later helped to execute his plans. In the 1992 revolt, Chávez was the only conspirator who failed in his mission. Yet he became a celebrity in a society sick from Venezuela in 1995, returning in 1999 after Chávez’s election. An adherent of the extreme right wing of Peronism, Ceresole wrote in a treatise, Caudillo, Ejército, Pueblo (2000), that the 1992 revolt was “the necessary militarization of politics, the sine qua non condition for the existence of a Venezuelan post-democratic model. Nobody should be surprised at the appearance of a civic-military party as a secondary conductor behind the national caudillo-of the Venezuelan revolutionary process. In my opinion, today all the elements exist that can make Hugo Chávez the leader of all Hispanic America.” The philosopher Alberto Arevalo Ramos argued that “Ceresole convinced him that he was a second Simon Bolivar, made him drunk with this megalomania of being a universal and historic leader.” In 1999 Ceresole was given 48 hours to leave Venezuela after Chávez told his intelligence chief, Jesus Urdaneta, “this old bum is bothering me. Take care of him.” Ceresole later blamed his expulsion on a Jewish conspiracy.

Although he now opposes mass abstention in the presidential election scheduled for December 3, Chávez himself initially had advocated mass abstentions before running in the
1998 presidential election, which he won with 56% of valid votes after seizing the opportunity offered by the decline of the traditional political parties. Indeed, abstentions by an electorate weary of the seven elections and plebiscites between 1998 and 2000 facilitated Chávez’s consolidation of his hold on power. A new “Bolivarian Constitution” was drafted and approved by referendum, with 62% of voters abstaining, that created a new National Assembly under his control. He used this new legislature as a tool to purge the judiciary and to appoint his own people to the National Electoral Council and the offices of public prosecutor, public defender and controller. Yet in those seven elections and plebiscites between 1998 and 2000, Chávez managed to win support of only one-third of all eligible voters, counting abstentions. This one-third is what opinion surveys indicate as his hard-core support today.

2. The Grand Tour

Chávez’s geopolitical pretensions carry him far afield, neglecting the problems of his own people as he travels about the world, throwing billions of dollars at potential allies, buying weapons and seeking to star on several stages, omitting no warning his followers of an imminent United Nations General Assembly, where he said, “came here yesterday,” pointing to Chávez called Bush “the devil” who, after announcing his support for the candidacy of Venezuela for a seat on the U.N. Security Council, President Luiz Inácio Lula da Silva told the Financial Times: “I talk a lot with President Chávez about the need to behave in a way that doesn’t create problems for other countries.”

Chávez was the first Latin American president to visit Belarus since it became independent in 1991, with the breakup of the Soviet Union. At the airport in Minsk, before meeting Europe’s last communist dictator, Alexander Lukashenko, and visiting the “Stalin Line” fortifications on the frontier with Poland, Chávez proposed a strategic alliance, saying, “Belarus is developing a model of a social state like the one we are building in Venezuela.” Although Chávez postponed a planned stopover in Pyongyang to meet the dictator Kim Jong-Il, Venezuela defended North Korea firing of seven missiles into the Sea of Japan, lending credibility to reports that Chávez was negotiating to buy missiles from North Korea.

“The United States is the accused representative of capitalism,” Chávez declared in a two-hour speech in Hanoi before the Chamber of Commerce and Industry of Vietnam. “Capitalism will bring humanity to perdition and destroy everything;” perhaps unaware that Communist Vietnam has been pursuing market-oriented policies for the past two decades, with huge gains in economic growth, poverty reduction and life-expectancy. Vu Tien Loc, the Chamber president, was perplexed, saying: “Vietnam is embracing the market economy, so I don’t think that what he said about capitalism is appropriate in these circumstances.”

Stopping over in London for a speech and a session of reciprocal praise with its mayor, Ken Livingstone, Chávez agreed to sell diesel fuel at subsidized prices for London’s fleet of 8,000 buses, in a singular act of generosity. Venezuela’s per capita income is roughly $6,000, while London’s is $40,000. An internal memorandum said the Venezuelan government would reap “massive propaganda cooperation” from the sale. “Such cooperation cooperation.”

London’s municipal government is to provide consulting services in policing, tourism, transport, housing and garbage disposal. Aon can be placed both inside and outside the buses. In addition, the Mayor’s office would develop a well-articulated plan to disseminate the ngie Bray, conservative leader in the London council, called the scheme “a socialist propaganda felt,” adding that “Ken and the president of Venezuela should be ashamed of themselves” since “the Venezuelans who struggle below the poverty line, may of them critically so, would be shocked at the cynical siphoning off of their main asset to provide one of the world’s most prosperous cities with cheap oil.”

In Moscow, Chávez closed several deals. He already had ordered 100,000 Kalashnikov AK-103 rifles for use by the army and a militia of two million

Continued on page 6
Generosity

Chávez has promised some $35 billion in foreign projects to gain political influence, mainly in Latin America. The range of initiatives is spectacular. Among these are purchase of more than $3.3 billion in Argentine government bonds as well as a network of service stations in Buenos Aires. To consolidate what Chávez called “the Caracas-Buenos Aires axis,” Venezuela and Argentina are to issue a binational bond, called Bono Sur, for another $2 billion. Chávez also promised to buy $100 million each of bonds from the governments of Bolivia, Paraguay and Costa Rica. Officials explained that the purchase of foreign bonds was a way to sterilize the huge inflow of oil money into the economy so as to contain domestic inflation. A new secondary market was created as $2.4 billion in Argentine bonds were resold by the government at the official exchange rate to Venezuelan banks, which resell them again on international markets at the parallel rate, earning them a large profit and giving them freer access to dollars under a regime of foreign exchange controls.

Chávez promised to build or modernize refineries in Brazil, Cuba, Panama, Uruguay, Argentina, Ecuador, Paraguay and Syria. Venezuela offers oil at steep discounts to 14 Central American and Caribbean republics, some on barter terms, such as the swapping of oil for bananas from Granada. In all, 220,000 BD of oil are being sold with easy financing worth some $2 billion. Much of this recent activity is aimed at winning support for Venezuela’s candidacy for a seat on the United Nations Security Council, opposed by the United States but supported by several Caribbean, Latin American, African and Arab states, several of them influenced by Chávez’s generosity.

To carry out these plans, Chávez created regional organizations such as Petrocaribe, Petrosur, Telesur (satellite television), Petroandina, Banco Sur (development bank) and ALBA (Alternativa Bolivariana para las Americas), most of which remain in the conceptual stage. As Venezuela joined Argentina, Brazil, Uruguay and Paraguay in Mercosur, a regional trade grouping hobbled by internal conflicts, Chávez proposed turning Mercosur into a military alliance and into a “Megastate” with a single constitution and currency.

Chávez is the second Venezuelan to try to shape the future of Bolivia. The first was Simon Bolivar, for whom the republic is named and whose “great idea” of a Bolivian constitution with a president for life was rejected by local elites.

Chávez became a close ally of Bolivian President Evo Morales both before and after Morales’s landslide election in December 2005. A “Commercial Treaty of the Peoples” was signed in Havana by Cuba, Venezuela and Bolivia two days before Morales announced nationalization of Bolivia’s petroleum industry on May 1. Venezuela is to swap 200,000 barrels of diesel fuel monthly for shipments of Bolivian soybeans. Chávez promised Bolivian aid totaling $2 billion (more than 20% of Bolivia’s GDP).

Cuban doctors and teachers, presumably paid for by Venezuela, are working in health and literacy projects in Bolivia. Venezuela bought $100 million in Bolivian government bonds. Another $100 million in Venezuelan money would establish a fund to provide credit to small farmers in Bolivia. A binational company, Minesur, would develop Bolivia’s mining potential. Pdvsa paid for television transmission of World Cup football matches to rural communities and is accused of also paying for television ads supporting Morales’s campaign to change Bolivia’s constitution. Morales flies around the world in a jet airliner lent him by Chávez. He flies around Bolivia in two Super Puma helicopters also lent by Chávez, worrying that it was dangerous for Morales to fly in Bolivian government helicopters.

In the weeks before Morales announced nationalization of foreign companies operating Bolivia’s gas industry,
BRAUDEL PAPERS

Pdvsã afford to send so many technicians to work in Bolivia when it is desperately short of skilled manpower to sustain declining oil production at home? This question was answered quickly when, three months after Morales’s nationalization decree, nearly all Pdvsã technicians returned home as the new government “suspended” its takeover of foreign installations for lack of money and technical expertise. Addressing the heads of state of 53 African nations in Gambia in July 2006, Chávez urged creation of “a commission to articulate an oil, gas and petrochemicals strategy for Africa and Latin America. We are energy powers. Let us coordinate a project, Petrosur, and soon we will see miracles for economic independence and development.” On his trip to Africa, Chávez met for half an hour with the president of Mali and offered to equip a hospital in Bamako, the Malian capital.

This kind of generosity is meeting with increasing resentment in Venezuela, given the deterioration of its own public health stations and hospitals, as Chávez fails to provide Venezuela’s public hospitals and clinics with basic supplies. According to a recent opinion surveys, from 63% to 84% of Venezuelans oppose Chávez’s foreign aid initiatives to win geopolitical leadership. Roughly half believe that problems like corruption, crime, unemployment, inflation and poverty are worsening, while one-fourth see improvement.

Continued from page 4

men and women being formed to defend the patria. A Russian arms manufacturer is licensing production of 25,000 AK-103s and munitions annually in Venezuela in a factory to be built with Russian help, which Chávez said may be used to export weapons to neighboring countries. His agents are shopping for an arsenal of sophisticated weapons that may cost roughly $30 billion. In addition to the Kalashnikovs, Chávez in Moscow signed $3 billion in orders for 24 Sukhoi (Su-30) fighter planes and 33 armored and attack helicopters. He plans to buy 10 to 15 missile-launching submarines, several dozen T-90 battle tanks and armored vehicles and 138 naval surface vessels. The Russian newspaper Vedomosti reported that Venezuela would buy Tôr-M1 surfaceto-air missiles. These arms purchases made Venezuela’s neighbors nervous. Jose Sarney, ex-president of Brazil (1985-90), warned of Chávez’s “proclaimed desire to make Venezuela into a military power... Brazil and other South American countries cannot consent to militarization and, to begin with, should warn Chávez of their disagreement.

Chávez’s alliances with Cuba, Russia and Iran “are pushing Venezuela into uncharted territory,” according to the respected newsletter LatinSource, “becoming a pawn in the games of the global superpowers and may be called into action by its new allies at a time of their choosing. This may carry a significant cost for Venezuelan society.” The arms deals with Russia gives Moscow a way to counteract U.S. arms sales to former Soviet countries on Russia’s border and enhances Russia’s influence in the oil market. In a speech in Moscow on November 10, 2005, Chávez told his hosts: “I want to pay homage to the good done to humanity by the Soviet Union by the mere fact of its existence. You have my condolences for the way the Soviet experience ended. You have my congratulations because one day this will explode and Latin America will become what Russia could not be.”

Chávez created elite paramilitary groups under his personal command, independent of regular security forces, but also talks of a kind of guerrilla resistance, “asymmetrical warfare,” to repel a U.S. invasion. Chávez’s buying foreign weapons seeks to overcome the low operational readiness of the 100,000-strong armed forces, which in recent years have been short of uniforms, boots, helmets, body armor, food supplies, ammunition and
trucks. The usefulness of all the new hardware will be tested by the level of military organization. The advanced Sukhoi fighters require intensive pilot training and sophisticated maintenance procedures to keep them combat-ready. Regular army officers may resist distribution of Russian assault rifles among Venezuela's civilian militia. Moreover, Chávez’s new wave of arms purchases has led to refusal, under U.S. pressure, of traditional suppliers—such as Sweden and Israel—to sell Venezuela weapons and spare parts, aggravating already severe maintenance problems. Fernando Ochoa Antich, a former defense minister, said “the armed forces already are having operational difficulties because of the measures taken by the United States.”

Highways and viaducts

In the three decades before the 1990s, Venezuela invested more than $100 billion in public works, roughly $40,000 per capita, of which $45 billion was spent during the oil boom of 1974-82. Most of Venezuela’s public hospitals and hundreds of local clinics were built during these decades, as well as 12,500 schools, 45,000 kilometers of paved roads, water, sewage and telephone networks and large hydroelectric and irrigation dams. Much of this new infrastructure now is decaying for lack of maintenance.

According to Giovanni Bianco of the Venezuelan College of Engineers, 90% of the bridges built before 1960 are in the state of “pre-collapse” because of lack of maintenance, as are 60% of the bridges built between 1960 and 1990 and 30% of those built after 1990. Electric power failures are widespread, despite Venezuela’s huge hydropower potential. The crumbling of infrastructure is widely seen as a sign of institutional failure, of the waste, negligence and corruption of the boom years.

In recent decades, seepages from the ranchos and the landslides continued in Caracas, with broader effects, reflecting widespread collapse of infrastructure and logistics. On January 4, 2006, these earth movements caused fissures in the great viaduct that breached the deep, twisting Tacagua ravine, preventing further public use of the 17 km. autopista connecting Caracas with its main links to the outside world: the port of La Guaira and the international airport at Maiquetia on the Caribbean coast.

The news was greeted by public outrage and fear for the effects of the widespread neglect of Venezuela’s basic infrastructure: roads, bridges, ports and the electricity grid. “For years to come, the collapse of the viaduct will remain a living symbol of the Chávez government’s complete failure after eight years in power to complete a single major project to benefit the people and the economy in the long-term,” observed the newsletter Veneconomy Weekly. “The country is literally collapsing physically, and long-term structural damage is being inflicted on the economy.” Frequent electricity blackouts, caused by failure to invest in generation and transmission, have led to violent public demonstrations in several states of Venezuela’s interior. There were 84 major power interruptions in 2005, as electricity demand increased by 9% yearly over the past three years, and by 20% yearly in some areas, prompting fears of systemic failure by 2008. Puerto Ordaz, the headquarters of EDELCA, the state electricity corporation, is plagued by power failures in spite of the vicinity to Guri, one of the world’s largest hydroelectric dams.

The closing of the autopista, used by 50,000 cars and trucks daily, is causing enormous dislocation and may cost Venezuela heavily in total output and inflation. The autopista, with two tunnels and three viaducts, was one of the prestige projects of the Perez Jimenez dictatorship. It was compared as an engineering feat with the Panama Canal and called “the most expensive highway in the world,” completed in 1953 in time for the 10th InterAmerican Conference of Foreign Ministers in Caracas. The viaduct closest to Caracas, bridging the Tacagua ravine, was then the biggest arched concrete bridge in the Americas. The autopista was closed because the massive pillars supporting the viaduct yielded and cracked under the pressure of earth movements dislodged by decades of sewage seepages from the rancho squatter settlements on the hills overlooking the highway. Ten weeks later, the viaduct broke in half and plunged into the ravine, raising a huge cloud of dust. A university student passing by said: “Seeing that was like the collapse of the World Trade Center in New York, which I saw on TV, with the difference that I was there today. The viaduct broke apart like a soda cracker, with a noise leaving you dizzy.”

The vice minister of infrastructure said “the push of 14 million tons of earth was uncontrollable, causing the arch to crack, despite having
been reinforced.” The landslide increased the danger to the hillside rancho community of Nueva Esparta, from which many of the filtrations came. “Nobody opposes leaving,” said one of the remaining dwellers, “but the government won’t give us enough relocation money to find a new home.” Within hours, men from the ranchos scoured the ruins of the viaduct to salvage pieces of copper and aluminum to resell. “I’m taking away the fence to make a chicken coop for my house,” one of them said.

In 1987, as the ranchos reached further along the ravines that were tributaries of the valley of Caracas, engineers discovered that these earth movements were threatening to bring down the viaduct. Since then, 18 public works ministers under the past five governments knew about threat to the viaduct and autopista from landslides and water seepages. Chávez went through six of these ministers in his eight years in power without taking action. Despite official studies and proposals by several engineering and construction companies, nothing was done. “I consulted several experts, who told me that, although there were problems, the viaduct would last a while, and it did last for 12 years more,” said Cesar Quintini, who was public works minister for four months in 1994 under President Rafael Caldera (1969-74; 1994-99). “Early in 1994 the government had to deal with the financial crisis created by the collapse of several banks. The budget was cut and new projects postponed.” Meanwhile, the highway was made more dangerous by failures of public lighting and frequent armed robberies of night travelers. Shortly after taking office in 1999, Chávez cancelled a contract with a Mexican company to develop an alternative Caracas-La Guaira expressway. On the day the viaduct collapsed, Chávez went on TV to say that the collapse “was for the best, since it saved the expense of tearing it down.

**Cuban doctors and public health**

The decline of Venezuela’s public health system is a saga going back two decades. “The system of public health clinics and hospitals worked fairly well, with big improvements during the oil bonanza of the 1970s, but it deteriorated fast after the currency devaluation of 1983 as the oil price fell,” said Angel Rafael Orijuela, a former Health Minister. “With the devaluation, shortages began that continue today. Public health spending fell fast. Health indicators began to decline in some areas. The problem was compounded by corruption. Supplies were not stolen by employees, as some people say. It was worse. Salaries were paid for non-existent employees. Union leaders signed receipts for medicines and equipment sold at inflated prices without bidding but never delivered.”

Over the past two decades, efforts have been made to reorganize impoverished health services, with zigs and zags in policies. In 1987 Congress centralized management of public health institutions, only to pass another law a year later providing for direct election of state governors and shifting responsibility for basic health services to states and municipalities. Financing was fragmented, divided among more than 100 kinds of service. The Medical Attention Fund of the Social Security Institute (IVSS) ran operational deficits that reached 45% in 1991. The reforms of 1987, 1992 and 1998 all came toward the end of presidential administrations. The 1998 reform provided for elimination of IVSS, which was reversed by another reform in 1999, the first year of Chávez’s presidency. Meanwhile, the health of the population deteriorated. In 2002-03, during a severe recession, infant mortality increased to interrupt a long-term decline. Maternal mortality rose by 13% since 1998. Between 1998 and 2004 cases of malaria doubled. Deaths caused by diabetes and hypertension increased sharply.

Visits to local facilities illustrate the failure of public health services. At the Leonardo Ruiz Pineda clinic in Caracas’s superblockes 23 de Enero housing project, a base of Chávez’s popular support, there are no X-ray plates, no chemicals for lab tests, no wooden sticks for throat examinations and no medicines. A staff of 40 employees sees only 50 patients a day. The 22,000 Cuban physicians and 6,000 sports instructors living and working in poor communities, in the Barrio Adentro program, have produced a big propaganda impact, both inside and outside Venezuela. But the Cubans specialize in preventive medicine and can do some simple surgery and dental work. Patients with serious complaints or injuries are sent to join the long lines at public hospitals.

“The problem at our hospitals is the volume of patients and the high levels of criminality,” said one Venezuelan doctor, referring to the tripling of the homicide rate over the past decade. “On one night eight men come in with bullet wounds in their thorax,” the doctor said. “But we have only four tubes to drain their lungs, so the other four die. We lack gauze, sutures, disinfectant liquids and surgical gloves. Our hospital has a tomography machine, but nobody to operate it.” The hospital elevators have been condemned as unsafe. Its corridors are swarming with cockroaches and caked with many years’ dirt. The doctors take turns buying toilet paper, napkins, alcohol and oxygenated water.

“My hospital is a haven of cruel indifference,” another doctor wrote to the newspaper El Universal. “The leaks from the high ceilings throw flakes of paint and plaster onto the faces of my patients. The President [Chávez], owner and lord of all our money, gives $10 million out of his pocket to repair similar leaks in a
hospital in Montevideo, Uruguay. Our hospital directors exchange their loyalty to patients for loyalty to the revolutionary process.

An executive of a multinational company recently visited Cuba to complete a sale of hospital equipment, paid for by Chávez, to be used in Cuba, Venezuela and Bolivia. The executive said he expected to meet with officials of the Cuban Health Ministry to work out the details of the deal, but instead was summoned to a midnight meeting with Fidel Castro. After three hours of detailed discussions, the executive asked Castro why he was handling the negotiations personally. “Chávez asked me to do it,” Fidel replied. “He doesn’t trust his own people.”

3. The Golden Calf

The international media has done a good job covering Venezuela’s consumption boom. A BBC television report on Chávez’s revolution began with scenes of young people living it up in a crowded Caracas disco. The New York Times reported that “on a recent Sunday morning, free-spending customers have emptied Vintage, a trendy upscale bar, of nearly all its best vodka. At the Castellana Chevrolet dealership nearby, buyers wait eight months to get the keys to cars they paid for long ago. And on a recent weekend at the LG Digital Store and at RCA Electronics in the Sambil mall, consumer confidence has helped strip the shelves of television sets and refrigerators. ‘Even our construction workers are spending their whole paychecks as soon as they get paid,’ said Gerardo Pereira, 33, the owner of Vintage, who says he has never seen Venezuelans of all social classes spend this much.” The Miami Herald reported: “They drive new Hummers and Audis. They wear Cartier watches and carry Montblanc bags. They buy up luxury apartments and fly private aircraft to and from Miami. And they most always pay in cash.” A Montblanc store employee at a shopping center said: “They buy everything: watches, bags, pens, whatever. And they only use cash, especially the military.” Wilmer Ruperti, who won lucrative government contracts after he chartered tankers to help Chávez overcome the crippling strike in 2002-03 against Petróleos de Venezuela (Pdvsas), the state oil company, was said to have spent $1.6 million at Christie’s in London to buy two pistols once owned by Bolivar. Some of the more successful of the swarm of military officers occupying key posts in government could be seen at the Caracas Hippodrome, racing their newly bought thoroughbreds.

“History is repeating itself as fiscal accounts move into the red.”

Avid Venezuelan shoppers returned to Miami with their classic phrase, “Tá barato, dame dos.” (“It’s s cheap. I’ll take two.”) Merchandise bought by them in Florida increased by 130% to $5.5 billion over the past three years. “A large part of new Venezuelan private investment in the United States is being made by Chavistas,” according to the head of the VenezuelanAmerican Chamber of Commerce in Florida.

With interest rates controlled by the government, consumer credit expanded by 128% over the past year. The Venezuelan economy, stagnant for the past two decades, fell into deep recession in 2002-03, losing 17% of GDP, mainly because of political disturbances and the petroleum strike, only to expand by 29% in 2004-05. Fast growth continues in 2006, afloat on surging oil prices and huge increases in public spending. A large majority of those surveyed by Datanálisis say that living conditions have improved. Nearly every adult now has a cell phone. Consumption of Scotch whiskey, a status symbol, rose by 60% in 2005. A popular television comedian of humble origins, Benjamin Rausseo, known as the Count of Guacharo, promised to build a “whisky ducto” from Scotland to Venezuela as he announced his presidential candidacy, mocking Chávez’s affinity for megaprojects.

The Caracas stock market surged by 67% to a new peak in the 12 months to July 2006. Inflation peaked at 103% in 1996, but fell to 14% in 2005, held down by controls on prices, foreign exchange and interest rates. But the effect of price controls is wearing thin, threatening more inflation. Shortages are reported of coffee, eggs, sardines, meat, corn meal, chicken and milk, which led to destocking at the subsidized Mercial supermarkets. These products are available only at black market prices. Prices of apartments rose by 20% in the first half of 2006. Demand surged as the money supply (M2) has been expanding at a 63% annual rate in 2006, with the Central Bank struggling desperately to prevent liquidity from growing even faster.

The Central Bank became technically insolvent because it was forced to soak up excess liquidity by borrowing heavily from the banks at high interest rates, even as the bank depleted its capital under orders by Chávez to transfer $10 billion to Fonden, a development fund under his personal control. Fonden received another $4.6 billion from Pdvsas, which was forced to sacrifice investment in exploration and production. Public spending in 2006 is rising by 124%, with the government borrowing heavily to cover a deficit expected to reach 3% of GDP, despite the surge of oil revenues. The government
is spending beyond its capacity. It announced plans to spend $38 billion in one month (July 2006), or two-thirds of PDVSA’s estimated income for the year. “If spending absorbs two-thirds of the oil industry’s annual income in one month, it is digging a hole for its bankruptcy,” said Franklin Rojas, director of the Economic Research Center (Cieca). For the first half of 2006, the government announced plans to spend twice its income. Alluding to the wasted oil boom of the 1970s, the LatinSource monthly report observed:

History is repeating itself as fiscal accounts move into the red in the midst of an unprecedented oil bonanza. Meanwhile, oil production stagnates, the economy grows more vulnerable, and the opportunity to build stabilization mechanisms will once again be lost....

There seems to be only one possible outcome in Venezuela when high and rising oil prices couple with presidential elections: sharp increases in government spending, strong government presence in the economy, and administrative controls to manage relative prices in accordance with the political agenda....

The current political and economic model can only be sustained with high and rising oil prices. If oil prices stabilize or begin to decline, Chávez will have to choose between moving forward with the revolution at the expense of the well-being of the new elite and risk losing its support, or maintaining the new elites’ status at the expense of a broader base of society.

The missions

Chávez’s popularity is based on his social programs, the “missions,” which were suddenly expanded in the months before the recall referendum of August 2004, when he was threatened with removal from office. Over the past three years, the government spent $13 billion on 17 missions, roughly $1,000 for each Venezuelan living in poverty. One third of this money came from the budget and two-thirds from funds personally controlled by Chávez. The missions embrace a wide spectrum of activity, giving participants modest stipends. The most important are Misión Robinson, a Cuban-style literacy program aimed at giving adults primary schooling; Misión Ribas, adult secondary education; Misión Sucre, study at the newly formed “Bolivarian Universities;” Misión Barrio Adentro (Inside the Neighborhood), Cuban medical personnel and sports instructors living and working in poor communities; Misión Mercal, subsidized supermarkets; Misión Milagro (Miracle), sending 280,000 Venezuelans and other Latin Americans to Cuba for surgery to remove eye cataracts; Misión Miranda, training civilian militias; Misión Vuelvan Caras (About Turn), organizing cooperatives; Misión Identidad, registering citizens under Cuban supervision; Misión Habitat, a public housing program.

There has been no independent evaluation of the effectiveness of these programs. Lack of transparency and accountability prevents outsiders from knowing how much is spent on bureaucracy and publicity. A survey by Datanálisis, a polling organization, found that 47% of its sample used the Mercal supermarkets while 21% were reached by Barrio Adentro and only 5.7% by Sucre, 2% by Robinson and only 1.8% by Vuelvan Caras cooperatives. Chávez fired successive housing ministers for fulfilling only a small fraction of his goal of building 150,000 new homes yearly. Military officers assigned to the housing agencies have been accused of demanding cash kickbacks equal to 25% of the value of public contracts and of establishing their own construction companies to obtain contracts for themselves. On his recent trip to China, Chávez announced that a Chinese company will build 20,000 houses in Venezuela.

“The impact of the missions seems more political and economic than educational,” said a specialist who works closely with the programs. “The government uses the missions to mobilize people in poor communities for elections and big demonstrations, chartering fleets of buses. Some people appreciate the chance to study, but many are unemployed and need the money they get to enroll. The government announces impressive statistics on enrollments and graduations, but there is no qualitative evaluation.” A sociologist who works with the Vuelvan Caras cooperatives said “60,000 coops get government loans. Many of them are bailed out again and again. They spend a lot of time waiting for the money. The government gives them capital and machinery. It tried to work with large groups. It couldn’t get enough people to sign up, so they’ve lowered the barrier to a minimum of five members. Many members are functionally illiterate.” Meanwhile, Chávez announced creation of barter markets as “the only way to break with capitalism, from below.”

Carlos Molina, the national superintendant of cooperatives, found “weakness of values and principles” in the sample of 2,376 cooperatives inspected among the more than 220,000 formed with government sponsorship. “Cooperatives in Venezuela are organized very pragmatically,” he said, “because most of them are created to reduce labor costs of firms. In many cases the members are unsalaried workers who do not participate in decisions. They become sweatshops.” Financial irregularities were found in 2,110 of the 2,376 cooperatives studied. The Vuelvan Caras mission plans to create another 28,000 cooperatives in 2006 to give places to 750,000 “lancers,” a term derived from the Wars of Independence cavalry, who now are being trained. Government agencies are organizing another 30,000 cooperatives.

Participants are grateful for the monthly stipends they receive from
the missions 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 rentfree lodging to a Cuban sports instructor. “But Chávez wants to create his own brand of socialism. There’s lots of favoritism and corruption in handing out money and food packages. Distribution gets better around election time. People don’t eat better. There are no jobs. There’s garbage all around us, in the streets and in the ravines, because they assigned garbage collection to a cooperative.”

In the barrio Medina Angarita, settled after the overthrow of Perez 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 told me. “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.”

Some moving testimonials emerge from the education programs, of poor people being trained as mechanics, beauticians and dressmakers. “Our president is giving me a chance to make my dream a reality,” said Miguel Antonio Castillo, 60, who is trying to finish high school in the Misión Ribas, one of the many thousands of Venezuelans receiving monthly stipends of $50 to $100 while enrolled. After finishing Misión Ribas, he automatically is accepted in a Bolivarian University. But the teaching is so superficial and politicized that graduates have poor job prospects. “When they get to the job market, I think they are going to be even more frustrated than they were before they got to the university,” said Evelyn Russeo, a retired high school principal in Caracas. “I think the long-term effect on the students is that they are going to feel deceived, that it all was a big lie.” The social programs have failed to create jobs, although the economy has been growing at 9%. This has been called hollow growth, heavily dependent on oil revenues, government spending and imports. Half of Venezuela’s factories have closed their doors since 1998, under pressure of price and foreign exchange controls, and of bureaucratic obstruction aimed at reducing the size of the private sector, which lost 218,000 jobs in 2005. According to Jose Guerra, former chief economist of the Central Bank, “the space created by failure of domestic factories has been occupied by imports and by an archipelago of small production units created by the State, called social production units, cooperatives or endogenous development nuclei, that are absolutely incapable of competing in the market and survive only with subsidies from the national budget that are devouring the largest sum of public revenues that Venezuela has ever received.” The public sector absorbed 256,000 new workers in 2005, producing an overall gain of only 32,000 in a labor market with 1.1 million unemployed and 5.2 million in the informal sector, with 500,000 entering the labor market every year. Many unemployed have stopped looking for work and joined the missions instead.

The social crisis over the past two decades bred swarms of street sellers (buhoneros) to crowd the main avenues of Caracas, clogging the sidewalks beneath plastic sheeting with their merchandise (pirated CDs and DVDs, cosmetics, small appliances, clothing, toothpaste, cell phones, etc.). They “rent” informal property rights from city officials. A recent study showed that the buhonero stalls now outnumber formal commercial establishments, with competition over space and price driving 30% of the city’s stores out of business over the past five years. These stalls are the biggest source of new employment in Caracas, with many working three shifts with the owner and two informal workers. A support industry offers food, daily transport, storage of merchandise and even loans to the buhoneros. A survey found that the “average” buhonero is a woman with a secondary school degree, sometimes with incomplete university study, who has been working on the streets for six years. Some of them are penetrating the formal economy, with the private electricity utility selling them connections to their hot dog stands and a cooperative selling them health insurance. The Sabana Grande Boulevard, once stocked with fashionable shops and sidewalk cafes where intellectuals spent long
hours in conversation, now is clogged with stalls that block traffic and building entrances. The buhoneros colonized subterranean arcades of the monumental twin towers of Silencio, another megaproject of the Perez Jimenez dictatorship, which housed several ministries in the 1950s and 1960s and since has become a symbol of the collapse of Venezuelan public administration. The towers fell into ruin as most of the ministries fled and were stripped by looters of air conditioners, window casings, marble facing of their lobbies and corridors and the luxurious bronze doors and handrails of their elevators and stairwells. The buhoneros installed their own luncheonnets and urinals public areas of the towers. Passers-by may be surprised by bands of young men and women who threaten with razor blades and knives and strip them of watches, rings, cell phones, purses and wallets. The newspaper El Universal told of a man who wrested a little girl from a woman's arms and disappeared with her into a car that sped away, leaving the woman to plead with police: “That was my grandchild!”

Killings

The abducted grandchild fits into a broader pattern of kidnappings and murders all over Venezuela. In the tripling of homicides between 1995 and 2005, prosecutors investigated 597 murders by hired killers, of which only 11 resulted in trials and convictions. Fourfifths of those killings took place in the frontier states of Táchira and Apure, bordering Colombia. Another 261 gunshot killings took place in Táchira in the first seven months of 2006. In a series on hired killings, the newspaper El Nacional reported that a contract murder in Táchira costs $200. “The killers are involved with state employees,” said Pedro Diaz of Una Luz por la Vida, an association of relatives of murder victims. “The only murderer in jail is the one who killed my son, because I pressured the authorities. There’s no secret about this. You go to the Plaza Bolivar and hire a killer.” On the day this article appeared, another of Diaz’s sons was murdered. El Nacional reported that “more than 100 union men in Ciudad Guayana died at the hands of hired killers. Entrances to basic industries and construction sites have been the scenes of these crimes, most of them unpunished.” Many murders were linked to disputes over job openings in a city with 65% unemployment that once was seen as Venezuela’s industrial frontier.

On July 20, the bullet-ridden, bound and charred bodies of a family of eight people were found in an isolated farmhouse, among the 70

“If corruption doesn’t stop it will put a stop to the government.”

Corruption

Compounding the threat to stability posed by social problems and declining oil production are the corruption scandals and internal frictions plaguing the “Bolivarian Revolution.” They began soon after Chávez took office in 1999. Jesus Urdaneta, Chávez’s military comrade and friend of 20 years who was appointed chief of national intelligence, 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!”

One of Chávez’s key promises in his campaign for the presidency in 1998 was to fight corruption. “If a judge, governor, a general, whoever it is, is involved in some act of corruption,” he announced amid a steady stream of corruption stories emerging this year, “we must cut off his head without any contemplation.” He told his Interior and Justice Minister, Jesse Chacon, “you have all my support for a battle to the death against corruption.”

The most famous corruption case so far surfaced in Chávez’s birthplace, the village of Sabaneta in Barinas State. It involves embezzlement of funds to be invested in building the Ezequiel Zamora Sugar Mill (CAAEZ), where several army officers and 37 Cuban technicians are working. CAAEZ was headed by Antonio Albarran, later named Minister of Agriculture and Lands, who was accused previously of organizing invasions of private lands in Barinas with military support. The scandal involves disappearance of $1.5 million in project funds, stolen machinery and $1 million worth of wood from a forest owned by CAAEZ. Firms owned by army officers and public officials were paid for work never performed and goods never delivered. Small cane-growers in Sabaneta said they suffered severe losses because they had no buyer for their production, since CAAEZ is still being built, three years after it was scheduled to begin operations.

“On Sundays [on Aló Presidente] the
President says that that he sent us millions, but where is this money?”, one farmer asked. “It’s painful to see them siphon off this money into their pockets. ‘A legislative investigation found that the bulk of the money was diverted to a local army unit, which had issued $160,000 in false checks, and that $655,000 was paid as kickbacks by contractors. A general and two other officers were arrested in connection with the case, but no formal charges were filed. The governor of Barinas is Hugo de los Reyes Chávez, the president’s father, who banned public demonstrations after students surrounded his residence, protesting against late payment of their scholarship stipends. The governor said he told his son about the problem but got no answer. Days later, 4,500 construction workers marched to the governor’s office to demand investigation of the murder of five union leaders. Phil Gunson, the Caracas correspondent of Newsweek and The Economist, reported that “though military officers have been accused of embezzlement or misuse of public funds totaling hundreds of millions of dollars in a half-dozen cases, none has been charged and some still hold government jobs.”

In an effort to achieve food self-sufficiency, the government expanded farm credit by 50% in 2005, but the area planted rose by only 1.4%. The municipality of Zaraza (population: 70,000) is a key corn-growing region in Guárico State, which traditionally produces half of Venezuela’s corn harvest. Despite a big increase in farm credit in Zaraza, production fell by 70%. Local landowners grabbed the money by forming phony cooperatives by collecting signatures and personal data from local residents, including local prostitutes, in exchange for a $2,000 bribe. “Last year Fondafa [the farm credit agency] sent inspectors into the brothels,” a city official said. “They found sacks of corn seed under the beds, which were trades for firewater [aguardiente] at liquor stores.”

Barinas soon was back in the news as infighting escalated among the Chavistas. In June 2006 Antonio Barazarte, assistant to Supreme Court Justice Luis Velázquez Alvaray, blew his brains out in the bathroom of his Barinas radio station hours after Velázquez was ousted from the court by the National Assembly, charged with receiving $4 million in kickbacks from contracts to build a new courthouse complex. Velázquez fled the country after accusing leading figures of the regime— Vice President Jose Vicente Rangel, who runs the government on a day-to-day basis during Chávez’s frequent absences, National Assembly President Nicolas Maduro and Interior and Justice Minister Jesse Chacon—of running a cabal of “dwarfs” inside the judiciary, engaged in extortion and trial-fixing. Velázquez said he was pressured to deposit $209 million of funds belonging to the judiciary in a bank, Baninvest, partly owned by Chacon’s brother Arne.

Velázquez was a provincial lawyer elected to Congress representing Chávez’s party, the Fifth Republic Movement (MVR), earning praise for drafting legislation enabling Chávez to pack the Supreme Court, thus winning a Supreme Court appointment for himself. After his ouster, Velázquez linked high officials to the carbomb murder in November 2004 of Danilo Anderson, a prosecutor who was posthumously praised by the regime as a fighter for revolutionary justice but who the opposition said was conducting an extortion racket in league with high officials. Then came the murders of an assistant to Francisco Ameliach, a retired army major who is managing Chávez’s reelection campaign, and of four money managers involved with leaders of the regime. One killing was linked to disappearance of $45 million from the Deposit Insurance Fund (Fogade) sent to the Banque National de París (BNP). The money was mysteriously transferred to CLBS Portfolio, a firm managed by BNP’s Caracas representative, Arturo Ehrlich, who was murdered on April 9, 2006. The vice-chairman of the audit committee of the Chávez-controlled National Assembly warned: “If the government doesn’t put a stop to corruption, corruption will put a stop to the government.”

The new corruption charges surfaced as three factions were said to have emerged within the regime: Chavismo with Chávez, Chavismo without Chávez and Chavismo against Chávez. Velázquez Alvaray belonged to the Chavismo with Chávez faction, while his accusers were leaders of the Chavismo against Chávez group, bent on total control of the judiciary. The third faction, Chavismo without Chávez, is said to incorporate civilian and military politicians occupying key positions in the government who believe that corruption, Chávez’s frequent absences and his distance from his political base creates a scenario for action by a new force to save Venezuela from disintegration. There have been persistent reports of resentment in the armed forces at Cuban penetration of the military establishment.

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 of all public institutions, exports of Venezuelan crude surged to over $50 a barrel, rising to $62 in 2006. The oil price windfall enabled Venezuela to recover from economic recession that aggravated poverty in the early years of Chávez’s rule, with growth of 18% in 2004 and 9% in 2005, restoring per capita income to pre-crisis levels, sustained by big increases in government spending. “Given such growth, it would be remarkable if poverty had not fallen,” The Economist observed. “There was a 43% rise in income for social class E [the poorest] and 18% for class
C,” said Luis Vicente Leon of the polling firm Datanálisis. Continuing relief of poverty depends not only on continuing high oil prices, but also on sustaining oil production, which has been falling because of lack of investment and disorganization in the nationalized petroleum industry.

4. Oil and Disorder

The disorder spreading through Venezuelan government and society is undermining the oil industry, the main pillar of support for the political system and the main hope for recovery from decades of encroaching poverty.

World oil production today is barely able to keep pace with world demand. Production in the United States, the biggest consumer, has fallen from a peak of 9.6 million barrels daily (MBD) in 1970 to around 5.1 MBD today. Of 319,176 producing wells in the United States in 2002, about four-fifths (260,466) yielded less than 15 BD. The traditional oilfields of western Venezuela, having produced for the past eight decades, also are severely depleted. Roughly 70% of world output comes from mature, largely depleted fields, with further recovery estimated at 30%-40% of remaining deposits. The North Sea is exhausting its recoverable reserves. Mexican output may have passed its peak. Political disruptions are reducing exports from Nigeria and Iraq as other OPEC countries pump at near capacity while demand surges in China, India and the United States. New producing regions in Russia, Africa and Central Asia are exposed to political risks. “Extreme uncertainty has been a constant theme for the past few years,” the International Energy Agency (IEA) reported recently.

Estimates of world reserves are sketchy and may be deceptive. In the 1980s, fighting to keep their OPEC export quotas in a low-price environment, nearly all OPEC countries made dubious declarations of increased reserves. Today the level of reserves of such oil-rich countries as Saudi Arabia and Kuwait is widely questioned. In 1997 Pemex, Mexico’s state oil company and the second-biggest supplier to the United States, declared 40 billion barrels of reserves. When it adopted the stricter accounting methods of the U.S. Securities and Exchange Commission (SEC), Pemex cut its reserve estimates from 40 billion barrels (BB) in 1997 to 28.3 BB in 2000 and to 12.6 BB in 2002. The giant Cantarell oil field, accounting for 60% of Pemex’s production, is threatened with a 75% fall in output by 2008. Mexico’s government finds it easier to finance itself with Pemex revenues than to collect more taxes. So lack of funds impedes exploration activity, forcing Mexico to import 19% of the refined petroleum products that it consumes.

The troubles of Pemex and Pdvsa reflect worrying trends in the structure of the world oil industry. In the old days, before the oil price bonanza of the 1970s, international supply and trade was controlled and managed by a small group of major companies, known as the Seven Sisters. Now 77% of the world’s oil and gas reserves are controlled by state oil companies, which pump only half of global output, reflecting what The Economist called “a systemic failure to invest.” Despite claiming big reserves, Indonesia has become a net importer of oil, thanks to the failure of Pertamina, the state company, to develop new fields. Taken together, production in Venezuela, Nigeria, Indonesia and Iran fell by 990,000 BD over the past year (July 2005–July 2006). In July 2006, political unrest in Nigeria stopped 150,000 BD of production, in addition to the 500,000 already shut down.

This leaves the world economy more vulnerable to unforeseen events such as the Gulf of Mexico hurricanes in 2005 and the shutdown in August 2006 of 400,000 BD of output from Prudhoe Bay in Alaska, or 8% of U.S. production, due to leaks from rusted feeder pipelines. The Wall Street Journal reported as oil prices surged: “Critics say oil companies have underinvested in new production facilities as companies emphasize cost control over maintenance. But industry executives have complained they have often been stymied in putting in more infrastructure, such as new refineries, by intense public opposition.” Counting Prudhoe Bay, “the largest oilfield ever to be discovered in North America,” Daniel Yergin, the guru of Cambridge Energy Associates, estimated that “about 2.3 MBD of [world] capacity is currently out of

Fires at oil refineries: “Human error.” - Reuters
gasoline distribution to 1,900 Citgo

commission.” Yergin predicted a 25% increase in this capacity to 110 MBD by 2015, based on analysis of current activity and 360 new projects, with “non traditional hydrocarbons” such as very deep offshore production in Brazilian and West African waters, Canadian oil sands, Venezuela’s Orinoco heavy oil belt and liquids made from natural gas. He added: “All this underlines the fact that, while the challenges below the ground are extensive, the looming uncertainties -and risks- remain above ground.”

Amid this uncertainty, the decline and disorganization of Venezuela’s oil industry may be as important to the world economy as Venezuela was a half-century ago, when global output was expanding fast and Venezuela was the world’s leading oil exporter. According to the IEA, Venezuela’s production fell by 27% from its recent peak of 3.28 MBD in 1997 to 2.4 MBD in July 2006. In today’s tight oil market, with world production and consumption hovering around 86 MBD, and demand growing by nearly 2% annually despite high prices, a further loss in Venezuela would tend to generate more price spikes and increased anxiety.

The main market for Venezuelan oil is the United States, importing 1.4 MBD of Venezuelan crude and petroleum products, about 11% of its imported oil. For the past half-century, Venezuela has been a strategic supplier to the United States because of its proximity to Gulf Coast ports, a five-day trip by tanker against 30-40 days for shipments from the Middle East. In addition, Pdvsa’s Citgo subsidiary wholly owns five U.S. refineries and is a partner in four others, with specialized capacity for processing Venezuela’s heavy, high-sulfur crudes. Recent falls in Venezuelan production played a significant role in the reduction of global spare capacity from 5.6 MBD in 2002 to about 1 MBD today, mostly in Saudi Arabia. Citgo announced that it is stopping gasoline distribution to 1,900 Citgo filling stations in the Midwest. “We are short of about 130,000 BD of gasoline that’s required to meet our customer obligations,” a Citgo spokesman said. Then Pdvsa gave a sign of gradual withdrawal from the U.S. market when it sold its 41% share in a large Houston refinery (268,000 BD) that had just been upgraded to process Venezuela’s heavy crudes. The sale to Lyondell, Citgo’s partner in the refinery, came at a time of high profits for refineries, historically accustomed to low margins, with Pdvsa sacrificing profits of up to $800 million by selling at this time. Pdvsa said it would assign the $1.3 billion in net proceeds from the sale to a development fund personally controlled by Chávez instead investing in Venezuela’s oil production and exports are a concern for U.S. energy security, especially in light of tight supply and demand in the world oil market. If Venezuela fails to maintain or expand its current level of production, the world oil market may become even tighter than it is now, putting further pressure on both the level and volatility of energy prices.

The domestic impact of the decline of Venezuela’s petroleum industry is masked by today’s high oil prices and by political gestures by Chávez, now the unquestioned boss of Pdvsa. After Venezuela nationalized its oil industry in 1976, its politicians tried to avoid the disruptions and inefficiencies that plague Pemex and other state oil companies, enabling Pdvsa to develop a reputation for professionalism and competence. But Chávez moved to politicize the company soon after he was elected in 1998. Since then, Pdvsa has gone through six chief executives as Chávez packed its senior staff with political appointees, provoking resistance that led to a two-month general strike in December 2002 January 2003, joined by oil workers and executives in a desperate effort to force Chávez’s resignation or, at least, early presidential elections.

The strike was a pivotal event in the decline of Pdvsa. Chávez outlasted the strikers, despite deep damage to the Venezuelan economy. The strike became a lockout. Chávez fired 18,000 Pdvsa employees, including most of its technical staff of geologists, geophysicists and reservoir engineers. Pdvsa’s training and research centers were dismantled. Pdvsa thus lost much of its knowledge base and human capital. Since then, there has been a long series of accidents and fires in Pdvsa’s refineries, due to the absence of qualified technicians. The abandonment of marginal wells during and after the strike caused a permanent loss of 400,000 BD of production capacity. There were 17 fires and explosions the first eight months of 2006 at Pdvsa refineries,

Amid this uncertainty, the decline and disorganization of Venezuela’s oil industry may be as important to the world economy as Venezuela was a half-century ago, when global output was expanding fast and Venezuela was the world’s leading oil exporter. According to the IEA, Venezuela’s production fell by 27% from its recent peak of 3.28 MBD in 1997 to 2.4 MBD in July 2006. In today’s tight oil market, with world production and consumption hovering around 86 MBD, and demand growing by nearly 2% annually despite high prices, a further loss in Venezuela would tend to generate more price spikes and increased anxiety.

The main market for Venezuelan oil is the United States, importing 1.4 MBD of Venezuelan crude and petroleum products, about 11% of its imported oil. For the past half-century, Venezuela has been a strategic supplier to the United States because of its proximity to Gulf Coast ports, a five-day trip by tanker against 30-40 days for shipments from the Middle East. In addition, Pdvsa’s Citgo subsidiary wholly owns five U.S. refineries and is a partner in four others, with specialized capacity for processing Venezuela’s heavy, high-sulfur crudes. Recent falls in Venezuelan production played a significant role in the reduction of global spare capacity from 5.6 MBD in 2002 to about 1 MBD today, mostly in Saudi Arabia. Citgo announced that it is stopping gasoline distribution to 1,900 Citgo filling stations in the Midwest. “We are short of about 130,000 BD of gasoline that’s required to meet our customer obligations,” a Citgo spokesman said. Then Pdvsa gave a sign of gradual withdrawal from the U.S. market when it sold its 41% share in a large Houston refinery (268,000 BD) that had just been upgraded to process Venezuela’s heavy crudes. The sale to Lyondell, Citgo’s partner in the refinery, came at a time of high profits for refineries, historically accustomed to low margins, with Pdvsa sacrificing profits of up to $800 million by selling at this time. Pdvsa said it would assign the $1.3 billion in net proceeds from the sale to a development fund personally controlled by Chávez instead investing in Venezuela’s oil exploration and production.

The climax of Chávez’s recent travels was his six-day visit to China, his fourth since becoming president. His strategy of shifting oil exports from the United States to China was articulated in 18 deals signed in Beijing. He announced plans to raise exports to China from 70,000 BD today to one million BD in five years, ordering 18 supertankers from China to ship the oil, although the shipping cost from Venezuela to China is $11-$13 per barrel against only $2-$3 per barrel to refineries in the U.S. Gulf Coast. The Chinese reportedly expect Venezuela to absorb the shipping costs.

A new draft report by the U.S. General Accountability Office observed that “long term reductions in Venezuela’s oil production and exports are a concern for U.S. energy security, especially in light of tight supply and demand in the world oil market. If Venezuela fails to maintain or expand its current level of production, the world oil market may become even tighter than it is now, putting further pressure on both the level and volatility of energy prices.

The domestic impact of the decline of Venezuela’s petroleum industry is masked by today’s high oil prices and by political gestures by Chávez, now the unquestioned boss of Pdvsa. After Venezuela nationalized its oil industry in 1976, its politicians tried to avoid the disruptions and inefficiencies that plague Pemex and other state oil companies, enabling Pdvsa to develop a reputation for professionalism and competence. But Chávez moved to politicize the company soon after he was elected in 1998. Since then, Pdvsa has gone through six chief executives as Chávez packed its senior staff with political appointees, provoking resistance that led to a two-month general strike in December 2002 January 2003, joined by oil workers and executives in a desperate effort to force Chávez’s resignation or, at least, early presidential elections.

The strike was a pivotal event in the decline of Pdvsa. Chávez outlasted the strikers, despite deep damage to the Venezuelan economy. The strike became a lockout. Chávez fired 18,000 Pdvsa employees, including most of its technical staff of geologists, geophysicists and reservoir engineers. Pdvsa’s training and research centers were dismantled. Pdvsa thus lost much of its knowledge base and human capital. Since then, there has been a long series of accidents and fires in Pdvsa’s refineries, due to the absence of qualified technicians. The abandonment of marginal wells during and after the strike caused a permanent loss of 400,000 BD of production capacity. There were 17 fires and explosions the first eight months of 2006 at Pdvsa refineries,
due mainly to human error. A fire on July 17 in a tower at its Amuay Refinery Complex, Latin Americas largest, halted operations for six months. Production at Paraguaná, shipping refined products mainly to the east coast of the United States, was sharply reduced, forcing Pdvsas to buy gasoline overseas to supply the domestic market and to fulfill export contracts. The accident also caused shortages of LPG (liquid petroleum gas), used for cooking.

Not only did Chávez fire Pdvsas critical mass of technicians, but he forbade other oil companies working in Venezuela and their contractors from hiring them. That forced many to leave the country, creating a diaspora of Venezuelan oilmen working in the United States, Canada, Spain, Mexico, Argentina, Colombia, Saudi Arabia, Qatar, Iraq and Central Asia. One of them is Gustavo Inciarte, former president of INTEVEP, Pdvsas research center, who wrote from his post at the University of Oklahoma:

With the layoff of practically all the professional staff at Pdvsas, the organization has been reduced to a body with no brain and no memory. The best and the brightest Venezuelans have been lost, replaced now, I understand, with inexperienced, ignorant people, some in managerial positions and lacking even a high school diploma.... Of some 1,600 INTEVEP employees, 55% were let go and of these 108 had PhDs and 200 had master's degrees. More than three decades of professional and arduous work were destroyed in one day. Although the full impact cannot be measured economically, the cost of developing a PhD is roughly $250,000. The effective result is the destruction of an organization in a country with very little experience in R&D and specialized oil industry services.

Venezuela is dependent on a declining oil industry that produces the bulk of its exports and government revenues while employing few people. "Without new investment oil production will fall by about 20% a year," said a senior oil economist who has held key positions at Venezuela's Petroleum Ministry and at OPEC in Vienna. "To keep production at its present level Venezuela must invest $2 billion efficiently every year. To increase production it must invest $4 billion a year. But Pdvsas is falling short of investment targets as it spends even more on social projects. It recently published a five-year investment plan that is just wishful thinking."

Under political pressure from Chávez, Pdvsas is spending more to finance the social programs of the Bolivarian Revolution than on its own investment needs. Pdvsas had announced a new strategic Plan Siembra Petrolera to increase Venezuelas production from roughly 2.5 MBD today, according to independent estimates, to 5.8 MBD by 2012, involving investments totaling $56 billion. The plan has been criticized as a rehash of a previous Pdvsas plan, using roughly the same numbers, with the $56 billion in planned investments far below the money needed for a much smaller increase in capacity during the 1990s. Pdvsas has transferred so much money to the government that, despite high oil prices, it faces a $5.3 billion cash flow deficit for 2006. Recently Pdvsas raised its cost estimate for Plan Siembra Petrolera from the $56 billion previously announced to $130 billion, and would borrow $40 billion to finance the plan.

Nearly one-third of the money for Plan Siembra Petrolera is supposed to come from foreign oil companies operating in Venezuela. These companies have stopped investing after being billed last year for billions of dollars in back taxes and being forced to "migrate" into joint ventures with Pdvsas. In March 2006, Energy and Petroleum Minister Rafael Ramirez announced the draconian terms under which the former foreign contractors, having already invested $26 billion in Venezuela, would have to operate in mixed companies as minority partners of the Venezuelan Petroleum Corporation (CVP), a subsidiary of Pdvsas. These conditions include paying more taxes and royalties, ceding operational control of the joint ventures and renouncing international arbitration of disputes, which must be settled in Venezuelan courts. The Venezuelan state would decide crude oil production levels and approve annual budgets and operating plans. The 22 foreign oil companies have strong reasons to stay in Venezuela under these conditions because of current high oil prices and Venezuelas huge reserves. Moreover, they may not be able to recover their fixed investments if they leave because the government has declared the old contracts to be illegal, although they were approved in the 1990s by Congress and the Supreme Court. The foreign companies producing 600,000 BD of extra-heavy oil in the Orinoco region also are to become minority partners in joint ventures with Pdvsas by December 2006.

Meanwhile, Venezuelas aging oil wells need intensive maintenance work. Nine-tenths of them need injection of gas or water to keep oil flowing to the surface, because of decline in the natural pressure of the reservoirs. “Pdvsas has become politicized and now lacks the management skills and know-how needed to draft a credible business plan,” said Diego Gonzalez, a retired Pdvsas engineer now a director of IPEMIN, the Instituto de Petroleo y Minería. “Contracts are awarded capriciously, without bidding. Because most of its reservoir engineers were fired after the strike, Pdvsas lacks the technicians to repair wells. If the wells are not repaired periodically, mechanical problems multiply. A well normally produces oil, gas, water and sand. Repairs are needed when a well produces too much water and sand. This is an expensive and delicate
job, with a team of 30 workers using drilling and work over equipment costing $20,000 a day. You have to remove the pumps, production tubes and the Christmas tree (the cluster of well-head valves that prevent blowouts). Cleaning the reservoir means shooting pebbles or steel bullets into the well to fracture the sand. Today 21,000 Pdvsas wells are shut in for lack of repair, a number steadily increasing, while 14,000 are in production."

Overlooking the financial, manpower and technical problems of Venezuela’s petroleum industry, Chávez boldly proposed a $20 billion gas pipeline, known as GASUR, that would extend 8,000 kms, to send gas from Venezuela to Argentina, which urgently needs to import gas supplies. GASUR would cross the whole length of Brazilian territory, with spurs to supply cities of Amazonia and the Brazilian Northeast. The Brazilian and Argentine governments formally endorsed Chávez's proposal, an old dream of engineers long-considered impractical, for which feasibility studies still are lacking. Nelson Hernandez, a Venezuelan consultant noted that engineers would have to contend with an eight-month rainy season in parts of Amazonia, with the pipeline route crossing many rivers, streams and swamps. With seasonal flooding up to 12 meters deep, he said, it would be difficult to keep open penetration roads for pipeline maintenance.

The landed cost of GASUR gas in Argentina, including transportation, would be $134 per barrel of oil equivalent, much more than the cost of other alternatives, such as importing more Bolivian gas or building specialized ships and industrial facilities for importing liquefied natural gas (LNG) from Venezuela to Argentina. To make this story even more exotic, Chávez announced that he would sell Venezuelan gas for the GASUR pipeline at the subsidized price of $1.00 per million British thermal units (MBtu), against current prices of $4 per MBtu for Bolivian gas delivered to Brazil and $6 for domestic U.S. gas shipments.

Chávez's proposal for GASUR is based on Venezuela's 151 trillion cubic feet (TCF) of proven natural gas reserves, the largest in South America and ninth largest in the world. However, 90% of its gas reserves are associated with oil deposits and have not been independently certified. Of current gas production, 70% is reinjected in operations to maintain pressure in producing reservoirs. In the past, Venezuela has done little exploration for non-associated gas and currently is so short of usable gas that oil production in the oil fields around Lake Maracaibo is falling fast for lack of available gas to inject in the reservoirs. Also, Pequiven, Pdvsa’s petrochemical affiliate, announced its own $26 billion expansion plan, even though it lacks enough gas feedstock for its current production. If current offshore exploration by Chevron and Norway’s Statoil is successful, Venezuela may have from 1.7 to 2.5 cubic feet per day of additional gas available, barely enough to cover the present shortage for its internal market. A pipeline for importing gas from Colombia is being built.

On December 17, 2005, Chávez and President Luiz Inácio Lula da Silva of Brazil laid the first stone for a 200,000 BD refinery in Pernambuco to be built and financed jointly by Pdvsa and Petrobrás. The new refinery is being built over the protests of Petrobrás engineers. “This is being done for political reasons,” said a veteran Petrobrás refinery engineer. “Our refinery in Bahia was expanded to serve the Northeast market. Upgrading an existing refinery costs $5,000 to $8,000 for each barrel of daily capacity added, while a new refinery costs $15,000-$18,000 a barrel. Venezuela produces a lot of extra heavy crudes. Brazil doesn’t need to import heavy crudes because Brazil already exports from 250,000 to 300,000 BD of heavy crude at a loss from the Campos Basin so we can import light products and oils. Each 100,000 BD of Venezuelan crude that we import for the Pernambuco refinery means that we’ll have to export 100,000 BD more at a loss. The final decision whether or not to build the Pernambuco refinery will be taken by the next Brazilian government.”

In 2004 Venezuela declared another 232 billion barrels (BB) of extra-heavy oil reserves, based on geological estimates of 700 BB of oil in place beneath a savannah north of the Orinoco River, one of the world’s largest concentrations of hydrocarbons, from which six foreign companies are producing 600,000 BD with advanced recovery techniques. In pre-Colombian times, aborigines used surface seepages of tar in the Orinoco region for lining their canoes and huts and for medicinal purposes. The first exploration well in the Faja was drilled by Exxon in 1936, quickly abandoned because the high specific gravity and the viscosity of the petroleum discovered made it
too heavy for natural flowing to the surface.

Once known as the Orinoco Tar Belt but since renamed the Orinoco Petroleum Belt, the region produces 600,000 BD of upgraded crude, thanks to recent technological innovations under a $13 billion investment effort in the 1990s by Pdvsas and foreign operators such as ConocoPhillips, ExxonMobil, Chevron, British Petroleum, France’s Total and Norway’s Statoil. These operators were able to make medium-to-light synthetic crude by stripping atoms from the bitumen molecules and, in some cases, adding hydrogen.

The extra-heavy oil is transformed into an exportable commodity near the Caribbean coast at the Jose Industrial Complex, a virtual city of pipes, watertreatment lagoons, smokestacks, pits and storage tanks. Pdvsas calculates a recovery rate of 18% of the 1.3 trillion barrels of extra-heavy oil it says is in place in the Orinoco, although recovery is only 4% from current production. Multiplying future output from the Orinoco would involve disposing of huge volumes of waste materials. From the 429,000 BD of extra-heavy oil produced in 2003 from the Orinoco meant extracting 14,000 tons daily of sulfur and 15,000 tons daily of coke. Multiplying this production by a factor of 10 would mean investing in construction of 10 new cities harboring vast arrays of pipes, lagoons, smokestacks, pits and tanks, as in the Jose Complex, with increasing difficulty in selling these 50 million tons annually of sulfur, regarded as an environmental hazard by the oil industry. Nor would there be a market for the 500 million tons of extra-heavy crude produced over 10 years. Nor does there exist in Venezuela appropriate sites for so many complexes to upgrade extra-heavy crudes, which should be located near deep-water ports.

Instead of investing heavily in the Orinoco to guarantee production for future decades, Pdvsas contracted with foreign state oil companies — from Brazil, Iran, India, Russia, China, Argentina and Uruguay — to measure and increase the Faja’s proven reserves. None of these companies has prior experience with extra-heavy crudes.

Venezuela must add 400,000 BD of new capacity every year just to stabilize current production. But it remains to be seen how much financial and technical resources will be invested in Venezuela’s future production. Pdvsas’s current budget calls for spending $8.2 billion on social programs, two-thirds more than its investment in exploration and production. Only five exploratory wells were completed in Venezuela in 1998–2003, according to the latest official statistics. No new oilfield has been discovered since 1990. With today’s high oil prices, worldwide exploration is so intense that drilling rigs are very scarce, which would limit Pdvsas’s exploration activity in the near future. Pdvsas is seeking to rent 27 rigs for five years at a cost of $4.3 billion, or $50,000 per day. Of 129 rigs in Venezuela, 93 are active. Of 33 inactive rigs, 17 belong to Pdvsa, which are in storage or deteriorated into junk.

At a four-hour televised inauguration of efforts by the foreign state oil companies to certify the Orinoco reserves, Chávez announced: ‘By November 2007 we will double our proven reserves to 171 billion barrels, becoming the world’s second-biggest reserve. By October 2008, we will have certified 235 billion barrels. Thus in two years we will triple our present reserve to reach 316 billion barrels,” which he claimed would be the world’s largest. Chávez did not explain how this would be achieved, given the technical problems, Pdvsas’s low levels of investment and shortage of skilled manpower, with many technicians sent to work on foreign projects.

5. A tale told by an idiot?

After spending three weeks in Venezuela, where I lived for six years and where both of my children were born, I felt that Chávez and his “Socialism for the 21st Century” may last another two or three years. This is a minority view. I could be wrong. Most observers think that Chávez will last as long as oil prices remain high. But my feeling is that, independently of oil prices, Chávez will sink in the growing disorder surrounding him, which his negligence and reckless folly has aggravated. The saddest part of this story is that the disorder will continue long after Chávez has gone. Venezuela will remain a polarized and degraded society until coherent and courageous initiatives are developed in a long-term effort to overcome the disorder and polarization. Otherwise the Chávez era may turn out to be, in Shakespeare’s words, “a tale told by an idiot, full of sound and fury, signifying nothing.”

At the outset of this essay, I said that Venezuela stands as a warning to Latin America of the costs of the degradation and failure of public institutions. Fortunately, other countries have responded to this danger. Argentina, Bolivia, Brazil and Peru suffered the trauma of hyperinflation in the 1980s and 1990s, an experience which they are loathe to repeat. Venezuela was saved from hyperinflation by its oil revenues, which reduced its competitiveness and blinded its leaders to the need to deal with long-term structural problems. The threat of disintegration of organized societies in other Latin American republics strengthened their vocation for democratic stability. The challenge faced by these democracies today lies in the weakness of their economic and institutional performance.
A new economic model is emerging, a model of very high levels of urbanization requiring large public investments with low inflation, demanding a new political strategy. The future of democracy will be influenced by the quality of purpose and creativity with which these demands are faced in striving to sustain economic stability and broadened opportunity. The future is promising if democratic institutions can be strengthened in coming decades to overcome failings in systems of justice, public security, education, infrastructure and economic regulation, which have been especially neglected in Venezuela. These are long-term undertakings to meet needs that are widely recognized for the successful operation of complex societies. These undertakings face uncertainties of novelty and persistence. If persistence is lacking, novelties of populism may appear that often lead to dictatorship. This is one reason for the ascendancy of the “Bolivarian Revolution” of Hugo Chávez, which may not last long and is no solution to the difficulties faced by Venezuela and other countries in Latin America.

A mystery surrounding Venezuelan politics involves the question of why a group of talented politicians and intellectuals - Rómulo Betancourt, Raúl Leoni, Juan Pablo Pérez Alfonzo, Andrés Eloy Blanco, Rafael Caldera, Rómulo Gallegos, Mariano Picón Salas, Luis Beltrán Prieto and many others - were able to establish a democracy in the mid-20th Century that lasted four decades, and why Venezuela produces no comparable democratic leadership today that could effectively oppose an encroaching dictatorship. Most of those earlier democrats were born in Venezuela’s backward interior, with less formal education than the thousands of Venezuelans with advanced university degrees today. Those earlier democrats presented a clear and compelling program, while today’s democrats offer no strategic alternative to the “Bolivarian Revolution” that would overcome the poverty, polarization and disorder that threaten organized society. This is the essence of the political vacuum today.

In this political vacuum, Chávez announced his intention to win 10 million votes, or 63% of the electorate, until two rival candidates entered the field, leading him to reduce his claim to six million. His leading rival is Manuel Rosales, governor of Zulia State. Rosales is an experienced politician, having emerged from the ranks of Acción Democratica in his home state. Rosales’s main campaign pledge is to distribute 20% of Venezuela’s oil revenues in monthly payments to the 2.5 million poorest families. Before a wide spectrum of opposition groups united to back Rosales, opinion analysts estimated that Chávez may get five or six million votes if 30% or 40% of the electorate turns out, fewer with a turnout less than 30%. Three months before the election, polls showed Chávez as the probable winner, but by sharply declining margins.

Another 21 candidates have been known as supporters of Chávez, 15 of whom registered with electoral authorities just before the August 24 deadline. Each of these Chavista candidates are entitled to as much free time on radio and TV as each of the two main opposition candidates. Each also is entitled to have two representatives at each polling station, Half of Venezuela’s municipalities have more voters registered than their population of voting age. In Maracaibo some 1,900 voters were registered with the same birth date in the same district. Hundreds of other voters carried the same number on their identity cards. As the campaign started, the Chávez-controlled National Electoral Commission (CNE) confirmed that it would use computerized fingerprinting of voters. Vicente Diaz, the lone opposition member of the CNE, argued that fingerprinting would frighten voters into mass abstenions. Supplying the voting machines was a Florida-based firm, Smartmatic, run by politically connected Venezuelan technicians, with the Venezuelan government a 28% shareholder.

Chávez claimed that he will win 10 million votes, or 63% of the electorate, until two rival candidates entered the field, leading him to reduce his claim to six million. His leading rival is Manuel Rosales, governor of Zulia State. Rosales is an experienced politician, having emerged from the ranks of Acción Democratica in his home state. Rosales’s main campaign pledge is to distribute 20% of Venezuela’s oil revenues in monthly payments to the 2.5 million poorest families. Before a wide spectrum of opposition groups united to back Rosales, opinion analysts estimated that Chávez may get five or six million votes if 30% or 40% of the electorate turns out, fewer with a turnout less than 30%. Three months before the election, polls showed Chávez as the probable winner, but by sharply declining margins.

Another 21 candidates have been known as supporters of Chávez, 15 of whom registered with electoral authorities just before the August 24 deadline. Each of these Chavista candidates are entitled to as much free time on radio and TV as each of the two main opposition candidates. Each also is entitled to have two representatives at each polling station, Half of Venezuela’s municipalities have more voters registered than their population of voting age. In Maracaibo some 1,900 voters were registered with the same birth date in the same district. Hundreds of other voters carried the same number on their identity cards. As the campaign started, the Chávez-controlled National Electoral Commission (CNE) confirmed that it would use computerized fingerprinting of voters. Vicente Diaz, the lone opposition member of the CNE, argued that fingerprinting would frighten voters into mass abstenions. Supplying the voting machines was a Florida-based firm, Smartmatic, run by politically connected Venezuelan technicians, with the Venezuelan government a 28% shareholder.

Chávez claimed that he will win 10 million votes, or 63% of the electorate, until two rival candidates entered the field, leading him to reduce his claim to six million. His leading rival is Manuel Rosales, governor of Zulia State. Rosales is an experienced politician, having emerged from the ranks of Acción Democratica in his home state. Rosales’s main campaign pledge is to distribute 20% of Venezuela’s oil revenues in monthly payments to the 2.5 million poorest families. Before a wide spectrum of opposition groups united to back Rosales, opinion analysts estimated that Chávez may get five or six million votes if 30% or 40% of the electorate turns out, fewer with a turnout less than 30%. Three months before the election, polls showed Chávez as the probable winner, but by sharply declining margins.

Another 21 candidates have been known as supporters of Chávez, 15 of whom registered with electoral authorities just before the August 24 deadline. Each of these Chavista candidates are entitled to as much free time on radio and TV as each of the two main opposition candidates. Each also is entitled to have two representatives at each polling station,
enabling the government to flood the polling places with its own supporters.

Mass abstention in presidential elections is relatively new in Venezuela. In the 1988 presidential election, 18% of voters abstained, rising to 30% in the recall referendum won by Chávez in August 2004, 45% in the state elections of October 2004, 68% in the municipal poll of August 2005 and 75% in the parliamentary vote of December 2005. Alfredo Keller, a veteran pollster, reported earlier in 2006 that only 30% of potential voters said they would vote in the December 2006 presidential election, most of whom are committed Chavistas, while another 30% express critical support and 40% are firmly opposed.

A contradiction arises, according to Keller, between Chávez’s popular support and the disagreement with his policies. Among the same people questioned, 72% reject his ideas of “21st Century Socialism,” including attacks on private property, and 63% oppose his spending large sums abroad to win geopolitical support. A more recent survey by Datanálisis, another polling firm, found intentions to vote for Chávez falling by 5% within a month, to 55%, with 80% of respondents dissatisfied with his dealing with crime, 70% opposed to his campaign against the United States, and two-thirds dissatisfied with his handling of corruption. In yet another survey, 93% of poor people interviewed supported private property.

“From this moment the Bolivarian hurricane erupts; the new red tide has arrived,” a redshirted Chávez told his red-shirted followers at a rally formalizing his candidacy. “If the [opposition] candidates withdraw, following imperialist plans, be sure that their masters in Washington and their lackeys here will regret it. This is not a threat. I recommend that they don’t do this, because this counterattack will only deepen and accelerate the Bolivarian Revolution.” As if to give this warning credibility, Chávez radicalized his political appointments in recent months and gave a military format to his reelection campaign. At another mass rally Chávez announced plans to create “a single party to represent the Republic to the world”, taking oaths from 11,358 “battalions” and 44,698 “platoons” of his supporters and announcing the goal of forming two million “squads” of volunteers. Teams from the “Comando Francisco Miranda” militia would make flying visits to the interior to supervise the campaign work of these new units.

These cadres may be useful to Chávez in the event of confrontations during votecounting in a close race.

Sooner or later, Venezuelans will have to ask themselves how much longer the country can sustain Chávez’s expensive mistakes, his polarizing rhetoric and his neglect of Venezuela’s basic problems. They will have to decide whether oil money is a karma that predestines them to waste, poverty and disorganization. Chávez conforms to archaic Latin American stereotypes, speaking in the jargon of a student leader and acting like a military dictator with the kind of populist trappings often seen in the past. His long speeches are repetitive and thin in content, lacking the density and originality that his mentor Fidel Castro displayed in the early years of the Cuban Revolution. However, Chávez has demonstrated an instinct for survival and an opportunism lacking in Marxist martyrs like Che Guevara and Salvador Allende. The big question for the near future is: How much longer will Chávez’s capacity for maneuver survive the disorder surrounding him?

The author wishes to thank Jimmy Brandon Neves de Avila for his research assistance.