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## Venezuela: Nearing the Moment of Truth

By Mark Falcoff

On December 19, forces opposed to President Hugo Chávez turned over thousands of petitions to the National Electoral Council (CNE) requesting a referendum that would determine whether the Venezuelan leader will remain in office until his present term ends in 2006. Theoretically the council should have rendered a judgment on the authenticity of the signatures within thirty days. As this *Outlook* goes to press, however, the verdict remains unclear. The delay is perhaps understandable: a fateful step in Venezuela's future hinges upon the outcome.

The recall petition was inspired by provisions of Chávez's own 1999 constitution, which allows for a referendum to determine midway through the term of any president whether he or she should continue in office. But before such a referendum can be held, certain requirements must be met. The most important of these is that the petitioners must gather signatures from at least 20 percent of the electorate; further, in the event the referendum takes place, the challengers must win not merely a majority but exceed in absolute numbers the votes that the president won in his original election—in this case, 3.9 million.

So far the opposition, divided into dozens of small groups and formerly without a clear focus other than removing Chávez, has managed the feat admirably, gathering 3.4 million signatures, exceeding the number required by more than one million. In order to achieve this outcome, it was necessary to deploy its forces all over the country, including in some of the remotest areas; to negotiate past various bureaucratic obstacles the government attempted to place in its way; to convince

many people not only to place their signature on the petition but also the number of their national identity card; and to overcome the general distaste that many Venezuelans in recent years have developed for politics and politicians.

Moreover, the exercise revealed the opposition to be more motivated both in their numbers and in their intensity than Chávez's supporters, who were circulating a petition of their own—in their case, to recall "disloyal" members of the National Assembly who, elected on Chávez's ticket, have since turned against him, as well as other office holders not to the liking of the president. In their exercise they were only able to gather 2.6 million signatures—a remarkably small number considering the role government plays in the lives of ordinary Venezuelans and the immense economic resources at Chávez's disposal to punish the disloyal or reward the pliant.

If the opposition petition is validated by the council, a referendum will be held, probably in May. Given the stakes, it can hardly be surprising that Chávez is in no hurry to rush matters along. He has already claimed that one million of the signatures gathered are fraudulent, an allegation strongly contested by observers from both the Organization of American States and the Carter Center in Atlanta. Chávez has also made veiled—or not so veiled—threats to the council itself, suggesting in a newspaper interview that "if the referee loses the respect of the players, the game may well not end at all" (*El Universal*, January 13).

### Economic Deterioration

If Chávez seems unenthusiastic about the possibility of a referendum, he has his reasons. True,

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he has recovered some popularity in recent months, thanks partly to the generous (some might say reckless) disbursement of government money in the poorer areas of Caracas and to a broad popular reaction against the opposition-led lockout strikes last year. Nevertheless, Chávez is still opposed by six out of ten Venezuelans. This is not surprising. In spite of oil prices holding at their highest level in more than a decade, for most Venezuelans the economic situation continues to deteriorate. Since Chávez took office, some 500,000 have emigrated, many of them skilled professionals. Last year real GDP growth dropped by 20 percent, while the consumer price index rose by almost a quarter. The rapid disappearance of much of Venezuela's private sector, particularly construction, has produced serious unemployment. The decline in manufacturing has rendered the country more vulnerable than ever to the vagaries of international petroleum market, and there is some question whether the state oil company, PDVSA, would be in a position to increase production significantly in the event of a sudden price decline.

The centrality of oil in Venezuela is such that PDVSA's operations are no longer merely subject to technical discussion but political debate as well. Since the enterprise was started up again early last year after a crippling strike, which cost the country some \$16 billion, the government insists that it is now producing 3.1 million barrels a day (the opposition claims 2.6 million). The latter also points to the loss of many technicians, while the government asserts that—paradoxically—their departure actually made the enterprise more productive and cost-effective. (The current PDVSA leadership claims that the company was bloated by an excessively large management staff.) According to the *Oil and Gas Journal* (December 22, 2003), line managers are less sanguine about the company's operations than (politically appointed) top managers. Wherever the truth may lie in this matter, Chávez has placed a double burden on the company—its receipts must support not only a subsidized price for gasoline at home, but finance various social projects, including supporting local communities where company facilities happen to be.

Oil Minister Ali Rodríguez claims that the company invested \$3.25 billion in new facilities in 2003 and looks forward to investing another \$5 billion in the near future. Raising such a sum on international capital markets will not be easy, because of the country's mounting internal debt and a hydrocarbons law passed in 2001 that the international energy community finds unattractive.

Rodríguez is quoted in a leading trade paper as saying that PDVSA would carry out its investment plan without adding to its current debt of \$8 billion, but in fact Venezuela's industry requires an average investment of \$2 billion *each year* just to compensate for declining output from existing wells (*Oil Daily*, January 12, 2004).

Rodríguez's targets seem even more remote in light of the fact that the government has announced plans to freeze the growth of third-party operating agreements, under which the state company paid private oil companies to exploit marginal fields. (Such operations currently represent about 500,000 barrels per day of Venezuelan production.) The oil minister plans to convert these contracts into joint ventures with majority state participation, as required by the hydrocarbons law. So far only two companies have agreed to the new arrangements, and the article in *Oil and Gas Journal* cited above emphasizes the extreme caution with which foreign investors now view the oil and gas sectors in Venezuela.

To be sure, not all of Venezuela's economic indicators are negative. Chávez claims that Venezuela's economy will grow 10 percent this year, while some U.S. economists put the figure at 7 percent. Even so, it would still have quite a ways to go, however, to recover the ground lost since 1998, when Chávez became president. High oil prices have driven the country's reserves to a record \$21.3 billion, and the quest for higher yields at a time of low interest rates worldwide has made it easier to sell Venezuelan debt paper on Wall Street and elsewhere. (Its new thirty-year bond issue was bid up to \$3 billion.) On the other hand, neither Chávez nor his finance minister has been very specific as to what the money will be used for.

### **Chávez's Latest Posturing**

As things stand today, it seems unlikely that Chávez could win a referendum. If it is held before August 19, the constitution mandates a new election within thirty days. After that date, however, his defeat would simply allow his vice president, José Vicente Rangel, to fill out the remainder of his unexpired term. This would constitute at best a Pyrrhic victory for the opposition, since Rangel is an ideological clone of Chávez, although notably more clever and more artful. This explains why the president and his associates take the view that if the exercise has to happen at all, it should not happen soon. No doubt they will urge upon the CNE every delaying tactic and recourse.

Meanwhile, however, Chávez has been engaged in a war of nerves against both the CNE and the opposition. Apart from claiming fraud, he also asserts (somewhat disingenuously) that since it is virtually certain that the opposition will lose the referendum anyway, they should forget about it and concentrate on elections for governors and mayors scheduled for July. On his Sunday morning radio call-in show, he raises the rhetorical temperature far higher, insisting, for example, that all his opponents are “terrorists” and “coup-makers”; if they try to repeat the unsuccessful military ouster of April 11, 2002, he will “fill them full of lead.”

Lately the president has also taken to attacking foreign personalities he suspects of being sympathetic with his opposition, or at least insufficiently respectful of his conduct and policies. They include U.S. ambassador Charles Shapiro, OAS secretary-general César Gaviria, the papal nuncio, and Enrique Iglesias, president of the Inter-American Development Bank. In recent weeks he has added President Bush, Spanish prime minister José Aznar, and Colombian president Alvaro Uribe. In the run-up to the Monterrey Summit of hemispheric leaders, he described National Security Adviser Condoleezza Rice—who had admonished Chávez to respect his own constitution insofar as the referendum is concerned—as an “illiterate.” (He invited her to take advantage of the Cuban literacy brigades that are presently fanning out over the Venezuelan countryside.) He has also stirred the South American diplomatic pot by insisting on Bolivia’s right to territory on the Pacific lost in a war with Chile in 1879. As one Cuban exile living in Caracas writes, “to live in Venezuela today is a journey back in time, a replay of 1961 without the revolutionary mystique.”<sup>1</sup> He might have added, without a revolution either.

## Ending the Stalemate

Paradoxically one of the principal beneficiaries of the opposition’s signature-gathering exercise (known in Spanish as the *refirmazo*) has been Chávez himself insofar as it had the effect of calming—temporarily, at least—Venezuela’s tense political environment. The opposition had a concrete task in front of it and went about its business with enthusiasm and even brio. It has clearly fulfilled its side of the bargain. For Chávez to refuse to respect his own institutionality would revive a

mood of confrontation and even violence, causing the country to lurch into a pre-civil war mood of the type that characterized the weeks before the failed coup of April 11, 2002. The president would be well-counseled to accept defeat at the polls if in fact that were the outcome, since he would still remain by far the most popular single politician in the country, and the responsibility for cleaning up the mess he has created would fall to his hapless successors. He might well be returned in glory at the earliest possible opportunity—and by clean elections!

Unfortunately, many signals indicate that this is a risk the Venezuelan leader would rather not confront. One is the fact that he is expanding the army by 65,000 new recruits, a curious number for a country facing no serious military or geopolitical threat. Another is his evident desire to politicize the armed forces and make of them the party he has never bothered to create. Yet another are plans to expand the Supreme Court from twenty to thirty-two members and to increase the number of members specifically charged with deciding constitutional issues from five to seven. There is much talk now of reviving a draft “Law of Content” that would essentially establish government censorship of the media, the one power in the country that Chávez has been unable to subordinate to his will.

Venezuela today is languishing in something close to a classic stalemate, but one that might well be broken under very unpropitious circumstances. Neither government nor opposition can eliminate one another, and neither seems particularly interested in reaching a compromise. But there is a difference between the two. If the opposition loses the referendum, it will accept its defeat with grudging good grace. Chávez, however, has already made it clear that he has no intention of leaving power, come what may. Nor does he seem to be interested in politics as usual, with its give-and-take. Unless he changes his tune (and his behavior), the consequences are all too thinkable—and fearsome. The petitions are sitting at the National Electoral Council; the ball is now in Chávez’s court.

## Notes

1. Benigno Nieto, “Venezuela, una tragedia cubana,” *Cubaencuentro.org*, January 20, 2004.