

Chávez Clings to Power, Radicalizes Revolution

by David Ramonet

In the midst of noise as protesters clanged pots and pans that could be heard throughout the capital, Venezuelan President Hugo Chávez Frías announced, on Feb. 12, a package of austerity measures—including devaluation—with which he hopes to confront the effects of falling oil prices, capital flight, and escalating demands from the opposition for his resignation. Chávez hopes, above all, to convince the United States and international financial institutions that he can continue to adhere to the dictates of the International Monetary Fund (IMF).

Chávez began the year determined to “radicalize” his “Bolivarian revolution,” by 1) confronting the leaders of the business community, 2) refusing to recognize the leaders of the Venezuelan Workers Federation as the legitimate mouthpiece of organized labor, 3) dubbing the Venezuelan Bishops Conference a “tumor” to be removed from society, and 4) accusing the mass media of a “media conspiracy” against him. He took concrete steps to intensify his strategic alliance with the narco-terrorist Revolutionary Armed Forces of Colombia (FARC), steps which have simultaneously provoked unease within the Bush Administration in Washington. Given this picture, the general clamor of Venezuelan civil society is that President Chávez either “change course, or get out.”

Galvanizing His Enemies

On Jan. 23, a quarter-million people marched through the center of Caracas, chanting “Chávez out now!” The President dismissed this huge protest, which came from every social strata. And when the Papal Nuncio Msgr. André Dupuy, expressed his concern with Chávez’s “radicalization” during his annual greeting to the diplomatic corps, Chávez charged him with interfering in Venezuela’s internal affairs by echoing the opposition. The President went on to warn the Nuncio that the Catholic hierarchy is one of Venezuela’s big problems; the next day, Chávez declared himself an “evangelical,” then turned around and denied it two days later.

A short time later, he proclaimed that Feb. 4 was a national holiday, in commemoration of the military rebellion he had headed ten years earlier. In contrast, the opposition declared Feb. 4 a day of national mourning, and continued its protests.

The U.S. government expressed its concern with the tense political situation in Venezuela, on Feb. 6. Secretary of State

Colin Powell voiced his doubts, speaking to the U.S. Senate, about the democratic direction of the Chávez regime. The next day, Director of Central Intelligence George Tenet stated his concerns over Venezuelans' growing discontent with Chávez's government.

Meanwhile, back in Venezuela that same day, active-duty Air Force Col. Pedro Soto intervened in a conference on free speech, to declare his discontent with the government and to call for President Chávez's resignation. His remarks

were carried live by both radio and television, such that, when the military police attempted to arrest him a few hours later, a spontaneous popular outpouring prevented it. Afterwards, one could hear the protest "music" from clanging pots and pans, and demonstrations in solidarity with Soto, not only in Caracas, but also throughout the country. In the following weeks, three other active-duty Armed Forces officers followed Soto's lead, in the midst of various expressions of discontent within military ranks.

At the same time, those who could, were pulling their deposits out of banks and converting them into dollars. To prevent a collapse in the exchange rate, the Venezuelan Central Bank sold an unknown quantity of foreign currency, putting the nation's reserves at risk. Bloomberg news agency, among others, speculated that Venezuela, and not Brazil or Mexico, will be most likely to follow in Argentina's footsteps.

Chávez' Austerity Package

The Chávez government finally reacted, but not as some "conservative" (that is, neo-liberal) economists and businessmen feared, who were expecting exchange controls and protectionist measures. No, President Chávez responded just as he had promised a group of bankers and risk rating agency executives with whom he dined on Jan. 11 in New York City. According to the report given to the daily *El Nacional* by a high-level bank executive with *Crédit Suisse First Boston*, whose offices hosted that dinner event, Chávez assured his audience that there would be no debt moratorium, no exchange controls or action of that sort, much less a bank nationalization.

What Chávez did announce on Feb. 12, is that the 2002 public budget would be reduced by some \$6 billion, or 23% of the originally projected \$26 billion. Chávez claimed this was forced upon him by the Argentine crisis and by the fall in the price of oil, supposedly caused by the Sept. 11 terror attacks on the United States. It was easier to blame Sept. 11, than to admit that the world has been in a profound depression during 2001.



The eloquent overhead view of "two demonstrations" on Jan. 23 in Caracas, showing the relative strength of the supporters of Venezuelan President Hugo Chávez (left) and the opposition (right), which is increasingly demanding that he step down. Chávez has reacted with austerity, to get IMF backing against his own people.

Therefore, explained Chávez, the budget, initially calculated on an oil price of \$18.5/barrel, has been recalculated at the equally incredible figure of \$16/barrel. Even so, a fiscal gap is expected, which they hope to cover with \$2.5 billion taken from the Economic Stabilization Investment Fund (FIEM) of oil revenues from previous years, an 0.75% tax on banking transactions, and reduced exemptions from the value-added tax.

He also reported that the exchange rate would no longer fluctuate within a system of bands, but would rather be allowed to float freely according to market fluctuations. The Central Bank would be there to support it with daily auctions of \$60 million, as compared to the \$200 million sold daily during December 2001 and January 2002. This meant a 25% devaluation during the first week of Chávez's "new system," when the exchange rate jumped from 792 to 1,060 bolivars to the dollar.

Although Chávez indicated that the budget cuts would be "discretionary," so as not to affect social expenditures too seriously, he did not announce any compensatory measures for the lower-income strata of the population, nor did he include in the budget any allocation for increasing the minimum wage.

As was to be expected, the International Monetary Fund expressed its satisfaction with these austerity measures, and the "financial markets" immediately boosted ratings on the Venezuelan debt. Unconvinced, however, were the Venezuelan people, who were dumbstruck by the cynicism with which Chávez unveiled his new package. Chávez insisted that these were not neo-liberal measures, since they were not accompanied by privatizations, nor were they imposed from abroad!

The 'Bolivarian' Recession

The announced measures will aggravate conditions in the already-depressed Venezuelan economy, and annul at a pen-stroke the greatest macroeconomic "success story" claimed by the government—an inflation rate of only 12% last year.

Since November and December of last year, the Central

Bank has tried to halt capital flight by increasing the yield on paper, with which the banks are subsidized, to as much as 45%. This in turn has led the banks to automatically raise their active interest rates, to the point that productive companies can now only get financing at rates of 70% and higher, and at times, have to sign loan agreements at more than 90% interest! Even so, analysts estimate that some \$9.5 billion fled the country in 2001. Between January and the first week of February 2002, banking system deposits fell by 7.6%, after 1.11 trillion bolivars were pulled out and converted to dollars to the extent possible. This left the banks without liquidity. To alleviate the situation, the Central Bank resorted to buying up its own bonds in order to inject resources into the system.

Last year, imports registered a record \$18 billion, according to the president of the National Industrial Council (Conindustria), Juan Francisco Mejía; this represents a huge \$4 billion rise from 2000. But it doesn't include illegal imports, which according to Mejía "rose exponentially" in the textile, shoes, and tobacco industries. Non-petroleum exports, by contrast, were \$4.5 billion last year, just 2.6% above the \$4.384 billion of 2000.

The Central Bank's international reserves, which at one point were more than \$16 billion (plus FIEM's roughly \$5 billion), had fallen by mid-February to \$9.7 billion.

Generalized Discontent

Joining the wave of civilian protests, is the military. On Feb. 2, the newspaper *El Nacional* published the summary of a document signed by 3,400 officers, junior officers, and other ranks from every branch of the Armed Forces, who call on the relevant authorities to "interdict" Chávez; that is, to declare him incompetent to serve as President, in view of his systematic violation of the constitutional order. Besides raising the fact that junior officers and non-commissioned troops suffer economic difficulties, they threw in Chávez's face, his: use of state resources to benefit his political organization; use of the Armed Forces for personal political advantage; leading the state toward a totalitarian system; and maintaining friendly ties with the FARC, which flagrantly kidnaps and extorts Venezuelan citizens.

On Jan. 30, four journalists released an official video from mid-2000, which shows a Venezuelan Armed Forces operation in cooperation with a FARC leader. The video had been given to the journalists by "discontented" members of the Armed Forces. This operation, held somewhere on Colombian territory, was never brought to the attention of the Colombian government. After a brief exchange of protests, the Colombian government accepted Venezuela's excuse that the operation had been carried out "without the knowledge" of the authorities.

The manifesto of the 3,400 servicemen served as the catalyst for active-duty officers to begin expressing their personal discontent with the Chávez government. Apart from Colonel Soto, National Guard Capt. Pedro Flores, Rear Adm. Carlos

Molina Tamayo, and Air Force Brig. Gen. Román Gómez all publicly spoke out along the same lines. Gómez requested leave to retire as director of national air traffic.

To these protests can be added the voice of Army Gen. Guaicaipuro Lameda, who voluntarily retired as president of the state oil company *Petróleos de Venezuela, S.A. (Pdvs)*, so that he could make public his criticisms of the Chávez government, and in particular, of its management of the economy. Replacing Lameda is a long-time Communist, Luzardo Parra, who has been loudly rejected by both the directors and employees of *Pdvs*, creating an atmosphere of anxiety within the state company.

Especially, there is widespread rejection of the links that Chávez has forged with the Colombian narco-guerrillas, supposedly "for humanitarian purposes" and "in the cause of peace." This discontent became more vocal when Chávez named as his Interior and Justice Minister, Navy Capt. Ramón Rodríguez Chacín, in place of the veteran Luis Miquilena. Miquilena had been one of the pillars of the Chávez government until he began to distance himself from the President, provoking a government break with Miquilena's allies, as well. Prior to his newest appointment, Rodríguez Chacín had been functioning as the President's special agent and liaison with the narco-guerrillas.

Chávez has lamented the interruption of the "dialogue of peace" between the FARC narco-terrorists and the Andrés Pastrana government in Colombia, which followed the FARC's hijacking of a passenger airplane and kidnapping a Colombian senator who had been on board. While willing to describe these acts by the FARC as terrorist, Chávez refuses to label the actors themselves as terrorists, claiming that that would be interfering in Colombia's internal affairs!

Various spokesmen for the United States have warned President Chávez that he is under scrutiny regarding his deviation from democratic norms. But after he announced his economic measures, the tone changed. State Department spokesman Richard Boucher warned the Venezuelan opposition that they too should adjust to "the democratic rules." Further, a White House spokesman, who asked to remain unidentified, according to AP, charged that Venezuelan military personnel had approached the United States seeking support for a coup d'état against Chávez, which the United States refused.

Chávez has made it clear that he would not heed any referendum seeking his resignation—at least until the year 2004, midway through his elected term—as the Constitution provides. Meanwhile, there are seven challenges to his rule before the Venezuelan Supreme Court, ranging from claims that he is mentally incompetent to discharge his responsibilities, to abuse of the public patrimony for personal and partisan ends. The majority of Supreme Court members are politically linked to former Interior Minister Miquilena who, according to some observers, is awaiting an opportune moment to cross swords with the government, even while he continues to profess friendship for Chávez, for now.