

The Venezuelan Political Regime Today: Strengths and Weaknesses

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Classifying the Regime

The Chávez regime constitutes what political scientists often call a hybrid regime—it is not democratic, but it is not hard-core authoritarian either, at least not yet. Instead of abolishing checks-and-balances institutions, the regime packs them with loyalists. Instead of repressing dissidents, it practices job discrimination against voters. Instead of banning civic protests, it organizes counter-mobilizations by inciting and organizing mobs. Instead of disbanding organized opposition parties, it denies them resources. Instead of eliminating elected offices, it creates parallel, undemocratic units of government. Instead of shutting down the press, it burdens them with regulations and, through media buyouts, reduces the private media's share of the market. Instead of suspending elections, it promotes abstentionism of would-be opponents by failing to guarantee the secrecy of the vote. Compared to the most repressive regimes of the 20th century, the Chávez regime is relatively innocuous. But compared to most Latin American countries today, where indices of political and civil liberties are historically high, the Chávez regime is certainly the least pluralistic in the region after Cuba.

Over time, the regime has moved away from promoting participatory democracy, which was its initial campaign slogan. Back in 1998, when Chávez was elected, participation for Chávez supporters meant opening political opportunities for previously excluded groups (mostly

small leftist parties, nongovernmental organizations and the military). For Chávez, it also meant more political space for the military. The 1999 constitution represented a pact between a new president, who was hoping to expand the powers of the Executive branch, and these previously excluded political groups, which were also seeking more access to state office. Each pact member got new powers, but at the expense of traditional *organized* groups such as political parties. Since 2004, the regime has lost interest in this kind of pact with civil society actors. Rather, it has become mostly interested in expanding the power of the Executive branch and the military, and less so in expanding the powers of anyone else. Not even its political partners are receiving special consideration any more. The president's own party, the Movement for the Fifth Republic (MVR), has been disbanded (in late 2006) in favor of a completely new party, the United Socialist Party of Venezuela (PSUV), which is more beholden to the president than its predecessor. Chávez's satellite parties have also been asked to disband and merge into the new PSUV.

The regime has established a quasi-tyranny of the majority. By "quasi-tyranny" I mean that no effort is made to take into consideration the views of opponents. By "majority," I want to stress the electoral competitiveness of the regime. Despite its power abuses, the regime continues to generate majorities through elections, 15 in total since 1998.

The regime accomplishes these majorities by pursuing a classic populist strategy of inducements *and* constraints. Enormous benefits (inducements) are allocated to those political actors willing to support the regime (e.g., access to new welfare programs, the so-called “missions,” public sector jobs, contracts with the state). Serious ostracism (constraints) is applied to those who oppose the regime, mostly in the form of insults, job discrimination, legal accusations, and exclusion from welfare benefits. There is evidence that ostracism and concentration of power are on the rise, but the inducements continue as well. Given any petrostate’s disproportionate advantage in controlling the mix of inducements and constraints to be dispensed, it becomes nearly impossible for any opposition force to beat the government’s majority through elections. The opposition has no means to reward supporters or punish opponents the way the state does.

Today, Chávez’s coalition includes many high-income and privileged sectors of society. While Chávez is popular among low-income groups, he is supported by more than just the poor. The most prominent non-disadvantaged ally is the military. After a series of purges between 2001 and 2004, the military is now well staffed with loyalists and larger than ever. Another government partner group is the so-called “*boliburguesía*”: business owners and business managers who support the Bolivarian Revolution because they welcome state contracts and protectionism. Finally, Chávez is actively supported by citizens who profit from corruption and crime, especially drug trade.

The Chavista coalition has become more conservative than revolutionary. Although the members of the Chavista coalition come from different income groups (welfare recipients are mostly poor, state employees come from the low middle classes, and corrupt folks are wealthier), they share the same objective: preserve their gains; namely, *access to social programs, state jobs, exclusive state contracts, and impunity*. What unites these groups is a fear that the opposition will take away these gains. Chávez always

reminds supporters that if the opposition ever wins again, they each will lose their new gains. This scare tactic seems to work.

Another tool used by Chávez to maximize Executive branch powers is to promote discretionary statism, which involves a two-prong strategy: one, expanding the role of the state in the economy; and, two, lessening the independent checks on state action. By expanding the state, Chávez creates more political positions to offer those inclined to support him, not to mention more opportunities to spend and to regulate the economy, that is to say, more opportunities to co-opt.¹ By lessening the accountability of the state, Chávez can co-opt without being questioned.

As a way to divert attention from its increasing authoritarian, conservative, militaristic, and business-collusion tendencies, the regime overemphasizes two features: distributionism and anti-Americanism. First, Chávez wants to be recognized across the world as an undisputed champion of the poor. Thus, he spends far more on social programs than is typical of most authoritarian regimes, almost to the point where there are virtually no controls on spending. This has created a large bureaucracy devoted to social services. The officials who run these bureaucracies might be in disagreement with many aspects of Chavismo, but they nonetheless feel that what they are involved in—social services—is noble and worth defending. Second, Chávez wants to be recognized worldwide as a champion of anti-U.S. rhetoric. Chávez has estimated that as long as he can overplay these two features, progressive forces will either ignore or forgive the regime’s less-than-progressive attributes. Because Chávez scores low on many achievements that progressives like, he compensates by overplaying distributionism and anti-Americanism. These features of Chavismo will not go away. It is naïve to believe that better U.S. diplomacy toward the regime will make it more fiscally frugal, or less anti-American.

Finally, a word on repression: Thus far the regime has not displayed brutal repression, but

at the same time, the opposition has not turned violent. Since 2002, most opposition acts (except for the 2002 coup) have complied with constitutional rights: strikes and protests prevailed in 2001-2003; signature collection and recall referenda in 2004; electoral boycotts in 2005; participation in elections in 2006. All these acts were legal and peaceful. However, if the opposition becomes unruly and violent, the government has both the legal instruments (laws banning disrespectful protests; constitutional reforms that discuss the need to defend the revolution against enemies) and the military force (a 2-million-strong urban militia and an armed forces with surplus arms) to repress. Whether it will have the guts—and the military’s willingness—to repress is an open question.

Cracks in the system

Despite its enormous strengths, the Chavista regime is full of cracks; the most important is inefficiency in managing government affairs. One would never think that a statist and petroleum-dependent regime like Chávez’s could afford chaos at the state level, much less in its oil sector. But Chávez not only tolerates such chaos, he promotes it.

One clear indicator of bureaucratic chaos is the high level of ministerial changes, surpassing that of any other Venezuelan administration since 1958. On average, Chávez changes 54 percent of his cabinet annually. This is a Venezuelan record. Even the two administrations before Chávez, supposedly the least effective of all, had lower turnover rates than Chávez (37.5 percent and 31 percent, respectively). Of the 100 people who have been appointed to Chávez’s cabinet since its start, only 16 have survived more than three years. Most last less than two years.

This turnover rate is visible even in pivotal ministries:

Cabinet Post	# of Ministers (1999-July 2007)
Vice Presidents	5
Foreign Ministers	6
Interior Ministers	8
Secretaries to the President	9
Treasury Ministers	6
Industry and Commerce Ministers	8

The current cabinet is full of new faces. Of the 30 cabinet members today, only seven have spent more than two years with Chávez; six have been with him between one and two years. The remaining thirteen have spent less than a year.

These facts suggest that this is a far more personalist regime than even the supposedly leader-centric Cuba. Jorge I. Domínguez, one of the world’s foremost scholars of Cuba, once classified the Cuban regime as an “advisory oligarchy with an undisputed leader.” He was referring to the significant number of permanent advisors, many of them war veterans, who accompanied Fidel throughout his leadership, as cabinet members, vice presidents, special advisors, party leaders, etc. In Venezuela, there is an undisputed leader, but there appears to be no advisory oligarchy. If there is one, it is small or hidden from view. All told, close advisors seem unimportant. Even assuming that his advisors are simply hidden from view, the truth is that Chávez makes decisions without paying attention to anyone’s advice.

Whether intentional or not, Chávez’s high turnover makes good governance nearly impossible. When the average minister lasts less than sixteen months in office, it is impossible to speak of governing capacity.

More evidence of Chávez's low interest in efficiency, and perhaps the most incomprehensible, is the productivity crisis in *Petróleos de Venezuela, S.A. (PDVSA)*, the state-owned petroleum company. PDVSA is unquestionably the regime's vital cash cow. At a time when the international demand and price for petroleum are as high as they have been since 2003, one would expect the productivity of the Venezuelan petroleum sector to be growing. But the opposite is happening. Since 2003, the productivity of the petroleum sector has dropped to record levels, predominantly because the productivity of the PDVSA has plummeted.²

Two principal factors explain PDVSA's decline in productivity: one, expulsion of experts; and two, replacing multinational firms with transnational state-owned oil firms. The first factor stems from Chavez's decision to fire, and never again contract, 20,000 PDVSA employees (almost 29 percent of the entire payroll), many of them technical experts or management personnel, after the winter 2002-2003 oil strike. Second is his decision to reduce commercial deals with private multinationals. Chávez's petroleum foreign policy is split. On the one hand, he has opened the petroleum sector to *state-owned* petroleum enterprises from allied countries (China, Russia, Brazil). On the other hand, starting in 2005 he began to raise investment and operation barriers to the *private* international petroleum industry.

The cost of the decision to encourage state-owned oil enterprises (typically from autocratic states) and discourage private multinationals is less foreign investment and less domestic efficiency; the advantage is less government accountability.

Investments and Technology. With regard to investment, *Veneconomía* (October 18, 2007) has calculated that between 2002 and 2007 the average foreign direct investment in Venezuela was \$500 million annually, or approximately \$16.60 per capita. In comparison, China received \$662,000 billion in foreign direct investment in 2006, or approximately \$510 per capita. These are two boom-

ing economies, with Venezuela's petroleum boom ranking first, and yet Venezuela receives significantly less foreign investment per capita. Part of the reason for this is the regime's unfriendly policies toward private multinationals, which discourage capital and technological investments.

Accountability. Despite this lost investment, reducing the role of private multinationals allows Chávez to also reduce his government's accountability. Private enterprises are obligated to provide accounts of their operations (before U.S. authorities and their own shareholders), while international state enterprises, especially in undemocratic states, are not subject to rigorous audits. By closing the doors for private enterprise, Chávez closes off other means of getting information and, therefore, accountability for his government.

Net balance: What Chávez loses in terms of efficiency and investments, he is gaining in terms of political control and discretion. Therefore, it is not obvious that the cracks in the system, however abundant, will necessarily undermine the regime politically. The civilian opposition is numerically strong and upset, but it lacks institutional mechanisms with which to act. So far, the opposition has rejected violence, which has saved it from repression, but the rejection also has left the opposition with few tools for pressuring the system. Ultimately, what keeps Chávez in office is his vast coalition of supporters. They find many faults with Chávez, but they also feel that with him in office (rather than with anyone else), their gains are guaranteed to last.

The International Political Economy (IPE)

A favorable IPE environment has promoted and can continue to promote the regime's radicalization. The current environment of high oil prices is fueling Chávez's political excesses because it provides the necessary revenues to expand statism, and thus the regime's policies of inducements and constraints. In the 1960s, a

major contributing factor to Cuba's radicalization was also a favorable IPE: the Soviet Union became willing to serve not just as Cuba's political sponsor, but also as Cuba's buyer of last resort by absorbing sugar sales and providing subsidies (of energy, capital, and financial assets). This allowed Cuba to break trade ties (and thus political ties) with the United States, and, one could even argue, disregard economic efficiency.

However, China is unlikely to serve as Venezuela's "Soviet Union." It is important to keep in mind the differences in the international political economy of the early 1960s, when the Cuban Revolution became radicalized, and the late 2000s, when Venezuela's revolution could become more radicalized. Today, there is no country willing to play this Soviet Union role. China is the only likely candidate: it has a fast-growing appetite for oil. Yet, China is unlikely to offer to buy all of Venezuela's oil. In 2006, Venezuela sold 1.41 million b/d of crude oil and petroleum products to the United States. It only sold about 0.08 million b/d of oil to China. Despite rhetoric from Caracas, this low level of China-Venezuela oil trade is unlikely to grow significantly in the medium term. First, China knows that it is cheaper to develop markets near its border (Central Asia) or in countries where it can have greater bargaining leverage (African states). Furthermore, China does not have the refineries necessary to process Venezuela's extra heavy crudes. Also, shipping oil from Venezuela to China would be prohibitively expensive, involving a 40-day trip.³ Finally, China is unlikely to consider Venezuela the strong strategic asset that Cuba was for the Soviet Union. Back in the 1960s, acquiring a political/military base in Cuba was the equivalent of placing a battleship in the Gulf of Mexico, which allowed the Soviet Union to close the military advantage that NATO had in Europe (weapons near the Iron Curtain). China feels no desire to have a "battleship" in the Caribbean Basin.

Consequently, Venezuela has turned to Iran. Not having found a buyer of last resort, Venezuela has developed a strong interest in

maximizing the price of oil in world markets. However, Venezuela cannot accomplish this price hike alone, so it has become interested in Iran, one of the world's largest oil exporters. In addition to exchanging and developing weapons,⁴ the primary purpose of ties with Iran is to push oil prices up.

There are two ways in which a Venezuela-Iran alliance can promote oil price increases. The first strategy is out in the open: increase the number of hawks within OPEC. Both countries are interested in price increases (through oil production cutbacks) rather than price stabilization (through production increases). Iran and Venezuela are the second- and fifth-largest producers in OPEC; partnering up makes them powerful within the oil cartel to counteract Saudi Arabia's attempt to keep production high. The other reason that an alliance with Iran could help promote price increases is a bit more sinister. Venezuela knows that a confrontation between Iran and the United States could produce a crisis in the Middle East, which would boost the price of oil. If so, one could argue that Venezuela has an interest in encouraging such a crisis. Venezuela could be developing ties with Iran for no other reason than to encourage Iran's bad behavior, and thus, bring on a crisis in the Middle East.

The table below shows the crucial actors in the world political economy of oil and the actual, tacit and potential alliances. Venezuela and Iran share similar policy goals: strengthen OPEC and oil prices. The United States and China share the opposite goals: dilute the power of OPEC and keep the price of oil low. Saudi Arabia is the intermediate player: it sides with Venezuela and Iran on the issue of strengthening OPEC, and is somewhat sympathetic to the United States and China on the issue of avoiding oil price increases.

This distribution of powers and preferences means that the United States is not alone. Insofar as the United States can keep China and Saudi Arabia on its side, it will preserve an international political economy that can contain some of Venezuela's foreign policy goals.

	Policy Preference toward OPEC	Policy Preference toward Oil Prices
Venezuela/Iran	Strengthen	Raise
Saudi Arabia	Strengthen	Moderate and Stable
United States/China	Weaken	Lower

However, a confrontation between Iran and the United States may bring China closer to Venezuela. China has significantly increased its oil ties with Iran in the last decade. Iran is China's second largest source of imported oil, and China dominates about 8 percent of Iran's oil market. If a confrontation between Iran and the United States were to occur, leading to an increase in the price of oil or a disruption in Iranian oil to China, the alliance between China and the United States might become strained. At the very least, China will want to find new suppliers. Venezuela might suddenly become appealing to China.

Having said that, the United States remains far less dependent on Venezuela than vice versa. Venezuela provides approximately 13 percent of U.S. oil imports. In contrast, the United States provides the bulk of Venezuela's export revenues (70 percent) and thus government revenues (almost 50 percent). Economically speaking, the United States is in a better position to absorb an increase in oil than Venezuela is to survive a collapse in oil sales to the U.S. Provided some conditions hold (inflation stays low, oil exporters continue to send their dollars to the United States), many analysts feel that the United States could survive further increases in oil prices given that current prices today are still 25 percent below, in real terms, prices in 1980.

But politically, for the United States to unilaterally end trade with Venezuela would be a serious public relations disaster and a boon for Chavismo. Hugo Chávez is interested in a provocation with the United States. A confrontation with the United States will allow

Chávez to blame all his economic woes on the United States, to concentrate more power and crackdown on enemies by declaring a state of emergency, and to gain even more international sympathy than he already has. Far from containing Chavismo, a confrontation with the United States will embolden it.

Recommendations

1. Avoid name-calling. A war of words between the United States does nothing to contain Chávez. It is what Chávez seeks. The United States should not play into Venezuela's hands.
2. Monitor closely Venezuela's weapons modernization process and increasing ties with Iran. These are activities with the greatest potential for crisis.
3. Work closely with Saudi Arabia (OPEC) and China (oil importer) to contain Chavismo's foreign policy goals. These countries have compatible interests with the United States, yet they also have influence on Venezuela.
4. Develop a counter strategy to Venezuela's soft-power foreign policy. Part of Venezuela's appeal in the region, where it exists, is due to more than just its oil diplomacy, but also its soft-power diplomacy (attention to development needs of countries). Some estimates suggest that Chávez has provided or promised more aid to Latin American countries in real terms than the U.S. spent on the Marshall Plan in Europe after World War II. The goal is

to promote “alternative movements” that oppose U.S. objectives. The United States ought to compete with Venezuela more effectively on this front. Fighting terrorism and drug trafficking and promoting trade helps, but until the United States begins to project more soft power in the region, Venezuela will retain a foreign policy advantage over the United States.

Endnotes

- 1 A recent example is the government’s recent announcement of plans to expand *Petróleos de Venezuela, S.A.’s* (PDVSA) payroll by 51.9 percent by 2009 (from 73,858 to 113,831 employees).
- 2 In 2003, at the time of the petroleum stoppage, the productivity of the PDVSA reached 2.2 million barrels per day (this did not include the production of hydrocarbons by foreign businesses). Today, PDVSA produces about 1.6 million barrels daily—30 percent less than in 2003, although it is difficult to say with certainty since PDVSA will not provide definite and verifiable data. More evidence of PDVSA’s decline in productivity is that in September, 2007 OPEC reassigned quotas among its members in order to better reflect the actual current production from each member. The Venezuelan quota in OPEC was reduced from 11.5% to 9.1% (from 3,085,000 b/d to 2,470,000 b/d) for November 1, 2007—information that the Chávez government tried to hide but which came to public light.
- 3 Because supertankers are not allowed through the Panama Canal, oil shipments from Venezuela to China would need to go first south-southeast (to the Strait of Magellan) and then north-northwest across the Pacific, or else, entirely east through Cape Horn and then the Strait of Malacca. Either route would be one of the lengthiest in the world.
- 4 There is some concern that Iran is helping Venezuela explore the nuclear option. There are rumors that Iranian scientists and engineers are prospecting for uranium ore in the granite bedrock under the southeastern jungles of Venezuela, a region rich with mineral deposits. It’s difficult to see why Chávez would want nuclear technology for peaceful, energy-producing ends: Venezuela has the largest hydrocarbon reserves in the Americas, and it already makes good use of its ample hydroelectricity generation potential.