The significance of Venezuela's and Ecuador's nationalizations

Bill Van Auken
18 January 2007

Presidential inaugurations in Venezuela and Ecuador over the past week were marked by calls for "socialism" and "revolution."

During a January 10 swearing-in ceremony in Caracas, Venezuela's re-elected president, Hugo Chavez, announced plans to nationalize CANTV, the country's national telephone company, which was privatized in 1991, together with the power industry. He also announced plans to increase state control over the country's oil fields.

"All of that which was privatized, let it be nationalized," declared Chavez. "We're heading toward socialism, and nothing and no one can prevent it," he added, declaring at one point, "I'm very much for [Leon] Trotsky's line—the permanent revolution."

In Ecuador, Rafael Correa assumed power on January 15 in a ceremony in which he announced plans to initiate a "radical revolution" and declared his adherence to the "new socialism" which he said was spreading throughout the region. He has threatened to limit payments on Ecuador's crushing foreign debt and renegotiate foreign oil contracts. He has also threatened to close down the US military air base at Manta.

Speaking to an audience that included 17 heads of state, including Chavez, Brazilian President Luiz Inacio Lula da Silva, Nicaragua's Daniel Ortega (the Sandinista leader was himself inaugurated just days earlier), Bolivia's Evo Morales and Mahmoud Ahmadinejad of Iran, Correa declared, "The citizens' revolution has just begun, and nothing and nobody can stop it."

The back-to-back inaugurations accompanied by radical and even "socialist" rhetoric condemning Washington, combined with the Iranian president's tour of the region in search of allies, sparked a new wave of sensationalist media coverage in the US about Latin America's "turn to the left."

It is worth noting that one of Correa's predecessors, the former Ecuadorian army colonel Lucio Gutierrez, was counted as part of that turn when he won the presidency in 2002 on a platform quite similar to Correa's. After little more than two years in office, he was driven from the presidential palace by mass protests sparked by his adoption of right-wing economic policies, his embrace of Washington, and the rampant corruption of his regime.

Chavez's announcement of "new nationalizations" triggered a record fall on the Caracas stock exchange, where CANTV is the largest publicly traded company, as well as a run on Venezuelan-connected stocks sold on Wall Street.

Without a doubt, the events of the past week further substantiate the political shift underway in Latin America, triggered in part by the economic and social devastation wrought by the so-called "Washington Consensus" model of wholesale privatizations and free market policies. It has been further fueled by the relative economic decline of US capitalism in relation to its rivals in Europe and Asia and Washington's overwhelming preoccupation with its military adventures in the Middle East.

The result has been a defeat for the traditional right-wing parties and the victory of candidates who either describe themselves as or were historically identified with the "left," not only in Venezuela and Ecuador, but also in Bolivia, Brazil, Chile, Peru, Uruguay, Argentina and Nicaragua.

While these governments have different political origins and disagree widely on policy, they all engage in one form or another of populist rhetoric denouncing "neo-liberalism" and criticizing US policy. They have appealed to popular anger over the staggering social inequality that pervades the continent and, in most cases, have initiated limited social assistance program to secure the support of the most impoverished layers of society.

At the same time, declarations like those of Chavez and Correa about ushering in a "21st century socialism" notwithstanding, these governments have universally defended capitalist private property, abided by the general prescriptions of the international financial institutions, and maintained intact the traditional military and repressive forces of the states they lead.

In many ways, the policies advocated by Chavez—the former paratrooper lieutenant colonel and coup leader—far from signaling a resurgence of socialism, represent an echo of the kind of economic nationalism and military populism associated with figures such as Juan Peron in Argentina, or, in a later period, Gen. Omar Torrijos of Panama and Gen. Juan Velasquez Alvarado of Peru.

As for the new Venezuelan "nationalizations," there seems to be considerably less there than meets the eye. While Chavez presented his proposals as a matter of Venezuela seeking to "recover its ownership of strategic sectors," the actual targets for state takeover are of relatively little importance.

CANTV is by no means a telephone monopoly. The company's land lines cover barely 11 percent of the population, while its cell phone unit, Movilnet, controls just 35 percent of this far more extensive and lucrative market.

The biggest shareholder in CANTV is the US-based Verizon Communications Inc., with a 28.5 percent stake. Last April, Verizon initiated a deal to sell its share to the Mexican billionaire Carlos Slim, owner of Telmex, which has amassed a significant share of the Latin American telecommunications market.

Telmex has faced stiff competition from Spain's Telefónica, which is a minority shareholder in CANTV but controls its own cell phone company in Venezuela, Movistar, which has captured 48 percent of the market. There is speculation that the nationalization may be, in

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part, an attempt to derail the deal with Slim and favor Telefónica by protecting the Spanish company from its main rival.

Another motive in taking over CANTV is to remove the country's largest publicly traded company from the market. The company's shares, which are traded both in Caracas (for bolivars) and on Wall Street (for dollars), have served as means for Venezuelan financiers to funnel capital out of the country and turn their assets into dollar holdings abroad, contributing to a drain of capital and the country's 18 percent inflation rate.

As for the takeover of the electric power sector, much of it is already in the hands of two state-owned companies. The main privatized company that would be affected, Electricidad de Caracas, is controlled by the US-based firm AES Corp.

Government officials have made it clear that shareholders in CANTV as well as in any power companies that are taken over will be fully compensated from the funds that the state has accumulated from Venezuelan oil revenues. "Shareholders will receive the fair price of the value of their shares," Finance Minister Rodrigo Cabezas told the Venezuelan daily *El Universal*.

When it comes to a truly strategic sector of the Venezuelan economy—oil and natural gas—it is clear that what the Chavez government is contemplating is by no means "nationalization," at least not in the sense that it was practiced even by bourgeois nationalist governments in an earlier period, such as Peron in Argentina or Cardenas in Mexico.

Venezuela is the fifth-largest oil exporter in the world, with proven reserves of 78 billion barrels and potential heavy oil reserves in the Orinoco oil belt that have been estimated as high as 1.2 trillion barrels. The US gobbles up 60 percent of Venezuelan production.

The Chavez initiative in the oil sector has much in common with the "nationalization" proclaimed by President Evo Morales of Bolivia's natural gas reserves, though Chavez seems to be forgoing the dramatic effect of sending troops into the oil fields. It is, in short, an attempt to negotiate with the multinational energy companies operating in the Orinoco oil belt—ExxonMobil, Conoco, Chevron and the French firm Total—a majority stake in oil production for the state-owned PDVSA and a bigger share of the profits reaped by their joint ventures.

US-based energy giants are expected to agree to such negotiations in order to maintain their grip—even if it is reduced—on Venezuela' oil reserves, a source of immense profits.

The country's oil minister, Rafael Ramirez, made it clear Monday that the government had no intention of making changes to existing natural gas contracts, signed by Chavez's own government in 1999, when it opened up that sector to private investment and exploitation.

The major Wall Street financial houses took Chavez's proclamations about "21st Century socialism" and "permanent revolution" with more than a grain of salt.

"We still do not feel Chavez intends to stamp out the private sector altogether in Venezuela; the nationalization of CANTV and other former public utilities carries symbolic weight," said JP Morgan.

"We do not see an across-the-board abolition of private property," Merrill Lynch concurred.

The latter is an understatement. Over the past year, Venezuela's private sector has grown at a rate of 10.3 percent, more than double the growth rate of the public sector. During this same period, there has been negligible growth in the country's manufacturing sector, with the official unemployment rate standing at approximately 10 percent.

The main growth has been in the financial sector in Venezuela, which enjoys among the most profitable conditions anywhere in the world. As the *Financial Times* noted sardonically last August, "Bankers traditionally face firing squads in times of revolution. But in Venezuela, they are having a party."

The article continued, "rather than nationalise banks, the 'revolutionary' distribution of oil money has spawned wealthy individuals who are increasingly making Caracas a magnet for Swiss and other international bankers. And it is not just private bankers who are banking on the revolution."

The newspaper noted that in 2005, bank assets in Venezuela increased by a full third, from $29.3 billion to $39.8 billion.

In other words, notwithstanding the social welfare programs that Chavez has been able to finance with ballooning oil revenues, the commanding heights of the Venezuelan economy remain firmly under the control of international and domestic finance capital.

The increasingly bonapartist character of his government—included in his proposals for his new term of office are an enabling law allowing him to rule by decree for 18 months—reflects the immense social divide between wealth and poverty that still dominates Venezuelan society.

Chavez's social measures, as limited as they are, combined with his anti-imperialist rhetoric, are provoking increasing ire in Washington. In his testimony before Congress last week on "global threats," National Intelligence Director John Negroponte described the Chavez government as a threat to "democracy."

In 2002, Washington responded to this "threat" by orchestrating a right-wing coup that was aborted only because of mass opposition from Venezuela's workers and poor. It is certain that the CIA is developing plans for another attempt at overthrowing the Chavez government.

Whether Hugo Chavez has any more familiarity with Trotsky's theory of permanent revolution than having seen the words imprinted on a book cover is not known. Whatever the case, its central perspective holds true for Venezuela and Latin America as a whole.

It is impossible for these countries to free themselves from the grip of imperialism on the basis of a national revolution led by any section of the bourgeoisie or its representatives—including radicalized military officers. That task can be achieved only by means of the independent political mobilization of the working class as part of an *international* revolutionary class to put an end to capitalism.

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