



## **The autocrat of Caracas** ***THE ECONOMIST***

### ***Hugo Chávez tightens the state's grip on politics and the economy***

The man of many companies FOR much of the past eight months, since suffering defeat in a referendum on changing the constitution, Hugo Chávez has seemed to be on the defensive. Abroad, he repaired strained relations with Colombia's president and with Spain's King Juan Carlos. At home, he backpedalled on unpopular measures, such as a new socialist educational curriculum and a draconian intelligence law. He met local businessmen in June and urged them to invest, in the hope that increased production would damp inflation of over 30%. But with Mr Chávez moderation rarely lasts, and he has now veered left again.

On July 31st he announced that the government would buy the country's third-biggest bank, Banco de Venezuela, owned by Spain's Grupo Santander. Days later, the government published 26 decrees, many of which mimic the constitutional changes rejected in the referendum. Some of them will further tighten the state's stranglehold on the economy.

This has been growing stronger since Mr Chávez won a second six-year term in an election in December 2006. Since then he has taken over the telecoms and electricity companies, as well as other businesses (see table). In June he told the local businessmen that he had no more nationalisations in mind.

But Banco de Venezuela was on offer: Santander was reportedly close to completing its sale to a local private bank. The first the bank's managers knew of Mr Chávez's intention to purchase was when he announced it on live television during a speech about education. Spain's government, which had hosted him in Madrid days previously, was also kept in the dark.

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Bankers have done well from Mr Chávez's "Bolivarian Revolution". They have profited by arbitraging exchange controls, and from the government's penchant for issuing debt (despite its record oil revenues). But banks face increasingly onerous regulations. These set interest rates, and require around half of loans to go at subsidised rates to favoured purposes, such as farmers and housing. Alí Rodríguez, the new finance minister, has ordered banks to cut their holdings of some government paper, on which they are likely to make a loss. On top of all this, growth is slowing. "What is it that Banco Santander is seeing that makes it want to leave Venezuela when it is making so much profit?" asked José Manuel González, the president of the employers' confederation.

Mr Chávez has promised Santander a "friendly" deal. His oil wealth has allowed him to pay for the businesses he takes over, avoiding the friction that would be prompted by expropriation. As proliferating controls make doing business in Venezuela harder, more firms may fall into the government's lap. "I don't think this will be the last bank to end up in state hands, and it's going to be happening in other sectors too," says Gustavo García of IESA, a business school.

The takeover of Banco de Venezuela will make the state the biggest banker in the country. The president wants to turn his new acquisition, which has a big branch network, into a "socialist bank", which will administer social security and welfare payments. This change of status may not be to the liking of the bank's workers. The government often obliges state employees to attend political rallies, and regularly sacks those who show signs of political dissent. Some 2m of the 6.5m Venezuelans with formal jobs are now employed by the state.

The decrees will further increase the state's powers, hobble opponents and limit the scope of private enterprise. Because the opposition boycotted the last legislative election, Mr Chávez's supporters dominate the National Assembly. Nevertheless, after his re-election he obtained the power to pass



laws on his own for a period of 18 months. The latest crop of decrees were issued on the day before this power was to expire, in such a rush that their full texts were not published until later.

Under one decree a chavista militia will become a new branch of the armed forces. Another tightens state control over food production and distribution, threatening those accused of hoarding with up to ten years in jail. A third makes it easier for the government to take over private companies in general. Another creates powerful new regional officials. They will rival state governors, who are due to be chosen in November in an election in which the opposition hopes to dent Mr Chávez's near-monopoly of power.

Several of these measures violate the constitution of 1999, which Mr Chávez himself sponsored. "Here we have no constitution, no law and the president does exactly what he wants," Luis Miquilena, a former ally who broke with the president, told the Wall Street Journal. Mr Chávez says anyone who disagrees with the new laws should complain to the supreme court. But the court is beholden to the president. This week it upheld a decision by the auditor-general to ban hundreds of candidates from standing in the state and municipal elections for alleged corruption, even though none has been convicted by the courts. The main apparent target is Leopoldo López, the opposition mayor of Chacao, a district in the capital. Opinion polls had given him a strong chance of being elected as mayor of Caracas.

Those polls suggest that a small majority of Venezuelans still support Mr Chávez. But voters showed in the referendum eight months ago that they do not want his autocratic socialism. They may have to show him that once again.



<b>Bolivarian business empire</b>		
Venezuelan nationalisations		
Date announced	Company and industry	Amount paid, \$bn
Jan 07	CANTV ( <i>telecoms provider</i> )	1.3
	Electricidad de Caracas, CMS Energy ( <i>electricity providers</i> )	1.0
Feb 07	BP, Chevron-Texaco, ConocoPhillips, ENI, Exxon-Mobil, Statoil, Total ( <i>oil joint-ventures*</i> )	6.7
Mar 08	Lácteos Los Andes ( <i>dairy producer</i> )	0.2
	Cealco ( <i>cold storage and distribution</i> )	na
Apr 08	Lafarge*, Holcim and Cemex ( <i>cement producers</i> )	na
May 08	SIDOR ( <i>iron and steel works</i> )	1.7
Jul 08	Banco de Venezuela ( <i>financial services</i> )	1.2-
		1.8

Source: Press reports \*Local operations

## Venezuela's televised revolution

Mander, Benedict

Both private and state TV channels are complicit in President Hugo Chávez's 'mediatisation' of politics, writes Benedict Mander

At 11am on Sundays, Venezuelans turn on their television sets to watch the most loved and hated programme in the country. Its charismatic but controversial host holds forth about politics for hours - his record exceeds eight - preaching and philosophising, telling personal anecdotes and giving history lessons. He cracks jokes at one moment and flies into a rage at another, and rails aggressively at his enemies as often as he tenderly caresses small children and old women.



The host is none other than Hugo Chávez, Venezuela's president, and his weekly chat show *Aló Presidente* (Hello President) on the main state channel, *Venezolana de Televisión* (VTV), is often the most important political event of the week. Not only is it Chávez's tool for educating and informing the populace about the progress and aims of his so-called Bolivarian revolution (named after the 19th-century independence hero Simón Bolívar), and lecturing on the evils of capitalism and imperialism (read: the US). It is also an innovative form of government, where significant announcements are made and public policy explained, as cabinet ministers diligently take notes in the audience. Ministers are fired and scolded, companies nationalised, farms expropriated, hospitals and factories inaugurated. On TV Chávez even ordered tank battalions to the border with Colombia, leaving some fearing war.

*Aló Presidente* is Chávez's direct line to the people, and the show rarely takes place in a television studio. No, Chávez and his team travel the length and breadth of the country, setting up a dais and presidential desk anywhere they will fit - on a beach, at the top of a mountain, in the shadow of a giant oil refinery or in the middle of a field with cows grazing in the background. Adoring subjects from nearby villages come to cheer their president and perhaps even get one of his generously distributed embraces.

But Chávez's show is only one example of the use of TV for political ends. Another is the notorious "cad-ena", which all channels on the public airwaves are obliged to show: it consists mainly of presidential speeches, which can last several hours. There have been more than 1,600 since Chávez has been president, adding up to more than 1,000 hours of airtime.

In the past 10 years, the politicisation of the media - or the "mediatisation" of politics - has been remarkable. In fact, Chávez owes his initial rise to fame to a brief appearance on television. After a failed coup d'état in 1992 he was allowed to announce his defeat to the nation on "cadena" and urge his fellow insurrectionists to throw down their arms. The formerly unheard-



of Chávez became a hero. He was democratically elected as president in 1998.

But it was not until he was on the receiving end of a coup in 2002 that the full power and potential of television became clear to him. Opposition-controlled private TV channels were accused of biased coverage and encouraging the coup, and even engineering a news black-out when it became clear there was widespread popular rejection of the coup, showing classic movies and cartoons instead.

Ever since then, Venezuela's bombastic president has made a concerted effort to challenge the private media by setting up multiple media outlets to promote his self-styled socialist revolution. From just one state television channel before 2002 there are now six, gaining its latest addition when the government refused to renew the concession for one of the country's most popular channels, RCTV, largely because of its alleged involvement in the 2002 coup. It was replaced with the state-funded TVes (which as pronounced in Spanish means "you see yourself"). Another includes the continent-wide Telesur, a 24-hour news channel set up to challenge the US-centric news on CNN.

According to Marcelino Bisbal, who teaches communications at the Andrés Bello Catholic University in Caracas, these public TV channels have become instruments of the government. In a recent study of VTV, he found that news items (intended basically to inform on the government's achievements, he says), official or party propaganda and publicity and presidential speeches made up more than 80 per cent of programming.

"It is used to further the aims of the president's political project, and cannot be called a public service channel," says Mr Bisbal. Indeed, three high-profile prime-time presenters have recently been elected to the 14-person directorate of the government's United Socialist party of Venezuela. Two of them are running for pivotal positions in the all-important regional elections



in November, one as mayor of the capital city Caracas, another as governor of the state that contains Venezuela's third-largest city, Valencia.

While there is little doubt that the state channels are highly politicised, the private TV channels, which have a far greater viewership, have traditionally hardly been free of bias - and this is the government's main justification for the way it uses state channels. But news coverage on private channels has improved markedly. Of the "four horsemen of the apocalypse", as Chávez once described the four main private TV stations, one has since been removed from the public airwaves (RCTV), and two have significantly toned down their coverage since the 2002 coup and are now considered to be fairly balanced. Only the 24-hour news channel Globovision remains openly critical of the government - but unlike the other channels its concession is not up for renewal any time soon.

The contrast between private and state media is perhaps the most striking aspect of Venezuelan TV, evidence of how deeply polarised society has become: those in favour of the revolution, and those against it. At any given moment, while on a private channel you may find a game show or soap opera, on state TV it is more probable someone - if not the president himself - will be expounding enthusiastically on the virtues of the revolution. Certainly, in Venezuela, the revolution is being televised.

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