

The Unexpected Revolution: Venezuela Confronts Neoliberalism

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In spite of so many determined efforts of the past to impose a uniform architecture, there is no blueprint for making a revolution against capitalism. And there is just as clearly no single design for the Left today to break out of the straitjacket of neoliberalism, and re-open possibilities for more democratic and egalitarian social orders. The thing about social revolutions is that they keep coming around in unexpected ways in unexpected places. Who would have dared predict the eruption that was Seattle in November 1999, when the powers behind neoliberal globalization seemed completely unassailable? And who would have predicted then – certainly none of the sages of the global social justice movement who quite consciously moved to the margins the issue of winning state power as another failed blueprint – that Venezuela under Hugo Rafael Chavez Frias would emerge as the key zone insisting that alternatives to neoliberalism must not only be asserted but tried? This is exactly the importance of Chavez and the Bolivarian revolutionary process, as the Chavistas refer to their struggle, for the Left at this juncture in the struggle against neoliberal globalization.¹

1. Venezuelan Democracy and the Chavez Presidency

The political ascendancy of Chavez is deeply intertwined with the struggle over neoliberalism. The self-destruction of Venezuela's so-called 'stable democracy' occurred through the 1990s as social polarization and turmoil emerged in response to IMF and US backed efforts to impose neoliberal austerity, including major rioting in Caracas over the implementation of structural adjustment policies. The old system of 'sharing the spoils' of oil revenues within economic, political and labour elites, from the Punto Fijo Pact of 1958 onward, was no longer sustainable. The neoliberal turn, against electoral opposition and party pledges to the contrary, revealed the political corruption of the old conservative and social democratic parties of Venezuela. Amidst the decay of the old order, reform movements began to emerge among the officer corps of the military, who were increasingly intolerant of having to defend a corrupt and morally bankrupt political regime. These officers included Chavez, who himself attempted a political coup with the support of civilians in the early 1990s. This unique 'civic-military alliance' became organized into Chavez's Movimiento Quinta Republica (MVR) after his release from prison in March 1994, and the political platform for Chavez's successful Presidential bid in late 1998. As President, Chavez's first major effort was advancing the Bolivarian Constitution to refound the Republic of Venezuela, after holding constituent assemblies and putting the new constitution to a referendum.² This constitutional process built support for Chavez directly and massively extended citizen participation and commitment to the new Bolivarian Republic, an enormously important resource for later defense of the Chavez regime from counter-attacks and for deepening the revolutionary process.

The new Constitution is a major departure in the extent to which it deepened democratic proceduralism, indigenous and human rights, and citizen initiatives in a direction completely alien to what liberal democracy has become in Western capitalism. The Constitution, moreover, embraces an alternate economic model in its linking of participatory democracy with cooperatives and workers' self-management. As such, the Bolivarian Constitution is decidedly anti-neoliberal, going far beyond the Hayekian constitutionalism protecting liberal property rights that has become the normative referent for the 'democratization' advocated by the Western powers over the last two decades.³ The new Constitution allows, as well, for a presidential recall vote if signatures could be

gathered that equaled 20 percent of the voting electorate in the previous Presidential election, an entirely unique process that could not even have been imagined in Latin America, or anywhere else, before Chavez.

Since 1998, the old conservative and social democratic parties have combined with economic elites in different Opposition configurations – with active support from the United States – to attempt to defeat Chavez either through force or at the polls. The ferociousness of the Opposition’s ideological hatred (which also covers for racial and class hatreds) and mobilization has kept united an otherwise organizationally splintered coalition together through innumerable, indeed almost daily, twists and turns. Major Oppositional campaigns, such as the demonstrations precipitating the attempted military coup of April 2002 and the attempted lockdown by management of the oil company PDVSA in 2002-3, also demonstrated a capacity to launch powerful counter-revolutionary energies and initiatives. This Oppositional capacity has lessened as of today, but it would be a fatal error to make the calculation that it has disappeared.

This social division over the direction of Venezuelan democracy again became deeply contested in late 2003. A strategy to unseat Chavez through a recall campaign formed, driven along by the Opposition’s control of the mass media and capacity to give focus to the often incoherent anger of ruling elites. Although the signature campaign for the recall petition was filled with irregularities, and by now well-documented evidence of illegal external funding to the Opposition group SUMATE from the US National Endowment for Democracy and other US government offices, the Venezuelan National Electoral Council (CNE) ruled that a recall referendum should go ahead for August 15, 2004. After initial hesitations (and much posturing by some elements of the hard Left, particularly certain international currents, that the recall should be rejected due to fraud and the Opposition directly suppressed), Chavez declared that the referendum should go ahead: the Opposition had decided the regime was undemocratic and unpopular and the best approach was to beat them shamelessly at their own game.

The political arithmetic in the President’s office was coolly calculated: the failed military coup and the disruption of the oil sector by the Opposition allowed the Chavez government to consolidate in turn control over the military and the state oil company PDVSA; a failure to defeat Chavez in a referendum would leave the Opposition in further political disarray and advance the social base for the Chavista reform agenda. From the collapse of the old Republic in the 1990s that prepared the base for Chavez’s campaign for a constituent assembly to found the Bolivarian Republic, Chavez immediately moved to seize the new political space that the Opposition opened up after each defeat to advance structural institutional reform and to deepen the pro-Chavez anti-neoliberal political bloc.

The plebiscitarian character of the referendum being advanced by the Opposition polarized the choices starkly in Chavez’s favour: are you for the advance of the reforms of the Bolivarian process or with the old and corrupt oligarchs? Nothing could be simpler to sharpen the ideological clarity of the popular base to advance the revolution. Indeed, a pervasive sense of ‘class against class’ struggle during the referendum became etched right into both the urban landscape of Caracas and the countryside, of private luxury and slum, of huge estates and squatters’ shacks, of neighborhoods against and for Chavez. It enabled the Chavistas to focus attention on building beyond the initial Bolivarian Circles created in defense of the revolution and the Constitution into new organizational vehicles to develop new cadres and to link the government and its supporters amongst the working class and the barrios of the poor (particularly in the absence of a mass political party to do the job). This was exactly the project that the national Commando Maisanta leading the political campaign undertook through the overarching ‘Electoral Battle Units’, which then formed

community-based 'Electoral Patrols' for political mobilization during the referendum. Such 'Patrols' had, as well, the potential to be converted – as they fitfully have been in some cases, albeit with no clear structures of accountability – into new 'Social Patrols' to advance the political and planning capacities of local communities and neighbourhoods to push the Bolivarian social agenda after the vote.

The Referendum result itself – announced in the early hours of August 16th to great celebration at the Miraflores Presidential Palace – was electrifying and anti-climatic at one and the same time. The Chavez 'No' against removal of the President was resounding at almost 60 percent of the vote and a sweep of 23 of 24 states (including 8 controlled by the Opposition), with 4-5 million more voters than when Chavez was first elected and 71 percent of the potential electorate voting, and adding to the string of electoral victories of Chavez and his followers. So open was the process that the vote was immediately sanctioned by hundreds of international electoral observers ranging from the reticent Organization of American States (OAS) and the US-based Carter Centre to dozens of NGOs and academic research tanks.⁴ Nonetheless, the Opposition signaled its rejection of the results, to what should have been no one's surprise, before the CNE could even report. This act by Opposition members of the CNE before the national television audience was pure theatre. It warned that the play was far from over and that the ruling classes still in place would use their economic and social power to disrupt, discredit and wear down the government as best as they could. This, too, the Referendum results recorded: the insistence of the poor and the Chavista cadres to get on with the job of constructing a 'Bolivarian' Venezuela, and the declaration of the Opposition that much of the ground for construction had yet to be broken.

It was clear to all sides in the referendum that what was at stake was not merely a change between this or that government or this or that leader preaching better times one day and austerity the next – the standard fare of bourgeois democracy today – but a real struggle over social and state power. In the immediate sense, this could be seen as a test as to whether the Chavez reform and redistributive programme would simply continue in the face of neoliberal orthodoxy. But in a deeper pre-figurative sense, the mobilization of the poor and raising their expectations during the referendum placed on the agenda the entire character of Chavez's 'participatory and protagonist democracy' project, and a terrain of struggle over social power that remained to be engaged.⁴

In the year and half since the referendum, President Chavez has not shied away from this prospect politically, ideologically or, as we shall see below, in terms of extending anti-neoliberal, and socializing, reforms. The political forces behind the Bolivarian Revolution were, for instance, substantially bolstered by the fall 2004 of the virtual sweep of state governorships and city mayors by Chavista candidates, leaving the Opposition with limited institutional political capacity. These developments, moreover, gave Chavez the space to sharpen the ideological character of the Revolution. After similar statements in Caracas, Chavez declared before a boisterous crowd at the World Social Forum in Porto Alegre in January 2005 that neoliberalism would only deepen the problems of Latin America and that the road that the Bolivarian Revolution would take would be socialist. "It is impossible, within the framework of the capitalist system, to solve the grave problems of poverty of the majority of the world's population," Chavez declared. "We must transcend capitalism. But we cannot resort to state capitalism, which would be the same perversion of the Soviet Union. We must reclaim socialism as a thesis, a project, and a path, but a new type of socialism, a humanist one which puts humans and not machines or the state ahead of everything."⁵ As with the December 2004 encounter in Caracas of major intellectuals and political figures of the Left, international in scope but especially Latin American, it was clear that a new socialist political pole of reference was being formed between Cuba and Venezuela.⁶ This was a challenge to the

Centre-Left governments in Brazil, Argentina and Chile to break from their ‘third way’ accommodation to neoliberalism. The new political departure also now was the context and agenda against which developments internal to Venezuela now would increasingly be judged.

But even if progress on building more egalitarian and socialized institutions against neoliberalism were now the agenda to be monitored in Venezuela, this is not to say that the old antagonisms had been banished to the scrap-heap of history. Indeed, the internal social conflict – with external actors such as the right-wing Colombian state and the North American imperialist powers never very distant from oppositional strategizing – has continued. In December 2005, for example, the Oppositional parties launched a boycott of elections for the National Assembly, despite accommodations in the voting procedures that have been monitored and approved by international election monitors from the OAS and others, in an attempt to discredit the democratic process and deflect attention away from their own impotence at the ballot box. This leaves the Venezuelan Assembly a virtual ‘one-party system’ and presages a new stage of conflict through 2006, with both domestic and international social forces, over the alleged democratic legitimacy and ‘authoritarianism’ – created by the Opposition’s own decision to withdraw participation – of the Chavez regime.

2. Locating the Chavista Project in the Latin American Crisis

The particularities of the political-economic conjuncture in Venezuela need, therefore, to be taken stock of in locating the Chavez project. Although there have been common economic imperatives across Latin America and the Caribbean since the 1980s from economic slowdown and intensifying international competition, there has been elements specific to Venezuela given its major oil exporter status and the linkages from these exports to the US. A number of points need to be briefly noted – the consolidation of neoliberalism in Latin America, the cycle of accumulation in Venezuela and the particular external constraints facing Venezuela – to situate the pressures, constraints and openings for the Bolivarian project.

First, neoliberalism has consolidated across Latin America over the last two decades, as international debt repayments and economic crisis pushed state after state to abandon postwar models of import substitution development for fiscal austerity and export strategies to earn foreign exchange.⁷ The results have been anything but satisfying: except in a few cases for a few periods, GDP growth across Latin America has been sluggish since the 1980s, barely exceeding 1 percent per year since 2000, with per capita output often even declining, as it has since 2000. Venezuela’s economic decline over this period has been as stark as any: from 1978 to 1990 real GDP fell almost continuously, only systematically recovering with the American boom of the 1990s, but with negative GDP growth rates again returning with the political turmoil of 2002-3. With the oil industry back in production at historically high world prices, economic growth has booming in Venezuela since 2004, as discussed below.⁸ The adoption of export-oriented economic strategies and liberalised capital movements across Latin America make moves toward more ‘inward’ strategies to meet basic needs singular and fraught with obstacles. The nascent developmental – most often authoritarian – states of the past have, moreover, been gutted of bureaucratic capacities during the long reign of structural adjustment policies. In Venezuela, the structural adjustment policies came in the political u-turn of the 1989 Carlos Perez government toward neoliberalism, partly at the prompting of the IMF, and after the collapse of the banking sector in the early 1990s the agreements with the IMF in 1994 and 1996. But as the fifth largest oil producer in the world and with global oil prices staying well above \$50 US a barrel since 2004, Venezuela now has a conjunctural advantage that frees some of these constraints.⁹ The political turmoil of the attempted

coup and disruption of oil production, however, caused economic damage in the billions that is still being made up.

The social impacts of neoliberalism have been dismal. The processes of social exclusion and polarisation that sharpened in the 1980s across Latin America have continued with faltering per capita incomes and massive informal sector growth, in the order of an astonishing 70-80 percent of new employment, to the present. With ECLA long having declared the 1990s Latin America's second lost decade, it will soon have to do so for a third.¹⁰ Here Venezuela records the same numbing neoliberal patterns of reproduction of social inequality as elsewhere: some 80 percent of the population lives in poverty, while 20 percent enjoy the oligarchic wealth produced by rentier oil revenues; the worst performance in per capita GDP in Latin American from the late 1970s to the present, with peak income levels cut almost in half; a collapse of rural incomes leading to massive migration into the cities, with close to 90 per cent of the population now in urban areas, particularly Caracas, one of the world's growing catalogue of slum cities; 3/4 of new job growth estimated to be in the informal sector, where half of the working population is now said to 'work'; and recorded unemployment levels (which have quite unclear meaning given the extent of reserve armies of under-employed in the informal economy) hovering between 15 to 20 per cent for a decade. The tally of social ills produced by neoliberal models of economic development makes for sober reading. These all impinge on any attempt an alternate direction for the Venezuelan state, although the booming oil sector allows for far more room for redistributive policies and potential to convert oil revenues into 'endogenous development' than elsewhere. However, to date, there has been only some modest increase in incomes for waged workers and poorer sections, which can largely be attributed to the economic recovery. There has been no radical redistribution of income and only modest shifts in high-income tax burdens.

Second, since the oil sector shutdown in early 2003, oil prices and the cycle of accumulation in Venezuela have turned extremely favourable, producing the most spectacular growth process in Latin America. The oil sector in Venezuela is about US\$50 billion a year in gross output, or about one-third of the Venezuelan economy and one-half of tax receipts. Thus after the real GDP collapse in 2002-03, the real expansion in 2004 was over 17 percent, and will be close to 10 percent again for 2005, and it is difficult not to forecast a strong pace for 2006 as well, barring a collapse in oil prices. Hence unemployment has fallen from over 20 per cent to about 10 percent and workers' earnings are improving over the same period, at least in the formal sector, which is still employing just over half the workforce.

Third, with oil exports surging, the Venezuelan payments position has been uniquely positive in the Latin American context. The upsurge in oil prices is one reason, but the turmoil in financial markets after Chavez came to power is another. From 2000 on corrupt officials in the state sector and the capitalist class drove up capital flight placing money in overseas accounts and cutting exchange reserves by the end of 2002 to about US\$11 billion from a 2001 peak of \$20 billion in 2001. The bolivar was floated in February 2002 bringing a sharp devaluation, with the oil sector sabotage putting further pressure on the currency. The turmoil laid the basis for the imposition of currency controls in January 2003, locking the value of the bolivar in at a very competitive exchange rate, with foreign reserves quickly moving back above \$20 billion by the end of 2003. Indeed, by 2004 foreign exchange holdings (just under \$24 billion) exceeded external debt (at about \$22 billion), and by 2005 were around \$30 billion.

Thus Venezuela under Chavez has maintained a stellar record of debt repayments particularly for Latin America. Both international and domestic debt servicing requirements have

been falling, and are quite enviable by any measure. Notably, Venezuela has been able keep its foreign debt obligations under control, while still accumulating official reserves and often running a government fiscal deficit. The strength of the reserves is also what has allowed Venezuela in the fall of 2005 to shift an extensive amount of its holdings out of US dollar treasury-bills into other financial instruments, particularly those denominated in Euros (apart from political reasons, this is a risk assessment of a weakening of the dollar against the Euro that higher US interest rates are not compensating for). And with capital restricted in moving offshore and interest rates falling dramatically (and at times negative in real terms), capitalists have driven the Caracas stock exchange up by almost 300 per cent since January 2003.

The macro-economic context for Venezuela has thus turned from a spiral of decline, followed by severe economic disruptions from internal strife, into a mini-economic boom in the space of a decade. This is not, on face-value, untypical of the boom-bust cycle of the majority of oil-rentier states over the last decade. In a sense, old questions are being re-posed by a new regime attempting to establish new social forces: can the revenues from oil rents be turned into sustainable self-reinforcing growth processes; will the growth processes incorporate excluded economic and social sectors; and will the legacy of oil facilitate – or again corrupt – the development of democratic and popular capacities? These questions have been by no means answered in the struggles over power in Venezuela. The economic circuits of capital in Venezuela remain deeply rooted in the old model of development, with vested interests still with a hold in the state and economic sectors, and with enormous leakages in a state sector that has little planning capacity and that is reliant on the overdevelopment of the oil sector.

3. The Bolivarian Programme Against Neoliberalism

There has been a traditional view on the Left on the steps for undertaking an anti-capitalist transformation: seize the commanding heights of the economy; close-off financial speculation and bring the banks into the public fold; seal-off international private capital flows; impose central production mandates on industry and point the state bureaucracy toward new public goals; develop forms of workers' governance and rights in workplaces; and form any number of commissions to address pressing social needs. These are, indeed, tasks that in some senses cannot be avoided: the challenge has been partly in the timing, specifying the new means of administration and co-ordination, and fostering the extension of popular and democratic capacities. The presumption has been of a disciplined party acting at the centre of the state could work with cadres and workers across a decentralized base to allow the unleashing of an inherent anti-capitalist logic. In historical social revolutions, this vision has proven fraught in both theory and practice.

These tasks are all aligned, moreover, quite differently when there has not been a singular political rupture breaking the old regime. In the case of Venezuela the initial agenda involved consolidating the political base for the Chavez regime and fostering the organizational formation of new social forces. This has meant – to the extent a temporal ordering can be discerned at all – developing an anti-neoliberal programme as the foundation from which to deepen the processes of socialization and nationalization. In other words, the project has been to develop a new co-operative, participatory and solidaristic logic that could consolidate against the logic of private property and capital accumulation to break the material and visionary constraints of neoliberalism. With such an overarching objective of opening new political spaces, it is not easy to catalogue all the new initiatives of the Bolivarian programme. Some of the key policy fronts for deepening the class struggle can, however, be highlighted.

Macroeconomic Policies: Fiscal and monetary policies have, more or less, broken with neoliberal

policy norms, although not consistently, and with more than a degree of administrative uncertainty and opposition. In general, however, both have been expansionary, particularly fiscal expenditures. Exchange rate and price controls have been used to break inflation rather than the failed neoliberal social austerity pursued through the 1990s. The central government budget has been slightly in deficit over 2004 and 2005, even with many of the social expenditures occurring off-budget due to being financed directly through PDVSA or other accounts. This is partly from the establishment at the outset of the Chavez administration of special Macroeconomic Stabilization Fund to supplement government revenues dependent upon oil prices. With the trigger prices being set at the modest oil prices of the late 1990s, an enormous flow of revenues has occurred enabling a host of government projects to be funded out of this source. A parallel claim is being made for a fund from the transfer of excessive foreign exchange reserve holdings; this should the transfer of some US\$ 8-10 billion to the central government executive in 2006.

Monetary policy has been slow to transform, and the central bank and the financial sector remain only partly under the control of the central state. But the couple of exchange controls and fiscal spending has pushed up the domestic money supply strongly to accommodate the pressure and to maintain low interest rates. There have, as well, been a series of measures imposed on the financial sector, over and above exchange controls, to try to provide some control over allocation of credit. These have included limits on interest rates on loans, requirements that bank portfolios channel credit into specific sectors, and the incorporation of government appointments to their governing boards.

A legacy of the corruption of the prior Venezuelan regimes is the lack of a meaningful and transparent capacity to tax. Indeed, there existed a thorough culture of non-payment for both individuals and companies. Chavez has appointed key former military officials to the tax inspectorate in an effort to address the corruption and normalize tax payments. A key target has been multinationals that have failed to pay hundreds of millions of dollars in taxes, such as IBM, Siemens, Bosch and Microsoft. Normalizing the tax collection process is, in many ways, more fundamental to the project of endogenous development and breaking with neoliberalism than development of the oil sector.

Oil Sector Development: The oil sector is the pivotal element in the Venezuelan political economy for which all others, for good or ill, revolve. The foundation for the Chavez government approach is the hydrocarbons law which maintains PDVSA as a state oil company and limits the degree of private control of oil reserves (at least on paper). Developing Venezuelan oil reserves is slotted as primarily an activity of PDVSA and associated state companies. However, major US and other foreign multinational companies also have large role, via various co-development projects which limit foreign ownership, mandate performance guarantees and increase the royalty stake and taxes for the government. These projects, however, also extend the role of the private sector. Indeed, the amount of oil production from the private sector has been rising since Chavez came to power, and some estimates suggest it could pass the production levels of PDVSA. This suggests that there remain huge questions over the actual control and direction of the oil sector, and certainly major ones of transparency in governance. There is much confusion even over the level of output of the oil sector, revenue flows and trading contracts. To address the Venezuelan government is seemingly ready to move to another stage in managing the oil sector. Demands are being made for some 32 operating contracts with PDVSA from the mid-90s to be converted into joint ventures by 2006, with the state taking a majority stake.¹¹ The level of output and the pace of development is partly guided by the extensive efforts of Venezuela to re-establish the credibility of OPEC and push up and then stabilize prices; and also the Venezuelan capacity to extend the processing of crude oil into sectors

of higher value-added.

Industrial Policy: With the size of the oil sector, this clearly dominates industrial policy, and the difficulty for the Venezuelan under Chavez has been to develop an orientation beyond the oil sector. In a transitional strategy in a hostile world capitalist context, this depends upon extending state planning capacities at the centre and developing independent capacities in new productive agencies. This has been an uneven and difficult process, with the old state structures being a major obstacle. Besides the oil sector, the Chavista strategy has been to develop state control of key sectors. Venezuela is a major global producer of bauxite, and also is a large supplier of iron, coal, diamonds and gold. The state controls these reserves. But the mining companies – private, public, foreign alike – have been plagued by corruption and neglect. A major effort is being made to rehabilitate these industries within the state sector. This is presently concentrated in the industrial state of Guyana where many of the mines are located, hydro-electricity capacity concentrated, and the enormous SIDOR steelworks among others found. The state is undertaking a review of all mining concessions and contracts, and reversing some arrangements to move in the direction of joint ventures as in the oil sector and turning idle mines over to small miners.

In other sectors of the economy, a different approach has been followed, under the general notion of building the ‘social economy’, to develop medium and small sized enterprises as a key component of a more integrated economy. A fishing law, for example, has extended the zone for small inshore fishers against larger industrial fishing. But most importantly support from central and local governments has widened the space for co-operatives of all kinds, producing both goods and services, in an extensive effort to push beyond informal sector work. The central government claims that some 83,000 co-operatives had been formed by mid-2005 compared to some 700 in 1998 when Chavez came to power.¹² Co-operatives are very diverse organizationally ranging from artisans, subcontracted workers from private firms, agricultural producers, to local works cabinets in neighbourhoods undertaking public infrastructure maintenance. These efforts have been supported by a Minister for the Popular Economy with a mandate to support micro-enterprises, co-operatives, and other initiatives that might penetrate the informal economy. The co-operatives are further supported through a strategy of ‘endogenous development zones’ to enhance their physical and social infrastructures and provide access to credit and technical assistance.

Co-management: The focus of the Venezuelan process has been quite distinct from other revolutionary processes, and this policy sector bears close watching. The focus has been on attempting to implant a co-operative and participatory logic against the capitalist logic of organization of bureaucratic command and control for competitiveness. There has not been, therefore, an emphasis on the abolition of private property and mass nationalizations. The general framework is one of worker participation in management while also experimenting in different collective ownership forms (and recalls, if anything, the Yugoslavian model). In the state sector, the electricity company Cadafe and the aluminum processing plant have begun implementing co-management since 2002. Worker occupations of factories have also propelled this process forward, although no concerted wave of worker occupations has yet unfolded. The most notable example has been the occupation and then nationalization of Venepal, one of the main producers of paper products in Venezuela located in Moron, in January of 2005, and providing for co-management by the state and the workers after a long struggle with the previous owners. How this process will unfold is not clear as the planning co-ordination at the centre of the state, which was so crucial to the Yugoslav model during its most successful period, is clearly lacking. This also means that central supports to worker participation at the base, in terms of education, technical expertise, and information mandates on the enterprises, is also severely underdeveloped.

Internal Market: The above policies have been all linked to re-activating the public and private sectors after the 1990s collapse and the political turmoil of the first years of the Chavez administration. This was a necessary part of trying to bring down the level of unemployment as quickly as possible. But there is also a more general orientation that can be discerned that is the accompaniment to the attempts to intervene in the productive sphere: that is, there is also an attempt to manage the terms of market exchanges. One dimension to this has been to structure market access in line with government priorities for major economic actors through the control of access to foreign exchange and to domestic credit markets depending upon meeting conditions laid out by the state such as production for the national market, increasing employment, paying taxes in line with new directives and meeting local economic development. As well, there has been a concerted effort to link subsidies to the poor to the building up of new retail markets and distribution networks parallel to the existing privately owned chains largely servicing the middle class and wealthy districts.

Trade Policy: The partial rupture with ‘neoliberal market exchange’ is, perhaps, best seen in the foreign trade sector. On one side, the advance of the Bolivarian revolution has been inextricably tied to oil export sector and the market prices and differential rents being earned from the upswing in commodity prices. On the other side, there are a number an array of initiatives that break with the capital account liberalisation and free trade that has been integral to the Washington consensus. Capital account movements, for instance, have been subjected to capital controls for PDVSA and the state sector as well as for private sector companies and individuals. There has also been a systematic movement toward bilateral trade agreements that structure specific exchanges. Oil sector trade, for instance, has been linked in a number of instances to specific investments in Venezuela and the import of capital goods to expand industry, as with some of the trade arrangements with Brazil, China and India. These arrangements resemble notions of ‘fair trade’ linking commodity exchanges with performance guarantees related to new investments. Preferential terms for oil alongside low interest financing have also been extended to other Latin American Caribbean countries, but as much here as foreign policy as trade. Oil exchanges with Cuba go much further in terms of ‘planned trade’ directly bartering oil against medical services, education, administrative supports and pharmaceuticals and other industries where Cuba has built some capacity. The Petrosur (linked to the southern cone countries except Chile) and PetroAmerica proposals for a pan-Latin American oil company and strategy via an alliance of state oil companies contains the same mix of struggle for democratic sovereignty and non-market co-ordination of exchanges. Further, against the Free Trade of the Americas proposal of the Bush administration, Chavez has been championing the Latin American Bolivarian Alliance (ALBA) as an alternative project.

Land Reform: As in all of Latin American, the problems of a massively skewed income distribution are linked to the concentrated land ownership patterns from the hangovers from slavery and colonialism. Some 80 percent of the land is owned by 5 percent of landowners, and the large number of peasant landowners work only 5 percent of the land. Agrarian reforms for the break-up of large landed estates date back to the 1960s, but these were never really pursued. The Bolivarian state passed a new land law in December 2001 to expropriate and redistribute idle lands. The law has led to some 2.5 million hectares being distributed to peasant cooperatives, but mainly of state lands. A special land commission is to oversee land ownership and usage but this has proceeded hesitatingly and with no clear direction. In a somewhat loose administrative fashion and prompted by landless occupations, a few landed estates, such as the El Charcote estate owned by the British Vestey Group food multinational, have been expropriated. This is becoming more regularized with a pace of one estate a week being taken over since 2004.

With agricultural production in Venezuela slowly withering from the 1970s under the combined impact of high oil prices on the exchange rate and neglect, some 60-70 percent of Venezuela's food needs are imported. This is an astonishing level in such an agriculturally rich country, and violates the norms that international agencies suggest for food self-sufficiency. Commercial agricultural exports such as cocoa, with Venezuela considered to grow beans appropriate for the finest chocolate, also were run down in the blindness of the oil rush. Land reform supported by a policy of agricultural development is crucial to address such agricultural backwardness and diversify the economy. Land reform has extended, as well, into urban areas giving land deeds to residents in the barrios via a process of community development.

Healthcare: The most visible sign of the political and policy departure of the Venezuelan state, and to a degree also its weaknesses, has been in healthcare, with oil revenues helping fund social expenditures. The prior Venezuelan republics had some measure of universal access to healthcare, but these policies failed to reach the poor, with the state medical system largely meeting the needs of the middle classes and with a large private component of healthcare laid on top for the wealthiest sections. A parallel system has been formed in the poor districts through 'social missions' massively extension of community health and dental clinics staffed by about 20,000 Cuban doctors, dentists and other healthcare workers. This has been extended into direct linkages with Cuba as well. For example, Cuba is undertaking the medical training of a large number of Venezuelans at its hospitals and universities, and it is planned that many thousands of people needing eye surgery will have it done in Cuban hospitals.

Education: Massive extension of education for all the Venezuelan peoples has been a theme of the Chavez administration from its initial days. It is, in many ways, the primary project to extend inclusion and participation to the popular classes previously excluded. One initiative has been the massive use of Cuban literacy methods to give millions of Venezuelans basic capacity to read and write. An educational mission was also established for adult education for people to complete their education, earn new diplomas and skills, and to provide a strong foundation for the extension of the co-operative movement. Similarly, a new Bolivarian University has been established in Caracas, with access to universities also a major programmatic goal. There are major educational needs to be met in almost all areas of technical expertise, as well as re-balancing the curricula for the ideological biases of the old regime. A major gap remains in that there is no clear centre, other than the military, that new administrative cadres can be formed for staffing the state in line with the new participatory and socialist political objectives.

Cultural Policies: A striking departure of the Bolivarian Constitution is its emphasis on the cultural development of the Venezuelan peoples in their diversity as a break from the 'Euro-centric' orientations of previous regimes. This has taken the form of massively opening access to traditional venues and artistic forms for the mass of the people in terms of opera, classical music, plays and art galleries through public subsidies, free performances and so forth. There is also much greater emphasis on developing and building Venezuela's own historical heritage in relation to the indigenous and African heritages of the majority of the population. These national policies have had a decidedly popular and anti-imperialist cast. But the foremost symbol of the latter initiative has been the creation of TeleSur as a Latin American wide media alternative to CNN Espanol and BBC Mundo.

4. Challenges for the Bolivarian Revolution

The challenges that now face Chavez and his Bolivarian revolution are, therefore, many, and

quite possibly far more intractable and complex than the political terrain that has so far been the predominant battlefield.¹³ Chavez is now on a transformative path for Venezuela toward what he calls “21st century socialism”: “It’s impossible for capitalism to achieve our goals, nor is it possible to search for an intermediate way... I invite all Venezuelans to march together on the path of socialism of the new century.”¹⁴ But perpetual political campaigning and relative economic and political isolation have more than once exhausted a revolutionary process, and the many forms that this destabilization can take remain the bedrock of American imperialist policy. The strategy of exhaustion has, of course, been applied continually toward Cuba through economic embargo, diplomatic isolation and threat of military intervention; more direct military measures were taken against both the FSLN and FMLN in Nicaragua and El Salvador to exhaust these political movements. The failed military coup and the need for oil exports out of Venezuela has blocked these imperialist forays for now. But the Opposition will, no doubt, continue to be looked on favourably from abroad to fund ‘democracy’, and it, in turn, will seek out new ways to test Chavez’s legitimacy.¹⁵ This is, however, limited by the very process of the referendum and Opposition divisions over future strategy. With these more direct options temporarily closed off, destabilizing and militarizing the border with Colombia cannot be ruled out, with Plan Colombia and paramilitaries being the vehicles to do so. Some of the skirmishes in the Apure border region of Venezuela that ended with the killing of oil workers in September 2004, reports of Colombian paramilitaries operating in Venezuela over the last year, the American accusations of Venezuelan drug smuggling cartels, and the various threatening movements of the American naval fleet in the Caribbean in 2005, are all indications of this tack. Uncertainty and strategic exhaustion are as much the objectives of the Opposition and the Americans as fostering instability at this point. Chavez will have to be wary of taking the bait in the many traps being set.

Economic and political isolation are, therefore, a crucial question for the international balance of forces Venezuela faces. Strengthening the Organization of Petroleum Exporting Countries, and attempts at new ties with China, have been one set of international efforts. These diplomatic manoeuvres, on the one hand, strengthen the economic capacity of Venezuela and its diplomatic leverage, and, on the other hand, attempt to lessen the degree of dependence on oil exports to the US. Yet, as important as these steps are, they do little to create an alternate sphere of influence to the US or an anti-neoliberal agenda contesting the world market. The critical question remains, irrevocably, developments across Latin America. But apart from Cuba, other Latin American states have provided, at best, fleeting political support. Cuba has, moreover, been critical to the material and administrative capacities of the Chavez regime to improve health care (through thousands of doctors implicitly paid for by oil shipments at favourable prices) and also, to a degree, other areas of social policy. Cuba has also provided crucial diplomatic and economic advice, but it is not so clear what the latter amounts to in terms of deepening Venezuelan planning capacities given the economic straits that Cuba itself is in and its own difficulty of formulating a post-Soviet development model. The stark reality is the fact that no other Latin American state – and most notably the big powers of Brazil and Argentina with Centre-Left governments – has yet to attempt their own departure from neoliberalism. This has meant that external economic conditions for Venezuela apart from the oil sector remain unfavourable: for exports due to fiscal austerity and cheap currency policies across the continent and for regional efforts to foster internal development and diversification due to neoliberal export-oriented policies insisted upon by IMF conditionalities. Chavez’s Bolivarian project of a more politically integrated Latin America has kept him attuned to continental political initiatives (which regionally still look like little more than conventional neoliberal free trade agreements),¹⁶ and won him a wide audience amongst the poor and Left in Latin America as the only ‘fighter’ and ‘patriot’ in the current panoply of leaders. But the project has little in the way of concrete measures yet to speak of that would support and generalize an

alternate economic model. Oil export dependence on the U.S. market thus remains a central parameter in all economic and political calculations.

With the international correlation of forces still yielding a highly restrictive set of constraints, the formation of transformative capacities at the national level necessarily remains central to advancing the Bolivarian process. The economic planning capacities of the Bolivarian state are, however, barely developed if not completely negligible. This is in part a longer term structural legacy of the oil 'rentier state'. The moral bankruptcy and economic direction of the *ancien regime* left a severely incapacitated and corrupt state bureaucracy that seeks primarily to defend the old order rather than break from it. This bureaucracy has been in no way 'smashed', in the sense of fundamentally re-orienting its institutional norms, procedures and modalities toward the making of a new democratic social order. The impact of the turn to neoliberalism in the 1980s has been, moreover, to further disorganize central coordinative mechanisms while doing virtually nothing about bureaucratic cultural norms. The central bank's independent capacity to impose monetary discipline, and the debt management policies of economic ministries, were, however, strengthened (and the struggles over control of the economic ministries continues). Although not in any way marking a direct revolt on the Chavez government, these are crucial embedded institutional and policy orientations inside the Venezuelan state. They have yet to be fully tackled.

These economic apparatuses only provide, in any case, a certain domestic stability in managing domestic capital markets and external exchanges, given the fiscal capacity provided by booming oil exports and potential for an inflationary spiral. Utilization of the economic surplus to diversify economically is another matter. The oil company PDVSA appears to have re-established most of its operational capacities under the new Chavista management, and has more than a few projects and suitors to pursue.¹⁷ Here the critical question is still one of gaining control of oil revenues and improving national technological capacities apart from foreign capital, which involves deepening the shift from current neoliberal property rights regimes with respect to foreign capital in opposition to the pervasive direction in the world market under the WTO trading regime (and apart from Cuba, the direction of the entire rest of the hemisphere). In sectors where the means of production require enormous capital outlays (heavy industry, telecommunications, electricity, transportation, food distribution), a strategic orientation has not, as we have seen above, clearly consolidated, and enterprise governance structures and central coordination planning for investment – some of which need to be regional strategies with other Latin American countries as, for example, in steel and auto assembly – remain only loosely defined. More has been done to develop initiatives in the 'popular economy' through cooperatives, laws on micro-credit, new efforts to foster producer and craft associations, land reforms and small agricultural production. But these also require central administrative capacities to provide resources, infrastructure, technical support and a long period of stable financing to bear fruit. State and local capacities to convert the economic surplus into an alternate economic policy agenda remain nascent and underdeveloped. Perpetual political campaigning by the Chavez movement to thwart Opposition challenges has necessarily taken precedence over building central coordinative capacities. It is not at all clear, however, that this capacity is developing as quickly as it must to foster the transitional forces and measures forming at the political base and in key economic sectors. And this clearly will take initiatives, personnel, orientations well beyond the 'Cuban model' (and that of the Venezuelan army) that have been the principal points of administrative and co-ordinative reference to date.

The limits of economic policy capacity captures what is the paramount characteristic of the Venezuelan state and the challenge for deepening the processes of democratization: the state apparatuses remain only partly under Chavista control in that the existing bureaucracy is poorly

integrated with the central government, and often forms a 'passive' opposition to the Chavista reforms.¹⁸ While elections and political fortune have given Chavez's movement control of the Presidency, Congress, the military and the state oil company, much of the remaining state apparatus is still not fully accountable, nor its modes of operation re-organized in support of the Bolivarian project. Part of this is due to other levels of government being controlled by the Opposition. So, for example, Caracas retains extreme divisions in urban services, education and health provision, and so forth, according to district, reproducing a deeply etched 'economic apartheid' across its entire urban space. Similarly, the major reforms to the economy and political system passed into legislation in November 2001, affecting a wide sweep of property and distributional relations across an array of sectors remain unevenly and poorly implemented (notably the considerable lag and difficulties in imposing a new royalty regime on the oil sector, and land redistribution in the countryside which, while considerable progress has been made, still appear to be evolving at the end of 2005 on a case-by-case and ad hoc basis due to the lack of clear political and capacity-building supports), in effect waiting for the political mobilization to force them through the bureaucracy and upon private actors. Moreover, the 'parallelism' of policy implementation of the Bolivarian Missions in the education and health sectors, for example, for all their accomplishments and inventiveness in improving literacy and basic health, are indicative as much of the deep transformations that remain to be accomplished. The 'dual power' between the still-existing economic and social elites comprising the ruling class Opposition and the government's control over key institutions and the oil sector are crystallized in the divisions within the Venezuelan state itself. There is a struggle being waged 'in and against' what still remains a bourgeois state.

The 'parallelism' inside the state system of Venezuela under Chavez speaks, paradoxically, to both what has been achieved and its limits. The weaknesses of Chavez's MVR and the other supporting parties has meant that Chavez has acted at the central level to speak to 'the people' directly, using his populist appeal to gain support for his political agenda. It also has served to empower the political base in the barrios to move ahead with building neighbourhood capacities and infrastructure as they can. To the good, this has often meant a clear orientation in local cadres against centralized control and being collapsed into overarching structures, including political parties. These community associations and cadres, with women playing a very large role especially in the health sector, enable a defense of the gains of the Bolivarian process whatever regime is in power. But the very same weak party structures and pattern of political mobilization means that the cadres necessary to develop the central coordination necessary to redistribute resources to the base and re-orient the state apparatuses is all but absent. Thus economic and political strategizing and the mobilization for the implementation of agreed upon policy within the state – as fundamental to the processes of democratization as those of empowerment at the political base – lack any clear vectors of political accountability to the wider Chavista movement and administrative mechanisms to ensure their adoption and monitor their progress. Participatory democracy at the base without the democratization of the mediation that parties can yield, and must, as the role of capitalists in determining economic allocation is lessened and central coordination and redistribution increase, can be just as illusional and formal as liberal democracy. For example, national legislation establishing Local Public Planning Councils has been passed, but have yet to be effectively implemented.¹⁹ It is hard to see how control over the state can be deepened; penetration of the 40 percent who consistently still oppose Chavez, and who include significant sections of workers in the formal and informal sectors, occur; and an independent union movement evolve; without formal organizations and mechanisms that can deepen the debate and participation over the content of the Bolivarian process. In other words, the still quite alive challenge of conquering state power – and thus economic power – will be resolved neither by Chavez's own personal role nor by appeals to community-based power structures alone.

5. A Left Beyond Neoliberalism?

The social fracturing over state power has typically been the critical point in the class struggle of ‘political rupture’ where the old ways of doing things are no longer sustainable if the new ways are to be given life and allowed to develop their independent course. More than one process of social transformation has turned back at the prospects and sought out political compromise on the old terrain, or hardened itself into a permanent war setting to attain stability for the new regime at all costs. Still others have pushed ahead. In this case, the tasks of the social transition are no longer only of winning political and ideological space, but foremost of fostering the democratic and organizational capacities of ‘the people’ to deepen and forward the revolution. This is precisely what Che meant when he complained, well into the Cuban revolution, of the lack of control over the bureaucracy and that “we can consider the need for organization to be our central problem.”²⁰ And here the degree of freedom of transformative regimes to experiment and chart an independent democratic course has confronted consistently hostile imperial powers and the economic imperatives of the capitalist world market. This has always given special responsibility for the Left in the centres of capitalism and the international labour movement to provide solidarity and political accountability for the actions of their own governments to isolate and choke off any progressive, not even to say revolutionary, process. Such embargoes by the imperialist states have always been issued as much for their own domestic class struggles as to sanction the affront to the capitalist world market.

Chavez’s Bolivarian revolution is, in its own specific way, at this juncture in the struggle against, and effort to move beyond, neoliberalism in Venezuela. There are critical obstacles in the way of all attempts, whether in Venezuela or elsewhere, to foster a new model of 21st century socialism that still gives hope and inspiration to all democrats who hold to the banner of ‘power to the people’. The importance of Chavez to those outside Venezuela is that the Bolivarian movement is re-posing the question for the Left of ‘what we want to become’ and not just of ‘what we no longer want to be’ after all the destructiveness of the last decades of neoliberalism and globalization. And that is why the vote for Chavez in the Presidential Referendum of August 2004, and the declaration of the socialist direction to the Bolivarian Revolution subsequently at the World Social Forum in 2005, it needs to be said, was a vote and political statement of importance for the Left everywhere that is leaving the mechanical revolutionary formulations of the past and actively seeking to rebuild a viable Left for today, that can best be supported by re-imagining our own movements.

Endnotes

1. For surveys of the process see: Richard Gott, In the Shadow of the Liberator: Hugo Chavez and the Transformation of Venezuela (London: Verso, 2000); Steve Ellner and Daniel Hellinger, eds., Venezuelan Politics in the Chavez Era (Boulder: Lynne Rienner, 2003); and in particular the writings of Jonah Gindin and Gregory Wilpert at venezuelanalysis.com. See also the Washington-based Venezuela Information Office for a variety of sources on the policies of Chavez's government.
2. Richard Hillman, Democracy for the Privileged: Crisis and Transition in Venezuela (Boulder: Lynne Rienner, 1994); Javier Corrales, Presidents Without Parties: The Politics of Economic Reform in Argentina and Venezuela in the 1990s (University Park, PA: Pennsylvania State University Press, 2002); Steve Ellner, "The Radical Potential of Chavismo in Venezuela", Latin American Perspectives, 28: 5 (2001). Chavez's failed military coup of the early 1990s had a 'civic-military' alliance notion behind it, and his adoption of the institutional and democratic road to power has maintained this strategy. A meritocratic officer corps and isolation from the US based military School of the Americas has allowed a different social base and orientation in the Venezuelan military to emerge, which has made Chavez far from unique in the officer corps. Unlike Chile under Allende in the 1970s, Chavez enjoys military support for his constitutional and reform efforts, and they have been central to implementing even his domestic agenda.
3. For discussion of the political dispute over property rights see: Gregory Wilpert, "Collision in Venezuela", New Left Review, N. 21 (2003).
4. The final declaration of the Official International Observers was in part drafted by the noted Latin American writer Eduardo Galeano. Not surprisingly, the recall referendum prepared the basis for the sweep of Chavistas of 20 of 22 state governorships as well as the Mayor of Caracas at the end of October, 2004. In strategic and organizational disarray, and stripped of control of most centres of elected power, the Opposition could only lamely claim fraud once more. Only the most willfully ignorant could pay heed to the charge.
5. It is here that more than a few on the Left have already scored the outcome, after having looked for the traditional lines of revolutionary development and found them wanting. These range from Tariq Ali's (along with James Petras's) supportive but one-sided declaration of Chavez's project as simply 'social democratic' to Mike Gonzalez's confused and all too predictable assessment that Chavez's project is "modernisation within a framework of 'controlled capitalism'". The lack of imagination here is striking: the dictates of global capital are to be heeded, and if not heeded simply snapped. All the questions of the social actors and their political capacities to undertake the snapping are, apparently, already resolved and the maximalist programme on the agenda. And for Michael McCaughan, following John Holloway, the mistake begins with even contesting state power. See: Tariq Ali, "Why He Crushed the Oligarchs: The Importance of Hugo Chavez," Counterpunch, 16 August 2004; James Petras, "Myths and Realities: President Chavez and the Referendum," Counterpunch, 2 September 2004; Mike Gonzalez, "Venezuela: Many Steps to Come," International Socialism, N. 104 (2004); Michael McCaughan, The Battle of Venezuela (London: Latin America Bureau, 2004).
5. From author's notes of the meeting, and also reported in the Associated Press reports on February 1, 2005

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6. Gregory Albo, 'The Call of Caracas,' Canadian Dimension, 39:2 (2005).
 7. For the Venezuelan case of neoliberalism from its advocates see: Moses Naim, Paper Tigers and Minotaurs: The Politics of Venezuela's Economic Reforms (Washington: The Carnegie Endowment, 1993); Michael Enright, Antonio Frances and Edith Saavedra, Venezuela: The Challenge of Competitiveness (New York: St. Martin's Press 1996).
 8. The data here and below draws on: Economist Intelligence Unit, Country Profile 2005: Venezuela (London: EIU, 2004); World Markets Research Centre, Country Report 2005: Venezuela (London: WMRC, 2005).
 9. See Fernando Coronil's remarkable book, The Magical State: Nature, Money and Modernity in Venezuela (Chicago: University of Chicago Press, 1997); and also Terry Lynn Karl, The Paradox of Plenty: Oil Booms and Petro States (Berkeley: University of California Press, 1997).
 10. See Economic Commission for Latin American, Social Panorama, 2002-2003 (New York: United Nations 2004); Miguel Szekely and Marianne Hilgert, "The 1990s in Latin America: Another Decade of Persistent Inequality", Inter-American Development Bank, Working Paper #410 (1999).
 11. "Chavez Faces Claims of Oil Revenue Cover-up", Financial Times, 26 May 2005; "Venezuela is Living on Oil", Financial Times, 3 November 2005.
 12. Camila Harnecker, "The New Co-operative Movement in Venezuela's Bolivarian Process", MRZINE, 5 December 2005, at www.mrzine.org.
 13. See the insightful discussions in: Marta Harnecker, "After the Referendum: Venezuela Faces New Challenges", Monthly Review (November 2004); Steve Ellner, "Leftist Goals and the Debate over Anti-Neoliberal Strategy in Latin America", Science and Society, 68:1 (2004); Marta Harnecker, "On Leftist Strategy", Science and Society, forthcoming.
 14. As quoted in Juan Forero, "Chavez Re-styles Venezuela with 21 Century Socialism", New York Times, 20 October 2005.
 15. For some discussion of imperialist strategies of attrition see: Sohan Sharma, Sue Tracy and Surinder Kim, "Venezuela – Ripe for US Intervention?" Race and Class, 45: 4 (2004).
 16. The November 2004 agreement in Rio de Janeiro of Latin America's to create a South American Community of Nations is one step in the integration process, with a draft constitution to be presented to national parliaments in six months. It follows the October 2004 trade agreement between the Mercosur and Andean Community customs unions. There is some impetus to this process given the number of centre-left regimes coming to power, with the most recent addition being Tabare Vazquez of Uruguay. But this unity is fragile, and it is not at all clear where it runs against neoliberalism as opposed to helping Latin America states to debate neoliberalism's terms with the US, and its Free Trade Area of the Americas project. See: "S. American Nations Agree to Regional Pact", Financial Times, 5 November 2004.

17. Notably, in the Orinoco oil fields, agreements are being signed with Texaco-Mobil and Exxon in the order of \$5 billion (US). Other agreements on oil tar sands development are being explored with Canadian companies. It is central to any hope for endogenous development that these contracts maximize national capacity building and limit long-term lease dependencies.

18. A point on the bureaucratic impasse implicitly made by academic sympathizers with the Opposition: Francisco Monaldi, et al., “Political Institutions, Policymaking Processes, and Policy Outcomes in Venezuela”, Inter-American Development Bank, Draft Research Papers (2004), at <http://www.iadb.org/res/>.

19. Jonah Gindin, “Possible Faces of Venezuelan Democracy”, September 2004.

20. Che Guevara Reader (New York: Ocean Press, 1997), p. 160.