

August 7, 2004

Venezuela Update

I was recently asked on The Motley Fool board:

Could you update us in your inimitable way about the situation in Venezuela? (por favor)

All we get is useless sound bites from CNN e.a. Is this the final confrontation? Any perspective from you would be invaluable and probably also very relevant to the oil crisis and by consequence the stock market.

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First of all, thank you for your kind words!

Second, remember that "The Mouth that Roared" (Ted Turner) founder of CNN, married Hanoi Jane (Jane Fonda) who should have been tried as a traitor in the United States of America for her treasonous acts in North Vietnam giving aid and comfort to the enemy.

Third, democracies in South America are democracies more in name than in fact. For example, the Mexican democracy was, in truth, a party dictatorship for quite a few decades, the president would anoint his successor who would, invariably, get elected. In Venezuela, until recently, you could only vote for a party slate. Let's say that the XYZ party could count on 35% of the popular vote in a district. That meant that if the list had 100 candidates, the top 35 people on that list were practically guaranteed to be elected. A candidate never had to suck up to the voter but only to the people in the party who make up the lists. Hardly representative democracy. BTW, if you could get a few thousand people to vote for you you could also assure yourself a senatorship because our democracy hates to exclude minorities. After all the votes are counted the allotted slots are assigned and then the minority parties each gets one seat. Good grief!

Fourth, South American democracies exist provided they are acceptable to the military. Venezuela has not gone to war since the days of independence yet we have missile frigates, submarines and the latest and greatest jet fighters. The Venezuelan military is even more corrupt than any political party. A friend of mine had a contract to refurbish the army's tanks. He told me that while the political parties send a few people to ask for kickbacks the military sends them by the battalion. He swore never again to work for the military.

BTW, I once tried to get a consulting contract with our navy and that gave me the opportunity to visit one of our naval bases. One half of the ships were out of commission and the other half was being cannibalized for spare parts to fix the first half. Sad!

So, while our military is useless to fight a foreign war, it still has enough fire power to seat and unseat governments. While they are allowed their corruption and while there is a semblance of "democracy" and "institutionalism" they allow governments to do as they wish. When Chavez tried to unleash his "Bolivarian Circles," pretty much the same thing as Hitler's Brown Shirts, the military only allowed them to play minor havoc but they refused to allow a Chavez militia to replace them. For the record, the military are supposed to be apolitical but it is well known that many of them have strong ideological tendencies. It is the leftist officers who support Chavez.

The people used to support their military until recently when Chavez had the National Guard savagely put down peaceful demonstrations while we had some sort of international conference here where Chavez was trying to show off to his leftist buddies and dictators. That show of force backfired badly against him.

Fifth, I'm fed up with the whole show. All people talk about around here is politics as if that put any bread and butter on the table. In a way that is good because before Chavez people didn't care about politics and they practically lost their country to Castro/Chavez. It's important to be politically aware and to go and vote but that is not the only thing you do in life.

Sixth, if you don't know what is happening behind closed doors you don't know nothing and I don't know nothing. But you can make some guesses. No dictator worth his salt would have allowed a recall referendum to take place. Chavez did all

the dirty tricks he could think of from stacking the Electoral Committee in his favor to using his people to run the Electoral Committee's computers. He tried to reduce the number of valid signatures by every dirty trick that he and his people could think of. The numbers being bandied about by "his" Electoral Committee practically guaranteed that there would not be enough signatures to enable the recall referendum. As far as I'm concerned, someone behind closed doors told Chavez that he better have the referendum or else. How do I know? I don't but I'm a good guesser. What does that mean? That Chavez does not have all the power he would like to have.

Another hint. Chavez had a law passed that would allow him to stand for election if he were defeated in the referendum. How sure of himself is a man who has to do this? What does that mean? That Chavez does not have all the power he would like to have.

Recently there was an interesting rumor going around. It seems that Fidel is getting old and is quite sick and that his brother, Raul, is heading up a group of people who are just plain tired of revolution knowing full well that the way to earn dollars is to bring in American tourists. Apparently, in talks with the US, they were told that one of the conditions to normalize relations was that Castro must stop supporting Chavez. American tourists represent a heck of a lot more dollars that the crude Chavez is giving away to his buddy Fidel.

BTW, there is another rumor going around. It seems that Fidel does not use all the oil he gets from Chavez but resells part of it to any taker. And it seems that some of this resold Venezuelan oil found its way into American gas stations in Florida and other places in the South. Venezuelan crude is not "sweet," it has a lot of sulfur in it and this sulfur has to be removed before we are allowed to ship our oil to the USA. Cuba, of course, can not have any such pretensions so they take what they can get. There is going to be hell to pay for the mix-up and I wonder who is going to do the paying.

But it is all rumor. I don't know nothing.

So on the 15 we will have our recall referendum. After lunch in the club I gave a buddy of mine a ride home. He lives in Petare, an old part of the city that since Chavez is slowly becoming a slum, like most of Caracas is. Before Chavez Petare

was "yuppiefied" to preserve its colonial flavor, cobble stone streets and so on. I always ask him how the area is doing. It seems that there is a group of "Bolivarian Circle" hoodlums camping out in the area and supposedly these people will be "released" against the voters come the 15th. We have lots of rumors, most of them unfounded.

Another rumor going around is that the homeless in Caracas are being clubbed to death. There are more vagrants in Caracas than ever before. They sleep on filthy mattresses or on cardboard anywhere they can find a place. Of course, they don't have any sanitation so they do their necessities right there on the street. They stink and they stink up the whole place. I guess some people have decided to solve the problem the only way they can, by getting rid of these vagrants by clubbing them on the head.

For years we have been importing civil rights and criminal's rights and minor's rights from the more developed countries. Now when a minor commits a crime he is arrested by the police and released by the judiciary in under 24 hours. After all, the poor kid is a minor! A year or so ago I gave a middle ranking police officer a ride while driving back to Caracas. I asked him about this issue with minors and he told me that the police had recently rounded up and killed some 30 of these minors as the only way they could solve this problem. He also told me that when the judiciary asked about the case they presented evidence to the effect that each of the dead minors had at least one murder to his name. An acquaintance of mine is the security business also told me about a kid in Puerto la Cruz who was killed by the police while they were solving another case, a robbery that my friend was working on.

Come to Caracas and I'll show you the hellish side of the populist paradise and the hellish side of the communist paradise.

Any perspective from you would be invaluable and probably also very relevant to the oil crisis and by consequence the stock market.

Sorry, I guess I didn't address your question after all.

Communist Russia can pump oil. The House of Saud can pump oil. The Iranian mullahs can pump oil. Colonel Kadaffi can pump oil. The Nigerians can pump oil. There is hardly any science to pumping oil. You just pay the foreign expert to pump

the oil for you. As I understand it, the American oil companies are making hay with Chavez like they have never done before in Venezuela. Business is business my friend. The PDVSA oligarchy (our national oil company) went on strike against Chavez. They were fired. Now friends of Chavez have become the new oil oligarchy. Nothing new under the sun.

Denny Schlesinger
Caracas - Venezuela
denny@softwaretimes.com