

Oil spawns new wave of newly rich

Venezuela's economic boom and leftist politics are opening the way for a new class of rich: the Bolivarian bourgeoisie.

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ART IN DEMAND: An art patron admires works by artist Alirio Palacios at an art opening in Caracas neighborhood of Las Mercedes.

CARACAS - They drive shiny new Hummers and Audis. They wear Cartier and carry Montblanc bags. They buy up luxury apartments and fly private aircraft to and from Miami. And they almost always pay in cash.

They are the so-called *Boliburguesía* -- short for Bolivarian bourgeoisie -- a reference to socialist President Hugo Chávez's declared "Bolivarian" revolution on behalf of Venezuela's poor.

But record oil prices and Chávez's efforts to weed out old money, which has generally opposed his policies, have opened the door for a new class of rich here -- bankers, oil contractors and others who have profited mightily from lavish government spending.

"They're selling like warm bread," said Héctor Márquez, a luxury car dealer in Caracas who has seen his fair share of suitcases full of cash in recent months. "We can't keep up with the demand."

Analysts say these nouveau riche are concentrated in the oil, finance, construction and government service industries, and that their riches likely come from their ties to a state overflowing with money as the world's fifth-largest oil exporter.

"This wealth can only be explained by their connection to the government, because they became rich very quickly," said José Guerra, a former Central Bank official who now teaches economics at the Central University of Venezuela in Caracas.

Chávez has seen world oil prices go from \$10 a barrel when he was first elected in 1998 to more than \$70 today. He has used these windfall billions to finance dozens of social projects on behalf of the poor at home, and provide assistance to regional neighbors from Cuba to Argentina.

But the rising economic tide has not only lifted the poor's boats, bringing back memories of the 1970s, when another spike in oil prices sparked a free-spending boom. Businessmen agile enough to ally themselves with the government have caught the gravy train. Tops on this *Boliburguesía* list are men like

Wilmer Ruperti, one of the few businessmen who supported the Chávez government during a crippling national strike in late 2002 demanding the president's resignation.

Ruperti, then the owner of a small shipping operation, obtained tankers to help the government break through the strike against oil exports. When the strike fell apart after two months, Ruperti got a medal from Chávez and then several lucrative contracts to expand his operations. The windfall prompted the Lloyd's List shipping newsletter to call him the "master mariner with the Midas touch."

"For me, a shipowner cannot be political because it's business," he told Lloyd's in a rare interview in 2004. "I am with the president because he's the only politician who has protected the merchant marine."

Today Ruperti's company is one of the top shipping operators for the state oil company, Petróleos de Venezuela, or PDVSA, and has accumulated a fortune -- enough to reportedly spend \$1.6 million at a recent auction at Christie's for two pistols once owned by Simón Bolívar, Chávez's hero and 19th-century South American independence icon.

Analysts say the government has also contracted new suppliers for goods like computers; working with different banks than previous governments; and contracting previously unknown construction companies to improve infrastructure.

"Chávez has increased capitalism," said Juan Carlos Zapata, editor of the local weekly Descifrado, which devoted a recent issue to the new rich. "They are taking advantage of the oil boom, and that is generating more consumption."

Sales of Audi cars in Venezuela are up 25 percent since last year, according to local Audi representative Federico Baeza. Eighteen-year-old Chivas Regal whiskey doubled its market share to 20 percent in 2005, according to the business magazine Producto. And Vita di Luca, the owner of VitArte, which provides art market advice, says there's been a 25 percent increase in art purchases in the last two years.

"They buy everything: watches, bags and pens, whatever," said one Montblanc store employee at a prominent shopping center in Caracas. "And they only use cash, especially the military."

Chávez, a former army colonel, has put many military officers in top positions in his civilian government agencies.

"You can see the sense of prosperity flowing through all levels of society," said Edmond Saade, the president of the Venezuelan American Chamber of Commerce and Industry.

And the spending spree has spilled over to South Florida.

An aviation executive based there said he's seeing increased purchases of luxury goods by Venezuela's nouveau riche. "The new wealth . . . is spilling off into people buying high-ticket items, not just aircraft but yachts as well," said the executive, who asked not to be identified to avoid affecting his business.

But the boom has been accompanied by allegations of massive corruption, as it was in the 1970s.

The former bank official Guerra alleged last year that \$4 billion had gone missing from the PDVSA coffers. And the National Assembly last year opened an investigation into a deal in which Ruperti was paid twice for a PDVSA gasoline shipment to the United States. The investigation continues.

"Somewhere in this mess, some have seen opportunity and taken advantage of it to make money," said Robert Bottome, director of the newsletter VenEconomía.

Some traditionally wealthy families are also profiting from their pragmatic association with the government, Zapata and other analysts said. But others that are deemed to be opposed to Chávez are suffering.

Empresas Polar, the country's largest food service company and a supporter of the 2002 strike, seems to be struggling, said Bottome. Government supporters last year took over a Polar-owned granary leading to a protracted legal squabble. And unlike the pro-government food distributors, Polar doesn't have easy access to one of the most lucrative markets in Venezuela: government-run supermarkets.

The spending spree, however, has not been accompanied by long-term investment, analysts like Saade say, leading many to believe that the boom will be short-lived and only lasting effect will be inflation. The new rich, along with the old, seem content to make short-term profits while they can, apparently fearing that Chávez could take away their holdings from one day to the next.

Chávez already has forced private oil companies to pay higher taxes and royalties, and has taken over land and factories that his government has deemed "idle."

"Chávez is arbitrary, and they know he's thinking of socialism," said Descifrado editor Zapata. "They are accumulating the most possible money in the shortest possible time period."