

With Chávez, Some Venezuelan Entrepreneurs See Opportunity

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CARACAS, [Venezuela](#), Dec. 2 -- Venezuela's business establishment often warns that if President Hugo Chávez wins reelection Sunday, it won't take long before the populist firebrand transforms Venezuela into a communist state, dooming its oil-rich economy. Alejandro Uzcategui, an industrialist here, couldn't disagree more.

Overseeing a variety of companies, Uzcategui is among a growing number of business leaders who reject the doom-and-gloom scenario and see something else entirely in Venezuela's free-spending government: opportunity.

"We think President Hugo Chávez has done a very good job," said Uzcategui, president of an association, Entrepreneurs for Venezuela, that is closely allied with the government. "Here there has been incredible growth in companies. There are businesses that close, sure, but they don't close because of Chávez."

Eight years into what Chávez calls "21st century socialism," Venezuela's economy has evolved into one marked by contradictions: the highest growth rate in the Americas and grinding underemployment, out-of-control consumerism and a lack of investment, troubling uncertainty and golden prospects.

The economy is expected to expand by more than 8 percent this year, the highest rate in South America. Gross domestic product has shot up from about \$92 billion in 2002 to a projected \$170 billion this year. The torrent of oil revenue filters down to companies and consumers, who are on a buying binge for luxury cars, penthouse apartments and 48-inch plasma television sets.

It is also a country where foreign investment has collapsed, falling from \$5.6 billion in 1997 to a projected negative outflow of \$2.7 billion this year, according to calculations by Tamara Herrera, an economist with LatinSource, a New York-based group of Latin American economists. The economy is unable to create enough jobs for those entering the workforce, and inflation, at 15 percent, is among the highest in Latin America.

In a foreshadowing of possible trouble, the price of oil has experienced a four-month slide that recently dropped the Venezuelan barrel below \$50, about as low as the government wants to go.

"The data continues to shine, but behind it in our opinion are serious problems of sustainability, and of the possibility of stagnation," said Herrera, also chief economist of Sintesis Financiera, a consulting firm in Caracas. "Behind these numbers are a huge dependence on oil, more than we've ever seen."

The question now is where Chávez will take this country of 26 million should he win another six-year term, as the majority of public opinion polls predict. His promise to further consolidate his revolution would surely mean more state control over the private sector, the creation of hundreds, if not thousands, of state cooperatives and the founding of more state-owned companies. If the price of oil holds, billions more would be funneled into social programs.

"Socialism is the only path that will permit us to save the human being, the human species," Chávez said in a recent speech. "Capitalism is the path to the destruction of the world, the destruction of the human being. Capitalism is the path to the destruction of life."

Capitalism, though, along with Venezuela's state spending, seems to have been very good to a new class of entrepreneurs in Venezuela who have either allied themselves with the government or found a way to have a cordial relationship. Many of them have secured lucrative government contracts, and the opposition has dubbed them the Boliburguesia, short for the Bolivarian bourgeoisie.

"Ninety percent of those businessmen are there because they give them the money to be businessmen," said Flavio Fridegotto, owner of a national chain of hardware stores and a leader in Fedecamaras, the nation's largest business association. "They are there because they are opportunists."

Fridegotto is referring to such people as Majed Khalil, a son of Lebanese immigrants who runs a variety of companies. Ebeba cans tuna. Hardwell sells and services computers and software and has a contract to provide schools with technology. His companies provide equipment such as taxiway lights to airports, and he now has a contract to work on the construction of an electrical plant.

"With the government opening up, you see offers and opportunities where you can do business," Khalil said in an interview in his office. "Past governments have never invested like this government."

Uzcategui, the head of Entrepreneurs for Venezuela, or Empreven, said he and other business leaders close to the government want to replace Fedecamaras as the main business chamber. Those allied with Chávez will never forget that it was the president of Fedecamaras, Pedro Carmona, who in 2002 became interim president in what turned out to be an ill-fated effort to oust Chávez.

Sitting in his office, next to a table of pharmaceutical products he hopes to sell to government clinics, Uzcategui talks of being committed to the "idea of social capitalism" and warns of business people who "want to exploit Venezuela's riches and go live elsewhere."

"We defend the private property, we defend businessmen, we defend credits," Uzcategui said. "Our difference is we don't aspire to political power, we don't question Chávez."

Uzcategui says altruism motivates him, but he exudes astute self-interest, crucial to survive in Venezuela's topsy-turvy economy. Unlike those who supported the failed coup, and a disastrous national oil strike that lasted two months, Uzcategui stuck with the government.

He soon found himself invited to business gatherings, where he would be seated next to Chávez. "The business sector has advanced," he said with assurance. "It has not gone to elites."

Alberto Vollmer, 38, who runs Santa Teresa Rum, a distiller that is one of Venezuela's most storied companies, is among those who is admittedly from the traditional upper class. He lost a third of the 7,400 acres that made up his farm to land invaders, but he did not lash back.

He instead started working closely with the government to implement social programs in the poor barrios nearby. "There are mistakes this government has made and is making, but if you don't have a constructive attitude, you won't get anything done," he said. Vollmer has, to be sure, drawn the ire of some entrepreneurs for working with the government.

"For some of my friends, it's very hard to understand that I get along with Chávez," he said. "It doesn't mean I agree with 100 percent of their ideas."

Vollmer is far from being a confidant of the president. He rattles off deep concerns, such as that Venezuela is repeating a disastrous error from the 1970s -- spending oil revenue wildly without creating a climate for solid non-oil investment.

Many economists agree. Domingo Maza Zavala, a director of the Venezuelan Central Bank, said the economy needs to create 1.5 million jobs but cannot do so without huge private investments. "Private investment needs a stable climate, a climate of tranquility, a climate of institutional security," he said.

The government, though, appears intent on spending -- and confident that the price of oil will remain high.

The government's 2007 budget will be 32 percent higher than this year's, according to the National Assembly, which used a cautious projected average oil price of \$29 a barrel. "Rather than cut spending, we're encouraged that capital investment is increasing, and that will boost the country's production," the planning minister, Jorge Giordani, said this week.

Alberto Cudemus, 62, who owns a hog butchering and packing company, said he agrees with much of what the government is doing.

On the surface, he is like many of his colleagues at Fedecamaras, where he heads a chamber representing pork producers. He wears a suit, is trim from daily exercise and speaks English and Dutch fluently.

But though he has some misgivings, he said government policies, such as making loans cheap and accessible, have helped reawaken the private sector.

"There are many positive things happening," he said. "I don't think everything is positive. But enough positive things are happening to give me confidence."