

Chávez Moves to Nationalize Two Industries



Francesco Spotorno/Reuters

Venezuela's president, Hugo Chávez, swore in cabinet ministers Monday. He will be sworn in Wednesday.
The New York Times
January 9, 2007

CARACAS, [Venezuela](#), Jan. 8 — President [Hugo Chávez](#) signaled a vigorous new effort to assert greater control over Venezuela's economy on Monday by announcing plans to nationalize companies in the telecommunications and electricity industries.

Mr. Chávez, who will be sworn in Wednesday to another six-year term, announced his plans at the swearing-in of his new cabinet to a cheering crowd of supporters, sending a chilling message to foreign investors.

American corporations, including Verizon Communications, have large stakes in Venezuela's largest telecommunications company, CANTV, and its biggest publicly traded electricity company, Electricidad de Caracas.

“Let it be nationalized,” Mr. Chávez said of CANTV. “All that was privatized, let it be nationalized.”

Financial markets appeared to be caught off-guard by Mr. Chávez's announcement, as speculators reacted with a sell-off of assets that would be affected by the decision. Shares in CANTV plunged 14 percent in New York trading. Venezuela's currency, the bolívar, fell as much as 20 percent in black market trading here on Monday, traders said.

The announcement was the latest in a series of bold steps Mr. Chávez has taken since his re-election in December to consolidate his power and move Venezuela toward what he calls a socialist revolution. Mr. Chávez said he would also seek a "revolutionary enabling law" from Congress that would allow him to approve bills by decree, as well as a measure stripping the central bank of its autonomy.

"While this is a break with the past, it is consistent with Chávez's drive to concentrate ever greater power in his hands and the hands of his government," said Robert Bottome, editor and publisher of *Veneconomía*, a business newsletter.

Last month, Mr. Chávez announced plans to meld the broad coalition of parties that support him into a single socialist party, raising concerns that he was following in the footsteps of [Fidel Castro](#).

On Monday, in addition to the telecommunications and electricity nationalizations, Mr. Chávez also appeared to signal that he wanted control over four multibillion-dollar oil projects in the Orinoco River basin, which he said should become "state property."

It was not clear what Mr. Chávez meant, however, since Venezuela's government already has stakes in those ventures together with some of the world's largest private oil companies, including Exxon Mobil, Chevron, BP and ConocoPhillips.

Venezuela, which has the largest conventional oil reserves outside the Middle East, has already increased its control over numerous oil production ventures in the past year. The largest consumer of Venezuelan oil, of course, remains the United States, despite efforts

by Mr. Chávez to export larger quantities of oil to China and other Asian markets.

Details were vague as to how any of the nationalization plans would play out. For instance, Mr. Chávez omitted from his remarks whether Venezuela would compensate foreign investors for their holdings or expropriate them outright. He has already clashed with investors over small-scale takeovers of farms and even a tomato-processing plant owned by H. J. Heinz, but his government has negotiated settlements with owners in those cases.

The nationalizations would, at least for Venezuela, reverse a trend that got under way in Latin America in the 1990s, when governments throughout the region sold many of their assets, particularly state telephone companies, to private investors. Those deals, together with the auction of licenses to provide wireless phone services, led to a sharp increase in the usage of such services among poorer Venezuelans.

They would also be a significant shift of Mr. Chávez's economic policies since he became president in 1999. Though Mr. Chávez steadily adopted more strident rhetoric, he let most of Venezuela's private companies operate unfettered as long they did not actively engage in politics.

But with his re-election in December, Mr. Chávez seems determined to use the momentum — and margin — of his victory to solidify his power and deepen his socialist policies in ways that are increasingly unnerving his opponents.

Supporters of Mr. Chávez already control every institution in the federal government, including Congress and the Supreme Court, so it was unclear what hindrances Mr. Chávez was attempting to overcome by seeking expanded powers.

Mr. Chávez is also going forward with a plan to effectively take RCTV, a television station that persistently criticizes his government, off the air in May by not renewing its broadcast license. The move has drawn fierce criticism both here and abroad, with critics claiming it will restrict freedom of expression.

On Monday, Mr. Chávez described one of the most prominent critics of the decision, José Miguel Insulza, the general secretary of the [Organization of American States](#), in a vulgar term that loosely translates as “idiot.” Mr. Chávez also called on Mr. Insulza to resign.

Flush with more than \$50 billion in revenue from oil exports, Mr. Chávez is also retooling Venezuela’s economy to focus on what his economic theorists describe as “endogenous development” that prioritizes the domestic production of agricultural goods and industrial products from worker-owned cooperatives.

Venezuela has undergone a nationalization push before, when the populist government of Carlos Andrés Pérez took control of companies in various sectors, including the oil industry, in the 1970s. The economy, however, suffered from poor growth and inefficient services after oil prices crashed in the 1980s, leading subsequent administrations to privatize state companies and open the oil industry to foreign investment.

American companies reacted cautiously to Mr. Chávez’s comments on Monday. “Verizon has of course been carefully monitoring the news reports on President Chávez’s comments today,” said Eric Rabe, a spokesman for Verizon, which has had a large stake in CANTV since the early 1990s. “We are not aware of the details of the government’s plan and therefore cannot comment at this time.”

While Mr. Chávez referred specifically to the telephone company CANTV, his nationalization plans for the electricity sector remained unclear. The AES Corporation of Arlington, Va., controls Electricidad de Caracas, but did not acquire the company through a privatization auction. Robin Pence, a spokeswoman for AES, declined to comment.

CMS Energy of Jackson, Mich., controls an electricity utility that provides power to Margarita Island that it bought from the Venezuelan government in the 1990s. Jeffrey Holyfield, a spokesman for CMS, said the company had a “good relationship” with Mr. Chávez’s government but was awaiting more details about its plan before it could comment.

