

EDITORIAL

Venezuela Inc.'s Hostile Takeover

The New York Times
January 10, 2007

President Hugo Chávez of Venezuela — the very portrait of a modern Latin American strongman — is not content to exercise near-total political and military control of his country. Now he is tightening his grip on the Venezuelan economy. That's bad news for foreign investors, but even more so for the Venezuelan people who will have to pay the price for an economy plagued by increasing inefficiency and corruption.

Mr. Chávez announced this week that he would nationalize electricity and telecommunications companies. Venezuela's biggest telecommunications company is partly owned by Verizon Communications. Its largest publicly traded electricity company is controlled by another American company, the AES Corporation. Mr. Chávez also declared his intention to take control of four multibillion-dollar oil projects with significant investments from foreign companies.

State control is rarely an efficient way to run companies. And nationalizations are not a good way to encourage further foreign investment. Mr. Chávez is already using the state-controlled oil company to reward his cronies at the expense of getting the best return on Venezuela's most lucrative resource.

Exactly what form these nationalizations will take remains unclear. Whatever Mr. Chávez is planning, he needs to fairly compensate shareholders. And while the Bush administration needs to condemn any seizure of American assets, it should choose its words carefully so as not to play into Mr. Chávez's Yanqui-baiting game.

The administration can best advance American interests, and those of the people of Latin America, through more active engagement of the region's many democracies. It also needs to press ahead with trade agreements and other forms of economic assistance and cooperation. That is the smartest way to counter Mr. Chávez's demagoguery.

Mr. Chávez's latest moves serve as yet another reminder of why America needs to curb its insatiable appetite for oil. The United States is the biggest buyer of Venezuelan petroleum products. If a powerful Hugo Chávez is against U.S. interests, we should stop paying for his Russian fighter jets and helicopters — and his nationalizations — with our gas-guzzling cars and trucks.