

Chávez makes another power grab

OUR OPINION: LATEST NATIONALIZATION FORMS PART OF OMINOUS PATTERN

The Miami Herald
May. 06, 2007

President Hugo Chávez of Venezuela is not one to make idle threats. He had promised to nationalize the petroleum sector in the oil-rich Orinoco region, and last week he proved as good as his word, taking over Venezuela's last privately run oil fields and thereby arrogating more power to himself and the state at the expense of the private sector. This is not, as Mr. Chávez would have it, a victory for "the people" or any such neo-Marxist nonsense, but rather part of a giant power grab that takes Venezuela further down the road to totalitarianism.

The pattern is ominous and unmistakable. Earlier this year, President Chávez nationalized the CANTV telecommunications company and the nation's largest private electrical company. Then he decided unilaterally not to renew the broadcast license of Radio Caracas Television, one of the few major media outlets that could still muster the courage to criticize the all-powerful president.

While this latter decision is not, strictly speaking, a seizure of assets, it is part of the same power grab. The move silences a critic, intimidates others who might dare to speak up and increases the reach of the state -- Mr. Chávez will create a new "public-service channel" on the frequency. The decision has been condemned by a host of international media watchdog groups as a violation of freedom of speech.

Higher taxes and royalties

The oil-company nationalizations follow last year's imposition of higher taxes and royalties. The point is not merely to increase state revenue, but also to acquire more power. This is why the state is taking a minimum 60 percent stake in the Orinoco operations and giving companies until June 26 to negotiate terms.

It is tempting to tell the oil companies to pick up stakes and leave Venezuela. The government can't turn the oil fields into profitable ventures without their investment and know-how. Admittedly, an abrupt pullout would damage the companies because they would leave behind investments worth billions of dollars, but it's an option they have to consider as they seek fair compensation and better treatment.

Mr. Chávez, ever the bully, said Thursday that ConocoPhillips will be expelled from the country if it continues to resist the government's takeover. This is the only company that has yet to recognize the move, even though other companies have agreed in principle to state control.

Because most of the world's proven reserves are controlled by state monopolies, Mr. Chávez's apologists argue, it is only fair that Venezuela do the same. This conveniently overlooks the privatization of Venezuela's oil sector that took place only recently, in the 1990s, ushering in a boom fueled by private investment back when oil prices were relatively low and investments dicier. Now Mr. Chávez is rolling that back.

Investor beware!

For potential investors in Venezuela, the message could not be clearer: Investor beware! The oil companies, after all, are not likely to be the last takeover targets. On Thursday, the president threatened to nationalize Venezuela's banks and largest steel producer, accusing them of unscrupulous practices. Earlier, he threatened to take over private hospitals if they continue raising prices for care. Don't be surprised if he does any of this. This president doesn't make idle threats.