

THE OPPENHEIMER REPORT

Chávez could be the comeback kid in '08

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While Venezuelan President Hugo Chávez suffered a huge defeat in the Dec. 2 referendum -- independent election monitors say he lost by a wider margin than officially announced and only accepted his loss under pressure -- he may still make a significant comeback in 2008.

Internationally, Chávez could add new countries to his petrodollar-fueled "anti-imperialist" bloc and regain some regional stature as early as next year. There will be elections in Paraguay and the Dominican Republic in 2008, followed by elections in El Salvador in 2009.

It is not farfetched to think that -- for a small fraction of what he spent financing presidential campaigns in other countries -- he could add Paraguay, and later El Salvador, to his "Bolivarian Alternative of the Peoples" alliance.

This would expand his group of allied countries -- now made up of Cuba, Bolivia, Ecuador and Nicaragua -- and help him resurrect his standing as a regional leader.

To be sure, the opposition's victory in Venezuela's Dec. 2 referendum, which would have turned Venezuela into a Cuban-styled "socialist" country and allowed him to become president for life, will most likely force Chávez to spend more time focusing on consolidating his own support base at home.

Exit polls show that Chávez's defeat was not so much due to major gains by the opposition, but by the fact that Chávez's own supporters failed to turn out. Chávez got three million fewer voters last Sunday than in the 2006 presidential elections.

There were three recurrent concerns among Chávez's sympathizers: that he spent too much time abroad, that he gave out too much money to boost his image abroad instead of spending it on Venezuela's poor, and that his love affair with Cuba would lead to the abolishment of private property in Venezuela.

MORE TIME AT HOME

"Chávez will have to spend more time at home, and will have less time to focus on other countries," says Patricio Navia, a New York University professor who was in Caracas for the referendum. "But he will have a major opportunity in Paraguay, where he can exert his influence with relatively little money, and no need to travel."

Paraguay's leftist Liberation theology retired bishop Fernando Lugo, who political rivals in Paraguay describe as a Chávez ally, is a strong opposition candidate for the April 2008 elections, in a country that has been controlled by the Colorado Party for the past six decades. Lugo's campaign slogan is, "change or death."

In El Salvador, the rightist ARENA party will face a formidable challenge from the leftist Farabundo Martí National Liberation Front in 2009. The FMLN, which lost several elections fielding old-guard former Marxist guerrillas as its candidates, has recently nominated Mauricio Funes, a journalist who presents a more moderate and modern image, as its new presidential candidate.

At home in Venezuela, Chávez has a lot of things going for him. He still controls the Congress, the Supreme Court, 20 of 22 governorships, much of the media, and -- perhaps more importantly -- a windfall of petrodollars from Venezuela's oil bonanza.

Chávez will most likely concentrate on rebuilding his support base through a combination of spending more resources at home, and strengthening mechanisms of political control such as his Bolivarian Circles -- Cuban-styled neighborhood watch committees -- to make sure that recipients of state subsidies vote for him in the next elections.

DIVIDED OPPOSITION

In addition, Chávez may benefit from a divided opposition. While opposition leaders showed great political maturity by uniting to defeat Chávez's proposed constitutional reforms in the recent referendum, it's not so clear that they will be smart enough to unite on an anti-Chávez ticket in upcoming local and national elections.

My conclusion: Chávez's recovery or demise will depend -- as it always has -- on world oil prices.

His megalomania has always been directly proportional to oil prices: He campaigned as an anti-corruption democrat in 1998, when oil prices were at about \$8 a barrel, and ended up proposing a constitution that would have allowed him to become an almighty president for life in 2007, when oil prices reached almost \$100 a barrel.

As long as oil prices remain at their current levels, and the United States continues buying \$34 billion a year in Venezuelan oil, Venezuela's narcissist-Leninist leader will remain pretty strong. He suffered a bigger blow than many of us expected, but he is by no means out of the game, neither at home nor abroad.