

## Venezuela's 'Revolution' Depends On Oil Revenue -Analysts

DOW JONES NEWSWIRES

May 7, 2005 7:55 p.m.

SABANETA, Venezuela (AP)--Workers are cutting sugar cane on fields that once lay fallow, stitching together T-shirts at state-funded cooperatives and building thousands of homes to replace shantytowns.

Venezuela's booming oil wealth is bankrolling its most ambitious effort in decades to help the poor, an integral part of President Hugo Chavez's "social revolution" that is drawing both praise and skepticism while he strengthens ties with Cuba and increasingly clashes with the U.S.

Critics say Chavez is ruining Venezuela's oil industry and squandering the proceeds of high oil prices on programs that won't do away with poverty in the long run.

But his supporters are cheering him on, arguing that no president in Venezuela's modern history has given so much to the poor.

"Before it was the rich who benefited from oil. Now oil is helping a lot of people," said William Riascos, a 31-year-old cutting sugar cane on fields planted by the state oil company outside the western town of Sabaneta, where Chavez was born.

"Here there used to be nothing. Now there is all of this," Riascos said, sweeping a hand across a vast expanse of cane.

Under Chavez, the state oil company Petroleos de Venezuela SA spent more than \$3.7 billion last year on social and agricultural programs, housing and other public projects - about a third of its earnings.

Chavez has promised to keep up the spending and, taking a page from the late Chinese leader Mao Zedong, has declared 2005 the "Year of the Leap Forward."

The state oil company is paying to build medical clinics and support government "missions," ranging from adult education programs to state-run markets. The government says oil money helped build 15,000 homes for the poor in 2004, and this year 120,000 more are planned.

Across the country, oil proceeds are flowing to about 130 centers with agricultural and industrial cooperatives. One center, built at an abandoned fuel depot in Caracas, has a sign over the gate that reads, "Venezuela: Now It Belongs to Everyone." It includes a farming cooperative, shoe factory and textile plant.

"We are 280 people, and all of us are owners of this business," said textile worker Marisol Bechara, 33.

She earns a monthly stipend of 168,000 bolivars, or about \$78, studies in a program to finish high school and shops at a state market where food prices are up to half off those at private supermarkets.

All of it is funded with oil - a change that Bechara says makes it easier to raise four children alone. In the 1980s and '90s, when oil prices were lower, much less went toward social programs.

"They used to send the oil overseas and basically took all the money," Bechara said. "Now the help we receive comes from oil money. It's something spectacular."

Chavez's opponents disagree, saying that while they favor helping the poor, the president is spending too much from an unstable source.

"Petroleos de Venezuela, after paying its taxes to the government, should reinvest its earnings," said Humberto Calderon Berti, a former oil minister. "The volume of production is falling," he said, and with it the amount of money generated for society.

Before Chavez, the state oil company never directly funded social programs but rather paid taxes to the government, which doled out some funds.

It is one of many changes under Chavez, a former army paratrooper who accuses the "imperialist" U.S. government of plotting against him in a grab for oil.

Venezuela now draws some two-thirds or more of its oil export earnings from the U.S. But Chavez has warned he will cut oil shipments if the U.S. backs any attack on him, and his government has begun reviewing contracts with oil companies to seek higher revenues.

Chavez says he isn't employing Soviet-style socialism but rather a new "socialist model for the 21st century."

Nevertheless, his populist programs are firmly rooted in Venezuela's history. The phrase "sowing the oil" was coined a half-century ago, referring to using oil money to generate jobs.

"Fifty years have passed and they didn't sow the oil. Now we need to sow the oil," Chavez said earlier this year. "In what? In education, plant it in a community, in health, in housing, in highways, in agriculture, in small industry."

Persian Gulf countries also have long used oil funds for social purposes, but most are spending more cautiously now than during the 1970s oil boom. In those years, Venezuela put proceeds into state businesses like steel mills and airlines, while subsidizing food and building the Caracas subway.

Past programs were aimed at a range of social classes, while Chavez now targets the poor, said Miguel Tinker Salas, a history and Latin American studies professor at Pomona College in Claremont, Calif.

"I don't think there's ever been an effort aimed strictly at the poor" in Venezuela, said Tinker Salas, who grew up in a Venezuelan oil camp where his parents worked. "It's a very unique effort that in many respects is new."

Chavez has benefited from oil prices that have risen fivefold since he took office in 1999. A two-month opposition-led strike nearly halted oil shipments two years ago, but the government took the upper hand by firing and replacing thousands of striking employees.

Venezuela's main TV channels remain sharply critical of Chavez, but he faces no obvious challengers as he prepares to run for re-election in 2006, touting his plan for "oil sovereignty."

People who call the oil ministry, when placed on hold, now hear Chavez's comments on why the U.S. is so critical.

"What is the reason for the imperialist aggressions?" Chavez says in the recording from a recent speech. "Venezuela is the top oil reserve in all of planet Earth, and the oil is running out."

Meanwhile, relations couldn't be better between Cuba and the world's No. 5 oil exporter. Venezuela has increased oil sales to Fidel Castro's government, and thousands of Cuban doctors work in Venezuela treating the poor for free.

Oil money also has paid to plant 5,000 acres of sugar cane near Chavez's hometown of Sabaneta, a traditional cattle-raising area in the western plains.

Outside town, workers helped by Cuban engineers have begun building a \$231 million sugar processing complex funded with oil. When finished, it is to employ 6,000 people.

"When the sugar refinery begins operating, we're going to need more workers," said Anibal Chavez, the president's brother and town mayor.

For now, unemployment remains a problem, and jobless men stand chatting on shady corners in the town. Some say they respect Chavez's ideals but have yet to see progress. Other critics charge corruption is draining away money.

Chavez, for his part, insists graft will not be tolerated. But economist Pedro Palma said a lack of oversight pervades the president's projects, and that while helpful to the poor, the programs are unlikely to eradicate poverty without more private investment to create jobs.

Venezuela's economy has grown dramatically as oil prices have skyrocketed, but about 14% of adults still are listed as unemployed and many others eke out a living as day laborers or street vendors.

The question of whether Chavez's programs are easing poverty generates fierce debate. Some experts worry Venezuela is supporting "subsistence programs" that only deepen a precarious dependence on oil.

While the social programs bring some relief to the poor, it's unclear how the government will sustain the effort, Tinker Salas said. "In the long run, the question the country will have to grapple with is its dependence on oil."