

# Bolivarian Venezuela at the Crossroads

## Part I. Nationalization and Workers' Control. Achievements and Limitations

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The economic, social and political situation in Venezuela has changed a lot since the failure of the constitutional reform in December 2007, which acted as a warning to the Chávez government.[1] This failure had the effect however of reviving the debate on the need to have a socialist perspective. The debate revolves around several key questions: further nationalization, workers' control, the place of the PSUV (United Socialist Party of Venezuela), people's participation, etc.

On Sunday 15 February 2009, 54.36% of the country's citizens voted 'yes' to the amendment to the Constitution that allows political representatives to stand for successive mandates without any time limit.[2] Up to then the Constitution had only allowed two successive mandates: there had to be a break before the candidate could apply again.[3] In 2013, at the end of his second mandate, Hugo Chávez will have the possibility to run again for president. If he is re-elected, his mandate will end in January 2019. This is why some Chavist activists are now concerned about what changes may occur by then that could consolidate the progress achieved since Chávez's accession to power.

### **Nationalization, workers' control: achievements and limitations**

In April 2008, after 15,000 workers at the SIDOR steel plant, part of the Argentine group Techint, had been on strike for nearly two months, Hugo Chávez announced that the company was being nationalized. The workers' main demand was for 9,000 temporary contracts to be converted into unlimited duration contracts. Given the employer's refusal, nationalization was the best way for the government to guarantee that the workers' demand was met — a decision workers perceived as a great victory.

SIDOR was founded as a State-owned company during the 1960s, was then privatized and sold to foreign capital in 1997 under Rafael Caldera's presidency. The April 2008 re-nationalization takes on particular significance since this modern and efficient company is a production tool that Argentinian capital, and Techint in particular, wished to hold on to.

It should be noted that the Chavist government of the state in which SIDOR is located had ordered the police to repress the strike as soon as it started. In addition, the minister of Labour had done nothing to support workers' demands. As a consequence Hugo Chávez' decision to nationalize the company and to remove the minister was perceived as a shift in the workers' favour. All the more so as, at about the same time, he announced an increase in interprofessional minimum wages and public sector salaries as well as the nationalization of the cement industry, which so far had been in the hands of three TNCs (Lafarge - France, Holcim - Switzerland, and Cemex - Mexico).

In the following months and during 2009 the government made further nationalizations in the food industry<sup>[4]</sup> (which affected both national capital - Lacteos Los Andes - and the grain TNC Cargill). The government justified these nationalizations as being essential for improving the population's food supply. Finally the Bank of Venezuela, one of the largest private banks in the Santander group (one of the two leading banking groups in Spain) was also taken over by the State.

All these nationalizations, as well as those that had occurred earlier (in the electricity sector, telecommunications, the Orinoco oil fields, etc.), led to generous compensations for the former owners: Venezuela uses part of its oil revenue to regain control of certain strategic sectors of the economy. The main objective of such compensation is to avoid legal penalties for not abiding by bilateral treaties on investments signed by Venezuela. International law makes it possible for States to nationalize companies provided they give reasonable compensation to owners. Venezuela could proceed in a more radical way if it withdrew its signature from bilateral treaties on investments, left the ICSID (International Centre for the Settlement of Investment Disputes, i.e. the World Bank's tribunal on investment issues), and secured its liquidities and other assets abroad so as to avoid seizure. This of course would further increase the hostility of the establishment in industrialized countries and of the TNCs within the country (all the major transnational oil companies are present in Venezuela as well as General Motors, Mitsubishi, Daimler-Chrysler, etc.).

The rather cautious way chosen by the government did not prevent a company like ExxonMobil from trying to have 12 billion dollars belonging to PDVSA (Petróleos de Venezuela Sociedad Anónima) seized by Dutch and British courts in 2008. This is one good reason for Venezuela to enter into an alliance with other countries of the South so as to repudiate bilateral treaties on investments that include clauses that could be detrimental to the nation's interests, to withdraw from the ICSID and WTO, and to set up a multilateral body in the South to settle disputes - in other words, an ICSID that would be a Southern alternative to the World Bank's ICSID, which serves the interests of large private TNCs.

In 2009, further nationalizations again raised the issue of workers' control. Left-wing trade unions and workers' collectives are in fact demanding the implementation of control mechanisms through which workers can control the boards of nationalized companies. They want in this way to ensure that the original objectives of such nationalizations will be adhered to; they also want to prevent bad management, wastage, embezzlement, corruption, and misuse of company assets by insisting on the opening of ledgers, transparent commercial and industrial strategies, and the periodic submission of balance sheets and accounts. They rightly voice their distrust of many of the private executives who stayed on after nationalization, but also of some new executives who look after their personal interests rather than seek what is good for the community. Achieving and indeed demanding control increases workers' self-confidence and their capacity to collectively contribute to a socialistic kind of management and labour relations on the one hand, and, on the other, create a counter-weight within companies in the hands of private capital.

We see instances of workers occupying private companies and demanding their nationalization. Inevitably the issue of workers' control will have to be raised again in the oil industry. It first flared up during the oil lockout (December 2002 - January 2003), when workers, who wanted to resume production, had called an oil conference. Later Hugo Chávez rejected the idea of workers' control in this key industry because of its strategic importance, whereas of course it would be a good reason to go for it. The same applies to

the production and distribution of electricity, which were also nationalized. Workers in this sector started demanding control in September 2009. Electricity supply in Venezuela is critical since over 50% of its production[5] is 'lost' or diverted (meaning stolen) during distribution. Losses are mainly due to the use of old equipment because before they were nationalized by the Chávez government, certain companies like Electricidad de Caracas (owned by AES, a U.S.-owned TNC) were almost systematically deprived of the necessary investments to buy new machines. On the other hand, large private industrial companies steal and squander large quantities of energy. There are also unauthorized electric hook-ups in residential areas but in the case of working class households, which are not big consumers, such piracy is limited. Workers in the electricity sector are in the best position to solve the issue of supply and to fight squandering and bad management by senior executives - and thus avoid power cuts. These are the arguments being developed by trade union leaders to demand workers' control.

Ángel Navas, president of the Electricity Sector Workers' Federation (FETRAELEC), told the media during a demonstration by some 3,000 workers in Caracas on 25 September 2009: "We the workers are in touch with users in the neighbourhoods. We know how we can solve the crisis... We have to change the bureaucratic structures and the structures of capitalist management into structures with a socialist vision. We must change production relations and do away with all this bureaucracy which is killing the company." [6]

During the first half of 2009 Hugo Chávez stated at a public meeting with worker managers that he was favourable to a law on the election of managers of nationalized companies[7], but nothing has happened since then to put this commitment into practice.

This struggle for workers' control of company management is essential. Its outcome is decisive for the ongoing process in Venezuela.[8]

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*Translated by from the French by Christine Pagnouille and Judith Harris, in collaboration with Francesca Denley and Stephanie Jacquemont*

*Next part: Debate and contradiction in the PSUV (United Socialist Party of Venezuela) (Part 2)*

## Notes

[1] On 2 December 2007 51% of voters said 'No' to Chávez' constitutional referendum as against 49% voting 'Yes'. This is Chávez' only electoral setback between 1998 and 2009. See Éric Toussaint, "The failure of 2 December 2007 can be a powerful lever for improving the process currently unfolding in Hugo Chávez' Venezuela", December 2007, <http://www.cadtm.org/The-failure-of-2-December-2007-can>

[2] It should be remembered that article 72 provides for the possibility of citizens recalling

the President of the Republic and all other elected officials half-way through the term of office.

[3] The campaign depicting Hugo Chávez as a “despot for life” played on the scandalous nature of unlimited re-election. Yet several European democracies work in the same way. This is the case in Spain, Italy and the United Kingdom for the post of Prime Minister, and in Germany for the post of Chancellor (in all 4 countries, it is the head of government who really holds the reins of power). In France, up to the adoption in July 2008 of the constitutional law on the modernization of institutions, there was no limit on the number of consecutive mandates. Since then, the number of consecutive mandates is limited to two.

[4] <http://voixdusud.blogspot.com/2009/03/lindustrie-alimentaire-dans-la.html>

[5] We should also note, however, a very positive structural feature in Venezuela: electricity is very largely produced from dams and rivers. Fossil fuels are only rarely used and there are no nuclear power plants.

[6] See a very interesting video of the demonstration with interviews of several TU leaders on the Marea Socialista website: <http://mareasocialista.com/trabajadores-372.html>

[7] This was the case on 21 May 2009 during a meeting between Hugo Chávez and 400 delegates from the steel and aluminium industries held in the State of Guayana. A meeting to consolidate other commitments made during this important assembly took place on 21 August 2009 in the context of the “Plan Guayana socialista”. See *Marea socialista*, no.22, p. 3.

[8] To know more about initiatives or position statements on workers’ control in Venezuela, read issues 19, 20, 21 and 22 of the magazine *Marea Socialista*, July-August 2009, which discuss the situation at SIDOR, CorpoElec, Cadafe, cement works, Cafeaca, Alcasa, Carbonorca...See <http://mareasocialista.com/>

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