

CHAPETR 1

INTRODUCTION

A. Background and Significance of Issue

Columbus arrived in this region in 1498.¹ Two years later, Venezuela was under the rule of Spain. Later on 5th July, 1811² Venezuela declared its independence from Spain. The country has faced political and economic dilemmas.

With the 62 percent of the vote in December 1998, Chávez became the elected President of Venezuela. Chávez and the Fifth Republic Movement (MVR) have successfully broken the monopoly of Venezuela's two-party system – Democratic Action (AD) and Committee of Independent Electoral Political Organization (COPEI) which shared the power in 1958 and for the next forty years.

Since the massive oil exploitation began in 1918, oil has become the geopolitical weapon for Venezuela. Oil serves as the major source of national GDP since 1928 when oil became Venezuela's number one export.³ The expect action was that revenue from the oil industry should reach to the improvement program and improve Venezuelans' standard of living in the urban middle class, in reality, it did not. The oil industry boom has caused deep-rooted problems, the oil boom brought about a decline in

¹ Chesa Boudin, Gabriel Gonzalez, and Wilmer Rumbos, *The Venezuela Revolution 100 question - 100 answers* (USA: Thunder's Mouth Press, 2006). p.xxv.

² H. Micheal Tarver and Julia C. Frederick, *The History of Venezuela* (USA: Palgrave Macmillan, 2006), p.xiii.

³ *Ibid.*, p.xiv.

domestic agriculture, increase in imports, and inflation. In addition, several administrations have used the petroleum revenue to keep the military removed from politics, by spending considerable amounts of money on defense.⁴

In this period of the oil boom, the money has never reached the area of development or improvement socially but it has created the huge opportunity for corruptions, social inequity and military buildings. Combined with the proliferated idea of Neo-liberalism, it caused more severe problems.

Historically, Venezuela's economic model was based closely on leading economic theory from Western economic institutions. Thus, in the 1980s and 1990s the government followed the structural adjustment guidelines of international financial institutions based on macro economics indicators, reducing public services, increasing direct foreign investment, and privatizing the economy.⁵

In 1989, when Carlos Andres Perez took the office for his second Presidency, Venezuela had almost \$35 billion in foreign debt. Therefore, the President was forced to borrow money from the International Monetary Fund, which brought drastic economic and fiscal reforms, especially in the areas of economic restructuring and the reduction of public spending.⁶ Perez's Economic Adjustment Plan was simply called the Economic Package.

Perez's Economic Package mandated increases in the prices of electricity and public services such as telephone, water and sanitation. The government pursued a policy

⁴ The History of Venezuela, p.14.

⁵ The Venezuela Revolution 100, p.123.

⁶ The History of Venezuela, p.140.

of industrial reconversion, designed to improve industrial efficiency, so that state industries would become more competitive. In that effort to balance the budget, the administration also undertook the privatization of financially troubled state industries in order to obtain additional fiscal resources and to lower public expenditures. Many of the measures adopted by the Perez administration created a level of inflation not previously seen in Venezuela.⁷

Perez's Economic Package is considered to be the adaptation of the Neo-liberalism notion which directly disrupts Venezuela economically, politically and socially. Since the broad concepts of the Washington Consensus came to be adopted by the powerful institutions, such as the International Monetary Fund, the World Bank, and the U.S. Treasury Department,⁸ it seemed that, Venezuela also adopted the Washington Consensus ideology.

In many ways the Washington Consensus paralleled the idea of Neo-liberalism, that is, free trade in goods and services, free circulation of capital, and freedom of investment. Moreover for Neo-liberalists the participation of the government in the market should be reduced.

Adopting the Neo-liberal ideology from the international institution came along with the restrictions that directly affect every part of the country. Venezuela, herself was not really ready to adjust to implementing those regulations and restrictions from the international financial institution. As a result, it was not much of a surprise to

⁷ The History of Venezuela, p.140.

⁸ Nikolas Kozloff, Hugo Chávez oil, politics, and the challenge to the U.S. (USA: Palgrave Macmillan, 2006), p.37.

see protests in streets, social and economic marginalization, extreme poverty, increased unemployment⁹, and increasing social injustice.

Thus the dissatisfaction of the poor through out the country made the presidency of Chávez possible. Venezuelans need an alternative. They seek to find new kind of leader and government that can fulfill their basic needs; the guarantee of employment, ending the social and economic degradation, improving the literacy rates and improving the standard of living especially among the poor. For the poor, Chávez seems to have the capability to make things better.

As Chávez came to power as the president with the landslide victory particularly from the poor, in return he launched Bolivarian Missions. The missions are extraordinary social campaigns in which Chávez is attempting to address its citizens' most pressing needs. Chávez developed the missions in order to perform participatory democracy and also to fulfill the promises during his presidency campaigning period. The missions are related to health care problems, education, food, housing and employment.¹⁰

By establishing and implementing the Bolivarian missions domestically, welcomed by the people who benefit from such missions, in the eyes of the US and the international community, these missions are part of Chávez's populism. Populism is seen by the U.S as the practicable ideology opposed to representative democracy, one of the components set by the free world and Neo-liberal globalization.

Beside the Bolivarian missions relating to the domestic social programs which were labeled by many critics as the means of populism, in the foreign policy Chávez also

⁹ The History of Venezuela, p.141.

¹⁰ The Venezuela Revolution 100, p.65.

performed in ways opposing the U.S., such as the insistent opposition to FTAA, proposed by the U.S. In addition to inflaming the conflict to be worse, Chávez proposed to create Bolivarian Alternative for the Americas (ALBA), Chávez's alternative to the FTAA. Chávez also started to move toward closer ties with Cuba, one of U.S. prime opponents.

Combining a domestic policy which appeared to resemble populism, contradictory to Western ideology of democracy, and the foreign policy, was clearly seen as Anti-Americanization. The U.S was the only sole major power after the Cold War which had enormous influences in all world regions and had the ability to set the world trend. In this the U.S. introduced the idea of Neo-liberal globalization to the world.

By endorsing Neoliberalism, some countries' problems occurred, as seen in Venezuela during 1980-1990. Venezuela at that time was not ready to implement Neo-liberal ideology. But as the financial problems occurred throughout the country and the international financial institution had prepared ways in improving the condition, Venezuela has no choice. As time went by the problems seemed to worsen by the implementation of a series of Neo-liberal structural adjustment policies recommended by the IMF. As a result, the country needed another problem solving technique. Venezuelans need a change.

This was the period that gave rise to Hugo Chávez. In solving the long rooted problems, Chávez chose the path called Anti-Americanization by his populism style and the idea of anti Neo-liberal globalization.

Venezuela is the influential state in continental Latin America. Chávez's policy caused some changes in the region which definitely captured the world attention,

especially the U.S. as they had interdependence relations in petroleum. Moreover, the world took interest in the relations of these two countries if Chávez continued to pursue this political standpoint.

Besides the implementation of populism in the regional context in order to build the solid bargaining power such as Mercosur, Telesur, and Petroamerica should not be overlooked. Whether this regional populism anti-Americanization is successful or not, the essential thing is to learn the political relationship development among the Latin Americans as well as Venezuela's relationship with the US.

In addition, Chávez's populism style has made it distinctive from other Latin American leaders'. Chávez has gained support from the poor and the procession of oil made his populism go further than expected.

B. Objective of Study

1. To study and understand Venezuelan foreign policy under the rule of Chávez in order to analyse his distinctive populism as different from other Latin American leaders'.
2. To acquire information in order to compare Chávez's populism to others' in Latin America such as Cuba, Argentina and Brazil leaders.
3. To analyze the actions and impacts of Hugo Chávez as the sole leader using Anti-Americanization, especially in the international arena and Venezuela-US. Relations as there are a lot of mutual economic benefits between the two.

C. Research Questions

1. How does Chávez's populism serve as Anti-Americanization?
2. How do the changes in Venezuela and the Latin America continent (focusing on the regional integration) impact Venezuela-US relations under the rule of Chávez?
3. What role has Hugo Chávez pursued in Anti-Americanization?
4. Why are the roles of the Venezuelan President distinctive from other Latin American leaders?

D. Hypothesis

Regional populism policy implementation under the rule of Hugo Chávez is an anti-Americanization policy.

E. Scope of Analysis

The focus of the research is on the Venezuelan populist policy under the rule of President Hugo Chávez from his incumbent up to 2006 as an ideology opposing the United States called Anti-Americanization. Chávez's opposition to the United States, especially to the Bush Administration is obvious. Combining the long rough history of the former colonial state with the will of the charismatic, Hugo Chávez, Venezuela asserts itself to another stage, opposition to the world trend setter. It is important to understand, recognize and analyze such policy as it has direct effect not only to both America continentals but also to the international community.

F. Research Methodology

Qualitative method of research will be employed in making this research paper. The research will put emphasis on primary sources of data as well as the secondary sources. For this matter, speeches, books, journals, dissertations, theses, news articles and web pages will be analyzed and useful as sources of information.

G. Conceptual Framework

In analyzing the role of Venezuela as pursuing a populist policy as anti-Americanization under President Hugo Chávez, the external influencing factors in implementing such policy, as well as the nature and background of the state should not be overlooked. The uniqueness of Venezuela in politics and the remarkable value of its natural resources, make the country stand out.

To see and analyze how Chávez's populist policy is categorized and considered to be Anti-Americanization is the hypothesis which will be tested in the paper. The idea of Populism and Neo-Liberal globalization appear to be the core frameworks to answer the hypothesis and this paper's research questions.

1. Populism

Indeed, Populism is a contested political concept. There is no mutual agreement on the definition of populism in the academic field. Populism always expresses itself in the form of a direct and unmediated relationship between "*the people*"

and “*their leader*”. Populist leaders want a direct relationship between “the people” and government.¹¹

Populism is the political phenomena which can be established through the linkage between “the people” and “the leader.” The major concern for people is their needs and demands. Especially in the democratic system, the representative should represent those demands. If those demands are overlooked, people will pave the way out. As a result, people will support a new leader. A leader who they are certain will represent their demands. In line with this process, the legislative process will be paid less attention and be less significant as long as the leader can provide and represent what they need.

2. Neo-Liberal Globalization

Neo-liberalism rests on the ideas of economism and marketism through liberalization, deregulation and privatization.¹²

Neo-liberalism is the economic concepts which has 3 main characteristics; liberalization, deregulation and privatization. Liberalization means that the state should have less involvement in economics. In other words, let the private sectors to do their own business. State should intervene as little as possible.

Deregulation means that when state takes less role in economics it will lead to the increasing role of the market which encourages competitive atmosphere. Privatization

¹¹ Sir Bernard Crick, “Populism, Politics and Democracy,” *Democratization* 12, no.5, (December 2005): 625.

¹² Jan Aart Scholte, “The Sources of Neoliberal Globalization,” working paper code PP-OC-8 (UNRISD Overarching Concerns, Geneva, October, 2005), p.7.

“has occurred when the public authorities delegate policy implementation to private sectors.”¹³

“Neo-liberalism has derived much strength from being pervasive across multiple quarters of governance. Policies of privatization, liberalization and deregulation have been pursued not only through national states, but also through a host of supra-state agencies, sub-state bodies and private regulatory mechanisms.”¹⁴

As the globe embraces the idea of Neo-liberalism, there are parts of the world which are not ready to face the new phenomena, particularly countries in Latin America. With the gap of the level of development, implementing neo-liberalism in Latin America has had devastating effects economically, politically, cultural and socially. Social, economic and political problems have been bloomed with the implementation of the Neo-liberalist ideology.

Therefore, the understanding of this ideology will help in the understanding of the causes of the problems which Venezuela and the countries in the continent have been facing. Moreover, it also helps to answer the research questions and test the research hypothesis.

¹³ “The Sources of Neoliberal,” 8.

¹⁴ Ibid., 16.

H. Expected Results

1. To be able to critically analyze the roles of the Venezuelan President, Hugo Chávez.
2. To be able to understand the circumstance from the point of view of the inequity society country.
3. To be able to identify the positive and negative aspects of pursuing a populist policy as Anti-Americanization.