

## The unfortunate consequences of extraction-based growth



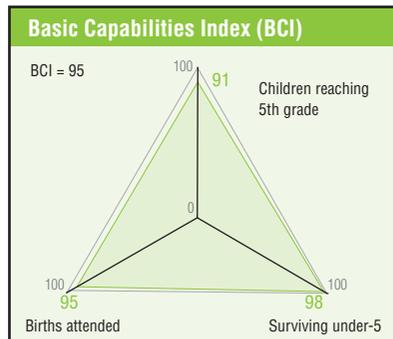
The economic model pursued under the Government of President Chávez bears the stamp of neoliberalism and is in fact a continuation and expansion of resource extraction. It has had serious negative environmental consequences and has proved unable to meet people's needs. There has been some improvement in education but other areas of basic rights like health and housing have regressed. Social development programmes have been cancelled or neglected and the Government, which disdains dialogue with the opposition or with critical civil society organizations, is weakening democracy by implementing far-reaching changes to the 1999 Constitution. The country needs to design a development model that is genuinely sustainable.

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Since the early 20th century development models in Venezuela have been based on an extractive economy and the export of energy resources. When Hugo Chávez became president in 1998 he criticized past governments and claimed that his model was a new departure and that, unlike previous ones, it was “supportive” and “endogenous.” He summed up his overall policy as “Oil Socialism ... This is our model ... We have this oil wealth ... We cannot think of Oil Socialism without the oil industry... [and this resource] gives our economic model an unusual form.”<sup>1</sup>

Various social and human rights organizations warned that this policy was not sustainable, as the social programmes or “missions” that benefit large sectors of the population depend on inflated profits stemming from high oil prices on the world market. According to the 2011 budget law,<sup>2</sup> income from exports in the energy sector would account for 27.6% of the total money available for expenditure so long as the oil price remained at or above USD 40 per barrel, which was near the previous year's price. However, experts such as José Guerra, former president of the Central Bank, argued that this estimate did not reflect the real situation since oil prices were oscillating around USD 100, which meant the Government had considerable additional funds to manage at its discretion and were difficult for civil society organizations to keep track of.

International prices for crude oil have now recovered, but there was a recent period of economic crisis during which, according to official figures,<sup>3</sup> the Venezuelan economy contracted for 18 consecutive months. This resulted in spending cuts for social policies (except the education sector) and as a result the “missions” stagnated and social conflict worsened. According to reports by two human rights organiza-

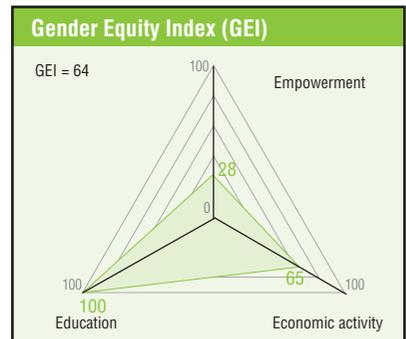


tions in Venezuela, Espacio Público and PROVEA, in 2010 there were at least 3,114 protest meetings and marches in the country, continuing a steady rise in the number of demonstrations.<sup>4</sup>

### Development based on oil

The basis of the Government's development model is large oil, gas, mining and infrastructure development projects, but these have serious socio-environmental impacts and are not sustainable in the long term because they are based on extraction-led growth. This exploitation of the country's oil and gas resources has also interfered with policies that would benefit various sectors of society. One clear example is the project to mark out the boundaries of indigenous lands in compliance with article 119 of the Constitution. This demarcation process was due to have been completed in 2002 but the initiative is now at a standstill.

One well-known critic points out that while President Chávez and other members of the governing institutions claim to have renounced capitalism and neoliberalism, the country's development model is continuing and expanding the extractive system that was in place previously, which has serious detrimental effects on the environment.<sup>5</sup> This situation has been aggravated by the Government's moves to break off dialogue with its critics, both in the opposi-



tion parties and in civil society. Sustainable development is not possible unless the warnings that people are sounding about the social and environmental consequences of oil and gas exploitation are heard and taken into account. Unlike in other oil-producing countries in the region, Venezuela has no ecology organization studying pollution caused by the oil industry in various parts of the county. Other environmental problems including deforestation<sup>6</sup> and serious pollution in the Valencia Lake are not being addressed.<sup>7</sup>

### Social unrest

Some 36% of the demonstrations in 2010 were by people demanding labour rights. Critics of the Government have claimed that it has tried to shift the burden of the effects of the world economic crisis onto the workers' shoulders, and at the same time is stalling on talks about collective bargaining in the public sector and in State enterprises. For the second year in a row the increase in the minimum wage –currently about USD 462– has not been enough to cover the cost of the basic consumer basket or compensate for the national currency's loss of purchasing power. Venezuela has persistently had the highest inflation in the region and according to official sources the rate in 2010 was 30.9%.<sup>8</sup> To make matters worse, after several consecutive years in

1 Ministerio del Poder Popular para la Comunicación e Información, *Programa Aló Presidente 288*, <alopresidente.gob.ve/informacion/7/248/programa\_alopresidente\_288.html>.

2 Ministerio del Poder Popular de Planificación y Finanzas, *Ley de Presupuesto para el Ejercicio Fiscal 2011*, <www.ocepre.gov.ve>.

3 See <www.bcv.org.ve/>.

4 PROVEA, *Public Demonstrations Report 2010*, <www.derechos.org.ve/proveaweb/wp-content/uploads/Manifestaciones-P%C3%BAlicas-Informe-2010.pdf>

5 M.P. García-Gaudilla, “Ecosocialismo del siglo XXI y modelo de desarrollo bolivariano: los mitos de la sustentabilidad ambiental y de la democracia participativa en Venezuela,” *Revista venezolana Economía y Ciencias Sociales*, Vol.15, no.1 (2009), 187-223.

6 Informe21.com, *Denuncian que la deforestación en nuestro país es la segunda en América*, (22 April 2010), <informe21.com/actualidad/denuncian-deforestacion-nuestro-pais-segunda-america>.

7 Infocudadano.com, *Situación del Lago de Valencia*, (16 August 2010), <www.infocudadano.com/2010/08/16/situacion-del-lago-de-valencia/>.

8 See: <ipsnoticias.net/inflacion.asp>.

which unemployment decreased, since the end of 2009 the number of people out of work has been on the rise. Between that time and August 2010 unemployment increased from 6.8% to 9.6%.<sup>9</sup>

In response to this worsening situation the Government should review and revitalize the Ché Guevara Mission, initiated in 2004 under the name of "Misión Vuelvan Caracas," to help people who had dropped out of the workforce to reenter the labour market and to bring unemployment down to 5%. However, although this initiative has not reached its targets in the six years it has been in operation, its budget was drastically cut from USD 59 million to USD 7 million in 2011.<sup>10</sup>

### Regression in health and housing

In 2006, the Barrio Adentro Mission was initiated, raising hopes for health services for large sectors of the population. Some 13,000 doctors were brought in from Cuba and 8,573 health care centres were built across the country. While this helped to improve basic health care provision, there were big problems with these modules and 2,000 of them were closed down. In September 2009 Chávez declared a state of emergency in health.<sup>11</sup>

In 2011, the Government announced a plan to revitalize the Barrio Adentro Mission and made a budget allocation of USD 195 million. However, this policy initiative is not coordinated by the Ministry of Health as would have been expected given the nature of the task, but by the Ministry of the Office of the President, which is an eloquent testimony to the lack of coordination between institutions in the health field.

The old hospital network, which consists of 299 centres throughout the country, is fraught with structural defects including a lack of medical supplies, insufficient personnel and serious deficiencies in health care infrastructure all of which means that large sectors of the population are being denied their right to health services. In the 1999 Constitution a time frame of not more than one year was stipulated for the introduction of an Organic Health Law to unify the system and put it in order, but today, 11 years later, there has still been no legislation to bring this about.

Another sector the President has called a "problem for the State" is housing. In 2009 the Government built 23,649 housing units, for a total 324,588 units over its 11 years in office. This falls far short of the goal to build 150,000 per year to remedy the country's housing shortage, estimated at around 3,000,000 units, in 10 years.<sup>12</sup> There are a variety of reasons for the delay, including the fact that the Ministry was only set up in 2005, its institutions

are fragile, its top directors are rotated frequently, it neglects to supervise or monitor the projects or the funds invested in them adequately, and it lacks a housing construction and land urbanization plan with clear targets for the short, middle and long term.

In spite of this dismal performance, and in spite of cutting back on policies that have already shown themselves to be inadequate, President Chávez has announced plans to build two million housing units in the next six years.<sup>13</sup>

### Progress in education

At present the Government is still achieving positive results in education, moving up from 64th to 59th in the UNESCO ranking,<sup>14</sup> with an Educational Development Index (EDI) rating of 0.956, which is higher than its 1999 rating of 0.910.<sup>15</sup>

However, the quality of the education provided must be improved. The main problem is that Venezuela does not have a national system to evaluate progress in learning so there are no parameters against which to implement improvements. In addition, in 2010 some 44% of the teachers were temporary staff or substitutes.<sup>16</sup> The situation is worse in less developed areas such as Amazonas state, where half the teachers lack teaching qualifications.

### Making protest illegal

Social conflict is becoming increasingly serious as the Chávez Government has failed to address people's complaints and demands, and instead has responded by making demonstrations illegal. It has closed institutional channels for negotiation, conducted campaigns to discredit demonstrators and social leaders, violently repressed and used the law against people who mobilize, and promoted legal action against them with no evidence. In 2010, some 135 street demonstrations were met with violence by the military and police security forces and 438 people were arrested and 386 injured.<sup>17</sup>

Perhaps the most worrying aspect of this escalating conflict is the fact that legal action has been taken against demonstrators. PROVEA has calculated that more than 2,400 people have been hauled before the courts, including 125 union activists and 1200 peasants, both women and men. This was made possible by the promulgation of a series of regulations that make protest in the country illegal:

13 See: <[www.correodelorinoco.gov.ve/nacionales/inicia-alo-presidente-numero-370-estado-vargas/](http://www.correodelorinoco.gov.ve/nacionales/inicia-alo-presidente-numero-370-estado-vargas/)>.

14 Ministerio del Poder Popular para Relaciones Exteriores, *Venezuela es la nación que más ha disminuido la desigualdad social y económica en América Latina y el Caribe*, (15 October 2010), <[venezuela-us.org/es/2010/10/15/venezuela-es-la-nacion-que-mas-ha-disminuido-la-desigualdad-social-y-economica-en-america-latina-y-el-caribe/](http://venezuela-us.org/es/2010/10/15/venezuela-es-la-nacion-que-mas-ha-disminuido-la-desigualdad-social-y-economica-en-america-latina-y-el-caribe/)>.

15 Abrebrecha.com, UNESCO: *Venezuela a punto de lograr metas educativas*, (13 April 2010), <[www.abrebrecha.com/50753\\_Unesco-Venezuela-a-punto-de-lograr-metas-educativas.html](http://www.abrebrecha.com/50753_Unesco-Venezuela-a-punto-de-lograr-metas-educativas.html)>.

16 PROVEA, *Informe Anual 2010 Derechos Humanos en Venezuela*, <[www.derechos.org/ve/proveaweb/?page\\_id=9235](http://www.derechos.org/ve/proveaweb/?page_id=9235)>.

17 PROVEA and Espacio Público, *Informe de Protestas en Venezuela año 2010*, <[www.derechos.org/ve/proveaweb/?p=11272](http://www.derechos.org/ve/proveaweb/?p=11272)>.

article 357 of the reform to the Penal Code, articles 47 and 56 of the Organic Law of the Security of the Nation, articles 139 and 141 of the Law for the Defence of People's Access to Goods and Services, and articles 24 and 25 of the Special Law to defend the people against monopolies, boycotts or any other conduct that may affect the consumption of food or products that are subject to price controls.

These laws make it illegal to engage in street protests, which is one of the ways people's movements have traditionally demanded their rights, and set up various "security zones" where it is forbidden to disturb public order. The best known case of using the law against social leaders is that of trade unionist Rubén González, who was jailed from September 2009 to March 2011 for supporting a shutdown in the State enterprise Ferrominera in the state of Bolívar over a series of labour demands. On 28 February 2011 González was sentenced to seven and a half years in prison for conspiracy, incitement to commit illegal acts, violation of a security zone and interfering with the right to work. Five days later, after widespread demonstrations, the Supreme Court of Justice overturned the sentence and ordered a retrial in the city of Caracas, and González was allowed out of custody during the trial.<sup>18</sup>

### Weakening democracy

In December 2010 a law was passed giving the President extraordinary powers for a period of 18 months. A further set of 24 laws was promulgated that confirmed moves to push ahead with a project called "Socialism of the 21<sup>st</sup> Century." Two human rights coalitions, Foro por la Vida and Sinergia, claim these "seriously affect the rule of law and the full enjoyment of human rights" in Venezuela.<sup>19</sup> The package is in effect an initiative to impose a Constitution different from that passed by popular vote in 1999. The new laws deny the right to association by making it illegal to receive funds from international organizations.

On 22 December 2010 a Law of Political Sovereignty and Self-Determination<sup>20</sup> was hurriedly passed, which explicitly prohibits organizations "with political ends" from receiving funds from abroad. Two of the three activities the law classes as initiatives of a political nature can be interpreted to cover nearly all popular and social initiatives in the country, since they include promoting people's participation in public spaces and exercising control over political decisions. A second piece of legislation, the Law of International Cooperation, gives the President the power to take resources sent to civil society organizations into Government hands. ■

18 See: <[www.derechos.org/ve/?s=rub%C3%A9n+gonzalez&x=0&y=0](http://www.derechos.org/ve/?s=rub%C3%A9n+gonzalez&x=0&y=0)>.

19 Foro por la Vida and Sinergia, *Ley habilitante coloca en serio riesgo los derechos humanos*, (2010), <[www.derechos.org/ve/proveaweb/?p=9494](http://www.derechos.org/ve/proveaweb/?p=9494)>.

20 See: <[www.minamb.gov.ve/files/leyes-2011/No6013ledespan.pdf](http://www.minamb.gov.ve/files/leyes-2011/No6013ledespan.pdf)>.

9 See: <[economia.noticias24.com/noticia/34229/ine-tasa-de-desempleo-en-venezuela-repunto-al-96-durante-agosto](http://economia.noticias24.com/noticia/34229/ine-tasa-de-desempleo-en-venezuela-repunto-al-96-durante-agosto)>.

10 Calculations based on the official exchange rate of 4.3 bolivars to the dollar.

11 La CI@se.info, *Chávez admite cierre de módulos de Barrio Adentro y declara en emergencia la salud*, (20 September 2009), <[laclase.info/nacionales/chavez-admite-cierre-de-modulos-de-barrio-adentro-y-declara-en-emergencia-la-salud](http://laclase.info/nacionales/chavez-admite-cierre-de-modulos-de-barrio-adentro-y-declara-en-emergencia-la-salud)>.

12 Latest available figures from the Ministry of Housing and Habitat, (2007).