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# LEARNING FROM VENEZUELA UNDER HUGO CHAVEZ

Desy Nur Aini<sup>1</sup>

## Abstract

This paper aims to explain the dynamic of Venezuela's economic development under Hugo Chavez administration. It will shows several steps of Chavez's measures such as Venezuela effort to get out from the IMF and the World Bank intervention, nationalization the Venezuela strategic assets, building strong relationship with the other states and did many social projects for its citizen. Based on dependency perspective, it argues that albeit international criticism, Chaves's policy had important effect to the economic development of Venezuela continually.

**Keywords:** *Hugo Chaves, Venezuela, Economic Development.*

## Introduction

Venezuela is the fifth largest producer and the fourth largest exporter of crude oil (petroleum) in the world. The oil sector has become the primary sector which it accounts more than three quarters of total Venezuela export income, approximately half of government income and one third of state's GDP (Gross Domestic Product). But, Venezuela does not get significant advantages because since they become the member of the Washington Consensus Institutions which are the IMF and the World Bank. Actually, the IMF (International Monetary Fund) and the World Bank dominated by the developed countries, especially the United States.

Both of institutions have decreased the Venezuela economic development. They have generated obviously the raising of unemployment, poverty, debts and the dominating of the natural resources. This is the impacts become the debtor of IMF and World Bank.

President Hugo Chavez has successfully brought Venezuela from the dependence condition that caused by both of them. There are several steps that have been done by Hugo Chavez in order to Venezuela could decide its policy without any intervention of the developed countries. It has improved the Venezuela income and increased the Venezuela welfare. This proves that Venezuela be able to show to

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the international community and become an independent state without the IMF and World Bank intervention. Since Venezuela has gone from the IMF and the World Bank, Venezuela is able to manage its strategic assets and promote its economic development.

This paper will explain more details about the progress of Venezuela under Hugo Chavez administration. There are several steps of President Hugo Chavez, such as Venezuela effort to get out from the IMF and the World Bank intervention, nationalization the Venezuela strategic assets, building strong relationship with the other states and did many social projects for its citizen, furthermore its effect to the economic development of Venezuela continually.

### **Venezuela at Glance**

Since February 3, 1999 Venezuela was led by Hugo Rafael Chavez Frias (Hugo Chavez) a former military officer. The territory has large 912.050 km<sup>2</sup>. The current amount of their citizen is 26.814.843 persons (taken from CIA the world fact book) which dominated by Mestizo's tribe. Their majority citizen's believe is Catholic Rome. Then, Spain becomes their national language because actually it is influence by the past colonialism by Spain and they got their independence from Spain on July 5, 1811.

Venezuela is one of country in Latin America who becomes the world's largest exporters of crude oil. In 2007, the country was become the seventh largest oil exporter in the world. The oil sector is central importance to the Venezuelan economy because it accounts for more than three quarters of total Venezuelan export revenues, about half of total government revenue, and around one-third of total Gross Domestic Product (GDP). Furthermore,

Venezuela is an important player in the global oil market as founding member of the Organization of the Petroleum Exporting Countries (OPEC). When Hugo Chavez become president, the Venezuela's economy dominates by government because the state oil company which is PDVSA, controls the petroleum sector and also government companies control the electricity sector and important parts of the telecommunications and media sectors. So we can see that the prospect of Venezuela's economic highly dependent on oil prices and the export of petroleum.

### **Hugo Chavez Leadership**

Hugo Rafael Chavez Frias who born in July 28, 1952 is Venezuela's president since February 3, 1999, actually he seeks to implement his "21st Century Socialism", which purposed to reduce the social ills while at the same time attacking globalization and undermining regional stability. Furthermore, his action is really tended to the poor people, its proven by many foreign company has been he nationalize to increase the welfare of poor people.

He has a national television program which is *Hallo President* who can be "bridge" people to him because Venezuelan people can send their problem to the government, beside that it's program delivered the president activities. Beside that to improve the welfare of people Chavez did so many actions and mission likes *Mission Robinson I* which is combat the illiterate. This program very special because almost 102 years it is the first time that government act this program. Beside that, there is *Mission Ribas* and *Sucre* likes the establishment of school and scholarship, and also establishment of health centrals and many programs that concern to poor

people that cover by health and education issues, because of that Hugo Chavez is has a firm relations to the socialism.

Based on explanation above we can see that Chavez really support the Democratic socialism include integration of Latin America and anti imperialism. Then, he also really criticized neoliberal globalization and foreign policies of USA.

He is very controversial because he claim to against USA as the superpower country, his policy and actions are really controversial likes the nationalization, the main policy in land (Constitution of Land Owner Reform) likes give the authority to take lead of real estate company, agriculture land who less productive and many others who become establishing the protest especially from private side, because of that he was coup de e tat by his opposite, but he can become Venezuela's President again because many people that dominated by poor people are really pro to him. Furthermore, with his iron hand through the policy and action that was done by him, he becomes the important actor that really influenced the development of Venezuela.

#### Hugo Chaves Measures

##### *Venezuela Refused the IMF and World Bank Intervention*

Before President Hugo Chavez taken the government, almost 70% of 26 million people lived in poor condition. The previous leaders (neoliberalism) have made the Venezuela assets occupied by foreign companies, such as *Chevron Corps*, *Royal Dutch Shell*, *Repsol* and *Exxon*. As a consequence, the biggest of oil income was entered to the elites /foreign investors. So, Hugo Chavez decides to escape from the IMF and the World Bank and paid all of the Venezuela's debts. The development programs of them have made the developing countries getting worse condition. The

donation that has given is not free. The IMF and the World Bank's interest is they want to involve in Venezuela decision making process. Hugo Chavez always effort against this imperialism because he did not want the Venezuela's income was just for pays the debts, but it for the citizen welfare. Beside that, he wants to release from the dependency toward the foreign countries.

The successful of Hugo Chavez has been shown in spreading of anti-neoliberalism in Washington Annual Meeting 2007. The IMF has failed in handling the Asian financial crisis in the last decade and global economic recession. Brazil and Argentina considered that the IMF and the World Bank just support the developed countries like the United States and European.

##### *Nationalization of the Venezuela Strategic Assets*

The braveness of Venezuela government is to protect its national interests and fight the international companies. In 2003, the President Hugo Chavez nationalized the oil private companies like *Petroleus de Venezuela (PdVSA)* to strengthen the economic of Venezuela. This has been shown from the total of oil income (59 billions US\$) in 2006. This policy has been also supported by the labor union. In 2007, he also nationalized 2 of oil sources that managed by *TOTAL SA* (French) and *ENI* (Italy). Beside that, he renewed the contracts and built the *joint-venture* companies. He also controlled tightly the Venezuela's oil fields and punished the international companies that resist the government control of it. In January 2007, the president Hugo Chavez nationalized the electrical and telecommunication sectors that are *Eletricidad de Caracas (United States)* and *Nacional Telefonos de Venezuela (CANTV)*.

The Venezuela's seems like motor to influence the anti-neoliberalism in South America. The oil income is not only to improve the citizens welfare, but also to help the other countries to leave the IMF and World Bank. So, it means that Venezuela has returned its economic and political sovereignty.

### *Building Strong Relationships with the other States*

Venezuela has built the cooperation with other foreign national oil companies with Brazil (Petrobras), China (CNPC), India (ONGC) and Iran (Petropars). Venezuela has also built the strategic association to exploit its oil which was named *Orinoco Belt Strategic Association*. Venezuela government has also signed the agreement of oil export with Cuba that Venezuela want to export its oil with low price (cheap). Beside that, Venezuela built relationship closely with the United States rival such as Iraq, Iran, Libya, and North Korea. They challenged the United State's domination obviously. In

OPEC Forum that held in Venezuela (1999), Venezuela has succeed in controlling the production of oil from 8,43 US\$/barrel (February 1999) become 23,34 US\$/barrel (January 2000).

Venezuela has conducted the same thing toward Latin America countries which give the discount for them. The struggle to against the neo-liberalisms has been shown through giving the helpful toward Argentina in order to pay its IMF debts (9,8 billions US\$) in 2005. In the same time, Hugo Chavez bought the Bond Ecuador (300 million US\$) to realize the policy of gas industry nationalization in Bolivia and strong reaction came from the United States. As the consequences, Bush government canceled the military aids about US\$ 1,6 million and the soybean export (170 million US\$). Hugo Chavez declared that he will buy the entire product and even want to give the donation (100 US\$) toward Bolivia.

From the above explanation, there explained that why Venezuela get out from the IMF and the World Bank, and then

**Table 1. Demographic and Economic Indicators**

No	Indicators	Year			
		2005	2006	2007	2008
1.	Population aged 65+: January 1st (000)	1,283.91	1,334.31	1,388.31	1,446.29
2.	Population density (people per sq km)	29.93	30.47	31.00	31.52
3.	GDP measured at purchasing power parity (million international \$)	264,089.19	300,615.34	322,349.56	351,538.13
	Annual rates of inflation (% growth)	15.95	13.66	18.70	30.64
4.	Consumer expenditure (US\$ million)	67,435.46	87,617.55	121,878.36	173,963.20
5.	Annual gross income (US\$ million)	107,762.44	138,241.10	188,610.82	260,695.16
6.	Annual disposable income (US\$ million)	85,572.53	110,721.65	152,380.90	214,553.90

Source: Euromonitor International, 2009

Venezuela has nationalized of its strategic assets and has many strong relationship (cooperation) with the other countries which it could give advantages for Venezuela itself ( the progress of Venezuela financially). There will be data about the raising of Venezuela's income (Economic Indicators) begin 2005 up to 2008, as follows:

of health service. The Special Development Fund of PDVSA, 90% allocated for the social projects annually such as agro industry, transportation, culture development, electricity provided. In 2006, 41% (bigger 27% than the budget in 2005) of total budget has been allocated for the social programs. 47% of it has come from oil income and

**Table 2. Gross National Income of Venezuela**

No	Year	Gross National Income (US\$ per capita)
1.	1990	US \$ 2650
2.	1995	US \$ 3060
3.	2002	US \$ 3970
4.	2004	US \$ 4080
5.	2005	US \$ 4940
6.	2006	US \$ 6070

Source: World Development Indicator (2004) and World Bank Data Profile Table (2008)

**Table 3. Lifestyle Indicators of Venezuela**

No	Indicators	Year			
		2005	2006	2007	2008
1.	Consumer expenditure on food (US\$ million)	18,744.9	24,303.6	33,736.0	47,837.4
2.	Internet users ('000)	3,354.92	4,139.77	5,059.56	6,007.53
3.	New registrations of passenger cars ('000)	228.38	343.35	389.96	432.55
4.	Consumer electronics (Bs billion)	165.88	232.09	314.87	454.55
5.	Dog and cat food (Bs billion)	171.45	207.67	216.67	230.75

Source: Euromonitor International, 2009

From the table 1 about Demographic and Economic Indicators above, we can conclude that when Venezuela taken by Hugo Chavez, their income are increasing year by year. It shows that, Hugo Chavez was decided the right decision if Venezuela citizen will be more welfare when their escape from IMF and World Bank.

#### **Social Projects for Citizens**

The popularity of Hugo Chavez in poor people has increased after he used the oil income for the social programs such as, giving the food subsidies for poor people, free tuition for education until college, free

53% from the tax income of big companies. UNICEF and Inter American Development Bank (IADB) considered that this program is the biggest and the most comprehensive in Latin America and even in the world. The data about the Venezuela poverty rates will be mentioned as table 4.

From the above mentioned, we could conclude that generally the poverty rates of Venezuela has decreased gradually and significantly. This could be seen in 1997 (when the President Hugo Chavez has not become the leader yet), the data has

**Table 4. Poverty Rates of Venezuela**

Year	Time Period	House Holds (% of Total Declared)			Population (% of Total Declared)		
		Poverty	Extremé erly	Pov-	Poverty	Extreme erly	Pov-
1997	1 <sup>st</sup> half	55.6	25.5		60.9	29.5	
	2 <sup>nd</sup> half	48.1	19.3		54.5	23.4	
1998	1 <sup>st</sup> half	49.0	21.0		55.4	24.7	
	2 <sup>nd</sup> half	43.9	17.1		50.4	20.3	
1999	1 <sup>st</sup> half	42.8	16.6		50.0	19.9	
	2 <sup>nd</sup> half	42.0	16.9		48.7	20.1	
2007	1 <sup>st</sup> half	27.5	7.6		33.1	9.4	
	2 <sup>nd</sup> half	28.5	7.9		33.6	9.6	
2008	National Institute of Statistics (INE), 2008			26			

Source: Instituto Nacional de Estadística (INE), 2007

shown (60,9 % of people has still poor). In 1998 (when President Hugo Chavez has

**Table 5. Venezuela Human Development Index**

No	Year	Human Development Index (HDI)
1.	1975	0.716
2.	1980	0.73
3.	1985	0.739
4.	1990	0.759
5.	1995	0.768
6.	2000	0.776
7.	2002	0.778

Source: Human Development Report (UNDP), 2004

been chosen) has become 55,4 %. In 1999, the poverty rates become 50,0 % of total declared and the final data that we see, the poverty rates has decreased become 33,1 %. This shows that the effort of President Hugo Chavez has succeeded. If we see the reduction of poverty rates in the line chart as follows:

The social programs have been implemented simultaneously and comprehensively. The education and health mission like *Mission Robinson*, *Ribas*, *Sucre* and *Barrio Adentro* cooperated with more than 30.000 teachers

and doctors from Cuba. *Robbinson* mission has succeeded in raising literacy (UNICEF data, 2005) and graduated 900.000 children of elementary school. *Ribas* gave the funds for the person who has dropped out in senior high school. *Sucre* gave the scholarship for the poor people to enter the university and also built the 200 universities simultaneously. *Barrio Adentro* held the health service with medical treatment center. Beside that, there are also *Mercal* for the distribution of cheap food in rural area. *Vuelvan Caras* has mission to give the credit for the farmers and the Venezuela government has also distributed

million hectares of land for agriculture and also built the *Banco La Mujer* (Woman Bank) that give credits for the poor women reproduction.

In this paper about Venezuela under Hugo Chavez, we use dependency theory to explain and make analysis the relation between dependency theory and this case.

### Dependency theory

Dependency theory is a set of theories which maintained that the failure of Third World states to achieve adequate and sustainable levels of development resulted from their dependence on the advanced capitalist world. Dependency theories developed in opposition to the optimistic claims of modernization theory which saw the less developed countries (LDCs) being able to catch up with the West. They stressed that Western societies had an interest in maintaining their advantaged position in relation to the LDCs and had the financial and technical wherewithal to do so. A variety of different accounts of the relationship between the advanced and less developed states evolved within the broad framework of dependency theory, ranging from the stagnations and surplus drain theory of Andre Gunder Frank (which predicted erroneously that the Third World would be unable to achieve significant levels of industrialization, to the more cautious pessimism of those who envisaged a measure of growth based on a associated dependent relations with the West.

There are three common features to these definitions which most dependency theorists share. First, dependency characterizes the international system as comprised of two sets of states, variously described as dominant/dependent, center/periphery or metropolitan/satellite. The dominant states are the advanced industrial

nations in the Organization of Economic Co-operation and Development (OECD). The dependent states are those states of Latin America, Asia, and Africa which have low *per capita* GNPs and which rely heavily on the export of a single commodity for foreign exchange earnings.

Second, both definitions have in common the assumption that external forces are of singular importance to the economic activities within the dependent states. These external forces include multinational corporations, international commodity markets, foreign assistance, communications, and any other means by which the advanced industrialized countries can represent their economic interests abroad.

Third, the definitions of dependency all indicate that the relations between dominant and dependent states are dynamic because the interactions between the two sets of states tend to not only reinforce but also intensify the unequal patterns. Moreover, dependency is a very deep-seated historical process, rooted in the internationalization of capitalism.

Actually, dependency theory could not be separated with the phenomenon of Venezuela under Hugo Chavez. For long time, Venezuela and other Latin America states are already become periphery states or just depend to center state, which is United State. In here, United State has big roles to determine all policy in Latin America and also become decision maker in deciding all International and Regional policy in those states.

Before Venezuela taken by Hugo Chavez, this state as a periphery state which always depend on United State and even the leader in that time is pro-Liberalism. The fund from IMF and World Bank has spending in every sector and it used to buy products for industrialization process in



Venezuela. But, it is become useless when Venezuela does not get any advantages, because all benefits from industrialization process are sending to United State. It is because the actors in government are controlled by the interest group who has full authority to decide all policy. Therefore, the developing process in Venezuela is become slowly and even their debts to the IMF and World Bank year by year become increase.

In here, we would like to analyze the condition of Venezuela under Hugo Chavez which could give positive effects for the Venezuela economic progress. According to dependency theory, there are two parts of regimes that consist of center (developed states) and periphery (developing states). In here, center state that has full authority to determine all decision making in periphery state involved natural resources (oil). Center state through IMF and World Bank gives the fund for periphery state for industrialization and development process with some requirements that should be fulfilled by periphery state. As the consequences, those periphery states has experienced "trap in the debt" and causing the degradation of social and economic welfare, so that, periphery state is more depend on center state.

After since Hugo Chavez taken officially the government, Venezuela is facing economic problem caused by the debts from IMF and World Bank. He think that if Venezuela is still running the same system, which is being the member of IMF and World Bank, so the debts would not be stop but become increase year by year. He also has changed the liberal ideology from the previous leader become socialist ideology. His action is quite different with the center state's ideology which is use liberalism. Finally, he decided to escape from center state intervention.

## Conclusion

In conclusion let me reiterate that President Hugo Chavez has brought Venezuela become more prosperous because since Venezuela taken officially by Hugo Chavez, he decides to escape from IMF and World Bank. He think that if Venezuela is still become the member of IMF and World Bank, they still would have debts and their natural resources will dominated by foreign company.

The phenomenon of developing countries is never being separated with intervention from United State. In this case, Venezuela as the fifth largest producer and the fourth largest exporter of crude oil (petroleum) in the world, for long time ago got the impact being the member of IMF and World Bank. The developing process and industrialization process that would done by them running slowly because in decision making the decision makers are dominated by interest group who has close relations with US.

From above mentioned before, Indonesia also can learn from the experience of Venezuela under Hugo Chavez. How a leader capable to against the super power's intervention and prioritize the citizen's welfare. Hugo Chavez makes some step since Venezuela escape from IMF and World Bank. First, Venezuela Refused the IMF and World Bank Intervention. Hugo Chavez decides to escape from the IMF and the World Bank and paid all of the Venezuela's debts. The development programs of them have made the developing countries getting worse condition. The donation that has given is not free. The IMF and the World Bank's interest is they want to involve in Venezuela decision making process. Second, nationalization of the Venezuela strategic assets. All Venezuela's assets are used by citizens of Venezuela. Third, building strong relationships with

the other states. Venezuela has built the cooperation with other foreign national oil companies with Brazil (Petro bras), China (CNPC), India (ONGC) and Iran (Petro pars). Venezuela has also built the strategic association to exploit its oil which was named *Orinoco Belt Strategic Association*. Fourth, doing many Social Projects for Citizens. Hugo Chavez used the oil income for the social programs such as, giving the food subsidies for poor people, free tuition for education until college, free of health service. The Special Development Fund of PDVSA, 90% allocated for the social projects annually such as agro industry, transportation, culture development, electricity provided.

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