No petrol, no Chavez

Hugo Rafael Chavez Frias was a charismatic populist leader who stayed in power for 14 years until he died from cancer at the age of 58, on March 5.

His vice-president and designated dauphin, Nicolas Maduro, is running the interim government until the next election, to be held on April 14.

In the meantime, checks and balances of Chavez’s legacy are up in the air as charisma alone does not keep one in power. So, what contributed to make Chavez such a popular leader is debatable.

The second son of six children, his poor family background resonated with many Venezuelans (poverty headcount ratio was 48.7 per cent in 1999, reaching 58.4 per cent in 2002) and on whom he built his father-like approach electorate. But above all, Chavez would not have been Chavez without the country’s immense oil wealth. It is on this particular point that his legacy is, at best, mixed.

The country holds the second top largest proven oil reserves after Saudi Arabia. It accounts for 9.6 per cent of foreign currency inflows, about 45 per cent of the national budget revenue and majority of reserves are from state company PDVSA and about 12 per cent of gross domestic product (GDP), making Venezuela a textbook example of a resource dependent country.

The net oil export revenue, which boomed from US$44.4 billion (RM144.5 billion in 1999 to US$660 billion in 2011), was the financial source of Chavez’s social programmes and development projects, mainly via Misiones Bolivarianas.

This comprised heavy subsidies into healthcare, education, food, transport and housing, inclusive of cash payments.

This is without mentioning the petro-diplomacy used by Chavez with countries like Bolivia, Argentina, Nicaragua or Cuba and other key countries in Central America and the Caribbean to sign agreements for “oil for goods and services”, or to bid its regional leadership and influence.

Without doubt, poverty has dramatically decreased from 23.4 per cent of the population recorded as being in extreme poverty in 1999 to 8.5 per cent in 2011 (out of a population of 28.3 million) according to official government figures. Gini coefficient stands now at 0.39 (0.54 in Brazil) from 0.46 in 1999 while gross national income per capita reached US$6870 in 2011 from US$4,105 when Chavez took office.

The country is now considered the “least unequal” in Latin America. While many social indicators have improved over that period, projecting a rather good image of Venezuela and its leftist sociopolitical scheme, this shadows a national (darker) reality of its success.

Indeed, solely focusing on these programme outcomes misses out their enormous price at the national level. The economy is in shambles: shortage of food supply, highest inflation rate of 31.5 per cent last year, 12.5 per cent in 2001, one of the world’s largest fiscal deficits and a ballooning budget deficit which remains difficult to evaluate as most of the national development investment programme spending goes through off-budget mechanisms such as Fonden, used as a cash-cow.

According to a special report by Reuters in September last year, Fonden accounts for one-third of all the investments in Venezuela.

The research company Capital Economics estimates the fiscal deficit to have stretched to nine per cent of GDP last year, whereas Morgan Stanley’s estimation reaches 12 per cent.

Barclays, in a report last July, commented that the total public deficit would reach 19.5 per cent of GDP. The foreign reserves have also so melted dramatically (40 per cent between 2009 and last year hitting a five-year low last year because of the direct export–earn dollar-transfers to social programmes.

It is certain that Chavez’s social policy had a serious crowding-out effect on the private sector. Much money has been wasted in favouritism and endemic corruption.

A black market economy has developed and the level of insecurity and violent crime rate has reached its peak record and can only be controlled by the military.

To uncover the public spending evidence of wastage is not difficult, especially when measured against the relative success of more pragmatic social democrats such as Brazil’s former president Luiz Inacio Lula Da Silva, and successor Rousseff Dilma. The better economic performance of Brazil, which also rides on its important oil endowment to push for aggressive pro-poverty policies such as Bossa Familia, highlights the limits of Chavez’s approach.

He failed to use the petrol money to develop a new and sustainable development model, based on a less reliant oil economy via an industrial restructuring.

Oil was the magic stick for Chavez to process his dreamed Bolivar revolution, but the curse has also started to occur.

Vital not to alienate local Suluk community

In Sarawak’s case, the local Chinese community then faced questions about divided loyalties to the country, since many among them drew political inspiration from what was happening in China. It was of utmost importance then for the authorities (and the multiracial population of the state) not to aggravate or induce a sense of alienation among the Chinese community.

It is to the credit of the nation’s top leaders then (the late prime minister Tun Razak Hussein, in particular, and top police officers) that full trust was placed in Chinese officers to go after an enemy that was from the same ethnic background.

There was no effort then to demoralise or tar an entire community because of the sins of a few.

Many uniformed officers from the Chinese community fought valiantly for king and country, aided by an army of civilian and undercover agents and informers, some of whom gave up their lives in the course of dangerous work within enemy lines, mostly unheralded.

The same high degree of trust, respect and sensitivity must now also be extended to Sabah’s Suluk community, which over the years has contributed greatly to enrich the political and economic life in the state. People from the community have as much a claim to be Sabahan and Malaysians as others even though some of their kith and kin from Sulu are now causing mayhem and destruction in the community.

While much anger among Sabahans is understandably directed at foreign intruders from Sulu, it will be counter-productive to the state’s best interests if a clear distinction is not made between the foreign trouble-makers and the local community forcibly made to host them.

The writer is a former Malaysian ambassador and a member of the United Nations Association Malaysia governing council.