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No sooner had Venezuelan President Hugo Chavez admitted, for the first time since the global crisis began, that the drop in international oil prices would seriously affect the country and force the government to adjust all its spending except that earmarked for social programs when he said he was ready "to step on the accelerator of the Bolivarian Revolution and not stop until we arrive at socialism."

The government ended February by imposing conditions and production goals on producers of necessary foodstuffs and began March by taking over several plants that process rice, a staple of the Venezuelan diet. The government also expropriated land to use for the social production of food or for low-income housing. It took control of ports and airports and nationalized a bank to obtain a financial institution it had not planned to seize.

Among those affected are multinationals such as US-based Cargill and Coca-Cola and the powerful Banco Santander, the second-largest company in Spain and the largest bank in the European Union (EU), as well as Alimentos Polar, the most popular business in Venezuela. However, Chavez seems to have chosen his enemies well because the three multinationals seem very willing to negotiate the amount of compensation they will receive.

Companies charged with ignoring production regulations

The decision to take over Cargill's and Polar's rice-processing plants followed two official complaints. In one, the government accused the entire sector, not just these two companies, of flouting regulations requiring that 80% of their production be white rice, which is subject to strict price controls.

The government said only 10% of the rice Cargill and Polar were putting on the market was the popular white rice. The other 90% was flavored varieties exempt from price controls and sold at higher prices, because they contain additional ingredients such as mushrooms, asparagus, saffron, chicken, and powdered sauces products that are scarce, costly, and have almost no popular appeal.

The other complaint said both businesses had been caught red-handed transporting contraband rice, when their trucks were unable to avoid an inspection before entering Colombia. In the neighboring country, rice sells for almost three times what it brings in Venezuela.

The government complaint was supported by Demetrio Fraile, vice president of the Asociacion de Productores del Sistema de Riego de Guarico (APROSIGNUA), who told Radio Nederland, "To make a profit, we have to resort to green trucks," a Venezuelan euphemism for food smuggling.

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The government said it was not planning to take over plants where Cargill produces cooking oil, flour, sugar, coffee, and other food products or animal feed, or Polar plants that produce a huge variety of foods, even more extensive than the US multinational. Chavez said the public's food supply is guaranteed. "We have 300,000 tons in storage and the monthly demand is 90,000 tons. We have the next three months covered and, after that, we can count on a harvest of 350,000 tons," said Carlos Osorio, national silo superintendent.

Since 2003, the government has set production limits on food-producing companies to which price controls are applied. The measure affects 12 products, including wheat-flour pastas, tomato sauce, sugar, cheese, coffee, oil, powdered and pasteurized milk, margarine, mayonnaise, and corn flour, as well as rice.

To ensure that these products reach low-income sectors, a state network, Mercados de Alimentos (Mercal), was created. The 16,000 distribution outlets throughout the country control 30% of the market. Mercal's task is complemented by PDVAL, a subsidiary of state oil company Petroleos de Venezuela SA (PDVSA), which distributes food through its network of gasoline stations (handling 5% of national consumption.)

Companies agree to compensation terms

Just after the news broke regarding the Cargill and Polar expropriations, the government unexpectedly announced that it had bought land in the lower-class Gramocen barrio. The land was owned by Coca-Cola and used to park distribution trucks that deliver to consumers in Caracas. That was followed immediately by the government announcement that it had expropriated 1,500 ha of land controlled by Irish multinational Smurfit Kappa, a world leader in box manufacturing, and another 2,300 ha from an unidentified foreign company.

The takeover of national ports and airports, run until now by state and municipal governments, followed. Then the government announced agreements with Banco Santander and Siderurgica del Orinoco, a subsidiary of Argentine-based Techint, the largest steel mill in the Andean area and the Caribbean, with an output of 4.3 million tons of liquid steel in 2007 (the last figures released by the company). Both companies agreed to the amount of compensation the Venezuelan government offered for the expropriations.

None of the foreign companies taken over or expropriated opposed the measures. Cargill said, "The government is fully within its rights as long as it negotiates a just compensation." Smurfit Kappa said, "The doors of our business are open for dialogue." Coca-Cola went further, acknowledging that the land it was using to park its trucks was "vital to the continued development of a government plan that has already built hundreds of low-cost houses, a school, a hospital, and other infrastructure necessary for the use of the neediest sectors."

Perhaps to get on the good side of the government, the multinational said in a communique that it "approves and supports the government's intention and its work to find alternatives for developing housing in the country."

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Venezuelan Groupo Mendoza, owner of Polar and, according to various political analysts, the major funder of the small political parties in which the Chavez opposition is dispersed, is the only company that decided to challenge the government decision. It promised to take its case to the Corte Suprema de Justicia (CSJ) and, if necessary, to international tribunals. Chavez responded to everyone with one sentence: "My gratitude to those who have had the use of those lands and businesses for their cooperation in negotiating. They will receive the compensation due them."

Third round of nationalizations

This is the third nationalization wave of the Revolucion Bolivariana. Starting in 2001, when the Ley de Tierras a measure that prompted the right to begin preparing for the April 2002 coup was written, the government began recovering private lands from those who could not show the chain of ownership for the last century and a half. The government thus acquired nearly 5 million ha, half of which it gave to some 200,000 campesino families under "agrarian letters" that authorized them to occupy and work their plots.

In 2007, the government bought the telephone and electric companies, both in foreign hands, making them state monopolies again. It also negotiated with cement-plant owners, including Mexican company CEMEX, Swiss company Holcim, and French company Lafarge, along with 20 oil companies that operated in the Orinoco Belt (Faja del Orinoco). The Orinoco Belt is an area of fabulous hydrocarbon reserves, where the Venezuelan state now operates in partnership with Argentine, Paraguayan, and Uruguayan state oil companies that were invited to participate "within the framework of our political solidarity," and without having to put up capital.

The third stage began with the nationalization of Siderurgica del Orinoco and Banco Santander and is continuing with the food companies, ports, and airports. After announcing the expropriations, the government rolled out a package of measures that ended with the admission that the global crisis and the drop in oil prices will affect all its plans. Among other things, it is reducing public spending by 6.7%, increasing from 9% to 12% the value-added tax (impuesto al valor agregado, IVA), and increasing the minimum wage by 20%.

While Victor Vargas Irausquin, president of the Asociacion Bancaria de Venezuela (ABV), said the measures were "very timely," in general, the only thing the government received from the business world was criticism. "This is a communist policy that is trying to control the means of production. None of the price-controlled articles are economically viable.Businesses cannot sell at fixed prices when, this year, we are seeing inflation that could reach 45%," said Eduardo Gomez, president of the Confederacion de Industrias (Conindustria).

"The measures are unacceptable state interference in private business and will end up ruining our producers," said Luis Carmona, Polar operations manager. "From now on, Chavez's strategy is going to be coercion. This is a time of crisis, and this is the least expensive option for the government," said Miguel Carpio, an economist with Banco Federal in Caracas.

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