

Venezuela and Corruption

The author of the article "*Curbing Corruption in Venezuela*" Gustavo Coronel has said that corruption in Venezuela has three main causes: motive, opportunity and impunity. Motive: "thousands of public employees who feel underpaid and distrusted by the community, feel that they might as well get what they can while they can". Opportunity: presented by the combination of "ineptness with lack of controls and administrative procedures, chaotic management and indifferent bureaucrats." Impunity: "No one is punished, no one is indicted". Coronel states that around \$10 billion have been stolen during Chavez's administration and no one has been made accountable.

Corruption can be defined as the use of a position of trust for dishonest gain for that person or third ones, and against the general interest of the institution or community. In general it is considered to be a corrupt behavior the abuse of power, the collection of illegal commissions and presents, the illegal contribution to finance political parties, total or partial fraud or evasion of taxes and bribery.¹

While corruption in Latin America is alarming, Venezuela has one of the worse Corruption Perception Index (CPI) of the region. The corruption perception index is calculated by combining two measuring methods. First, standard interviews are conducted among experts in corruption. Second, opinion polls are carried out among business executives and risk analysts. The information collected from the polls is less precise than the information collected from the experts, but it is valuable because it represents the general opinion in a particular country.²

According to Transparency International, the corruption perception index (CPI) score of Venezuela for the year 2002 was of 2.5. The ranges of the (CPI) are between 10 (highly clean) and 0 (highly corrupt). Venezuela is today the fourth most corrupt country in Latin America, only perceived as more "honest" than Ecuador, Haiti and Paraguay.³

Other indicators of the level of corruption and functionality of the political system are:

- **Accountability:** Public access to official documentation. The public has the right to know how public institutions apply the power and resources entrusted to them. – Transparency.

¹ "La corrupción desde una perspectiva económica", Corruption from an economic perspective, by Raimundo Soto. Universidad Católica de Chile. 01/03

² Transparency International (1999-2000) y Kaufmann, Kraay and Zoido – Lobatón (1999)

³ Fighting Chávez' Corruption, by Gustavo Coronel. Petroleumworld.com, 04/02/2003

- **Effectiveness of the government:** Ability of government officials to determined the problems of the country, to prioritise and to develop and implement efficient and successful policies in political, economic and social matters.
- **Respect for the law**
- **Control of corruption:** “Public servants need to know the basic principles and standards they are expected to apply to their work and where the boundaries of acceptable behaviour lie.” In addition, a legal framework should be available to understand the implications of engaging in corrupt behaviour. A legal frame should detail the process of investigation, disciplinary action and prosecution for cases of corruption”.⁴

In Venezuela, the political branch created to fight corruption, “**Citizen Power**”, is conformed by the Ombudsman Germán Mundaraín, the Public Prosecutor Isaías Rodríguez and the Comptroller General Clodosbaldo Russian, who according to several human rights organizations, were elected in a process that was unconstitutional as it did not include the opinion of civilian society as requested by law. The Citizen Power branch was created with the 1999 constitution. The Ombudsman is responsible for compelling the Government to adhere to the Constitution and laws. The Public Prosecutor provides opinions to the courts on prosecution of criminal cases and brings to the attention of the proper authorities cases of public employee misconduct and violations of the constitutional rights of prisoners or accused persons. The Comptroller General controls the revenues and expenses incurred by the government and watches over the national patrimony.

Since the appointment of Germán Mundaraín as the president of the Moral Council of the Citizen Power, Venezuelans are not alone in observing the inefficiency and corruption of this political branch. According to the 2002 Report on Human Rights Practices in Venezuela, published by the U.S. Department of State on March 31st 2003, the Venezuelan government rarely prosecuted perpetrators of extra judicial killings. The police often failed to investigate crimes allegedly committed by their colleagues and characterized incidents of extra judicial killings as "confrontations," even when eyewitness testimony and evidence strongly indicated otherwise.

The report also states that the Moral Council presided by Mr. Mundaraín, remained highly inefficient and sometimes corrupt. In the small number of cases in which the courts convicted perpetrators of extra judicial killings and other abuses, sentences frequently were light, or the convictions were overturned on appeal. Unlike common criminals, members of the security forces charged with or convicted of crimes rarely spent much time in prison.

⁴ “La corrupción desde una perspectiva económica”, Corruption from an economic perspective, by Raimundo Soto. Universidad Católica de Chile. 01/03

The U.S. State Department report also describes the abuse of power observed during the Chávez administration. The government conducted illegal wiretapping of private citizens. Government intimidation was a serious problem. President Chávez, officials in his administration, and members of his political party frequently spoke out against the media, the political opposition, labor unions, the courts, the Church, and human rights groups. Many of Chávez' followers interpreted these remarks as tacit approval of violence, and they threatened, intimidated, or even physically harmed several individuals from groups opposed to Chávez during the year 2002. The government abused its power to require television and radio stations to air numerous speeches by President Chávez, other government officials, and other programming favorable to the government, and by cutting the transmission of television stations that refused to air pro government material on April 9-11.⁵

There are countless requests to investigate irregularities such as: the oil agreement with Cuba, the connections of some government officials with the Colombian guerrillas, the uses of funds from "Plan Bolívar 2000", the uses of funds from the "FIEM", the donation of arms to certain "Círculos Bolivarianos" by government officials, and the massacre of April the 11th 2002 among many others that are still pending.⁶ Additionally there are recusations introduced against the Public Prosecutor and several judges from the Supreme Court for questionable behavior. The report published by the U.S. Department of State points out that many "judges are subject to influence from a number of sources, including the executive branch".⁷

Corporate Corruption

"Corruption in the Private Sector: Corporate entities -- corporations, trusts, foundations and partnerships -- are often misused for money laundering, bribery and corruption, shielding assets from creditors, tax evasion, self-dealing, market fraud and other illicit activities."

While much is written and discussed about corruption in the public sector, little light is shed upon corporate corruption in Latin America. Yet it is on issues related to this topic that populist leaders such as Chavez surge to power. When Chávez uses the term "oligarchs", for instance, he refers to the private sector which for years profited from Venezuela as a poor majority languished. While it was not the private sector's responsibility to redistribute the country's wealth, as free markets always allocate resources to the most efficient hands in capitalist societies, it was the government's responsibility to invest in education,

⁵ Country Reports on Human Rights Practices – 2002, by the Bureau of Democracy, Human Rights, and Labor. March 31st, 2003. U.S. Department of State

⁶ Poder Moral: ¿encubrimiento e impunidad?, Daily "El Universal", July 8th, 2002

⁷ Country Reports on Human Rights Practices – 2002, published by the U.S. Department of State on March 31st, 2003 (Venezuela)

health, and to provide incentives for the development of small and medium businesses and the diversification of the economy, which would have provided better opportunities to the country's poor. However, the private sector and government had developed a symbiotic relationship that allowed each other to grow and prosper, and no one was made accountable for the country's poor. Needless to say, both in Venezuela and in Latin America, the dynamics of that relationship are changing as the less privileged demand change.

For decades, corporations and governments have worked in tandem to provide economic growth and employment in most countries. However, certain alliances within Latin America and other developing economies created wealth disparities that aggravated social problems and led to social and economic crises. The rejection of corporate dominion over Latin America, where profit was queen, led intellectuals to lean on leftist, more equitable philosophies, even when they had no clue how to implement them.

“When the trumpet sounded, it was

All prepared on the earth

And Jehovah parceled out the earth

To Coca Cola, Inc, Anaconda,

Ford Motors, and other entities:

The Fruit Company, Inc,

Reserved for itself the most succulent,

The central coast of my land,

The delicate waist of America.

It rechristened its territories

As the “Banana Republics...”

(The United Fruit Company, Pablo Neruda)

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Today, corporate corruption is alive and well, especially in Venezuela, where draconian currency controls are forcing companies to purchase dollars in a flourishing black market. Moreover, the government's harsh treatment of the

private sector has forced many business executives to seek third party intermediaries for aid in collecting monies owed to them from the government.

Paying a “commission” to people close to the government, some businesses are willing to assume a partial loss rather than a total loss on outstanding debts.

Another recent example was the Reuters story of businessmen being approached by third party intermediaries offering to obtain dollars for them from the currency controls agency for a fee or commission. In yet another incident described by Mr. Gustavo Coronel, the government mysteriously shed fair bidding practices in favor of choosing companies in a quick and haphazard manner. The decision raised eyebrows, since it reflected the ages-old practice of choosing companies that swell the pockets of a few individuals (company plus government) instead of benefiting the country in any way. Added to these uncertainties is a lack of judicial security that has haunted investors and caused corporations to rethink their investment strategies in the country. At issue is not only who or what the law protects, but in many cases, who the judge favors for illicit reasons. While legal matters seem simple within the written legal codes, the actual bureaucratic process to gain the appropriate signatures and licenses is often “moved along” with gifts to the “right judges”. (In one memorable instance, a judge told a friend that he would sign the papers he needed for his business once my friend returned from the US with a leather jacket and a boom box for his children.)

International panels on corruption often lead to the philosophical question: what comes first, the corrupt individual or the corrupt act? Many Venezuelans will pay a small “fee” to avoid standing in an endless line for an identification card, for instance. (One person I knew paid it to get a driver’s license!) In this transaction, the bureaucrat receiving the fee is normally regarded as corrupt. But what of the individuals – the tie and pantyhose crowd – who are willing to pay it to make their lives easier? Some often compare law-abiding Americans and law-breaking Venezuelans, as if each nationality had inherent cultural characteristics that regulate personal behavior. But what of the American that drives 65 miles per hour in a Florida highway, and then flies down Latin American roads like a bat out of hell? While a philosopher might argue that the corrupt individual commits the corrupt act, we would rather lean on a more pragmatic theory: a lack of institutional norms and practices corrupt the individual, and this only leads to corrupt acts. Most Americans only abide by traffic laws because the US has a fairly strict system that punishes offenders with expensive fines, (both state and insurance), and even imprisonment for serious offenders. The Venezuelan government, on the other hand, does not strictly enforce speeding or traffic laws, prompting many to ignore them. Moreover, bribery of government officials is also a serious offense in the US, whereas in Venezuela, the practice of charging a fee for a government service is so commonplace that many just view it as part of the cumbersome bureaucratic process. While corruption exists in every country to some degree (including the US – Enron, etc.), the countries with the least amount of institutional norms often encourage individuals to seek illicit short cuts.

Solutions

A law only works if it is enforced, which implies that those who break it will be punished in some measure. The first step towards resolving corruption in Latin America is education, though education does not cure corruption. (Otherwise, some former Latin American presidents with Ivy League degrees would be far worse off than they are.) The most important cure for the disease of corruption is the creation of strong institutions that arduously monitor transactions. These would include mechanisms that detect and address those transactions that don't fall within pre-established norms. Those who break the laws would be punished to the full extent of the law, creating a deterrent for future violators.

Another important step would be to provide financial incentives that would deter government officials and workers from committing the corrupt acts. In some countries, for instance, police officers receive such low wages that they feel compelled to extort money to survive. Increasing salaries substantially and providing benefits would increase the value of that person's work to them, and decrease the chances that they would risk their careers for money. Again, this method would only work combined with punishment for violators. Otherwise, there is no incentive or deterrent to stop the negative behavior.

A serious flaw in Latin American society is that those who gain extravagant and visible amounts of wealth during their stays in power are often received into the upper classes with ease. Those who follow them in power often see their predecessor's new lifestyles, including expensive schools for children, yachts, trips to Europe, \$200 bottles of champagne at every meal as worthy goals for themselves. Rather than focusing on the governing task at hand, they view their stay in power as an investment for future gains, social and monetary. While there is no way to significantly impact this social scheme, (especially because of the prevailing collusion between the government and many old, wealthy families) the concept of "new money" needs to be replaced with "dirty money". Calling a spade a spade is the first step towards change, even if it causes social isolation. (This suggestion is only for the bold, which means that it will likely be ignored...)

Venues such as the Internet are valuable in promoting accountability and transparency, yet another important step towards solving corruption. When central banks or finance ministries place economic indicators and fiscal numbers on a public website, they are either forced to be a lot more creative in their accounting, or transparent. The Internet provides individuals, universities, multi-laterals, and corporations the resources and information they need to calculate how governments use resources. This tool would also be useful at more regional levels. If the state of Barinas, for instance, were compelled to publish their budgetary numbers on a public website, perhaps many people would be out of jobs, either because of incompetence or outright criminal behavior. Furthermore, G-7 countries like the US would best be served by tracking money flows from Latin countries into private accounts. Large sums of money or significant

purchases (real estate, etc.) should compel private banks to put up red flags. A published list of elected officials who hold private foreign bank accounts, along with their sums, should be made available during their terms in office.

Transparency International for Latin America (TILAC) has consistently worked to foment agreements between the private sector, civil society and the government to ensure that anti-corruption mechanisms are created and implemented. For Latin American countries, it is of particular interest the implementation of the Inter-American convention against corruption. By mid-2002, the committee of experts drawn from the member states agreed upon a questionnaire and a methodology to examine compliance with the convention in such areas as the declaration of income, assets and liabilities of public officials, and the effectiveness of oversight bodies. Venezuela is scheduled to be audited in July 2004 and has not confirmed its conformity with the date established by the OAS. Venezuela's audit team should include Jamaica and Chile.

Transparency International has also established contact with the Venezuelan organization "Mirador Democrático", the organizers of the International Seminar "*Poder y Corrupción*" (Power and Corruption), last March 27th 2003, sponsored in part by the Program for development of the United Nations.

The fight against corruption is gaining more and more support by the international community. Concrete evidence of this is the creation of the International Criminal Court (ICC), the new global, independent institution, whose main task will be to act where national judicial systems fail to fulfil their basic missions according to Moreno Ocampo, ICC's first chief prosecutor. The ICC will investigate and bring to justice ex-dictators who had abused their power and have secret banking accounts.

Needless to say that the appointment of Mr. Moreno Ocampo as a first chief prosecutor for the International Criminal Court is a step forward in the fight against corruption. Mr. Moreno was a member of the Board of Directors of Transparency International, President of Transparency International for Latin America, and President of "*Poder Ciudadano*" the Citizen Power, the Argentinean branch of Transparency International.

Mr. Moreno has implied that the violation of human rights and corruption are generally committed conjunctively. This observation certainly represents hope for the Venezuelan people. If it is true that Chávez has not been catalogued as a dictator, it is also obvious that his regime has become autocratic and repressive. Basic human rights have been violated according to respectful international organizations like Human Rights Watch. The conditions are given in Venezuela for Chávez and high government officials to take advantage of their control over institutions for private gain. Many Venezuelan senior government officials have stolen for decades, this is not news; however, today the Venezuelan people and the rest of the world have a better chance to see corrupt presidents be brought to

justice as international mechanisms are being designed to fulfil the role that local authorities have failed to perform for decades.

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