Leftist Populism and Sustainable Development in Latin America

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Leftist Populism and Sustainable Development in Latin America

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Abstract

Sustainable development still remains the best option to secure a viable future. Why are some leaders more prone to implement sustainable development policies than others, and does the leaders' political orientation affect such decision-making? Leaders are often faced with constraints that make them choose policies that do not necessarily lead to sustainability from an ecological point of view. This thesis addresses these issues by examining two case studies that involve an analysis of the sustainable development policies implemented by President Lula in Brazil and President Chávez in Venezuela and the constraints that have hindered them in doing so.
Chapter 1: Introduction

The world population is growing at a rapid pace, with nine billion people predicted to inhabit the Earth in 2050, which signify a continuous increase in the use and abuse of the Earth’s natural resources. The concern is not so much population growth itself but how more and more people expect higher living standards that are demanding more of the environment, without concern for a sustainable development. Successful sustainable development is to balance the need for economic growth and social equity against the need to protect the environment, while meeting the needs of the present generation without compromising the needs of future generations. In theory, sustainable development sounds like an easy option but it is more complex to put into practice.

This thesis examines whether leaders’ political orientation influence their propensity to implement sustainable development policies. It is worth mentioning that this thesis focuses on individual leaders’ political orientation rather than governments, since in many countries, including Brazil, there are coalition governments consisting of political parties with various ideological backgrounds. This thesis will specifically explore how inclined leftist leaders with populist tendencies are in implementing such policies. In an attempt to answer this, the case selection involves President Luiz Inacio Lula da Silva and President Hugo Frias Chavez in Venezuela. Qualitative and quantitative evidence of the policies implemented by President Lula since he was elected 1

A caveat is needed here. Leftism is a contentious term, since it is often perceived as intrinsically linked to socialism, and in some countries, socialism has a very negative connotation. Some would also disagree to use the same leftist definition for President Lula and President Chavez. There is a need to distinguish between the degrees of these leaders’ perceived leftism. On an ideological continuum, Lula is a moderate leftist leader that can be placed towards the center-left, and Chavez is an extreme leftist leader that can be placed to the far-left on the continuum. 2 Thereafter refer to as Lula. Many would also argue that Lula is not a populist, though in chapter two his populist tendencies will be established.

3 Thereafter refer to as Chavez.

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in 2002, and the policy choices of President Chávez since his landslide win in 1998 will be analyzed. The hypothesis of this thesis is that if a leftist populist leader is faced with public demands that can be overcome by short-term unsustainable solutions from an ecological point of view, then the leader will sacrifice the long-term goals of sustainable development.

Methodology

This thesis relies mainly on qualitative analyses and empirical evidence from a broad range of academic papers, news articles and government information. In general, measuring sustainable development is difficult because sustainable development policies are often implemented across different sectors and ministries. It may also be challenging to distinguish between policies that lead to long-term environmental sustainability and policies that solve immediate problems that are not sustainable from an ecological point of view. Sustainable development policies can be to make sure the population has access to safe drinking water, to sustainable employment programs and waste recycling measures. The United Nations Division for Sustainable Development has presented a set of 60 indicators divided into four themes (social, environmental, economic and institutional) to measure sustainable development. These sets of indicators are good reference points but there will always be variations in the interpretations of how the indicators fit within distinct government policies. This thesis will analyze policies that are believed to lead to long-term sustainable development, where the objective of sustainable

development is obtaining a perfect balance between social equity, economic growth and environmental protection. The analysis involves a framework that deals with the targets separately in order to determine the success rate of the sustainable development policies implemented by Chávez and Lula.

Brazil and Venezuela were chosen as case studies because the leaders share leftist political orientation and populist tendencies, though at different points across an ideological continuum. Lula can be placed to the center-left, while Chávez can be placed to the far-left. The countries were also chosen since they are located within the same region, share high levels of income inequality and skewed land distribution, and a history of powerful oligarchies and ruling elites. Both countries host the Amazon rainforest within their borders, in addition to have among the richest biodiversity in the world. The presidents have been in power long enough so that it is possible to conduct a qualitative analysis to give an indication of their policy choices, and to determine whether these policies are contributing to long-term sustainable development from an ecological point of view.

Leaders in general, and not only leftist populists, are often faced with constraints that make them choose policies they often know can produce positive results in the short-term but not necessarily their policy of preference or policies that lead to environmental sustainability. A wide variety of constraints have been identified and categorized into political constraints, social constraints, and economic constraints. This thesis will explicitly deal with the constraints that are perceived as most prevalent in hindering Chávez and Lula in implementing sustainable development policies. The prevalent constraints that also serve as independent variables will be presented in the respective
chapters on Brazil and Venezuela. Since there exist a wide range of constraints that can hinder a leader in implementing policies, Table 1 identifies several other possible constraints than only those that relate to the case studies.

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Review of the literature

Sustainable Development

Sustainable development has been on the agenda for nearly 20 years, from the publication of the United Nations report "Our Common Future" 1987, to the Earth Summit in Rio in 1992 and to the World Summit on Sustainable Development in Johannesburg 2002. Scholars, development practitioners, governments, NGOs, grassroots groups and economists have all discussed sustainable development from many angles. Some leaders are more prone to implement sustainable development policies than others. The purpose of this thesis is to establish whether leaders' political orientation affect their propensity to do so. After reviewing the literature, it appears there has been little focus on whether leaders' political orientation has any effect on their propensity to implement sustainable development policies. After reviewing the literature, it appears that there has been little focus on whether there is a correlation between leaders' political orientation and the propensity to implement sustainable development policies.

Most scholars agree that sustainable development is an excellent concept in theory but difficult to put into practice. M. Shamsul Haque is skeptical of governments actually implementing sustainable development policies, since the leaders are all affected by "individual prejudices, political predilections and vested economic interests." Robin Sharp emphasizes more directly how governments are bound by their limited time in power, and how they will choose short-term policies that will get them reelected: "jam

today will buy more votes than ovens for bread tomorrow," rather than planning long-term. Political orientation is not mentioned specifically but there seems to be widespread agreement that democratic processes are required for sustainable development to be successful, which implies direct participation at all levels of society. Thus, empowering ordinary citizens is the only way forward to achieve sustainable development, and the people who will be impacted must assist in drafting the sustainable development policies and not only expected to follow policies implemented from above. Governments should allow for such bottom-up approach that could be seen as a prerequisite for sustainable development.

In order for developing countries to achieve sustainable development, Pearce and Warford claim that they do not have to follow in the environmentally degrading development footsteps of the North. Developing countries should learn from past experiences and choose development that does not lead to lost economic output over a degraded environment and poor natural resource management. Pursuing growth strategies without assessing whether the same objectives can be achieved at less

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7 Holmberg, Making Development Sustainable, 37.
8 See Ibid.
10 Holmberg, Making Development Sustainable, 30.
11 Barkin, Economic Integration versus Sustainable Development, 4.
12 Here, the term "North" refers to developed countries, or what used to be perceived as the West when the main dividing lines in the international system were between the East and the West. With the end of the Cold War, this shifted to a North-South divide, where the North includes primarily North America, Europe, Japan, Australia and New Zealand.
environmental cost is not rational. Governments should therefore implement rules to ensure that economic development occurs where actors set environmental protection as a prerequisite for economic growth, preferably as part of law. Unfortunately, there seems to be a lack of political will to do so. On the other hand, some believe the remedy for achieving global sustainable development is that people of developed nations reduce their consumption patterns. That is highly unlikely because many do not see any moral concerns regarding the extent of their ecological footprint. Factors that are more likely to actually impact individuals to reduce their consumption levels include tangible measures such as soaring gas prices, high commodity prices, government taxes, unemployment and inflation.

Governments should also be instrumental in redistributing wealth among their citizens, reducing inequality, and hopefully thereby alleviating poverty, since it is widely agreed that poverty and environmental degradation go hand in hand. Unfortunately, in many countries the state is too poor to care for the basic needs of their citizens, and the long-term goal of sustainable development is not on top of the agenda. Since the poor are

14 Pearce and Warford, World without end.
17 “The ecological footprint is a resource management tool that measures how much land and water area a human population requires to produce the resources it consumes and to absorb its wastes under prevailing technologies.” Global Footprint Network, “Ecological Footprint Overview,” http://www.footprintnetwork.org/gfn_sub.php?content=footprint_overview
19 See Barkin, Economic Integration versus Sustainable Development, 3.
believed to be the first to suffer from environmental degradation, there is a tension between how governments tend to adopt policies that are unsustainable from an ecological point of view, as a short-term way to improve the lives of the poor. Where this is the case, the poor often become advocates of more environmentally resourceful management. To overcome this inconsistency in their policy choices, it must become more natural for leaders and governments to embrace environmental protection as a prerequisite for not only economic growth but also for policies that lead to social progress.

**Populism**

Much has been written on populism and populist leaders, from issues of classical populism, to neo-populism, and from macroeconomic populism to petro populism. There seems to be consensus that a populist leader has a charismatic personality, and as a result he has mass appeal. Historically, populist leaders have opened the political arena to broader citizen participation that included giving marginalized groups the legal right to...

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21 See Korten *Conventional versus emergent alternative wisdom*, 65-74.
22 See Taggart, *Populism*.
vote. There is no clear consensus to whether populism constitutes an ideology or whether it is a political philosophy. Since classical populism and neo-populism span across governments that are leftist and conservative, populism cannot constitute a separate ideology and this thesis will therefore not treat it as such.

Populist actions are often reactions to domestic demands from the masses. A head of state that governs following a populist program is therefore likely to implement policies to please the masses that want to see sudden change. As a result, the leaders will choose policies that give immediate results. That is not synonymous with sustainability. To give people money to buy food will give short-term immediate food security but without investing in and overcoming what is actually causing the food shortage, will not promote sustainable development. In general much is said about populists and the implementation of social and economic policies, though little is mentioned about how a populist would respond to environmental policies. This thesis will attempt to fill that gap in the literature.

The unequal distribution of resources is believed by many to be part of what has brought populists to power. Populism is about empowering and representing the masses, and the populist leader portrays himself as being one of the people against the elite. Populist leaders have also been thought to undermine government institutions and democratic rule, since populism as defined by Kenneth Roberts, is perceived to thrive under and exacerbate conditions of institutional fragility. By 2005, many fear a

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26 Mayorga, Outsider and Neopopulism, 1-27.
27 This thesis refers to the populist leader as male because in the Latin American context the majority of populist leaders have been men.
29 Kenneth Roberts, “Populism, Political Conflict, and Grass-Roots Organization in Latin America: A
resurgence of populism in Latin America, which is perceived a threat to democracy in the region. There are differences between Chávez’s populism also referred to as Chavismo and more moderate populists such as President Lula in Brazil. Kurt Weyland claims that populism and neo-liberalism are compatible and that neo-liberal populism remains a viable strategy in present-day Latin America. On the other hand, if populists are a threat to democracy, and since democracy is believed to be a prerequisite for successful sustainable development, populism may turn out to be a negative for sustainable development. The analysis of the case studies will establish whether this is the case.

Policy significance

Establishing whether leaders’ political orientation affect their propensity to implement sustainable development policies, and highlighting the constraints that may play a decisive role, have policy significance since it would give decision makers better insight in how to improve their sustainable development agenda, and at the same time give voters a better understanding of the actual priorities of different leaders. This thesis is also very timely because of the current political trend in Latin America toward leftist governments and the upcoming 2006 elections across the region where many of the leftist candidates are favored to win. There is also widespread international skepticism towards

Comparison of Fujimori and Chávez,” Department of Political Science, University of New Mexico, 3, available at http://falcon.arts.cornell.edu/Govt/faculty/Roberts/populism.05.comparative.politics.pdf.


Mayorga, Outsider and Neopopulism, 1-27.

Hawkins, Populism in Venezuela, 1137-1160.

Weyland, Neopopulism and Neo-liberalism, 1-22.
leftist governments and especially leftist populist leaders. Providing a better understanding of how leftist leaders with populist tendencies implement sustainable development policies might actually change how they are perceived. Finally, this thesis may provide an understanding of how demands for economic growth can be better incorporated into the concept of sustainable development, thereby making economic development “green.”

Sustainable Development Policies

Sustainable development is a complex concept that received international recognition and was put into force in “Our Common Future” in 1987. Here, sustainable development was defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”34 Theoretically, it is easy to understand the importance of sustainable development but that does not imply that it is easy to put into practice. For this reason, it is important to clarify the ideals of sustainable development. In its simplest form, sustainable development is about improving people’s quality of life, while preserving natural resources for future generations. This signifies a continuous pursuit of development, both economic and social, while at the same time protecting the environment. The stated goal is “the improvement of human wellbeing and more equitable distribution of resources across and within societies.”35

There is now widespread recognition that there is a connection between poverty and environmental destruction. Poverty is seen as the greatest enemy of the environment because it forces both people and governments into opting for short-term economic goals, thereby creating a vicious circle of poverty and environmental degradation. This circle is what sustainable development is attempting to overcome. Poor people are dependent on natural resources, not only for food but also as their primary source of income. As a result, achieving poverty alleviation requires a healthy environment. Unfortunately, many governments that adhere to neoliberl economic policies will choose economic growth over concerns for the environment. Such economic policies lead to immediate revenue but as the environment is placed under continued stress, policies that are not ecologically sustainable may not present future long-term revenue. That is not to say that all economic growth is unsustainable, as long as economic policies place environmental protection as prerequisite for growth. Sustainable development was also the main theme at the United Nations Earth Summit in Rio in 1992 culminating in the Agenda 21, which constitutes a proposal on how to execute sustainable development policies. Brazil is implementing its own national sustainable development strategy, the Brazilian Agenda 21, whereas Venezuela does not yet have one. The gist of Brazilian Agenda 21 relates to finding the perfect balance between environmental protection, social

36 Short-term economic goals can be anything from economic liberalization, irresponsible redistribution from an ecological point of view, or depleting natural resources.
37 Rosenberg, Trade and the Environment, 129.
38 Ibid.
equity, and economic growth. The main goal for any sustainable development policy is overcoming trade-offs between these different targets. The relationship between the three targets will depend on the policies adopted. This relationship will become more evident in the analysis of the situation in Brazil and Venezuela. Before exploring the policies implemented by President Lula and President Chávez, it is important to introduce previous populist leaders in Latin America, and how their experiences may have shaped the populist leaders of today.

Outline

In chapter two, the existing theories of populism are presented in a general analysis that focuses on the history of populist leaders in Latin America, and specifically previous presidents with populist tendencies in Brazil and Venezuela. In chapter three sustainable development policies implemented by President Lula will be analyzed including the constraints that prevent him in prioritizing or choosing such policies. Chapter four will include a similar analysis of the sustainable development policies chosen by President Chávez in Venezuela. In chapter five, the performance of the leaders will be outlined including the constraints that have been most prevalent in preventing successful implementation of sustainable development policies.

Chapter 2. Populism

There is no accepted definition on populism, though some factors are frequently associated with it. The populist leader is charismatic, he has mass appeal and he
challenges the status quo. Populism is not restricted to one particular ideology but is apparent in left, center and right-leaning leaders. Populism is a disputed political philosophy, which as Julia Buxton sees as a "highly negative, extremist development or alternatively as a force for progress and reform." As a force for progress, populism is known to open the political scene to a wider variety of political actors. Populist leaders also promise to reform societies to improve the lives of these actors, something traditional politicians are believed to have generally ignored. In return for political support, the populist leaders will reward voters with policies that are favorable to their subjective interests, such as the right to unionize or access to welfare systems. In order to do so, the populist has been known to redistribute resources. For these reasons the populist leaders are often very popular, which accounts for President Lula's election in Brazil and President Chávez's ability to stay in power for almost eight years in Venezuela.

The main criticism against populism is that it is believed to cause "institutional underdevelopment", since populist leaders have not been known to favor strong institutions that would limit their power. Populism has therefore been regarded as a threat to democracy. As a result many scholars believe that populism is incompatible with democracy. It is worth noting that there is a contention regarding different approaches to populism.

43 Buxton, Hugo Chávez and Populist Continuity in Venezuela, 1.
45 Dornbusch and Edwards, The Macroeconomic of Populism in Latin America, 152.
interpretations of democracy. The "Western" interpretation of representative democracy does not necessarily function in all societies and cultures and some, including President Chávez, believe that the Rousseauian model of direct democracy that favors strong leadership and weaker institutions is more adequate and effective.\textsuperscript{46}

Some scholars have focused particularly on populists and their economic policies,\textsuperscript{47} since the most contentious issue regarding the success rate of populist leaders has been their choices of such policies. These economic policies have often been perceived as irresponsible because of a tendency to overspend, eventually ending up draining state resources. Evidence shows that many of the populist leaders in Latin America did indeed overspend. This is a trait that some recognize in Chávez's economic policies Julia Buxton argues that reckless spending is why most populist governments fail, and why the Chávez government will not prevail.\textsuperscript{48} The purpose of overspending by populist leaders has often been seen as positive, since substantial resources are usually spent on social programs and improving the lives of the marginalized in society. Unfortunately, a government that is spending above its means while ignoring fiscal deficits and decreasing foreign exchange reserves will eventually be held accountable. That is not to say that no populist can control their spending but with institutional weaknesses that are often prevalent where a populist is in power, there are few checks


\textsuperscript{47} In 1991, Dornbusch and Edwards set forth a paradigm of economic populism based on the assumption that populism emphasizes growth and income redistribution, and deemphasizes macroeconomic policies such as risks of inflation and deficit finance. The authors warn that populist policies ultimately fail with large costs to the people they were supposed to be helping. The authors argue that this is the case even though populists implement ambitious economic programs aimed at "redistributing income, generating employment and accelerating growth." Dornbusch and Edwards, The Macroeconomics of Populism in Latin America, 9.

\textsuperscript{48} Buxton, Hugo Chávez and Populist Continuity in Venezuela.
and balances that can monitor the expenditures of the government, and deter the economy from entering into recession.

There has been a tendency to focus primarily on whether the populist leader can achieve economic growth in real numbers, while the literature fails to take into consideration other achievements that contribute to the wellbeing of a nation and its people. If the focus is instead on sustainable development as a prerequisite for drafting economic policies, which include social progress and environmental sustainability, in addition to economic growth, it may be that populist economic policies are not always doomed to fail.

**Populism in Latin America**

In recent years there has been a trend towards democratically elected leftist leaders with populist tendencies in the Latin American region that have gathered support from the masses by declaring himself as one of them. The leftist populist leader promises to improve their quality of life, something that predecessors and the opposition have been reluctant to or incapable of accomplishing. President Lula may be considered the moderate leftist leader in Latin America, and President Chávez is perceived as far-left along the lines of Cuban President Fidel Castro. Other leftist leaders include Tabare Vazquez who was elected president of Uruguay in 2004 and Evo Morales who was elected president of Bolivia in 2005. Ollanta Humala won the first round in the 2006 presidential elections in Peru and is predicted to win the second round, and the former Mayor of México City, Andrés Manuel López Obrador, a populist leftist candidate, is
predicted to win the 2006 presidential election in Mexico. This leftist trend may be a result of common problems facing these countries, and past unsuccessful experiences with conservative neo-liberal governments.

Populism in 20th century Latin America

During the 20th century, Latin American populist leaders shared aspirations of national economic independence, breaking semi-feudal structures and promoting social justice that included improving the quality of life for those that had been regarded as insignificant by previous leaders. The populist leaders were able to win elections mainly because of rapid urbanization when millions of rural poor people moved to the cities as a result of industrialization. Unfortunately, social programs did not expand at the same rate and slums emerged in cities all across the region, widening further the gap between rich and poor. Famous Latin American populists include authoritarian presidents Getulio Dornelles Vargas in Brazil and Juan Peron in Argentina, socialist President Salvador Allende in Chile and neo-liberal President Alberto Fujimori in Peru. The region’s history of economic instability and hyperinflation has convinced most

49 The leftist trend involves governments that portray political ideology influenced by socialism. Other leftist leaders in the region include President Michelle Bachelet in Chile who was elected on an center-left platform in 2006, and President Nester Kirchner in Argentina who has been in power since 2003.

50 Common problems include social inequity, poverty and hunger, lack of land reform, environmental degradation and resource depletion, unemployment, unregulated foreign direct investment, financial restrictions, economic recession and hyperinflation, political instability, lack of transparency in public life and corruption.

51 Taggart, Populism, 60.

52 Conniff, Populism in Latin America, 8-9.

53 Peron and Vargas favored import-substitution industrialization (ISI) and introduced policies empowering the worker class, Fujimori embraced neo-liberal economic policies, and Allende undertook radical redistribution measures including a radical land reform. All four leaders share political demise. Fujimori had to resign and is currently in jail, Allende was assassinated, Vargas committed suicide when faced with a military coup to overthrow him and Peron was overthrown.
governments of the need to emphasize macroeconomic prudence. This has created a new
generation of populist leaders that "believe they need to have an open economy in order
to develop economically." Leaders that demonstrate classical populism and at the same
time embrace neo-liberal market reforms are referred to as neo-populists. 55

Populism in Brazil

The right-leaning dictator Getúlio Vargas is regarded as the first populist leader in
Brazil. 56 The 1930 revolution that brought him to power saw the downfall of the
oligarchy in Brazil, and was a sign of economic change involving modernization,
centralization and import-substitution industrialization (ISI), 57 which lead to massive
migration from the countryside and the creation of a new large urban worker class.
President Vargas wanted to improve their situation by distributing resources more
broadly and implementing social legislation. Despite little documented efforts to actually
improve their quality of life, Vargas' use of pro-labor rhetoric in continuous radio
speeches and public appearances created an image of him as the "father of the poor." 58
Because of this rhetoric, Vargas became highly unpopular with the elites that resented the
President's integration of the urban worker class into the political system, since it would
cause them to lose political control.

51 David Luhnow, "Latin America's Left Takes Pragmatic Tack To Reduce Poverty, New Leaders May
Have To Sell Economic Changes to a Skeptical Public," Wall Street Journal, (March 2, 2005), available at
55 Buxton, Hugo Chávez and Populist Continuity in Venezuela.
56 He led the country from 1930 to 1945, and between 1951 and 1954.
57 Roberto P. Guimaraes, "The Ecopolitics of Development in the Third World: Politics & Environment in
The reason for his demise involved his economic policies. Vargas introduced interventionist economic models that included excessive regulation and nationalization, which according to Dornbusch and Edwards “distorted the allocation of resources and negatively affected potential output.” Instead of addressing the issue of wealth distribution directly, populists chose to print money to keep people content in the short-term, which contributed to a legacy of inflation that continues to be a common challenge facing governments throughout the region today.

The rule of populist leaders in Brazil ended with the military coup in 1964 that was set off by massive rural political mobilization. After return to civilian rule in 1985, the masses regained political representation through neo-populist candidates such as former President Fernando Collor de Mello and President Lula. Collor de Mello attained office in a typical populist manner by appealing to unorganized masses. He restructured the economy following a market-oriented model but failed to control inflation. This caused economic recession that ended in massive public outcry resulting in his impeachment on corruption charges in 1992.

President Lula is usually defined as a moderate leader with a socialist background that has turned more to the center of the ideological continuum after coming to power. To some he is now even perceived as conservative. Lula is less frequently referred to as a populist than Chávez but he did demonstrate populist tendencies during his election.

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61 From 1964 to 1965 Brazil was ruled by a succession of military governments, after the military overthrew President João Goulart in 1964 because it perceived him as becoming too leftist.
campaign when he strategically targeted the poor voters with promises of poverty alleviation by implementing comprehensive social programs. He also promised to end corruption and thereby changing the status quo. In a country where voting is obligatory by law, the poor constitute a large part of the voting mass, and by specifically using pro-poor rhetoric and portraying himself as one of them, Lula became the representative of the poor. A few months before the election, Lula realized that his voting base would not get him reelected and he pledged to continue the neo-liberal economic policies that were already in place. Since then, Lula's populist tendencies were diluted. Now that the economy is restored, Lula again reveals his populist tendencies and has promised massive spending on social programs, which may be the winning strategy to get reelected in December 2006.

Populism in Venezuela

President Chávez is a classical populist but he is not the first populist in Venezuela. President Rómulo Betancourt became the provisional president after a military coup in 1945, which was led by representatives of worker and peasant organizations. Betancourt supported the same policies as Vargas of rapid modernization and centralization. He implemented interventionist policies to assume control of the oil industry as part of his support for nationalization. The government collected half of the profits generated by oil companies, which allowed President Betancourt to allocate ten percent of the federal budget to the Venezuelan Development Corporation. The

64 President Betancourt served two terms as president on behalf of the Democratic Action Party, from 1945 to 1948 and from 1959 to 1964.

65 It was created to protect domestic industry from foreign competition.
President's Democratic Action Party presented a political platform referred to as the Trienio legacy that included introducing universal suffrage and widespread social reforms. The fundamental ideas of the Trienio legacy are still existing in Venezuela today in the form of direct and secret voting; agrarian reform; free universal free education; nationalization of the oil industry, and extensive public spending on social programs. Another similarity between Betancourt and Chávez is the highly centralized political structure and strict measures against internal opposition. President Betancourt is famous for his use of sharp language, and his political party is legendary for transforming political discourse in Venezuela. President Chávez uses the same speaking style in his weekly talk show “Aló Presidente,” and he has also continued the Democratic Action Party's glorification of Latin America's liberator, Simón Bolívar.

Populist leaders are highly responsive to their constituency. If the voters want immediate results, the populist leader is likely to cater for such demands and not necessarily take into account environmental sustainability unless it is a specific demand from the public. As an example, social policies may indeed feed people but not always be as pragmatic, since the quest for immediate results is short-term and does not necessarily create long-term improvements. Whether populist tendencies act as constraints to the implementation of sustainable development policies in Brazil and Venezuela will be addressed below.

66 Conniff, *Populism in Latin America*, 129.
67 Simón Bolívar was a renowned general, also referred to as "the Liberator" of Latin America. He defeated the Spanish and secured independence for Bolivia, Panama, Colombia, Ecuador, Peru and Venezuela from 1807 to 1825. President Chávez cites him in speeches, calls himself a Bolivarian patriot, and has renamed the country the Bolivarian Republic of Venezuela.
Chapter 3: Brazil

Brazil is a Federative Republic where Brazilian politicians, serving as national legislators, are believed to favor state and municipal interests over national interests. As a result of the highly decentralized political system it is difficult for a president to implement top-down national policies, including sustainable development policies, to be embraced on the local level. Brazil has a highly fragmented multi-party system with more than ten political parties represented in Congress. The Lula government does not control Congress and must create and maintain coalitions to get things done. People and politicians are not party conscious, so that, in a typical four-year Congress period, more than one in three federal legislators will switch parties, some more than once. As a result the system is highly unpredictable because it is not easy to know where alliances lie. This volatility and the close impossibility of controlling majority in Congress constitute major constraints on the president’s ability to implement policies. This is not a new problem in Brazilian politics, and previous presidents have also struggled with these challenges.

The Lula Era

President Lula's background is similar to his constituency. He comes from a working class family with little formal education. He worked his way up in life as a metal

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68 Brazil has a federative political structure consisting of 27 states and 5,562 municipalities.
worker to become president of the Steel Worker’s union in 1978, and moved on to a political career in 1982 representing the Workers’ Party (Partido dos Trabalhadores-PT). After three failed attempts at the presidency, Lula hired the marketing guru Duda Mendonça to revamp his image in the 2002 campaign. Lula went from coming across as a laborer to portraying a softer image looking smart in fancy suits, and adopting the slogan “Lula, Peace and Love.” The image change appealed to a broader electorate including the middle class and business people. Lula’s main election promises to improve income distribution and alleviate poverty still appealed mostly to the poor. Out of fear of losing votes from the business community and the middle class, two months before the election, Lula issued a “Letter to the Brazilian people,” where he reiterated his intention to respect existing economic commitments. President Lula was no longer perceived as the radical “leftie” and was able to form alliances across the political board that won him the presidential election in 2002. During his first years in power, the economic policies showed little influence of leftism. This disappointed Lula’s supporters but pleased his opponents, who apparently had feared the collapse of the Brazilian economy. The people who voted Lula into power had large expectations of him to be the first president that would actually represent the poor. They believed he would be able to combine monetary

71 The Workers’ Party (PT) was founded in the 1980s based on socialist principles with the aim of limiting the power of the leaders and making them accountable to the approximately 600,000 party members.
73 This included Brazil not defaulting on its debt to the International Monetary Fund, which President Kirchner had done in Argentina. Branford Sue and Kucinski, Bernardo with Wainwright, Hilary, “Politics transformed: Lula and the Workers’ Party in Brazil,” London: Latin America Bureau, 2003.
74 This even included the rightwing Liberal Party,
stability with social policies as set forth in the “Buenos Aires Consensus,” thereby offering a real alternative to neo-liberalism.75

The perception of Lula as a moral man is believed to have helped him win the election.76 However, this perception was distorted by a large-scale political scandal within his Workers’ Party in 2005. The scandal involves allegations that Workers’ Party officials used illicit cash to pay for the Party’s campaigns and to buy loyalty from congressional allies. The scandal extended all the way up to the President’s chief advisor, Jose Dirceu, who had to resign. In March 2006, the Minister of Finance, Antonio Palocci, also had to step down over corruption charges,77 and there is disagreement whether Lula was aware of what was going on. The scandal is obviously affecting Lula’s popularity, though he is still slightly leading the polls ahead of the election in October 2006.78

Sustainable Development

Former President Cardoso signed Brazilian Agenda 21 in July 2002 in preparation of the World Summit on Sustainable Development in Johannesburg. The Brazilian Agenda 21 is now part of the Government’s Pluriannual Plan (PPA) 2004-2007 where national expenditures are drafted, and it has become a key instrument in creating public

77 Antonio Palocci finally resigned on March 27 after it became known that the Finance Ministry had violated bank secrecy laws in order to find information about a witness in a bribery investigation. Prior to this, Palocci’s links to former lobbyists were also under scrutiny.
policies. The objective of the Brazilian Agenda 21 is finding a perfect balance between economic growth, social equity and environmental protection achieved through natural resource management and conservation, social inclusion and income distribution. Local Agenda 21 policy papers have been drafted throughout the country bringing together government, private sector and civil society. Unfortunately, policy papers do not create action by themselves, and strong leadership and political will on national and local levels are needed to make sustainable development happen.

Constraints

Not all constraints that were identified in Table 1 are relevant in the case study of Brazil. The main constraints hindering Lula in implementing sustainable development policies are political in nature. An example is the political structure, which creates coalition governments that will not always agree on policies. When the coalition government lacks majority in Congress, it is challenging for a president to get support for his policies. The other major prevalent constraints facing Lula are identified in Table 2. The effects of these constraints on the implementation of sustainable development policies will become apparent in the following empirical analysis.

79 The constraints that are not of main importance include political constraints such as the electoral system, foreign policy, and international commitments; economic constraints include the nature of global economy, privatization, currency, informal sector employment, taxation, high energy use, and subsidization; and social constraints include illiteracy, health status and gender inequality.
Table 2. Prevalent constraints that hinder Lula in implementing sustainable development policies in Brazil

<table>
<thead>
<tr>
<th>Political Constraints</th>
<th>Economic Constraints</th>
<th>Social Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and institutional structure</td>
<td>Public debt</td>
<td>Poverty</td>
</tr>
<tr>
<td>Decentralization and local politics</td>
<td>Budget restrictions</td>
<td>Income inequality</td>
</tr>
<tr>
<td>Upcoming elections</td>
<td>External creditworthiness</td>
<td>Skewed land distribution</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>Export promotion</td>
<td>Lack of land reform</td>
</tr>
<tr>
<td>Elite and corporate interests</td>
<td>Foreign Direct Investment</td>
<td>Geographical area</td>
</tr>
<tr>
<td>Lobbying</td>
<td>High interest rates</td>
<td>Population size</td>
</tr>
<tr>
<td>Presidential power</td>
<td>High cost of capital</td>
<td></td>
</tr>
<tr>
<td>Corruption</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legacy of predecessor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Social Equity

The firmly established inequality is still among Brazil’s greatest challenges. This social inequality involves skewed income and land distribution that serve as major constraints to the effectiveness of Lula’s implementation of sustainable development policies. With a Gini coefficient of 59.7 in 2004, Brazil has not only the highest inequality in the region but is among the worst in the world.

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80 This is directly affecting 37.5 percent of the population that is considered poor. ECLAC, “Part one: Indicators of economic and social development in Latin America and the Caribbean,” Statistical Yearbook for Latin America and the Caribbean 2004, 118, available at http://www.eclac.org/publicaciones/Estadisticas/4/4LCG226/Pt1.pdf.

Social Programs

President Lula started his term in 2003 by implementing social programs such as Fame Zero (Zero Hunger) that aims at eradicating hunger by providing three meals a day for the 44 million eligible people of the nation's poor. President Lula continued by introducing Bolsa Família (Family Fund), which consolidates four social programs operated by several ministries, now controlled under the Ministry of Social Development. Bolsa Família attempts to give families the means to leave poverty and will pay up to $33 a month to the poorest families. Participation in the program is contingent on parental responsibilities that include attending regular health check-ups and receiving necessary vaccinations, in addition to ensuring adequate levels of nutrition, and school participation for all children. Internationally, Bolsa Família is perceived as a good example of a new generation of social programs termed "conditional cash transfers" (CCTs), and has received $572 million from the World Bank to expand and improve. On the other hand, the program has faced criticism since some people will be content living on the small benefit they receive, which may cause dependency rather than sustainability. Overall, the poor are positive towards Bolsa Família and more than 9 million families are already benefiting from the program. More recipients are expected since the government has promised to allocate more funds to social projects. In 2005, social spending increased by $3 billion to $7.4 billion in 2005, with the goal of reaching $9.5 billion in 2006.

further improve the situation of the poor, the government has also raised the minimum wage. Overcoming poverty and inequality in Brazil requires long-term investment. The initiatives that Lula has introduced so far are promising and can lead to improved outcomes in school attendance and nutritional and health status in the coming years.

Land Reform

Land reform is an important issue to Lula’s constituency, and important to achieve sustainable development. Brazil has a highly skewed landownership where only three percent of Brazil’s population controls 66 percent of the land. A well-monitored land reform system may lead to environmental sustainability since less people will illegally chop down forest to get land. Putting this into action has not been as easy because of resistance from landowners and the delay in creating a thorough land title registry. One of the most powerful interest groups in Brazil, the Landless Workers’ Movement (MST) demands sustainable agrarian reforms and has successfully pressured the government to agree to settle a total of 400,000 families by the end of 2006. The dilemma is that sustainable land reform is expensive and will continue to require a

85 Since Lula took office in 2003, the minimum wage has increased 25 percent. The Economist, “Lula’s Leap,” (March 2, 2006), http://www.economist.com/displayStory.cfm?story_id=5781770
87 Sustainable land reform includes access to credit, infrastructure, technical assistance and access to market.
significant role for the government, which is a challenge for any government. The Lula government does not control Congress, and its broad-based coalition includes political parties that have historically been against agrarian reform, which makes it close to impossible for the President to fulfill MST demands. In an attempt to introduce sustainable land reforms as demanded by the MST, the government's family agriculture program (Pronaf) guaranteed to assist over 800,000 rural inhabitants with credit and research. The intent is good, and with more extensive law enforcement that ensures environmental protection, it may lead to long-term sustainable development.

**Economic Growth**

From 2003 to 2005, Brazil ran record trade surpluses, primarily as a result of an increase in exports of agricultural products. Inflation has been moderate; wages are rising, while unemployment was 8.3 percent in December 2005. Brazil still remains vulnerable to sudden shifts in the world economy, mainly due to the government's public debt that increased steadily from 1994 to 2003, before falling to 51.6 percent of GDP in December 2005. The public debt is still high and will continue to pose a constraint on whether the Lula government will be able to implement sustainable development policies.

Many of Lula's left-wing supporters believed that he would renegotiate Brazil's foreign loans and at the same time revamp the economic system to foster more economic growth.

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91 Bevilaqua, Brazil: Recent Economic Developments, 2006.
growth. This way the government would have enough money to implement social policies, while at the same time preserve Brazil's rich environment. The Lula government inherited an economy that was under-performing\(^2\) and saw no other alternative than to continue the economic policies of his predecessor President Fernando Henrique Cardoso.\(^3\) Lula staffed key economic posts with bankers and people of the previous government to restore confidence in the economy, since lost creditworthiness implies lost foreign direct investment and lost government revenue. The Central Bank increased interest rates to become among highest in the world to attract foreign investment and force inflation down. At the same time these measures caused massive unemployment and slow economic growth, and are still constraining Lula in achieving policy goals.

The Minister of Finance, Antonio Palocci reaffirmed the agreement with the International Monetary Fund (IMF), and set debt repayments at 4.25 percent of GDP, even higher than IMF demands. Lula further introduced budget cuts, which affected most government programs including social ones. These stringent economic measures increased Lula's popularity abroad, and in conservative circles, but not among his constituency. This perception may change since Lula's strategy has actually created macroeconomic stability. In December 2005, President Lula announced the early repayment of Brazil's debt to the IMF and the Paris Club totaling $18.1 billion.\(^4\) The government can finally control its own spending, which includes more flexibility to invest in infrastructure and social projects that were ignored under IMF restraints. With

\(^2\) When Lula was sworn into office the currency had lost 30 percent of its value against the dollar and foreign capital had fled the country for fear of the policies he would implement.
\(^3\) President Cardoso was able to control inflation and brought relative economic stability to Brazil. See David Samuels, "Ambition, Federalism, and Legislative Politics in Brazil," Cambridge University Press, 2003.
Despite the recorded slow economic growth, the prognosis is improved economic performance. There Economist Intelligence Unit is predicting a 2006 economic growth at 3.4 percent compared to 2.3 percent in 2005, and continued healthy macroeconomic indicators despite economic fluctuations in relation to the 2006 elections. With restored economic stability, President Lula is seeking free trade agreements with India and South Africa and closer economic ties with China, which may attract more investment and higher export growth. With a new finance minister, Guido Mantega, in place that is more open to massive spending on social programs than his predecessor, the current spending spree may continue. This can be an effective strategy to attract votes before the election in 2006. The International Monetary Fund’s World Economic Outlook is also projecting economic stability for Brazil with improved inflation rates, purchasing power parity growth per capita, though a slight recession in the current account balance.

96 The current spending has increased by 25 percent during the first two months of 2006 compared with the same period in 2005.
Environmental Protection

Environmental protection is a hot topic in Brazilian politics. The importance of Brazil's natural wealth is even acknowledged in the 1988 Constitution where a full section is devoted to the environment. Brazil also has some of the strictest environmental legislation in the world, and the government gives the impression that there is no such thing as impunity from environmental crimes. Many people were optimistic regarding Lula's choice of Minister of the Environment, Marina Silva, who grew up in the Amazon, fought alongside Chico Mendes, and would personally understand the importance of preserving the environment even when that conflicts with Brazil's economic growth.

### Table 3. Economic Outlook Brazil

<table>
<thead>
<tr>
<th>Subject Description</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account balance in percent of GDP, ratio (PPP) per capita</td>
<td>-1.7</td>
<td>0.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.0</td>
<td>0.2</td>
</tr>
<tr>
<td>GDP, US$ in units</td>
<td>7642.206</td>
<td>7726.59</td>
<td>8201.907</td>
<td>8584.371</td>
<td>8964.234</td>
<td>9355.983</td>
</tr>
<tr>
<td>Inflation, annual percent change</td>
<td>8.4</td>
<td>14.8</td>
<td>6.6</td>
<td>6.9</td>
<td>4.9</td>
<td>4.4</td>
</tr>
</tbody>
</table>


97 Brazil is a signatory to the Kyoto Protocol, United Nations Framework Convention on Climate Change, and the Convention on Biological Diversity, Agenda 21 and the Forest Principles adopted at the 1992 Rio Conference.

98 Article 225 reads that all have the right to an ecologically balanced environment, which is an asset of common use and essential to a healthy quality of life. Both the Government and the community shall have the duty to defend and preserve the environment for present and future generations.

99 The Congress approved a law in 2003 on access to environmental information, which makes it mandatory that all public agencies, to make all relevant information regarding environmental protection public. Under the law, all state agencies must produce annual reports on air and water quality. See the Federative Republic of Brazil Constitution, "Chapter VI, article 225, Environment, Title VIII- Social Order," http://webfiles.senado.gov.br/web/sess/index.pdf.

100 The Environmental Crimes Law was introduced in 1998. Under the new law, activities that damage the environment can be imposed with penalties of up to $50 million and stricter sentences.

101 Chico Mendes was a rubber tapper and environmental activist that fought to stop logging in the Amazon rainforest. He was murdered in 1988 by ranchers who opposed his ideals.

35
economic growth. The Minister has sought to strengthen the coordination of environmental policies across federal and state agencies, emphasizing a model that promotes the social inclusion of the millions of Brazil's poor. President Lula also claims that the government is working forcefully to establish environmental policies that are economically and ecologically sustainable such as giving poor people an alternative income source to discontinue environmental degradation. The constraints facing the government in doing this successfully include lack of law enforcement to hinder illegal deforestation, lack of an adequate land registry, corporate interests and lobbying against environmental legislation.

Between 2004 and February 2006, President Lula implemented decrees that protect nearly 14.5 million hectares of Amazon rainforest, an area the size of Nepal. In March 2006, President Lula also signed a new forest law aimed at combating deforestation, which, according to the World Wildlife Fund (WWF), is expected to help end illegal land occupation in the Amazon, which is regarded as an important contributor to deforestation. The government is also introducing initiatives that tie financing to compliance with environmental laws where government banks must veto projects that do not have an environmental license. This initiative is expected to include the private sector in the near future. According to Amazon Institute of People and the Environment, landowners are obliged to protect riparian forests and conserve 80 percent of forest cover on their properties as legal reserves under Brazilian law. The problem is the lack of resources to monitor whether this is actually respected.

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Renewable Energy

As a result of the oil crisis in the 1980s, Brazilian leaders realized the need for diversification in the country's energy sources. Today, the government has the ambition of becoming the world's leading nation in the production of biofuels.\textsuperscript{104} The government sees this as a great export opportunity and a good source of income. A global biofuel economy may be under way, where Brazil is taking the lead. The government has already landed biofuel trade deals with Japan and is actively negotiating deals with China. Biofuel is believed to provide a clean and sustainable energy alternative that reduces greenhouse gas emissions, though there is concern that the expansion of this sector will exacerbate deforestation to be able to grow more crops.

Agribusiness and environmental sustainability

Brazil is among the largest exporters of beef,\textsuperscript{105} soybean, coffee, orange juice, sugar and poultry in the world. Agribusiness is the only export to produce a surplus and accounts for 34 percent of Brazil's GDP, 37 percent of all jobs nationwide and represents 43 percent of national exports.\textsuperscript{106} Unfortunately, the most important exports, soybean and meat production provide incentives for new highways and infrastructure projects and

\textsuperscript{104} Brazil has set out on a 30-year quest to substitute imported oil with fuels made from crops. Along with biomass, hydroelectricity, wind and solar power generation, ethanol should sustain rural electrification projects throughout the country. About a third of the fuel Brazilians use in their vehicles is ethanol and more than 80 percent of new cars sold in Brazil are equipped to use both ethanol and gasoline. With record-high gas prices, ethanol is a viable alternative not only out of environmental concerns but also from an economic perspective.

\textsuperscript{105} According to the government, Brazil has the largest cattle herd in the world of 198 million animals in 2005, compared to 26 million in 1990. Caruso, Emily, "Roads of Deforestation in Brazil: how soy and cattle are destroying the Amazon with the help of the IFC," World Rainforest Movement, WRM's bulletin N° 93, (April 2005), http://www.wrm.org.gu/bulletin/93/Brazil.html.

\textsuperscript{106} Brazilian agribusiness exports broke a new record and reached US$ 43.6 billion in 2005, which is an annual increase of 11.8 percent. Brazilian Government, "The Rural Explosion," http://www.brasil.gov.br/ingles/about-brazil/indicators/categoria_view.
have caused deforestation of 80 million hectares of land, which is roughly equivalent to 10 percent of Brazil's total area.\textsuperscript{107} Brazilian history demonstrates that destruction of the rainforest is inextricably linked to road building\textsuperscript{108} and there is evidence that this is continuing since 85 percent of all deforestation occurs within 50 km on either side of roads.\textsuperscript{109} Despite this knowledge, the government has agreed to build Highway BR-163 between two important cities in the Amazon region, Santarem and Mato Grosso,\textsuperscript{110} and has opened the project to private funding to speed up the construction process. The so-called "Soybean Highway"\textsuperscript{111} will greatly facilitate and increase exports in agriculture. This is eminent for the economy but at the same time the highway is predicted to cause further deforestation; increase violent land conflicts; and threaten the existence of indigenous tribes residing in the area.

It does not help that the world's largest individual soy producer, Blairo Maggi, is currently the governor of Mato Grosso,\textsuperscript{112} where 50 percent of the total deforestation in 2005 took place including most of the land grabbing and land conflicts. In 2002, during his first year as governor the deforestation rates increased by 30 percent in Mato Grosso. There is clearly a conflict of interest present here. Maggi has publicly uttered his disinterest in deforestation; emphasized his support for infrastructure projects in the region, and reiterated that Brazil should exploit the Amazon rainforest for economic benefits.\textsuperscript{113}


\textsuperscript{108} The military government constructed the Trans-Amazon in the 1960s and 1970s, which led to mass migration and the devastating deforestation statistics witnessed today. Ballve, Marcelo, "Brazil: Paving the Amazon," Corp Watch, (March 5, 2005), http://www.corpwatch.org/article.php?id=11944.


\textsuperscript{110} Mato Grosso is known for its soybean and beef. Santarem is known for its grain terminal and its important port on the Amazon River.

\textsuperscript{111} The Brazilian media gave highway BR-163 its nickname. See Marcelo Ballve, "Brazil: Paving the Amazon," Corp Watch, (March 5, 2005), http://www.corpwatch.org/article.php?id=11944.

\textsuperscript{112} The governor is affiliated with Partido Popular Socialista.
growth. The federal government is constrained by the decentralized political system, to the point that in 2003 the government of Mato Grosso gained acceptance for legislation to reduce the Xingu State Park by 30 percent\textsuperscript{11} to clear more land for agriculture production. With the current deforestation trend, 40 percent of the Amazon will be gone by 2050,\textsuperscript{114} which will add additional stress to the environment and exacerbate greenhouse gas emissions. With the devastating reality of deforestation and how massive population increase will have devastating consequences for the rainforest and its wildlife, the Lula government has realized that it must introduce laws and enforcement mechanisms to strictly control the growth in the area around BR-163. In mid-February 2006, Lula signed a decree creating seven new environmental protected areas bordering the BR-163 road to ensure that the highway does not result in uncontrolled illegal logging.\textsuperscript{115} IBAMA,\textsuperscript{116} Brazil’s environmental protection agency, has received additional funding and personnel to ensure the enforcement of these new decrees. IBAMA still needs some time to restore its credibility after half of 89 people that were arrested of illegal logging in summer 2005 were people working for IBAMA, including the state chief of Mato Grosso.

The government wishes to allow more expansion of agribusiness for exports and biofuel, while at the same time it attempts to strike down more forcefully upon illegal

\begin{footnotesize}
\begin{enumerate}
\item Barreto and others, "Human Pressure on the Brazilian Amazon Forests," 60.
\item Lula also signed a decree declaring additional 50,000 hectares as Amazon national park. Together the decrees bring the total protected area in that region of Pará to 6.5 million hectares. The Amazon region as a whole now has 45.8 million hectares of protected area, which is an area the size of Sweden. Environment News Service, "Brazil expands Amazon National Park, Creates Forest Reserves" (February 15, 2006), http://www.ens-newswire.com/ens/feb2006/2006-02-15-03.asp.
\item Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis (IBAMA), Brazil’s Environmental Protection Agency.
\end{enumerate}
\end{footnotesize}
Agribusiness has become the driving force of the economy, and agribusiness companies continue forcefully to lobby the Congress, making the government unwilling or incapable of sanctioning them on such misconduct. As a result, corporate interests and lobbying act as major constraints in Lula’s pursuit of sustainable development policies.

The Ministry for Agriculture, Livestock and Supply is predicting that a further 30 million hectares will be added within the next 15 years to grazing lands. That is not to say that the expansion will happen at the expense of the rainforest, but it gives the indication that environmental preservation will be sacrificed over economic growth. The new forest policies are positive since they show that the government actively seeks a sustainable future in the Amazon rainforest but it is difficult to predict whether the policies will actually accomplish that.

According to the Environmental Sustainability Index, Brazil has improved its overall environmental performance since Lula came to power. Certain measures stand out such as improvements in preserving biodiversity, environmental health, participation in and international collaborative efforts. Unfortunately, the Lula government has not been able to adequately address poor air and water quality. Brazil hosted the Eight Ordinary Meeting of the Conference of the Parties to the Convention on Biological Diversity in Curitiba in March 2006. The government clearly shows that it takes environmental protection seriously but agribusiness is adding to economic growth and not protected forest reserves.

The Environmental Sustainability Index (ESI) measures the ability of nations to protect the environment over the next several decades through 21 indicators of environmental sustainability consisting of 76 data sets that track natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance.
<table>
<thead>
<tr>
<th>Components</th>
<th>2002 rank of 142 countries</th>
<th>2005 rank of 146 countries</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental Sustainability Index</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP/Capita</td>
<td>$6,973</td>
<td>$6,755</td>
<td>$218</td>
</tr>
<tr>
<td><strong>Environmental Systems</strong></td>
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<tr>
<td>Air Quality</td>
<td>19</td>
<td>25</td>
<td>-6</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>119</td>
<td>59</td>
<td>-60</td>
</tr>
<tr>
<td>Land</td>
<td>21</td>
<td>27</td>
<td>-6</td>
</tr>
<tr>
<td>Water Quality</td>
<td>25</td>
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<tr>
<td>Water Quantity</td>
<td>16</td>
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</tr>
<tr>
<td><strong>Reduce Environmental Stress</strong></td>
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<tr>
<td>Reducing Air Pollution</td>
<td>19</td>
<td>39</td>
<td>-20</td>
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<tr>
<td>Reducing Ecosystem Stress</td>
<td>70</td>
<td>67</td>
<td>+3</td>
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<tr>
<td>Reducing Waste and Consumption Pressures</td>
<td>79</td>
<td>69</td>
<td>+10</td>
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<tr>
<td>Reducing Water Stress</td>
<td>45</td>
<td>62</td>
<td>+17</td>
</tr>
<tr>
<td><strong>Reducing Human Vulnerability</strong></td>
<td></td>
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<tr>
<td>Environmental Health</td>
<td>69</td>
<td>48</td>
<td>+21</td>
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<td>Basic Human Sustainability</td>
<td>59</td>
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<td>Social and Institutional Capability</td>
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<td>Environmental Governance</td>
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<td><strong>Private Sector Responsiveness</strong></td>
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<tr>
<td>Science and Technology</td>
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<tr>
<td>Participation in International Collaborative Efforts</td>
<td>80</td>
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<tr>
<td><strong>Global Stewardship</strong></td>
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<tr>
<td>Greenhouse Gas Emissions</td>
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<td>+6</td>
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<tr>
<td>Reducing Trans-boundary Environmental Pressures</td>
<td>119</td>
<td>72</td>
<td>+47</td>
</tr>
</tbody>
</table>

The table has been created for the purpose of this thesis. Source: Environmental Sustainability Index 2002 and 2005.
Chapter 4. Venezuela

For four decades, between 1958 and 1998, the Punto Fijo Pact ensured that only two political parties had access to power. The Chávez presidential victory in 1998 was a response to an increasing number of people living in poverty, mainly as a result of the oil crisis in the 1980s, widespread corruption within public office, social exclusion and unwillingness by the leaders to distribute resources more fairly. The government revenue from oil did not benefit the poor, who became disenchanted with a government that did not represent them. Today, political structure in Venezuela is highly centralized with concentration of power resting with the president. Venezuela discovered oil in the 1920s, and since then every government has profited from the valuable asset, though the distribution of the revenue has primarily benefited the privileged few and not the poor, until Chávez came to power.

Oil is seen as the engine of the Chávez 21st Century Social Revolution contributing to a third of Venezuela's gross domestic product (GDP), which has helped him remain in power for almost eight years. Through the national oil company, Petróleos de Venezuela, S.A. (PDVSA), Venezuela is earning large profits on its oil exports and has great potential to invest in sustainable development policies. As long as the Organization of the Petroleum Exporting Countries (OPEC) does not increase production levels, the prices are predicted to remain at $60 a barrel or increase, contributing

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118 The two political parties were the Democratic Action Party (AD) and the Comité OrganizacióElectoral Independiente (COPEI).
considerably to Venezuela's economy and government spending. To reduce the volatility in the market, and to maintain the levels of profits, Chávez has urged OPEC to set a minimum price level at $50 for a barrel of oil. With these forecasts, President Chávez’s social programs will continue to receive adequate funding to prosper, and his vision of an egalitarian society may become a reality. Whether this is a lasting strategy and leading to sustainable development from an ecological point of view will be discussed in the next sections.

The Chávez Era

President Chávez is a self-declared revolutionary with a vision of a 21st-Century Socialist Revolution with the aim of ending poverty and social exclusion by 2021. For this reason, his supporters perceive him as Venezuela’s savior. At the same time, his critics see his leadership as an authoritarian dictatorship. Currently, the main foe of President Chávez is the United States government, which does not agree with his political agenda or his Rousseauian democratic leadership. The US government’s vocal attack against Chávez has not proven effective since an increasing number of democratically elected leftist leaders in the South American region are willing to cooperate with Chávez rather than the US. Despite the hostile relationship that also acts as a constraint to

120 President Chávez’s foreign policy objectives are highly debated in Washington. Chávez has been reported trying to buy nuclear power, he is maintaining close relationships with both Iran and China, and he has threatened to cut off oil supply to the US. With an estimated $20 billion in revenue from oil exports in 2005, Chávez has the money to influence the region in what some call charity and others view as strategic political maneuvering. The President bought $1.5 billion of Argentina’s debt, and has offered to buy some of Ecuador’s debt. He sells oil at reduced prices to Caribbean countries and Cuba, and he has even shipped cheap heating fuel to destitute neighborhoods in New York and Massachusetts.

121 Jean-Jacques Rosseau was a French philosopher who believed that great heroic, charismatic leaders could lead its people in innovative, revolutionary, new directions as part of a direct democracy where institutions serving as checks and balances were not needed since they would get in the way for the leader’s ability to act on the general will. Wiarda, Democracy in Latin America: Crises and Opportunity, 106-107.
Chávez grew up in meager settings as one of six siblings born to parents who worked as primary school teachers in western Venezuela. He gave up a dream of becoming a professional baseball player and joined the military instead succeeding to the ranks of paratroop commander. Chávez became politically active in 1982 as one of the four founders of the Bolivarian Revolutionary Movement 200 (MBR 200) but he did not enter the public scene until 1992, when he was in charge of a failed coup to overthrow the government of Carlos Andres Pérez. Chávez was imprisoned but pardoned two years later by then President Rafael Caldera. Chávez traveled to Cuba to seek inspiration, and after returning to Venezuela, he actively started campaigning for the presidency touring the country proclaiming the slogan "Constitutional Assembly now". In 1997, Chávez's Fifth Republic Movement (MVR) was born. The following year, Chávez won the presidential election as the candidate of Patriotic Pole (Polo Patriotico-PP), without ever holding public office. Chávez utilized political rhetoric challenging the status quo by promising to end poverty and corruption. His rhetoric appealed to 56.5 percent of voters that elected him president of Venezuela in 1998. Under the new constitution, Chávez was re-elected president in 2000 granting him nearly 60 percent of the votes that reconfirmed his popularity as the President of the newly named Bolivarian Republic of Venezuela.

122 The Bush Administration has stated the need to become less dependent on oil supplies from the Middle East and will need to increase oil imports from other nations, including Venezuela.
124 The Patriotic Pole is an alliance of Chávez's own political party, the Fifth Republic Movement (Movimiento Quinta Republica, MVR), and two other leftist parties, Homeland for All (Patria Para Todos, PPT) and Movement Toward Socialism (Movimiento al Socialismo, MAS).
In his first year in office, Chávez chose to implement comprehensive changes to Congress and the Supreme Court, and to introduce a proposal for a new constitution. The proposal was approved in a referendum by 71 percent of the votes in December 1999. The new constitution included more citizen participation and power but it also increased presidential might and control. President Chávez has therefore been criticized for inhibiting democracy, and the opposition claims the Chávez presidency weakens existing institutions such as the Supreme Court and the Central Bank, by only staffing them with people loyal to him. Chávez is also criticized for limiting freedom of speech. This was reinforced after a new law was passed that the media, which is among the President’s most ardent critics, claims restricts freedom of the press even further.

Despite such widespread dissent, Chávez has survived both a short-lived coup in 2002, and a recall election in August 2004. Parliamentary elections were held in December 2005 and supporters of Chávez gained all 167 seats in Congress, consolidating the President’s power even further. According to the opposition, 75 percent of the voters boycotted the election over fear of the consequences if they did not vote for Chávez.

The European Union and the Organization of American States declared the elections as fair, though this has been contested with criticism of the methods used for monitoring the election. The likelihood of the opposition defeating Chávez in the presidential election in...
December 2006 is slim. The opposition lacks a good candidate, and Chávez's messages and policies are appealing to the poor, who are still in majority in Venezuela.

Sustainable Development

Sustainable development is embraced in the 1999 Constitution, where chapter nine is devoted to environmental rights. In 2001, built on Article 128 of the Constitution, President Chávez introduced "Special Zones of Sustainable Development" to promote local socioeconomic development managed by the communities themselves through sustainable agriculture, industry and tourism. Venezuela has signed Agenda 21 but there has been no implementation of a national plan that would actually create action.

Chávez introduced his own version of sustainable development in May 2004, which he has called "The Bolivarian Agenda for the Endogenous Development." The endogenous development promotes sustainable economic and social growth taking place from within. The aim is to introduce economic policies that emphasize the active involvement of the state in the domestic and the world economy. So far the government has only increased its ownership in the oil sector, which will be addressed in the section on economic growth. The endogenous development is at the core of Chávez's ambition of "liberating Venezuela from the capitalist model" by making the country self-
With more direct presidential power, Chávez is not faced with the same constraints as Lula. Common constraints that have already been identified include poverty, income inequality, and lack of land reform. The major constraints to why Chávez is not successful in implementing sustainable development policies include massive domestic gasoline and energy subsidization. Chávez’s foreign policy agenda and the strained relationship with the US are also important constraints since it takes focus away from prioritizing sustainable development policies. The following empirical analysis will present the constraints identified in Table 5.

Table 5. The most prevalent constraints that hinder Chávez in implementing sustainable development policies in Venezuela

<table>
<thead>
<tr>
<th>Political Constraints</th>
<th>Economic Constraints</th>
<th>Social Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Populist tendencies</td>
<td>Inflation</td>
<td>Income inequality</td>
</tr>
<tr>
<td>Foreign policy</td>
<td>Public debt</td>
<td>Lack of land reform</td>
</tr>
<tr>
<td>Lax law enforcement</td>
<td>Subsidization</td>
<td>High energy use</td>
</tr>
<tr>
<td>Upcoming elections</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fear of coup d'état</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Social Equity

In 1976, the Venezuelan government nationalized the oil industry when oil prices and living standards were high and politics were stable. The oil crisis in the 1980s hit Venezuela especially hard, since the country had made itself very dependent on the

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income of oil exports since the discovery of oil. Hundreds of thousands of families from the middle class became poor. Since then, the poor, who compose close to half of the population, have not benefited much from the oil profits until Chávez took office.

President Chávez fulfilled his election promises by allocating large parts of the country's oil revenue towards pro-poor social policies.

Pro-poor Social Programs

In 2005, social expenditures were 14.69 percent of GDP, which is a 50 percent increase since Chávez took power in 1998. As a consequence of national oil strikes and an attempted coup d'état in 2002-2003, the economy took a fall, which increased the country's poverty rates. To reverse this trend Chávez chose to follow advice from the Cuban government. He introduced several pro-poor social programs called "missions" that were widely established in 2003 as part of the President's 21st Century Socialist Revolution. The ultimate objective is an equitable distribution of resources and to improve the daily life of the poor. To achieve this, the state will provide free education for all, guarantee food security and offer free health services.

Table 6. Pro-poor social missions

<table>
<thead>
<tr>
<th>Mission</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Robinson</td>
<td>Seeks to end illiteracy</td>
</tr>
<tr>
<td>Mission Ribas</td>
<td>Seeks to give school drop-out a second chance to finish school</td>
</tr>
<tr>
<td>Mission Sucre</td>
<td>Provides free higher education</td>
</tr>
<tr>
<td>Mission Barrio</td>
<td>Provides health services to the poor</td>
</tr>
<tr>
<td>Mission Mercal</td>
<td>Provides the poor with affordable food from government subsidized stores</td>
</tr>
<tr>
<td>Mission Habitat</td>
<td>Provides housing for the poor</td>
</tr>
<tr>
<td>Mission Vuelvan</td>
<td>Seeks to end unemployment through a transformed economy</td>
</tr>
<tr>
<td>Mission Guaicapuro</td>
<td>Protects indigenous rights</td>
</tr>
<tr>
<td>Mission Rias</td>
<td>Promotes land reform</td>
</tr>
<tr>
<td>Mission Zamora</td>
<td>Provides identity cards to facilitate access to social services</td>
</tr>
<tr>
<td>Mission Identidad</td>
<td>Protects indigenous rights</td>
</tr>
<tr>
<td>Mission Vuelta al Campo</td>
<td>Seeks to revive the agricultural sector by attracting people to move to the countryside with the aim of becoming self-sustainable</td>
</tr>
</tbody>
</table>

The missions are very popular with the poor who view Chávez as the President who finally cares about them. A reflection of this was reported in a 2004 regional survey conducted by Latinobarómetro. In Venezuela "the fewest people believe that the country is being governed for the few, and where the most believe that it is governed for the good of the people." Until 2005, the poverty rates have continued to worsen since Chávez came to power but there are signs, though contested, that the poverty levels are actually improving. According to government figures, 33 percent of all families in Venezuela live in poverty. Poverty continues to pose a constraint on the government in achieving sustainable development, since the poor people's immediate needs are not necessarily measures that take ecological sustainability into account. Mission Barrio Adentro gives free health care to the poor that live in slums with help from 20,000 Cuban health professionals.

workers whose services are paid for through a barter system where Cuba receives oil in return for health personnel. This initiative is benefiting 69 percent of the population.

Mission Robinson has the objective of eradicating illiteracy in Venezuela and benefitted 1.3 million people in 2004. Venezuela has one of the highest literacy rates in the region and Chávez strongly emphasizes education in social programs, guaranteeing everybody free education up to university level. Mission Ribas contributes to give people who had previously been unable to complete their secondary education, the opportunity to finalize their studies. By the end of 2005, 211,289 had graduated under this program.

Mission Sucre aims at giving all an opportunity to receive higher education with the establishment of more universities and providing scholarships for people to be able to attend them. The President has introduced new Bolivarian Universities, which according to the opposition, are given preferential treatment over the old ones. The government's approach to higher education has therefore been criticized for losing its autonomy and becoming too influenced by ideology. Under the Mission Identidad, 5,076,000 people have been registered and given identification documents (among whom only 600,000 were Venezuelans), which is the first requirement to becoming a Venezuelan citizen. Under Mission Mercal the government established subsidized discount stores, which gives...

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133 Reyes, Embassy of Bolivarian Republic of Venezuela.
poor people access to cheap food by selling it at 40 percent below market price. Implementing food security is a good deed, but the state-subsidized stores are also believed to force small stores out of business.

Despite these positive initiatives, poverty alleviation is unlikely to be achieved in the immediate future, since 48.6 percent were still living below the poverty line in 2002. Venezuela also struggles with income inequality, since the poorest 20 percent of Venezuelans only receive three percent of the country's total income, compared to the richest 20 percent of Venezuelans who receive 53.4 percent. Similar to other nations in the region, land distribution is skewed. Five percent of landowners possess more than 75 percent of farmland. To reduce this social injustice, the President introduced the 2001 Land and Agricultural Reform Law. The law provides credit, training, and marketing for new farmers in order to make them more competitive to be able to survive on more than purely subsistence farming. To step up the efforts, Chávez introduced Mission Zamora in 2005.

The government is the largest rural landowner in Venezuela with more than eight million hectares of farmland. By the end of 2004, Chávez had redistributed about 2.2 million hectares of state-owned land to more than 130,000 peasant families and

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138 This includes 77.2 percent of Venezuela's poor and 49 percent of the total population. Reyes, Embassy of Bolivarian Republic of Venezuela.
139 The poverty rates are defined as percentage of the population that have incomes amounting to less than twice the cost of a basic food basket. The measure includes the indigent population. ECLAC, "Part one: Indicators of economic and social development in Latin America and the Caribbean," 2004, 119.
143 The mission is intended to expropriate private idle land or private land that lacks title. Chávez also introduced the National Agricultural Commission to examine and establish property titles in 2005.
cooperatives. With close to 90 percent of the population living in the cities, urban land reform is also of urgent demand. A Presidential Decree introduced in February 2002 gives poor people living in the barrios the opportunity to apply for ownership of their homes through local Urban Land Committees (CTU). As long as they can prove that they built their homes, they will be granted legal tenure. This is believed not only to improve the living conditions of individual families but also to improve the barrios generally, since a sense of ownership would make people take better care of their homes and neighborhoods, in addition to making them feel more secure and increased trust in the government.

The oil was indeed a blessing for Venezuela but at the same time it has damaged the agricultural sector. Venezuela has the least productive agriculture sector in the region and as a result, Venezuela needs to import 70 percent of all its food. With plenty of productive farmland available, Chávez introduced the Mission Vuelta al Campo in 2003, which is an initiative to bring people back to the countryside by offering them access to land and credit. This initiative is part of the greater endogenous development with the ambition of making Venezuela self-sustainable in food production. Part of this socialist vision also includes creating state-financed cooperatives to create employment, and further enhance the agriculture sector. According to the Ministry of Popular Economy, as of December 2005, there exist some 94,000 cooperatives compared to only 877 in

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145 A barrio is a poor neighborhood.
146 Chávez has ordered banks to earmark 29 percent of their total loans for farming and housing at subsidized rates.
The Vue/van Caras Mission is also an integral part of the endogenous development that seeks to decrease unemployment and social exclusion by providing the unemployed with comprehensive technical training with the intent of forming cooperatives in production and services.

### Economic Growth

In 2004, Venezuela had a record high growth rate of 17 percent. According to the government this included a growth of 29 percent for non-oil exports. In 2005, the growth rate fell to almost 10 percent but the trend of higher growth rates in the non-oil sectors persisted. Interest rates are improving, though inflation remains fairly high.

Unemployment rates are down but still above 10 percent. According to government figures, Venezuela's international reserves reached $25 billion in 2004. On the other hand, foreign direct investment (FDI) has decreased. Income from taxes continues to be the primary source of non-oil revenue contributing to over half of the 2006 budget.

The government plans to reduce the external debt by $4.7 billion in 2006, which is a 15.2 percent deal with services, 38.9 percent in production, 3.6 percent in social protection, 0.71 percent in saving and credit, and 0.15 percent in housing. Ministerio de Economía Popular, Venezuela "Anuncio del ministro Elias Jaua Todo el peso de la Ley contra cooperativas irregulares," (December 19, 2005), http://www.minep.gov.ve/noticias/abril/CooperativasIrregulares.htm.

The main non-oil exports include metals (steel, iron and aluminum), organic and inorganic chemicals (including methanol, propane, ethane and butane), fish, shrimp and crab, vehicles, parts and accessories; gold; electrical machinery and equipment; apparatus and parts of machinery; manufactured articles; and food stuffs (including beverages and tobacco).

Non-oil sectors include construction, banking, transport and handling, trade and services, and manufacturing, which all experienced considerable growth according to the government.

percent decrease to a total of 26.3 billion151 to possess better liquidity needed to spur
economic growth. Despite the economic recession in 2002-2003, as seen in Table 7, the
IMF is predicting a steady increase in purchasing power parity per capita of GDP,
Venezuela's current account balance will still remain at positive levels. As long as the oil
prices remain at current levels of between $50 and $60 a barrel, the economic prognosis
looks good. Remembering past experience, there is still some concern of what may
happen to the country's economy if oil prices suddenly drop. The economist's recipe is
clear; the government should emphasize further diversification of the economy.
Table 7. Economic Outlook - Venezuela

<table>
<thead>
<tr>
<th>Subject Description</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account balance in percent of GDP, Ratio</td>
<td>-4.9</td>
<td>2.2</td>
<td>10.1</td>
<td>1.6</td>
<td>8.2</td>
<td>11.7</td>
<td>12.5</td>
<td>19.1</td>
<td>14.1</td>
<td>13.4</td>
</tr>
<tr>
<td>(PPP) per capita GDP, US$ in Units</td>
<td>5629.8</td>
<td>5266.1</td>
<td>5735.2</td>
<td>5814.0</td>
<td>6186.2</td>
<td>6467.1</td>
<td>6614.0</td>
<td>6614.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation, annual percent change</td>
<td>35.8</td>
<td>23.6</td>
<td>16.2</td>
<td>125</td>
<td>22.4</td>
<td>31.1</td>
<td>21.7</td>
<td>15.9</td>
<td>11.7</td>
<td>17.3</td>
</tr>
</tbody>
</table>


Social Economy

Instead of following the advice from international economists who adhere to neo-
liberal principles, Chávez's ambition is to establish a well-functioning social economy.
By financing those who had been excluded from the benefits of the traditional banking

151 According to the Finance Minister, Nelson Merentes, the government aims to reduce the debt to less
sector, the government is promoting the creation of cooperatives in the form of community- and family businesses. This prioritization of small and medium-sized businesses that currently are employing over half the population has caused an increase in loans and credit to micro businesses from various financial sources.\textsuperscript{12}

Venezuela’s Oil Economy

With the sixth largest oil reserves in the world, Venezuela can continue to pump oil for another 100 years.\textsuperscript{13} With 80 percent of all exports coming from oil, and 25 percent of GDP from the same source adding to more than half of government revenue,\textsuperscript{14} it is easy to understand that Venezuelan politics revolve around oil. In order to understand Venezuela’s current economic status, the domestic oil sector must be examined, and Venezuela’s long history as rentier state. Rentier states are countries that receive significant amounts of external economic rent\textsuperscript{15} on a regular basis often seen in countries that possess large oil reserves.\textsuperscript{16} This external income enables governments to exercise large public spending without raising taxes. At the same time this mono-dependency is making the economy vulnerable to external shocks such as volatile oil prices. Rentier economies often experience a downfall in domestically manufactured goods and need to

\textsuperscript{12} Micro credit is provided by the Bank of the People, the Micro Financing Development Fund (FUNDEMI), the Women’s Bank (BANMUJER), and the Social End Economic Development Bank (BANDES).
\textsuperscript{15} Economic rent may come from natural resources such as oil, gold, diamonds etc.
import more,\textsuperscript{7} which has been observed in Venezuela. Chávez is grappling with the rents differently than previous governments by using the oil revenue to increase spending on pro-poor social programs rather than favoring the elite. President Chávez does what he can to keep oil prices at current levels, clearly aware that a crisis will hamper his socialist vision and his chances of reelection in December 2006. With increased spending on social programs,\textsuperscript{8} the Chávez government has decided to further nationalize the oil industry by introducing joint ventures of oil fields where the government will control more than 51 percent.\textsuperscript{9} This way, Chávez can control more of the oil production and its revenue. With small chances of oil prices drastically falling, the government is optimistic regarding its financial prospects and continues to spend.

The 21st Century Socialist Revolution also includes closer integration of the South American region. Chávez's dream is to create a common oil company in the region, "Petroamerica," which will be controlled by state-run oil companies. Chávez is also among the main instigators behind building a 6200-mile long pipeline through the Amazon rainforest to carry natural gas across the region,\textsuperscript{10} which has caused objections especially over the predicted devastating ecological impacts on the Amazon rainforest. It appears that the President’s top priority is letting the oil flow at all costs, and environmental sustainability is not added into that policy.

\textsuperscript{7} This condition is described as the "Dutch Disease.”
\textsuperscript{9} If foreign oil companies wish to continue operations in the country, they must sign the contracts. Most have signed, since they are aware that if they exit, other firms could easily replace them.
\textsuperscript{10} The pipeline would stretch from Venezuela in the North, through Brazil, and to Argentina in the South, with links to Bolivia, Paraguay and Uruguay.
Environmental Protection

Being a top oil producer for about 80 years has caused extensive environmental degradation. Government subsidization of gasoline does not exactly improve the situation. Venezuela sells gasoline at among the lowest price in the world. A gallon sells at approximately 15 cents,\(^{161}\) which makes water more expensive. As a result of this cheap subsidized gas, car sales\(^{162}\) increased 55 percent in the first quarter of 2006 compared to the same period last year causing reduced air quality in Venezuela’s cities.\(^{163}\) This subsidization is primarily benefiting the wealthy Venezuelans, since most of the poor do not have cars. With highly subsidized gas prices, there is little incentive to reduce the consumption levels and introduce more environmentally friendly public transport systems. Apart from the metro in the biggest cities, there is no public transport system running on electricity, though a railway system is apparently under construction. The government has instead substituted a lot of old cabs with new ones.

Venezuela is a signatory to the Kyoto Protocol that seeks to reduce greenhouse gas emissions, though as a non-Annex I country it is not required to the same strict commitments. The government has implied it would attempt to cut its carbon and greenhouse gas emissions, though little action has been taken, and as a result Venezuela continues to be the greatest emitter of carbon dioxide in the region. The country’s hydrocarbon industry is also the source of much of these carbon dioxide emissions. To reduce this trend, the national oil company PDVSA will introduce Plan 474, intended to


\(^{162}\) In general, car sales are quite volatile in Venezuela.

produce 25,000 ethanol barrels per day, and create jobs for 600,000 people from 2009.\textsuperscript{164}

Other government initiatives include phasing out leaded gasoline and initiating reforestation but not enough is yet being done. The bottom line is that reducing domestic gasoline subsidization would be the most effective strategy but this is an unlikely alternative, since there are few substitutes in place. With state subsidies also keeping natural gas and electricity prices low, Venezuela has the highest electricity consumption per capita in South America.\textsuperscript{165} Venezuela has the potential to produce energy from renewable sources such as wind and solar energy but this has not been of priority to the government. Instead it continues to expand its hydropower and hydrocarbon industries.

The government has built pipelines through national parks to export hydropower to Brazil that may harm the environment. The environment does not appear as a primary concern for the government, even though Venezuela has among the richest biodiversity in the world with many natural resources such as minerals, natural gas and oil. Venezuela also has vast forest reserves, hosting parts of the Amazon rainforest within its borders. Similar to trends throughout the region, the forests are shrinking rapidly over demands for agribusiness, and especially feeding-grounds for cattle. An average rate of 218,000 hectares\textsuperscript{166} disappears annually, which is the third-highest deforestation rate in South America. The timber industry is an important export-source with an estimated 10 million hectares of forest allocated for timber production. Logging companies are allowed to use selective logging in


\textsuperscript{165} The government produces energy from natural gas (40 percent), petroleum (35 percent), hydroelectricity (21 percent) and coal (1 percent).

percent of the total territory in the Imataca Forest that according to the Minister of Environment, Jacqueline Farias, does not constitute deforestation. The Minister does emphasize that companies that do not obey the country's environmental laws can be closed down, though there seems to be few enforcement mechanisms to oversee this. Current environmental concerns also include irresponsible and illegal mining operations, which is also an important export commodity. The government wishes to ban all mining in the state of Amazonas to avoid environmental degradation, and especially river pollution, though this has yet to be enforced. To set a good example, the government makes sure that the state mining company Minerven produces in a sustainable manner and according to Venezuela's environmental laws.

According to the Environmental Sustainability Index (ESI), Venezuela's environmental performance is rather poor when compared to the potential and resources it has to prioritize environmental sustainability and sustainable natural resource management. In only three years, Venezuela fell 34 spots mainly over deteriorating air quality and lack of biodiversity preservation, which are directly correlated to gasoline and energy subsidization. Water quality has worsened drastically, and the government has failed in reducing environmental stress that focuses on threats posed on the environment based on human activities. Within that category, reducing ecosystem stress, which include deforestation and acidification have been ignored. Venezuela's overall performance is not going to improve unless the government places environmental protection higher up on the agenda and introduces policies that aim to incorporate environmental sustainability as a prerequisite for economic growth.

So far the government has not chosen a very consistent environmental protection policy. Chavez uses impressive rhetoric on the importance of sustainable development, but little action has been taken. The government continues to promote mineral extraction, and oil and gas production, while not appearing to concentrate much on the possible environmental consequences for Venezuela and the world in general.

### Table 8. Venezuela Environmental Sustainability Index

<table>
<thead>
<tr>
<th>Components</th>
<th>2002 Rank of 142 countries</th>
<th>2005 Rank of 146 countries</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESI</td>
<td>48</td>
<td>82</td>
<td>-34</td>
</tr>
<tr>
<td>GDP/Capita</td>
<td>$6,009</td>
<td>$4,269</td>
<td>-1740</td>
</tr>
<tr>
<td>Environmental Systems</td>
<td>5</td>
<td>21</td>
<td>-16</td>
</tr>
<tr>
<td>Air Quality</td>
<td>42</td>
<td>85</td>
<td>-43</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>29</td>
<td>8</td>
<td>+21</td>
</tr>
<tr>
<td>Land</td>
<td>20</td>
<td>30</td>
<td>+10</td>
</tr>
<tr>
<td>Water Quality</td>
<td>37</td>
<td>116</td>
<td>-79</td>
</tr>
<tr>
<td>Reduce Environmental Stress</td>
<td>33</td>
<td>56</td>
<td>-23</td>
</tr>
<tr>
<td>Reducing Air Pollution</td>
<td>96</td>
<td>82</td>
<td>+14</td>
</tr>
<tr>
<td>Reducing Ecosystem Stress</td>
<td>20</td>
<td>66</td>
<td>+46</td>
</tr>
<tr>
<td>Reducing Waste and consumption pressures</td>
<td>92</td>
<td>70</td>
<td>+22</td>
</tr>
<tr>
<td>Reducing Water Stress</td>
<td>38</td>
<td>65</td>
<td>-27</td>
</tr>
<tr>
<td>Reducing Human Vulnerability</td>
<td>76</td>
<td>94</td>
<td>-18</td>
</tr>
<tr>
<td>Environmental Health</td>
<td>71</td>
<td>65</td>
<td>+6</td>
</tr>
<tr>
<td>Basic Human Sustainment</td>
<td>84</td>
<td>93</td>
<td>-7</td>
</tr>
<tr>
<td>Social and Institutional Capability</td>
<td>123</td>
<td>110</td>
<td>+13</td>
</tr>
<tr>
<td>Environmental Governance</td>
<td>96</td>
<td>85</td>
<td>+11</td>
</tr>
<tr>
<td>Eco-efficiency</td>
<td>124</td>
<td>129</td>
<td>-5</td>
</tr>
<tr>
<td>Private Sector Responsiveness</td>
<td>141</td>
<td>124</td>
<td>+17</td>
</tr>
<tr>
<td>Science and Technology</td>
<td>78</td>
<td>58</td>
<td>+20</td>
</tr>
<tr>
<td>Global Stewardship</td>
<td>128</td>
<td>123</td>
<td>+5</td>
</tr>
<tr>
<td>Participation in International Collaborative Efforts</td>
<td>95</td>
<td>71</td>
<td>+20</td>
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<tr>
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<td>122</td>
<td>121</td>
<td>+1</td>
</tr>
<tr>
<td>Reducing Transboundary Environmental Pressures</td>
<td>116</td>
<td>128</td>
<td>-12</td>
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The table has been created for the purpose of this thesis. Source: Environmental Sustainability Index 2002 and 2005.
Chapter 5. Conclusion

There are major differences between the two leaders and the situations in the countries that have been studied here, which need to be taken into consideration. President Lula is a moderate leftist leader with slight neo-populist tendencies who does not possess the same political powers as Chávez. President Lula is mainly restricted by political constraints such as Brazil's political structure, while Chávez is mainly constrained by his subsidization policies. Both leaders are hindered by social constraints including poverty, income inequality and distorted land distribution and lack of land reform. Common economic constraints include public debt, and common political constraints include lax law enforcement and upcoming elections. As a result of different political orientation, distinct domestic situation and constraints, the leaders have experienced different successes with the implementation of sustainable development policies, which will be concluded below.

Brazil

During the election campaign Lula represented a leftist political platform to specifically attract the marginalized, poor voters that would finally elect him president of Brazil. The way Lula used pro-poor rhetoric did resemble populist tendencies, and the promises of following neo-liberal economic policies resembled what a neo-populist would do. Lula's first years in power were influenced by conservative efforts to stabilize the economy and little was done to fulfill the election promises of ending poverty and reducing inequality. In 2006, Lula's policy choices resemble more the leftist leader with
populist tendencies that he was perceived as before winning the election in 2002, but without the negative connotation.

Lula is stepping up investments in social programs that will benefit the poor while not drastically changing the economic policies now that stability is restored. The main challenge facing Lula in prioritizing sustainable development policies involve balancing the demands and intensive lobbying from private companies for greater economic growth against the necessity to ensure environmental protection of especially the Amazon rainforest. Lula knows that economic development will lead to increased government revenue that can be spent on social programs, create more jobs and at least in the short-term keep people content. At the same time he is aware that increased expansion of certain sectors such as agribusiness will be detrimental to Brazil's forests. Powerful corporations have already been successful in lobbying the government to pass legislation to build the “Soybean Highway” across the Amazon rainforest to advance economic development. To mitigate the possible negative consequences, the president is taking measures that will hinder massive migration there. Unless enforcement mechanisms are increased in conjunction with the building of the highway and agribusiness expansion, it is questionable whether Lula's environmental protection policies will lead to sustainable development. Without adequate policing, illegal deforestation will continue. Corruption continues to be a major constraint; where paying officials to turn a blind eye on illegal deforestation is a problem in local politics and within the government's own environmental protection agency, and on the national level with the minister of finance's resignation. Without effective continuous crackdowns on illegal activity, this might not change. The constraint of not having majority in Congress...
to easily gain support for stricter legislation and prioritize enforcement does not help. The political will is present, in both the President and the Minister of Environment, to set environmental protection as a prerequisite for economic growth and social equity, and policies have been introduced towards achieving that.

In the run up before the 2006 October presidential election, President Lula is attempting to implement policies that are important to his constituency. The people that brought him to power the first time, primarily the poor, are still interested in social policies, land reform and environmental protection. By adhering to populist tendencies by being responsive to the people's will, President Lula is on the right track of implementing sustainable development policies. It is not so much because of his political orientation but primarily because of public demands that call for long-term sustainable development policies. With comprehensive local Agenda 21 action plans in place across the country, there is greater public awareness about the goals of sustainable development, which is more apparent in their demands. In order for the sustainable development policies to be successful, Lula will have to strictly supervise the expansion of agribusiness, and lobbying of the Congress, in addition to environmentally abusive legislation implemented at the local level as witnessed in Mato Grosso. With the prognosis of slower economic growth, Lula must show political will to convince his alliances in Congress of the need to prioritize sustainable development from an ecological point of view.

Venezuela

The policies and initiatives that are part of President Chávez's 21st Century Socialist Revolution, including the establishment of cooperatives with the aim of making
Venezuela self-sustainable, have the stated intention of leading to sustainable development. Chávez’s rhetoric is undeniably favoring sustainable development but again there is lack of concrete action. A government that depends on revenue from oil production as a substantial part of its budget is not sustainable unless it is also paired with comprehensive environmental protection. This is not the case in Venezuela.

Chávez is constrained by the fear of a coup d'état. If oil prices fall sharply, there is the possibility that Chávez may lose hold on power. A president that has already been victim of a coup once may well find himself in the same situation again, and then the coup may not fail. The generosity of Chávez to sell oil for cheap or in barter programs with countries in the region is not a lasting strategy since volatile oil prices makes it questionable how long Venezuela can continue the solidarity policy. The missions or social policies that Chávez has implemented may prove successful in reducing inequality, increasing agriculture output, reducing illiteracy rates, and keeping the population well fed and healthy, thereby creating a more egalitarian society. Such social progress does not immediately also create environmental sustainability. According to the Environmental Sustainability Index, the environmental situation in Venezuela is far from ideal and actually worsening. The bottom line is that with continued excessive subsidization of gasoline and energy, sustainable development cannot be reached.

In Venezuela, the public has not been as vocal about demanding policies that are sustainable from an ecological point of view for primarily two reasons. Firstly, concerns for the environment would lead to the end of gasoline and energy subsidization, which many have become dependent on. Secondly, it appears that large parts of the Venezuelan people are more concerned with implementing Chávez’s Socialist Revolution as a
political ambition, while others are more interested in finding ways to reduce Chávez's power. In addition, Venezuela lacks powerful interests groups like the Landless Workers' Movement in Brazil to lobby the government, and since only a portion of the Amazon rainforest is within its borders, there is less international pressure to convince the government to introduce measures to protect the environment. The populist Chávez is especially responsive to his constituency but if the people do not demand policies that are sustainable from an ecological point of view, sustainable development policies are less likely to occur. In Venezuela, where the majority of the people live in urban areas, people are not as directly dependent on the environment for their survival. With the government's focus on reviving the rural areas this may change, and public demands for environmental sustainability may change with it.

In conclusion

If a leftist populist leader is faced with public demands that can be overcome by short-term unsustainable solutions from an ecological point of view, then the leader will sacrifice the long-term goals of sustainable development. This hypothesis holds true to a certain extent since such leaders are indeed responsive to public demands. By simply looking at the leaders ideological values, it could be assumed that leftist leaders have a greater propensity to listen to the marginalized in society, to emphasize social welfare programs and egalitarian societal structures, whereas conservative governments are more inclined to favor corporate interests as part of their support for market economies. In this respect, leftist leaders would be more prone to implement sustainable development policies. A leader with populist tendencies is very receptive to the people that brought
them to power and as a result the types of public demands determine whether the leader will choose long-term or short-term policies and whether these policies are sustainable from an ecological point of view. Where the public demands ecologically sustainable policies, a populist leader is likely to prioritize the environment. If the constituency does not specifically make such demands heard, the government will not place ecological sustainability on top of the agenda.

In order to establish the exact relationship between political orientation and the implementation of sustainable development policies, more extensive analysis is needed that also include case studies of conservative leaders. In the case studies analyzed here, there are so many additional factors that affect a leader's propensity to implement sustainable development policies. For now, it can be fair to conclude that leftist leaders have the value base to embrace sustainable development but without the necessary political will, the actual execution for such policies may be lacking. The main determinant of whether a leader will implement sustainable development policies is linked to the preference of public demand. Chavez has been less successful than Lula in implementing sustainable development policies, mainly because the public demands and international pressure have not been as prevalent as in Brazil. By raising awareness on the issue of whether a leader's political orientation is affecting his propensity to implement sustainable development policies, while highlighting the political, economic and social constraints that could hinder him in doing so, decision-makers may be inspired to try and find alternative and innovative ways of overcoming these constraints. That way sustainable development could be successful.
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