

## Using Social Power to Balance Soft Power: Venezuela's Foreign Policy

President Hugo Chávez of Venezuela has achieved what no other Latin American leader has since the end of the Cold War: bringing security concerns in the Western Hemisphere back to U.S. foreign policy. Might Venezuela provoke a war against neighboring Colombia, spread weapons among insurgents abroad, disrupt oil sales to the United States, provide financial support to Hezbollah, al Qaeda or other fundamentalist movements, offer safe havens for drug dealers, invite Russia to open a military base on its territory, or even acquire nuclear weapons?<sup>1</sup> These security concerns did not exist less than a decade ago, but today they occupy the attention of U.S. officials. Attention to these conventional security issues, however, carries the risk of ignoring what thus far has been Venezuela's most effective foreign policy tool in challenging the United States: the use of generous handouts abroad, peppered with a pro-poor, distribution-prone discourse. While the U.S. debate revolves around "hard power" and "soft power,"<sup>2</sup> this other form can be called "social power diplomacy."

Similar to hard power and soft power, social power diplomacy allows the projecting nation to attract allies but through different means. With social power diplomacy, other nations are not necessarily cajoled into bowing to the economic or military might of the projecting nation, as is the case in the realm of traditional hard power politics. Also, nations are not necessarily attracted to the magnetic appeal of the projecting nation's ideology and values, as is the case with the realm of soft power politics. Instead, social power diplomacy attracts allies because it provides governments with far more latitude in domestic spending than is the case

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with any form of Western aid. This domestic freedom produces close international ties.

As a foreign policy tool, social power is a spectacularly effective way for world leaders to earn allies, even admirers abroad. Spending lavishly on social projects abroad seems a noble enterprise immune from criticism. At a minimum, projecting social power serves to deflect potential scrutiny from other nations. More dangerously, it can provide a shield of impunity for reckless behavior at home and abroad. Social power is also easily replicable. Other regimes with nastier and more competent leaders could replicate Venezuela's social power foreign policy model, and improve on it. The result could be the proliferation of meaner rogue states masquerading as international humanitarians. For all its power, is the United States simply too unprepared to meet this form of balancing behavior?

### **Social Power as a Soft-Balancing Tool**

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Venezuela can be considered a clear practitioner of "soft balancing" against the United States.<sup>3</sup> Soft balancing is a relatively new concept in international relations, referring to efforts by nations, short of military action, to frustrate the foreign policy objective of other presumably more powerful nations. It is a variation of traditional balancing behavior: whereas hard balancing involves efforts to reconfigure the international system (e.g., ending the predominance of a great power), soft balancing seeks less ambitious goals centered mostly on raising the costs of action for the more powerful state. Precisely because the goals are less ambitious, it can become a particularly appealing foreign policy tool for second-tier nations, more so if they know that chances of retaliation are low.<sup>4</sup>

Scholars debate the causes of soft balancing, whether it ever works, and whether it is all that new or widespread.<sup>5</sup> But most scholars who study inter-American affairs agree that Venezuela is fully engaged in soft balancing against the United States.<sup>6</sup> Since 2004, Venezuela has been displaying all the usual signs: systematically eschewing cooperation (e.g., on drug interdiction), building alliances with other like-minded nations like Belorussia, Cuba, and Iran, creating obstacles in international fora (e.g., organizing a parallel anti-U.S. Summit of the Americas in 2005), making counterproposals (e.g., creating the Bolivarian Alliance for the Americas [ALBA] in 2006, a trade agreement that does not advocate liberalization and privatization<sup>7</sup>), and generating diplomatic entanglements such as discussing with Russia the deployment of missiles in either Cuba or Venezuela.

Chávez's main innovation in his soft-balancing approach, however, has been to use heavy investments abroad. One of Chávez's most well-known foreign policy goals is a declared commitment to promoting development, especially to

spend on the poor at home and abroad. Consequently, since 2004, Chávez has gone on an international spending spree, offering plenty of investments, aid, and subsidies to as many nations as possible, most of it billed as development aid. According to the United Nations, Venezuela's direct investments abroad in 2006 totaled 8 percent of its fixed capital, far above Venezuela's average prior to Chávez of 3 percent (in the 1990–2000 period),<sup>8</sup> and far greater than the 2 percent average among comparable petrostates.<sup>9</sup> In terms of U.S. dollars per capita, Venezuela's investments abroad rank fourth in all of Latin America and the Caribbean (behind Argentina, Chile, and Trinidad and Tobago), above those of Mexico and Brazil, the two largest economies in the region.<sup>10</sup>

Venezuela's investments abroad have two salient characteristics. First, they are mostly carried out by the state rather than private firms, as is conventionally the case with most foreign direct investments. This is one reason that the budget allocated for foreign travel by Venezuelan government officials increased from 2006 to mid-2008 by 50 percent, from \$30 million to \$45 million, indicating that they have a lot of businesses to attend abroad. By mid-2008, Chávez himself had taken 225 trips abroad since he took office, an average of 22 a year.<sup>11</sup>

Second, Venezuela's investments include large sums for development projects. Every treaty Chávez signs seems to include an obligatory mention of development goals. Oil expert and consultant for Transparency International, Gustavo Coronel, estimates that Chávez has made a total of \$43 billion in "commitments" abroad between 1999 and mid-2007 including direct investments, indirect investments, subsidies, grants, and donations.<sup>12</sup> Out of this total, approximately \$17 billion (or 40.1 percent) could be classified as social investments. Venezuela's social spending abroad between 2004 and 2007 encompassed a diverse portfolio of projects including oil subsidies to Cuba; the acquisition of Argentine commercial paper to exempt Argentina from having to pay the International Monetary Fund (IMF); cash donations to Bolivia; medical equipment donations to Nicaragua; heating oil subsidies to more than 1 million U.S. consumers; \$20 million to Haiti for investments in education, health care, and housing; and multimillion-dollar investment deals with China and Iran with special binational funds to promote development or create development banks.<sup>13</sup>

The aid has also been offered to governments multilaterally, as is the case with Petrocaribe, a Venezuelan initiative to provide small Caribbean countries almost 200,000 barrels a day of oil and petroleum products at preferential payment terms. Other times, it is offered directly to citizens. When a Brazilian plastics factory went bankrupt in 2003, Chavez offered the displaced workers subsidized raw materials in

**Social power is a spectacularly effective way for world leaders to earn allies.**

exchange for the technology to produce plastic homes in Venezuela.<sup>14</sup> In rural Peru, Venezuela is also funding approximately 200 “Casas del Alba,” according to President Alan García of Peru.<sup>15</sup> These Casas are associations run from people’s own homes that supposedly provide literacy and health services, often with Cuban doctors, but in reality serve as “indoctrination” units that spread radical leftist ideology and incite political protest. Calculating an exact figure for the total sum of these offerings or promises is difficult because funding is secret. Petrocaribe alone, which represents an annual subsidy of \$1.7 billion, puts Venezuelan aid on par with Organization for Economic Cooperation and Development (OECD) countries such as Australia, Belgium, Denmark, Norway, Portugal, Spain, and Switzerland.<sup>16</sup> Some estimates suggest that the total is as large in real terms as the Marshall Plan after World War II.<sup>17</sup>

None of this constitutes discreet philanthropy. Chávez goes out of his way to flaunt his largesse. In the United States, Venezuela has placed television

**Venezuela’s aid is hard to refuse because it comes with very few conditions.**

ads for CITGO, a company owned by the Venezuelan state, stating that households in the United States receive subsidized heating oil as a “gift of the people of Venezuela.” When Haiti experienced food riots in 2008, Chávez dispatched a fleet of airplanes carrying 364 tons of food while Brazil, which is a bigger economy, offered 18 tons.<sup>18</sup> At the November 2007 meeting of the Organization for Petroleum Exporting

Countries (OPEC), Venezuela rebuked the Saudis for “not doing enough” to help the poor and fight imperialism. Chávez proclaims that ALBA will be a “socially oriented” trade bloc dedicated toward eradicating poverty. In Bolivia, the government spends Venezuelan aid by distributing checks issued by the Venezuelan embassy to local mayors and citizens with no accountability measures in place to monitor the use of the funds.

Projecting social power as a diplomatic tool is not a Venezuelan invention. Great powers have done it in the past. Other petrostates in the Middle East do it. Small powers such as Cuba have done it. Even previous Venezuelan administrations, such as Carlos Andrés Pérez in the 1970s, have done it. The Chávez innovation is to make social power the centerpiece of foreign policy and to spend so much of its budget on it. Few other countries have utilized social power to the same degree.

A comparison of Cuba’s foreign policy during the Cold War and Venezuela’s foreign policy during the 2004–2008 oil boom highlights this fact. Both had a strong social policy component in their foreign policy toolkits. Cuba has been exporting doctors since the 1960s, but Cuba’s most prominent export was

guerrillas, weapons, and insurgency training.<sup>19</sup> Promoting revolution abroad was always a higher priority for Cuba than exporting doctors. In the words of Che Guevara, Cuba's top foreign policy goal was to create "two, three, many Vietnams."<sup>20</sup> Venezuela's adaptation of the Cuban foreign policy model could be stated as: let's create two, three, many . . . clinics. On the face of it, this type of foreign policy is one that few people would want to criticize.

Venezuela's social power diplomacy is hard to refuse. The reason is simple: Venezuela's aid comes with very few conditions. Thus, for small nations, Venezuela's social power diplomacy also represents the key competitor against bilateral aid agencies and multilateral lending institutions, all of which offer disbursements under strict conditions and close scrutiny. This is one major reason that former president of Honduras, José Manuel, joined Petrocaribe in January 2008. Zelaya had campaigned as a right-wing, pro-U.S. candidate. But as president he embarked on a spending spree, and by 2007, Honduras was experiencing serious inflation, an external current account deficit, net loss of reserves, and a deteriorating deficit. Under normal circumstances, this would have meant negotiating a rescue package with the IMF, with all its strict conditions. In fact, talks got underway in early 2008.<sup>21</sup> But by joining Petrocaribe in 2008, it became completely unnecessary for Zelaya to sign any agreements with the IMF.<sup>22</sup>

If a foreign government or politician accepts Venezuelan aid, what follows is more than just clinics. Recipients are free to use the money as they see fit. Rarely can politicians receive this amount of aid unconditionally. Venezuelan aid, therefore, often functions as a blank check for any type of domestic spending, not necessarily pro-poor spending.

Venezuela has thus developed a new export model. It is not so much the export of war, as Cuba did during the Cold War, or the export of weapons, as Russia still does. It is certainly not the export of technological know-how as OECD countries do or the export of inexpensive manufactures as China does. It's the export of corruption. Venezuelan aid is billed as investment in social services, but in fact it consists mostly of unaccountable financing of campaigns, unelected social movements, business deals, and even political patronage by state officials. In this era in which elections are fiercely competitive almost everywhere in Latin America, Venezuelan-type aid is irresistible.

Converting social policy into a primary foreign policy tool has brought Venezuela huge rewards. As a publicity stunt, social power has allowed Chávez to win two types of international allies: other states which refuse to criticize Chávez, especially if they receive petrodollars, and intellectuals on the left, especially in Europe, who tend to have a weakness for anti-American populists.<sup>23</sup> Social power projection allows Chávez to score points among opinion makers who would otherwise be appalled by Chávez's domestic failings.

**Venezuela has thus developed a new export model: the export of corruption.**

In international relations, there is a theory that predicts that domestic political problems, especially among non-democracies, lead rulers to pursue international conflict, even war, as a way to divert attention.<sup>24</sup> Chávez's case shows that governance shortcomings can lead to foreign policy largesse, even corruption exporting.

Chávez's social power foreign policy has produced an impressive shield for Venezuela. It protects Chávez against international criticism even by those who know better, and gives him a reputation for humanitarianism among those who are less informed. This is an amazing foreign policy accomplishment. Undemocratic rulers worldwide can take notice: social power can save them from pariah status. The Venezuelan foreign policy model thus has enormous imitative appeal.

### **Explaining the Rise of Social Power Diplomacy**

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Why has social power emerged as a balancing foreign policy tool in Venezuela? There is no question that the answer has to start with the person himself—Chávez's ideology and intentions. Even before becoming president, he was employing anti-market rhetoric and cultivating ties with anti-U.S. governments, such as Cuba, as well as movements such as the Revolutionary Armed Forces of Columbia (FARC).<sup>25</sup> Soon after taking office, he refused cooperation with the United States in a number of areas, even humanitarian assistance in 1999, long before the United States gave him reasons not to cooperate. The United States and Venezuela used to have a remarkably cordial relationship, even during tough times.<sup>26</sup> Chávez changed this cordiality, and soon declared the United States the country's "main adversary," blaming it for an unsuccessful coup against him in 2002, among other charges.

But individual will, whether triggered by ideology, external provocation, or calculation, are not enough to explain the rise in social power diplomacy. Two additional changes were crucial: one at the level of regime type, the other of the international system.

### **Democracy Demotion**

In every serious index of democracy commonly used by political scientists, Venezuela has become less democratic under Chávez. The connection between eroding democracy and rising social power diplomacy is not coincidental, but integral. Social power as a foreign policy tool cannot flourish easily in a vibrant democracy. The reason is that foreign aid, always unpopular at home, has to compete with other spending priorities and domestic lobbies with alternative

plans on how to spend that money. Politicians running for office at home will want to devote more money where the voters are. A regime that guarantees political competition and institutional space for opposition forces will consequently place breaks on foreign profligacy.

For that reason, deploying social power foreign policy requires lessening the opportunities for the opposition to exercise influence. It is, therefore, no surprise that the rise of social power in Venezuela has come with executive branch efforts to undermine checks and balances. By 2008, Chávez had created what political scientists call a hybrid regime: one that is neither fully authoritarian but not exactly democratic either.<sup>27</sup> Instead of banning civic protests, Chávez organizes countermobilizations and mobs. Instead of disbanding organized opposition parties, he denies them resources. He has eroded the independence of any government institution capable of holding him accountable, and lessened the power of governors. Chávez burdens the free press with content regulations and, through media buyouts, has reduced the private media's share of the market. Chávez does not suspend elections, but he undermines the secrecy of the vote, disallows the opposition from using state resources, and in 2008 disqualified some 270 candidates from running for office, many from the opposition. Since 2008, the regime's authoritarian proclivities became more pronounced with the illegal decision to deny funds and powers to elected opposition leaders and by promoting a law banning the media from disseminating information that might cause social distress.

Compared to the most repressive regimes of the twentieth century, the Chávez regime is relatively tame. But compared today to most Latin American regimes, whose political and civil liberties are historically high, Venezuela is one of the least democratic. This change in regime was a necessary precondition for the rise of social power diplomacy. For many analysts, Chávez's social power diplomacy represents one of the best sides of this regime. In reality, it is a sign of the regime's darkest side—the erosion of domestic institutional accountability.

### **The International Political Economy of Oil**

An equally crucial factor for the rise of social power is a favorable international political economy, a point that is not often emphasized by theorists of soft balancing who focus mostly on the threatening provocations of the hegemon. The 2004–2008 environment of high oil prices was perhaps the structural condition that most powerfully contributed to the rise of social power diplomacy.

Venezuela is the seventh largest net oil exporter in the world and one of the world's most dependent nations on oil revenues—the only real petrostate in Latin America. Presiding over a petrostate in the midst of an oil-boom era gave Chávez an historical opportunity to project power abroad. High oil prices not

only paid for Venezuela's social power diplomacy, but also boosted the demand for such policy by making oil importing countries more desperate for oil subsidies.

A favorable international political economy entails not just favorable commodity prices and supplies, but also the availability of economic patrons. Here, the situation was not all that favorable to Venezuela, but it was not that dismal either.

Another comparison with Cuba illustrates this point. A major contributing factor to Cuba's radicalization in the 1960s was the existence of a great power willing to serve as the buyer-of-last-resort. The Union of Soviet Socialist Republics served as Cuba's political sponsor, and as Cuba's main market for sugar and source of subsidies in sectors such as energy, capital, and arms. This sponsorship allowed Cuba to break trade, and thus political, ties with the United States, and disregard economic efficiency.

Regrettably for Chávez, a similar buyer-of-last-resort is unavailable. One might think that China, with its insatiable thirst for oil, would be it. Yet, China is unlikely to buy Venezuela's oil in vast quantities. In 2008, Venezuela sold approximately 1.36 million barrels per day of crude oil and petroleum products to the United States, and only 0.38 million to China. Contrary to what Chávez would like, this low level of China-Venezuela oil trade is unlikely to grow significantly in the medium term. First, China knows that it is cheaper to get oil near its border (e.g., Central Asia) or where it has greater bargaining leverage (e.g., Africa).<sup>28</sup> Second, China does not have the refineries necessary to process Venezuela's extra heavy crudes, and importing oil from Venezuela would be prohibitively expensive, involving a 40-day trip.<sup>29</sup> Finally, China is unlikely to consider Venezuela the strong strategic asset that Cuba was for the Soviet Union. Back in the 1960s, acquiring a political-military base in Cuba was, for the Soviet Union, geopolitically invaluable, equivalent to placing a military base in the Gulf of Mexico and closing NATO's military advantage in Europe. China feels no desire to have such a military base in the Caribbean Basin.

Yet, not all has been lost for Venezuela. Its response to the unavailability of China has been to embrace a policy of maximizing the price of oil in world markets, and more worrisomely, to deepen ties with Iran and Russia. Venezuela realizes that it alone cannot accomplish hikes in oil prices. But cooperating with Iran within OPEC, and partnering with Russia outside of it, can do the trick.

A Venezuela-Iran alliance can promote oil price increases by increasing the number of hawks within OPEC.<sup>30</sup> Iran and Venezuela are the second and fifth largest producers in OPEC, and partnering makes them powerful enough within the oil cartel to counteract Saudi Arabia's efforts to keep prices stable.<sup>31</sup> This explains the rise of the Venezuela-Iran "special relation."<sup>32</sup> Chávez has visited Tehran seven times, and President Mahmoud Ahmadinejad of Iran has visited



Caracas three times as well. Both have signed agreements covering trade, investments, and diplomatic coordination. Likewise, becoming Russia's main arms buyer—a distinction Chávez achieved in 2008—allows Chávez to gain leverage in Russia, where he needs to convince the government to cooperate with OPEC's efforts to restrict supplies. Russia is the second-largest oil exporter in the world, supplying almost 10 percent of the world's oil. If Russia does not cooperate with OPEC supply restrictions, it can counteract the cartel's chance of influencing oil prices. Thus, in addition to exchanging and developing weapons, the primary purpose of Venezuela's ties with Iran and Russia is to influence the world oil market, not just balance the United States.

The darkened cells in the table below show the actual, tacit, and potential alliances in this game among nations in the oil world. Venezuela and Iran share similar policy goals: strengthen OPEC and oil prices. The United States and China share the opposite goals: dilute the power of OPEC and lower the price of oil. Although it is customary to see China and the United States as geopolitical rivals in the quest for declining sources of oil worldwide, these countries are nonetheless united on the desire to keep oil prices down and supplies plentiful.<sup>33</sup> Saudi Arabia is the intermediate player: it sides with Venezuela and Iran on the issue of strengthening OPEC, and is somewhat sympathetic to the United States and China on the issue of avoiding oil price hikes.<sup>34</sup> As any large supplier of any commodity, the Saudis understand—and experience more profoundly—the relationship between rising prices and declining demand. The Saudis learned from the 1970s oil price shocks that if the price of oil rises excessively, demand for oil declines, and the attractiveness of alternative fuels increases—an outcome that is not in any producer's self-interest. The Saudis prefer instead to set affordable prices for oil, whereas Venezuela and Iraq, both experiencing declining oil productions, prefer price maximization.

**Social power as a foreign policy tool cannot flourish easily in a vibrant democracy.**

	Policy Preference toward OPEC	Policy Preference toward Oil Prices
Venezuela/Iran	Strengthen	Raise
Saudi Arabia	Strengthen	Moderate and Stable
United States/China	Weaken	Lower

This distribution of preferences means that the United States is not that helpless in confronting Venezuela. Insofar as the United States can keep China and Saudi Arabia on its side, it will preserve an international political economy environment that can contain some of Venezuela's foreign policy goals.

A confrontation between the United States and Iran, however, might undo this balance by forcing China to move closer to Venezuela. China has significantly increased its oil ties with Iran in the last decade. Iran is China's second largest source of imported oil, and China dominates about eight percent of Iran's oil market. If a confrontation between Iran and the United States were to occur, leading to a disruption in Iranian oil to China, the tacit alliance between the United States and China will become strained. At the very least, China will want to find new suppliers, making Venezuela a more attractive option.

### **Limits on Chávez's Social Power: Ineptness**

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Despite all the gains that Chávez derives from projecting social power, it is incorrect to assume that he has been all that masterful at his own game. Chávez has shown incompetence in two areas that are indispensable for social power. First, he has allowed Venezuela's oil sector to decay. Second, he spends in ways that polarize rather than unite his potential clients.

#### **At Home: The Domestic Oil Crisis**

Under Chávez's watch, *Petróleos de Venezuela, S.A. (PDVSA)*, the state-owned petroleum company and the administration's vital cash cow, has succumbed to an unprecedented productivity crisis. At a time when the international demand and price for petroleum were as high as they were in 2004–2008, one would expect the productivity of the petroleum sector of any petrostate to be thriving. But the opposite happened in Venezuela, where the productivity of PDVSA plummeted since 2002 by 22 percent, measured in terms of barrels per day produced. Meanwhile, PDVSA's payroll expanded by more than 250 percent.

Two principal factors explain this productivity decline: one has to do with preferring loyalists over experts; the other, with preferring state-owned rather than privately owned oil firms. In response to the winter 2002–2003 foreign oil strike, Chávez decided to fire 20,000 PDVSA employees (almost 29 percent of the payroll), many of whom were technical experts or management personnel. Chávez replaced them with ideologues, whom he calls "*rojo, rojitos*," (red, very red), converting PDVSA into a bloated company with cushy jobs for loyalists.

The other explanation is Chávez's decision to reduce deals with private multinationals. While on one hand, Chávez has opened the petroleum sector to many foreign firms—an openness to globalization of sorts—he is giving preference to state-owned rather than private-owned multinationals. For the latter, Chávez has drastically increased the cost of doing business. This asymmetrical foreign investment regime is taking a toll on investments. Between 2002 and 2007, the average foreign direct investment in Venezuela was \$500 million annually, approximately \$16.60 per capita, in contrast to

China's \$510 per capita in 2006.<sup>35</sup> Venezuela and China are both booming economies, and Venezuela is experiencing an oil boom. There should not be such an abysmal difference in investment figures. Venezuela's investment shortfall is the direct result of the government's unfriendly business policies.

Despite these economic blunders, the political net balance has not been necessarily negative for Chávez. One advantage of discouraging private multinationals, for instance, is that it lessens the need for the government to be accountable. Private-owned multinationals are obligated to provide accounts to shareholders and their home governments. In contrast, state-owned firms from undemocratic nations have no shareholders to report to and are often exempted from court scrutiny. By privileging state-owned rather than private transnationals, Chávez seals off opportunities for leaking out information about his business dealings. What Chávez loses in terms of efficiency and investments, he gains in terms of discretion, which is vital for the exercise of social power diplomacy.

#### **Abroad: Splitting Potential Allies**

Chávez has shown ineptness not just as an economic manager, but also as a player in his own diplomatic games. Despite having discovered the dreamlike foreign policy weapon of social power, he has not been a skillful practitioner. Chávez's main diplomatic failing is that he makes no effort to hide the fact that he spends on some politicians and not others. This overt political bias has generated angry responses from those politicians who are not benefitting from Chávez's gifts. Thus, Chávez has become enormously unpopular,<sup>36</sup> especially among the opposition movements of those countries in which he intervenes.

Far more than the denunciations coming from Venezuelan citizens, the denunciations coming from these opposition forces abroad have the highest chances of blocking Venezuela's influence.<sup>37</sup> In the recent Peruvian and Mexican presidential elections, for instance, when it came to light that Chávez was supporting one of the candidates, there was outrage across the political spectrum, which boosted the opponents. Similar outrages have occurred even when elections are not upcoming. In Peru, for instance, the Congress has launched an investigation of medical malpractice cases in Misión Milagro, a Venezuela-sponsored program of eye clinics. Likewise, in Colombia, Chávez's support on behalf of the despised FARC has bolstered the incumbent, Alvaro Uribe, the most pro-U.S. president in Latin America. In Argentina, it is the opposition and the press that are leading the investigation of the "maletagate" (or "valijagate" in Argentina): the detection at a Buenos Aires airport of passengers

**H**igh oil prices powerfully contributed to the rise of social power diplomacy.

**Other nastier regimes could replicate Venezuela's foreign policy model and improve it.**

traveling with \$800,000 (and possibly as much as \$4 million), allegedly as a cash transfer from the Venezuelan government to the electoral campaign for Argentina's current president.

Perhaps the most extreme form of political outrage occurred in Honduras this past June. Initially, almost the entire political establishment welcomed Zelaya's January 2008 agreement to join Petrocaribe. The National Congress approved the oil subsidies as a way

to generate savings and finance a multitude of development projects. But when it became clearer that Zelaya was using the funds to illegally build a political base, and more gravely, to fund a campaign to change the constitution to allow for reelection, the entire political system turned against Zelaya. His party, the Congress, the Supreme Court, and the attorney general declared him to be in violation of the constitution, plunging Honduras into an acrimonious confrontation between the executive branch and all other constitutional powers and political parties in the spring of 2009.

In late June, evidence was found that Zelaya had not only imported cash to carry out his illegal referendum from Venezuela, but also the very same ballot boxes to be used on election day. When Zelaya failed to heed calls from the Supreme Court not to proceed, the court ordered the military to arrest the president, who was then expelled from the country. The international community condemned the coup, but most Hondurans seemed glad to see Zelaya gone. In Honduras, *Chavista* influence (social power diplomacy) led the president to embark on a *Chavista*-like path of political reform (the use of a constitutional assembly to concentrate power on the executive branch). More than polarize the country, this *Chavista* influence actually united most political actors against the executive branch.

Because of Chávez's overtly biased intrusion in domestic political affairs—or because Chávez's aid allows incumbents to turn reckless in their spending and treatment of checks and balances—it is no surprise that public opinion polls across the region show that Chávez became the most “widely mistrusted” world leader, on par in 2007 with George W. Bush.<sup>38</sup> Venezuela's social power diplomacy will never be powerful enough to convince most Latin American nations to suddenly turn against the United States. Despite Chávez's efforts, most countries in the region today want closer rather than colder relations with the United States.<sup>39</sup>

Nevertheless, despite Chávez's ineptness, social power is still paying off for Chávez. He may not have convinced many nations to join his anti-U.S./anti-capitalist crusade or earn as much public goodwill as he could have earned,

but he has nonetheless obtained the unwillingness of most nations, even ideological rivals, to criticize him openly. Part of the explanation for this pledge of silence is the long-standing Latin American tradition of presidents resisting the temptation to criticize one another, but it is more than that. This “live and let live” Latin courtesy typically works only if it is reciprocal. What’s unusual about the Chávez case is that he has not reciprocated. He has been blatantly meddlesome in intra- and inter-Latin American affairs: by condemning Chile for not granting Bolivia access to the sea, criticizing President Lula of Brazil as an environmental threat for developing ethanol, accusing President Alan García of Peru of being a “*cachorro del imperialismo*,” and of course, providing funds, weapons, and praise for the FARC in Colombia, whose government Chávez has described as similar to Israel’s “genocidal” government. By most diplomatic standards, these are pretty irritating acts. Yet, the response by most of Latin America is typically tame. After a quick apology by Chávez, relations usually return to their normal state. If nothing else, Chávez’s social power diplomacy deserves the credit for this tolerance.

Thus, projecting social power in Latin America has not been entirely wasteful. It has given Chávez a shield against criticism even from those Latin American peers, whom he usually insults. What is noteworthy about the unprecedented incident at the 2007 Ibero-America summit, in which the King of Spain Don Juan Carlos de Borbón asked Chávez to “shut up,” is not that the king had to admonish Chávez in front of the cameras, but that no one else dared to utter a similar admonition. It is not just that Latin leaders hope to receive special deals from Chávez, which they do, it is also that they fear that picking a fight with the patron-saint of the poor will enervate radical left-wingers at home, potentially destabilizing their governments. Chávez has crafted a coalition of the silent, even among those he annoys, and that is not a trivial victory.

### **Responding to the Social Power Challenge**

For now, the United States can relax a bit. With the dramatic drop in oil prices in the second half of 2008 (from \$120 per barrel for Venezuelan oil in July 2008 to \$60 in July 2009), Venezuela’s social diplomacy has become harder to afford.<sup>40</sup> But the United States should not relax for too long. First, while Venezuela will no doubt be less generous now that oil prices are lower, it will still be able to offer subsidized oil to many countries, especially small Latin American economies. Venezuela has vast amounts to give away, even after it fulfills its export commitments to the United States, and even in periods of low oil prices, subsidized oil is quite a treat for any oil-importing country. It is not just the price of oil, but the abundance in Venezuela that sustains this foreign policy. Social power diplomacy will not vanish as long as Chávez remains in office.

**For all its power, the U.S. does not seem to possess an effective counterstrategy.**

Nor will it vanish from world politics after Chávez. A social power strategy is easily imitable in future commodity export booms. Furthermore, Chávez's social power is easily perfectible. In the hands of more competent, nastier, gutsier leaders than Chávez, social power can create security challenges. China has convinced a number of Latin American nations to break diplomatic relations with Taiwan in return for development assistance. Iran seems to be

using development aid to lobby Latin American governments to relax visa restrictions for Iranian citizens, a trick that has worked in Bolivia and Venezuela.<sup>41</sup> These cash transfers come with few strings attached. Corruption spending disguised as humanitarian aid can generate a shield of protection for the worse rogue states that will frustrate efforts by the international community to contain such a regime.

For all its power, the United States does not seem to possess an effective counterstrategy. A “hard power” response—such as military or economic aggression—seems disproportionate to the offense. To cease oil trade with Venezuela, as some hard-liners may suggest, would only politically strengthen Chávez, who is already keen on confrontations with the United States. Soft-liners, incidentally, do not necessarily offer better solutions either. Constructive engagement, for instance, will not make Chávez suddenly like the United States or stop Chávez's social spending. Multilateral negotiations are dead on arrival because coalitions against a regime with a social power foreign policy are unrealistic. Promoting free trade and free politics is hopeless because illiberal states are uninterested in these principles. Projecting soft power onto Venezuela will have little impact in Venezuela or elsewhere where Chávez intervenes because praising liberalism does nothing to lessen the demand for unaccountable foreign aid that Venezuela satisfies.

One may be tempted to conclude that the appropriate response to social power is simply to imitate it. Boosting foreign aid, however, is not the answer either. No doubt, the United States could do more to promote development in the region, but more aid à-la-Venezuela seems impractical and possibly counterproductive. The United States should not aspire to become the world's preeminent charity. And even if the United States were to expand aid, it will not diminish the demand for unaccountable aid, so there will continue to be room for Venezuela's social power diplomacy. Furthermore, to compete with Venezuela's foreign policy requires not simply spending more, but spending

unconditionally, and this would violate the elementary precept that accountability is the *sine qua non* of good governance.

Perhaps the best strategy to deal with social power diplomacy is an indirect one: continue to promote democratic politics abroad. The most effective checks on Venezuela's foreign adventurism have come from opposition parties in the countries where Chávez intervenes. Opposition actors can only be strong if they operate in strong democracies. Thus, strong democracies, characterized by vibrant political competition, aggressive press, and functioning check-and-balancing institutions, can help contain the ill-effects of social power foreign policy. These checks are not infallible naturally, but they are not worthless either. Strong democracies may not save the world from wars or yield durable allies that think and act like us—these were the false hopes of the 1990s. But democracies may very well be the United States' best hope, however indirect, to counteract what seems to be a new type of asymmetric foreign policy threat.

## Notes

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