

THE
CARTER CENTER



Andean – U.S. Dialogue Forum

Country Visit

Venezuela

November 17-18, 2010

Country Facts

Venezuela

- **Population:** 28.6 million (2010 estimate, 42nd largest in world)
- **Surface area:** 916,445 km²
- **Population density:** 30 people/km
- **Urban population:** 93 percent
- **UN Human Development Index (2009):** 0.844 (58th in the world)
- **Poverty:** 38 percent (2005)
- **Income inequality:** 43.4 Gini index (2nd most unequal among Forum countries)
- **Official Language:** Spanish (numerous unofficial indigenous languages)
- **Gross Domestic Product (GDP):** \$350.1 billion in 2009 (growth rate of -2.9%)
- **Industry:** oil accounts for roughly 30% of GDP, 90% of export earnings, and more than half of the central government's ordinary revenues.
- **Trade:** exports were \$57.6 billion in 2009, down from \$95.14 billion in 2008. Imports in 2009 totaled \$38.44 billion, down from \$49.48 billion in 2008. Venezuela's main trade partners in 2008 were (top 5, largest to smallest) the U.S. (Venezuelan exports to the U.S. in 2009 were \$28.1 billion and U.S. exports to Venezuela were \$9.3 billion), the European Union, Colombia, China and the Netherlands Antilles. The top 5 accounted for 61 percent of external trade. Since 2008, bilateral relations with Colombia have become strained, with the result that trade between the two nations has diminished.
- **Environmental problems:** sewage pollution of Lago de Valencia; oil and urban pollution of Lago de Maracaibo; deforestation; soil degradation; urban and industrial pollution, especially along the Caribbean coast; threat to the rainforest ecosystem from irresponsible mining operations.
- **President:** Hugo Chávez Frías - elected to third term (six years) in 2006
- **Selected regional organization memberships:**
 - Latin American Integration Association (ALADI)
 - Organization of American States (OAS)
 - Bolivarian Alliance for the Americas (ALBA)
 - Union of South American States (UNASUR)
 - Inter-American Development Bank (IADB)
 - Member of MERCOSUR
 - Latin American Economic System (SELA)



- Andean Development Corporation (CAF)

Brief Country Report: Venezuela

Few would have imagined that the electoral victory of Hugo Chávez in 1998 would mark the beginning of one of the most interesting political cycles in South America. Notwithstanding the center-left coalition government in Chile, that year could be deemed the beginning of what some have called a “turn to the left” or progressivism in the region.

The demand for radical change materialized in Venezuela in the 1990s as a result of a doubling of poverty levels and the population’s resounding rejection of the traditional political parties and leaders. It was in this context that Hugo Chávez emerged as a political figure, with a plan of a new and inclusive democracy that would be the product of constitutional reform and of the redistribution of the country’s petroleum resources to sectors of society previously excluded. In 2006, this project began to be called 21st Century Socialism.

Two of the characteristics that distinguish the Venezuelan political process from other processes that are underway in the region are the way in which it is tied to the United States and the proactive way in which the Chávez government actively pursues increased autonomy and standing within the international political system with respect to the process of globalization. In this sense, the actions of President Chávez represent a progressive turn and an active foreign policy with a multi-polar focus, which has led to increased relations with various countries, among them those of Mercosur, Unasur, and other nations such as Iran, Russia, China and Cuba.

Chávez’s leadership is based on a strong identification with popular sectors that also translates into a strategy of inclusion and support to them through various programs or “missions”- in health, education, nutrition, economic, etc., financed by petroleum revenue. This process which began when Chávez came to power in 1999, has resulted in the existence of two opposing political projects that have confronted each other in 14 electoral processes. The opposition, which to date has not managed to articulate a coherent or realistic platform, has often adopted a radical stance, the most illustrative moments of which were the 2002 coup attempt, the 2002-2003 business strike and the abstention from the 2005 Congressional elections. In this context, it is exceedingly difficult to have dialogue between pro-government and opposition sectors.

With respect to the economic picture, there are three points to highlight. First, this is a government seeking to radically change the development model (starting with the redistribution of petroleum revenue). Second, the Venezuelan economy continues to depend on petroleum exports, which has been a constant, rather than a changing variable in the Venezuelan economy. Third, the importance of Venezuelan petroleum exports in the region is an important political instrument both inside and outside of the country.

Managing the Venezuelan economy has led to profound changes in the channels of marketing for food and drink. These channels, previously in the hands of the private sector, are now controlled through popular markets and individual networks of the public sector, which spearheaded their distribution, guaranteeing the supply of food products. And although it remains clear that the Venezuelan economic environment is not ideal, it is important to recognize that petroleum

continues to be the most important factor that allows the Venezuelan government to address these economic challenges with relative success.

Relations between Venezuela and the United States are very complex. For a good number of years, the two countries had maintained a diplomatic relationship without substantial disagreements, but the inauguration of the Chávez administration brought about a dramatic change. The principal goal of Chávez's foreign policy is to create a multi-polar world, a policy which emerged and has continued to intensify since the attempted coup d'état in 2002 (applauded at the time by the U.S. government). As a result, throughout the last decade, there have been a variety of instances that demonstrate the important differences in strategy and on issues that are part of the global and hemispheric agenda. Despite these serious differences, the bilateral relations have strategic importance for both the U.S. and Venezuela, primarily in terms of energy economic, trade and financial policy. There are distinct, but not incompatible, agendas on issues such as the fight against terrorism, drug trafficking and the authentication of resources appearing in the agendas of both countries. The challenge is to achieve inclusion of each of the respective agendas.

As mentioned above, Venezuela's conviction to conduct an active and independent foreign policy, which enables it to assume a greater role in international politics, is a characteristic of the process of change. In this context, Chávez has enacted initiatives like the Bolivarian Alternative for Latin America (ALBA) and Petrocaribe, through which he has provided technical assistance and financing to other countries in the region.

Although relations between Colombia and Venezuela have passed through different stages, some of which were fairly tense, it must be noted that, with the election of Juan Manuel Santos to the Colombian presidency, the confrontation between the countries has diminished. This is indicated by Santos' preference to resolve his differences with Venezuela through the diplomatic process and the restoration of trade relations, the payment of debts to Colombian companies, the creation of bilateral working commissions and the adoption of direct dialogue mechanisms between both countries.

The arrival of President Obama to the presidency of the United States created many expectations in Venezuela that have not been fulfilled; although a sense of change to the style of President Bush is perceived.

The legislative elections of September 2010 signify the best scenario for Venezuela since both those in favor of the government and the opposition are represented in the new assembly.

Documents and Articles

Common Agenda Thematic Analyses

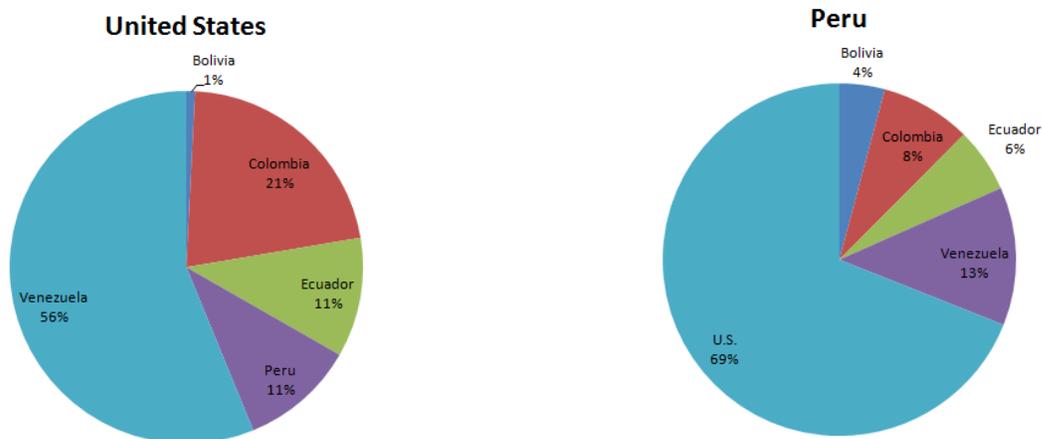
TRADE

The graphs below represent trade (imports + exports) amongst the five Andean countries and the United States in 2008. The figures presented here are a narrow snapshot of the complex and ever-changing trade relationships that exist between these six countries. Percentages shown are expressed as a fraction of each country's total trade with the other five nations. For example, Venezuelan exports and imports were responsible for 56% of the total U.S. trade with the region in 2008 (see "United States, below).

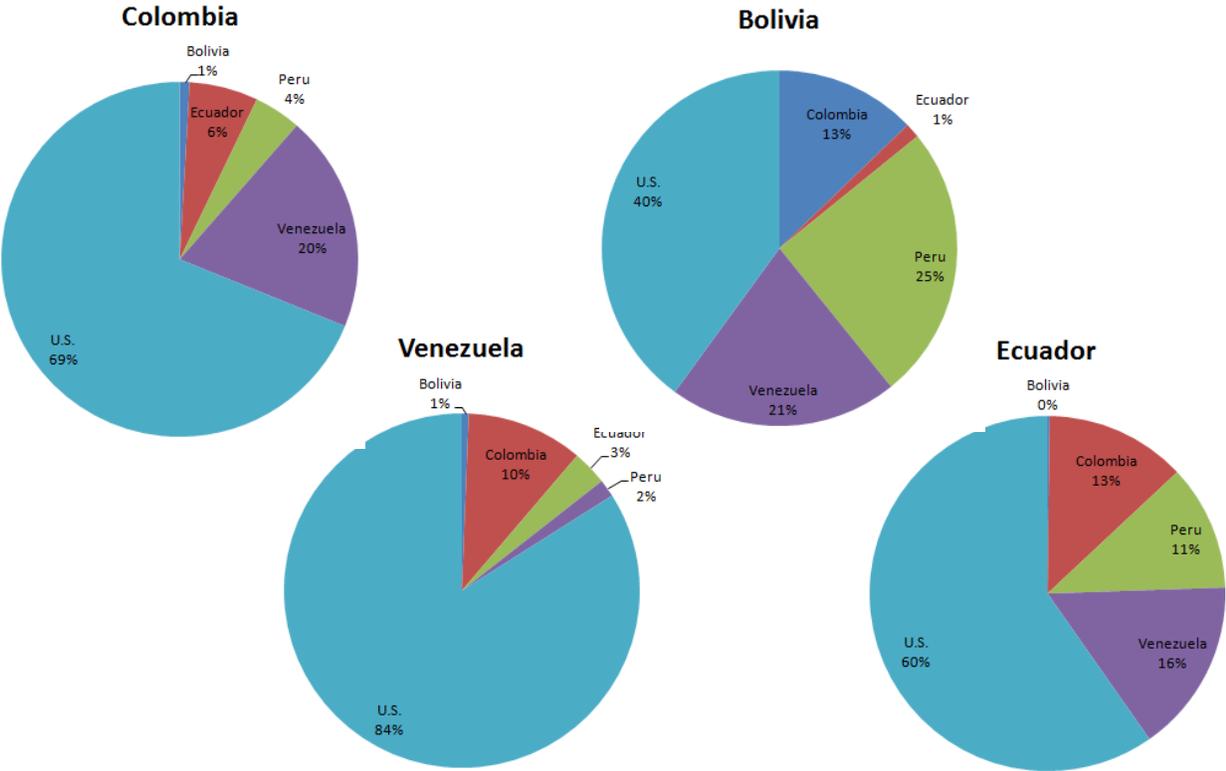
As can be observed, supposed political and ideological alliances do not automatically carry over in to trade relationships. Venezuela and the United States, arguably the most polarized relationship of the group, nevertheless have a robust trade relationship as compared with the other countries, due in large part to Venezuela's importance as a petroleum producer.¹ Also, the trade relationship between the three regional members of the Bolivarian Alliance for the Peoples of Our America (ALBA, in Spanish) Venezuela, Ecuador, and Bolivia show that geographic proximity and historic business ties affect trade more than comparatively recent political alliances.

Bolivia presents the best example of this pragmatism when it comes to international business relationships. Despite its political kinship with Venezuela, it does more trade with Peru, with which it shares a busy border. Bolivia's trade with the other ALBA member in the area, Ecuador, was almost non-existent in 2008 and trade with the U.S. was almost double the next closest country (see "Bolivia," below).

Forum Countries as Trade Partners: 2008ⁱⁱ



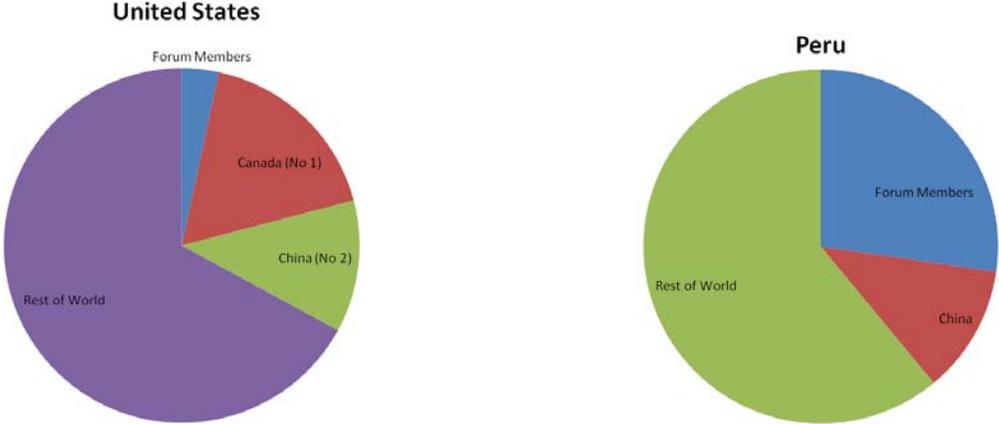
Forum Countries as Trade Partners: 2008 ⁱⁱⁱ



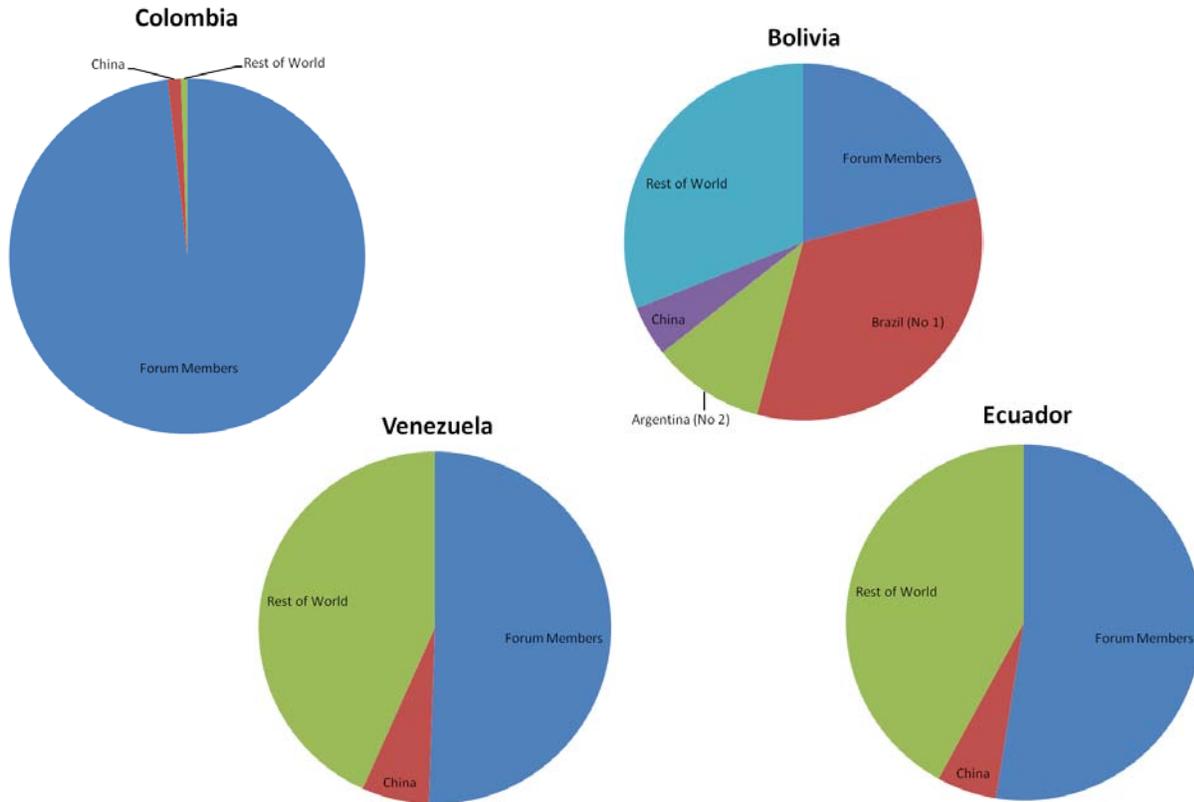
The charts below show total worldwide trade (imports + exports) for each of the Forum countries. The data represented include Forum member countries, the first and second largest trade partners (when those countries are not Forum members), China, and the rest of the world.

These graphs give perspective on the data above by showing the relative importance of the other Forum members in the overall trade mix of each country.

Forum Countries Total World Trade: 2008 ^{iv}



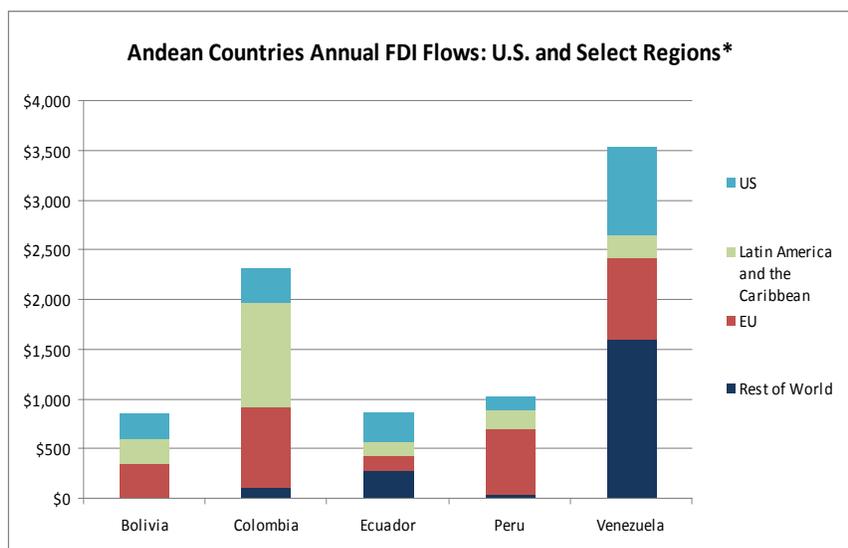
Forum Countries Total World Trade: 2008 (continued)^v



INVESTMENT

The graph on the right shows total foreign direct investment (FDI) flows (both inflow and outflow) for the Andean countries divided between the U.S. and selected regions. The figures represent annual averages from 1996-2002 and are expressed in millions of U.S. dollars.^{vi}

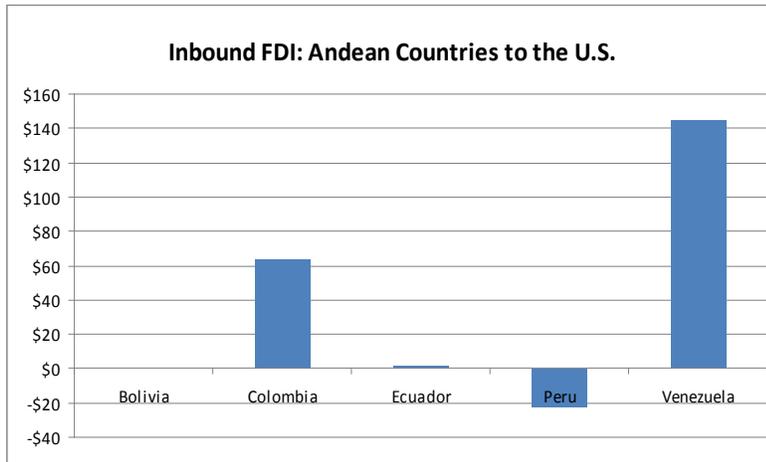
Although the United States represents a significant portion of each country's FDI flows, it does not comprise half of even the country with the smallest total FDI, Ecuador. The Andean countries have been



Source: UN Conference on Trade and Development (UNCTAD)
* 1996-2002 annual average, \$USD millions

successful in courting foreign investment from numerous other partners around the globe.

Foreign direct investment between the U.S. and the Andean region is not only one-way. As shown below, Venezuela was by far the largest investor in the United States from 1996-2002, averaging \$145 million per year. Colombia was a distant second place, investing approximately \$63 million annually.



Industries and Companies

With one exception, the mining, quarrying, and petroleum sectors dominated FDI flows in the Andean countries for the period represented above. Colombia was the only country where the extractive industries were exceeded – by finance – for the period studied. Since that time (1996 – 2002), significant security gains have been made

Source: UN Conference on Trade and Development (UNCTAD)
* 1996-2002 annual average, \$USD millions

in Colombia and in 2009 the extractive industries were again first place for FDI.^{vii}

Despite the heavy presence of mining, quarrying, and petroleum interests in the Andean FDI mix, the top American companies investing in the region were not always from the extractive sector. In 2002, for example, a well-known pharmaceutical multinational was the number one American investor in Venezuela.^{viii}

ILLEGAL NARCOTICS

Consumption and Demand

The chart on the right shows the rates of usage for opiates (heroin and derivatives), cocaine, and cannabis for the most recent year available for each country. Rates of usage in the Andean countries, while not zero, are still far less than those of the United States. The U.S. has nearly double the rate for opiates and cannabis and more than three times the rate for cocaine than the second closest Andean country.^{ix}

The UN Office on Drugs and Crime (UNODC) is the only agency that maintains consistent, yearly, worldwide data on narcotic cultivation, production, and consumption. That data, and the methodology employed by UNODC, however, have been the subject of significant criticism. Opponents have pointed to the UN Office’s pursuit of prohibition policies like crop eradication and interdiction while ignoring demand side harm-reduction policies like needle exchanges and substitution treatment.^x Nevertheless, a recent report^{xi} cited multiple occasions in which the UNODC was seen as modernizing its policy and approach in formerly contentious areas.

Country	Opiates	Cocaine	Cannabis
Bolivia	0.30%	0.8%	4.30%
Colombia	0.10%	0.8%	1.90%
Ecuador	0.12%	0.3%	0.70%
Peru	0.18%	0.3-0.6%	0.70%
Venezuela	0.03-0.16%	0.6%	7.50%
U.S.	0.58%	2.80%	12.30%

UN Office on Drugs and Crime

In the United States, the Obama Administration has announced a new domestic drug policy that focuses more on prevention and treatment than previous policies. Gil Kerlikowske, the director of the White House Office of National Drug Control Policy, pointedly announced an end to the U.S. “war on drugs” in his first interview after being confirmed for the position.^{xiii} The new policy, announced in May 2010, increases aid to community-based anti-drug programs, instructs health care providers to look for pre-addiction drug problems, and expands treatment options to include mainstream health care facilities.

Production

The chart below shows the United Nations Office on Drugs and Crime (UNODC) estimated distribution of coca cultivation in the Andean countries. The chart also details the eradication and seizure efforts of each country and the percentage change from 2008 for all categories. The most noteworthy figures come from Colombia, Peru, and Ecuador.

Cultivation, Eradication and Seizure: Andean Region, 2009

Country ^{xiii}	Coca Cultivation	% Change	Aerial Spraying	% Change	Manual Eradication	% Change	Cocaine Seized	% Change
Bolivia	30,900 ha	+1.3%	-	-	21,970 ha	+2.0%	26,892 kg	-6.9%
Colombia	68,000 ha	-16.0%	104,771 ha	-22.0%	60,544 ha	-37.0%	203,416 kg	+3.0%
Ecuador	<25 ha	0.0%	-	-	-	-	65,074 kg	+130.5%
Peru	59,900 ha	+6.8%	-	-	10,025 ha	-1.2%	20,658 kg	-26.1%
Venezuela ^{xiv}	-	-	-	-	-	-	60,200 kg	+59.5%

According to the UNODC, Colombia has made strong progress in reducing the area under cultivation while simultaneously reducing its eradication efforts and slightly increasing its seizure rate of processed and semi-processed cocaine. Peru has the largest decrease in seizure rates and the only statistically significant increase in area under cultivation since 2008. Ecuador, despite having an “incipient”^{xv} level of coca cultivation, has nevertheless experienced a large (130%) increase in cocaine seizure rates. Determining whether such an increase is due to an increased flow of cocaine or greater enforcement efforts is not possible with the available data.

The UNODC does not include Venezuela in its monitoring program and, according to the U.S. Department of State, the levels of coca cultivation in that country are “historically insignificant”.^{xvi} Nevertheless, the same report points out that Venezuela has become a preferred route out of South America for narcotics bound for the United States, Europe, and West Africa. Venezuela, in an effort to counter this traffic, launched “Operation Sentinel” in 2009 to disable clandestine airstrips and destroy coca and poppy plants in the mountainous southwestern part of the country. The Government of Venezuela reported disabling approximately 40 airstrips and seizing four aircraft under “Operation Sentinel”.^{xvii}

US-Andean Drug Relations

Although all of the Forum countries have committed to fighting the drug trade, some of the Andean countries have criticized the US drug policy in the region. The signing of the US-Colombia Defense Cooperation Agreement, which allowed limited US use of seven Colombian military bases, was widely controversial, and both Ecuador and Venezuela said they were threatened by a US military presence in the region.

Percentage of GDP Spent on Defense: U.S. and Andean Countries (2008)

Country ^{xviii}	% of GDP	Forum Rank
U.S.	4.3%	1
Colombia	3.7%	2
Ecuador	2.8%	3
Bolivia	1.5%	4
Venezuela	1.4%	5
Peru	1.1%	6

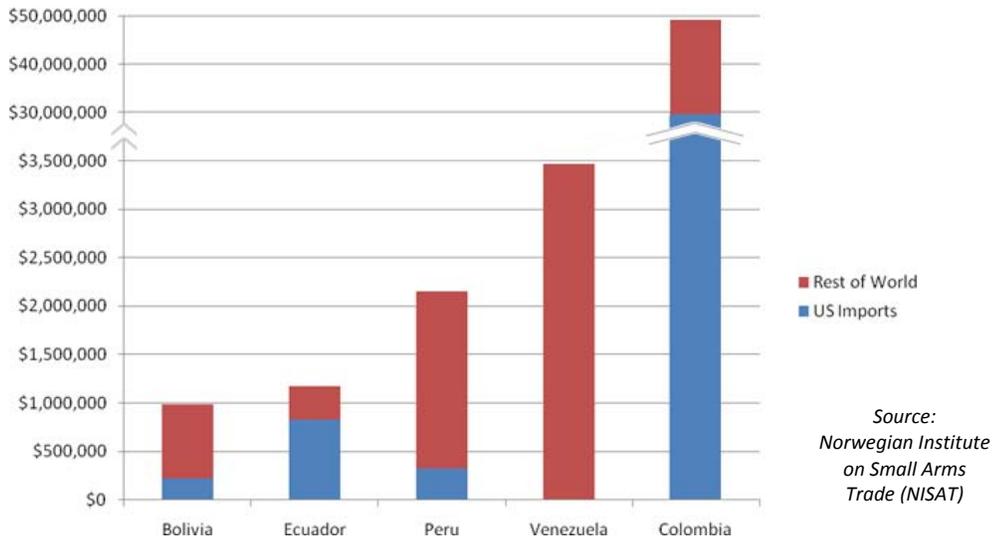
Source: SIPRI

ARMS AND DEFENSE

The chart on the right shows the percentage of total GDP spent on defense for each of the Forum countries. The data show a clear split between the top two countries (United States and Colombia) and the other four nations (Peru, Bolivia, Venezuela, and Ecuador). The U.S. share of GDP spent on defense, for example, is greater than the combined shares of the bottom three Forum countries. Due to the size of the U.S. budget, absolute figures in dollars spent would show an even greater disparity.

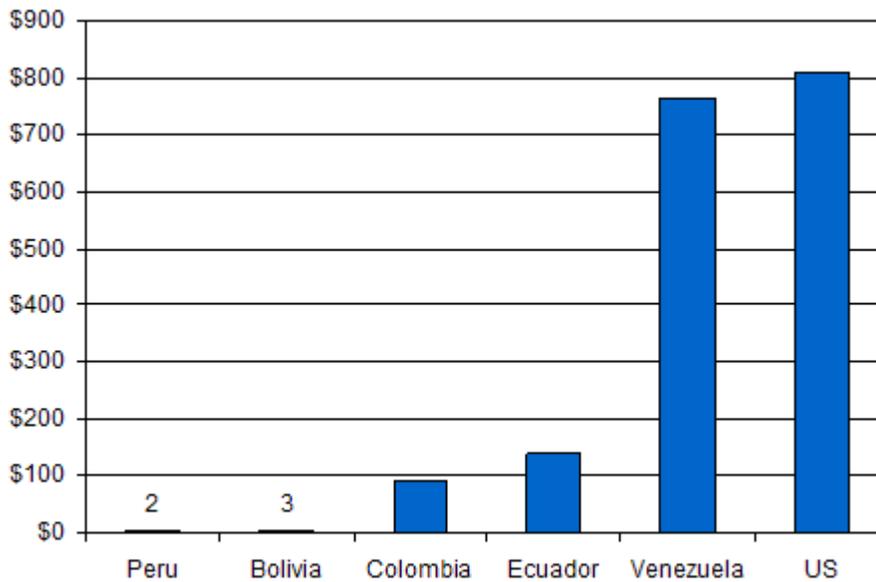
The Andean countries are part of the Union of South American Nations (UNASUR), a 12-member alliance with the goal of economic, immigration, and defense integration. After a proposal from Peru, in May 2010 UNASUR pledged to conduct defense purchases across the continent with greater transparency. A plan to carry out the initiative, aimed at increasing regional stability, is being formulated and will be introduced soon by Argentina and Chile.^{xix}

Imported Small Arms and Light Weapons: Andean Countries from U.S. and Rest of World (2008, \$USD) ^{xx}



Colombia was overwhelmingly the largest Andean importer of small arms and light weapons (SALW) in 2008. In at least two countries, Colombia and Ecuador, the United States was responsible for more than half of that class of imported weaponry.

Trend Indicator Values (TIV)* of Major Conventional Arms Transfers (2008, in millions \$USD) ^{xxi}



**Although TIVs are expressed in \$USD they do not represent the financial value of goods transferred, but are instead an indication of the volume of arms transferred. Since TIVs do not represent the financial value of the goods transferred, they are not comparable to official economic data such as gross domestic product or export/import figures.*

Source: SIPRI

Major conventional weaponry, however, presents a different picture. The graph above shows arms transfers of aircraft, air defense systems, artillery, missiles, sensors, ships, armored vehicles, and engines

for the six Forum countries. Although the two sets of data are not directly comparable (see the ‘TIV’ graph explanation, above), it is clear that disparities in spending on major conventional weapons are much greater than those that exist for expenditures on small arms and light weaponry. The United States was the number one importer of major conventional weapons among the Forum countries.

In a March 2010 report,^{xxiii} the Stockholm International Peace Research Institute (SIPRI) noted that major conventional weapons transfers to all the South American countries during 2005-2009 was 150% higher than in 2000-2004. According to SIPRI, in 2009 Venezuela alone received \$2.2 billion in credit from Russia to purchase air defense equipment, artillery, armored vehicles, and tanks. The same SIPRI report also pointed out, however, that Chile is the number one South American importer of this class of weaponry and 13th in the world overall.

Notes:

- i. Petroleum and petroleum products represented 95.1% of total U.S. imports from Venezuela in 2008. (Source: U.S. Census Bureau, Foreign Trade Statistics, available at: <http://www.census.gov/foreign-trade/statistics/product/enduse/imports/c3070.html>, last Accessed July 12, 2010).
- ii. Sources:
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 - Colombian Ministry of Commerce, available at: <http://www.mincomercio.gov.co/eContent/CategoryDetail.asp?idcategory=542&IDCompany=1&idmenucategory=964> (last accessed on June 29, 2010).
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 - Banco Central del Ecuador, available at: <http://www.ecuadorexporta.org/contenido.ks?contenidoId=323&contenidoId=323> (last accessed on July 7, 2010).
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 - U.S. Census Bureau, available at: <http://www.census.gov/foreign-trade/balance/> (last accessed on June 29, 2010).
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- iv. Source: Id.
- v. Source: Id.
- vi. Source for all data and text in this section: United Nations Conference on Trade and Development (UNCTAD), FDI Country Profiles, available at: <http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1> (last accessed July 9, 2010)
- vii. Economist Intelligence Unit. Country Commerce - Main report, Colombia. 1 January 2010, available (via subscription) at: http://portal.eiu.com/index.asp?layout=country&geography_id=1510000151 (last accessed July 12, 2010).
- viii. UNCTAD Country Profile, Venezuela.
- ix. Source: "World Drug Report 2009," United Nations Office on Drugs and Crime (UNODC). 2009. Available at: http://www.unodc.org/documents/wdr/WDR_2009/WDR2009_eng_web.pdf (last accessed July 14, 2010).
- x. See "The United Nations and Harm Reduction." November 2005. Transnational Institute (TNI). Available at: http://www.tni.org/archives/drugsreform-docs_unharmred (last accessed July 14, 2010).
- xi. See Blickman, T and Jelsma, M. "Drug Policy Reform in Practice: Experiences with Alternatives in Europe and the US." June 2009. Transnational Institute (TNI), available at: <http://www.tni.org/sites/www.tni.org/files/drugsalternativesuseurope.pdf> (last accessed on July 14, 2010).
- xii. Fields, Gary. "White House Czar Calls for End to 'War on Drugs'." Wall Street Journal. May 14, 2009. Available at: http://online.wsj.com/article/NA_WSJ_PUB:SB124225891527617397.html (last accessed July 27, 2010).

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- xvi. Id.
- xvii. Id.
- xviii. Source: Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database. Available at: <http://milexdata.sipri.org/> (last accessed August 2, 2010).
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- xx. Source: Norwegian Initiative on Small Arms Transfers (NISAT) Small Arms Trade Database, available at: <http://www.prio.no/NISAT/Small-Arms-Trade-Database/> (last accessed July 9, 2010)
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- xxii. Holtom, et al. "Trends in international arms transfers, 2009: SIPRI Fact Sheet." Stockholm International Peace Research Institute (SIPRI). March 2010. Available at: http://books.sipri.org/product_info?c_product_id=404 (last accessed August 5, 2010).
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Recent News and Updates

Venezuela steel company protests state takeover

Venezuelan steel company Sidetur protested being nationalized by President Hugo Chávez on Monday, November 1, and denied having ever broken the country's price controls. President Chávez accused the company of charging too much and ordered its expropriation as the latest of several government takeovers in recent weeks. Six local construction firms were also nationalized along with Sidetur. The firm, a subsidiary of local steel company Sivensa SVS.CR, said it has always complied strictly with state price regulations introduced in December 2006, even despite inflation increasing by close to 10 percent since then. Representatives of Sidetur urged the government to assess the impact of this move on infrastructure and construction plans at the national level, as well as on the workers and their families, and the suppliers and clients of the company.

(Reuters, November 1)

Venezuela's business chamber expects the government to protect economic rights

The Venezuelan Federation of Trade and Industry Chambers (Fedecamaras) will go to the Supreme Tribunal of Justice (TSJ) to file a suit requesting "constitutional protection" of economic rights. The exact date of the action is not set. Noel Alvarez, the president of Fedecamaras, said the initiative will be launched so that the TSJ will tell people that "when the government insists on implementing a socialist State, without private property and initiative, it is acting against the Constitution." The business chamber decided to use legal options to fight the many recent and not-so-recent expropriations and actions of the Executive Office against the private enterprise. The goal of Fedecamaras is to have the TSJ determine the validity of the socioeconomic system enshrined in Chapter VI of the Venezuelan Constitution in order to recognize the effectiveness of laws and principles that commit and force the private sector and the Venezuelan State to act together to develop the country.

(El Universal, November 1)

IDB loan to restore and upgrade Venezuela's Guri hydro plant

The Inter-American Development Bank (IDB) has announced a USD 700 million loan to Venezuela for the purpose of upgrading the turbines in the Simon Bolivar Hydroelectric Plant, also known as the Guri. The Guri is the world's third largest hydroelectric plant and supplies 45% of Venezuela's electricity demand. The loan from the IDB will be used specifically to replace six turbines that were installed in the 1960s and 1970s, and which the bank says are at risk of failure as they were not designed to handle the water pressures supplied today by the reservoir. These factors mean the turbines are generating 7% less power now than will be possible once the overhaul is complete. The rehabilitation of these turbines is part of the Venezuelan government's Guri Modernization Program, due for completion in 2016, and expected to add 795 MW to Guri's generation capacity or 3% of Venezuelan demand. Total cost of the project is put at USD 1.3 billion, \$609 of which will come from Venezuela.

(KHL Group, November 1)

Venezuelan troops take over U.S. glass plants

Venezuela sent troops to two plants owned by U.S. bottle maker Owens Illinois Tuesday after President Hugo Chavez ordered the nationalization of the company's operations based on charges of environmental crimes and exploiting workers. President Chavez announced the expropriation of the plants in a televised address Monday night, October 25, after which Owens Illinois stock fell nearly six percent. Owens Illinois has operated in Venezuela for more than 50 years and employs more than 1,000. The United States said Tuesday it expects Venezuela to provide proper compensation to the company after the expropriation.

(AFP, October 26; Reuters, October 25)

More foreign agreements for Chávez

Venezuela's President Hugo Chávez concluded his seven-country tour through Europe and the Middle East by signing agreements with Portugal, Libya, and Syria. With Portugal, Chávez signed agreements for the development of renewable energy projects, which he expects will one day replace his country's dominant oil industry, stating that "this type of energy is the future." Deals were also signed for the purchase of 1.5 million low-cost laptops, adding to the 850,000 he has already purchased, designed for schoolchildren as well as deals for a Portuguese company to build 12,000 public housing units.

Chávez also visited Lybia where he met with leader Moamer Gaddafi to discuss 'integration between the African and Latin American states and promoting the South-South front.' Also on his visit, Chávez received an honorary degree from Tripoli's Academy of Higher Education. Gaddafi and Chávez also discussed preparations for the third Africa-South America Summit to be held in Libya next year and which was held last year in Venezuela.

Finally, in Syria, the Syrian-Venezuelan Trade Council was launched during Chávez's visit. Chávez underscored the importance of unifying the power of Syria, Venezuela, Cuba, and Bolivia to face the common challenges and threats posed by the international imperialism and its policy. The need to building and opening a Caracas-Damascus road was stressed which will consolidate the two countries' efforts in confronting the negative repercussions of the global economic crisis.

([Global Arab Network](#), October 22; [Monsters and Critics](#), October 23; [The Associated Press](#), October 24; [Latin American Herald Tribune](#), October 25)

Venezuelan government denies presidential request to protect Cubillas

Venezuela's Minister of the Interior and Justice, Tareck El Aissami, told TV network Telersur that so far the government has no evidence to sue Arturo Cubillas, who was part of a group of 11 ETA members who arrived as refugees to Venezuela in 1989, under an agreement with Spain. El Aissami said President Hugo Chávez has not requested any kind of protection for alleged ETA member Arturo Cubillas in response to queries about whether Chávez had ordered him to give Cubillas special protection. The minister also said that he had so far not found evidence on which to prosecute Cubillas.

([El Universal](#), October 22)

Venezuela's Chávez signs deals with Russia, Ukraine, Belarus, Iran

As part of Venezuela's President Hugo Chávez's trip beginning in Russia and ending with Iran, Chávez has signed agreements with Russia, Ukraine, Belarus, and Iran. On Friday, October 15, Russia agreed to build Venezuela's first nuclear plant, along with signing other energy agreements. The deal has raised criticism as questions arose why a nation rich in oil and gas would need to venture into atomic energy. Russia has also just completed Iran's first nuclear power plant and recently reached new deals to build nuclear reactors there and also wants to build a nuclear reactor in the Czech Republic. The deal with Venezuela signed at the Kremlin during Chávez's visit is worth \$1.6 billion. It has provoked international reactions including that of the President Barack Obama who has defended Venezuela's right to develop nuclear power but is obligated not to turn it into weapons.

Chávez and Ukrainian counterpart, Viktor Yanukovich, signed an agreement opening Venezuelan oil and gas fields for development by Ukraine's state-owned companies, and confirmed that Ukraine would act as a transit route for Venezuelan oil shipped to Belarus. Belarus and Venezuela signed a contract under which Venezuela will supply 10 million tonnes of oil annually from 2011 to 2013. The two countries' state-run oil companies also signed a memorandum on the development of two oil fields in Venezuela in addition to the five oil fields the joint-venture currently owns with hopes to increase production from 820,000 tonnes of oil/year to 1.2-1.3 million tonnes. In Iran, Presidents Chávez and Ahmadinejad signed 11 memorandums of understanding (MOU) promoting cooperation including oil,

natural gas, textiles, trade, and public housing projects. Both countries also agreed to form a joint oil shipping company and set up petrochemical plants in addition to establishing Venezuela's participation in Iran's South Pars gas field.

(Radio Free Europe Radio Liberty, October 18; RTT News, Steel Guru, October 19; Xinhua, October 20; October 21)

Standoff between Spain and Venezuela over extradition of alleged ETA member continues

The standoff between Spain and Venezuela continues to grow tense as Spanish authorities request the extradition of an alleged ETA member working within the government of President Hugo Chávez. Last Venezuela claimed it would not extradite Arturo Cubillas, the Basque separatist group's alleged top militant in Latin America because local law does not allow extradition of citizens and Mr. Cubillas, a Spaniard, had become a naturalized citizen in 1993. The Spanish investigation dating back to 2008, produced an indictment in February alleging use of Venezuela as a training ground for militants with both ETA and FARC. After months of stonewalling, on October 11, Chávez opened a separate case in Venezuela to investigate the allegations against Mr. Cubillas while still dismissing them as fabrications to discredit his government. Spain's prosecutor general has demanded that Venezuela either "hand over or prosecute" Cubillas who responded by filing a complaint that the ETA militants who incriminated him testified under torture.

(El Universal, Expatica Spain, The Christian Science Monitor, October 18)

Cuba-Venezuela Cable not to be ready until July 2011

A planned undersea high speed fiber-optic cable stretching from Venezuela to Cuba and Jamaica is now reportedly not to be ready for service until July 2011 at the earliest. In addition, project costs have risen to an expected \$70 million from an earlier estimate of \$63 million. The Venezuelan/Cuban joint venture Telecomunicaciones Gran Caribe (TGC) was granted a license in November 2009 to install a submarine cable between Caracas, Havana, and Kingston.

(TeleGeography, October 15)

Chávez calls for law to allow urban land expropriations

Venezuelan President Hugo Chávez said Sunday, October 10, that he is sending an emergency bill to lawmakers that would allow the government to expropriate private properties in cities if the lots are not being used or if construction plans have stalled. Once in the hands of the government, urban parcels would be used to build government-subsidized housing for the poor, he said. Using laws allowing it to seize private farms and ranches in the countryside, Chávez's government has seized some 6 million acres of land in the last decade. The new bill would complement those laws by extending the state's expropriation authority beyond rural areas to cities. Chávez's ruling Socialist Party overwhelmingly controls Venezuela's unicameral legislature, so passage of the bill is virtually assured. The new legislature will be sworn in at the start of 2011 and opposition leaders who will then hold nearly 40% of seats asked Chávez's party not to pass any controversial laws until the new legislature takes over, but Chávez and his followers refused to oblige.

(Wall Street Journal, October 10)

Venezuela expropriates 2 more companies and ranchland

On Sunday, October 10, President Hugo Chávez announced the expropriation of two more companies, the latest among hundreds of enterprises taken over as part of his campaign to make Venezuela less capitalistic. Chávez also announced the takeover of about 200,000 hectares (494,000 acres) of farm and ranch land. Chávez complained that companies like Venoco buy petroleum from the state oil company then refine it to make commercial products and sell for four to five times more than they cost. He said, "You are going to see how we will achieve this at lower costs, prices." Business leaders have criticized the takeovers, arguing that Chávez's socialist-inspired policies are ruining the economy. Venezuelan has been in a recession since last year.

(Associated Press, Wall Street Journal, October 11)

Venezuela appoints new Colombia ambassador

Caracas formally declared that Ivan Rancon would replace Gustavo Marquez as Venezuelan ambassador to Colombia. The announcement of the change of personnel was made on September 7, almost a month after the restoration of diplomatic relations between the two nations, but was only published in the Official Gazette last Friday, October 8. Rancon is a former President of the Supreme Tribunal of Justice and has been ambassador to the Vatican since 2005. Marquez served as ambassador to Bogotá for a year and a half.

(Colombia Reports, October 8)

Venezuela's President begins seven-nation tour

Venezuela's socialist President Hugo Chávez set off on a tour of friendly nations on Wednesday, October 13. Nations visited will include Russia, Iran and Lybia with a shopping list ranging from nuclear power and tanks to olive oil. Chávez as a fervent opponent of the United States sees many of the countries on his itinerary as sharing his goal of reducing U.S. dominance in world affairs. His first stop will be Moscow, where an agreement to develop nuclear energy, the purchase of the Russian tanks and a bi-national bank are all on the agenda.

(Reuters Africa, October 13)

Venezuela – U.S. Relations

“The Chávez Challenge for Obama: An Inconvenient Marriage or Frosty Separation” by **Jennifer McCoy Ph.D**, Chapter 5 in The Obama Administration and the Americas: *Looking Forward*, Brooking Institute Press, September 2010. Lowenthal, Abraham; Ted Piccone, and Laurence Whitehead, editors.

Ideology, geopolitics, and domestic political dynamics in Venezuela and the United States make for a volatile relationship between the Obama and Chávez administrations. Ever since his election in 1998, President Hugo Chávez has been trying to create a new model of politics and economics, and to challenge U.S. dominance in the region and the world. Through a strategy of intense confrontation with adversaries at home and abroad, combined with new foreign alliances globally and integrationist schemes regionally, his administration seeks to redistribute power and resources both domestically and internationally. At the same time, the mutual dependence of the United States and Venezuela on oil trade leads to a relationship full of contradictions and mixed messages. The challenge for the Obama administration is to manage this “inconvenient marriage” in such a way as to protect U.S. strategic interests in a difficult international environment while avoiding being drawn into unnecessary conflicts with a strong-willed personality.

When Barack Obama took office in January 2009, he found himself in the midst of a severe financial crisis, plummeting oil prices, and troubled relations with Venezuela and Bolivia. Venezuela had withdrawn its ambassador from Washington five months earlier in solidarity with Bolivia’s expulsion of its U.S. ambassador for alleged interference in domestic affairs, and the United States had retaliated in kind. Faced with a recalcitrant but strategically important trade partner in Venezuela, the Obama administration sent signals of willingness to enter a dialogue, promising a new era of cooperation with all of Latin America. Hugo Chávez adopted a wait-and-see attitude, with prospects for conciliation when the two presidents shook hands and exchanged words of goodwill at their meeting in Trinidad and Tobago in April 2009. Two months later the two countries quietly reinstated their ambassadors. Soon, however, the contentiousness of the Bush years seemed more in evidence than any movement toward rapprochement.

Understanding Chávez’s Venezuela

With the Chávez election in 1998, Venezuela became the first of several countries—Bolivia, Ecuador, and Paraguay followed in quick succession— to choose presidents to bring about radical political change through constitutional “re-founding,” or rewriting, or the inclusion of previously excluded groups in the distribution of power and resources. In Venezuela’s case, the demands for change arose from its political dynamics. A serious dislocation caused by the near tripling of poverty rates from the 1970s to the 1990s and subsequent rejection of the traditional political elites led to the gradual collapse of what had once been considered one of the strongest political party systems in the region. Chávez initiated a process of elite displacement, redistribution of economic and political resources, concentration of power, and experimentation with new forms of participatory democracy encoded in a new constitution written by a popularly elected constituent assembly and approved by Venezuelan voters in 1999.

The political process since then has been conflictive, with mass protests, occasional violence, an attempted coup in 2002, a two-month petroleum strike in late 2002 and early 2003, and a presidential recall referendum in 2004. Although President Chávez survived each attempt to remove him from office and subsequently consolidated his power, the country has not yet achieved a new social contract including all sectors of society, which remains polarized, albeit with less visible conflict.

Inspired by the South American liberator Simón Bolívar, Chávez's revolution is full of contradictions: it incorporates both a nationalistic and a Latin American integrationist dream, and it seeks both top-down (centralized) and bottom-up (participatory) change, with a concentration of executive power.¹ Foreign policy is a fundamental component of Chávez's vision, his goal being to counterbalance U.S. global and regional hegemony with a more multipolar world, and to use Venezuela's status as an energy exporter to enhance its influence in regional affairs.² Venezuela's foreign policy, like its domestic policy, is confrontational and conflictive.

The Bolivarian Revolution actually retains many of the basic traits of Punto Fijo politics, the democratic system in Venezuela from 1959 to 1998:³ dependence on oil revenues and their distribution; highly centralized decision-making structures, but with a new set of privileged actors displacing the traditional elites; and poor regulatory and administrative capacities (though tax collection capability has increased under Chávez). Although still centralized, decision-making now rests in one person (Chávez) rather than in two hierarchical political parties, and the government helps deepen class divisions rather than cross-class alliances. To achieve its goals, the Bolivarian Revolution has dismantled traditional institutions and eroded the separation of powers. Changes in economic strategy include a shift from flouting quotas of the Organization of Petroleum Exporting Countries (OPEC) to increase market share (and thus lowering prices) to helping OPEC control production in order to raise prices; and a shift from market capitalism to a "twenty-first-century socialism" that puts the state in control of a growing number of economic sectors.

Chávez's reelection with 63 percent of the vote in 2006 encouraged him to propose even more radical constitutional reforms in 2007. However, the populace narrowly rejected the idea, handing Chávez his first-ever electoral defeat. In response, the president reached out to dissidents within his own movement; reshuffled his cabinet to address severe problems in government services, crime, and inflation; and restored relations with neighboring Colombia while calling on the Fuerzas Armadas Revolucionarias de Colombia (FARC) to end its kidnapping and unilaterally release hostages. He campaigned heavily for his party's candidates for the November 2008 mayoral and gubernatorial elections, charging the people to vote for "the revolution" and casting the elections as a plebiscite on his rule. With a 60 percent presidential approval rate, this strategy seemed reasonable, but opposition parties united in order to field single candidates in many of the races, focusing their campaign on the problems of governance rather than the person of Hugo Chávez. This strategy won them the mayoralty of metropolitan Caracas, plus five of the twenty-two governorships—the latter in five states that represent 45 percent of the population, including oil-rich Zulia and the state encompassing the capital city.

Though not necessarily a rejection of Chávez personally, the vote reflected widespread frustration with the government's inability to solve Venezuela's pressing problems of soaring crime rates, lack of water and paved roads, unemployment, and inflation. Since dissident candidates within the government's political alliance failed to garner significant support, the results also demonstrated that it was still difficult to create "*chavismo* without Chávez," that is, to effect the radical change represented by Chávez's movement without Chávez himself.⁴

The regional elections created an opportunity for the opposition victors to deliver better government services and thus launch competitive bids for national offices during the 2010 National Assembly elections and the 2012 presidential elections. Their ability to perform, however, depends in large part on national revenue sharing and the cooperation of the federal government. The Chávez administration had already rolled back some decentralization reforms of the previous decade and decreased the autonomy of municipal and state governments. Soon after the 2008 regional elections, it took additional measures to transfer to the central government control of the ports and airports in states with opposition governors, and of a number of public spaces and buildings in the cities won by the opposition. In a more blatant

move, usurping the authority of the newly elected opposition mayor of metropolitan Caracas, the government created the Capital District and displaced the elected mayor both literally and figuratively by appointing a head.

The president also asked the National Assembly to reintroduce a constitutional amendment for indefinite reelection (a proposal that had been included in the reforms defeated in 2007). Although the November 2008 elections provided a weaker mandate than he had hoped for, President Chávez indicated his desire to hold a referendum to approve such an amendment early in 2009, well in time for the 2012 presidential election. When expanded to include indefinite reelection of *all* elected officials, the proposal passed handily in February 2009, thereby opening the possibility of Chávez remaining in power indefinitely.

In recent years, the political issue drawing the most international attention has been the degree of freedom of speech and media independence from government control. Venezuelan media have long been politicized, but with the polarization and conflict that began to take hold in 2002, both private and public media, especially television, took on overt political roles. After the 2004 recall referendum, some changes occurred: the government opened several new television stations and sponsored hundreds of community radio programs, changing the balance from overwhelmingly oppositionist-controlled to a majority of official broadcast media. In addition, the National Assembly passed the Social Media Responsibility Law to regulate violence and pornography during prime-time television. Some privately owned media outlets decided to make peace with the government and take on a less political role.

Even so, the private media continue to air vigorous criticism of the government and the president, while the state-owned media are strongly politicized and pro-government. Although there is no formal censorship, legal, economic, and regulatory mechanisms create a climate of self-censorship. Owners of private media complain that they are denied equal access to government facilities and official events and are forced to interrupt regular programming to run long presidential broadcasts. Reforms to the criminal code in March 2005 increased the penalties for libel and defamation of public officials from a maximum of thirty months to four years in prison, directly counter to recent trends in Latin America and to rulings of the Inter-American Court of Human Rights.

Media restrictions are also imposed through the administration of broadcasting licenses, which at times fail to be renewed apparently because of political concerns. In the most controversial episode, in May 2007 the government declined to renew the broadcasting license of the country's oldest commercial network and most vocal critic, Radio Caracas Television (RCTV), for allegedly supporting the 2002 coup and violating broadcast norms. This suspension spawned the first student protests under the Chávez administration, a movement that was subsequently instrumental in the defeat of the 2007 constitutional reforms. Then in early 2010 the government stopped the broadcasts of RCTV's remaining cable operation, allegedly because it aired only part of Chávez's public addresses, and arrested the head of the twenty-four-hour news channel Globovisión for his critical comments about the president. Two students were killed in subsequent protests, and the U.S. government, along with many nongovernmental organizations (NGOs), condemned these actions.

U.S.-Venezuela Relations, 1999–2008

Relations between Venezuela and the United States were cool from the start of Chávez's rise to office. The strategic foreign policy goals of his Bolivarian Revolution dictated that Venezuela would challenge the United States in multiple international arenas, while Venezuela's dependence on oil exports forced it to maintain the important bilateral trade relationship. Cooperation in other areas deteriorated early, as Venezuela withdrew permission for U.S. drug over flights and rebuffed U.S. Navy assistance during devastating floods in 1999.

Since the beginning of the Bush administration, Venezuela's signals to the United States have been decidedly mixed. President Chávez sent a congratulatory letter to President-elect Bush in 2000, expressed his desire for closer relations in the event of a John Kerry victory during the 2004 presidential campaign, and reiterated the sentiment after the victory of Barack Obama in 2008. At the same time, from early on the Chávez government criticized Plan Colombia, challenged the proposed Free Trade Agreement of the Americas, responded weakly to the World Trade Center attacks, denounced the U.S. retaliatory airstrikes against the Taliban in Afghanistan, and increased its friendship with Cuba. Disputes over democracy also emerged early when Chávez strove unsuccessfully to privilege the concept of participatory and direct democracy in negotiations for the Inter-American Democratic Charter.

Chávez's rhetorical attacks on the U.S. "empire" were fueled in part by the Bush administration's unilateral foreign policy centered on its invasion of Iraq and "war against terror," which had alienated much of the Latin American public. The United States lost much of its moral authority in promoting democracy in the region with its welcoming of the 2002 coup against Chávez, and more broadly with its unilateral policy on Iraq, wherein "regime change" became rationalized as democracy promotion. The Chávez government alleged that the United States was funding a conspiracy against it, citing U.S. financing in the name of democracy assistance for opposition civil society organizations (NGOs, labor unions, and private sector organizations) before the 2002 uprising. Although the Office of Transition Initiatives of the U.S. Agency for International Development (USAID) continued a vigorous program of assistance to some Venezuelan NGOs, others decided to stop accepting U.S. funding in the wake of strong government criticism.⁵

The United States also supported the mediation of a tripartite group (the Organization of American States [OAS], United Nations Development Program, and Carter Center) to find a peaceful resolution to the political conflict engulfing Venezuela after Chávez's return to power in 2002. U.S. concerns about an erosion of separation of powers and civil liberties intensified after Chávez defeated the attempt to shorten his term through a recall referendum in 2004. Pressures on foreign investment and private property in Venezuela also seemed to be increasing. Then in 2005 Venezuela suspended cooperation with the U.S. Drug Enforcement Agency, and the two countries entered a destructive, high-profile "microphone diplomacy" contest, with strong recriminations and insults emanating from both sides.

The election of Barack Obama in 2008 thus presented an opportunity and a dilemma for Venezuela. The Obama administration entered office with a stated willingness to engage in dialogue and negotiation with its adversaries, including Venezuela. Moreover, the primary target of Chávez's anti-imperialist rhetoric of recent years—namely, President George W. Bush and his cabinet members—was now removed. Representing hope for millions of Americans previously discriminated against or fighting for social change, Barack Obama was not the foil that George Bush was for President Chávez. The Chávez administration had to decide whether to engage or continue confronting the United States, which in the meantime was developing an ambitious domestic policy agenda that would prevent bold steps in foreign policy beyond a revitalized Afghanistan policy. To complicate matters, Washington quickly became stymied in Iran, the Israel-Palestine conflict, North Korea, and Cuba.

The underlying conflict between the agendas of the two countries was reflected in each government's complaints about the other's policies. The Obama administration appeared to be echoing its predecessor's concerns: the reported growth in narcotics transshipments through Venezuela; Chávez's support of Cuba; the country's growing ties with Russia, China, and Iran; and increased restrictions on domestic critics and private property. In addition, the tension starting in mid-2009 between Colombia—the closest U.S. ally in the region—and Venezuela seemed a flashpoint that might turn violent.

For Venezuela's part, its preoccupation with potentially hostile U.S. intentions was deepened first by U.S. acceptance of the 2002 coup attempt and then by the 2009 formalization of U.S. access to military bases in Colombia. The one element that keeps the antagonism within bounds and has not been affected over the past decade, even when diplomatic relations have fractured, is the mutual dependence on the oil trade. In 2009 the United States bought roughly 55 percent of Venezuelan oil exports, amounting to 9 percent of U.S. imported oil (down from 16 percent in 1998).⁶ If and when Venezuela gains traction in its search for alternative export markets and the United States manages to achieve greater energy independence, however, that constraint could be loosened and the antagonism could grow.

U.S. Engagement with Venezuela, 2010 and Beyond

U.S. interests in Venezuela reside in three domains. The first are strategic in nature, focusing on maintaining the supply of oil, curtailing drug transit, and countering terrorism. The second are political concerns, emanating from the desire to have stable democratic neighbors without an adverse influence in other countries. In Chávez's Venezuela, for example, the United States sees a participatory democracy experiment that overconcentrates executive power and thus risks a return to extreme polarization, destabilization, and violence. The third are regionally oriented in that defusing the rancorous standoff with Venezuela would help the Obama administration achieve its aim of establishing more cooperative relationships and resolving problems in the hemisphere.

Some U.S. strategic concerns are encapsulated in a National Intelligence Report of February 2010 noting Venezuela's growing ties with China, Russia, and Iran: "Iran has made contingency plans for dealing with future additional international sanctions by identifying potential alternative suppliers of gasoline—including China and Venezuela."⁷ The report named Hugo Chávez as one of America's "foremost international detractors, denouncing liberal democracy and market capitalism and opposing U.S. policies and interests in the region." His "authoritarian populist model," it concluded, is undermining Venezuelan democratic institutions. Without supplying specific details, the report also claimed that the administration was still providing FARC with covert support.⁸ In its annual Human Rights Report released soon after, the State Department highlighted Venezuela's intensifying politicization of the judiciary and recent harassment and intimidation of the political opposition and the media.⁹

Although Russia, Iran, and China have been increasing their presence in other parts of Latin America as well, Venezuela in particular has courted all three as part of its strategic effort to counterbalance U.S. influence. For Russia, Venezuela is proving to be a significant arms purchaser as it attempts to reestablish parity with Colombia, which has been receiving significant U.S. military aid for a decade. Venezuela had already purchased \$4 billion of heavy equipment (jets and tanks) and small arms (100,000 AK-47 assault rifles) when Russia's prime minister Vladimir Putin announced after an April 2010 visit the possibility of a \$5 billion credit line for more Venezuelan arms purchases. While analysts and policymakers question the need for heavy equipment, Venezuela responds that it is updating its military in the face of U.S. sanctions and large arms purchases by its neighbors Colombia and Brazil. The Russian Sukhoi jetfighters replaced Venezuela's aging American F-16s (purchased in the 1980s) for which the United States has refused to supply spare parts since the Chávez inauguration. In fact, the greatest U.S. concern about these arms purchases pertains to the small arms and their possible distribution to Colombia's FARC or other criminal groups. Venezuela contends that it is simply replacing aging Belgian weapons and points to the higher arms expenditures in Brazil, Colombia, and Chile.¹⁰

Iran and Venezuela share a long-standing relationship as cofounders of OPEC in 1960, and more recently a common foreign policy goal of curtailing U.S. influence. Iranian commercial ventures in

Venezuela are increasing, with nearly 200 such projects signed by 2010; however, it is not clear how many of them have actually been implemented. The U.S. government expressed concern about the weekly Tehran-Caracas flights initiated in 2007, given the lax passport controls in Venezuela and possibility of Hezbollah entering the Western hemisphere through Caracas. The U.S. government has also noted with some concern that two joint Venezuelan-Iranian banks that allow Iran to escape international sanctions may be financing Hezbollah.¹¹

On the other hand, U.S. defense secretary Robert Gates appears to downplay the threat of Venezuela's Russian arms purchases and ties to Iran. . On a tour to South America in April 2010, he said that he did not see a military threat from Venezuela and suggested its high-profile embrace of Iran was partly an attempt to distract Venezuelans from domestic woes.¹²

Drug trafficking remains a prime concern, however. State Department statistics show a marked increase in cocaine traffic, from 50 metric tons in 2004 to 300 metric tons in 2008, making Venezuela one of the principal drug-transit countries in the hemisphere.¹³ Yet Venezuela argues that it is making great strides in fighting the drug trade, noting that "in 2009 Venezuelan authorities seized 60 tons of drugs, an 11 percent increase from the year prior. Additionally, 26 drug laboratories were destroyed; 8,000 individuals were arrested for drug crimes, including 14 drug kingpins; 11 maritime interdiction operations were conducted, six involving U.S. agencies; and \$260 million was invested in the purchase of Chinese-made radars to track illegal drug flights."¹⁴

Venezuela's support to Cuba is another irritant in U.S. relations. Since 2004 Venezuela has provided subsidized oil to Cuba in exchange for the medical assistance of up to 20,000 Cuban doctors in its poor neighborhoods. The two countries have also established a joint effort to provide free cataract surgery throughout Latin America. Anti-Castro members of the U.S. Congress in particular view this support as propping up the Cuban regime. With the prevalence of Cuban advisers and security personnel in Venezuela, many of Chávez's opponents fear a "Cubanization" of Venezuela marked not only by socialism but also by a repression of dissent.¹⁵

Yet another aggravation is the suspected Venezuelan support to Colombia's FARC insurgency. The capture of FARC's so-called foreign minister, Rodrigo Granada, by Colombian bounty hunters in 2005 brought to light that a high-level FARC official had been living in Venezuela unrestricted for some time. Then in March 2008 Colombia bombed a FARC guerrilla camp in Ecuador and embarrassed Venezuela by subsequently leaking to the press that the computers captured in the Ecuadoran raid suggested Venezuela had provided FARC with material support. Although Venezuela denied the claim and no further evidence was made public, the 2010 U.S. intelligence report cited earlier repeated the allegations.

The State Department's concerns about the deterioration of democracy in Venezuela were echoed in the March 2010 report of the Inter-American Commission on Human Rights, an independent body of the OAS, to which Venezuela belongs. Debates about the "democratic deficits" of Venezuela continue to cloud bilateral relations.

As for Venezuela's strategic interests in the United States, they primarily revolve around reducing dependence on the U.S. export market, with a view to achieving stronger ties within the Southern Hemisphere, a multipolar world, a new model of development, and a place for Venezuela on the world stage as an energy leader. To this end, Chávez has been trying to diversify the nation's oil market by jointly developing new refineries at home and in China that can handle Venezuela's heavy crude. (Currently Venezuelan crude is refined primarily in the United States.) To date, these refineries have been slow to materialize, and oil exports to China remain small, although they will likely grow in light of a \$20

billion loan-for-oil deal announced in April 2010, which includes a joint venture to develop new oil fields and refine the heavy crude to lighter fuel.

With a strong U.S. ally in neighboring Colombia and the reactivation of the Fourth Naval Fleet, Venezuela also voices fear of a U.S. invasion, especially in light of America's recognition of the coup government in 2002 and invasion of Iraq in 2003. An added threat in its view is a possible uprising of Chávez opponents in response to the 2010 U.S. intelligence report singling out Venezuela as the leader of anti-U.S. interests in the region. Public references to such a threat serve to galvanize support for the Chávez administration and justify repression of domestic criticism.

Venezuela's friendly relations and strategic and commercial alliances with U.S. adversaries such as Cuba, Iran, and Russia are part of its strategy to challenge the United States. Nevertheless, because of its continued dependence on the U.S. oil market, Venezuela cannot completely break from the United States and thus maintains a multidimensional relationship with strong commercial ties, intermittent cooperation on security and counter-narcotics activities, and political competition and rhetorical conflict within the hemisphere.

Continuity in U.S.-Venezuela Relations during the First Year of the Obama Administration

For several reasons, the Obama administration made little headway in balancing this multidimensional relationship, or at least in improving communication and cooperation in some areas of mutual strategic interest during its initial year in office. First, U.S. domestic politics intervened. Despite the feel-good atmosphere of the Trinidad and Tobago Summit, the administration was consumed with its own domestic policy agenda and its review of Afghanistan and Iraq policies. Nominations for the Latin American team at the State Department were slow in coming and were then derailed by domestic politics owing to the controversy surrounding the June 28 coup in Honduras.

Thinking Venezuela might be involved in the Honduran crisis, conservative Republicans criticized the initial U.S. decision to join the rest of the hemisphere in condemning the coup. For those conservatives, the Chávez administration's visible backing of the ousted Honduran leader was proof of foreign meddling: Venezuela's foreign minister had accompanied President Mel Zelaya in his initial exile in Nicaragua and his failed attempts to reenter the country. The factor precipitating the coup—Zelaya's attempted national "survey" to gauge citizen support for a referendum to convoke a constituent assembly—involved Venezuela-provided ballot papers, which led Honduran elites to fear an influx of uncontrollable Venezuelan cash and arms that could in turn unleash a "class war." These fears increased despite the nearly unanimous congressional vote but a year earlier to join Chávez's Bolivarian Alternative for the Americas (ALBA) and receive discounted oil.¹⁶ As the stalemate dragged on in Honduras and the United States had second thoughts about cutting off aid to the poverty-stricken nation, the Obama administration seemed to be moving to the other side of a debate within the hemisphere, away from the staunch resistance not only of Venezuela but also importantly of Brazil, Argentina, and Chile, toward recognition of the November 2009 Honduran elections without the prior reinstatement of Zelaya.

A second U.S. policy decision greatly irritated Venezuela and caused fresh friction: the negotiation of a Defense Cooperation Agreement with Colombia in August 2009, providing U.S. military personnel access to seven Colombian military bases. Most of South America expressed alarm at this development, but neighboring Venezuela was the most vociferous, accusing Colombia of providing the "imperialist" United States with a base from which to invade Venezuela. As a consequence, Venezuela "froze" relations with Colombia in mid-2009 and implied that they would not improve unless the United States guaranteed that the sovereignty of Colombia's neighbors would be respected.

Domestic politics within Venezuela also reduced the potential for a fresh start with the United States. Chávez had for several years used the Bush administration as a convenient scapegoat, citing the threat of a U.S. invasion to justify the creation of a citizen's militia in Venezuela, among other things. During the first months of the Obama administration, Chávez toned down his anti-U.S. rhetoric and instead seemed to focus on potential domestic adversaries, as his government moved to curtail the power of newly elected opposition leaders and enforce media regulations against opposition radio and television. In the wake of the U.S.-Colombian military agreement and U.S. waffling on Honduras, however, Chávez stepped up his criticism of U.S. policy, though not of Obama personally. Then, at the Copenhagen Summit on climate change in December 2009, Chávez lapsed into a personal attack on Obama. Referring to his own 2006 speech at the United Nations General Assembly characterizing George W. Bush as the devil, Chávez remarked that he still smelled sulfur after Obama left the room.

Prospects for Future U.S.-Venezuelan Rapprochement and Cooperation

Both countries have a strategic interest in achieving cooperation in specific areas. For the United States, the highest priorities are to retain access to Venezuela's oil, especially given the announced discovery of extensive reserves, and to counter the increased drug flow through Venezuela. Although Venezuela's ties to Iran and alleged support to FARC are of concern, the Obama administration does not foresee much cooperation on these security issues in the near future.¹⁷ For Venezuela, its strategic imperatives are to balance the need for a sufficiently civil relationship with the United States to be able to continue the oil trade, with the need to defend itself against external intervention. To this end, Venezuela maintains a dual policy toward the United States, alternating between sending conciliatory messages and searching out channels of communication, on one hand, and vociferous criticism and threats to cut off oil if the U.S. intervenes in Venezuela, on the other.

Since the overarching goal of the Bolivarian Revolution is to change power balances so as to reduce U.S. influence and create more symmetry in regional and global relations, a fundamental change toward a close, cooperative relationship is highly unlikely. The Chávez administration views its role as a leading energy supplier with huge proven and potential reserves in strategic terms, striving to use that position to achieve Latin American integration and independence from the United States. Yet the anti-capitalist and anti-imperialist basis of its foreign policy has also led Venezuela to play a provocative and divisive role within the region, trying to isolate those countries that are closer to the United States and, ironically, thereby undercutting its ambitions for their integration.

At the same time, pragmatic retreats in Venezuela's ideological pursuits have occurred, especially in its volatile relationship with Washington's closest ally in the region, Colombia. Unexpectedly, immediately after the inauguration of a new president in Colombia in August 2010, Venezuela and Colombia restored diplomatic ties and Chávez called on FARC to lay down its arms and negotiate a peace accord. That same month, the Colombian Constitutional Court declared the defense cooperation agreement with the U.S. unconstitutional because it had bypassed Congress, thus potentially removing this thorn in the triangular relationship of the United States, Colombia, and Venezuela.

Another sign of pragmatism is Venezuela's willingness to leave the door slightly open for private foreign oil participation, even by major U.S. firms, in the "re-nationalization" of the Venezuelan petroleum sector. Continued economic and political vulnerabilities may produce more pragmatic retrenchments, especially with the 2010 National Assembly elections and the 2012 presidential elections taking place in the midst of unresolved electric and water shortages and declining approval ratings. Those ratings dipped to 44 percent in February 2010, the lowest since May 2004.¹⁸ The International Monetary Fund (IMF) predicted continued inflation above 25 percent and a -2.6 percent contraction of the Venezuelan economy in 2010, in contrast to a predicted regional average of 4 percent.¹⁹ Venezuela's

dependence on oil exports (roughly 90 percent of its export revenues) and U.S. consumption of its oil render the Venezuelan economy vulnerable to both oil prices and U.S. demand. In addition, the closing of the Venezuelan-Colombian border in the wake of the 2009 U.S.-Colombian Defense Cooperation Agreement severely restricted Venezuela's trade with its second largest trade partner.

The challenge for the Obama administration, then, is to encourage and reinforce Venezuelan pragmatism as it attempts to manage this "inconvenient marriage." The first year looked like a frosty separation with little attempt to find common ground and no significant new U.S. initiatives toward Venezuela. U.S. officials have not included Venezuela in their tours of the region, and communications remain limited, though some conversations at lower levels have taken place. Indeed, the administration has adopted a strategy of working with subregional groupings of countries on strategic interests and appears to be waiting for serious signs of a commitment to cooperation before including Venezuela in these initiatives. Yet the clumsy handling of the signing of the Defense Cooperation Agreement with Colombia, incensing many countries in the hemisphere for the lack of prior consultation and explanation, and the retreats and mixed U.S. signals on the Honduran coup, made credible to some Venezuelan citizens Chávez's assertions that the United States remains imperialistic and a threat to Venezuelan security.

By allaying Venezuela's complaints that destabilizing forces are emanating from Colombia and the United States, the Obama administration can at the same time undercut the effectiveness of Chávez's criticisms of the United States in the region. Specifically, Washington should work through the Union of South American Nations (UNASUR) to reassure Venezuela that its access to Colombian military bases is not a threat to Venezuelan sovereignty. The United States should demonstrate a serious willingness to revise its approach to counternarcotics by moving away from the failed emphasis on eradication, interdiction, and militarization of the supply side of the chain. And it should take a fresh approach to trade preferences for poor countries, such as Bolivia. These last two changes would reduce the obstacles to renewed relations with a key Venezuelan ally and diminish Venezuela's ability to criticize the U.S. role in the region.

A multilateral approach is the most fruitful way to encourage the protection of individual rights and formal democratic procedures in Venezuela, given the U.S. failure to condemn the 2002 coup against President Chávez. For example, the Obama administration could build on Venezuela's strong defense of the Democratic Charter in the Honduran case and seek a consensus on ways to prevent "alterations" of constitutional order short of military coups, including executive abuse of power. Unfortunately, Washington's eventual compromise on principle for a recognition of the Honduran elections as well as Chávez's inclination against OAS interventions makes this a difficult route to cooperation.

Venezuela's neighbors are also unlikely to join in such a multilateral promotion of democracy. Constrained by Venezuelan largesse in its petro diplomacy, their commercial interests in Venezuela, and a general desire not to interfere in each other's internal affairs (or to judge others, for fear of being judged themselves), these countries have been reluctant to comment on standards of democracy, governance, and rule of law as they apply to Venezuela, despite the growing recognition of the serious erosion of basic inter-American standards.

The Obama administration knows that the alternative approaches of seeking to isolate or confront Venezuela have been counterproductive in the past. During the Bush years the United States and Venezuela engaged in a Western Hemisphere "cold war," a competition²⁰ over financial and political influence in other countries that each was attempting to lure to its side. U.S. efforts to isolate Venezuela in hemispheric arenas also failed, as when it proposed and backed two candidates for secretary general of the OAS in 2005, only to find that the Venezuela-backed candidate won the vote.

By avoiding direct confrontation with Venezuela, the United States can not only defuse that destructive relationship but also work more effectively to create cooperative relationships with other Latin American countries and thereby further U.S. interests. The most important step toward changing the negative dynamic thus far has been the Obama administration's promise of a new style and attitude, with the focus on greater multilateralism, consultation, and respect. Chávez's anti-Americanism resonated at home and abroad because of general antipathy toward U.S. unilateral actions and perceived bullying, particularly during the Bush administration. Washington's new consultative style emphasizing multilateralism will go a long way toward undercutting that resentment, but it must contain real substance if it is to remain credible in the coming years.

The larger foreign policy concern for the United States may well be the uncertainty of a post-Chávez scenario. Although President Chávez has very ably resisted every domestic challenge and consolidated his own power over the past twelve years, the vulnerabilities of the 2010–12 election cycle described earlier leave the outcomes uncertain. If the United Socialist Party of Venezuela (PSUV) and President Chávez continue to win elections, there is no reason to think they will depart from the goals of deepening “twenty-first-century socialism” at home and restructuring power globally. This might ultimately put them on a collision course with the United States even if it pursues multilateral policies.

Perhaps the riskier outcome would be an electoral loss or other sudden departure of President Chávez. The deinstitutionalization of government structures and the personalization of power preventing the development of alternative leadership under Chávez's government present potentially dangerous scenarios for the transition to a post-Chávez era. If his own followers continue to fear persecution in the wake of an opposition electoral victory, they may resist with violence. If opponents to Chávez perceive no opportunity to come to power through electoral means and feel threatened and intimidated by repression of dissent, they too may resort to violence. The most important task, then, is to encourage a peaceful process for the upcoming elections, with mutual guarantees of protection for all the players involved. The second task is to provide credible reassurances to Venezuelan citizens that the United States does not present a threat to Venezuela or its allies in the region.

Notes

1. The Bolivarian Revolution is named after Simón Bolívar (1783–1830), one of the most important leaders of South America's struggle for independence from Spain. He dreamed of a federation of South American states based on a liberal philosophy of governance, but in later years he advocated centralized power to control the internal bickering in Gran Colombia.
2. See also analyses by Carlos Romero, “The United States and Venezuela: From a Special Relationship to Wary Neighbors,” in *The Unraveling of Representative Democracy in Venezuela*, edited by Jennifer McCoy and David Myers (Johns Hopkins University Press, 2004), pp. 130–50; and Ana Maria San Juan, “America Latina y el Bolivarianismo del Siglo XXI” (Latin America and Bolivarianism in the 21st century), unpublished ms., Caracas, January 2008.
3. The Punto Fijo democratic political system established in 1959 was the result of a power-sharing agreement known as the Punto Fijo Pact that ended the military dictatorship of General Pérez Jiménez.
4. When several coalition partners refused to join the United Socialist Party of Venezuela, negotiations broke down, and smaller coalition parties ran their own candidates, becoming “dissidents” in Chávez's view.
5. See Jennifer McCoy, “International Response to Democratic Crisis in Venezuela,” in *Defending the Gain*, edited by Esther Brimmer (Washington: Center for Transatlantic Relations, 2007), pp. 119–32.
6. *International Petroleum Monthly*, March 2010 (U.S. Department of Energy, Energy Information Administration) (www.eia.doe.gov/ipm/imports.html).
7. Annual Threat Assessment of the U.S. Intelligence Community for the Senate Select Committee on Intelligence, February 2, 2010, p. 25. Note that Iran lacks refining capacity and is therefore dependent on imported gasoline.
8. *Ibid.*, pp. 31–35.
8. U.S. Department of State, Bureau of Democracy, Human Rights and Labor, “2009 Human Rights Report: Venezuela,” March 11.
9. Ambassador Bernardo Alvarez, “Venezuela Responds,” *Armed Forces Journal*, April 2010. (www.afj.com/2010/04/4543057/).

10. Douglas Farah, "Iran in Latin America: An Overview," in *Iran in Latin America*, edited by Cynthia Arnson, Haleh Esfandiari and Adam Stubits, Reports on the Americas 23 (Washington: Woodrow Wilson International Center, 2010).
11. *El Universal*, April 14, 2010 (http://english.eluniversal.com/2010/04/14/en_pol_art_us-defense-secretary_14A3737897.shtml).
12. Questions for the Record Submitted to Assistant Secretary-Designate Arturo Valenzuela by Senator Richard Lugar, Senate Foreign Relations Committee, July 8, 2009.
13. Alvarez, "Venezuela Responds."
14. With the arrival in Caracas in early 2010 of Cuba's minister of technology and former minister of the interior, Ramiro Valdéz, to advise on the electricity shortage, the opposition began to suspect that he was really there as a specialist in Internet control to help the government repress dissent.
15. Honduran business and political leaders, interviews with the author in Tegucigalpa, October 2009.
16. Obama administration officials, conversations with the author, April 2010.
17. Datanalisis, *Informe Escenarios Datanalisis: Marzo 2010*, Caracas.
18. International Monetary Fund, *World Economic Outlook*, April 2010 (www.imf.org/external/pubs/ft/weo/2010/01/pdf/c2.pdf).
19. Some reports estimate that Venezuela's own forms of foreign aid (discounted oil, purchase of bonds, joint energy ventures, barter trade) may well be the equivalent of total U.S. aid to the region since 1999, or perhaps even more.

“Bolivarian Dreams of Integration Confront Economic Reality” by Lucy Conger (from Left), *Americas Quarterly* 3:1 (Winter 2009), pages 101-102.

SUR SOLIDARITY

Sudden and sharp shifts in commodities and financial markets in the last few months are realigning geopolitics worldwide. Venezuelan President Hugo Chávez, whose ambitions are greased by oil wealth, is taking an especially hard hit. An early casualty of the global economic slide could be the regional alliances promoted by Chávez to challenge what he considered U.S. hegemony in Latin America.

Even before trouble hit the oil market, Chávez was having problems turning his dream of a unified Latin America into reality. His Bolivarian Alternative for the Americas (ALBA) was intended to thwart the U.S.-promoted Free Trade Area of the Americas. To put teeth into ALBA, Chávez launched the Banco del Sur, a regional bank signed into existence in December 2007 by founding members Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay, and Venezuela. Banco del Sur hoped to raise between \$7 billion and \$10 billion that would be used to capitalize loans for social programs and for an interlocking grid of highways, bridges, waterways, ports, and power lines.

Traditionally, development banks take more than a year to become operational. But Banco del Sur still does not have any paid-in capital, nor has it named officers or staff. And it is not yet engaged in development funding. Early on, Brazilian officials thwarted Chávez' hopes for tapping neighboring countries' international reserves to capitalize the bank by saying their reserves were off-limits. Venezuela has signaled it would put up 70 percent to 80 percent of the bank's capital, but it hasn't delivered. Still, recent threats to take over the Caracas headquarters building of the Andean Development Corporation (CAF) suggest that the government may be planning to get Banco del Sur underway.

If it became operational, Banco del Sur would have to compete or collaborate with hefty, well-established development banks with a 50-year track record. The Inter-American Development Bank (IDB) and CAF are incorporating new members and will hike funding next year to \$12 billion and \$10 billion, respectively. In December, the IDB approved a \$20 million grant to finance technical studies on infrastructure initiatives that support regional integration—the type Chávez has in mind.

Another more modest Chávez initiative, Banco del ALBA, exists principally on paper. Since its launch in January 2008, Venezuela has pledged to put up 85 percent, or \$850 million, of the bank's \$1 billion of paid-in capital. But little else is known about what the bank may ultimately fund in its member countries of Bolivia, Cuba, Nicaragua, and Venezuela.

There may be yet another bank entering this field. The South American Community of Nations (UNASUR), established in 2000 with 12 members, will launch a development bank to promote the UNASUR agenda to "enhance regional integration and ensure a stronger international presence for our bloc," according to a December 2008 statement by Brazilian President Luiz Inácio Lula da Silva.

PETRO-DOLLAR DIPLOMACY

Venezuela's relationships with Latin American leaders have solidified around Chávez' largesse-generous donations of oil and aid, and indirect assistance in aircraft, vehicles and personnel. No one knows how much has been spent on oil diplomacy. The biggest ticket item—donations of crude oil and derivatives to Cuba topping 94,000 barrels a day—is valued at \$3 billion in 2008 according to some estimates. In Bolivia,

where U.S. aid now totals \$125 million annually, Venezuela is expected to exceed U.S. assistance levels. But Chávez' lavish promises to create or upgrade refining capacity in five countries (Brazil, Cuba, Jamaica, Nicaragua, and Vietnam) have only been fulfilled so far in one country—Cuba, where Venezuela is mounting a \$150 million refinery upgrade project in Cienfuegos and investing \$1 billion to modernize the Santiago refinery.

"It's very, very difficult to get any kind of information at all," says Robert Bottome, editor of VenEconomía economic research publications, who has reported on the country's economy for 50 years. Government finances are opaque and aid funds can be drawn from several different government development funds and stabilization funds. Venezuelan ambassadors are known to disburse aid from their checkbooks during official trips in friendly countries, making accounting impossible.

What is clear is that Chávez' ability to pursue oil diplomacy slips with each drop in the price of petroleum. Until September, Venezuela was paid \$102 per barrel for its crude, but since then the price has dropped to a low of \$25 per barrel. The oil industry generates more than 90 percent of export earnings and close to 50 percent of government revenues, according to Moody's rating agency. Low oil prices are shrinking the economy, which was estimated to have grown by less than 5.5 percent in 2008—a 3 percent drop from the previous year. In 2009, Venezuela could experience either imperceptible growth or even a recession if oil prices fail to recover.

But Chávez is by no means broke. Foreign exchange reserves held by the central bank total \$42.2 billion, and the country may have \$15 billion to \$40 billion in development funds, or as little as \$5 billion, according to analysts' estimates. "He still has some money, and everybody is being as nice as they can to get money out of him," says Bottome. But, he adds, the government will have to borrow for the 2009 budget. Like most countries, Venezuela may find that foreign aid is one of the easiest budget items to cut.

Chávez' axis of alliances is further challenged by shifts in geopolitics that will likely sideline Bolivarianism and replace ideological bonding with pragmatism and new channels of cooperation. U.S. President Barack Obama's popularity in the region could enable him to engineer a reengagement with Latin America, including opening a dialogue with Cuban leader Raúl Castro, which could potentially affect Venezuela's relationship with Havana.

This suggests that Venezuela's most ambitious regional initiatives may be thwarted. With the Banco del Sur and Banco del ALBA yet to get off the ground, renewed action is unlikely at a time of financial constraints. Brazil's newfound economic power and influence bolster its willingness to assume its natural place as a regional leader. For the United States, Cuba and Brazil, the promise of transforming hemispheric relationships may transcend commitments to Venezuela.

Banco del Sur still does not have any paid-in capital, nor has it named any officers or staff.

“U.S. Interference in Venezuela Keeps Growing” by Eva Golinger (from Left), Postcards from the Revolution. 5 August 2010.

Despite President Obama’s promise to President Chávez that his administration wouldn’t interfere in Venezuela’s internal affairs, the US-funded National Endowment for Democracy (NED) is channeling millions into anti-Chávez groups.

Foreign intervention is not only executed through military force. The funding of “civil society” groups and media outlets to promote political agendas and influence the “hearts and minds” of the people is one of the more widely used mechanisms by the US government to achieve its strategic objectives.

In Venezuela, the US has been supporting anti-Chávez groups for over 8 years, including those that executed the coup d’état against President Chávez in April 2002. Since then, the funding has increased substantially. A May 2010 report evaluating foreign assistance to political groups in Venezuela, commissioned by the National Endowment for Democracy, revealed that more than \$40 million USD annually is channeled to anti-Chávez groups, the majority from US agencies.

The National Endowment for Democracy (NED) was created by congressional legislation on November 6, 1982. It’s mandate was anti-communist and anti-socialist and its first mission, ordered by President Ronald Reagan, was to support anti-Sandinista groups in Nicaragua in order to remove that government from power. NED reached its goal after 7 years and more than \$1 billion in funding to build an anti-Sandinista political coalition that achieved power.

Today, NED’s annual budget, allocated under the Department of State, exceeds \$132 million. NED operates in over 70 countries worldwide. Allen Weinstein, one of NED’s original founders, revealed once to the Washington Post, “What we do today was done clandestinely 25 years ago by the CIA...”

VENEZUELA

Venezuela stands out as the Latin American nation where NED has most invested funding in opposition groups during 2009, with \$1,818,473 USD, more than double from the year before.

In a sinister attempt to censure the destination of funds in Venezuela, NED excluded a majority of names of Venezuelan groups receiving funding from its annual report. Nonetheless, other official documents, such as NED’s tax declarations and internal memos obtained under the Freedom of Information Act, have disclosed the names of those receiving its million dollar funding in Venezuela.

Of the more than \$2.6 million USD given by NED to Venezuelan groups during 2008-2009, a majority of funds have gone to organizations relatively unknown in Venezuela. With the exception of some more known groups, such as CEDICE, Sumate, Consorcio Justicia and CESAP, the organizations receiving more than \$2 million in funding appear to be mere façades and channels to distribute these millions to anti-Chávez groups.

Unknown entities such as the Center for Leadership Formation for Peace and Social Development received \$39.954 (2008) and \$39.955 (2009) to “strengthen the capacity of community leaders to participate in local democratic processes”.

For several years, the Civil Association Kapé Kapé, which no one knows in Venezuela, has received grants ranging from \$45,000 (2008) to \$56,875 (2009) to “empower indigenous communities and strengthen their knowledge of human rights, democracy and the international organizations and mechanisms available to protect them”. In a clear example of foreign interference, NED funds were used to “create a document detailing the human rights violations perpetrated against them and denounce them before international organizations”. In other words, the US funded efforts inside Venezuela to aid Venezuelans in denouncing their government before international entities.

FUNDING STUDENT MOVEMENTS

A large part of NED funds in Venezuela have been invested in “forming student movements” and “building democratic leadership amongst youth”, from a US perspective and with US values. This includes programs that “strengthen the leadership capabilities of students and youth and enhance their ability to interact effectively in their communities and promote democratic values”. Two jesuit organizations have been the channels for this funding, Huellas (\$49,950 2008 and \$50,000 2009) and the Gumilla Center Foundation (\$63,000).

Others, such as the ‘Miguel Otero Silva’ Cultural Foundation (\$51,500 2008 and \$60,900 2009) and the unknown Judicial Proposal Association (\$30,300 2008), have used NED funds to “conduct communications campaigns via local newspapers, radio stations, text messaging, and Internet, and distribute posters and flyers”.

In the last three years, an opposition student/youth movement has been created with funding from various US and European agencies. More than 32% of USAID funding, for example, has gone to “training youth and students in the use of innovative media technologies to spread political messages and campaigns”, such as on Twitter and Facebook.

FUNDING MEDIA AND JOURNALISTS

NED has also funded several media organizations in Venezuela, to aid in training journalists and designing political messages against the Venezuelan government. Two of those are the Institute for Press and Society (IPyS) and Espacio Publico (Public Space), which have gotten multimillion dollar funding from NED, USAID, and the Department of State during the past three years to “foster media freedom” in Venezuela.

What these organizations really do is promote anti-Chávez messages on television and in international press, as well as distort and manipulate facts and events in the country in order to negatively portray the Chávez administration.

The Washington Post recently published an article on USAID funding of media and journalists in Afghanistan (Post, Tuesday, August 3, 2010), an echo of what US agencies are doing in Venezuela. Yet such funding is clearly illegal and a violation of journalist ethics. Foreign government funding of “independent” journalists or media outlets is an act of mass deception, propaganda and a violation of sovereignty.

US funding of opposition groups and media inside Venezuela not only violates Venezuelan law, but also is an effort to feed an internal conflict and prop up political parties that long ago lost credibility. This type of subversion has become a business and source of primary income for political actors promoting US agenda abroad.

BAD DIPLOMACY

On Tuesday, statements made by designated US Ambassador to Venezuela, Larry Palmer, on Venezuelan affairs were leaked to the press. Palmer, not yet confirmed by the Senate, showed low signs of diplomacy by claiming democracy in Venezuela was “under threat” and that Venezuela’s armed forces had “low morale”, implying a lack of loyalty to the Chávez administration.

Palmer additionally stated he had “deep concerns” about “freedom of the press” and “freedom of expression” in Venezuela and mentioned the legal cases of several corrupt businessmen and a judge, which Palmer claimed were signs of “political persecution”.

Palmer questioned the credibility of Venezuela’s electoral system, leading up to September’s legislative elections, and said he would “closely monitor threats to human rights and fundamental freedoms”. He also stated the unfounded and unsubstantiated claims made by Colombia of “terrorist training camps” in Venezuela was a “serious” and real fact obligating Venezuela to respond.

Palmer affirmed he would “work closely to support civil society” groups in Venezuela, indicating an intention to continue US funding of the opposition, which the US consistently has referred to as “civil society”.

These statements are a clear example of interference in internal affairs in Venezuela and an obvious showing that Obama has no intention of following through on his promises.

“U.S. Venezuelan Relations: Imperialism and Revolution” by James Petras Ph.D, Atlantic Free Press. 21 January, 2010.

Historically Latin America has been of great importance to the United States on numerous counts: the region has in the past, provided the US with a trade surplus; its outflows of licit and ill-begotten funds to US banks, numbers annually in the tens of billions; the US has been, up to recently, the major trading partner in the region; Latin America has provided a lucrative outlet for US buyouts of oil, telecoms, banking and related strategic mining companies during the golden age of imperial pillage (1975 – 1999). Throughout most of the 20th century the US could rely on the vote of its client regimes in the United Nations (UN), the Organization of American States (OAS) and in the international financial institution (IMF, WB, IDB) to back its efforts to sustain its global political and economic expansion.

In the latter half of the 20th century Latin America was an important target for the expansion of US based agro-mineral, transport (Ford, General Motors and Chrysler), farm machinery and other multi-national manufacturers. Within this regional pattern of US empire building, each country played a different role: Argentina, Mexico, Brazil and Columbia were targeted by manufacturing multi-national corporations (MNC) banks and exporters; Central America and the Caribbean for tropical fruits, tourism and export platforms, Bolivia, Peru and Chile for minerals; Venezuela, Mexico, Ecuador for oil and gas. Mexico, Central America and the Caribbean, were principle suppliers of cheap labor in the agricultural, construction and low paid service sector.

Within this imperial matrix, Venezuela was of special importance as the most important provider of petroleum. This was especially true in times of heightened US and Israeli induced political hostility and military warfare in the Middle East, with the onset of the US invasion of Iraq and sanctions against Iran, Sudan and other Muslim oil suppliers.

Under US hegemony Venezuela was a major player in the US effort to isolate and undermine the Cuban revolutionary government. Venezuelan client regimes played a major role in support of the successful US led effort to expel Cuba from the OAS; in 1961 and brokering a deal in the early 1990's to disarm the guerillas in El Salvador and Guatemala without regime or structural changes in exchange for legal status of the ex-combatants. In short, Venezuelan regimes played a strategic role in policing the Central American-Caribbean region, a supplier of oil and as an important regional market for US exports.

For Venezuela the benefits of its relations with the US were highly skewed to the upper and the affluent middle classes. They were able to import luxury goods with low tariffs and invest in real estate, especially in south Florida. The business and banking elite were able to “associate” in joint ventures with US MNC especially in the lucrative oil, gas, aluminum and refinery sectors. US military training missions and joint military exercises provided a seemingly reliable force to defend ruling class interests and repress popular protests and revolts. The benefits for the popular classes, mainly US consumer imports, were far outweighed by the losses incurred through the outflow of income in the form of royalties, interest, profits and rents. Even more prejudicial were the US promoted neo-liberal policies which undermined the social safety net, increased economic vulnerability to market volatility and led to a two decade long crises culminating in a double digit decline in living standards (1979 – 1999).

TOWARD CONCEPTUALIZING US-VENEZUELA RELATIONS

Several key concepts are central to the understanding of US-Venezuelan relations in the past and present Chávez era.

These include the notion of ‘hegemony’ in which the ideas and interests of Washington are accepted and internalized by the Venezuelan ruling and governing class. Hegemony was never effective throughout Venezuelan class and civil society. “Counter-hegemonic” ideologies and definitions of socio-economic interests existed with varying degree of intensity and organization throughout the post 1958 revolutionary period. In the 1960’s mass movements, guerilla organizations and sectors of the trade unions formed part of a nationalist and socialist counter-hegemonic bloc.

Venezuelan-US relations were not uniform despite substantial continuities over time. Despite close relations and economic dependence especially during the 1960’s counter-insurgency period, Venezuela was one of the original promoters of OPEC, nationalized the oil industry (1976), opposed the US backed Somoza regime and White House plans to intervene to block a Sandinista victory (in 1979). The regression from nationalist capitalism to US sponsored neo-liberalism in the late 1980’s and 1990’s reflected a period of maximum US hegemony, a phenomena that took place throughout Latin America in the 1990’s. The election and re-election of President Chávez beginning in 1998 through the first decade of the new century marked a decline of US hegemony in the governing and popular classes but not among the business elite, trade union officials (CTV) and sectors of the military and public sector elite especially in the state oil company (PDVSA). The decline in US hegemony was influenced by the change in the power configuration governing Venezuela, the severe economic crises in 2000 – 2002, the demise and overthrow of client regimes in key Latin American countries and the rise of radical social movements and left center regimes. Accelerating the ‘loss of presence of the US’ and ‘policing’ of Latin America, were the wars in the Middle East, Iraq, South Asia (Afghanistan, Pakistan) and the expanding economic role and trading relations between Latin America and Asia (mainly China). The commodity boom between 2003 –2008 further eroded US leverage via the IMF and WB and enhanced the counter-hegemonic policies of the center-left regimes especially in Venezuela.

A key concept toward understanding the decline of US hegemony over Venezuela are “pivotal events”. This concept refers to major political conflicts which trigger a realignment of inter-state relations and changes the correlation of domestic socio-political forces. In our study President’s Bush’s launch of the “War on Terror” following 9/11/01 involving the invasion of Afghanistan and claims to extra territorial rights to pursue and assassinate adversaries dubbed “terrorists” was rejected by President Chávez (“you can’t fight terror with terror”). These events triggered far reaching consequences in US-Venezuelan relations.

Related to the above, our conceptualization of US-Venezuelan relations emphasizes the high degree of inter-action between global policies and regional conflicts. In operational terms the attempt by Washington to impose universal/global conformity to its war on terrorism led to a US backed coup, which in turn fueled Chávez’ policy of extra hemispheric alignments with adversaries of the White House.

Historical shifts in global economic power and profound changes in the internal make-up of the US economy have necessitated a reconceptualization of the principal levers of the US empire. In the past dollar diplomacy, meaning the dominant role of US industry and banks, played a major role in imposing US hegemony in Latin America, supplemented via military interventions and military coups especially in the Caribbean and Central America. In recent years financial capital “services” have displaced US manufacturing as the driving force and military wars and intervention have overshadowed economic instruments, especially with the surge of Asian trade agreements with Latin America.

We reconceptualize US-Venezuelan relations in light of a declining US economic and rising military

empire, as a compensatory mechanism for sustaining hegemony especially as a tool for restoring client domestic elites to power.

The relation between past imperial successes in securing harmonious hegemonic collaborating rulers in the 1990's and the profound political changes resulting from the crises of and breakdown of neo-liberalism, led Washington to totally misread the new realities. The resulting policy failures (for example Latin America's rejection of the Free Trade Agreement of the Americas) and isolation and defeat of US policy toward Venezuela, Cuba and Honduras reflects what we conceptualize as "romantic reaction", a failure of political realism: nostalgia for the imperial "golden age" of hegemony and pillage of the 1990's. The repeated failure by both the Bush and Obama regime to recognize regime changes, ideological shifts and the new development models and trade patterns has led to mindless threats and diplomatic incapacity to develop any new bridges to the centrist regimes in the key countries of South America, especially toward Mercosur (Brazil, Argentina, Uruguay and Paraguay).

The gap between past (1975 – 2000) dominance and present declining hegemony, in Latin America establishes the parameters for understanding US-Venezuelan relations and in particular the ten years of political confrontation and the incapacity of Washington to restore its client elites to power, despite repeated efforts. Likewise despite Venezuela's dependence on single product exports (petrol) and bureaucratic inefficiencies and corruption, its external policies have gotten around selected US boycotts and hostile diplomatic moves, while expanding regional ties and forging new trade and investment networks.

The full story of the emergence of this hemispheric and extra hemispheric polarization between Washington and Caracas which follows tells us a great deal about the future of US-Latin American relations and equally so of the prospects for US empire at a time of financial crises and rising militarism.

METHOD

Our study draws on interviews in the US and Venezuela, published government documents, newspaper and journal articles, press releases and speeches by principals in both the Venezuelan and US government and informed sources covering the period from the 1990's to 2010.

PROPOSITIONS

Several propositions inform our research and form the bases for developing hypothesis about the relations between empire and anti-imperial regimes.

1. Financial and military driven empires (like the US) have few economic partners (in Latin America) to counter radical counter hegemonic regimes (like Venezuela's President Chávez).
2. Multiple counter-hegemonic strategies can effectively limit the efforts by imperial powers to boycott, destabilize and reverse an anti-imperialist regime.
3. In some cases, like Venezuela, external confrontations can induce and hasten radical domestic socio-economic changes (i.e., including nationalizations, agrarian reform and mass oriented social programs).
4. Paradigmatic crises (collapse of neo-liberalism) and the subsequent defeat or overthrow of collaborating regimes can lead to a variety of alternatives (from left to center-left to hard right regimes) and multiple imperial policy options (restoration, accommodation, confrontation).

5. The pursuit of policies reflecting a unipolar world of absolute imperial hegemony (US – Latin America in the 1990's) becomes a major obstacle to adaptation and strategizing in a world of declining hegemony and a multi-polar context (2000 – 2010).
6. Extremist imperial policies, including coups (Honduras 2009, Bolivia 2008) and military bases (seven in Colombia 2009) in pursuit of regaining imperial dominances, may exacerbate diplomatic and political isolation with major regional powers even as they regain influence over marginal countries.
7. Commodity based, export strategies may provide economic resources for extending social welfare and financing capital growth but over the medium run it opens progressive regimes to volatile fluctuations in revenues and political instability.
8. Strong leaders (Chávez) can be a powerful antidote to imperial aggression and create social cohesion over the short and medium run but may weaken successor leader's capacity to sustain counter-hegemonic policies and followers.

PROCEDURE

Our discussion of US-Venezuelan relations will begin with an overview of the period between 1990 – 2010, initially focusing on the impact of the neo-liberal ascendancy and low commodity prices during the Bush Sr. – Clinton years. This will be followed by an account of the post 9/11/01 global and regional offensive accompanying the “War on Terror” launched by the Bush Jr. regime at a time of the commodity boom. We will conclude this section with a discussion of the Obama's regime politics of conciliatory gestures and the practice of the ‘big stick’ at a time of escalating wars, militarization and global recession.

In the second section, we will be discussing the trajectory of the Chávez regime's foreign policy in light of the decade long neo-liberal crises preceding its rise to government and the significant political events which marked a shift in its dealings with Washington, Latin America and its turn toward a global realignment in times of the commodity boom.

The third section will detail the abrupt shifts in US policy from accommodation, confrontation to intervention and multiple track policies. This section will discuss US political collaborators or “assets” and the efficacy of their operations as instruments of a larger strategy of regime change and political rollback (restoration of the pre-Chávez neo-liberal order).

The fourth section will discuss Washington's insider and outsider strategies in destabilizing and isolating the Chávez regime including unilateral measures on arms embargos, regional approaches, including proposals to the Organization of American States and global polices linked to the “war on terror”.

The fifth section will detail the Chávez' regimes responses to US moves at the domestic level (disarticulation of power moves by US assets), regional countermoves (at the OAS, Ibero-American Summit as well as new regional alliances such as Petrocaribe and ALBA) and global realignments (in the Middle East, China, Russia, OPEC).

The sixth section will analyze the success and failures of US strategy. In particular we will discuss the shifts in global economic conditions (the commodity boom), the relative decline of the US economy and its turn to military empire building, the relative autonomous economic growth and diversification of economic relations of center left regimes in Latin America. Central to our analysis will be the demise of neo-liberal ideology, the principle ideological wedge for US influence, and the decline of its principle institutional weapons for projecting ‘hegemonic policies’, the IMF and world Bank.

Central to the US quest for hegemonic rule in Latin America and, in particular in Venezuela, was the Free Trade of the Americas treaty - a proposal which ran counter to Chávez project of a strictly ‘Bolivarian’ integration proposal later embodied in ALBA. We will evaluate the outcomes of this contest of competing integration projects in light of their successes, failures and limitations. Specifically, we will evaluate the failure of both projects to incorporate major economies (Brazil, Argentina) as well as (Uruguay, Chile, Paraguay) and the resort to bilateral free trade linkage and long term trade and investment agreements.

The increasing turn of the Obama regime toward military instruments as policy tools against Chávez, as well as overt and military coups and thinly veiled threats against his allies, is analyzed in the penultimate section of the paper. The US backed military coup against elected president Zelaya in Honduras, the securing of seven military bases in neighboring Colombia, the undiplomatic threats of Secretary of State Clinton to retaliate against Latin America economic ties with Iran, all add up to increased militarization as a compensatory tool for declining economic leverage. The resort to unilateral policy decisions even at the cost of alienating the most powerful political regimes in the region and at the expense of lucrative economic ties suggests the extremist nature of the Obama regime, contrary to the original conciliatory rhetoric.

In the next section we will investigate the internal debates over US-Venezuelan relations, to determine the divergences and consensus within policy bodies (the Executive) and between institutions (Executive-Congress). We expect greater opposition to official policy in Venezuela where long standing economic elites and their political representatives have long-term linkages to the US government and private sector elites and where they control the vast majority of the print and electronic media. Most of US dissent is found outside governmental officialdom in civil society groups and among a thin layer of Congressional and staff officials.

In the concluding section will sum up the consequences of US militarist policies toward Venezuela, their radicalizing effects and the net ‘cost/benefit’ consequences in a time of crises and in a context of a multi-polar global economy.

We will consider the probable outcome of the radicalization of US policy in a time of declining economic capacity to offer a sustainable political economic alternative – given the abject failure and universal rejection of the neo-liberal US centered project of the 1990’s.

We will reflect on the capacity of the Venezuelan regime to construct a viable new economic strategy that goes beyond oil dependence to a diversified economy in line with its ‘counter-hegemonic’ foreign policy.

US-VENEZUELAN RELATIONS 1990-1998

The 1990’s were the “golden years” for US hegemony in Latin America and Venezuela was no exception. Under President’s Carlos Andres Perez and Rafael Caldera, extensive privatizations took place in strategic oil, gas and other extractive sectors resulting in lucrative joint ventures. Both Presidents closely towed the line of the IMF and World Bank, pursuing “structural adjustment policies” (SAP) which impoverished wage and salaried workers and enriched the foreign and domestic elites. Severe declines of oil prices and reduced revenues resulting from low taxes led to the savaging of social programs, while the liberalizing of prices led to sharp declines in living standards, leading to mass protests, urban riots and an aborted military coup.

Washington could count on the Venezuelan regimes for support in regional (OAS) and global forums (United Nations). While Venezuela remained in OPEC it was one of the ‘moderates’ on oil pricing and negotiations with the major oil importing countries. Venezuela remained in the Andean Pact but at no point moved toward any deeper integration such as a transpired among the southern cone countries which formed MERCOSUR. Venezuela supported the US policy toward the Middle East, backing Washington in the first Iraq war and its subsequent sanction policies in the 1990’s, but established diplomatic relations with Cuba.

US policy perceptions of Venezuela in the 1990’s had a profound impact on how it related to the changes which ensued under President Chávez. The extremely favorable conditions for US bankers, oil investors, exporters and the high levels of subservience to US global and regional foreign policies and the general collaboration of the military and intelligence agencies with their US counterparts ensconced in the country formed the bases for US judgment and responses to the Chávez government. Washington ignored the mass uprising of 1989 and widespread opposition against the SAP, the rejection of the Washington Consensus, popular sympathy for the Chávez military uprising of 1992 and the rising tide of nationalist discontent against its close collaborators in the Democratic Action and COPEI (social christian) parties. The Clinton Administration’s hegemonic position over Venezuela was confined to its ruling economic elites and political class, sectors of the military command, the trade union confederation elite (CTV), the Catholic hierarchy and the executives in the public oil company PDVSA. Hegemony was extensive but lacked depth among the middle classes and was totally absent among the sixty percent of the population living in the poor ‘ranchos’ and employed in the ‘informal sector’ – the electoral majority.

Convinced of the stability of its hegemony based on forty years of alternating rule by the two major collaborating parties, the Clinton regime saw no reason for large scale intervention in the elections of 1998 (won by Hugo Chávez). This was especially the case since most US diplomats and policymakers discounted his national popular appeals as so much campaign rhetoric, common in all previous electoral contests. Even after taking office, US policymakers remained relatively satisfied with the economic, foreign policy and defense ministers appointed as well as the Congressional leaders in his electoral coalition, many drawn from defectors of the traditional parties and known as long time collaborators with Washington.

Several regional factors reinforced Washington’s initial “neutral” stance to Chávez’ first electoral victory. The election took place (1998) at a time in which US hegemony reigned supreme throughout the continent. Neo-liberal rulers continued to win elections, Menem, (Argentina), Cardoso (Brazil), Sanchez de Losada (Bolivia), Fujimori (Peru), Zedillo (Mexico), Sanguinetti (Uruguay), Pastrana (Colombia), and elsewhere. In the minds of the Clinton elite there was no reason to think that the pattern would not repeat itself in Venezuela. Moreover Washington was by now familiar with the ideological ruse used by its collaborators spouting nationalist-populist rhetoric on the campaign trail and then once in office offering up the jewels of the economy to foreign purchase at bargain basement prices. In fact most of the neo-liberal presidents of the period promised ‘populist’ measures and attacked ‘neo-liberalism’ even as they imposed a most virulent variant. Menem cited the Peronist legacy, Cardozo played on his ‘radical’ past, Fujimori’ denounced the ‘white European elite’. Populist demagoguery flourished even as they handed over to foreign investors the most lucrative oil, gas, iron, copper, tin, mineral and telecom sectors.

Washington’s relative ‘tolerance’ of Chávez’ electoral victory could be understood in this context of demagogic populism and practical neo-liberalism, a pattern especially familiar and practiced by the incumbent US President William Clinton.

The second factor which influenced Washington's initial policy toward Venezuela was the growing concern with the major military-political-diplomatic advances of the leftist guerilla movements in Columbia, the Revolutionary Armed Forces of Columbia (FARC) and the National Liberation Army (ELN) which controlled over one-third of the country, were closing in on the major cities and successfully pressing for peace and justice negotiations in a substantial demilitarized zone. Washington, based on its long-standing ties to military and intelligence officials, was hoping to secure Venezuelan collaboration in its counter-insurgency program. The relative stability of hegemony in Latin America, the information technology bubble growth inside the US, the growing effort to impose a settlement to the Israeli-Palestine conflict and the periodic bombing and sanctions policies against Iraq received priority in Clinton's foreign policy agenda.

Since Washington was deeply satisfied with the status quo in the region, since it was accustomed to dismiss inconsequential populist demagogy in the region and since Washington believed it controlled strategic 'assets' (clients) in the Venezuelan state, economy and society which it could leverage to limit any substantive changes, Washington saw no reason to intervene.

THE BUSH PERIOD: FROM JANUARY TO 9/11/01

During the first period of the Chávez presidency, he was pre-occupied with constitutional, legal and political changes. He argued that the existing legal and political framework was a major obstacle to popular participation, subject to rampant corruption and an obstacle to "structural changes", which he promised would follow a reordering of the political, judicial and legal system. During this initial period, faced with a President who sought to democratize the political system, and who was engaged in open and free elections, but who still embraced orthodox fiscal, monetary and neo-liberal economic policies, the Bush administration retained the main features of the Clinton administration, of "watchful tolerance", holding more forceful action if any contingency warranted it. Moreover, Bush's Latin American policymakers inherited the social explosions which rocked the continent beginning in 2000 and 2001 in Ecuador, Bolivia, Argentina and Peru followed later by the electoral defeat of ruling military backed parties in Brazil, Uruguay and Paraguay. The collapse of the US IT bubble and the profound recession which ended the ultra neo-liberal era in Latin America caught the Bush administration off guard: like the Clinton regime it too envisioned perpetual US hegemonic supremacy, based on alternating collaborator presidents dually elected by conformist electorates. The depth and scope of the mass uprisings in Argentina, Ecuador, and Bolivia was impressive and engaged over three quarters of the population. The abrupt and total collapse of the client regimes precluded any direct US intervention on behalf of a coup, especially in light of the discredited role of the military during its previous dictatorial reign.

The initial period of 'peaceful coexistence' in US-Venezuelan relations was fraught with latent tensions given the Bush administrations appointment of several extremists to influential Latin American positions, including the notorious Otto Reich, Manuel Noriega and others. Moreover, the entire neo-conservative cohort which included notorious militarists like Cheney and Rumsfeld and rightwing Zionists Wolfowitz, Feith and Abrams to top positions in the White House, Pentagon and National Security Council, were primed to launch a more virulent global military driven empire building project to counter declining US influence in the Middle East and Latin America.

The pretext for the launch of the 'global war' was the destruction of the World Trade Center towers and damage to the Pentagon on 9/11/2001. Through subsequent controversy has severely tested the official versions of the events of 9/11, the far reaching political consequences were undeniable.

The Bush administration announced a “global war on terrorism” which included the right to engage in cross border military activities throughout the world against alleged adversaries, a rejection of the Taliban regimes’ offer to negotiate the surrender of “Al Queda” activists if the US could demonstrate their complicity in 9/11, and a subsequent military invasion of Afghanistan, (followed 18 month later) by an invasion of Iraq. The White House’s ‘War on Terrorism’ was effectively a grandiose launch of the neo-conservative manifesto (PNAC) for military driven empire building. The ‘War on Terror’ sought to subordinate allies (NATO – European Union) and Third World countries to US global hegemonic aspirations: Washington quickly and emphatically made it clear that any questioning of the global projection of military power was to “effectively aid the terrorists” and become an adversary to the US.

President Chávez was the first and only head of state to reject the methods and consequences of the Bush Administrations policy. Chávez declared, “you cannot fight terror with terror”.

The Bush global offensive and Chávez forthright defense of diplomacy over war, and self-determination over military intervention (in Afghanistan) was the trigger event which drastically altered US policy toward Venezuela and in particular set in motion events which hastened the emergence of an adversarial relation.

US-LATIN AMERICAN RELATIONS: 2002-2003

Shortly after President Chávez took sharp exception to Bush’s claim of extra territorial military powers throughout the world, relations deteriorated sharply. Despite Chávez’s moderate domestic economic policies and the full play of democratic electoral politics and procedures, his declaration of an independent critical foreign policy detonated a series of public criticisms from the far right members of the Bush administration.

From the late fall of 2001 neo-conservatives began to mount a media campaign in the US and Venezuela calling into question the democratic credentials of the Chávez government and insinuating hemispheric security dangers explicit in Chávez opposition to the US invasion of Afghanistan.

Several considerations seems to have agitated the militarists in the White House.

First, Chávez’s declaration of independence from US policy resonated with mass movements engaged in major uprisings and widespread revolts against client regimes in many countries in Latin America. The neo-conservatives feared that Venezuela’s example would encourage the emerging social movements and emerging leftist regimes to follow suite.

Secondly, the militarists counted on their assets in the business organizations, legislature and state apparatus to reverse Chávez’ policy, destabilize and perhaps topple the elected government.

Thirdly, the militarists were deeply influenced by events in the nineties during which Latin America regimes generally conformed to US global and regional policies, especially when pressured by Washington.

Fourthly, within the US a multi-million member peace movement was emerging (especially between 2001

– 2003) protesting war preparations against Iraq and Chávez was perceived as a possible point of reference.

Washington adopted a two-track policy toward Venezuela: a diplomatic track, which included dire threats if Chávez did not retract his position on the US global war (“War on Terror”) and a covert track of consultation, support and organization of a military-civilian coup to overthrow the elected government.

In the late fall of 2001 the State Department sent Grossman on a mission which essentially relayed to the Venezuelan President the seriousness with which Washington took his dissent. The visit, according to Venezuelan officials present during the encounter, ended with Grossman issuing dire threats if Chávez remained adamant in opposition to the US resort to military resolutions of international conflicts:

“If you persist in opposing our war on terror, you and future generations of Venezuelans will pay the consequences”.

The predictable failure of Grossman’s big stick” diplomacy accelerated the shift to ‘track-two’ – the overthrow of the Chávez regime via a civilian-military coup backed by a combination of a mass media blitz, the business confederations, the trade union bureaucracy, sectors of the military and the political party opposition.

Contrary to conventional opinion, the big US oil companies do not appear to have taken the initiative nor to have played a leading role in Washington’s move to unify its Venezuelan assets toward destabilizing and overthrowing the Chávez government. Big US oil companies had not been adversely affected by Chávez oil policies. His “oil reform” policies during his first three years in power were to slightly increase royalty and tax payments. He had yet to reverse the previous regimes privatization policies. There is little doubt, however, that the oil companies were knowledgeable of US efforts to destabilize the regime and certainly did not object, especially if the forthcoming “regime change” would result in the restoration of a neo-liberal regime less prone to potentially nationalist policies. The cautious public posture of ‘Big Oil’ probably reflected unease over the possible risks and spill over effects of a failed coup in which the US government was complicit. The risk attending a failed coup, might have serious consequences for the oil companies standing with the Chávez government, a point, however, which did not seem to have motivated them to try to put the brakes on Washington’s plotting with the Venezuelan opposition.

Washington’s primordial interest in overthrowing Chávez was political, not economic, revolving around his opposition to the Bush regime’s War on Terror and his specific condemnation of the US Afghan invasion and strong opposition to Washington’s plans to invade Iraq. Moreover, Chávez was a thorn in the side of the Clinton-Bush “Plan Colombia” with its military approach to the civil conflict in that country. Chávez proposed a continuation of the peace negotiations between the Colombian regime and the FARC, recognition of a state of belligerency and the FARC as a legitimate interlocutor. Chávez position was directly opposed to Washington’s push to end the peace negotiations and Bush’s labeling the FARC as a “terrorist organization”.

Parallel to Washington’s activation of “track two” destabilization cum military coup strategy toward Venezuela, Washington backed Alvaro Uribe for President of Colombia a notorious paramilitary organizer and State Department designated narco-trafficker.

The view in Washington was that Chávez’ opposition to its global military offensive might provide an

alternative point of reference for the newly emerging 'center-left' regimes in Latin America and as an elected democratic government undermine the neo-conservative propaganda claims that the 'war on terror' was part of a democratic mission only opposed by "Islamic dictatorships".

With Latin American policy in the hands of what in Washington was known as the "Cuban Mafia", diplomacy implicit in "track one", was shunted aside and the "regime change" track two, was fully and unquestionably embraced, whatever the possible lingering, unexpressed doubts which might exist among foreign service professionals.

THE APRIL COUP AND ITS AFTERMATH

On April 12, 2002, a sector of the military backed by the entire big business elite and the corrupt trade union bureaucracy arrested Chávez and seized power. Immediately Ambassador Shapiro backed by the Bush White House and far right Spanish Prime Minister Aznar, congratulated the self-appointed new president Carmona – head of the business confederation Fedecamerac and moved to recognize the illicit regime.

In the lead up to the coup, Bush administration officials were in constant consultation with the coup-makers while escalating a propaganda war against Chávez' supposedly "strongman rule" and above all "lack of co-operation in the War against Terror". Washington's policy of promoting tension and internal polarization was directed at creating the appearance of an isolated regime, with deteriorating public support. The Bush policy encouraged the coup makers to believe that they had the full backing of the US and because of that support, the likelihood of Washington's backing for the post-coup regime.

US intelligence officials believed that their political, military and media assets were sufficient to overthrow the regime and defeat any restorationist efforts. Therefore, they did not plan or organize a US military expeditionary force to intervene to buttress the coup-makers in case of a successful democratic constitutional restoration.

Several factors entered into Washington's calculus on the low risk of a coup failure.

First, they exaggerated the degree of support for the coup among top and middle level military officials, refusing to recognize Chávez' own military ties and loyalty among the military. Secondly, they overestimated the military's loyalty to the business elite and the influence of US missions and overseas training programs in establishing US hegemony. Thirdly, they ignored the impact of over 40 years of constitutionalism on the military outlook toward coups. Fourthly, they exaggerated the impact of the oligarchy's monopoly of the mass media with regard to mass popular opinion toward Chávez and his social welfare and nationalist appeals. The mass media were influential among those privileged classes already disposed to deny the legitimacy of the elected President.

The over confidence of the State Department in the success of the coup makers was demonstrated by the premature salutations and recognition of the junta prior to the consummation of the coup. While the event was still in progress a mass outpouring of support for Chávez was surrounding the Presidential Palace and there were indications of strong military opposition to the coup and uncertainty among many other top military officials.

In summary the Bush administration's policy was based on intelligence linked to and dependent on its convinced assets/clients, which merely reinforced desired outcomes rather than the high risks and the views and loyalties of the mass of the population and strategic groups in the military.

The coup triggered a huge outpouring of over a million supporters from the “ranchos” marching on the Presidential palace where the coup makers were holed up.

Military officials and middle ranking commanders of troops took up positions in defense of the restoration of Chávez to power, which precipitated, a shift in the balance of power within the military. Within forty-eight hours, Chávez was released from captivity and restored to power as the coup collapsed under the combined weight of mass mobilization and military power.

Washington’s precipitous support for the coup makers and their subsequent defeat, resulted in political losses of strategic assets and a sharp turn in Chávez foreign policy. In the immediate aftermath of the failed coup, several top business leaders involved led the coup fled, the business federation (FEDECAMERAS) was discredited (but not dissolved), the head of the opposition led trade union confederation (CTV) went into exile and the organization was discredited in the eyes of the trade union rank and file. Equally important, Chávez arrested or discharged the top military officials involved in the coup and some of their middle level supporters.

The coup and its defeat triggered a realignment of forces within Venezuela, strengthening the national and populist forces within the state apparatus and depriving the imperial state of strategic levers of power. Equally, the mass role in restoring Chávez to power established the popular barrios and their improvised organizations as a power center in determining national politics and endowed them with a ‘privileged’ place in Chávez future policies. The upper middle class, the business and landholding elite, which backed the coup, staunch US allies, were the big political losers. They were designated as the enemies of democracy and the constitutional order. The mass media which played a central role in the lead-up to the coup and the celebration of the illegal seizure of power as well as the fabrication of a Chávez “resignation”, was discredited in the eyes of the mass public. Venezuelan and US media propaganda charging Chávez with “dictatorial rule” lost credibility in light of their support of the ephemeral junta, whose first measure was to close parliament, ban electoral parties and arrest the political opposition.

The coup and restoration of Chávez resulted in a major diplomatic victory. The coup was universally condemned in Latin America and, with the exception of Spain, by the European Union. The restoration of the constitutional order was applauded everywhere. The US in an attempt to save face and retain a diplomatic foothold weakly praised the restoration.

However, the coup plot and Washington’s tacit and overt complicity in the context of a center-left electoral turn in Latin America isolated and eroded Washington’s influence in the region. Moreover, Washington’s long term strategic goal of replacing Chávez with a more pliant client was severely undermined by the loss of key levers of power.

Nevertheless, the defeat of Washington based clients did not lead to a reassessment of the relationship of forces within Venezuela, even less to a ‘moderation’ in policies. Instead Washington turned to an even riskier or “adventurous” policy, trying to cover its losses by throwing its last strategic assets into a frontal confrontation with the regime, nine months later, backing a “bosses lockout” (December 2002 – February 2003) in a desperate attempt to destabilize the Chávez government.

THE BOSSES LOCK-OUT

Chávez’s initial response to the coup upon returning to the Presidential palace, was to search for a new direction in domestic and foreign policy. He looked for advice from those of his senior advisors in the foreign office who advocated a policy of “reconciliation” and “national unity”. He invited his adversaries both among the business elite and those in the armed forces to join with him in a new consensus based on a policy of consultation; Chávez showed himself generous even to those deeply involved in the coup

particular the media moguls, as well as the deeply entrenched senior officials in the public sector enterprises, who retained allegiances toward the leaders of the opposition who appointed them. Chávez extended his hand to the conservative hierarchy of the Catholic church, willing to forgive and forget the blessing they extended to the ephemeral coup. Many of his mass supporters and leaders as well as leftist advisers were disappointed, thinking that the defeat of the elite backed coup was an opportunity to deepen “the revolution”, by expropriating the property of the media moguls and the business elite as well as purging the police, military and intelligence agencies of right wingers who were ideologically hostile and administratively obstructionist.

The response of the business elite was cool to hostile, though they quickly took advantage of Chávez reconciliation offer to quickly regroup and re-launch their intransigent opposition.

The US followed suit – most likely interpreting Chávez concessions as a sign of weakness and vulnerability. Both Washington and the local elite felt that Chávez appeals failed to include the kinds of concessions which would warrant any political pact.

In the case of Washington, Chávez still refused to back Washington’s global military interventionism and in particular the ouster of President Bertrand Aristide of Haiti, the Afghan war and the war preparations against Iraq.

Apart from the arrest (and flight) of a handful of top coup plotters, the rest of their entourage escaped any judicial prosecution – they went scott-free to return to practice the destabilization and demonization of the Chávez government. In other words leniency toward the coup makers, many on the verge of committing lese majesty, led to another go at knocking out a nemesis of the White House. The Bush Administration made another risky attempt to restore hegemony in a region, slipping to the left. The most formidable asset that remained in the US and elites’ hands were their control over the major, private and public economic media institutions of the country.

Even as the US lost important assets in the state apparatus and its political control of the legislative and executive branch was weakened, Washington retained close collaborators in the financial, banking, agricultural sectors and most important of all the top and middle management of the nominally “public” state oil and gas company PDVSA were closely linked to Washington and Big Oil.

Undaunted by Chávez’ defeat of the civilian-military coup, a US backed employers lockout was launched in December 2002, led by the senior officials of the oil industry, which paralyzed the entire economy. Since oil revenue accounted for over 70% of Venezuela export earnings and over 30% of its GNP the lockout threatened to bring-down the government, which was precisely the intention of its instigators.

The lockout continued into the new year, peaking in late January, until it was decisively beaten back thanks to the massive intervention of management, technical and skilled workers backed by the armed forces.

After a period of negotiations and hesitation, Chávez realized this was not an economically motivated lockout but a politically driven effort to topple the government. He took two decisive measures: he called on the engineers, loyalist managers and the working class to take over and run the oil wells, refineries, port and transport and he fired 15,000 oil executives, managers, technicians and employees who organized and backed the lockout. With the aid of oil shipments from abroad (Brazil) and pressure from below, the oil industry slowly returned to production. The rest of the capitalist class fearing expropriation and worker takeovers grudgingly and reluctantly returned to production, transportation, banking. The lockout was defeated but at a heavy cost to the economy which declined by 10% in 2002 and only began to recover pre lockout levels by the end of 2003 thanks to rising oil prices.

Once again Washington played a risky game – pushing its strategic assets in an essential sector into an unequal fray ... and losing. Another layer of Venezuelan society linked to US hegemony was stripped and replaced by Chávez loyalists. Having lost key elements in the state apparatus, the White House tried to compensate and recover leverage by putting at risk its strategic economic collaboratus and lost. The “bosses’ lockout” and its defeat by the working class had far reaching consequences for both Venezuelan domestic and foreign policy. It served to radicalize Chávez’ socio-economic agenda, turning him toward massive social investments in the poor barrios, toward far reaching diversification of trade, investment and military procurement and intensified his effort to build a new regional foreign policy which excluded the US. The combined efforts of the failed coup and lockout triggered the domestic radicalization of Chávez, his turn toward ‘socialism’, his advocacy of ‘Bolivarian’ regional integration and an opening to China, Russia and Iran.

Washington’s double defeats gravely weakened its domestic leverage to overthrow or destabilize Chávez forcing a rethink along the lines of adopting a two track approach: an external strategy based in strengthening ties with the far-right Columbian regime, its military and paramilitary force as a platform for launching a military confrontation and an internal electoral strategy.

THE INSIDER STRATEGY: MASTERS OF DEFEATS:

The insider strategy was launched by the US at a time of greatly depleted assets, and rising oil prices, (and state revenues). It essentially involved financing NGO’s for street and electoral confrontations and a referendum/recall and a legislative boycott. The external strategy attempted to isolate Chávez in Latin America through the Free Trade Agreement of the Americas and securing military bases in Colombia.

THE DIPLOMATIC AND ELECTORAL CONFRONTATION (2003-2007)

Despite the loss of assets in both the state apparatus and the strategic petroleum industry, US policymakers still retained a formidable array of supporters in civil society through well financed non-governmental organizations (NG), a powerful propaganda apparatus in the private mass media (over ninety percent backing the opposition and Washington) and a network of weakened but still active political parties, political activists and wealthy political financial backers.

Since the US could not count on executing any new extra-parliamentary adventures, it backed and financed a referendum to impeach President Chávez. Once the signatures were collected and the campaign was underway, Chávez turned to his mass popular base, till then very extensive but loosely organized, to organize at the barrio level, independently of the existing party structures.

The coup and lockouts and the popular mobilization which defeated them, triggered massive social welfare programs, new government sponsored “missions”, providing universal free health programs via barrio based clinics, a massive literacy campaign and heavily subsidized food distributed by state grocery stores in the poor neighborhoods. Chávez signed on to a huge oil for doctors and professionals deal with Cuba, compensating for the unwillingness of many Venezuelan doctors to work in the popular clinics.

The refusal of the ‘Right’ and its professional class supporters to back the social programs, strengthened popular support for Chávez. The presence of Cuban doctors in social programs provided Chávez with mass support for his strategic alliance with Cuba. Rising oil prices and the double digit growth in 2004 – 2005 provided windfall profits to finance the social programs and the campaign against the referendum-recall.

The referendum was defeated by a huge 20 point margin (60% to 40%), demoralizing the US supported coalition and leading to the further fracturing of the opposition parties. Clearly the timing and the content

of the referendum was an extra- ordinarily high risk operation, which demonstrated how clearly out of touch US strategists were with Venezuelan realities.

Clearly the Bush White House and the right wing ideologues were substituting their animus for Chávez for the political realities on the ground. Still, despite all signs to the contrary, Washington persisted in believing that even under the most favorable conditions for Chávez, they could discredit him – Washington supported and publicized an opposition promoted boycott of the legislative election of 2005 (?), resulting in the election of over ninety percent pro-Chávez congress people ... and a free hand in pursuing a new and more radical political and socio-economic agenda. The US and its allies lost one of the last institutional platforms to criticize the government and regroup the opposition to his policies.

THE OUTSIDER

If Washington's insider strategy was a political disaster, the outsider strategy was close behind. Washington's apparent strategy was to consolidate its regime supporters on the right, influence the regimes on the center left and isolate the Chávez regime.

This policy faced several major constraints in its implementation. First and foremost, events and political changes in Latin America led to the coming to power of center-left regime opposed to US interventionism backed by social movements highly favorable to Chávez. Secondly, with the commodity boom well underway, fueled in large part by an enormous increase in demand from China (and the rest of Asia), Latin America was diversifying its trading and investment partnerships. The US was no longer Brazil, Chile, Peru and Argentina's main trading partner. Hence, Washington no longer had the economic leverage of the past.

Thirdly, because of the trade surpluses and the onerous terms imposed by the IMF, Latin America totally marginalized the IMF from any financing agreements, paying off their debts to the IMF. As a result, US leverage via the IFI (International Financial Institutions) was curtailed.

Fourthly, because of huge oil revenue surpluses, Venezuela signed a series of oil trade and investment agreements with Brazil, Argentina and Ecuador diminishing any hope that the White House could impose a diplomatic blockade on Venezuela.

Fifthly, blind to the new realities, Washington went ahead seeking Latin American support for the Clinton initiated Free Trade of the Americas Treaty, an agreement which favored US protectionism and subsidized exporters at the expense of highly competitive Latin American exports. The Treaty was almost unanimously rejected striking a blow to US hegemonic aspirations and raising the political stock of Chávez' regionalist 'Bolivarian agenda'.

Washington's 'War on Terror', its military-driven empire building did not resonate with the economic developmentalism and (post dictatorial) anti-militarism pervasive in Latin America. Washington's heavy emphasis on costly military expansionism evidenced in two wars and ballooning military expenditures left little room for new economic initiatives (like the Alliance for Progress) toward Latin America actively rebuilding their economies from the neo-liberal debacle of the lost decade of the 1990's and the ensuing crash.

Moreover, Washington was closely identified with the so-called "free market" neo-liberal ideology which was widely seen by most Latin Americans and their new leaders as responsible for the economic crash of 2000 – 2002 and widely and intensely detested. Yet Washington oblivious to the new realities continued to hold up free market ideology and policies as the panacea for the region, giving Chávez an enormous ideological advantage.

Venezuela's ideological edge over Washington was based more on Chávez's critique of neo-liberalism than in his advocacy of socialism or Bolivarianism. Most of the new Latin American rulers were themselves deeply immersed in pursuing a decidedly capitalist agenda – albeit with greater diversity, a modicum of state regulation and without any structural changes in property and class relations.

Chávez in response to Washington's (failed) efforts to isolate him, turned toward a multi-pronged international strategy. (1) He launched ALBA a regional integration project which included Cuba, Bolivia, Nicaragua, several Caribbean island states and briefly Honduras (before the coup of 2009). (2) He organized Petrocaribe a trade agreement to sell oil at subsidized prices to poor Caribbean states in exchange for political support. (3) He turned to Russia and China to sign multi-billion dollar arms purchases, joint ventures in oil and gas exploitation and increased sales and purchases of energy and manufactured goods. (4) Chávez signed off on extensive diplomatic trade and investment agreements with Iran, on the bases of their facing a common enemy. (5) Chávez championed the resistance of the Palestinians and Hezbollah in Lebanon against Israel attracting a positive response from the Moslem countries, the Arab "street" and opening the door to ties with other North African regimes (Libyan, Algeria).

Parallel to his new regional plans, Chávez petitioned to be included as a member of MERCOSUR, the four country (Brazil, Argentina, Uruguay, Paraguay) regional free trade bloc, thus opening up new trade and joint venture opportunities, to offset any US moves to "embargo" the country.

Nevertheless, despite Washington's overt hostility and Chávez's anti-imperialist policies, Venezuela remained the US's third biggest supplier of oil and Venezuela depended on the US market for eighty percent of its oil exports – its biggest single trading partner.

While for the most part Washington's "outsider" strategy failed to isolate Chávez and was unsuccessful in winning over the 'center' or center-left to its overall policies, it more or less did succeed in consolidating its ties with right wing regimes, notably Columbia, Peru, Mexico and Costa Rica. The major gain was Columbia's active co-operation in putting pressure on Venezuela, creating cross border attacks and provocations and even allowing over a hundred paramilitary combatants to enter Venezuela for a (failed) clandestine operation. As Washington's internal and regional policy options diminished, Washington concentrated on building up a strategic presence in Columbia and weakening, destabilizing or overthrowing Chávez political allies.

US MILITARY OFFENSIVE 2008-2009: BOLIVIA, ECUADOR, HONDURAS AND THE SEVEN BASES

By late 2008, Washington was a lonely presence in regional meetings, suffering a series of serious diplomatic losses on Cuba (a unanimous vote in favor of readmission to the OAS), exclusion from a proposed regional defense force and a refusal by the entire region to condemn Venezuela.

Lacking economic leverage and witnessing the rejection of its diplomatic initiatives, Washington resorted to what it most excelled – clandestine intelligence and military operations in an attempt to weaken Chávez' allies.

Despite the weakening of US hegemony at the national governmental level, it still retained levers of powers at the sub national level among economic elites, regional governors and local political officials as well as among the rulers of the right wing regimes.

Washington's attempt to regain hegemony focused on destabilizing the elected democratic governments most closely allied with President Chávez. This strategy was pursued by both the Bush and Obama

regimes and focused on Bolivia, Ecuador and Honduras with mixed results. In each case, Washington resorted to different strategies.

From even before Morales' election as President of Bolivia (December 2005) Washington maintained close political and economic ties with the ruling class centered in Santa Cruz, Pando, Beni and to a lesser degree in Cochabamba. The Bush White House through the DEA, AID and NED financed rightist NGOs and movements who promoted separatist and electoral campaign against Morales' center-left agenda.

Through its activist Ambassador Goldberg, Washington took an active role in the attempted Sta Cruz violent power grab in September – October 2008, funding and giving political support to a separatist referendum and a campaign of terror organized by the provincial governor. Thanks to a massive popular mobilization which threatened civil war and the loyalty of the military, the regional putsch was just put down, Goldberg was declared persona non grata and the US temporarily pulled in its horns.

The election of Rafael Correa and his decision to terminate the US military base at Manta at the conclusion of the treaty (2009) and ally with Chávez, started bells ringing in the White House. A regional movement in Guayaquil fizzled out, but a US backed Columbia military intrusion into Ecuador against the FARC, was one of a series of threatening gestures designed to destabilize the center-left regime. Columbia's threats to repeat the violation of Ecuador's territorial integrity had the overt and tacit support of the US.

The most blatant reassertion of US hegemony was the Obama White House support for the civilian-military junta which overthrew the elected Zelaya regime – for aligning with Chávez' regional alliance ALBA.

In all three cases Washington exploited a different set of assets and tactics: regional rightist elite in Bolivia; a client regime (Colombia) against Ecuador; a military-congressional junta in Honduras. The thrust of policy was to restore hegemony by resorting to illegal, violent, means.

Alongside with violent regime changes, Washington's policy under Obama took a decidedly military turn toward Venezuela: Washington secured a seven military base agreement with Columbia, including one on the border, less than 30 minutes from Caracas. The Pentagon expanded base facilities in Panama, Aruba, Curacao and Honduras. In addition, Obama added a nuclear powered aircraft carrier to the Fourth Fleet cruising off the Atlantic shore of Latin America.

The military destabilization strategy failed in both Bolivia and Ecuador – eroding the power of strategic regional assets in Bolivia, diminishing the US presence and stoking up popular anti-imperialist sentiments. In the case of Ecuador it led to a temporary break in relations between Ecuador and Colombia. In the Presidential elections of 2009, Morales won over 60% of the vote. In the case of Honduras the White House succeeded in ousting Zelaya but at an enormous diplomatic cost. The pro US junta was ostracized, failing to secure recognition. The entire OAS opted for policies contrary to US intent. The overall result was greater diplomatic isolation and a greater sense that, Obama's democratic rhetoric notwithstanding, the US was no longer viewed as a country moving forward from his predecessors military posturing. If anything Bush's "neglect" of Latin America was being 'changed' toward a more aggressive interventionism and greater reliance on Colombian militarism as a vehicle for its anti-Chávez crusade.

US-VENEZUELAN RELATIONS UNDER OBAMA: CHANGE. . . FOR THE WORSE

What is striking about the Obama regimes' policies toward Latin America and Venezuela are several contrasts: The contradictions between the diplomatic rhetoric of "change" and the continued and even

escalating militarization of policy; the contrast between multiple overtures and opportunities to open a 'new chapter' of improved relations and the pursuit of policies which worsened relations and increased US isolation; the contrast between a US policy designed to bail out the financial sector and Latin America policies designed to activate its productive and export sector; the contrast between a deep US recession and slow recovery and a mild recession (except Mexico) and a quicker recovery in Latin America; the contrast between the US relative decline as a trading partner with Latin America and the latter's increased trade with China and Asia; the contrast between Washington's pursuit of politically driven boycotts of Iran and other countries and Latin America's emphasis on increasing trade and investment across the political spectrum; the contrast between the US military definitions of global security threats and Latin America's emphasis on free trade and pursuit of "economic developmentalism".

If these sharply contrasting structural and programmatic differences mark a divergent foreign policy approach, between the US and Latin America, the differences between the US and Venezuela are even more acute, defined by the US military build-up in the Caribbean and Venezuela's growing national security concerns.

For a President like Obama who promised a new more open relation with Latin America and who received a strong endorsement of all Latin American leaders including the 'radical trio' of Castro, Chávez and Evo Morales, his subsequent continuation of Bush era policies rapidly evaporated the good will and in some cases led to public repudiation. In the first OAS meeting, Secretary of State Clinton was the lone vote still backing the boycott and non-recognition of Cuba. Obama and Clinton still retained the Bush rhetoric of Venezuela being a 'danger to democracy in Latin America', securing US diplomatic isolation.

By mid 2009 the Obama regime took a bigger step toward alienating its neighbors by covertly supporting the military coup in Honduras, then initially denying it was a coup, then refusing to follow Latin America and the OAS by retaining relations, then replacing the OAS as mediator by pushing Costa Rican client Arias and finally recognizing the electoral process organized by the military junta against the position of all Latin regimes except the narco-president of Colombia.

Washington's recognition and support of the overturn, its constant reference to the illegal authoritarian regime as an "interim regime" spelled out, a return to the use of military coups to overthrow democratically governments which diverge from US foreign policy. In the case of Honduras the 'divergence' was over foreign policy – namely President Zelaya's decision to join ALBA and Petrocaribe and reap the benefits of subsidized oil prices and Venezuelan foreign aid. Zelaya, a member of the big landholding elite had not expropriated any domestic or foreign property holdings nor redistributed land or wealth, though he did encourage trade union organizing and increased expenditures on social programs.

The Washington's backing of the Honduran junta, cost it regional support and dissipated sympathy throughout the region. The key point is that Obama valued restoring control over a client banana republic in Central America to an improvement of relations with Brazil, Argentina and the rest of the region. The key to Obama's decision is his over riding priority to erode Chávez influence, by overthrowing allied regimes and establishing political-military beachheads for any future military operations.

The centrality of military driven policies against Chávez was dramatically evident in the seven base military treaty signed by Obama and Alvaro Uribe, Colombia's infamous narco-president. Colombia ceded several naval, air and special forces bases to the US, including one proximate to the Venezuela boundary. Once again neither Uribe nor Obama consulted with the rest of the OAS: it was presented with a *fait accompli*, a unilateral violation of the regional organizations' charter. The reaction from Latin America was almost universally negative, varying in intensity between Brazil's demand for details on the agreement, the purpose of the bases and guarantees that the bases would not be used to invade neighboring countries to Venezuela's robust denunciation that the bases were a platform for an invasion.

Once again Obama brushed off the negative response and proceeded with the militarist option as a top priority over diplomatic isolation in the hemisphere.

As the US 'outsider strategy' turned toward a massive and sustained military buildup of Colombia – over \$6 billion in military aid over the decade – with the introduction of modern fighter planes, drone reconnaissance planes and several thousand advisers and sub-contracted private “security” mercenaries, Chávez turned to Russia for a massive \$4 billion dollar purchase of small arms, armored vehicles and warplanes. A US induced 'arms race' was on. Chávez described his large scale arms purchases as a deterrent, an effort to increase the cost of an armed intervention.

Washington's military driven foreign policy in the Middle East and its boycott and sanctions policies toward Iran were rejected by most of the rest of Latin America. Brazil, Venezuela, Bolivia in particular signed multiple trade and investment agreements, worth, in the case of Brazil, several billion dollars.

Secretary of State Clinton responded with thinly veiled threats of “consequences” for economic ties to Iran, particularly toward Bolivia, provoking a denunciation of meddling in internal relations.

US – Latin America's policy has failed to open a new relationship and certainly has deepened US isolation. Obama has increased the degree of alienation and failed to recover hegemony. In large part for the same reason that the Bush administration failed: Washington policymakers retain as the “model”, Latin American submission to US supremacy during the “golden years” of the 1990's. Undersecretary Arturo Valenzuela during his visit to Argentina revealed this reactionary nostalgia when he recalled the “good times” during the Menem regime (1989-1999), a period of pillage, plunder and monumental corruption, universally condemned. This gaffe provoked a storm of protest and further soured Argentine-US relations beyond what existed under Bush.

Rising militarization under Obama as evidenced in the US-Colombia-Venezuela triangle is out of sync with the Latin America's big push for greater trade diversification, higher growth and increased regional integration, including countries targeted by Obama. Chávez, despite his defense spending, fits into the Latin American pattern, looking toward greater trade with Argentina, Brazil, China, Iran while freezing trade relations with Colombia and attempting to lower dependence on the US market.

The Bush-Obama policy of confrontation and intimidation to force a break between Latin America's center-left and centrist governments and the “radicals” has boomeranged, exacerbating conflicts across a series of diplomatic and economic issues. The strategy of isolating Cuba and Venezuela has highlighted Washington's lone vote on each occasion.

Washington's resort to a military strategy reflects its global policy but one that is out of tune with the changing priorities and political complexion of Latin regimes. As much as anything, the Obama regimes' military position reflects the decline of economic leverage, in part a reflection of the primacy of finance over manufacturing, in part a result of the demise of the empire-centered neo-liberal ideology which greased the wheels of US hegemony. It is clear that Washington has failed to recognize that the restoration of the type of client regimes of the previous decade is a highly dubious proposition; efforts to that effect are likely to provoke greater regime and mass rejection of any overtures to 'new relations'.

Washington's double discourse of “free trade for your markets” and “protectionism for ours” does not fly. Brazil under Lula, a staunch free marketer has said as much in the face of US tariffs on ethanol and other competitive exports.

What is striking about US-Latin American relations is that the deterioration occurs at a time when the so-called center-left regimes have embraced capitalism, foreign investment, moderate regulations on capital flows, co-opted radical social movements and trade unions, retained the bulk of the dubious privatizations and the agro-mineral export model. That the US and particular the Obama regime have failed to build a

new positive relationship in these eminently democratic capitalist circumstances can only be attributed to its extremism, its deep-going commitment to military driven empire building.

Even in the case of Venezuela, Bolivia, Nicaragua and Ecuador, joint economic ventures with foreign capital continue to thrive; the private sector still controls the mass media, banking, agriculture, commerce and transport. Positive investment and trade relations thrive with other economic blocs including the EU and the emerging dynamic capitalist countries of China, South Africa, Russia as well as the Middle East. Chávez' rejection of US military policies and interventionism has solid popular backing and is supported by polls in the EU and even in the US. If Washington proceeds toward a proxy war with Venezuela using Honduras as a dress rehearsal, (in addition to its overstretch today in Afghanistan, Iraq, Pakistan and Yemen) can it win a prolonged offensive war? A highly dubious proposition. More likely it will re-radicalize the continent and certainly turn Venezuela toward socialization of the economy and deepen its ties to radical social movements elsewhere. As it stands today, Venezuela eschews ties to radical social movements, favoring ties with social liberal and even conservative regimes willing to sign trade and investment treaties and friendly diplomatic relations.

As it stands, recent history teaches us that each military and diplomatic move against Chávez has radicalized the regime not intimidated it. Each effort to pressure or to coerce center-left regimes to break with Venezuela has failed or boomeranged. Given Washington's policy of rule or ruin it has interpreted each diplomatic rebuff as a "reason" to bunker down with the most retrograde regimes as is the case of militarizing Colombia.

The diplomatic factions of the State Department, to the extent that they exist and retain any positions of influence, have been rebuffed, as every expression of moderation and possible negotiated solutions is undercut by the ultimatums and unacceptable conditions. Clinton, Obama and Gates set the conditions for good relations on accepting US global interventionism (the war on terror) and regime change (client power). Those policy conditions have only strengthened the nationalist and democratic credentials of Chávez and weakened Washington's appeals for regional realignment.

Questions for the Record Submitted to Ambassador - Designate Larry Leon Palmer by Senator Richard G. Lugar. Senate Foreign Relations Committee. July 27, 2010

Question #1:

In response to a February 2010 report issued by the Inter-American Commission on Human Rights (IACHR) regarding violations of human rights and intimidation of citizens in Venezuela based on their political beliefs, I released a joint statement with Senator Dodd in March 2010. You will find an excerpt of this statement below:

“We are deeply disturbed by some of the report’s observations. One of the more alarming findings was that: ‘The Commission considers that the lack of independence and autonomy of the judiciary with respect to the political branches constitutes one of the weakest points of democracy in Venezuela, a situation that seriously hinders the free exercise of human rights in Venezuela. In the Commission’s judgment, it is this lack of independence that has allowed the use of the State’s punitive power in Venezuela to criminalize human rights defenders, judicialize peaceful social protest, and persecute political dissidents through the criminal system.’”

We mentioned in our joint statement that *“this passage highlights what can happen in a country when the regional and international mechanisms that are in place to prevent this type of erosion of democratic institutions fail to act.”* Please provide your views of the performance of the Organization of American States (OAS) in safeguarding human rights in Venezuela. If confirmed, how will you work with U.S. Permanent Representative to the OAS, Carmen Lomellin, to ensure that the OAS is responsive to these repetitive and blatant violations?

A worsening of the situation in Venezuela should be of concern to all the Member States of the OAS as it is a clear violation of Venezuela’s obligations under the American Convention on Human Rights and the Inter-American Democratic Charter. Many believe that the United States should invoke the Democratic Charter. Under what circumstances would the U.S. seek to invoke the OAS’s Democratic Charter?

Answer:

The Inter-American Democratic Charter stands as a powerful standard by which governments, including Venezuela, should be held accountable by their citizens and the international community. Compliance with the principles and values enshrined in the Democratic Charter is a critical element for participation in the Inter-American system. However, the Democratic Charter is not a legally binding instrument. Unfortunately, there are no sanction or enforcement mechanisms included in its text. Except for the possibility of suspension if a member state experiences an unconstitutional interruption of its democratic order, the Charter contains limited mechanisms for encouraging compliance, beyond diplomatic initiatives.

With this in mind, I believe that more needs to be done to make the Democratic Charter a more effective instrument for the promotion and defense of democracy, including in Venezuela. Increased political will from OAS member states, including Venezuela, to honor commitments under the Democratic Charter is required for full compliance with the Charter’s democratic norms.

I believe it is imperative that the OAS move forward to implement mandates emanating from the 2005-2010 General Assemblies and Summit of the Americas processes that would serve to bolster regional cooperation to support democracy and human rights. At the same time, the authority of the OAS Secretary General to bring matters of hemispheric concern to the attention of the Permanent Council

should also be fully exercised with regard to regional democracy and human rights concerns. If confirmed, I look forward to working with the U.S. Permanent Mission to the OAS to help advance these efforts.

Since the 2005 Fort Lauderdale General Assembly, the United States has been working with hemispheric partners to make the Inter-American Democratic Charter a more effective tool in the promotion and defense of democracy. These efforts include our strong support of initiatives to open the political bodies of the Organization to greater participation by civil society groups concerned with democracy and human rights in the Americas, including in Venezuela. As called for in the recent OAS General Assembly in Lima, the United States is working with like-minded member states and civil society to advance a dialogue at the OAS on the effectiveness of the Charter's use and implementation, in anticipation of its tenth anniversary in September 2011. As part of this process, the U.S. Mission to the OAS plans to review a variety of options to support Charter strengthening, which I hope to be able to support if confirmed.

Apart from the Inter-American Democratic Charter, other OAS mechanisms – such as the Inter-American Commission on Human Rights (IACHR), the Inter-American Court of Human Rights, the follow-up mechanism to the Inter-American Convention Against Corruption (known as MESICIC), as well as OAS election observation missions (EOMs) – serve as important and useful barometers to gauge the state of democracy in our region. The IACHR, as a highly-respected organ of the Inter-American human rights system, plays a critical role in monitoring human rights situations throughout the Americas. As such, the United States is a strong and vocal supporter of the Commission, placing vital importance upon the preservation of the IACHR's autonomy and independence. We agree that the Commission's thorough report on Venezuela noted serious concerns. In reaction to this report and the IACHR's Annual Report, the United States supported OAS Secretary General Insulza's call for the Venezuelan government to allow the IACHR and the Special Rapporteur for Freedom of Expression to visit Venezuela. I think that a respectful dialogue between the IACHR and the Venezuelan government would allow for greater opportunities for engagement between the government of Venezuela and members of civil society.

Only time and the course of events in Venezuela will determine whether other OAS member states decide to honor their commitments under the Charter and stand up in defense of democracy in Venezuela, or wherever it is threatened.

Question #2:

What is the State Department's position on the cases below? What is the Department doing to bring attention to these issues?

- In December 2009, President Hugo Chávez ordered the arrest of Judge María Lourdes Afiuni after she ordered the release (pending trial) of a banker who had been incarcerated without trial a year longer than Venezuelan law allows. Venezuelan authorities have kept Judge Afiuni in pre-trial detention with the general inmate population, including several inmates that she condemned for serious crimes, and in extreme danger to her life. The Inter-American Commission on Human Rights (IACHR), and several multilateral and nongovernmental human rights organizations have expressed concern about her arrest.
- In February 2010, the IACHR released a scathing report on the human rights situation in Venezuela. The report cited several ongoing violations of human rights by the Government of Venezuela on its own people, and it urged the Venezuela to allow a visit by the Commission. President Chávez has refused such a visit.

- On March 22, Venezuelan authorities imprisoned a former state governor, presidential candidate, and congressman, Oswaldo Álvarez Paz, for speaking on television about Venezuela's growing role in international drug trafficking networks.
- On June 11, Venezuelan authorities renewed their judicial harassment of Guillermo Zuloaga, president and principal shareholder of Globovisión, and Nelson Mezerhane, a minor shareholder and director of Globovisión – the sole remaining independent TV station in Venezuela. As a result, the IACHR and the IACHR Rapporteur on Freedom of Expression have urged the Venezuelan Government not to silence critical opinions.

Answer:

I share your deep concerns about limitations on freedom of the press and freedom of expression in Venezuela and if confirmed, will continue to raise them with the Government of Venezuela. The Department has expressed these concerns both publicly and privately on numerous occasions in Caracas and Washington. The Secretary of State, the Department spokesman, and the U.S. Representative to the Organization of American States (OAS) have spoken forcefully against this and will continue to do so.

Specifically, the Department's spokesman expressed serious concern over the detention of former governor Oswaldo Alvarez Paz and arrest of former Globovision director Guillermo Zuloaga and pending charges against Zuloaga and his son. He urged the Venezuelan government to honor its commitments under the Inter-American Democratic Charter and supported the work of the independent and autonomous Inter-American Commission on Human Rights in Venezuela (IACHR). The Department is also carefully monitoring developments regarding the arrest and incarceration of Judge Maria Lourdes Afiuni.

In her remarks before the OAS Permanent Council on January 27, 2010, U.S. Ambassador to the OAS Carmen Lomellin voiced concern over the closure of Radio Caracas Television and other media outlets and condemned restrictions on freedom of expression. She called on OAS member states to support and encourage freedom of expression as part of their commitments under the Inter-American Democratic Charter, the American Declaration on the Rights and Duties of Man, the Universal Declaration of Human Rights, and other international instruments. Also, in reaction to a Venezuelan attempt at the recent OAS General Assembly in Lima to restrict legitimate civil society participation in OAS activities, the United States worked assiduously with like-minded OAS member states to reject the Venezuelan proposal and uphold the OAS' commitment to civil society engagement. The Venezuelan proposal would have granted Venezuela, as well as other member states, the ability to veto the participation of numerous NGOs at OAS proceedings.

The Department supports OAS Secretary General Miguel Insulza's call for the Venezuelan government to allow the Inter-American Commission on Human Rights and the IACHR's Special Rapporteur for Freedom of Expression to visit Venezuela. I hope the Venezuelan government eventually comes to see this report as an opportunity to engage with civil society to address these concerns.

Question #3:

Many critics of President Chávez have gone into exile to avoid jail time. The effort to silence critics comes at a time when the opposition is preparing for National Assembly elections in September. Please explain your views regarding the credibility of these elections given the political persecution of dissenters in Venezuela. Please comment on the objective conditions for this election in light of the highly critical election observation reports by the OAS and the EU on the 2005 legislative elections.

Answer:

Despite concerns about recent changes in the electoral law and voting districts that clearly favor the ruling United Socialist Party of Venezuela (PSUV), opposition political parties have said their participation in the September 26 legislative elections is crucial to their regaining a role in national politics and national government. They have spent the past year organizing and preparing for this election. Following a process of negotiation and primary elections, opposition political parties, working through a "Unity Table," agreed on a single slate of opposition candidates. While a few political figures have left the country, the 165 candidates selected remain in-country and are inscribed with the National Electoral Council (CNE). The opposition is currently organizing to mobilize voters and to train election-day witnesses. Opposition leaders expect to win enough seats to have a real voice in the next National Assembly. Many leaders have expressed regret at the opposition's decision to withdraw from the 2005 legislative race, which effectively ceded control of one branch of government to President Chavez and the PSUV.

While the independent rector of the National Electoral Council has expressed a high level of confidence that votes can be safely cast and fairly counted on election day, he has consistently expressed concern about the unfair electoral playing field, especially the government's unlimited access to the media.

We remain concerned by the government's refusal to permit independent international electoral observation missions (OEMs) to observe the September 26 elections consistent with the terms of the Declaration of Principles for International Electoral Observation. EOMs from the European Union and the OAS observed the 2008 municipal and gubernatorial elections, which they deemed generally free and fair with some irregularities. In those elections, opposition candidates won five governorships and 63 mayoralities.

Question #4:

A great deal of emphasis has been placed on the September 2010 elections, but little or no time has been spent analyzing the issue of current and future governability after the elections. Please outline your top areas of concern regarding post-election Venezuela.

Answer:

Secretary Clinton has repeatedly emphasized that elections are one marker of democracy, but not the only one. While I hope the legislative elections on September 26 will allow the Venezuelan people to freely and fairly elect their National Assembly Deputies, if confirmed, I will continue to monitor closely other aspects of Venezuela's democracy that are currently threatened, including freedom of expression and of the press, the right to own private property, and freedom of association for civil society.

In addition to these threats to human rights and fundamental freedoms, I am also concerned by the increasing centralization of power in the executive branch. President Chavez has explicitly rejected the principle of separation of powers and has exerted increasing control over the judicial and legislative branches of government. Under his direction, the National Assembly has enacted a series of laws that create parallel institutions to circumvent elected local and state authorities.

Question #5:

Please provide your assessment of the Venezuela's military in light of President Hugo Chávez's orders to break off diplomatic relations with Colombia. A recent GAO report that I commissioned states that at least one branch of the military, the National Guard, is deeply involved in the narcotics business. Please comment on the fact that two out of three individuals designated as "kingpin" under OFAC procedures remain entrenched in high-level positions in the Venezuelan security apparatus. It is particularly troublesome to hear that one of them, General Henry Rangel Silva, has recently been promoted to the most important operational post within the National Bolivarian Armed Forces.

Answer:

I am keenly aware of the clear ties between members of the Venezuelan government and Colombian guerrillas. The Revolutionary Armed Forces of Colombia (FARC) maintain camps in Venezuela, and members of the FARC high command have occasionally appeared in public in Caracas. The Venezuelan government has been unwilling to prevent Colombian guerrillas from entering and establishing camps in Venezuelan territory. Moreover, FARC hard drives obtained by the Colombian government in a March 2008 raid in Ecuador provided damaging information on the nature and extent of the longstanding relationship between the FARC and members of the Venezuelan government.

I am concerned that two individuals designated under OFAC are high ranking officials of the Venezuelan government. It is particularly troublesome that General Henry Rangel Silva was appointed Strategic Operational Commander of Venezuelan Armed Forces. If confirmed, I will continue to insist that the Venezuelan government uphold its obligations as a member of the OAS to prevent the use of its territory by all members of foreign terrorist organizations. We would also remain prepared to act on other designations should the circumstances warrant such measures.

As a result of President Chávez breaking off ties with Colombia, numerous reports point to divisions within the Venezuelan military. Some analysts confirm that support for Mr. Chávez is less than previously expected but that internal infighting, even among pro-government elements, and operational decay are probably greater than anticipated. Please give us your assessment of the current state of the Venezuelan armed forces and the risk a crisis at its core could present for peace and democracy in Venezuela.

Question #6:

As a result of President Chávez breaking off ties with Colombia, numerous reports point to divisions within the Venezuelan military. Some analysts confirm that support for Mr. Chávez is less than previously expected but that internal infighting, even among pro-government elements, and operational decay are probably greater than anticipated. Please give us your assessment of the current state of the Venezuelan armed forces and the risk a crisis at its core could present for peace and democracy in Venezuela.

Answer:

Venezuela has not fought a foreign war since its independence. Despite extensive financing, professionalism in the Venezuelan Army has decreased due to the retirement of large numbers of officers and a President Hugo Chavez move allowing noncommissioned officers to transition directly into the commissioned corps. New officer training has been cut from five to four years. Most significantly, there has been a noted preference for political loyalty over professional talent. Morale is reported to be considerably low, particularly due to politically-oriented appointments. Both the Army and the Air Force have suffered equipment maintenance problems, with potentially serious consequences for capability and

readiness. In spite of morale and equipment problems, however, the primacy of political loyalty appears unchallenged.

Question #7:

How would you describe Venezuelan-Cuban military-to-military interaction over the years? How would you describe it today? Could you discuss the level of involvement of the Cuban Government in the internal affairs of Venezuela? Please explain the implications of this relationship for U.S. interests.

Answer:

Cuba is the only non-democratic country in the hemisphere. Venezuela is struggling with poverty, corruption, crime and other destabilizing elements that further threaten Venezuela's precarious democratic institutions. As Cuba and Venezuela increase their military-to-military ties, I am concerned that Cuba's influence within the Venezuelan military will grow.

Publicly available information estimates thousands of Cuban medical personnel, coaches, and advisors (including military and intelligence) work in Venezuela. While the Venezuelan government states that the Cuban presence in Venezuela is limited to the medical, educational, and technical spheres, there are credible reports of growing Cuban-Venezuelan cooperation in the fields of intelligence services and the military. Venezuelan military officers train in Cuba. Venezuelan "social promoters" receive paramilitary training from Cuban officers in Venezuela. On February 2010, a senior Cuban security official and former interior minister, General Ramiro Valdez, arrived in Caracas to reportedly help resolve Venezuela's energy crisis. At the end of July, Cuba and Venezuela officials signed 139 agreements related to collaborative projects in the areas of food security, mining, health and energy.

Our interests in the region are to promote and advance democratic governance and values. Replicating the institutions of the Hemisphere's only dictatorship will further undermine the existence of Venezuela's remaining democratic institutions – non-governmental organizations, universities, the private sector, and political parties. We must respond with cleared-eyed analysis of these developments and increase our efforts to support civic leaders, human rights activists, journalists and others who are working toward positive change in Venezuela.

Question #8:

A great deal has been said in public and in private about President Chávez's meddling in the affairs of Colombia; most recently Colombian Government officials stated that Venezuela is harboring as many as 87 guerilla camps used to smuggle cocaine and launch terrorist attacks across the border. Please provide your views regarding the implications that this meddling has on the effectiveness of gains made through Plan Colombia, for drug interdiction and for efforts to help the Colombian Government bring peace to Colombia.

Answer:

The allegations presented by the Colombian government to the OAS regarding the presence of FARC camps in Venezuelan territory are very serious, and Venezuela has an obligation to fully investigate this information. All countries in the Americas, through various international fora, have committed to reject the presence of illegal armed groups in their territory. It is the expectation of all members of the inter-

American community that all OAS member states fulfill that commitment. Venezuela is obliged as a member of the United Nations and the Organization of American States to deny terrorist groups the ability to operate within its territory.

Plan Colombia has been instrumental in enhancing security in Colombia and more effectively addressing the illicit drug trade. Part of this success is due to the military successes achieved against terrorist organizations such as the FARC. Effective border control and cooperation between the Colombian and Venezuelan security forces are critical to containing these terrorist forces. Our concerns and those of other international observers have been heightened by the Venezuelan armed forces' apparent unwillingness or inability to cooperate in controlling the border. On July 22, the Venezuelan government broke diplomatic relations with Colombia in response to these accusations. It is the position of the State Department that breaking diplomatic ties and ceasing communication is not a constructive way to achieve greater border security.

More recently, the Venezuelan government reported capturing six paramilitary fighters from Colombia within its territory. While this is a positive development, the Venezuelan government must cooperate with the Colombian government to prevent the use of its territory by all members of foreign terrorist organizations. If confirmed as Ambassador, I will continue to insist that the Venezuelan government uphold its obligations as a member of the Organization of American States, to promote peaceful dialogue between Venezuela and Colombia, and to promote an agenda that will protect the security gains that have been made in the region.

Question #9:

Venezuelan President Hugo Chávez recently threatened to cut oil supplies to the United States in case of a military attack from Colombia as a dispute escalated over charges his country harbors Colombian rebels. Given that Venezuela, a member of OPEC, gets more than 90 percent of its export income from oil sales, mostly to the United States, and that the South American country's economy would collapse quickly if it stopped shipments, could you provide your views regarding President Chávez's repeated and bombastic threats to the United States.

Answer:

President Chavez has made repeated threats to stop oil shipments to the United States since as far back as May 2003. The impact on Venezuela's economy would be serious. Exports of crude oil and refined products to the United States accounted for more than half of the total exports of Venezuela's state oil company, Petróleos de Venezuela (PDVSA), in 2009. This may actually understate the importance of the U.S. market to PDVSA, however, because the company offers preferential oil financing deals to other clients such as the members of the PetroCaribe program which may limit the cash it receives from these other markets. Since oil exports accounted for about 95 percent of Venezuela's total foreign currency earnings in 2009, a 50 percent or more reduction could make it very difficult for the Venezuelan government to sustain critical imports.

The United States has a mutually beneficial energy relationship with Venezuela that we expect to see continue.

Question #10:

In the first quarter of 2010, Venezuela's economy contracted by 5.8 percent. Earthquake-ravaged Haiti is the only other country in the Western hemisphere to see its economy shrink so far this year. Petróleos de Venezuela (PDVSA) produced 3.3 million barrels of oil per day (bpd) in 2001. But a massive strike in

2002, the firing of thousands of PDVSA employees that followed, and mismanagement have taken a toll. The Government claims that it still produces 3 million bpd. Some experts claim the number is closer to 2.6 million. OPEC says Venezuela is now producing closer to 2.3 million. In June, inflation hit 31.2 percent year on year. Venezuela imports nearly three-quarters of its food, but shortages of basic foodstuffs in state-run grocery stores have eroded Chávez's popularity. A scandal erupted this spring when officials discovered tens of thousands of tons of imported food that had been abandoned to rot in state-run warehouses. Please explain the implications for the region of an implosion of Venezuela's economy. Please provide your views on the funding and trading implications for countries within the so-called ALBA group.

Answer:

Most observers do not believe that Venezuela will suffer the kind of economic crisis that has been associated with other emerging market crises in the Hemisphere, i.e., a balance of payments crisis followed by currency devaluation or debt default. Following the sharp decline in oil prices in 2008, Venezuela's oil revenues rebounded in 2009. Its average oil price so far in 2010 has been approximately \$70 a barrel which would yield some \$46 billion in revenues for the year assuming oil exports of approximately 1.8 million barrels per day. In addition, the new foreign exchange system imposed by the Venezuelan government in June has strengthened its ability to avoid an "implosion" by giving it a mechanism to carefully monitor and maintain its foreign exchange reserves. Instead, while Venezuela would inevitably be importing less, it appears that any crisis would largely be a domestic one in which productive industries would not be able to get enough foreign currency to maintain production with resulting shortages of popular consumer goods and unemployment. Food supplies might be a particular concern given declining domestic production but we believe that the government will be careful to maintain stocks of basic foodstuffs.

Although trade with ALBA and Cuba specifically is not critical to Venezuela, it is critical to Cuba which gets discounted oil and sells many services to Venezuela. Additionally, Petrocaribe petroleum exports are important to many economies throughout the Caribbean region. As Venezuela's domestic economic problems mount, pressure could build to either scale back or end subsidized exports. This could have detrimental effects on the economies of these smaller, petroleum import dependent nations. The Venezuelan government is making every effort to maintain these links for political reasons.

Question #11:

In order to properly assess the imminence of economic and political turmoil it is key to understand the financial situation of the Venezuelan Government. Please provide your assessment of the true level of reserves held at the Central Bank of Venezuela. Different estimates have reached my attention that would indicate that a correct evaluation of existing reserves differs from the official numbers due to improper accounting of arrears related to expropriations, delayed payments, and possible legal rulings against the Government of Venezuela. Please provide information regarding the quality of assets held by the bank in light of a decision announced a few years ago to move monetary reserves away from the U.S. dollar and U.S. institutions, and the possible purchase of debt from financially risky political allies in the region (Argentina, Bolivia, Cuba, and Nicaragua).

Answer:

Venezuelan Central Bank (BCV) reserve numbers are still generally believed to be accurate. The Bank currently indicates that it has approximately \$29 billion in reserves; \$15 billion in gold, \$10 billion in

currency, and \$4 billion in IMF Special Drawing Rights. This is distinct from December 2008 when the Bank had foreign reserves of \$41 billion, of which \$32 billion was in currency. The Bank's foreign reserves have been declining and the liquid portion shrinking as the government has moved reserves out of the Central Bank into other government funds such as its National Development Fund (Fondo de Desarrollo Nacional or FONDEN), which are not transparent. Thus, the true levels of "reserves" of the Venezuelan government are difficult to calculate.

While the Central Bank did make a decision to move out of U.S. dollars and U.S. banking institutions, the Department believes that it moved into holding Euros and assets at the Bank for International Settlements. The Department does not believe the Bank has purchased debt from countries that would be considered to be more financially risky for the past two to three years.

Venezuela currently faces a number of international arbitration claims filed by U.S. and other international claimants. It appears that the government has also paid only a fraction of potential domestic claimants. The Department believes that the totality of these claims would exceed Venezuela's reserves.

Question #12:

Given the difficulty our two previous Ambassadors have had in accessing Venezuelan officials on a timely and constructive basis. And given the unjustified expulsion of one of our Ambassadors, please provide your views on maintaining relations at the Ambassadorial level with Venezuela. Alternatively, should U.S. representation be downgraded to a level commensurate with the attention and respect we have been granted?

Answer:

As a regional neighbor and an important commercial partner, the United States remains committed to seeking a dialogue with the Venezuelan government on a range of issues of mutual interest. These issues - of regional security, counternarcotics, and energy cooperation - are too important for both countries to simply give up. We remain open to a substantive dialogue. The withdrawal of ambassadorial-level representation would send the opposite message and potentially increase distrust, miscommunication, and tensions between our two countries.

As I indicated in my opening statement, the United States also has a long-standing relationship with the Venezuelan people, tens of thousands of whom regularly visit the United States each year to study, visit family, for business, or for tourism. We welcome these people-to-people connections, which promote common understanding and mutual cultural appreciation. We also have thousands of Americans living in Venezuelan, billions of dollars of investments and billions of dollars of exports. The unilateral withdrawal of ambassadorial-level relations would be a sign of weakness that would jeopardize our interests and disappoint our friends in Venezuela.

A U.S. Ambassador is appointed by the President as the U.S. representative in another country, and in that capacity serves as a symbol of our country's commitment to protecting and promoting democracy and human rights. Any effort to downgrade our representation in Venezuela at this time could be seen as a weakening of our commitment to the defense of those values and as a signal that we are turning back on the Venezuelan people at this difficult time in their history. It is precisely because of these difficult challenges in the bilateral relationship that we especially need to be represented at the ambassadorial level.

Finally, if confirmed, I plan to embrace a holistic approach. I believe that people-to-people contacts are

important, and we have the opportunity to engage the people of Venezuela in areas of common interest, including commerce, culture, democracy, education, and human rights. I will promote programs that foster understanding between the peoples of our two countries, as I believe cooperation and understanding among peoples will eventually lead to cooperation and understanding among governments. By engaging all sectors of the country I hope to strengthen our common ties and promote dialogue on our common interests.

Statement from Venezuela's Ministry of People's Power for Foreign Affairs. August 2010



Bolivarian Republic of Venezuela

Ministry of People's Power for Foreign Affairs

Statement

Venezuelan Government Evaluates Actions for Palmer's Unacceptable Statements

The government of the Bolivarian Republic of Venezuela has become aware of the serious declarations given by the Ambassador-Designate of the United States of America to the Bolivarian Republic of Venezuela, Larry Leon Palmer, before the U.S. Congress.

The Bolivarian Government considers that the content of those statements sets a precedent of meddling and interventionism from someone that has not even arrived in Venezuelan territory yet.

The revolutionary government of Venezuela is evaluating the consequences of those unacceptable declarations, which are emphatically rejected, and has demanded explanations from the government of the United States of America before making a definite statement on this issue.

Caracas, August 4, 2010.



República Bolivariana de Venezuela

Ministerio del Poder Popular para Relaciones Exteriores

Comunicado

Gobierno venezolano evalúa acciones ante declaraciones inaceptables de Palmer

El gobierno de la República Bolivariana de Venezuela tuvo conocimiento de las graves declaraciones que el embajador designado por el gobierno de Estados Unidos para representarlo en Caracas, Larry Leon Palmer, rindió ante el Congreso de ese país.

El Gobierno Bolivariano considera que el contenido de estas declaraciones constituye un serio precedente de injerencia e intervencionismo para alguien que ni siquiera ha pisado el territorio venezolano.

El gobierno revolucionario de Venezuela se encuentra evaluando las consecuencias de esta declaración inaceptable, la cual rechaza enérgicamente en todas sus partes, y ha solicitado explicaciones al gobierno de Estados Unidos antes de tomar una decisión definitiva sobre este asunto.

Caracas, 4 de agosto de 2010

Venezuela – Colombia Relations

“Los Halcones de Colombia” by Eleazar Díaz Rangel (Forum member), Últimas Noticias. 8 August, 2010.

No se si fue a partir de la primera guerra mundial (1914-18) cuando miles de halcones fueron adiestrados para destruir en pleno vuelo a las palomas mensajeras, cuando comenzaron a usarse tales denominaciones para clasificar, de un lado, a quienes tenían las posiciones mas recias en las relaciones internacionales, partidarios de la guerra, de endurecer las acciones, y del otro, a quienes buscaban las soluciones a través de las negociaciones, de la diplomacia., de las vías pacíficas. El caso es que estas dos especies a menudo se activan cuando existen tensiones entre países, o guerras abiertas o encubiertas, y se encuentran tanto en los militares como entre los civiles.

El caso es que en el vecino Colombia tenemos halcones y palomas; las dos tendencias se han venido conformando en el marco de las tensiones que históricamente han marcado las relaciones colombo-venezolanas. También los ha habido aquí. Ya en 1830, el Congreso constituyente autorizó al presidente Páez a declarar la guerra y “ponerse a la cabeza de un ejército en caso de invasión por parte de la Nueva Granada”. Después vinieron años de negociaciones, donde Santos Michelena jugó importantísimo papel.

No hay espacio para el recuento, solo quería mostrar el origen de discrepancias que han tenido cinco momentos de ruptura de relaciones y un poco mas, de tensiones militares. Hasta ahora, cuando trascienden informes de Bogotá sobre las dos tendencias; quienes parten de que las Farc viven su momentos de mayor debilidad y que es la ocasión de atacar mas vigorosamente, empujarlas a territorio venezolanos y provocar conflictos fronterizos, y las palomas, partidarias de la negociación, incluso con las guerrillas, que ha expresado su decisión de buscar salidas políticas.

Al frente de los halcones está el expresidentes Uribe, desde que mandaba en la Casa de Nariño; sus ultimas acciones fueron las denuncias en la OEA para entorpecer la posibilidad de acuerdos con el Nuevo gobierno, las acciones militares, comenzando con los sobrevuelos en combinación con la Air Force USA y eventuales operaciones de los paramilitares, y mas recientes, la acusaciones contra Venezuela y contra el presidente Chávez ante organismos internacionales.

El cauto comportamiento de Juan Manuel Santos en sus últimos días de candidato y apenas resultó presidente electo, demostraba que leía bien la política de Miraflores y evidenciaba una conducta que lo distanciaba de Uribe. ¿Cómo pudo ocurrir esa diferenciación? La pregunta es pertinente porque Santos se mostró siempre como antivenezolano y de los mas duros del gabinete, fiel seguidor de la política d Uribe, se comportaba como un típico halcón.

Como jefe de estado quiere rehacer sus relaciones internacionales, pero fácilmente comprobó que ese paso requería atender la grave situación de la economía de su país, que ha perdido a su principal cliente, que tiene fábricas, incluido laboratorios, que producían en función del vecino. Los mas importantes empresarios se convirtieron en palomas, no hay otra forma de cobrarle a Cadivi y seguirle vendiendo. Se les podrá llamar oportunistas, otros, que son pragmáticos.

Hay un factor mas. Si otra vez ordenó la movilización de tanques y divisiones a las fronteras, esta vez Chavez solo activó los servicios de inteligencia y la diplomacia, lo que debió desajustar los planes de Uribe. Su plan de paz, por su sencillez: respeto mutuo, paz (libertad a todos los secuestrados, no bombas antipersonales, tregua armada, negociaciones, etc) y comercio (normalización, etc) ha encontrado

receptividad en los gobiernos latinoamericanos, en Unasur y Mercosur, y es base de las conversaciones que adelantan en Bogotá Lula y Kitcher, y de otros contactos bilaterales oficiosos.

Pero no estarán transitando por una autopista. En ese camino, hay serios obstáculos, porque además de los halcones del Alto Mando de las Fuerzas Militares, del cogollo uribista, -que tiró dos bombazos antes de retirarse pero no provocaron a Miraflores-, los paras y los narcos, de algunos medios, está el mas poderoso de todos: el Comando Sur, que expresa de manera mas diáfana la política del Pentágono, Casa Blanca a un lado.

No podemos obviar el escenario internacional, las ciertas amenazas a Irán, la tensión entre las Coreas, en el Medio Oriente, sobre las que sigue alertando Fidel Castro. Aquí en la región EEUU tiene las siete bases en Colombia, tres en Panamá, una en Curazao, otra en Honduras, no se si en Trinidad, la IV Flota, y están por llegar los 45 buques a Costa Rica. Puros halcones.

Ni los más inocentes ingenuos creerán que están ahí para combatir el narcotráfico.

De suerte que las dos tendencias que se mueven en forma paralela, que se influyen una a otra, en su desplazamiento tendrán que chocar. Aunque no es nada fácil, confiamos en que las fuerzas de la paz, de la negociación y de la diplomacia salgan vencedoras.

“El Último Conflicto de la Era de Uribe” by Raúl Zibechi, La Jornada. 30 July 2010.

El 7 de agosto Estados Unidos perderá a su más fiel aliado en Sudamérica. Durante ocho años Álvaro Uribe aplicó a rajatabla las políticas imperiales, con un estilo más radical aún que el de George W. Bush. No sólo convirtió su país en una suerte de portaviones estadounidense, sino que se empeñó en escalar los conflictos en la línea de militarización que defienden el Pentágono y el Comando Sur como modo de asegurar el control de un patio trasero que se les escapa de las manos.

Pero los tiempos cambian. Cuando Uribe llegó al Palacio de Nariño, en 2002, la guerra contra el terrorismo estaba en su apogeo y las grietas del mundo unipolar recién empezaban a hacerse visibles. En 2010, el Pentágono está empantanado en Irak y puede sufrir un descalabro en Afganistán. La ex superpotencia no se recuperó de la crisis de 2008 y debe contemplar cómo se articulan potencias emergentes con países desarrollados con capacidad para impedirle desplegar sus iniciativas más importantes.

En Sudamérica, Estados Unidos perdió la iniciativa económica y la geopolítica a manos de China y Brasil, respectivamente. No se trata de que ya no juegue ningún papel en la región, porque sigue siendo la potencia dominante, sino del nuevo papel que tienen ahora sus competidores. De la mano de la sólida alianza entre Argentina y Brasil, se está construyendo una nueva realidad regional, que se caracteriza por una mayor cohesión entre los 12 países sudamericanos que se han dotado de instrumentos económicos, políticos y militares para caminar hacia una completa integración.

Juan Manuel Santos, el sucesor de Uribe, ex ministro de Defensa y miembro de una de las más destacadas familias de la oligarquía colombiana, ha sabido leer los nuevos vientos que soplan en la región y en el mundo. No es menos derechista que Uribe. Fue quien dio la orden de bombardear el campamento de Raúl Reyes en Ecuador y el responsable directo de los falsos positivos, esos centenares de jóvenes asesinados y presentados como bajas de la guerrilla por parte del ejército. Fue y seguirá siendo un fiel aliado de Washington y combatirá a la guerrilla hasta exterminarla.

Sin embargo, Santos no puede seguir la misma política de Uribe. La centralidad que tuvo la guerra durante los dos gobiernos anteriores se trasladará, a partir del 7 de agosto, a la economía. Las razones son simples. La guerrilla no es ya una amenaza para la estabilidad del Estado ni para la gobernabilidad. Ha sido diezmada y está en una fase de agudo repliegue como nunca lo estuvo en casi cinco décadas. Para asegurar el poder de las clases dominantes, ahora debe apelar al crecimiento económico para edificar las bases de largo plazo de la deseada estabilidad.

Dicho de otro modo: ahora que se fortaleció el Estado –tanto la fuerza militar como las políticas sociales– hay que resolver los problemas pendientes para que los grupos armados no vuelvan a ser una amenaza ni los conflictos sociales amenacen desbordarse. En ese sentido, hay dos grandes frentes: el interno pasa por depurar algunos cargos en la fuerza armada y en la administración, y por mejorar las relaciones entre el Ejecutivo y los poderes Judicial y Legislativo.

El otro frente decisivo es el externo. Para relanzar la economía se trata de mejorar las relaciones con los vecinos y potenciar la integración regional para hacer del comercio la locomotora de la producción, toda vez que Santos se referencia en los *Tigres Asiáticos* como su modelo de desarrollo. En suma, no puede seguir siendo el gallo en una región que ya no se pliega a los dictados del norte.

Por eso Santos se propone recomponer las relaciones con Venezuela. No porque haya cambiado ni pretenda un acercamiento al proceso bolivariano, al que seguirá combatiendo. Las exportaciones

colombianas a Venezuela cayeron de 7 mil millones de dólares en 2008 a menos de mil 500 millones para este año por los sucesivos conflictos diplomáticos. Mientras el nivel de pobreza es de 43 por ciento y la indigencia alcanza 16 por ciento, Colombia ostenta las mayores tasas de desempleo y de informalidad de la región. La frontera binacional vive en la angustia económica por la parálisis de los intercambios, al punto que esta semana el gobierno de Uribe decretó la emergencia social en los 37 municipios fronterizos, suspendiendo el cobro del IVA.

Tampoco puede Santos relanzar la economía colombiana sin mejorar las relaciones comerciales con Brasil, el país más dinámico de la región, capaz de absorber porcentajes crecientes de la producción de sus vecinos. El ministro de la Secretaría de Asuntos Estratégicos de la Presidencia de Brasil, Samuel Pinheiro Guimarães, uno de los más destacados intelectuales del país, acaba de lanzar una propuesta para que su país promueva un nuevo Plan Marshall para estimular y financiar la transformación económica de los países menores; abrir, sin exigir reciprocidad, sus mercados, y financiar la construcción de la infraestructura de esos países y su interconexión continental (Carta Mayor, 27 de julio).

Por último, Santos apuesta a mejorar la imagen de Colombia en el delicado terreno de los derechos humanos para desbloquear el TLC. Para eso hará jugar un papel destacado a su vicepresidente, Angelino Garzón, ex sindicalista y ex miembro de la Unión Patriótica que en plena crisis elogió a Chávez por haberle pedido a las FARC que cambien su estrategia armada.

Como buen oligarca, Santos piensa en grande, en los intereses de su clase. Uribe piensa en su futuro personal. No son pocos los que creen que terminará sus días en una cárcel de alta seguridad en Estados Unidos por sus viejos vínculos con el *cártel* de Medellín. Fue la revista *Newsweek* la que en agosto de 2004 le recordó la existencia de informes de inteligencia que lo ligan con Pablo Escobar. Sería una ironía que el presidente más sumiso a Washington que recuerda este continente desde los días de Somoza siga el camino de los principales capos del narcotráfico. Y que se convierta en su verdugo el que fue su fiel escudero durante ocho años.

“Cómo se Fabrican Noticias de Guerra” by Miguel Angel Contreras Natera (from Aporreo.org, main Chavista blog, 27 July 2010.)

Descubrir los singulares rostros de las Nubes de Guerra implica inevitablemente comprender los laboratorios (empresas de medios de información), sus mercancías (los flujos informativos) y sus escenarios. Por ello, los medios en tanto operadores anafóricos se convierten en cajas de resonancias de flujos informativos que producen, construyen, seleccionan y filtran noticias para manufacturar un consenso alrededor de las mismas. Esta idea, expresada inicialmente, por Walter Lipman constata la facticidad de las empresas de medios de información en narcotizar a la población con la venta y promoción de una geometría de las pasiones. Del uso de las pasiones y el chantaje (miedo, aversión, esperanza y ambición) en el cálculo racional de una política destinada a restaurar en América Latina un Neoliberalismo Disciplinario. Geometría orientada en las premisas schmittianas de construir un enemigo –el terrorista- que no merezca una defensa. Enemigo desahuciado como persona humana en tanto existencia, y por consiguiente, condenado al exterminio (su muerte y desaparición) porque no posee voz. De aquellos que están condenados al ruido (hordas violentas). Sus actos no son políticos sino criminales. Esta lógica subjuntiva ha permitido que sórdidos personajes de la política nacional contribuyan a la construcción de un principio de legalidad con el objeto de armar un expediente para ser presentado en instancias internacionales vaciadas de sentido (ONU; OEA, entre otras).

En la elaboración de este expediente aparecen actores políticos venezolanos denunciando ante el Ministerio Público la programación de la Radio Arsenal del 23 de enero. Pero, también, prometiendo elevar ante la embajada colombiana y UNASUR esta denuncia. ¿Qué denuncia? ¿A quien le habla cuando realiza la denuncia? ¿Cuáles son sus interlocutores? Invocar, a la embajada de Colombia, para remitir la información supone entre otros tópicos que la embajada y el gobierno colombiano pueden actuar contra la Radio Arsenal en cuanto las atribuciones especiales y extraterritoriales de la Doctrina de la Guerra Preventiva de los Estados Unidos y la Iniciativa de Seguridad Democrática de Colombia lo establecen taxativamente. Pero, también, las operaciones de militarización (realismo espacial) combinadas (formalismo jurídico) con los usos arbitrarios y selectivos del derecho internacional pretenden fortalecer las bases de un Fascismo Global del Capital. La combinación de ambas Doctrinas de Guerra pretende suspender las garantías de los principios de la soberanía nacional y la autodeterminación de los pueblos. Sobre una justificación de defensa de la seguridad nacional se bombardeo territorio soberano del Ecuador.

La segunda parte de este guión es más simple. Dos canales: Radio Caracas Internacional y Radio Caracol Internacional entrevistan al actor político en cuestión para presentar la primicia. En una puesta en escena sórdida y triste como formando parte de personajes extraviados en el subsuelo de la política latinoamericana. Alineándose con las políticas de restauración del Neoliberalismo Disciplinario. Como aquellos tantos muchos que en la soledad de su reflexión se encuentran ante la escasez argumentativa, la inconsistencia ideológica y en los sueños desvanecidos. Conversos espiritualmente al neoliberalismo claman por la Solución Final. En todo caso, el actor político es un memorable personaje de ficción. Simula una visión pre-programada. No habla sino actúa: se siente como el policía que interroga en el Ministerio de la Verdad de la novela de 1984. Sí, como el celebre O'Brien, quien establecía los límites precisos entre la falsedad y la verdad. Dueño de esta última y convencido de la trascendencia de sus actos interpela la realidad. Sustituyendo la realidad con el simulacro. Esta segunda parte no se dirige contra la soberanía sino contra la libertad de pensamiento y expresión. Las homologías que se construyen descalifican de antemano. El objeto de la segunda operación es asociar el marxismo-leninismo y el comunismo con terrorismo. Y dado que estas locuciones forman parte del debate político venezolano criminalizar a sus portadores en tanto terroristas. Este Fascismo Global del Capital establece como principio rector.

Epilogo. Esta operación ensayada en la Ave. Universidad, donde está ubicada la sede del Ministerio

Público, contó con el concurso y la anuencia de las empresas de medios de información Radio Caracas Internacional y Radio Caracol Internacional. La tarea, fabricarle la legitimidad a la propaganda de guerra. Construyendo un desplazamiento que transita desde la percepción personal a la percepción social. El modelo expresivo de la información de guerra es impresionar, persuadir y distraer sobre sus objetivos no confesados. El titular de la primera página del diario El Tiempo de Bogotá el 25 de julio de 2010 lo confirma. Quienes aseguran en su portada <> No hay investigación, sólo existe la condena, a los enemigos jurados del Neoliberalismo Disciplinario. La idea es unificar y fabricar un consenso para justificar las operaciones militares e informativas posteriores. Esta burda operación forma parte de los juegos de guerra de mercenarios de la política. Insistir en el legado común es hoy una de las tareas fundamentales entre dos naciones que comparten afectos e historias, muchas veces tensas y contradictorias, como las existentes entre naciones fronterizas. Romper el juego a los prejuicios es una tarea fundamental. Tratar de construir una unidad en la pluralidad de nuestras manifestaciones es la tarea política de este Siglo XXI.

Democracy

“Results of September 26, 2010 National Assembly Elections” by María Teresa Alzuru, Carter Center Intern, September 27, 2010.

On September 26, 2010, Venezuelans went to the polls to select a new National Assembly. The race was particularly contentious as the opposition participated after having boycotted the previous legislative elections in 2005. Nominated candidates from all parties were approved by the National Electoral Council (CNE) in order to participate in the elections. Opposition parties had and continue to accuse the CNE of politically-biased decision making, often demanding more detailed legal reasoning for the disqualification of candidates. Additionally, a new electoral law approved in 2009 increased the number of single-member districts to 73% of the total seats, requiring the CNE to redraw the political-electoral map. When the new districts were announced in January 2010, opposition leaders charged that the redistricting, which was enacted in a third of Venezuela, was drawn specifically to disadvantage opposition candidates. The opposition charges that most changes were made in states where opposition candidates made gains in 2008 gubernatorial and mayoral elections. The result of these tensions came to culmination as the results of the legislative elections were announced.

At 2am of Monday, September 27, 2010, Tibisay Lucena, president of the National Electoral Council (CNE) of Venezuela announced the results of the parliamentary elections divided by state in a press conference where she also congratulated the Venezuelan people for their democratic will stating that participation reached 66.45% of all registered voters.

The states of Zulia and Táchira reported the highest percentage of participation with more than 69% of the total electoral register, while the state of Sucre reported the lowest participation with 58.37%.

The ruling PSUV party obtaining 48.2% of the vote received 98 seats while the opposition party MUD obtaining 47.4% of the vote received 65 seats. A third independent party, PPT, received the remaining 2 seats. These results were significant for both governing and opposition parties because the opposition managed to surpass the key target of 55 seats required to overturn the PSUV's two-thirds majority. This is important because a two-thirds majority is required to amend the constitution and name authorities such as Supreme Court Justices, Electoral Council directors, Attorney General, etc. In addition, the PSUV failed by one seat to gain the 60% of seats required to approve a *Ley Habilitante* (delegating to the president the authority to legislate by decree.)

While the opposition managed to block the ruling party from acquiring the two-thirds majority, the discrepancy in the proportionality of representation provoked much debate and criticism within the nation. The changes to electoral districts and voting rules made under the Chávez administration prevent the close percentage of popular votes won by PSUV and MUD from being translated into parliamentary seats. Such legislation creates a disproportionality of representation in the Venezuelan voting system where votes in rural areas weigh more than votes in more populated areas. According to the most recent Datanalisis poll, these changes are beneficial to pro-government parties that are widely accepted in rural areas but whose popularity has been decreasing steadily in more heavily populated areas.

Additionally, complaints in recent elections, including the September 26 election, about inequitable campaign finance and the use of state resources to advantage the incumbent party generated even more debate making access to the media and media coverage a particularly contentious issue in this election.

Both opposition and government parties were accused before the CNE of violating the campaign legislation while the question of whether or not President Chavez was allowed to campaign for his candidates drew much ire from opposition members.

Final Official CNE results:

Pro-government: 98

Opposition: 65

PPT: 2

Total: 165 seats

([El Universal](#), September 27)

Detailed National Assembly Breakdown:

110 elected by name

52 elected by party

3 indigenous representatives*

165 Total seats

*The 3 indigenous representatives are elected in 3 electoral districts determined by regional grouping of states with indigenous populations

Follow-up comments by Chávez

Chávez defends his victory in the elections and challenges the opposition to remove him from power

The Venezuelan president Hugo Chávez affirmed that his party, the PSUV, obtained a “solid victory” in the parliamentary elections last Sunday, September 26, and refuted the affirmation of the opposing MUD alliance that they obtained more votes than the pro-government alliance. He challenged the opposition, that if they are the majority, they should not wait until the presidential elections of 2012 but should hold a recall referendum as stipulated in article 72 of the National Constitution. He stated that adding all the votes, the PSUV have 5,422,040 votes while the opposition have 5,320,175 votes, a great difference of more than 100 thousand votes and that the opposition was manipulating and deceiving the public in saying that they obtained the popular vote. [Video here.](#)

([El Nacional](#), [El Universal](#), [Radio Nacional de Venezuela](#), September 28)

Reactions from other government officials

- Aristóbulo Istúriz: “I don’t in which country 98 is less than 64.”

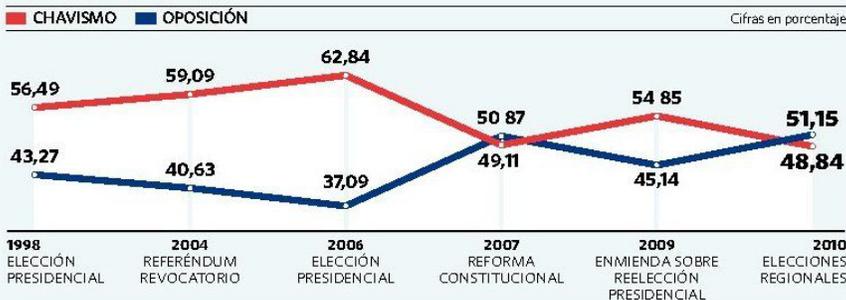
Istúriz claimed that never before has one political group achieved 60% of the vote faced with more than 10 oppositionist organizations that achieved 64 representatives. He lamented that in light of the resounding numbers, counterrevolutionary sectors insist that the revolutionary forces are the minority.

([RNV](#), September 27)

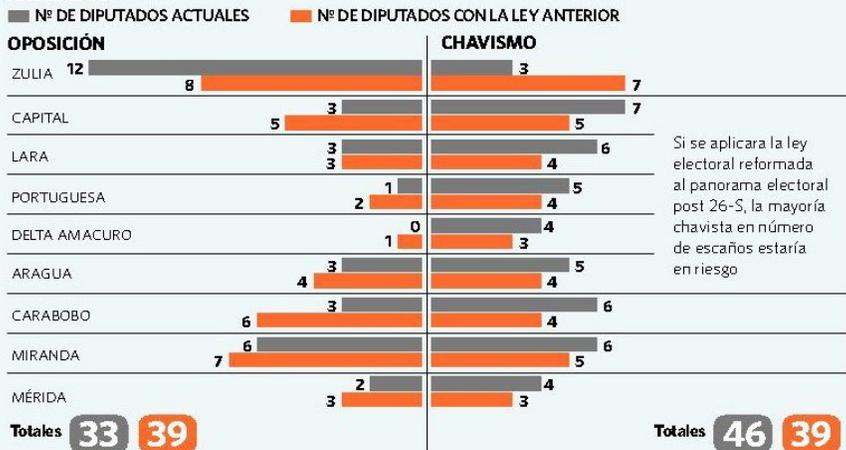
In sum, at the national level PSUV and its alliances obtained 48.2% of the vote. The MUD alliance obtained 47.4%, PPT 3% and other parties 1.5%.

ESTADO	PSUV-AL	%	MUD	PPT	OTROS	Grand Total
LARA	296,339	41.1%	218,846	206,664		721,849
NUEVA ESPARTA	78,044	41.4%	110,596			188,640
MIRANDA	501,468	42.0%	691,118			1,192,586
TACHIRA	216,291	42.7%	290,083			506,374
CARABOBO	385,442	44.5%	480,524			865,966
ZULIA	668,305	44.8%	824,803			1,493,108
ANZOATEGUI	277,945	46.2%	323,136			601,081
MERIDA	178,638	49.3%	183,563			362,201
DTTO. CAPITAL	484,103	50.0%	484,844			968,947
BOLIVAR	256,935	51.3%	243,591			500,526
SUCRE	167,876	51.9%	155,606			323,482
ARAGUA	354,638	51.9%	328,165			682,803
FALCON	189,078	53.0%	167,476			356,554
VARGAS	84,241	55.9%	66,553			150,794
BARINAS	171,587	57.2%	128,388			299,975
YARACUY	131,982	57.5%	97,725			229,707
GUARICO	164,281	58.9%	82,372	32,407		279,060
APURE	93,962	62.0%	57,643			151,605
MONAGAS	193,585	62.4%	116,750			310,335
TRUJILLO	175,116	64.0%	98,538			273,654
PORTUGUESA	205,040	66.2%	104,783			309,823
COJEDES	80,837	66.2%	41,207			122,044
DELTA AMACURO	43,657	73.2%	15,983			59,640
#N/A		0		91,209	166,938	258,147
TOTAL	5,399,390	48.2%	5,312,293	330,280	166,938	11,208,901

Crecimiento opositor



IGUALADOS



Si se aplicara la ley electoral reformada al panorama electoral post 26-S, la mayoría chavista en número de escaños estaría en riesgo

VICTORIA AMPLIA

En ocho de las entidades electorales más importantes del país, la MUD aventaja en más de 590.000 votos al oficialismo. En Aragua, la ventaja del PSUV es de menos de 30.000 votos y en Lara, MUD y PPT son la mayoría



INFOGRAFÍA: EL NACIONAL

La Nueva AN



Bancada Opositora

- Acción Democrática 22
- Primero Justicia 15
- Un Nuevo Tiempo 12
- Copei 6
- La Causa R 2
- Podemos 2
- Cuentas Claras 2
- Proyecto Venezuela 2
- Convergencia 1
- Unizulia 1

“Fue un plebiscito y Chávez salió derrotado”

Carlos Iturgaiz
Eurodiputado español,
invitado por Copei

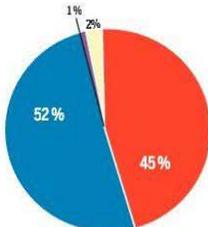
MUD ■ PSUV ■ PPT ■ OTROS ■

AMAZONAS



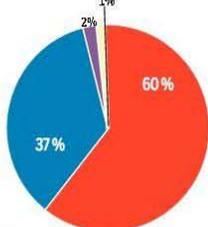
Electores: 88.893
Abstención:
Votantes:

ANZOÁTEGUI



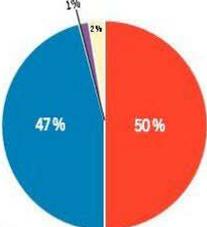
Electores: 943.699
Abstención: 32,08%
Votantes: 617.544

APURE



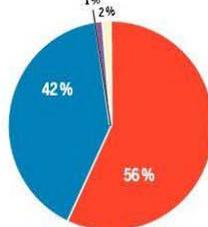
Electores: 282.187
Abstención: 34,6%
Votantes: 156.218

ARAGUA



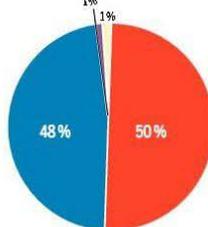
Electores: 1.095.865
Abstención: 33,2%
Votantes: 705.360

BARINAS



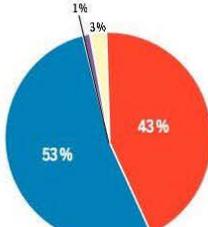
Electores: 482.388
Abstención: 33,6%
Votantes: 304.826

BOLÍVAR



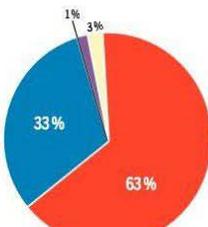
Electores: 875.449
Abstención: 38,19
Votantes: 510.695

CARABOBO



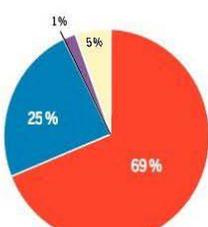
Electores: 1.413.071
Abstención: 33,72%
Votantes: 895.438

COJEDES



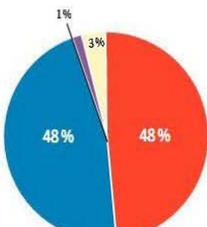
Electores: 205.573
Abstención: 35,78%
Votantes: 126.511

DELTA AMACURO



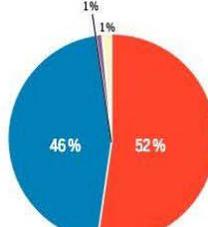
Electores: 106.314
Abstención: 31,87%
Votantes: 63.455

DISTRITO CAPITAL



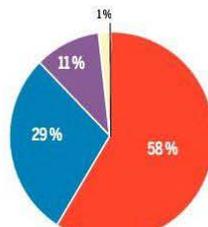
Electores: 1.570.041
Abstención: 32,8%
Votantes: 1'011.945

FALCÓN



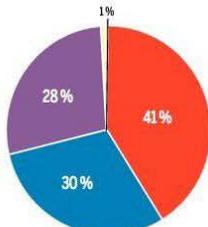
Electores: 587.396
Abstención: 36%
Votantes: 362.089

GUÁRICO



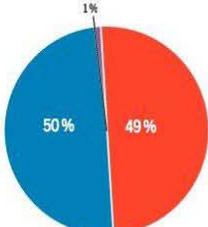
Electores: 456.171
Abstención: 36,33%
Votantes: 281.912

LARA



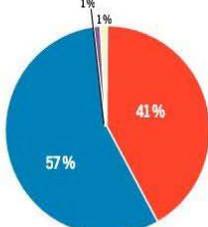
Electores: 1.122.263
Abstención: 31,31%
Votantes: 726.809

MÉRIDA



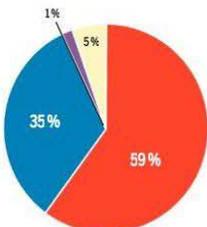
Electores: 547.482
Abstención: 30,41%
Votantes: 366.786

MIRANDA



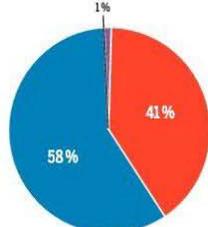
Electores: 1.874.134
Abstención: 32,5%
Votantes: 1'208.877

MONAGAS



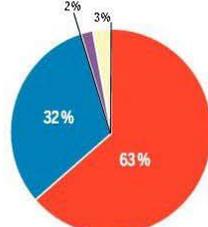
Electores: 540.523
Abstención: 36,11%
Votantes: 329.848

NUEVA ESPARTA



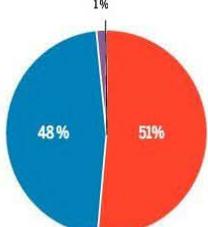
Electores: 304.833
Abstención: 35,08%
Votantes: 190.931

PORTUGUESA



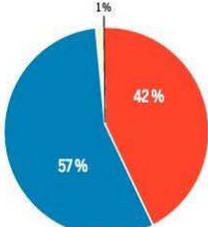
Electores: 526.357
Abstención: 35,5%
Votantes: 325.176

SUCRE



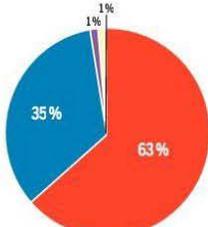
Electores: 588.272
Abstención: 41,63%
Votantes: 327.464

TÁCHIRA



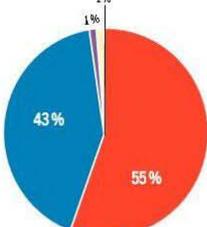
Electores: 769.866
Abstención: 29,56%
Votantes: 513.814

TRUJILLO



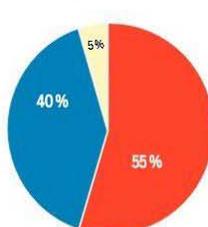
Electores: 461.436
Abstención: 37,68%
Votantes: 279.162

VARGAS



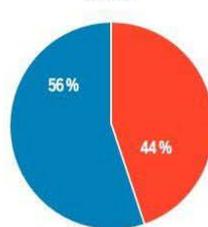
Electores: 252.804
Abstención: 36,23%
Votantes: 153.659

YARACUY



Electores: 378.267
Abstención: 33,67%
Votantes: 241.899

ZULIA



Electores: 2.242.474
Abstención: 30,21%
Votantes: 1'504.454

“Briefing on the 2010 Legislative Elections in Venezuela” by Tyler Finn, Carter Center Intern, August, 2010.

GENERAL INFORMATION

Because of the fact that the opposition will be participating in legislative elections for the first time since boycotting the 2005 contest, the September 26, 2010 legislative elections are expected to be particularly contentious. All 165 seats of the unicameral National Assembly (AN) will be disputed. In accordance with the July 2009 electoral law, 52 national assembly delegates will be chosen proportionally from party lists and 110 legislators will be elected in single-member districts; the remaining three seats will be reserved for indigenous candidates. The breakdown of seats by state is the following:

- Zulia: 15 seats (12 nominal and 3 list)
- Miranda: 12 seats (9 nominal and 3 list)
- Carabobo y Distrito Capital: 10 seats in each state (7 nominal and 3 list)
- Lara: 9 seats (7 nominal and 2 list)
- Aragua, Bolívar y Anzoátegui: 8 seats in each state (6 nominal and 2 list)
- Táchira: 7 seats (5 nominal and 2 list)
- Sucre, Falcón, Portuguesa, Monagas, Mérida y Barinas: 6 seats in each state (4 nominal and 2 list);
- Guárico, Trujillo, Yaracuy y Apure: 5 seats in each state (3 nominal and 2 list);
- Nueva Esparta, Vargas, Cojedes y Delta Amacuro: 4 seats in each state (2 nominal and 2 list)
- Amazonas: 3 seats (2 nominal and 1 list).

As stipulated by the National Electoral Council (CNE), the official thirty-day campaign period will begin on August 25th and last until election-day. On July 2, the CNE published an official voting register with 17,772,768 names, including 57,010 non-resident citizens who will submit absentee ballots. Voting is not mandatory in Venezuela. Citizens will vote on automated machines provided by private firm Smartmatic at each of the 36,514 polling stations. The CNE conducted an audit on July 26th that cross-checked the central electoral registry against the *cuadernos de votación* in each polling station; all the major political parties signed off on the registration data.^{xxiii} On August 1st, technicians from the CNE and CANTV Telecom ran engineering tests on the transmission of electoral data, testing the communication between voting centers and the regional electoral offices on fixed, mobile, and satellite connections. On August 6th, another audit will take place to test the indelible ink used to show people have voted. The entire process will entail 15 audits at over 50 voting centers, which represents 5-6% of the total number of voting centers in the country. Political party representatives have been invited to participate in all parts of the auditing process to discuss potential issues.

Polling

According to a July 18th national poll conducted by Caracas-based polling firm Hinterlaces, 28% of voters intend to vote for the opposition, 27% for candidates backed by Chávez and 22% for independent candidates. The same survey put Chávez's approval rating at 41%. A July survey from another Caracas-based polling firm, Datánalisis, calculated Chavez's approval rating at 47%, the lowest figure registered by the firm in 11 years. The same poll indicated that the biggest single concern among Venezuelans is personal insecurity, an area in which Chávez's performance is almost universally judged as inadequate. According to some analysts, the biggest potential danger to the *Chavista* cause is voter abstention. The combination of high levels of inflation, personal insecurity, and controversy over rotting food and electricity shortages with the incredulity of government propaganda regarding state responses greatly reduces the incentive to vote. As a result, many believe that abstention will mirror the high levels of 2007 when Chávez lost a constitutional referendum for the first time. To combat this trend, the governing *Partido Socialista Unido de Venezuela* (PSUV) is expending significant effort on voter turnout, with 36,000 rank-and-file "get-out-the-vote" patrols spreading throughout the country.

CONTROVERSIAL ISSUES

The September 26th vote represents the first national election governed by the new electoral rules. Though the controversy surrounding the law has subsided in the year since the rules were passed, and both political parties and the media have tended to emphasize other issues, the new electoral rules could resurface as a point of contention as the election draws nearer.

Redistricting

The July 2009 election law is often characterized as “over-representing” the winning coalition in the National Assembly. Analysts suggest that the new system favors larger parties like the PSUV and could be seen to disadvantage the fragmented opposition. The law also gives the CNE full discretion in the drawing and redrawing of electoral districts. The government maintains that such discretion is necessary to adequately represent the changing nature of grassroots politics in Venezuela and to further enfranchise marginalized groups.

When the CNE announced the new districts in January 2010, opposition leaders charged that the changes, which were enacted in a third of Venezuela (in 7 of 23 states and in Caracas and Maracaibo), were calculated to disadvantage opposition candidates. While the CNE maintained that district changes reflected demographic shifts, the opposition charged that most changes were made in states where opposition candidates made gains in 2008 gubernatorial and mayoral elections or where Chavez did poorly during the last referendum. Using voting patterns from the February 2009 referendum, opposition newspaper *El Universal* compared electoral results under the new rules and districting with the 2005 rules. They found that the new system favors *Chavista* candidates and will cost the opposition 14 assembly members throughout the country. Below is a diagram of *El Universal*'s estimates:

Use of State Resources

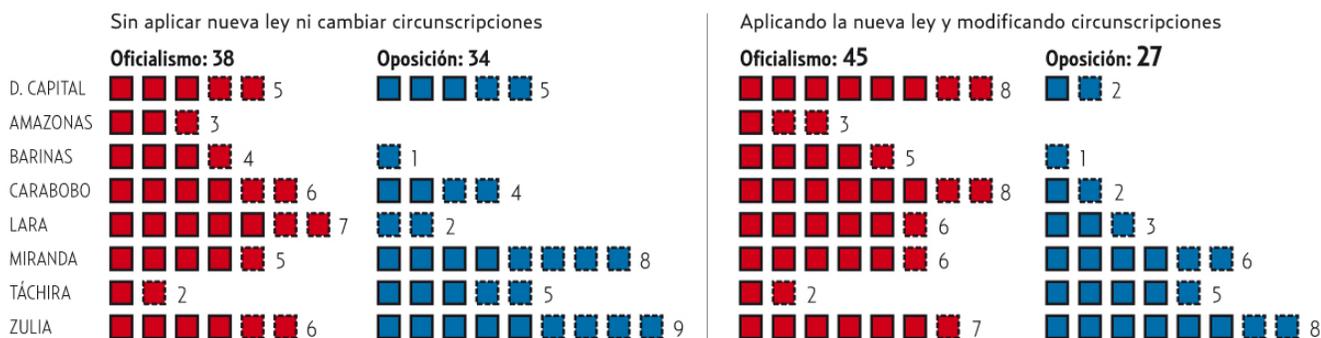
The PSUV has an enormous advantage over the opposition coalition *Mesa de la Unidad Democrática* (MUD) in terms of the financial resources at its disposal. The director of polling form

CAMBIAR PARA GANAR

ESTADOS CON CIRCUNSCRIPCIONES MODIFICADAS

Diputados nominales: se eligen por nombre y apellido

Diputados lista: se vota por la tarjeta de un partido



Fuente: proyecciones con resultados del CNE del 15 de febrero de 2009 / Cálculos propios

INFOGRAFÍA: EL UNIVERSAL

Datanálisis claims that the “low volume” of the opposition campaign thus far is a direct reflection of their relatively meager resources and their inability to rely on media to diffuse information.^{xxiv} Chávez, on the other hand, has been accused many times in the past of abusing state resources for political gain; the 2010 election is no exception. On July 12th, civil society group *Súmate* filed a complaint with the public prosecutor accusing the governing party of illegal use of state media and public buildings to “proselytize” for the PSUV. *Súmate* also accused Chávez of funneling public money into the campaign and demanded an audit of costs incurred when Chavez acted as a party leader rather than as head of state.^{xxv} The *Comité por una Radiotelevisión de Servicio* has also criticized the use of public media for “official propaganda,”

calling state media an “anti-democratic instrument” that exacerbates the power asymmetry between government and opposition.^{xxvi} MUD leadership has called on the CNE to fulfill its role as neutral arbiter and exercise oversight on the use of state resources, particularly media, for political purposes.^{xxvii}

Prominent journalist and Chávez supporter Eva Golinger has publicly pointed to the fact that the U.S. National Endowment for Democracy (NED) has sent around \$40-50,000 to the opposition for campaign funds. Groups like *Súmame* are consistently denounced as stooges of American interests due to the significant funding that they receive from American sources. Other PSUV activists claim that journalists and other organizations nominally associated with the opposition have received foreign funding to finance their electoral campaign. *Chavistas* have threatened to bring charges to the public ministry.^{xxviii} Controversy regarding abuse of state resources and U.S. funding of the opposition is likely to be a point of contention as election-day approaches.

Disqualification of Candidates

Between June 2-10, 2010, the CNE and the Comptroller General’s Office announced the lists of candidates barred from participating in the elections. A controversial law allowing authorities to impose restrictions on potential candidates suspected of corruption, even those who have not been convicted of a crime, was upheld by the Supreme Court in January 2008 despite accusations by the MUD that the law was unconstitutional. All candidates are also required to file a declaration of assets with the CNE. General Comptroller Clodosbaldo Russián announced in early June that approximately 200 candidates from all parties, would be disqualified from September’s parliamentary elections. The most common reasons for disqualification were pending accusations of corruption or failure to comply with administrative requirements. The most prominent banned candidates are former governor of Sucre state Ramón Martínez and former presidential candidate and ex-governor of Zulia state Manuel Rosales. The latter disqualification was largely symbolic, however, since Rosales is currently in exile in Peru fleeing corruption charges. The opposition claims that the process follows a double standard: popular opposition candidates are regularly disqualified while the bureaucratic apparatus seems to slow down for Chavez-favored candidates.^{xxix} Though the beginning of June saw accusations of “political retaliation” and of disqualifying those candidates with the most electoral appeal, opposition complaints regarding candidate disqualification have dramatically subsided since that period. Candidate disqualification has been reduced to a marginal issue in media coverage of the election.

Election Monitoring/International Observers

The CNE is the only institution in Venezuela with the power to authorize electoral observers, and has reiterated throughout the election season that it will not allow foreign election monitors who invited themselves to enter the country. There have been multiple instances of international interest in electoral observation. The Chilean senate passed a proposal on July 14th to send senators as electoral observers to Venezuela, and encouraged organizations such as the UN and the OAS to monitor the transparency of the process.^{xxx} Venezuela has rejected the participation of the OAS as an electoral observer since 2006. Members of the Spanish Cortes, spearheaded by Foreign Minister Miguel Angel Moratinos, have also lobbied Venezuelan authorities to permit Spanish observers. Opposition leader and Caracas Mayor Antonio Ledezma issued a petition for international observers to protect against the “messianic populism” of Chávez, calling for the participation of Spanish parliamentary members.^{xxxi} Responding directly to the Chilean Senate, the CNE expressly prohibited intervention by external actors. The council announced that it would sanction any international groups that intend to discredit the electoral process or challenge the transparency of the CNE.^{xxxii} On July 25th, the CNE authorized four domestic civil associations: *Asamblea de Educación*, *Proyecto Social*, *Ojo Electoral* and *Electores Activos* as electoral observers. As these groups (with the exception of *Asamblea de Educación*) have been criticized as sympathizers of *chavismo*, some claim that the lack of recognized international observers threatens the legitimacy of the elections.^{xxxiii} The opposition in Venezuela, however, has not made much noise about this issue. Since organizations that intend to participate as electoral monitors are required to register at least 60 days prior to the elections (July 26th) it is unlikely that international observers will participate.^{xxxiv}

Migration in Three States

Governor of Lara State and prominent leader of *Patria para Todos* (PPT) Henri Falcón has publicly called into question the voting registry in the states of Amazonas, Lara and Guárico. In his view, the quantity of emigration documented by the CNE in these three states raises red flags. The electoral registry indicated a loss of 21,999 voters in Guárico state, 58,826 in Lara and 13,341 in Amazonas, all places where the PPT considers itself a viable party. Though this accusation has led to a request for a formal meeting in front of the CNE, no other party apart from the PPT has filed a complaint or publicly denounced this issue.

Ballot Position

PSUV candidates will appear at the top of every ballot in the country and will be followed by candidates from their allied parties, as stipulated by a provision in the electoral law which ranks the order of parties on the ballot according to quantity of votes received in the previous election. The ballot position is controversial because parties allied with the PSUV, such as the Venezuelan Communist Party, will be placed above parties that received more votes in the previous election. The PPT has made the most noise about this issue.

STATE OF THE OPPOSITION

Mesa de la Unidad Democrática

The principal opposition coalition is the MUD, an umbrella group dating back to August 2009 that comprises, among others, the parties *Un Nuevo Tiempo*, *Primero Justicia*, *Voluntad Popular Podemos*, *AD*, *COPEI*, *La Causa R* and *MAS*. Prominent leaders within the *Mesa* include Secretary General Ramón Guillermo Avelledo; Caracas Mayor Antonio Ledezma; Enrique Mendoza from Miranda state; COPEI president Roberto Enriquez; *Primero Justicia* coordinator Julio Borges; and Leopoldo Lopez, the leader of *Voluntad Popular*.

The MUD lacks a defined leader or a recognized spokesman.^{xxxv} Media coverage of opposition commentary is largely limited to criticisms of government policy by individual candidates. Individual parties tend to announce their own leadership or make substantive statements through party spokesmen, often without any reference to the *Mesa*. Opposition leaders are more frequently identified with their individual parties than with “the opposition” or the MUD. Notions of unity within the coalition are belied by media coverage that focuses on the divergent responses by individual parties and candidates. Nonetheless, candidates have occasionally released statements under the MUD banner. Three candidates from Lara, Aragua and Carabobo, recently denounced the government’s poor efforts in combating violence and called for a disarmament law; their statements were released in a *Mesa* press bulletin.^{xxxvi}

As the name of the coalition implies, the MUD is based on the principle that unity is a precondition for success against the PSUV. As a result, the *Mesa* makes concerted efforts to present itself as a united force and to encourage unity within its ideologically diverse ranks. Given that its platform centers essentially on opposition to Chávez and the defeat of the status quo, there is a lot of substantive agreement within the MUD. The *Mesa* platform itself is broad and vague, focusing on the restoration of a viable assembly, separation of powers, increasing freedom of expression and re-initiating decentralization. Campaign rhetoric pushes for gaining parity in the assembly and promoting a more diverse representation to enfranchise the masses whose interests are supposedly ignored by a *Chavista* dominated government. In July the MUD launched a program called *Ciudadanos por la Unidad* that intends to gather intellectuals, athletes, artists and professionals who believe in democracy to campaign and make media appearances promoting the necessity of a plural national assembly.^{xxxvii} *Mesa* members have also adhered to a strategy that emphasizes issues affecting daily life, namely PDVAL, the Metro, the *comunas* and food shortages.^{xxxviii}

As of July 26th, representatives of the *Mesa* claimed the support of 20 of the 57 organizations fielding independent candidates.^{xxix} Groups fielding independent candidates include: *Patria para Todos*, *Movimiento Conciencia de País*, *Movimiento Laborista*, *Piedra* and *Redes*, to name a few.^{xl} Since CNE rules allow changes to candidate lists up until 30 days prior to election-day, *Mesa* leaders are currently negotiating to avoid a dispersion of opposition votes. Exact information about which groupings will support the opposition will not be available until the CNE provides the final data about inscriptions. The *Mesa* maintains an open door policy. Overall, MUD leadership evinces confidence for the elections. At a leadership meeting on July 21, *Mesa* leaders claimed that the opposition is in the best position it has been in 11 years.

Meanwhile, there have been recent reports of resentment within the MUD ranks over the centralized and bureaucratic nature of the candidate selection process that excluded willing local leaders and civil society members. While the majority of *Mesa* candidates were chosen by party leadership, the PSUV held primaries for 110 out of its 152 delegates. Potential opposition candidates who submitted their names in regional pools but were not selected, such as Manuel Isidro Molina, Froilán Barrios, Iván Ballesteros and former Anzoátegui governor David De Lima, have accused the *Mesa* of perpetuating the centralism and bureaucracy that the opposition is trying to surmount. Furthermore, government sources claim that a rift exists between leaders from the more left-leaning *Podemos*, and the leadership of the more conservative wing of the *Mesa*, which includes *AD*, *PJ* and *UNT*. Daniel Garcia of *Podemos* criticized those three parties for forming a splinter group to hijack the MUD of Merida and assuming decision-making duties among themselves. Despite the infighting within the regional leadership, Garcia claimed that *Podemos* continues to respect the decisions of the coalition on a national level.^{xli} Others maintain that the *Mesa* list contains “every shade of the Venezuelan political rainbow,” and that unity can be achieved in diversity.^{xlii} While there are certainly divisions within the *Mesa*, it is clear that the opposition recognizes their past mistakes and will maintain at least formal unity throughout the campaign.

Patria Para Todos

Patria para Todos (PPT), made up largely of former Chávez supporters who splintered from the governing coalition in May 2010, is the third party in contemporary Venezuelan politics. Prominent PPT leaders include secretary general José Albornoz, Lara State Governor Henri Falcon, Lenny Manuitt, Simón Calzadilla, José Luis Pirela and Andrea Tavares. Criticizing the principal opposition as representing the *punto fijo* political class of the past and blaming the Chávez government for governing only for the elites that support him, the PPT presents itself as the intermediate option between the two extremes presented by *oficialismo* and the opposition. Substantively, the PPT advocates a relatively leftist social democratic platform that mirrors the goals of the Bolivarian revolution. PPT rhetoric centers on restoring the dignity of the national assembly and providing a new political space that gives agency to the great mass of Venezuelans excluded by both the government and the opposition.^{xliii} Their official platform, the *Declaración del Ávila*, endorsed by all PPT candidates on July 23rd, focuses on regenerating pluralism and empowering institutions.^{xliiv} Much like the *Mesa*, the PPT denounces Chávez for corruption, administrative inefficiency, and for abuse of the conflict with Colombia as a political ploy to increase polarization.

The PPT emphasizes the independent nature of their membership and leadership, many of whom do not come from political or activist backgrounds. The party claims to field around 300 independent candidates throughout the country and to have the support of 11% of the population, a figure that they insist is rising. Their avowed goal is to capture the political center, i.e. the 55% of citizens who neither support the government nor the opposition. The PPT’s impact on the election looks to be hampered by a dearth of media coverage, however; statements from PPT leaders rarely attract national attention from the major news outlets. The reach of the PPT is also somewhat limited to certain regions; their support is concentrated in Lara, Guárico y Amazonas states. Furthermore, government media have begun to accuse the PPT of turning to the right and aligning with the U.S. embassy. On August 4th, the state news agency reported that NGO *Prevención Popular* intended to present to the state prosecutor links between PPT leader Henri Falcón and a network that falsifies labels on rotting food containers in order to associate

them with the government-run food networks, Mercal and Pdval.^{xlv} It remains to be seen what, if any, effect this rhetoric will have on the PPT support base. PSUV leaders claim that at least 2,000 people in Miranda and 10,000 in Guárico have already decided to abandon the PPT in favor of the PSUV.

CAMPAIGN ISSUES

The current political climate in Venezuela provides the opposition significant ammunition in attacking Chávez. The president's ratings have been dented by electricity rationing, economic woes, personal insecurity and dissatisfaction with government handling of public services. Food production has fallen precipitously, meaning that food scarcity and high prices have become nagging realities. In early June 2010, tens of thousands of tons of imported food bound for state-subsidized markets was discovered rotting in government warehouses. PDVAL, a subsidiary of the state oil company *Petróleos de Venezuela*, was responsible for distributing the food, which included chickens, cereal and powdered milk. The continuing scandal over the state's mismanagement of food distribution was exacerbated by opposition perception that the government mishandled the investigation into oversight and neglected to adequately sanction the responsible parties. Perceptions of government inefficiency contribute to mounting national opposition to a policy under which oil companies, supermarkets and factories have been taken over by the state, only to founder under the control of government functionaries.

Chávez, meanwhile, has accused the opposition of importing terrorists and other militants like the recently captured Salvadoran Francisco Chavez Abarca to disrupt electoral activities and destabilize the country. The president also warns that the opposition is plotting a Honduras-type coup, backed by the United States. The PSUV characterizes the possibility of an opposition victory as "rolling back" the Bolivarian revolution, emphasizing how an opposition majority in the National Assembly will inevitably threaten the laws entrenching socialism such as those related to *comunas*, and social and collective property. Chávez insists that pro-revolution forces must win at least a 2/3 majority in the national assembly required for constitutional amendments in order to ensure the continuity of the "socialist and Bolivarian project," and that anything less will be a disaster for the revolution. Chávez also warns that the opposition will look to ban *Barrio Adentro*, PDVAL and other popular social welfare programs that were initiated by the current administration.^{xlvi} In keeping with the nationalization of enterprise that began in earnest in 2007, and has markedly increased in recent months, the *Chavista* platform centers on continuing the path to 21st century socialism. Government sources are continually heralding particular businesses that have benefited economically from state control. The PSUV is often defensive in its rhetoric, campaigning to defend what has been achieved thus far in the Bolivarian revolution against a bourgeois capitalist opposition who is hoping to derail the project. Chavez has directly rejected the campaign of the "counter-revolution," accusing them of spreading lies to attack the social and economic achievements of the government.

Foreign relations should also play a major role in the 2010 campaign. Some have accused Chavez of breaking ties with Colombia as a political ploy to drum up patriotism and increase support for his project.^{xlvii} The MUD has called Chavez's decision to sever ties with Colombia "irresponsible," and has asked him to either confirm or deny accusations that guerrillas are being harbored on Venezuelan territory. Their position is that rejecting *a priori* the presence of an international commission to investigate Colombian accusations is tantamount to admitting the truth of the accusations.^{xlviii} The *Mesa* criticizes *Chavista* foreign policy for encouraging conflict. In their view, a new assembly should reinstitute trade with Colombia, and give more responsibilities to the border-states in a process of decentralization.^{xlix} As the conflict with Colombia develops, and particularly after Colombian President elect Juan Manuel Santos is sworn in on August 7th, relations with Colombia will be a significant campaign issue. Regardless, the *Mesa* leadership intends to primarily focus their campaign on social issues and on rolling back "11 years of inefficiency and corruption."¹

“Not much chance for opposition in Venezuela” by Ben Birnbaum, *The Washington Times*.
September 23, 2010

As Venezuela's opposition prepares for Sunday's legislative elections, analysts say that even a strong nationwide vote in a free-and-fair election could translate into a meager number of seats due to gerrymandering and other actions by the government to help its allies.

"The regime discovered in 2008 that it was losing its electoral competitiveness, so they created a law in 2009 that changed the electoral system to their advantage in three ways," said Amherst University professor Javier Coralles, co-author of a forthcoming book on President Hugo Chavez's consolidation of power.

"It reduced the number of seats determined by proportional representation; it did away with a mechanism that gave the losing party in a district compensatory seats; and it enabled redistricting which turned out to be very biased in that government inserted more 'Chavista' districts into jurisdictions where the opposition was strong."

Though Mr. Chavez will not be on the ballot Sunday, the vote is widely seen as a referendum on his nearly 12 years in power ahead of the 2012 presidential elections.

But the most immediate test Sunday will be for the opposition, which boycotted the 2005 vote and handed Mr. Chavez a rubber-stamp legislature. Now unified within a coalition called Mesa de la Unidad Democratica (Coalition for Democratic Unity), the regime's opponents are seeking to regain their parliamentary voice.

Anabel Romero, professor of political science at Simon Bolivar University in Caracas, said that while the opposition faces "structural disadvantages," it stands a chance of gaining 57 members in the National Assembly, which would deprive Mr. Chavez of the two-thirds supermajority he needs to pass special "enabling laws."

Mr. Romero said that while it is unlikely the opposition would win the outright majority of the popular vote, a showing in the 40- to 50-percent range is within reach and would be seen as a moral victory - even if it did not translate into an equitable number of seats.

Bernardo Alvarez, Venezuela's ambassador to the United States, told reporters Monday that the opposition faces an uphill battle.

"Just as what happens in legislative elections in the U.S.," he said, "we have to keep in mind that there is no a direct correlation between the number of votes nationally and the proportion of seats in the National Assembly."

Mr. Alvarez defended the new electoral law, saying that "only a small number of electoral districts saw any changes."

To many students of previous Venezuelan elections, however, the question of how the nature of and changes to Venezuela's electoral system will skew the results is less important than whether the vote itself will be free and fair.

Jennifer McCoy, director of the Americas program at the Carter Center, which monitored four Venezuelan elections from 1998 to 2006, said that with the exception of some irregularities in nonpresidential contests in 2000, the center had found no evidence of fraud - including in the 2004 recall referendum, in which official figures had Mr. Chavez surviving in a 59-41 landslide despite exit polls predicting the opposite result.

The University of Michigan's Walter Mebane, a leading authority on election forensics, said exit polls are unreliable and poor indicators of electoral fraud. Analyzing past Venezuelan election data using a mathematical formula for which he has become well-known in his field, he said the numbers from 2000, 2006 and 2007 contain no red flags, but that there was compelling statistical evidence of fraud in the 2004 recall and more moderate evidence for last year's constitutional referendum.

Gustavo Delfino, a Venezuelan academic who co-authored one of several peer-reviewed papers on the 2004 recall, said that "it is by now beyond a reasonable doubt that that vote was rigged."

"To have truly free elections, you need an impartial electoral authority, you need transparency in vote counting, and you need voters to trust that their votes will remain secret," he added. "In Venezuela, we still don't have any of those things."

“Country Report: Venezuela”– Freedom House. 2009.

Political Rights Score: 4

Civil Liberties Score: 4

Status: Partly Free

Trend Arrow

Venezuela received a downward trend arrow due to the politically motivated disqualification of opposition candidates and the abuse of state resources by incumbent politicians during state and local elections.

Overview

The run-up to Venezuela’s state and local elections in November 2008 was characterized by politically motivated disqualifications of opposition candidates and the abuse of state resources, though the balloting itself was orderly and the vote count appeared fair. A large majority of races were won by candidates associated with President Hugo Chávez, but the opposition won in a number of populous states and districts. In July, Chávez issued a set of decrees that signaled the increased militarization of society. Meanwhile, bilateral relations with both neighboring Colombia and the United States deteriorated significantly during the year.

The Republic of Venezuela was founded in 1830, nine years after independence from Spain. Long periods of instability and military rule ended with the establishment of civilian rule in 1958 and the approval of a constitution in 1961. Until 1993, the center-left Democratic Action (AD) party and the Social Christian Party (COPEI) dominated politics under an arrangement known as the Punto Fijo pact. President Carlos Andres Perez (1989–93) of the AD, already weakened by the violent political fallout from his free-market reforms, was nearly overthrown by Lieutenant Colonel Hugo Chávez and other nationalist military officers in two 1992 coup attempts, in which dozens of people were killed. Perez was subsequently impeached as a result of corruption and his inability to stem the social consequences of economic decline, which had coincided with lower oil prices beginning in the 1980s. Rafael Caldera, a former president (1969–74) and founder of COPEI, was elected president in late 1993 as head of the 16-party Convergence coalition, which included both left- and right-wing groups.

Chávez won the 1998 presidential contest on a populist, anticorruption platform, ousting the long-ruling political parties, which were unable to agree on a single candidate. A Constituent Assembly dominated by Chávez followers drafted a new constitution that strengthened the presidency and introduced a unicameral National Assembly. After voters approved the charter in a 1999 referendum, the bicameral Congress and the Supreme Court of Justice were dismissed, and fresh elections were called for 2000. Although Chávez was reelected president, opposition parties won most governorships, about half of the mayoralties, and a significant share of National Assembly seats.

In April 2002, following the deaths of 19 people in a massive antigovernment protest, dissident military officers attempted to oust Chávez, the vice president, and the National Assembly with backing from some of the country’s leading business groups. However, the coup was resisted by loyalist troops and protests by Chávez supporters. Chávez was reinstated and moved swiftly to regain control of the military, replacing dozens of senior officers.

The country was racked by continued protests, and in early December, opposition leaders called a general strike that lasted 62 days but ultimately weakened their political position as well as the economy. While fending off his opponents with legal maneuvers and intimidation tactics, Chávez launched bold social-service initiatives, including urban health care and literacy projects, many of which were staffed by

thousands of experts from Cuba. Chávez won a 2004 presidential recall referendum—triggered by an opposition signature campaign—with 58 percent of the vote amid high turnout.

Even as Venezuela faced multiple social and economic problems, Chávez continued to focus on increasing his influence over the judicial system, the media, and other institutions of civil society. The National Assembly, controlled by his supporters, approved a measure allowing it to remove and appoint judges to the Supreme Tribunal of Justice, which had replaced the old Supreme Court in 1999 and controlled the rest of the judiciary. The legislation also expanded the tribunal's membership from 20 to 32 justices.

National Assembly elections in 2005 were boycotted by the opposition, which accused the National Electoral Council (CNE) of allowing violations of ballot secrecy. A mere 25 percent of eligible voters turned out on election day, and all 167 deputies in the resulting National Assembly were government supporters.

In the 2006 presidential election, Zulia state governor Manuel Rosales ran for the opposition under the banner of the Un Nuevo Tiempo (A New Time) party, railing against crime and corruption while pledging to maintain generous social programs. However, most poor Venezuelans continued to support Chávez, who had delivered material benefits to the lower classes. State resources were again deployed on Chávez's behalf, and the incumbent defeated Rosales 61 percent to 38 percent. The balloting generally proceeded without incident and was pronounced fair by international observers.

Soon after the vote, Chávez pressed forward with his program of institutional changes. All pro-government parties merged into the Unified Socialist Party of Venezuela (PSUV), and the “Bolivarian revolution” deepened economically with a series of nationalizations. At the end of January 2007, the National Assembly voted to give the president decree power on a broad array of issues for 18 months.

In May 2007, the state took control of the frequency and equipment of the nation's oldest television station, RCTV. The renewal of its license was denied based on what Chávez claimed were the station's ongoing efforts to destabilize the government. The decision was decried by human rights and press freedom organizations and challenged by groups of university students, who mounted large street protests that gained wide sympathy but were at times forcibly repressed.

Referendum voters in December 2007 narrowly defeated a package of constitutional amendments that had been drafted by the executive and National Assembly with little outside consultation. The raft of changes, which would have amended 69 of the charter's 350 articles, included new presidential powers to redraw the country's territorial divisions and appoint local officials; the establishment of an official six-hour workday and a new pension scheme for informal workers; the formalization of new, ambiguous property classifications; and an expansion of the president's power to declare indefinite states of emergency, which could include limits on due process and freedom of information. However, the most prominent amendment—which the opposition considered the key motivation behind the larger package—would have removed presidential term limits.

The vote reflected robust opposition participation, public disappointment with rising inflation and crime rates, and a degree of disaffection among current and former Chavistas, including some formerly prominent leaders. As the ballots were counted, it became clear that apathy among Chavista voters had cost the government victory; whereas the “no” vote was comparable to what Rosales had won in 2006, the “yes” vote was some three million ballots short of what Chávez had tallied at that time.

In June 2008, the government announced a new intelligence law that would have obliged citizens to inform the security services of potential “counterrevolutionary” threats and allowed warrantless raids,

anonymous witnesses, and secret evidence. However, immediate domestic and international outcry led to the law's rapid withdrawal. In late July, at the end of his 18 months of decree-making power, Chávez unveiled a set of 26 new laws. Some appeared designed to institute measures that were rejected in the December 2007 referendum, including presidential authority to name new regional officials and the reorganization of the military hierarchy.

The playing field for the November 2008 state and local elections was more skewed than in previous years. In July, the nominally independent but government-friendly comptroller general announced the disqualification of over 300 candidates, including a number of opposition leaders, primarily on charges of corruption. The disqualified candidates and other legal experts questioned the legality of the ban, which appeared to violate the constitutional provision that only citizens convicted of a crime can be excluded from candidacy, but the Supreme Court validated the disqualifications.

PSUV and other Chávez-aligned candidates enjoyed massive publicity in state-controlled media and other resource advantages, allegedly including the distribution of appliances and cash to voters. Opposition candidates focused on perceived failures in public services by Chavista officials and benefited, to a lesser degree, from coverage in the opposition press.

The balloting was deemed peaceful and fair by the Organization of American States, and turnout was high at 65 percent. Despite the Chavistas' advantages, the opposition captured the mayoralty of Caracas and 4 of the capital's 5 districts, as well as Venezuela's second-largest city and 5 of 22 states, including the three richest and most populated—Zulia, Miranda, and Carabobo. Several of Chávez's top lieutenants lost their races. Meanwhile, the government candidates won 17 states and some 80 percent of the mayoralties; the opposition had failed to field unity candidates in many of the mayoral races. While both the government and the opposition claimed victory, most analysts considered the opposition to have done better than expected. Meanwhile, the nascent "dissident Chavista" movement was all but wiped out, again reaffirming Venezuela's polarization.

Also in 2008, Chávez announced plans for a new referendum on lifting presidential term limits in early 2009. Critics said the vote was designed to secure the president's political future before the country felt the full impact of the global economic crisis, and the associated plunge in oil revenues, in the second half of 2008.

Venezuela's relations with Colombia soured in early 2008 after a March raid into Ecuador by Colombian forces yielded alleged evidence of ties between Venezuelan officials and Colombian rebels. Relations with the United States also suffered setbacks during the year. Chávez in September expelled the U.S. ambassador to show solidarity with Bolivia, which was engaged in a separate diplomatic spat with Washington. However, analysts also blamed U.S.-Venezuelan disagreements over drug policy, supposed U.S. coup-mongering, and a U.S. court case that appeared to expose Venezuelan financing of an Argentine election campaign. Later in September, Chávez expelled two Human Rights Watch representatives after the U.S.-based group released a critical report on Venezuela. Over the past several years, Chávez had increased friction with the United States by creating ostensible leftist alternatives to U.S.-backed trade pacts and institutions like the World Bank and the Organization of American States; garnering regional support with generous oil subsidies; seeking weapons purchases and other cooperation from Iran and Russia; and either explicitly or tacitly supporting favored electoral candidates in neighboring countries.

Political Rights and Civil Liberties

Venezuela is not an electoral democracy. While the act of voting is relatively free and the count is fair, the political opposition is forced to operate under extremely difficult conditions, and the separation of powers is nearly nonexistent.

The 2005 National Assembly elections were marred by an opposition boycott based on concerns that ballot secrecy would be compromised by mechanized voting machines and fingerprint-based antifraud equipment. After the failed 2004 presidential recall referendum, tens of thousands of people who had signed petitions in favor of the effort found that they could not get government jobs or contracts or qualify for public assistance programs; they had apparently been placed on an alleged blacklist of Chávez's political opponents. In April 2006, a new CNE board of directors was appointed by the legislature. Although a majority of the board were supporters of President Hugo Chávez, the opposition decided to actively contest the 2006 presidential election. The voting was generally considered free and fair, but the CNE was ineffectual at limiting Chávez's use of state resources. He enjoyed a massive advantage in television exposure, and the promotion of social and infrastructure projects often blurred the line between his official role and his electoral campaign.

Public resources were also exploited ahead of the December 2007 constitutional referendum and the November 2008 state and local elections. The balloting in 2007 was conducted largely without incident, and the opposition expressed satisfaction with the auditing system, but full, final results, which could have allayed any lingering suspicions, were not released.

The unicameral National Assembly is composed of 167 members elected by popular vote to serve five-year terms. Chávez's control of the Assembly was virtually complete after the opposition's boycott of the 2005 elections, though it ebbed slightly after the 2007 defection of the PODEMOS party. His powerful grip allows him to curb the independence of government institutions, including the Supreme Tribunal of Justice, the intelligence services, and the Citizen Power branch of government, which was created by the 1999 constitution to fight corruption and protect citizens' rights. Chávez also benefited from the January 2007 "enabling law" that granted him authority to legislate by decree on a wide range of topics through mid-2008. The president, who is both head of state and head of government, is directly elected for up to two six-year terms.

The merger of government-aligned parties into the PSUV was largely complete by 2008. The opposition has struggled to overcome ideological and programmatic shortcomings, the taint of discredited leaders from the pre-Chávez era, and the obstacles presented by Chávez's popularity and access to state resources. However, opposition factions appeared to cooperate more effectively in 2007 and 2008. Newer opposition parties include Un Nuevo Tiempo, which presidential candidate Manuel Rosales adopted in 2006, and Primero Justicia (Justice First).

The Chávez government, plays a highly active role in regulating the economy, has done little to remove vague or excessive regulatory restrictions that increase opportunities for corruption. Several large development funds are controlled by the executive branch without oversight. Anticorruption efforts are sporadic and focus on violations by the regime's political opponents. Transparency International ranked Venezuela 158 out of 180 countries surveyed in its 2008 Corruption Perceptions Index.

Although the constitution provides for freedom of the press, the media climate is permeated by intimidation, sometimes including physical attacks, and strong antimedia rhetoric by the government is common. During 2008, the local nongovernmental organization (NGO) Public Sphere reported 52 cases of aggression and 47 cases of intimidation among the total of 186 violations of free expression it registered during the year. This included several incidents in which armed progovernment groups assaulted the offices of opposition outlets; these actions were disavowed by the government. Opposition outlets remain hostile toward the government, but their share of the broadcast media has declined markedly in recent years. The 2004 Law on Social Responsibility of Radio and Television gives the government the authority to control the content of radio and television programs. According to the Inter American Press Association, the government "has used public funds to establish many publications,

television and radio stations which enjoy unlimited budgets.” During the 2006 and 2008 elections and the 2007 referendum campaign, coverage by state media was overwhelmingly biased in favor of the government; private outlets also exhibited bias, though to a somewhat lesser degree. When explaining the nonrenewal of RCTV’s license in 2007, the government referred repeatedly to the station’s “undemocratic” actions during the 2002 coup attempt; however, other stations that had been equally anti-Chávez but subsequently toned down their criticism were not similarly punished. The government does not restrict internet access.

Constitutional guarantees of religious freedom are generally respected by the government, though tensions with the Roman Catholic Church remain high. Government relations with the small Jewish community have also been strained, particularly due to Chávez’s ties with Iranian president Mahmoud Ahmadinejad and his anti-Israel rhetoric, which was especially harsh during the Gaza conflict that began near the end of 2008. Academic freedom has come under mounting pressure in recent years with the formulation of a new curriculum that emphasizes socialist concepts; though implementation has been delayed, the curriculum is set to be applied in all private and public schools. Ideological friction in universities has increased; elections for student associations and administration positions have become even more politicized, and rival groups of students have clashed repeatedly, especially during the run-up to the 2007 constitutional referendum.

Freedom of peaceful assembly is guaranteed in the constitution, and protests are common. However, the rise of the student movement in 2007 caused a spike in confrontations with the government. Local human rights group Provea noted an increased “tendency toward the criminalization of protest” in 2007, with more arrests and repression of marches. Its 2008 report described a diminution of repression, but tensions appeared to be on the rise at year’s end with the approach of the 2009 term-limits referendum.

In 2000, the Supreme Tribunal ruled that NGOs with non-Venezuelan leaders or foreign government funding are not part of “civil society.” As a result, they may not represent citizens in court or bring their own legal actions. The Chávez government has also made an effort to undermine the legitimacy of human rights and other civil society organizations by questioning their ties to international groups. Dozens of human rights defenders have been subject to threats and even violent attacks in recent years; in 2008, the list of prominent defenders reporting threats included Liliana Ortega of the human rights NGO COFAVIC, Humberto Prado of the Venezuelan Prison Observatory, and Jose Luis Urbano of the Foundation for the Defense of the Right to Education, who had been shot and wounded in 2007.

Workers are legally entitled to form unions, bargain collectively, and strike, with some restrictions on public-sector workers’ ability to strike. Control of unions is actively contested between traditional opposition-allied labor leaders, who allege that upstart workers’ organizations mask Chávez’s intent to create government-controlled unions, and the president’s supporters, who maintain that the old labor regime was effectively controlled by AD, COPEI, and employers. The growing competition has contributed to a substantial increase in violence in the labor sector as well as confusion during industry-wide collective bargaining.

Politicization of the judicial branch has increased under Chávez, and the courts continue to be undermined by the chronic corruption (including the growing influence of narcotics traffickers) that permeates the entire government system. The judiciary’s effectiveness remains tenuous, and it is unresponsive to charges of rights abuses. Conviction rates remain low, the public defender system continues to be underfunded, and the level of provisionality (lack of tenure) among judges is high. The courts generally do not rule against the administration, and Chavista officials accused of corruption or other offenses rarely face trial.

With over 50 homicides per 100,000 inhabitants, Venezuela's murder rate is now one of the world's highest. In this environment of rising crime, the police and military have been prone to corruption, widespread arbitrary detention and torture of suspects, and extrajudicial killings, according to both Provea's and the Public Ministry's own reports. Such abuses are generally committed with impunity; although hundreds of police are investigated each year, few are convicted. A plan to modify and purge the police was completed in early 2008, but structural reforms are still in the early stages. Although prison reform is under discussion, the prison budget has moderately increased, and pretrial detention has been limited to two years, prison conditions remain among the worst in the Americas. The NGO Venezuelan Prison Observatory reported at least 422 violent deaths within prison walls in 2008.

Venezuela's military, which has long been largely unaccountable to civilian authorities, has grown more politicized under Chávez, even as its participation in social development and the delivery of public services has increased. In early 2007, Chávez obliged military personnel to recite the "fatherland, socialism, or death" slogan and declared that those who refused should exit the armed forces. However, a faction of the military is perceived as wary of the Bolivarian project. Meanwhile, former defense minister Raul Isaias Baduel asserts, as do foreign officials, that the military has adopted an increasingly permissive attitude toward narcotics trafficking and Colombian rebel activity inside Venezuela. In 2008, the formation of civilian militias received increased attention, as that year's package of decree laws included a measure that formalized executive control over the groups. There is also concern that the government has lost control over some of its supporters; one group, the "La Piedrita collective," controls a Caracas neighborhood, attacks opposition groups, and explicitly models itself on Cuba's revolutionary defense committees.

Property rights in Venezuela are affected by the government's penchant for nationalization. Following a series of strikes in 2002–03, Chávez replaced technocrats at PDVSA, the state oil company, with his own loyalists, to the detriment of the firm's technical reputation. The expropriation of large, idle landholdings has slowed in the last several years, but the nationalization of industrial holdings continues apace. In 2007, national telecommunications provider CANTV and electric utility Electricidad de Caracas were nationalized, while all oil producers in the Orinoco belt were obliged to hand majority stakes to the state; in 2008, the state took control of cement producers, a steel producer, and a Spanish bank.

The formal rights of indigenous people have improved under Chávez, although those rights—specifically the groups' ability to make decisions affecting their land, cultures, and traditions, and the allocation of natural resources—are seldom enforced by local political authorities. Indigenous communities trying to defend their land rights are subject to abuses, including murder, by gold miners and corrupt rural police. Indigenous-populated zones along the Colombian border are particularly troubled. The constitution reserves three seats in the National Assembly for indigenous people and also provides for "the protection of indigenous communities and their progressive incorporation into the life of the nation."

Women enjoy progressive rights enshrined in the 1999 constitution, as well as benefits offered under a major legislative act passed in March 2007. However, Amnesty International reported in 2008 that while some programs, such as a hotline for victims of domestic abuse, have been established to assist women, profound efforts at implementation are necessary for the law to have a major tangible impact. Meanwhile, domestic violence and rape remain common, and the courts have provided limited means of redress for victims. The problem of trafficking in women remains inadequately addressed by the government.

“Hugo Chávez’s Venezuela: Feeling the Heat”– *The Economist*. 13 May 2010.

The bill for years of mismanagement has come due just as crucial elections loom. The president’s response has been to start locking up opponents

From Parque Central station in Caracas a cable car silently speeds workers, residents and schoolchildren up the hill to Hornos de Cal and then down again to San Agustín, connecting these areas of self-built slum housing to the city’s metro system. The bright-red cars bear the names of Venezuelan states or of uplifting notions, such as “social duty” or “socialist morality”. Hugo Chávez, Venezuela’s leftist president, opened the *metrocable* in January, proclaiming: “A socialist revolution has the essential aim of giving to all men and women the greatest possible happiness.”

The *metrocable*, of just 1.8km, took three years to build and cost \$318m—over ten times as much as a longer line opened in Medellín, in Colombia, in 2004. But the local leaders of communal councils—the grassroots groups that Mr Chávez conceives as the driving force of his “Bolivarian revolution”—are indeed happy. “I never thought we would have such a big project in my community,” said María Eugenia Ramírez. “I thought it was just a dream.” Ms Ramírez now has a paid job informing passengers how the system works.

The *metrocable* is not the only improvement Mr Chávez has brought to San Agustín. Near Hornos de Cal station there is a primary health post, staffed by Cuban doctors, though it is open only in the morning, and a second-tier health clinic, complete with an intensive-care unit. Some of the shacks on the hillsides have had a recent coat of paint, in the regulation colours of another government project (red, yellow, blue or pink). Others were knocked down to make way for the lavish *metrocable* stations. Their residents were rehoused in new blocks of flats built by Misión Hábitat, yet another government scheme.

The communal councils—there are 27 of them in San Agustín, one for every 500 families or so—have given people “a sense of belonging”, says Ms Ramírez. Each council has half-a-dozen subcommittees and a wish-list of projects, ranging from football pitches to the installation of sewage systems or walls to prevent mudslides. Ms Ramírez and her fellow leaders say that it is often hard to get residents to attend council meetings, and to get ministries to respond to their needs. Nevertheless, she remains a committed supporter of Mr Chávez. “I like his message and the firm way he gives it,” she says.

For five years or so—after he saw off a brief coup in 2002 and then survived a prolonged general strike—this formula of lavish social programmes and make-work schemes in poorer areas, as well as an unequalled ability to communicate with ordinary Venezuelans, served Mr Chávez well. When he was first elected in 1998, the price of oil, Venezuela’s main export, was around \$10.50 per barrel. As the price soared, he benefited from a huge windfall. Public spending increased massively. Much money went on subsidies, state job-creation schemes and social programmes, many of them designed by Cuban advisers. As the economy boomed, the share of Venezuelans living in poverty fell from 49.4% in 1999 to 27.6% in 2008, according to the United Nations Economic Commission for Latin America.

By contrast, the opposition’s shortcomings had been cruelly exposed when it governed in an era of low oil prices in the 1980s and 1990s. Because ordinary Venezuelans felt a rapport with Mr Chávez, they did not blame him for the steady rise in violent crime which has turned Caracas into the most violent capital in South America, nor for the corruption that has flourished unchecked under his rule.

Mr Chávez's star reached its apogee in a presidential election in 2006, when he easily won another six-year term. He gained 63% of the vote; Manuel Rosales, for the opposition, managed only 37%. Mr Chávez took this as a green light for radicalisation. In the first seven years of his rule he behaved like a traditional Latin American populist *caudillo*, such as Argentina's Juan Perón. (Like Perón, Mr Chávez is a former army officer turned civilian politician; he himself led a failed military coup against a democratic government in 1992.) From 2007 onwards, Mr Chávez has claimed to be installing "21st-century socialism".

Two setbacks followed: he narrowly lost a referendum on constitutional reforms that, on paper, would have taken Venezuela close to Cuban-style communism; and in regional elections in 2008 the opposition recovered to win 46.5% of the vote and important mayoralities, such as Caracas. Mr Chávez fought back, calling and winning another, narrower, referendum early in 2009 abolishing term limits.

FROM BOOM TO SLUMP

But for the time being the Bolivarian revolution (named after Simón Bolívar, South America's independence hero) faces unprecedented difficulties. Everyday life is getting harder for Venezuelans. While the rest of Latin America is recovering strongly from the world recession, Venezuela is slumped in stagflation. The boom came to an abrupt end when the oil price plunged in the later months of 2008. Although it has since risen again strongly, Venezuela's economy has not (see chart). Mr Chávez last month accepted that it "could" shrink again this year, confounding earlier official forecasts of growth. The IMF projects a contraction of Venezuela's GDP of 2.6% this year, after a fall of 3.3% last year. By March, average wages (allowing for inflation) were 15% below their peak of 2007.

In January Mr Chávez unexpectedly ordered a devaluation, after five years in which the bolívar had been officially fixed at 2.15 to the dollar. Under a new multiple exchange-rate system, priority imports of food and medicine are paid for at 2.60, with 4.30 for other officially authorised imports and a "parallel" (ie, market) rate for the rest (now around eight bolívars to the dollar). This will increase inflation, which is now over 30%—prices shot up by 5.2% in April alone. But it provides a temporary boost to the state's finances, since hard-currency revenue from oil exports instantly became worth twice as much in bolívars. And that gives Mr Chávez the chance to throw money around: pay rises for the army, for example.

The short-term fix of devaluation only underlines the deterioration in the economy. That recession has become slump is mainly the result of years of government mismanagement. The problems start with PDVSA, the national oil company, which Mr Chávez has turned into a social-development agency. Not only is its budget raided for social projects; it has also set up subsidiaries to produce, import and distribute food. More than 100,000 people are now on PDVSA's payroll, up from 37,942 when the government seized control of the company after the 2003 strike. But oil output has fallen, from a peak of 3.5m barrels per day in 1998 to perhaps around 2.8m now, reckons Tamara Herrera of the Venezuela office of Global Source Partners, a consultancy. That is less than the government says, but more than OPEC calculates.

Venezuela is still sitting on 100 billion barrels of oil, the largest reserves outside the Middle East, according to research by BP, a British oil company. Having scrapped deals under which multinational oil companies partnered PDVSA, Mr Chávez has this year signed contracts with China and Russia for investment in the Orinoco heavy-oil belt. These could boost production in the next few years. But it is unclear how much cash will in fact be invested.

The private sector is increasingly persecuted. Since the 2006 election Mr Chávez has nationalised the main telecoms, steel and cement companies, the Caracas electricity distributor, and a string of oil-service

and food companies. The latest is Exito, a Franco-Colombian chain of hypermarkets taken over in January. Other private firms have faced more aggressive regulation, including price controls and difficulties in getting dollars for imports. Unsurprisingly, few are investing. Many of the nationalised firms are poorly run.

The most dramatic sign of government bungling is electricity rationing. Since the start of the year many towns and cities have suffered daily power cuts of two hours or more, as well as unscheduled blackouts that sometimes last several times as long. Mr Chávez has spared the capital power cuts, apparently out of fear of social unrest. Instead, businesses and homes must reduce their electricity use by 20% on pain of higher charges or loss of supply. Many government departments close in the afternoons to save power.

Mr Chávez rightly points out that the immediate cause of the electricity rationing is a severe drought brought about by the El Niño weather pattern. This has cut output at three hydroelectric dams on the Caroní river in the south-east. But, in past droughts, thermoelectric plants came to the rescue. The difference is that Venezuela now depends on hydroelectricity for around 70% of its power, and most of that comes from the vast Guri dam.

The president claims that his government has invested \$16.5 billion in electricity generation since 2002. But thermal generation capacity has barely risen. According to Víctor Poleo, a former official in the energy ministry, only a fraction of the money has actually been spent. He blames the rationing in large measure on “the misappropriation of funds.” The biggest thermal plant—Planta Centro at Morón, on the Caribbean coast—is in bad shape. Only two of its five generators actually produce electricity. The national grid is so rickety that it would in any case be unable to cope were the power stations to produce at full capacity. Lack of gas (due partly to lower oil production) means new thermal stations will have to run on fuel oil or diesel, cutting PDVSA’s export earnings.

As the water level in Guri’s reservoir dropped perilously close to the point at which the plant would have to be shut down, opposition politicians warned that the country faced “collapse”. Mr Chávez responded in March that it would rain “because God is Bolivarian”. Maybe so; for it began to rain in April, and the threat of a total shutdown of Guri seems to be receding. The government is now scurrying to increase thermal generation, but electricity supply will not get back to normal before the end of the year, concedes Roy Daza, a member of the National Assembly for the ruling United Socialist Party of Venezuela (PSUV). Much economic damage has already been inflicted. State-owned iron, steel and aluminium plants in the Guayana region have cut output—by 37% in the case of Venalum, an aluminium producer.

STATE HARASSMENT

Not surprisingly, all these problems have taken a toll on Mr Chávez’s popularity. According to Luis Vicente León of Datanálisis, a polling firm, the president’s approval rating fell from around 60% in February 2009 to 43% a year later—its lowest level since 2003. For the first time since then slightly more people say they identify with the opposition than with Mr Chávez, though 45% support neither side. Awkwardly for the president, this comes as he faces legislative elections on September 26th. In a normal democracy the opposition might be expected to cruise to a majority in the National Assembly. But Venezuela is not a normal democracy.

The opposition chose to boycott the previous election for the National Assembly, in 2005. It now recognises that was a costly mistake. Even before that, Mr Chávez had seized control of the courts. Since then he has been able to pass laws almost at will. The result, in the careful prose of a recent report by the Inter-American Commission on Human Rights, is “the absence of due separation and independence between the branches of government in Venezuela”. It notes that more than half of judges lack tenure, and

so can easily be removed if they rule against the government. The commission says that “the state’s punitive power is being used to intimidate or punish people on account of their political opinions.” And it adds that harassment and intimidation of journalists and media outlets have restricted freedom of speech. The government’s response to all these criticisms is that the courts are independent and that the Inter-American commission is biased.

Before the regional elections 260 candidates (nearly all from the opposition) were arbitrarily disqualified. Several prominent opposition figures have faced criminal charges. This month General Raúl Baduel, a former army commander who restored Mr Chávez to power after the 2002 coup, was jailed for eight years for corruption—charges he denounced as politically inspired. Mr Rosales has also been charged with corruption and is in exile in Peru. In March Oswaldo Álvarez Paz, a former opposition governor, was jailed and Guillermo Zuloaga, the manager of Globovisión, the last remaining opposition TV station, was charged, both for making critical comments about the president. Scores of radio stations sympathetic to the opposition have had their licences cancelled.

Other kinds of opponents face bullying. Óscar García Mendoza, a banker who is critical of the government, was hauled off for six hours of questioning after he launched a campaign to defend private property last year. Cecilia García, the rector of the Central University in Caracas, told *El Universal*, a newspaper, that the university has suffered more than 20 violent attacks since late 2008, and the powerful student movement that has emerged to defend democracy faces intimidation either from the police or from *chavista* gangs.

After the opposition’s strong performance in the 2008 regional elections, Mr Chávez curbed local government. In some cases this was done crudely. Antonio Ledezma, who was elected as mayor of Caracas, found his offices occupied by *chavista* activists, and most of his functions transferred to a government-appointed official. Much the same has happened to the state governor of Táchira. All state governors, whether *chavista* or from the opposition, have lost powers and money to the centre on the one hand, and to the communal councils on the other. A decree of March 2009 stripped state governments of responsibility for ports, airports and roads.

Pablo Pérez, opposition governor of the western state of Zulia, says that his budget has been cut by a third in real terms. His administration was building a motorway from Maracaibo, the state capital and Venezuela’s second city, eastward towards Caracas. This now ends abruptly after 30km. The only thing the government has done is abolish the tolls on the motorway.

Mr Pérez, a young lawyer, is one of a new breed of opposition leaders. They are more pragmatic, and less identified with the discredited pork-barrel politics of the pre-Chávez era. After years of squabbling, the opposition has also made a big effort to unite for the legislative election. This month it used primaries to put the finishing touches to a single slate of candidates.

MOTHERLAND, SOCIALISM OR DEATH

Unusually, *chavismo* now looks more divided than its opponents. In February Henry Falcón, the popular *chavista* governor of Lara state, left the ruling PSUV. Mr Falcón objects to the centralisation of power and to the arbitrary expropriation of an industrial site in his state.

His defection points to tensions within *chavismo*. One is between social democrats, such as Mr Falcón, who defend the constitution, and authoritarian socialists who are happy to ride roughshod over it. Another is between civilian leftist idealists and the “boligarchs”—a group of leading *chavistas*, many of them

former army officers, who have profited from Mr Chávez's rule and from his government's corruption. Such tensions may grow if money remains scarce in Venezuela. Mr León, the pollster, points out that Mr Chávez is trying to change "an instrumental relationship with the masses"—based on handouts and economic growth—into an ideological one.

Government buildings are now adorned with *Patria, socialismo o muerte* ("Motherland, socialism or death"), adapted from a slogan coined by Fidel Castro in the early years of the Cuban revolution half a century ago. Last month Mr Chávez presided over a parade by some 35,000 members of a militia he has organised, and called on them to defend his revolution with their lives if necessary. In the penumbra of *chavismo*, there are several small armed ultra-left groups of more or less lumpen character.

All this may intimidate, but it also alienates. "Venezuelans are naturally left-of-centre," says Ibsen Martínez, a novelist and writer of soap operas. "They think the state should do a lot, because it has lots of oil money, and because they are egalitarian. But they don't like confrontation or threats to everyone getting along together."

Mr Chávez's authoritarianism is carefully calibrated. "This isn't a conventional dictatorship," says Teodoro Petkoff, a newspaper editor who was a guerrilla leader in the 1960s, founded a socialist party and is now an opponent of Mr Chávez. "It's an authoritarian government with a strong military element that doesn't hide its intentions to control society behind a democratic façade." But public opinion still matters, he adds, and society holds strong democratic values.

So it is hard for Mr Chávez to dispense with elections, or openly rig them. But the government will use "all manner of tricks" to sway the legislative ballot, says Eduardo Semtei, a former member of the electoral authority who is also a former *chavista*. These include exploiting the resources of the state, the captive vote of 2.8m public employees (in an electorate of 17.5m), the possible disqualification of opponents and, already, a change in the electoral rules and boundaries that favours the PSUV. On top of that, Mr Chávez is a formidable campaigner, and he has his war-chest of devalued bolívares at the ready.

The opposition also faces obstacles of its own making. "There are a lot of discontented *chavistas* but they don't come over to us because they are sceptical of the opposition," admits Mr Pérez, the governor of Zulia. "To rebuild the country we need that *chavista* world." All this means the opposition may not win a legislative majority in September. But if it can offer a positive alternative to Mr Chávez's gradual destruction of his country, it will knock a large dent in his near-monopoly of power.

“For Chávez, Still More Discontent” by Javier Corrales. *Current History*. February 2009.

Venezuela's Hugo Chávez, who enjoys more domestic power and higher international name recognition than any other president of a Latin American democracy, is now facing serious political troubles. Since mid-2007, the Chávez administration has been beset by street protests, electoral setbacks, and economic woes that amount to a second wave of discontent. The first wave, when critics passionately protested in the streets between 2001 and 2004, almost brought down the government. This second wave is less threatening, but it may nonetheless lead to turmoil.

Venezuelan politics in the past year and a half has undergone a substantial shift in power asymmetry. Power asymmetry is the difference in power between two power holders—in this case, between the ruling party and the largest opposition forces. Between 2004 and 2008, Venezuela's power asymmetry became excessively large, with government forces gaining near-monopoly control of state institutions and seeking to achieve similar asymmetries across other societal institutions. This wide asymmetry caused an erosion of democracy because the executive branch was essentially able to govern unimpeded.

However, with the pivotal regional elections of November 2008, this asymmetry shrank. The elections marked the opposition's first electoral inroads since 1998, and the reduction in power asymmetry may pave the way for a democratic opening ... or not. It may lead to more chaos. Much will depend on how the government responds.

RADICAL OVERREACH

Not so long ago, the Chávez administration was riding high. In December 2006, in Chávez's third and perhaps most impressive electoral victory, he was reelected with 63 percent of the vote. He won in every Venezuelan state. He was able to sustain and, some would argue, expand on the electoral support he had achieved in 2004, when he prevailed in a recall referendum. And the results of the 2006 presidential election were accepted by the opposition, which refrained from the accusations of foul play it had made in 2004. Chavismo seemed invincible.

Since then, Chávez has suffered two major setbacks. In 2007, the government lost a high-profile referendum on changing the constitution. In the November 2008 elections, the government lost governorships in five states and several mayoralties, including in two important cities, Caracas and Maracaibo. While chavismo remains the country's dominant electoral force, its electoral advantage has shrunk dramatically. What has happened in less than two years? The answer is twofold: government policy mistakes and reduced fragmentation across the opposition.

Beginning in 2006, Chávez made a number of policy mistakes based on his interpretation of his 2006 reelection as a mandate for further radicalization rather than as a show of support for the status quo. For Chávez, radicalization means expanding the executive branch's control over institutions and expanding the state's presence in key sectors of the economy. He thus proceeded to introduce a series of radical policies, the two most conspicuous being a May 2007 decision not to renew the operating license of Radio Caracas Televisión (RCTV) and his proposal to reform the constitution. Each step produced a backlash.

RCTV, which broadcast mainly sitcoms and soap operas, was the most widely viewed television network in Venezuela. But Chávez contended that it had supported the 2002 coup in which he had briefly been deposed and that it had remained critical of the government afterwards. The Venezuelan state, by suspending RCTV's license despite international condemnation, delivered one of Latin America's strongest attacks against the media and thus freedom of expression since the region's transition to

democracy in the early 1980s. In the end the strategy may not have worked-viewership seems to have shifted to other channels and cable television. Still, the incident revealed how far the government was willing to go to suppress media rights.

It was also the high point of a campaign, begun in 2003, to expand the government's ownership of media outlets. At the start of the Chávez administration, the Venezuelan state controlled one television station, one AM radio station, and one FM station. As of 2007, the government controlled 85 percent of all television channels, 2 national radio stations, 3,000 community radio stations, a news agency, and 3 print media companies, as well as many internet and community news outlets. The remaining private media are burdened with arbitrary taxation, content controls, and limited access to dollars, which hurts their capacity to import paper and technology.

The second example of radicalism was the 2007 proposal to reform the 1999 constitution. The proposal was drafted in secrecy by a small group of the president's advisers whose names were not disclosed. The resulting plan-a 44-page document-constituted what would have been the most generous blank check ever given to an executive branch in the democratic history of Latin America. The president's term in office was to be extended to seven years from six. Indefinite reelection would be allowed for the president-but not for any other elected office. Presidentially appointed "communal councils" would receive constitutional status, potentially replacing local and regional elected offices and thereby ending decentralization. External funding of political groups would be banned (though the state would be allowed to finance the ruling party). Presidential powers during states of emergency would expand.

The constitutional reform proposal was defeated in a December 2007 referendum. Although the margin of defeat was only 1.4 percent, the outcome was historic for at least three reasons. First, the referendum represented the government's first-ever electoral defeat (and by the same token the first electoral victory for opposition forces in the Chávez era). Second, the incident highlighted the power of the military in Venezuelan politics (rumors surfaced that pressure from the military compelled Chávez to accept defeat, and it was conveyed to him that the military would not repress protests). Third, the referendum revealed a worrisome electoral trend for the government: rising abstention among Chávez supporters. The pro-chavista vote total was 3 million lower than it had been in the 2006 presidential election.

Since the referendum's defeat, Chávez has attempted to implement some of its provisions unilaterally. But the consequences of his radical initiatives have provoked major defections away from the president. While some chavista voters welcomed his proposals, Chávez clearly overestimated the size of this radical bloc. (One possible indicator of its actual size is an early 2008 poll showing that only 28 percent of Venezuelans still hoped Chávez would press ahead with the defeated constitutional reforms.) When Chávez turned more radical in 2006-2008, he lost the non-radical groups. He also lost the allied party Podemos and prominent individuals like his former wife (Marisabel Rodríguez, once a pro-Chávez member of the 1999 constituent assembly) and former Defense Minister Raúl Isaias Baduel, who openly called the reforms a form of coup.

Radicalization also provoked the return of protests, which had been uncommon since 2004. The RCTV case in particular provoked demonstrations led by students. The sight of university students protesting against a "leftist government" is not common in Latin America. Chávez responded by calling the students "lackeys of imperialism" and threatening to unleash "Jacobin revolutionary violence" against them. The government, as it happened, did not repress the protests, but it did not change policy course either.

CHAVENOMICS IN ACTION

In addition to turning more radical in political terms, Chávez has also wrecked the Venezuelan economy. The country's economic problems, which predate the onset of the global financial crisis and a drop in oil prices in the second half of 2008, are the result of Chavenomics-which can be defined as both an overbearing state presence in the economy and an overbearing role for presidential discretion in state management. To be sure, other states with high levels of resource dependence also tend to overreach and overspend during boom times. But it is not automatic that resource dependence must translate into person-dependence, as has happened in Venezuela's economy.

What are the key elements of Chavenomics? First, it means implementing antibusiness regulations. According to an annual World Bank survey, Venezuela now ranks 172nd among 178 countries in "ease of doing business," the lowest ranking for any Latin American economy. This regulatory environment is producing capital flight despite the oil boom.

Second, Chavenomics means increasing state ownership in key areas of the economy. In 2007, the government accelerated nationalization by taking over the largest telecommunications and electricity companies. Public sector employment has risen by almost 60 percent since 2003, yet the country's unemployment rate remains high, in part because private-sector job creation is lagging.

Third, Chavenomics means heavy pro-cyclical spending. Because the government routinely spends more than it takes in, inflation has reached 31 percent annually, one of the highest rates in the world. Fourth, Chavenomics entails price controls - which, in the context of inflation, produce a problem familiar to anyone who has taken Economics 101: shortages of consumer goods. Producers become unwilling to produce if the costs outweigh the potential benefits. With inflation pushing costs up, and price controls pushing revenues down, the result has been shortages in basic consumer goods like sugar, milk, beef, chicken, sardines, black beans, cheese, and oatmeal.

Finally, Chavenomics expands presidential discretion in the management of the economy. This would not be so damaging if Chávez were a competent manager, but his management of the economy has been dismal. This is clearly visible in the oil sector, unquestionably the most vital economic engine in Venezuela. Essentially, Chávez has privatized the oil sector - to himself. He has done this by eliminating or ignoring all internal rules designed to keep the management of the sector autonomous from the executive branch. Chávez alone decides who does business with the state oil company, how much money stays within the company for investment (very little), and how much money is taken out for the state to spend as it pleases (most). Chávez himself is thus fully responsible for the dramatic decline in productivity that the state oil firm, *Petróleos de Venezuela*, has experienced since 2004, and indeed for many of the country's economic woes.

WHO NEEDS COMPETENCE?

Another of Chávez's mistakes since the 2006 election has been to try to sustain his electoral coalition through patronage and a culture of impunity rather than through competent public administration. The spending spree that the government has been on since 2003 has produced a consumption boom, which Venezuelans adore, but also a corruption boom, which Venezuelans abhor. Most state contracts are awarded without bidding. Most state jobs are offered on the basis of political leanings instead of qualifications.

Chávez does little to stop the corruption of the state - not because he has not noticed it, but because he has discovered the utility of rule through impunity. Corruption allows Chávez to tell his supporters: If my enemies come to power, you will lose your privileges and you may end up in jail.

Impunity and a sense of bureaucratic abandon undermine all state services, and this is having harmful effects in an area where Chávez had previously achieved some success: social policy. Chávez became world famous in the middle of this decade on account of his generous social programs, which were called "missions to save the people." Today, these missions are exhibiting signs of decay. For instance, the shelves in many state-affiliated grocery stores, the so-called *mercáis*, are empty - mostly because managers steal the subsidized merchandise to sell in informal markets. Such irregularities in public bureaucracy help to explain why Venezuela's fight against poverty is yielding less impressive results than would be expected, given the levels of spending involved.

As bad as the shortages are, they are not the most pressing issue for most Venezuelans. It is crime that concerns citizens the most. Police services have decayed too as a result of impunity and bureaucratic abandon. The decline of the police force (together with the president's decision to expel the US Drug Enforcement Administration from Venezuela in 2005) explains the astounding crime epidemic that the country has experienced under Chávez. Annual homicides have escalated from 6,000 in 1999 to 13,100 in 2007. This rate of 48 killings per 100,000 people makes Venezuela more dangerous than violence-torn Colombia.

Chávez's final mistake has been to abandon his earlier ideal of citizen participation in favor of military participation. Chávez's revolution was predicated on the promise of participatory democracy, a neo-Rousseauvian ideal that in 1999 attracted millions to Chávez. Today, the only group that seems to participate fully in the government is the military. In 2008, nine of approximately thirty cabinet positions were held by active or retired military officers. Military spending under Chávez has increased sevenfold.

At the same time, within the president's ruling party, any civilian who challenges Chávez gets excoriated and excommunicated. In 2008, this dogmatism became the dominant story within Chávez's United Socialist Party of Venezuela (PSUV), eclipsing other issues such as the party's illegal use of government resources and irregularities in its primaries.

The PSUV was formed as a response to the government's victory in the 2006 election. Chávez's plan was to disband his former ruling party and replace it with what he hoped would become a larger party that would also be more unified (that is, more obsequious). But a number of satellite pro-Chávez parties refused to disband and merge into the PSUV. Tensions and public recriminations between Chávez and these renegade parties escalated throughout 2008. By August, when the PSUV refused to consider supporting some of the more popular political candidates put forward by these parties, open warfare broke out within *chavismo*. Chávez responded by expelling the dissident parties, which then decided to run their own candidates in a number of states. The significance of these expulsions is that they marked the demise of participatory democracy within *chavismo*.

THE OPPOSITION'S COMEBACK

Chavismo thus headed toward the 2008 regional elections suffering from a number of weaknesses: excessive radicalism, dysfunctional economic policies, decaying social services, rising crime, and growing fragmentation within its ranks. The opposition, on the other hand, corrected its prior mistakes rather than repeating them.

The first historical mistake that the opposition solved was its Chávez-centrism. The opposition has long been criticized for being too Chávez-focused: Its discourse is long on denunciations of the president and short on policy ideas. The problem of putting forward a predominantly anti-Chávez discourse is that Chávez remains, to this day, the most popular politician in the land. In the 2008 elections, the opposition had the advantage of running on a platform that was not based on getting rid of Chávez - since Chávez

was not running. This also allowed the opposition the chance to offer a competing program in the form of solutions to local challenges.

The second problem that the opposition overcame was its tendency to abstain. As happens in many semi-autocracies, opposition voters had become convinced that electoral rules, procedures, and authorities were all irremediably biased, and since the 2004 recall referendum the opposition had been haunted by the specter of abstentionism. However, starting with the 2006 campaign, opposition leaders began to turn this voter sentiment around. By 2008, few opposition leaders advocated electoral withdrawal.

The final and perhaps most important problem that the opposition overcame was fragmentation. Ever since the collapse of Venezuela's traditional parties in 2000, and the collapse of new parties after the opposition's boycott of the 2005 National Assembly elections, Venezuela had become an extreme case of hyper-fragmentation: More than 80 parties were registered nationwide, and none of them (except the president's) had much power or access to state office. Reorganizing this splintered party system was a major hurdle. Yet, to everyone's amazement, the opposition offered, in 17 of 22 states, single candidates running to represent all opposition parties. Solving the fragmentation showed the extent to which the opposition has become more capable of compromise and more strategic.

As the 2008 elections approached, Chávez panicked. He knew he was popular, mostly because of his status as the country's entertainer-in-chief and employer of last resort. But he also recognized that he was not running for office and that many of his policies and candidates were unpopular. He also recognized that the opposition was becoming more viable. He responded by launching a fierce attack on the opposition, using both arbitrary laws and hate speech, in an effort to restrain and demonize his opponents.

The most prominent legal attack was the so-called Russian list. In February 2008, Comptroller General Clodosbaldo Russian disqualified almost 400 Venezuelan citizens (a number subsequently reduced to 270) from running for office, due to allegations of corruption. Two of the opposition's most prominent candidates were among those listed: Leopoldo López and Enrique Mendoza. The use of "lists" to shackle the opposition was not new. In 2004-06, the government compiled a list of voters who had signed a petition in favor of the presidential recall referendum. Government jobs, contracts, and welfare benefits were denied to those on the list. The "Russian list" was different in that it attacked candidates rather than voters, but the intentions were similar: to divide the opposition and suppress opposition votes.

The government also resorted to a long-favored tactic: verbal aggression against the opposition. By October, Chávez's hate lexicon ("disgusting traitors," "mafia bosses," "oligarchs," "reactionaries," "criminals") had become ubiquitous in his campaign speeches. In addition, threats were issued. Referring to Manuel Rosales, a candidate for mayor of Maracaibo and a presidential candidate in 2006, Chávez said: "In case . . . Rosales and his mafia win, we will need to begin to make a plan, even a military plan." Referring to the state of Carabobo, Chávez was yet more direct: "If the oligarchy is allowed to return to power, I might end up letting the ... tanks out to defend the revolutionary government and the people." Chávez also threatened to cut funding to any jurisdiction that voted for the opposition.

It is not clear whether the Russian list or Chávez's hate speech achieved the intended result of suppressing the opposition vote. But these tactics illustrate Chávez's idea of political competition: Opponents must be crushed. The Russian list violated the constitution, which stipulates that candidates can only be disqualified as a result of a judicial guilty verdict. And Chávez's hate speech, like his threats to use the military and to strangle his opponents economically, sounded more dictatorial than democratic.

The 2007 and 2008 election results clearly indicate that the Chávez administration is experiencing a second wave of discontent - almost 45 percent of Venezuela's population voted for the opposition. Still,

chavismo remains a strong force. In 2008 the PSUV won in 17 states, defeating the chavista dissidents and even winning in states (Falcon, Anzoátegui, and Mérida) that were expected to go for the opposition. And the National Assembly, the most critical arena for influencing government policy, remains 100 percent chavista, since assembly seats were not up for election.

The 2008 electoral results, therefore, generated a political paradox: While there was a decline in power asymmetry between the ruling party and the opposition, the ruling party still emerged very powerful. Both sides claimed some form of political triumph, which is a rare outcome in elections.

The election results also revealed another change: Chavismo's demographics have shifted. Until last year's vote, the government could claim that Venezuela's "have-nots" constituted a firm constituency throughout the nation. After the 2008 elections, Chávez's core constituency seems confined to non-urban regions. The opposition appears to have displaced chavismo from its previous stronghold - urban environments, where the worst pockets of poverty are in fact located.

These changes in power asymmetry and electoral demographics suggest that Chávez, while still electorally competitive, is no longer invincible. In Venezuela as in most of Latin America, the bulk of the population is urban, and a rural-based movement cannot easily become hegemonic. Chávez's electoral priority in the coming years therefore must be to recover ground in urban areas. He has time to make a comeback. The next major election - for delegates to the National Assembly - is scheduled for the end of 2010. But whether Chávez manages to recover by then might depend, in part, on the price of oil.

OILING THE SYSTEM-WITH LESS

In the second half of 2008, world oil prices unexpectedly plummeted. By November, Venezuela's crude oil prices had declined 69 percent from their peak July price of \$129.54 per barrel. Because oil accounts for 94 percent of Venezuela's total exports and provides nearly half of the government's revenues, this decline is crippling, especially since the government relies so much on state spending for co-optation. If prices stay at current levels, Chávez will face economic adversity in the second half of 2009, which no doubt will inhibit his ability to recover electorally. However, low oil prices will not necessarily imperil Chávez's ability to weaken the opposition. Indeed, a damaged opposition rather than a defeated incumbent could very well be the outcome of this change in oil prices.

The Chávez administration has tools at its disposal to survive the economic crisis. Chávez can reduce Venezuela's spending on programs abroad. He can draw funds from various sources available at home. He can encourage the Organization of the Petroleum Exporting Countries to reduce oil output. He is already planning to increase his country's debt. He can devalue the currency, generating more revenue for the government and cutting the bill for imports. He could even provoke an international crisis to create panic in global markets, thus raising the price of oil.

Even if Venezuela is forced to implement unappetizing austerity measures, the government could still survive if it managed to protect key constituencies from deep spending cuts. As long as Chávez keeps his party-and the military-relatively protected, he may well survive politically. His task is to keep the ruling coalition unified. A unified ruling coalition has an advantage over a fragmented opposition, regardless how large or angry the opposition might be. For the opposition, therefore, the key challenge remains, as it has been since 2006, to contain its tendency to fragment. It is not clear that, in the midst of an economic crisis in which the government offers incentives for some and not for others, the opposition can remain unified.

No matter where oil prices are headed, Chávez still faces the political reality of an emboldened opposition. How might he deal with this? In one scenario, Venezuela could replicate Mexico's experience in the 1980s. At that time, an economic crisis allowed Mexico's opposition parties to score electoral victories in regional elections, thereby ending the near-monopoly on power of the populist Institutional Revolutionary Party (PRI). The opposition parties' increased bargaining leverage compelled the PRI to negotiate a series of institutional and policy reforms that ultimately led to greater checks and balances and eventually a transfer of power. All of this happened peacefully. This sort of "democratization via governorships" is imaginable for Venezuela.

Also imaginable is a less pretty scenario in which Chávez becomes more autocratic in his approach toward the opposition. The government could declare a state of emergency and use its control of Congress to apply harsh policies to regions controlled by the opposition. This would be not unlike what Evo Morales is doing in Bolivia-denying funds to elected leaders from the opposition and encouraging loyal social movements to create civil strife in some states.

Initial signs indicate that the government is heading in this direction. Immediately after the 2008 elections, Chávez instructed his party to prepare the way for yet another referendum to change the constitution so as to permit indefinite rélection of the president. "Chávez will not abandon you," he told his supporters.

Chávez has also begun to promote ungovernability in jurisdictions controlled by the opposition. Government agents in the state of Miranda and in the mayor's office in Sucre, after learning that they had lost the elections, vandalized government property and emptied bank accounts. Chávez also has intensified his personal attacks against opposition leaders. The idea behind these actions is to produce voter disenchantment with local leaders in regions controlled by the opposition. Antagonizing the opposition will not bring peace to Venezuela, but it might strengthen the government politically. And if the economy further deteriorates, it might be the only recourse left for the government.

POLITICAL SUICIDE?

A decline in Venezuela's power asymmetry and a drop in commodity prices have disturbed the comfort that Chávez's populist government had enjoyed since 2004. Whether this will lead to more autocracy, more democracy, or more unrest is hard to tell. But one cannot rule out the possibility that grim economic conditions might push the government to become more aggressive toward the opposition.

One point is clear. Chávez's resort to hate speech proves that he truly hates his rivals - yet his policies during the past few years suggest he might hate his revolution more. His policies have, one by one, destroyed his movement's ideals; hence, his current political troubles. His wounds are not yet mortal, but they are serious and self-inflicted. In the end, Chávez might never recover. His "socialism for the twenty-first century" is looking more and more like political suicide in the making.

To survive, Chávez must make a choice. He can sacrifice his radical ways, including his hyperpresidentialism; doing so might restore his movement's electoral appeal and maybe even its majoritarian status. Or he can sacrifice the few democratic institutions that remain, in which case, whether his movement is popular or not becomes a moot point. From the looks of it, Chávez seems to be opting for the latter sacrifice.

“¿Quién ganó el 26S?” by Héctor Palacios, *Ultimas Noticias*. Octubre 2010.

Yo celebro que tenemos Asamblea como la gente. Como ñapa el canal de la Asamblea, ANTV será uno de los más entretenidos de la televisión venezolana.

Ambos, oficialismo y oposición dicen que ganaron. En el Parlatino el bloque oficialista obtuvo 5.268.939 votos, y la Mesa de la Unidad (MUD) 5.077.043 votos*. Esto es 46,71% vs 45,01%, sobre un universo de 11.279.962 votos emitidos (aprox.).

Entonces, el bloque oficialista fue el más votado. Tiene mayoría relativa. Si fueran presidenciales, su candidato sería el Presidente. En cristiano, el bloque oficialista ganó a todos los otros bloque y partidos según el Parlatino. No se puede meter a los votantes del PPT (317.888 votos, 2,81%) en el mismo saco.

Por otro lado están dos grupos claramente opositores: Opina (288.899 votos, 2,56%) y el llamado Pro-Parlatino (MOVEV y otros, 85.836 votos, 0,76%). Sumando, tenemos oposición clara con 5.451.778 votos, 46,47%. Es decir, la oposición desunida le ganó al bloque oficialista. Pero, los votos al Parlatino son parlamentarias. Cada grupo puede querer presentarse por separado porque son varios cargos.

En cambio, en unas presidenciales sólo tiene sentido juntarse. Por lo tanto, concluimos que la oposición le ganó al oficialismo en el Parlatino por cerca de 182 mil votos. ¿Les parece ajustado?

¿Qué pasa si vemos los votos lista? Obtenemos que el bloque oficialista 5.447.198 votos vs MUD con 5.330.754 votos. De nuevo, el bloque oficialista ganó a todos los otros bloque y partidos según voto lista nacional. Si hubieran sido elecciones presidenciales, habría ganado el bloque oficialista. La diferencia es de cerca de 116 mil votos a favor del bloque oficialista.

Los grupos claramente opositores Opina y Pro-Parlatino, la oposición tendría 81.356 votos más. Con lo que la diferencia se reduce a 35.088. Más ajustado no puede estar.

Una diferencia de 100mil votos, ¿es realmente tan importante? Si quieres aparecer en cámara, quizás, pero en la práctica significa que el país dividió sus preferencias en dos grupos principales. Que no es lo mismo que decir que estamos polarizados o que sólo hay dos grupos. Más sobre esto abajo.

En conclusión, el que quiera declararse vencedor que recuerde que los otros, si es que van detrás, le están soplando la nuca.

Pero los líderes opositores no deben creer que esos votos son convertibles para elegir a un Presidente. Chávez es el mejor candidato que ha visto esta tierra. Dije candidato, no Presidente.

Sin embargo, a nivel de diputados, el claro vencedor es el bloque oficialista que tiene 98 diputados. La MUD tiene 65 y el PPT 2 diputados. El principal conflicto es la relación entre el número de votos y los diputados obtenidos por cada quien. La oposición se queja de la Ley Electoral, pero a nadie en verdad le preocupan las minorías. De esto más adelante.

¿Cómo debería quedar la Asamblea en relación con los votos? El punto de partida es la Constitución de 1999, alias la Bolivariana.

Artículo 186. La Asamblea Nacional estará integrada por diputados y diputadas elegidos o elegidas en cada entidad federal por votación universal, directa, personalizada y secreta con representación

proporcional, según una base poblacional del uno coma uno por ciento de la población total del país. Cada entidad federal elegirá, además, tres diputados o diputadas.

El detalle final de que cada entidad tendría tres diputados. Es decir, que Delta Amacuro, tendría al menos tres diputados aunque no rebasó los 100 mil votos, que son menos que los votos emitidos en Caricuao y Antímano juntos, dos de las zonas de Caracas. La razón de fondo es que Venezuela es una República Federal. Más detalle sobre esto abajo. La primera conclusión es que ninguna Ley Electoral, dentro del marco de la consitución de 1999, debería garantizar la absoluta proporcionalidad.

No tengo nada claro como respetar al mismo tiempo los principios de personalización (uninominalidad) y de proporcionalidad. Lo cierto es que ninguno de los principios debería ceder. La situación actual, en la cual el ganador de un circuito se lleva todo, no es nada proporcional. Los votos lista por estado tampoco son proporcionales. Un partido pequeño que saque votos en todos los estados podría no tener ni un sólo escaño.

Por ejemplo, el PPT obtuvo 317.888 votos al Parlatino, que representa el 2,81% de los votos. Pero obtuvo 2 diputados, pero por Amazonas, con 23.453 votos.

En general, el argumento de la oposición de que deberían tener proporcionalidad perfecta es incorrecto, a menos que estén hablando de reformar la constitución del 99.

El argumento del oficialismo de que la elección es local o por circunscripción también es incorrecto, porque ese argumento no corresponde al Art. 186 y otros de la constitución que establecen el principio de la uninominalidad al mismo tenor que el de la proporcionalidad.

Ambos están argumentan erroneamente, quizás porque ambos quieren leer los resultados a su conveniencia. Por la misma línea concluye Eugenio Martínez.

Otro tema es la manipulación de los circuitos y las llamadas salamandras. Como argumenta en Caracas Chronicles, la nueva Ley Electoral favoreció al bloque oficialista y a la MUD en varios circuitos. La MUD ganó en Anzoátegui con 52,21% de los votos y se llevó casi todos los diputados de allí, es decir, nada proporcional.

La MUD ganó también en Carabobo con 53,52% pero allí el Psuv fue quien se llevó casi todos los diputados. Aunque ambos pescaron en río revuelto, el bloque oficialista fue el más favorecido tanto con la Ley Electoral como con el Reglamento Electoral. Lo cierto es que la Ley Electoral es pésima, terriblemente mala, pero ninguno querrá cambiarla por la ambición de tomar diputados con pocos votos.

Un buen ejemplo de ese análisis es el de Eugenio Martínez: Oposición perdió dos diputados en Distrito Capital (DC) por circuitos. En el DC la oposición obtuvo 47,80% de los votos, y el oficialismo 47,73%. Con las Leyes y Reglamentos cambiadas recientemente por la Asamblea Roja Rojita y el CNE Rojo Rojito, el oficialismo obtuvo 6 diputados nominales y 1 lista, vs 1 nominal y 2 lista de la MUD. Con leyes y reglamentos anteriores serían 5 diputados cada uno.

Parecería que en el cambio de Ley/Reglamento se rompió bastante el principio constitucional de la proporcionalidad, al menos en la práctica. Quiero decir, la ley anterior puede que fuera incorrecta, pero al menos en el caso del DC hubiera reportado el número correcto de diputados.

Lo más aberrante son los Estados en los que el perdedor del voto ganó más diputados. Esos son:

Carabobo: con 9.3% de diferencia a favor de la oposición, ésta obtuvo sólo 4 diputados mientras que el oficialismo obtuvo 6.

Distrito Capital: con 0,07% de diferencia a favor de la oposición, obtuvo sólo 3 diputados mientras que el oficialismo obtuvo 7.

Mérida: con 1,34% de diferencia a favor de la oposición, ésta obtuvo 2 diputados. En cambio el oficialismo obtuvo 4.

Miranda: con 15,68% de ventaja para la oposición. Una ventaja clarísima, pero ambos obtuvieron 6 diputados.

Todos los casos de arriba muestran beneficios para el oficialismo. En algunos casos muy grave, contraviniendo el voto popular. La MUD también se vio favorecida, pero solo cuando era mayoría, aunque fuera por poco. Por ejemplo en el Zulia, con una diferencia de 10% a favor de la MUD, ésta obtuvo 12 diputados y el oficialismo sólo 3. En Anzoátegui, con 7.25% de diferencia a favor de la MUD, obtuvieron 6 diputados, y el oficialismo sólo 1.

De nuevo, la Ley Electoral y su Reglamento son terriblemente malos, pero convienen a la ambición de poder. Sin embargo, la situación actual favorece más al oficialismo.

¿Puedo sacar yo mis propias cuentas?

Claro que puedes. A mano, o usando una hoja de cálculo (OpenOffice, Excel, etc). El único detalle es que el CNE no publica los resultados en un formato procesable sino en páginas web, que quedan bien bonitas pero que no facilitan a la gente sacar sus propias cuentas. Digo 'la gente' porque tanto los partidos como los medios y otras organizaciones cuentan con programadores para bajar esos datos y hacer sus cuentas. En cambio, tu y yo, ¿Qué hacemos? En el mejor espíritu del movimiento hacker que ha creado montón de software libre, también nosotros procesamos nuestros datos y lo hacemos públicos.

¿Tendríamos que conformarnos con decidir si le creemos al oficialismo o a la oposición? Para nada... en política: ni reyes, ni dioses.

Los cálculos de arriba, y los de más abajo se hicieron usando datos extraídos de la página del CNE por Julio Castillo. Anexos a este post puede encontrar tanto los datos bajados, como un programa en Python para obtener dichos datos. El código es de libre distribución.

Bája los datos del CNE de las elecciones del 26 de septiembre.

Por ejemplo, me interesaba saber cuales eran los partidos más votados en los votos lista. Confundidos por el CNE, muchos periodistas y el mismo Chávez están diciendo que tales diputados fueron obtenidos por AD, Primero Justicia, UNT, etc, cuando todos los votos van al mismo grupo. Lo que sí es cierto es que el voto nacional podría decirnos que partidos resultaron más votados.

Los resultados son los siguientes:

PSUV 5.109.086

U.N.T.C. 998.450

M.P.J. 974.093

AD 923.432

C.O.P.E.I. 580.278

P.P.T. 340.545

PRVZL 339.828

PODEMOS 297.694

MIN-UNIDAD 203.861

P.C.V. 162.830

Lo cual dice que

Nada como el PSUV

PPT tiene más votos que Proyecto Venezuela, Podemos y el P.C.V.

Muchas más cosas pueden sacarse con los datos. ¡Anímate!

Drugs and Security

Excerpt from “International Narcotics Control and Security Report” – Volume I. U.S. Department of State. 2010.

Venezuela

I. Summary

Venezuela is a major drug-transit country; flows of drugs to the United States, Europe and West Africa via Venezuela increased sharply in 2009. Venezuela continues to suffer from high levels of corruption and a weak judicial system. Inconsistent international counternarcotics cooperation and an increase in trafficking patterns through Venezuela enable a growing illicit drug transshipment industry. Venezuela has not signed the addendum to the 1978 U.S.-Government of Venezuela (GOV) Bilateral Counternarcotics Memorandum of Understanding (MOU) that was negotiated in 2005. Nevertheless, Venezuela continues some minimal bilateral counternarcotics cooperation with the United States. The decision by the United States and the GOV to exchange ambassadors in July 2009, following the September 2008 expulsion of the U.S. Ambassador from Venezuela, presents an opportunity to improve bilateral cooperation on counternarcotics and other issues that have been hindered by continuing tensions in the bilateral relationship. The President determined in 2009, as in 2008, 2007, 2006, and 2005, that Venezuela failed demonstrably to adhere to its obligations under international counternarcotics agreements.

Venezuela is a party to the 1988 UN Drug Convention.

II. Status of Country

A permissive and corrupt environment in Venezuela, coupled with increased drug interdiction efforts in the Caribbean, Central America and Mexico, has made Venezuela one of the preferred routes for trafficking illicit narcotics out of South America. While the majority of narcotics transiting Venezuela move directly to the United States and Europe, a growing portion also flows through western Africa and then onwards to Europe. The trafficking of drugs has increased the level of corruption, crime, and violence in Venezuela.

III. Country Actions Against Drugs in 2009

Policy Initiatives. In 2009, the GOV initiated a new effort to combat the money laundering of drug proceeds by having its National Counternarcotics Office (ONA) conduct three training programs in money laundering awareness and investigative techniques for GOV law enforcement and intelligence agencies. Representatives from GOV tax, intelligence, and law enforcement agencies attended training seminars in Venezuela hosted by Spain and the Netherlands.

In September 2009, the GOV hosted the 19th Heads of National Drug Law Enforcement Agencies (HONLEA) for Latin America, organized by the United Nations (UN). Key topics included container security at shipping ports and the transit of narcotics from Latin America to Africa.

The GOV national counternarcotics strategy for “2008-2013,” which was slated to go into effect in January 2008, was renamed to “2009-2013,” but has still not been publicly released.

At least six of the ten radar systems purchased in 2007 from China to scan Venezuelan airspace for illegal drug transshipments have been installed.

Since the reduction of bilateral counternarcotics cooperation in 2005, the GOV has maintained limited counternarcotics cooperation with the United States. This cooperation has mainly involved informal information exchanges with remaining U.S. Drug Enforcement Administration (DEA) representatives in Caracas, coordination of fugitive deportations from Venezuela to the United States and Colombia, and maritime interdiction with the U.S. Coast Guard. Venezuela's Minister of Interior announced in July 2009 that police receiving training abroad without the Ministry's approval would be banned from law enforcement and that foreign law enforcement experts giving talks in Venezuela without authorization would face arrest. This announcement has discouraged most professional law enforcement from participating in U.S. government-sponsored programs.

In 2005, the GOV stated that a renewal of bilateral counternarcotics cooperation depended on both parties signing an addendum to the 1978 U.S.-GOV Bilateral Counternarcotics Memorandum of Understanding.

While the United States did not agree that the addendum was essential to ensuring appropriate counternarcotics cooperation, the United States reached agreement with GOV officials on a mutually acceptable version in December 2005. Despite repeated assurances from senior GOV authorities and agreement on two signing dates, Venezuelan President Hugo Chávez has not yet authorized the signing of the addendum to the MOU. The senior GOV officials who negotiated the addendum have since left their positions, and their successors have publicly stated that the GOV will neither sign a bilateral agreement nor cooperate with the United States on counternarcotics.

In March 2009, the GOV allowed representatives from the U.S. Government Accountability Office (GAO) to meet with the Venezuelan Attorney General. The Attorney General asked for reciprocity in access for Venezuelan government representatives to conduct a similar visit to the United States.

However, the GOV did not respond to a diplomatic note from the United States offering to facilitate such a visit.

Throughout 2009, the GOV's Vice President and Minister of Interior both routinely accused DEA of running an international drug smuggling ring. President Chávez repeated the erroneous claim and also suggested that the U.S. military was involved. President Chávez also asserted that the United States permitted drug smuggling to "pacify" its population.

The lack of greater counternarcotics cooperation reflects the general chilling of bilateral relations over the past few years. Given the GOV's refusal to expand cooperation, the President determined in 2009, as in 2008, 2007, 2006, and 2005, that Venezuela failed demonstrably to adhere to its obligations under international counternarcotics agreements.

The GOV did renew counternarcotics cooperation agreements with the United Kingdom in 2009.

Law Enforcement Efforts. According to the ONA, seizures of all illicit drugs within Venezuela increased from 40 metric tons in 2008 to 60.2 metric tons in 2009. This is still far below the 2005 peak of 152 metric tons when the United States and GOV cooperated fully in counternarcotics activities. In total, the GOV reported seizing 81 kilograms of heroin, 32.3 metric tons of marijuana, 27.7 metric tons of cocaine and 90 kilograms of bazuco and crack cocaine last year. The GOV does not permit the USG to confirm its seizures nor are other countries permitted to verify the destruction of seized illicit drugs.

Moreover, these figures include seizures made by other countries in international waters which were subsequently returned to Venezuela, due to the seized vessel having Venezuelan registry.

Seizures of drugs transiting from Venezuela to other countries, including to the United States and the United Kingdom, rose steadily in 2009. The increase in third country seizures, including some multi-ton seizures, transpired despite the GOV's limited counternarcotics cooperation.

Venezuelan counternarcotics commandos successfully raided more than 15 high capacity drug processing labs along the border with Colombia in 2009. Seizures of more than one metric tons of cocaine, destined for shipment via containers, were made in the ports of Puerto Cabello and La Guaira.

Venezuela cooperated with the U.S. Coast Guard in three maritime interdiction cases involving Venezuelan flagged vessels in 2009, two of the cases yielding over two metric tons of cocaine. In one of the cases, Venezuela waived jurisdiction to allow the U.S. Coast Guard to retain custody of one Colombian crewmember for U.S. prosecution.

The lack of effective criminal prosecutions, politicization of investigations, and corruption undermine public confidence in the judicial system. Seizures and arrests are usually limited to low-level actors.

Walid Makled, Venezuela's largest drug trafficker, remains a fugitive since the November 2008 raid on his farm.

Corruption. Public corruption continued to be an issue in Venezuela during 2009. There are regular press reports about Venezuelan security forces facilitating or being directly involved in drug trafficking, particularly the special counternarcotics units of the National Guard and the Federal Investigative Police.

Even when seizures occur, the drugs are reportedly not always turned over intact for disposal, and the chain of custody for seized cocaine from prosecution to destruction is often incomplete.

Agreements and Treaties. Venezuela is a party to the 1988 UN Drug Convention, the 1961 UN Single Convention as amended by the 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances.

Venezuela and the United States are parties to a Mutual Legal Assistance Treaty that entered into force in March 2004. Venezuela is party to the UN Convention against Transnational Organized Crime and its protocols against trafficking in persons and migrant smuggling, and the UN Convention against Corruption. Venezuela is also a party to the Inter-American Convention Against Terrorism, the Inter-American Convention Against Corruption, and the Inter-American Convention on Mutual Assistance in Criminal Matters and is an active member of the Inter-American Drug Abuse Control Commission (CICAD).

The GOV has also signed a number of bilateral agreements with the United States, including a Customs Mutual Assistance Agreement and a 1991 Ship-Boarding Agreement updated in 1997 that authorizes the United States to board suspect Venezuelan-flagged vessels on the high seas. The continued unimpeded use of the ship boarding agreement remains important to Venezuela's cooperation with the USG in counternarcotics matters.

While a 1978 U.S.-GOV bilateral Memorandum of Understanding concerning counternarcotics cooperation was signed, an addendum to extend the agreement has remained unsigned since 2005.

Extradition and Mutual Legal Assistance. The United States and Venezuela are parties to an extradition treaty that entered into force in 1923; however the treaty has limited application as the 1999

Venezuelan Constitution bars the extradition of its own nationals. Venezuelan authorities continue to selectively deport non-Venezuelan criminals to the United States or a third country. There have been cases where individuals deported from Venezuela to a third country have been successfully extradited from that third country to the United States. Although no formal extradition request had been made, the GOV, in coordination with the U.S. Embassy in Caracas, deported two fugitives sought by DEA directly to the U.S. in 2009.

Cultivation/Production. Some limited coca cultivation occurs along Venezuela's border with Colombia, but the levels are historically insignificant. No reliable cultivation data was released in 2009 by the GOV.

Operation Sierra, an eradication effort along the western frontier with Colombia, included elements of the ONA and Venezuela's Bolivarian Armed Forces (FAB). The results of the eradication programs have not been released.

Drug Flow/Transit. The majority of illicit drugs transiting Venezuela are destined for the United States, Europe, and West Africa. Drug traffickers now routinely exploit a variety of routes and methods to move what the United States estimates to be hundreds of metric tons of illegal drugs on the Pan-American Highway, the Mata and Orinoco Rivers, the Guajira Peninsula, and dozens of clandestine airstrips. Illicit narcotics destined for the United States from Venezuela are shipped through the Dominican Republic, Haiti, Central America, Mexico, and other Caribbean countries. Narcotics destined for Europe are shipped directly to several countries in Europe, particularly to Spain, or are shipped through the eastern coastal waters and rivers of Venezuela, Guyana and the Caribbean to West Africa, notably Guinea and Guinea Bissau. Venezuelan traffickers have been arrested in The Netherlands, Spain, Ghana, the Dominican Republic, Mexico, Grenada, Dominica, St. Lucia and other countries. In November 2009, the remains of a commercial 727 jet aircraft that departed Venezuela were discovered in the desert of Mali after allegedly delivering several tons of cocaine.

Traffickers continue to use private and commercial aircraft and maritime cargo containers, fishing vessels, and go-fast boats to move the narcotics to principal markets in the United States and Europe.

According to the Joint Interagency Task Force-South (JIATF-S), the amount of cocaine moving through Venezuela by private aircraft and maritime means increased from 54 metric tons in 2004 to approximately 143 metric tons in 2009, representing about 60 percent of the total volume of transshipments. Illegal armed groups in Colombia, including two U.S.-designated Foreign Terrorist Organizations (FTOs), the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN), are linked to the most aggressive and successful drug trafficking organizations moving narcotics through Venezuela.

The FARC and ELN are reported to have established the wherewithal in Venezuela to facilitate trafficking activities, to rest, and to evade Colombian security forces. Reportedly, some elements of Venezuela's security forces directly assist these FTOs.

In an effort to combat the transit of narcotics through Venezuela, the GOV launched Operation Centinela (Sentinel) in 2009. This umbrella operation coordinated resources of Operation Boquete (Pothole) V-2009, designed to disable clandestine landing strips used for drug trafficking, and Operation Sierra, intended to destroy illicit coca and poppy cultivation in Venezuela. ONA reported that a total of approximately 40 airstrips were disabled, and also reported the seizure of four suspect aircraft in the state of Apure.

Demand Reduction. ONA continued the Planting Values for Life program, a comprehensive drug prevention initiative. By October 2009, more than 30,000 people had been trained as community drug

advisors and 70 members of the business community had been trained for workplace programs to complement this program.

Since 2005, Venezuelan law has required that companies with more than 200 workers donate one percent of their profits to the ONA. ONA is then responsible for dispensing funds to demand reduction programs carried out by ONA-approved NGOs or to run their own programs. This represents a departure from how the program functioned under ONA's predecessor organization (the National Commission Against Illegal Drug Use, or CONACUID), when companies made donations directly to CONACUID-approved NGOs, instead of to CONACUID.

ONA has been slow to certify NGOs involved in demand reduction, thereby hindering implementation of the 2005 law. Several NGOs, such as the Alliance for a Drug Free Venezuela, also claim to have been denied ONA certification for being linked to opposition political parties, while those NGOs receiving assistance from the United States have found it particularly difficult to receive ONA certification.

Implementation has also been hindered by legal challenges to the requirement that funds be donated directly to ONA. Companies have postponed making donations, either to ONA or to NGOs, until the statutory requirement is clarified. Many NGOs have closed due to a lack of funding. The GOV does not track statistics on drug abuse and treatment, with the exception of a 2005 ONA survey, which suggested that drug abuse among Venezuelan youth was decreasing. However, the accuracy of that survey is uncertain, and various NGOs report that drug abuse may be on the rise.

IV. U.S. Policy Initiatives and Programs

Bilateral Cooperation. Cooperation with the GOV is restricted to the interdiction of vessels on the high seas and informal exchanges of information between DEA and ONA.

In 2007, the GOV said it would end the judicial sector's participation in several U.S.-funded United Nations Office of Drugs and Crime (UNODC) programs, and indicated to the UNODC that the GOV would not participate in any programs receiving U.S. funds. However, in 2009, the GOV attended a judicial sector training seminar on money laundering developed with the technical support of UNODC.

No further cooperation with the GOV was reported during 2009. While the United States continues to reach out to traditional counternarcotics contacts in the GOV, increasing support has been given to nontraditional partners, including NGOs involved in demand reduction and regional and municipal government anticrime and counternarcotics programs.

In November 2009, ONA informed U.S. officials of its intent to activate the U.S.-funded Container Inspection Facility (CIF) at Puerto Cabello. Completed in late 2006, the CIF was intended to provide a venue and equipment (forklifts, tools, and safety equipment) for Venezuelan authorities to unload and examine containers in a safe and protected environment. Embassy representatives attempted to assess the facility in April 2009 but were refused entry. However, they were alerted that USG-provided computers, forklift equipment, and other materials worth more than approximately \$18,000 were missing from the locked facility.

A number of private Venezuelan companies are still enrolled in a private sector anti-smuggling endeavor called the Business Alliance for Secure Commerce (BASC) program. This program seeks to deter smuggling, including narcotics, in commercial cargo shipments by enhancing private sector security programs.

The GOV continues to cooperate with the United States to permit the boarding of Venezuelan-flagged vessels on the high seas that are suspected to be engaged in narcotics trafficking, although delays in response to requests for verification of nationality have sometimes resulted in lost opportunities. In cases of cooperation, the GOV asks to retain jurisdiction and does not share information on the final disposition of seizures made by the U.S. Coast Guard on Venezuelan-flagged vessels or the corresponding legal cases.

The Road Ahead. The United States is prepared to deepen cooperation with Venezuela to help counter the increasing flow of illegal drugs through that country. Cooperation could be improved if the GOV signed the outstanding bilateral counternarcotics MOU addendum, which would free up funds for joint counternarcotics projects. Illicit trafficking from Venezuela could be curbed if the GOV made operational the Container Inspection Facility (CIF) at Puerto Cabello. Bilateral cooperation could also be improved by returning a Venezuelan liaison officer to JIATF-South in Key West, Florida. These steps would increase the exchange of actionable intelligence, help to dismantle organized criminal networks, and aid in the prosecution of criminals engaged in trafficking. In addition, the GOV is encouraged to agree to an International Shipping and Port Security visit by the U.S. Coast Guard to conduct an assessment of its major seaports. The last assessment was conducted in 2004, but the GOV has denied repeated attempts by the U.S. to discuss port security.

“The FARC, Narco-Terrorism, and Hugo Chávez” by Diego Arria and Richard Brand,
U.S. News and World Report. 14 July 2008.

This month's spectacular rescue by Colombian commandos of 15 hostages, including the politician Ingrid Betancourt and three American defense contractors, from a six-year captivity cast an international spotlight on the miseries inflicted by the terrorist group responsible for the kidnappings, the Revolutionary Armed Forces of Colombia, or FARC.

One of seven rebels of the Revolutionary Armed Forces of Colombia, FARC, who surrendered to the Army. Much of the FARC's strength is derived from its protection of an illicit narcotics trade that channels cocaine to North American communities. But the recent hostage rescue has also drawn attention to the real role played by Venezuelan leader Hugo Chávez in using the FARC in an effort to destabilize the government of Colombia's President Alvaro Uribe, his regional archrival.

During a previous commando raid in March, which killed FARC second in command Raul Reyes at his Ecuador campsite, Colombian soldiers recovered files from Reyes's laptop showing, among other things, that high-ranking Venezuelans had schemed with the FARC to supply the group with high-tech weapons, ammunition, and a \$300 million grant. The files also detailed plans to exploit the hostage issue for political gain.

Chávez's support for the FARC has been known and tolerated for some time. Indeed, Venezuela has been harboring the group's leaders, who have operated openly within Venezuela's borders. Chávez's ban on overflights by U.S. planes participating in antinarcotics operations in Colombia and his government's refusal to cooperate with the U.S. Drug Enforcement Administration have also benefited the FARC immeasurably. It is no coincidence that during Chávez's presidency, Venezuela has turned into a major conduit for the transshipment of cocaine.

Despite the FARC's killing of thousands of civilians and its continued holding of 700 hostages, among them Venezuelans, the oil-rich Chávez government confessed its direct support for and solidarity with the region's most notorious terrorist group. During a speech this spring before Venezuela's congress and an assembled diplomatic corps, Chávez asked that the FARC be removed from U.S. and European terrorist lists, insisting that the group "deserves recognition" as "insurgent forces that have a political project, a Bolivarian project that is respected here."

It seems clear today that Chávez's earlier involvement in appearing to negotiate the release of FARC hostages was not a humanitarian act but rather cold political grandstanding intended to enhance his status and that of the FARC. It is suggestive of the amicability between Chávez and the FARC—and perhaps fitting punishment for their collusion—that when the Colombian commandos duped the FARC out of its most important assets, they chose as a disguise clothing and aircraft similar to those used by previous Venezuelan delegations.

Evidence of Chávez's support for the FARC has been revealed just as the Colombian military has made its biggest advances in its strategy of eliminating the group's leaders while encouraging defection among the rank and file. The rescue of Betancourt and the three American hostages deprives the group of its most valuable bargaining chips. What's more, the hostages' stories have helped cement world opinion against the FARC. Marc Gonsalves, one of the rescued Americans, described being held in chains while tropical diseases ravaged his body. His message to the FARC and its sympathizers, conveyed by media across the world: "FARC, you are terrorists...terrorists with a capital 'T.' "

Since the discovery of the Reyes laptop files and the rescue of the hostages, a shaken Chávez has been forced to adopt a more cooperative tone. This is all good, but Chávez's track record suggests that once the pressure is off, he will revert to his old ways. So it is important to keep the pressure on by confronting him with the consequences and implications of harboring and abetting narco-terrorist organizations.

Colombian intelligence agencies should publish the thousands of unreleased files from Reyes's laptop, which are widely believed to contain further details on Chávez's dealings with the FARC and other terrorist groups. Further, any Venezuelan officials implicated in supporting the FARC or other terrorist groups should have their assets frozen and travel restricted, as recently happened to a Venezuelan diplomat accused of raising funds for Hezbollah and establishing a Hezbollah center in Caracas. The United States should also strengthen Uribe's hand in fighting the FARC by reducing existing trade barriers with Colombia, which will send a message across the world that the United States stands with its allies in the fight against terrorism.

Diego Arria is a former Caracas governor and Venezuelan ambassador to the United Nations. Richard Brand is an attorney and a former foreign correspondent for the Miami Herald.

Media

“Press Freedom: Venezuela” – Freedom House 2009.

Press freedom in Venezuela suffered from a host of problems in 2008, including the politicization of the judiciary, widespread corruption, harassment of the opposition, extensive self-censorship, and reprisals orchestrated by public officials. While freedoms of speech and the press are constitutionally guaranteed, the 2004 Law of Social Responsibility in Radio and Television contains vaguely worded restrictions that can be used to severely limit these freedoms. Criminal statutes assign hefty fines and long prison terms for “offending” or “denigrating” the authorities. Legal defenses in insult cases are complicated by the unpredictability of courts’ rationale, often resulting in a more cautious approach on the part of the press. Since 2005, defamation of the president has been punishable by 6 to 30 months in prison. Insults against lower-ranking officials can result in lighter punishments. Individuals can also sue the press for “public disdain” or “hatred.” Public officials, from the president to local administrators, frequently denounce members of the opposition press as “fascists,” “terrorists,” and “enemies of the people.” Under pressure, President Hugo Chávez revoked a controversial Espionage Law that would have forced Venezuelans to cooperate with intelligence services or face jail time. The law also would have imposed civil and criminal penalties for diffusing information classified as secret or confidential. In general, independent journalists complained that a lack of access impeded their reporting in 2008; they were often denied entry to military ceremonies and other official events that state media were allowed to attend.

Media watchdogs reported a wide array of attacks on press freedom during the year. In August, the National Telecommunications Commission (CONATEL) closed two FM radio stations for operating without proper licenses. The closures were condemned in Venezuela and abroad as politically motivated. In September, Jose Miguel Vivanco and Daniel Wilkinson, respectively the Americas director and deputy director for Human Rights Watch, were expelled from the country after releasing a critical report entitled *A Decade Under Chávez*. Also during the year, the National Journalists’ Guild accused Chávez of violating the rights of the press, while the Inter-American Court of Human Rights heard similar grievances from broadcast journalists.

Violent attacks against the media such as shootings and assaults occur regularly. In July, reporter Dayana Fernandez and photographer Luis Torres of the newspaper *La Verdad* were assaulted by Maracaibo city officials while covering waste disposal practices. The journalists’ equipment was confiscated and they were allegedly beaten and held for more than two hours. The murder of journalists is fairly rare. However, Pierre Fould Gerges, vice president of the Caracas daily *Reporte Diario de la Economía*, was gunned down in the capital on June 2. Two weeks later, news anchor Javier Garcia of Radio Caracas Television Internacional (RCTV Internacional) was found stabbed to death in his apartment, supposedly after being robbed. The case was still being investigated at year’s end.

Free-to-air broadcast media are largely owned by the government, which operates seven channels with nationwide coverage. However, Venezuela’s leading newspapers are privately owned, and most identify with the opposition. As a result, they are subject to threats and violence by the government and its supporters, sometimes leading to self-censorship. Local and regional media are particularly dependent on government advertising revenue, leaving them vulnerable to economic retaliation for criticism. According to a study by the regional watchdog group *Instituto Prensa y Sociedad*, fear of offending the government and a reluctance to antagonize ad buyers were the two primary reasons for a high level of editorial self-

censorship. The president has a weekly television show and exercises his power to preempt regular programming to ensure extensive coverage of government cadenas (announcements) in private media.

The launching of the first Venezuelan satellite (the Simon Bolivar 1) in October was not covered by the nation's private networks, highlighting the partisan nature of the media. In July 2008, the Supreme Tribunal of Justice once again declined to give the opposition-aligned RCTV Internacional—which is available via cable, satellite, and the internet—a license to operate as a terrestrial station, which would enable it to reach a considerably larger segment of the population. There are currently no government restrictions on the internet, which was used by roughly 25 percent of the population in 2008. However, a controversial bill that would give the government the power to censor telecommunication services, including the internet, was pending in late 2008. The government denied that internet censorship was the purpose of the measure.

“Attacks on the Press 2009: Venezuela”-- Committee to Protect Journalists. February 2010.

Top Developments

- Regulators strip licenses from critical broadcasters.
- Government wages politicized investigation into Globovisión.

Key Statistic

34: Private radio and television stations pulled from the air.

After scoring a major victory in a February referendum that granted indefinite presidential re-election, President Hugo Chávez Frías and his government intensified their years-long crackdown on the private media. The government’s regulatory body took unprecedented steps to target critical broadcasters. Arbitrary decisions stripped private radio stations of their licenses, while a series of investigations threatened to shut down Venezuela’s remaining critical television broadcaster, Globovisión. In the country’s interior, an outspoken government critic was jailed, and an investigative reporter was slain in direct reprisal for his work.

Assailed by Chávez as an instrument of the oligarchy engaged in “media terrorism,” Globovisión was the target of a barrage of investigations. In September, the National Telecommunications Commission (CONATEL) opened an administrative probe after accusing the network of inciting rebellion for airing a viewer’s text message calling for a coup. In July, CONATEL began an inquiry into allegations that Globovisión was airing messages that could create “anguish, anxiety, and fear.” The broadcaster had run an advertising campaign defending private property (at a time when the administration was nationalizing major industries, including telecommunications, electricity, and some food production). Yet another inquiry was opened in May, on charges of “inciting panic and anxiety in the population,” after Globovisión reported on an earthquake that shook Caracas. During the broadcast, Globovisión Director Alberto Federico Ravell urged viewers to remain calm and accused authorities of failing to inform Venezuelans in a timely way, according to international news reports. The broadcaster, known for its strident antigovernment views, also had two pending investigations from 2008. A sanction in any one case could mean suspension of up to 72 hours; a second sanction could result in the revocation of the broadcaster’s license.

The government threatened to take other steps. In June, just hours after Chávez warned Globovisión to cease its critical coverage or face closure, CONATEL requested that the Attorney General’s office investigate whether the private broadcaster was criminally liable for violations of the telecommunications law. CPJ called it a “serious escalation” in tactics. No criminal investigation had been started by late year.

Globovisión was also victim of a violent attack in August, when a group of more than 30 armed individuals on motorcycles stormed its Caracas offices, set off tear gas canisters, and injured a local police officer and two employees. According to video footage later aired by the broadcaster, the assailants were members of the pro-Chávez political party Unión Patriótica Venezolana (UPV). Authorities arrested UPV leader Lina Ron days later and charged her with “conspiring to commit a crime,” according to a statement from Minister of Interior and Justice Tarek El Aissami. Ron, released in October, was being tried in late year.

CONATEL used the regulation of broadcast licenses as pretext to silence independent and critical voices, pulling 32 privately owned radio stations and two TV stations off the public airwaves in early August. The broadcasters, CONATEL alleged, had failed to update their registration papers by a June deadline.

According to the regulator, the stations were operating illegally because their licenses had been granted to “natural persons,” while the 2000 Law on Telecommunications required they be turned over to “legal persons.” The broadcasters appealed, and many presented evidence that they had filed documents to conform to the change. They remained off the air in late year.

The regulator had threatened earlier to revoke as many as 154 FM and 86 AM radio licenses. In a July letter, CPJ urged Minister of Public Works and Housing Diosdado Cabello to ensure that broadcast licensing be conducted in an unbiased and transparent manner.

The Chávez administration moved aggressively to curtail media freedom by introducing restrictive legislation. In July, Attorney General Luisa Ortega Díaz submitted a bill that would punish “press crimes” with prison terms. The goal, she said, was to confront “new forms of criminality created by the abusive exercise of freedom of information and opinion.” The initiative defined “press crimes” as actions that threaten the “social peace, the security, and independence of the nation, the stability of state institutions, mental health or public ethics, and actions that cause a state of impunity.” The measure vaguely said it would “prevent and punish actions or omissions displayed through the media that constitute a crime,” and would sanction “any person who releases false news in the media that causes serious public disorder, fear and anxiety among the population, or damages to state institutions.” After an international outcry, the bill was shelved by the National Assembly in August. (In January 2005, the National Assembly drastically increased criminal penalties for defamation while expanding the number of government officials protected by defamation provisions.)

The legislature approved an education bill with provisions prohibiting the distribution of material that could incite “hate, aggressiveness,” “unruliness,” or cause “terror in children.” After the bill’s approval on August 13, a dozen journalists from the Caracas-based dailies *Ultimas Noticias*, *El Mundo*, and *Radio Líder*—owned by the private media conglomerate *Cadena Capriles*—staged a street protest against provisions they believed hindered free expression. That same afternoon they were struck and kicked by people the journalists identified as state employees who accused them of being “oligarchs” and “enemies of the people,” according to CPJ interviews. No one was seriously injured, but the episode stayed in the spotlight when Chávez accused the *Cadena Capriles* reporters of provoking the attack. On August 15, authorities arrested Gabriel Uzcátegui, an employee of the state-owned broadcaster *Ávila TV*, in connection with the assault. The station denied involvement and questioned the veracity of the reported victims. Uzcátegui had not been charged by late year.

Journalists covering protests were systematically harassed and attacked. In January, protesters beat Rafael Garanton, a photographer for the daily *El Carabobeño*, in Carabobo province while covering a student protest over insecurity in the streets, according to the regional press freedom group *Instituto Prensa y Sociedad*. The journalist, whose camera was stolen by protesters, was taken to a hospital with minor injuries. *Instituto Prensa y Sociedad* documented other cases: José Gonzáles, a photographer for the daily *El Mundo Oriental*, was attacked in February by members of Venezuela’s National Guard while photographing a public transportation drivers’ protest in Anzoátegui. In April, a photojournalist for the Mérida-based daily *Pico Bolívar*, Héctor Molina, was threatened by hooded protesters when covering a student demonstration. In July, National Guard officers held Zulia López and Jesús Molina, a reporter and cameraman for the broadcaster *RCTV Internacional*, and Thais Jaimez, a reporter for the daily *Panorama*, after they attempted to cover a construction workers protest in Táchira province.

In July, a Táchira judge ordered the arrest of Gustavo Azócar, an outspoken critic of Chávez and correspondent for the national daily *El Universal*, TV host, and blogger. The judge found that Azócar, accused of financial crimes in a years-old case concerning an advertising contract, had violated a pretrial order not to comment publicly on the case. Azócar told CPJ he republished on his blog some pieces from other media outlets about the case, but had not written about the case himself. Azócar’s lawyer and

colleagues told CPJ the journalist was being punished for his critical commentary on local government officials.

Escalating overall violence raised alarm, especially in the country's interior. In January, unidentified individuals shot and injured Rafael Finol, the political editor for the daily *El Regional*, outside the paper's offices in southwestern Acarigua. The journalist told CPJ he believed the attack was in retaliation for the paper's political reporting, which supports the Chávez administration. Finol told CPJ that investigators believed hired assassins had been involved in the attack.

Also that month, an unidentified individual shot and killed Orel Sambrano, director of the local political weekly *ABC de la Semana* and *Radio América*, in the western city of Valencia. Sambrano, 62, was known locally for his investigations and commentary on local politics. Colleagues told CPJ that he had recently published a number of investigative pieces on the family of local businessman Walid Makled. Press reports said that Sambrano had also named Rafael Segundo Pérez, a Carabobo police sergeant, as one of 13 local officers with ties to the Makled clan. On February 13, authorities arrested Pérez and accused him of working as a hired assassin and conspiring to commit a crime. Local news reports said authorities also issued an arrest warrant for Makled, whose family denied the accusations. Makled was believed to have left the country, news reports said. Deadly violence against the press is rare in Venezuela, according to CPJ research. Five journalists, including Sambrano, have been killed in relation to their work since 1992.

One of Venezuela's most strident critics, Rafael Poleo, editor and publisher of the daily *El Nuevo País* and the newsmagazine *Zeta*, fled the country in September after he was summoned by authorities in connection with a 2008 appearance on *Globovisión*, during which Poleo said Chávez "could end up like Mussolini." Poleo, who is living in exile in Miami, has said the government is looking to put him behind bars as part of its campaign against opponents, according to local news reports.

“Venezuela: Stop Abusing Broadcast Powers”-- Human Rights Watch. 26 January 2010.

The Chávez administration should not abuse its authority to compel broadcast of presidential speeches that promote the government's political agenda, Human Rights Watch said today.

On January 23, 2010, the Chávez government threatened to take action against cable providers that aired channels that did not comply with Venezuelan regulations, including the requirement to interrupt regular broadcasting to broadcast presidential speeches. The following day, the country's cable providers stopped broadcasting seven channels, including TV Chile, Chile's public TV channel, and RCTV International, the cable channel that was created after RCTV—Venezuela's oldest television channel and a constant critic of President Hugo Chávez—was taken off the public airwaves in 2007.

"For years, Chávez has sought to intimidate and punish broadcasters who criticize his government," said José Miguel Vivanco, Americas director at Human Rights Watch. "Now he's also going after those who refuse to promote his own political agenda."

Since taking office in February 1999, Chávez has used the government's legal authority to compel radio and TV stations using public airwaves to transmit almost 2,000 presidential speeches live. The speeches are not limited to extraordinary circumstances in which the government would need to reach the entire Venezuelan audience. In 2009, Chávez forced stations to transmit live 141 speeches, including one that lasted seven hours and 34 minutes.

Under regulations adopted by the National Telecommunications Commission (CONATEL) in December 2009, cable channels with more than 30 percent Venezuelan-produced programming -including both shows and advertisements - are considered "national audiovisual producers" and are therefore required to transmit Chávez's speeches live at his request.

Last week, CONATEL published a list of 24 cable channels considered "national audiovisual producers," and determined that other channels not on that list would be considered "national" until they provide evidence that they are international channels.

No official procedure with due process guarantees took place to determine whether any of the seven channels removed by the service providers on Sunday had violated any law.

Human Rights Watch has repeatedly called on the Venezuelan government to reverse measures that reduce the ability of government critics to voice their opinions and that seriously undermine freedom of expression in the country. These measures include:

- Amending the criminal code to extend the scope of desacato (disrespect) laws that criminalize offending public officials;
- Abusing its control of broadcasting frequencies to punish radio stations with overtly critical programming;
- Banning a series of TV and radio advertisements criticizing reforms proposed by the Chávez administration; and
- Ordering private radio stations to broadcast for three-and-a-half hours every day programs selected by the government and produced by government-certified independent producers.

“IAPA, outraged at arrest of Globovisión president, classifies Venezuela as another country jailing journalists”-- Inter American Press Association. 25 March 2010.

The Inter American Press Association (IAPA) protested the arrest today of Guillermo Zuloaga, president of the Globovisión television channel in Venezuela, and called for intervention by international agencies, such as the Inter-American Commission on Human Rights (IACHR), and application of the Inter-American Democratic Charter to prevent the further erosion of press freedom in Venezuela and the Western Hemisphere.

The organization also urged the Venezuelan government to provide legal safeguards and ensure due process.

The IAPA now views Venezuela as the second country in the Americas to imprison journalists in reprisal for performing their role of reporting, expressing opinions and criticizing. In addition to Zuloaga, currently jailed are Gustavo Azócar and Leocenis García, as well as several others facing criminal charges in Venezuela and in exile abroad, among them Rafael Poleo. Cuba holds 27 independent journalists in prison.

Zuloaga was preparing to fly this morning from the Josefa Camejo international airport in Punto Fijo, Falcón state, northwest of Caracas, when he was barred from leaving the country, without official notice. In the afternoon a warrant for his arrest was issued and he was taken to Caracas.

Attorney General Luisa Ortega Díaz reported that Zuloaga was being charged with “dissemination of false information,” punishable by three to five years’ imprisonment, and “offending and insulting the President of Venezuela” (a contempt charge), which carries a 15 month prison sentence. The charges stem from Zuloaga’s remarks criticizing the government during the IAPA’s recent biannual meeting in Aruba, which the National Assembly had asked the Public Prosecutor’s Office to investigate.

IAPA President Alejandro Aguirre protested Zuloaga’s arrest, calling it a “flagrant violation of press freedom and of Venezuelans’ freedom of expression,” adding it was ridiculous for the government to assume that he intended to flee the country. “If that were true,” Aguirre declared, “it would have made sense for Zuloaga to remain in Aruba, so this is nothing more than a tall tale by a government that is looking for any excuse to control freedom.”

The investigation ordered by the National Assembly is based on statements that Zuloaga made on Sunday, March 21, at the IAPA meeting during an open discussion on press freedom in Venezuela which also included supporters of the government of President Hugo Chávez.

Zuloaga asked for the floor to respond to a claim made by a group of journalists who identified themselves as members of the group Journalists for the Truth, and from Canal 8 and TV Avila, both state-owned TV channels, stating that he, as president of Globovisión, and Marcel Granier, president of RCTV, were among those responsible for the coup d’état that ousted Chávez for 48 hours in 2002.

Zuloaga responded that “the gentleman here from Avila Tv is saying that Dr. Granier and I were involved in a coup d’état. In Venezuela there was a massive rejection of 49 laws that President Chávez was trying to enact overnight, and with the destruction of Petróleos de Venezuela [oil] company, which they did when they fired 24,000 people, there was a demonstration rarely seen, calculated at more than one million people, which the President ordered be fired upon and “let the lead fly,” and that night ended with the

General in Chief – the first time in 50 years that there had been a General in Chief – named by President Chávez --publicly declaring that there had been a call for the resignation of President Chávez, which he had accepted. That afterwards, a series of circumstances (sic), that he would return, is another story. But neither Dr. Granier nor I signed that decree that is alluded to. We are also against what happened back then because if it had been done right perhaps we would have a different Venezuela today.”

In a part of this statement by Zuloaga, whose channel is facing 40 legal and administrative proceedings, he also criticized President Chávez for using state-owned media for the benefit of his administration and declared that “you cannot talk about true freedom of expression when a government uses its power to repress media, to shut down media such as a Radio Caracas Televisión, after 53 years on the air, closing them down is not freedom of expression. You cannot talk about freedom of expression when there are more than 2,000 simulcasts, something like that, that add up to more than 60 days in a row. A President of the Republic using the power that he has and the authority that he has to manipulate public opinion and to attempt to impose one way of thinking.”

The IAPA also repeated its concern at the situation of Oswaldo Alvarez Paz, a one-time presidential candidate and former governor of the state of Zulia, arrested on March 22 and charged with “conspiracy, public instigation to commit crime, and dissemination of false information” after he spoke of supposed government links with narco-traffickers and terrorists during the program “Aló Ciudadano” (Hi, Citizen) broadcast by Globovisión.

Following is a transcript, translated into English, of the statements made by Guillermo Zuloaga Núñez at the IAPA Midyear Meeting on March 21, 2010:

“Guillermo Zuloaga: “Good morning everybody and thank you very much for the support that we Venezuelans are receiving. I would simply like to refer to certain inaccuracies that we have seen today. First of all, all these representatives of the media that we are hearing today such as Venezolana de Televisión, such as Avila Tv, such as Radio Nacional, are Venezuelan state media, they belong to the Venezuelan nation, they are funded with Venezuelans’ money that is mismanaged by this government, and they should devote themselves to doing things that are in the national interest and not in defense of political propaganda or in defense of just a few ideas.

“President of the Republic Hugo Chávez -- it is true that he won some elections in 1998 and is legitimately in office. But afterwards, instead of being the President of all Venezuelans, he has devoted himself to being the President of a group of Venezuelans and to trying to divide Venezuela over something -- that is socialism of the 21st century. He says he is Marxist, he was never elected for those qualities.

“Then they are saying, the gentleman here from Avila Tv is saying that Dr. Granier and I were involved in a coup d’état. In Venezuela there was a massive rejection of 49 laws that President Chávez was trying to enact overnight, and with the destruction of Petróleos de Venezuela [oil] company, which they did by firing 24,000 people, there was a demonstration rarely seen, calculated at more than one million people, which the President ordered be fired upon and “let the lead fly,” and that night ended with the General in Chief – the first time in 50 years that there had been a General in Chief – named by President Chávez -- publicly declaring that there had been a call for the resignation of President Chávez, which he had accepted. That afterwards, a series of circumstances (sic), that he would return is another story. But neither Dr. Granier nor I signed that decree that is alluded to. We are also against what happened back then because if it had been done right perhaps we would have a different Venezuela today.”

“I wanted to clear up those issues and you cannot talk about true freedom of expression when a government uses its power to repress media, to shut down media such as a Radio Caracas Televisión,

after 53 years on the air, closing them down is not freedom of expression. You cannot talk about freedom of expression when there are more than 2,000 simulcasts, something like that, that add up to more than 60 days in a row. A President of the Republic using the power that he has and the authority that he has to manipulate public opinion and to attempt to impose one way of thinking. I wanted to clear up those points.”

“Are Hugo Chávez and Evo Morales Enemies of the United States?” by Francis Ward,
Council on Hemispheric Affairs. 15 May 2010.

Adversaries, yes. Enemies, no (at least not yet). However, they are enemies of global capitalism which, in the eyes of some Americans, makes Chávez and Morales enemies of the American people. But this is one of many misleading impressions which inadequate Latin America coverage by U.S. media helps to perpetuate.

On Easter Sunday, April 4, 2010, the people of Bolivia went to the polls to elect (2), 500 officials in local and provincial elections, including the governors of nine departments (provinces – same as states in the U.S.) in Bolivia. The election was a crucial test of the spreading strength and influence of Evo Morales and his Movement for Socialism (MAS) political party. Bolivia, Peru and Ecuador are three relatively poor South American countries whose populations include a high percentage of Indians or indigenous people, who were inhabitants prior to Columbus’ arrival to the New World in 1492.

Morales was first elected president in 2005 as a democratic socialist, the first ever full-blooded indigenous person to become the leader of Bolivia or any other Latin American country. He was re – elected by a wide margin in December 2009. The growth of indigenous political power throughout Latin America was a major development which has since received inadequate press coverage in the U.S. This means that most Americans were inadequately prepared to properly assess a major political trend in their own hemisphere.

In its coverage of the gubernatorial and municipal elections, the daily *La Prensa* prophesied a setback for Morales during the elections scheduled for April 4 when predicted victories turned out to be defeats in the heavily contested Media Luna regions of the country, as well as in the capital city of La Paz. While he didn’t actually lose many races, there was a substantial cut in MAS’ winning margins with the shift in momentum away from Morales’ political objectives. Those familiar with the MAS rise in popularity and power were surprised when even initial statistics following the vote showed a decline in that party’s percentage of the vote from 60% to 50%.

An April 9 article by the World Markets Research Centre said, “Despite allegations of fraud, the official vote count confirms that the ruling Movement Towards Socialism (MAS) has won the majority of the regional departments in last week’s elections. The National Electoral Court (CNE) released the results yesterday, giving an irreversible victory to the MAS in the majority of departments, despite the fact that in some cases the counting is still incomplete, Reuters reports.

A Lexis-Nexis search of U.S. news media from April 4 – May 4, 2010 yielded only one item – a relatively short one of 358 words – an Associated Press story on April 5 which said, “Allies of leftist President Evo Morales made modest advances in state and local elections Sunday, according to independent exit polls. ... Pro – government candidates for governor had comfortable leads in five out of nine state races, according to exit polls released by television broadcasters ATB and Unitel.”

In the past five years, Morales has brought sweeping changes to Bolivia, including approval of a new constitution that grants more rights to Bolivia’s indigenous majority, and nationalization or state control of the country’s natural resources. (The BBC reported on May 1 that the Morales government had taken control of four privately owned companies which generate electricity. The companies account for more than half of Bolivia’s electricity market.) Bolivia has the second – largest reserves of natural gas in South

America, and also large deposits of lithium, which has many important chemical uses, including powering cell phones. Morales' MAS political party also has a solid majority in the country's legislature, indicating that he may have witnessed some loss in personality; Morales' influence, however, was not at all slackening.

Morales' power is concentrated in the five western departments of the country, which have the largest percentage of the nation's indigenous people. However, the four predominantly "Euro – centric" provinces to the east – with the heaviest concentrations of middle and upper – income people (many of them whites of Spanish ancestry) – are controlled by Morales' political enemies who vehemently oppose his putting the country on the path to socialism. Tensions between Morales supporters and opponents have risen dramatically over the past two years, with several eastern provinces claiming to be autonomous or quasi-independent of the control and authority of the central government. Further battles may loom in the future. At stake is the long- term control of Bolivia, the control of its natural resources, and whether the income from natural resources flows to Bolivians (including the indigenous) or to the stockholders of Western mining companies.

Except for the one AP story, American [** see item in Notes section] news media barely took notice the Bolivian elections. On the election weekend, there were no stories (not even news briefs) in the *New York Times*, *Washington Post* or other daily newspapers. *The Syracuse Post* – Standard generally does not carry stories on Latin America. The exceptions were the recent earthquake in Chile and the ongoing story of Mexican drug trafficking and accompanying violence of Mexican drug gangs.

Neither was there coverage of the Bolivian story by any of the three cable news channels (CNN, MSNBC, and Fox News), or the three broadcast networks (ABC, CBS, and NBC). Unfortunately, this is typical of how media in this country have reacted to the profound political changes which have swept through Latin America during the past 12 years, bringing in their wake a tidal wave of fundamental change. Evo Morales' initial election as president of Bolivia, with the huge backing of a newly enfranchised indigenous movement, was every bit the political, social and moral equivalent of Nelson Mandela's election as the first black president of South Africa, with the backing of millions of newly enfranchised black voters who had only recently emerged from the tyranny of white minority apartheid rule.

LIBERAL/LEFT TREND IN LATIN POLITICS

Many Latin American countries have elected liberal or progressive (at times, even some profoundly socialist) political leaders in response to failed free – market or neoliberal economic policies followed by Latin American leaders in the 1980's and 1990's. In recent years, Hugo Chávez was elected as president of Venezuela in 1998. Chávez immediately announced his intention to pursue a socialist "Bolivarian Revolution" to lift Venezuela's poorest (including some indigenous) out of centuries of grinding poverty and powerlessness. Chávez purposely named his revolution for Simón Bolívar, the 19th Century hero who led the fight to win independence for Venezuela, Colombia, Ecuador, Peru and Bolivia from Spanish control (4).

Four years after Chávez's inauguration came the election of Luis Inácio Lula da Silva as president of Brazil. "Lula's election to the presidency in 2002 sent shudders through Brazil's economic elite, which was worried that the former rabble-rouser would lead the country down a populist path, as Hugo Chávez did in Venezuela. Lula emphasized poverty reduction as a national priority of his administration; he also turned to different economic approaches to put the nation on a sound footing and to develop in an orderly manner (5).

Two years later, Chile elected its first woman president, Michelle Bachelet, a confirmed socialist whose father had been murdered during the reign of terror by Chile's notorious dictator, Army General Augusto

Pinochet, who seized power in a bloody coup on Sept. 11, 1973. Bachelet was tortured and imprisoned under the military regime.

Nicaragua's president, Daniel Ortega, was the onetime leader of the revolutionary Sandinista guerrilla movement that overthrew the regime of right-wing dictator Anastasio Somoza in 1979. In June 2009, another former revolutionary guerrilla leader, Mauricio Funes, became president of El Salvador. Funes was the candidate of the Farabundo Martí National Liberation Front (FMLN), which had waged more than two decades of guerrilla war in El Salvador from the 1970's to the 90's. The warring factions have since made peace and the FMLN is now a political party that was able to defeat the reigning rightist ARENA party in the 2009 elections.

Earlier this year, Uruguay elected as its president 74-year-old José "Pepe" Mujica, once a dedicated member of Uruguay's revolutionary underground guerrilla *Tupamaros* movement. A *Miami Herald* columnist commented, At a private birthday party for former President Julio María Sanguinetti attended by about three dozen family members, business people and politicians mostly opposed to Mujica, I found few who feared that the president – elect will lead a Venezuelan – style radical leftist regime. ... Others worried that some of Mujica's hardline aides – including his wife and former fellow guerrilla, Lucia Topolansky, who will become a leading senator, and interior minister – designate Eduardo Bonomi, who will be in charge of the police – may support anti – capitalist 'Bolivarian' political groups to pave the way for a Venezuelan – inspired radicalization. (6)

When one adds to this list the election of socialist Rafael Correa as president of Ecuador, it leaves little doubt that a leftward drift can be discerned in Latin American politics. However, the trend is not entirely to the left. Michelle Bachelet, who by law could not seek a second term this year, was succeeded in January by right – wing businessman Sebastián Piñera, one of the richest people in Chile. He became the first right – of – center president of Chile since the country emerged from the Pinochet dictatorship in 1988. Another wealthy right-wing businessman/politician, Ricardo Martinelli, was elected president of Panama in 2009. There was also Felipe Calderon, a moderate conservative considered friendly to the U.S., who was elected president of Mexico in 2008, but only after winning a razor – thin majority over a left/progressive opponent in a runoff. Before Calderon's election, the highest – profile right-wing politician in Latin America was Alvaro Uribe, the outgoing president of Colombia and arguably Washington's staunchest ally in the hemisphere.

LITTLE NEWS COVERAGE, LESS UNDERSTANDING OF LATIN AMERICA

American news media have provided saturation coverage to Chile's March earthquakes and its aftermath. And there are regular reports of drug – related violence in Mexico in the ongoing conflict between that country's powerful and well – armed drug gangs and its police and military. This is true because of the potential that exists that the violence will spill over into American border cities like El Paso and San Diego. And while there were some stories about Sebastián Piñera's election in Chile, the U.S press has been woefully inadequate in covering and explaining the complex political and social trends which caused the election of so many liberal/left politicians in Latin America at a given moment.

HUGO CHÁVEZ AND THE RISE OF THE BOGEYMAN

There has been a rising crescendo of coverage of the problems and conflicts between Hugo Chávez and his mounting opposition in Venezuela and now the U.S. Of course, the coverage is overwhelmingly negative, focusing almost entirely on what Chávez has done wrong, rarely focusing on his success in bringing needed reforms to benefit the country's poor and dispossessed. American media have told the story over and over of how Chávez has closed down radio stations and placed restrictions on other media. But there's been little, if any, mention of how print and broadcast media throughout Latin America have

always been controlled by and identified with the dominant middle and upper classes, never with poor people, in the highly stratified societies with huge gaps between rich and poor. American journalists and news executives are quick to leap to the defense of any news organization that is pressured when it criticizes government officials (as media often do in Venezuela), but not always as quick to seek contextual reasons for the cause of the conflict in the first place.

American press coverage of Latin America is still done through the prism of the Cold War, when Americans were bombarded with the idea that the whole world was divided between two camps – pro – Communist and anti – Communist. This simplistic view was reduced to the most basic of formulae of countries being either friends or enemies, good guys or bad guys. American allies, of course, were always the good guys and generally received benevolent news coverage. The countries or leaders presumed to be allies of the Soviet Union or China were the bad guys and received mostly critical or negative coverage. This compound for a quick understanding of international relations facilitated comprehension, but its biggest flaw was that the formula was often wrong and gave Americans a deceptively distorted and chronically inaccurate picture of other countries and leaders.

Today's coverage is disturbingly similar to the Cold War formula of good and bad guys. News stories tend to lump Venezuela, Bolivia, Nicaragua, Ecuador and Cuba together as the socialist malefactors and Colombia's Uribe, Chile's Bachelet (now Piñera), and Brazil's Lula as the good guys because of their cordial relations with the U.S. (Though American journalists take pride in their independence from government, there has always been and remains a close correlation between policies of the U.S. State Department and how the U.S news media report foreign affairs.) Brazil and Chile have made no secret of their desire to close the huge gaps between the very rich and very poor in their countries. Neither Brazil nor Chile has resorted to nationalizing vital industries or pressuring media outlets as Chávez has done, and Brazil, Chile and Colombia are also less critical in public of the role of the U.S. in world affairs or of global capitalism. Most observers don't expect Sebastián Piñera to attempt any major reversal of the economic or social policies established under Bachelet, but in reality, Latin American politics are less uniform and somewhat more problematic than would be the case of their U.S counterparts.

CHÁVEZ THE ENEMY

Hugo Chávez was briefly deposed by a coup attempt in April 2002 that ultimately failed. Since being returned to power, his policies without question have polarized various sectors of Venezuelan society. Chávez also has allied himself with Iran's controversial president, Mahmoud Ahmadinejad, as well as maneuvered changes in the constitution to allow him to run for president indefinitely. Chávez has clamped down on political opponents, closed some radio and TV stations, and acted like an insipid dictator who aspires to assume total control of Venezuela. This makes it easier for critics in the U.S. and elsewhere to demonize Chávez as the hemisphere's looming Hitler or Stalin. And Chávez's reckless behavior and confrontational personality makes the job easier.

Chávez also has become Latin America's most vocal critic of the U.S. With all of this, it may seem natural that most Americans would regard him as their enemy. Chávez undoubtedly wants to check the power and influence of the U.S. in regional affairs. So does Iran. And so does Evo Morales, China, some liberal or socialist politicians in Britain, Spain and the rest of Europe. But this does not automatically make them enemies of the U.S. Adversaries, yes. Enemies, no. An enemy country would actively try to thwart various American policy initiatives in the region. There's no evidence that Chávez is doing this or leaning in that direction. Also, an enemy would want to strike the U.S. militarily, to harm American citizens, or to launch terrorist strikes against American properties or interests. Despite his anti – American bluster, Chávez has given no signs of moving in any of these directions. Also, Chávez has sold oil at cheap prices to those Americans living in poverty in various parts of this country, including Boston, which his critics have dismissed as a propaganda stunt. But a true enemy of the U.S. would not have

provided any benefits to Americans, not even for the sake of propaganda. Also, Chávez has made overtures to improve relations with the U.S., but there has been little inclination on Washington's part to explore whether the overtures are serious and worth pursuing.

BOLIVIA AND THE U.S.

There are also strained relations between the U.S. and Bolivia. During the past two years, some Morales supporters in several of Bolivia's eastern provinces have been killed or wounded during violent encounters with anti – Morales forces. Morales subsequently accused the U.S. of abetting the violence against his supporters. He leveled accusations against the U.S. ambassador to Bolivia, Philip Goldberg, and the U.S. Agency for International Development (USAID) of intervening in the domestic affairs of the country. These prompted Bolivia to expel Goldberg, and the U.S. promptly retaliated by sending home Bolivia's envoy to Washington.

Morales makes no secret of his vehement opposition to global capitalism and he perceives America as its driving force. But being anti – capitalist is not the same as being anti – American. However, observers like Glenn Beck and Bill O'Reilly of Fox News, schooled in the old Cold War formula of mindless attacks against presumed ideological enemies, would argue that any anti – capitalist is automatically an enemy of the U.S.

The U.S. press seems reluctant to explore the roots of anti – capitalist sentiment throughout Latin America. The main reason is that most Americans don't seem particularly interested in what happens in Latin America, despite its geographical closeness and obvious racial, cultural and language ties between the Americas to the south, and their all-powerful neighbor to the north. "Latin America, it is safe to say, gets scant respect from Washington. Mention the region at a meeting of foreign policy cognoscenti who are not Latin American specialists, and eyes immediately glaze over," wrote Francis Fukuyama in the November/December 2007 issue of *Foreign Affairs*. He continued, "There may be a quick discussion of Venezuela's Hugo Chávez, but attention will swiftly return to the Middle East, Russia or China. ... Coverage of Latin America in the mainstream media is little better. It merits attention primarily when it causes trouble for the United States. Thus, more ink has been spilled on Chávez for the past few years than on the entire rest of the region combined. The only associations that many in the United States have with Latin America are problems with drugs, gangs and illegal immigration" (6).

Fukuyama's criticisms, while somewhat commonplace, are right on target. I reviewed 30 issues of the *New York Times* in a random selection from February 1 – April 4, 2010, where many stories concerning the Chilean earthquake came to the fore. Other Latin American countries had racked up following tallies:

- Argentina, two briefs on the Falkland Islands dispute with Britain.
- Brazil, two stories, titled "Rio de Janeiro Journal."
- Colombia, one "Cali Journal" story.
- Cuba, one story.
- Mexico, four briefs and four complete stories.
- Venezuela, two briefs and four complete stories.

A Nexis – Lexis search of *The Times* from Dec. 29, 2009 – March 28, 2010 (90 days) for stories on Bolivia turned up 16 hits for that country, but only four actual stories. Similarly, a Nexis – Lexis search of *The Washington Post* for the same time period turned up 59 "hits" for Venezuela, but only 20 actual items, among them six briefs and six highly critical letters or editorials. The same Nexis search of *The Post* turned up 18 "hits" for Bolivia, but no actual stories on the country. The "hits" included mention of

Bolivian sport teams, Bolivia in obituaries of diplomats who had once served there, or the names of journalists once stationed in the country.

INDIGENOUS PEOPLE

The most glaring shortcoming in the scant of American press coverage of Latin America is the total absence of any stories or editorial comment on the striking rise of political activism among the traditionally silent indigenous people. Ever since the Spanish conquest of the 16th Century, the indigenous people have been brutally repressed economically and socially. But since the 1980's, there has been growing political and social awareness among them. Their upsurge in political power and effectiveness can be considered a pivotal (if not the final) nail in the coffin of European colonialism throughout Central and South America, that began with the voyages of Christopher Columbus in 1492.

The indigenous have been a key part of Chávez's support in Venezuela. They are the backbone of Morales' political base in Bolivia, and in recent years have gained considerable strength in Peru and Ecuador. Larry Birns, the director of the Council on Hemispheric Affairs (COHA), a Washington-based think tank, explained in an April 6, 2010 telephone interview, that indigenous Indians were indiscriminately slaughtered in Argentina during the late 19th Century because the country's then president considered them "to be barbarians." In the 1960's and 70's during the Cold War, more than 200,000 indigenous Indians were killed in Guatemala, victims of the anti-Communist paranoia of the country's rightwing military leaders. "During these times, you could kill the indigenous Indians with impunity, with utterly no accountability," said Birns.

Mainstream American media hardly scratched the surface of this continuing genocide against Guatemala's Indians or, for that matter, thousands of other Latin Americans who were gunned-down throughout Central America and South America beginning in the 1970s. Even today, most Americans have no knowledge of the decades of rampaging violence and murder that was a daily fare for the region. Guatemala's military leaders justified the murders as necessary to root out and destroy every vestige of Communist – inspired insurgency. And we bought into that canard. Contrast this with the huge and ongoing media coverage of the crimes of Saddam Hussein against his presumed political enemies in Iraq, at a time when Saddam was supreme dictator. We saw, read and heard endless stories of how Saddam used poison gas against the Kurds and Iranians during the Iran-Iraq War from 1980-88. There also has been massive coverage of how Saddam brutalized and killed thousands of Shiites in Southern Iraq after the first Persian Gulf War ended in 1991. The violence against Shiites in the South and Kurds in the North was the reason why the victorious Allied Coalition (22 nation exercise lead by the United States) created No- Fly Zones in both sectors, which meant Saddam's air force could not fly its planes over most of Southern and Northern Iraq for many years.

The point being made is that American media covered Saddam's violence against his enemies because he was our enemy. Media didn't cover violence against Guatemalan Indians because the country's military rulers, at the time, were our "friends," based on an inexorable Cold War formula. This was one of many examples of how the "good guy/bad guy" formula gave Americans a tragically wrong impression of world affairs, causing costly repercussions.

WHY AMERICANS SHOULD CARE ABOUT LATIN AMERICA

Ever since the Cold War ended in 1991, journalists and news executives in this country have convinced themselves that Americans are not interested in international news. These skeptics say over and over that Americans don't care about what happens in other countries, and they don't follow the foreign coverage they are being presented in print or broadcast news. The result has been a drastic cutback of international coverage by the media. Scores of foreign bureaus have been closed in the past two decades. And news

media generally follows four elementary guidelines in deciding whether to print or broadcast a given international story:

1. If it appears to directly affect us as Americans.
2. If U.S. troops or other official personnel are involved.
3. If the story involves official U.S. government policy.
4. If there are strong economic or commercial relations with a country.

News media have given saturation coverage to every war the U.S. has fought since the Spanish – American War of 1898. The prevailing rule continues with the war in Afghanistan and, to a lesser extent, the war now winding down in Iraq. There’s also regular coverage of the Israeli–Palestinian conflict, and related events in the Middle East. News media also extensively covered natural disasters like the South Pacific tsunami of December 2004, and the earthquakes in Haiti and Chile earlier this year. While hardly anybody doubted the importance of these events, the fact of the matter is the inevitability of such coverage, with the same not being true when it comes to Latin America.

The Cold War competition, from about 1947 to 1991, between the Soviet Union and its communist allies, and the United States and its capitalist allies, seemed to have its own justification for continued news coverage. Coming on the heels of World War II when Americans were intently focused on combat-related events in Europe and Asia, American journalists and news executives unanimously believed that every angle (however small) related to this titanic ideological struggle between “good and evil” deserved full news coverage.

The Cold War gave us more press coverage of Latin America than citizens of the United States had ever experienced. The press regularly covered prolonged armed struggles in El Salvador and Nicaragua. And there was periodic coverage of right-wing dictatorships in Argentina, Bolivia, Brazil, Chile, Guatemala, Panama, Paraguay, Uruguay and Venezuela. The news angle was always one–dimensional: victory over communism. The Cold War obsession also led us to defend, befriend and support these right-wing dictators as necessary bulwarks against communist expansion. As a result, we climbed in bed with some of the worst murderers in the west – like Pinochet in Chile, the military rulers in Guatemala, and the bloody junta in Argentina, which was responsible for the deaths or disappearance of thousands.

Of course, the biggest Cold War story coming out of Latin America was the triumph of the Castro revolution in Cuba in 1959, and the huge changes it brought to our shores. Not the least of which were hundreds of thousands of Cuban exiles to South Florida and a major impact on U.S. foreign policy toward the region. And who could ever forget that four of the five burglars who broke into the Democratic National Committee offices in the Watergate Hotel in June 1972 were Cuban exiles.

Now that the Cold War is over, the prevailing assumption is that we don’t need to know or care about Latin America. But this assumption is just as blind, wrongheaded and misguided as was our earlier support for right-wing military killers in the name of fighting communism. We need to care just as much about Latin America now as we did 50 years ago and, the truism today is that for reasons every bit as important.

First and foremost, Latin America is important to us as neighbors in the Western Hemisphere. What happens there very much can affect us (though we might not always understand why). Our neighbor to the south, Mexico, is one of America’s most important trading partners. And the U.S. is zealously pursuing trade agreements with other Latin nations like Colombia and Peru. The problems of immigration and drug trafficking are but two of the many reasons why we can’t ignore Latin America.

But the region is also important for its varied and rich history, its many contributions to U.S. culture, the growing economic and commercial ties and the struggles of Latin America's people for freedom and democracy. The nations of the world are far more interdependent now than they have ever been. Citizens of the U.S. need to know and understand other people, their history and culture, just as others need to know and understand our history and culture.

Finally, the goal of news media coverage of international affairs should be to educate U.S. citizens about other countries and peoples. Yes, educate in the broad sense – to help Americans understand how others think, their values, cultures, systems of governance, their languages and what makes them distinctly important.

One of the most valued lessons we learned from the experiences of Sept. 11, was how little we understood about why so many people around the world hated the United States and why, finally, a handful of fanatics decided to act on that hatred. Americans can never afford to again take refuge in a collective ignorance about the rest of the world.

Human Rights

“Human Rights Report”-- Inter-American Commission on Human Rights. December 2009.

DEMOCRACY AND HUMAN RIGHTS IN VENEZUELA

EXECUTIVE SUMMARY

1. The report Democracy and Human Rights in Venezuela is produced in compliance with the mandate of the Inter-American Commission on Human Rights (hereinafter “the Inter-American Commission”, “the Commission”, or the “IACHR”) to promote the observance and defense of human rights in the Member States of the Organization of American States (OAS). The Commission believes that the refusal of the Bolivarian Republic of Venezuela (hereinafter “Venezuela” or “the State”) to allow the Commission to conduct an on-site visit to the country does not preclude the IACHR from analyzing the situation of human rights in Venezuela.

2. The Commission’s last visit to Venezuela took place in May 2002, following the institutional breakdown that occurred in April of that year. Following that visit, in December 2003 the Commission published the Report on the Situation of Human Rights in Venezuela, in which it set out a series of recommendations. Since then, in order to follow up on those recommendations and to gather first-hand information on the current human rights situation in Venezuela, the Commission has pursued various formalities in order to secure the State’s permission to conduct an observation visit. To date, the State has refused to allow the IACHR to visit Venezuela, not only undermining the powers assigned to the Commission as the OAS’s principal body for the promotion and protection of human rights, but also seriously weakening the protection system created by the Organization’s Member States.

3. In the report Democracy and Human Rights in Venezuela, the Commission analyzes the evolution of human rights in the State based on the information it has received over recent years from its various protection mechanisms, such as processing petitions through the case system, holding hearings, adopting precautionary measures, asking the Court to issue provisional measures, including the country in Chapter IV of its annual reports, and issuing press releases. The Commission also bases its analysis on information submitted by the State of Venezuela in response to requests made by the Commission, on the State’s reply to the questionnaire about the human rights situation in Venezuela received in August 2009, on information given to the Commission by the State at hearings, and on the available public information.

4. In this report, the Commission identifies issues that restrict full enjoyment of the human rights enshrined in the American Convention on Human Rights. Among other issues, the IACHR analyzes a series of conditions that indicate the absence of due separation and independence between the branches of government in Venezuela. The Commission also finds that in Venezuela, not all persons are ensured full enjoyment of their rights irrespective of the positions they hold vis-à-vis the government’s policies. The Commission also finds that the State’s punitive power is being used to intimidate or punish people on account of their political opinions. The Commission’s report establishes that Venezuela lacks the conditions necessary for human rights defenders and journalists to carry out their work freely. The IACHR also detects the existence of a pattern of impunity in cases of violence, which particularly affects media workers, human rights defenders, trade unionists, participants in public demonstrations, people held in custody, campesinos (small-scale and subsistence farmers), indigenous peoples, and women.

5. The Commission begins by analyzing how the effective enjoyment of political rights in Venezuela – rights that by their very nature promote strengthened democracy and political pluralism – has been hampered. The IACHR’s report indicates that mechanisms have been created in Venezuela that restrict the possibilities of candidates opposed to the government for securing access to power. That has taken place through administrative resolutions of the Office of the Comptroller General of the Republic, whereby 260 individuals, mostly opposed to the government, were disqualified from standing for election. The Commission notes that these disqualifications from holding public office were not the result of criminal convictions and were ordered in the absence of prior proceedings, in contravention of the American Convention’s standards.

6. In its report, the Commission also notes how the State has taken action to limit some powers of popularly-elected authorities in order to reduce the scope of public functions in the hands of members of the opposition. In its observations to the present report, the State indicated that the modifications made to the instruments governing the powers and scope of authority of governors and mayors would have been made regardless of who was elected in 2008 and that they also apply to authorities of the government’s party. Nevertheless, the IACHR has noticed that a series of legal reforms have left opposition authorities with limited powers, preventing them from legitimately exercising the mandates for which they were elected.

7. In this report, the IACHR also notes a troubling trend of punishments, intimidation, and attacks on individuals in reprisal for expressing their dissent with official policy. This trend affects both opposition authorities and citizens exercising their right to express their disagreement with the policies pursued by the government. These reprisals are carried out through both state actions, including harassment, and acts of violence perpetrated by civilians acting outside the law as violent groups. The Commission notes with concern that, in some extreme cases, criminal proceedings have been brought against dissidents, accusing them of common crimes in order to deny them their freedom on account of their political positions.

8. Similarly, the Commission notes a trend toward the use of criminal charges to punish people exercising their right to demonstrate or protest against government policies. Information received by the Commission indicates that over the past five years, criminal charges have been brought against more than 2,200 people in connection with their involvement in public demonstrations. Thus, the IACHR considers that the right to demonstrate in Venezuela is being restricted through the imposition of sanctions contained in provisions enacted by President Chávez’s government, whereby demonstrators are accused of crimes such as blocking public highways, resisting the authorities, damage to public property, active obstruction of legally-established institutions, offenses to public officials, criminal instigation and criminal association, public incitement to lawbreaking, conspiracy, restricting freedom of employment, and breaches of the special secure zones regime, among others. In its report, the Commission describes cases of people facing criminal charges for which they could be sentenced to prison terms of over twenty years in connection with their participation in antigovernment demonstrations. In its observations on the present report, the State affirms that any time opposition sectors attempt to alter the public order in violation of the laws of the Republic, they will be subject to prosecution, without this being considered a restriction of the exercise of the right to peaceful demonstration, nor a criminalization of legitimate mobilization and social protest. In the Commission’s view, this practice constitutes a restriction of the rights of assembly and freedom of expression guaranteed in the American Convention, the free exercise of which is necessary for the correct functioning of a democratic system that includes all sectors of society.

9. At the same time, the IACHR notes that exercising the right of peaceful demonstration in Venezuela frequently leads to violations of the rights to life and humane treatment, which in many cases are the consequence of excessive use of state force or the actions of violent groups. According to

information received by the Commission, between January and August 2009 alone, six people were killed during public demonstrations, four of them through the actions of the State's security forces. This situation is of particular concern to the IACHR in that repression and the excessive use of criminal sanctions to criminalize protest has the effect of dissuading those wishing to use that form of participation in public life to assert their rights. In its observations on the present report, the State expressed that the increase in the number of demonstrations suppressed was due to a higher number of illegal demonstrations.

10. The Commission's report also refers to issues that affect the independence and impartiality of the judiciary in Venezuela. The IACHR reiterates what it has said on previous occasions: that the rules for the appointment, removal, and suspension of justices set out in the Organic Law of the Supreme Court of Justice lack the safeguards necessary to prevent other branches of government from undermining the Supreme Court's independence and to keep narrow or temporary majorities from determining its composition.

11. The Commission also notes with concern the failure to organize public competitions for selecting judges and prosecutors, and so those judicial officials are still appointed in a discretionary fashion without being subject to competition. Since they are not appointed through public competitions, judges and prosecutors are freely appointed and removable, which seriously affects their independence in making decisions. The IACHR also observes that through the Special Program for the Regularization of Tenured Status, judges originally appointed on a provisional basis have been given tenured status, all without participating in a public competitive process.

12. In addition to the shortcomings in the appointments process, the Commission observes that in Venezuela judges and prosecutors do not enjoy the guaranteed tenure necessary to ensure their independence following changes in policies or government. Also, in addition to being freely appointed and removable, a series of provisions have been enacted that allow a high level of subjectivity in judging judicial officials' actions during disciplinary proceedings. Even the Code of Ethics of Venezuelan Judges, adopted in August 2009, contains provisions that, by reason of their breadth or vagueness, allow disciplinary agencies broad discretion in judging the actions of judges.

13. Furthermore, even though the 1999 Constitution states that legislation governing the judicial system is to be enacted within the first year following the installation of the National Assembly, a decade later the Transitional Government Regime, created to allow the Constitution to come into immediate effect, remains in force. Under that transitional regime, the Commission for the Functioning and Restructuring of the Judicial System was created, and this body has ever since had the disciplinary authority to remove members of the judiciary. This Commission, in addition to being a special, temporary entity, does not afford due guarantees for ensuring the independence of its decisions, since its members may also be appointed or removed at the sole discretion of the Constitutional Chamber of the Supreme Court of Justice, without previously establishing either the grounds or the procedure for such formalities.

14. Another issue of concern to the Commission regarding the autonomy and independence of the judiciary is the provisional status of most of Venezuela's judges. According to information provided to the Commission by the Venezuelan State, in August 2009 there were a total of 1,896 judges, of whom only 936 were regular judges. That means that more than 50% of judges in Venezuela do not enjoy tenure in their positions and can be easily removed when they make decisions that could affect government interests. A similar problem with provisional status also affects the prosecutors of the Attorney General's Office, since all prosecutors in Venezuela are freely appointed and removable.

15. In its report, the Commission also describes how large numbers of judges have been removed or their appointments voided without the applicable administrative proceedings. After examining the

resolutions that voided the appointments of various judges, the IACHR notes that they contain no reference to the reasons why the appointments were canceled, and it cannot be inferred that they were adopted through administrative proceedings in which the judges were given the possibility of presenting a defense. The Commission notes with concern that in some cases, judges were removed almost immediately after adopting judicial decisions in cases with a major political impact. The lack of judicial independence and autonomy vis-à-vis political power is, in the IACHR's opinion, one of the weakest points in Venezuelan democracy.

16. In its report, the Commission analyzes with concern the situation of freedom of thought and expression in Venezuela. In the IACHR's opinion, the numerous violent acts of intimidation carried out by private groups against journalists and media outlets, together with the discrediting declarations made by high-ranking public officials against the media and journalists on account of their editorial lines and the systematic opening of administrative proceedings based on legal provisions that allow a high level of discretion in their application and enable drastic sanctions to be imposed, along with other elements, make for a climate of restriction that hampers the free exercise of freedom of expression as a prerequisite for a vigorous democracy based on pluralism and public debate.

17. The Commission observes with particular concern that there have been very serious violations of the rights to life and humane treatment in Venezuela as a result of the victims' exercise of free expression. In this report, the IACHR describes two murders of journalists in 2008 and 2009, carried out by persons unknown, together with serious physical attacks and threats against reporters and owners of media outlets. In the Commission's view, these incidents demonstrate the serious climate of polarization and intimidation within which journalists must work in Venezuela.

18. The IACHR notes that recent months have seen an increase in administrative proceedings sanctioning media that criticize the government. It is of particular concern to the Commission that in several of these cases, the investigations and administrative procedures began after the highest authorities of the State called on public agencies to take action against Globovisión and other media outlets that are independent and critical of the government.

19. The Commission has also verified the existence of cases of prior censorship as a prototype of extreme and radical violations of freedom of expression in Venezuela. As an example of this, this report analyzes the ban placed on the advertising produced by Cedice and Asoesfuerzo against a proposed law of interest to the government.

20. The report also analyzes the impact on the right of free expression of the proceedings initiated in July 2009 toward the possible cancellation of 240 radio stations' broadcasting concessions, and of the decision to order 32 stations to cease transmissions. The IACHR finds it notable that after several years of total inaction, and at a time of tension between the private media and the government, the authorities announced massive closures of radio stations, using language that made constant reference to the editorial lines followed by the private media outlets that stood to be affected by the measure. Similarly, the Commission observes with concern the statements made by the Minister of Popular Power for Public Works and Housing suggesting that these media outlets' editorial lines could be one of the reasons for deciding to suspend their licenses or ordering their closure, irrespective of the technical reasons cited in the corresponding administrative resolutions.

21. The Commission calls the attention of the Venezuelan State to the incompatibility between the current legal framework governing freedom of expression and its obligations under the American Convention. The IACHR again states that because of their extreme vagueness, the severity of the associated punishments, and the fact that their enforcement is the responsibility of a body that depends directly on the executive branch, the provisions of the Law on Social Responsibility in Radio and

Television dealing with accusations of incitement may lead to arbitrary decisions that censor or impose a subsequent disproportionate penalty on citizens or the media for simply expressing criticisms or dissent that may be disturbing to public officials temporarily holding office in the enforcement agency.

22. The Commission also stresses that the offenses of *desacato* (disrespect) and *vilipendio* (contempt) contained in the amendments to the Penal Code in force since 2005 are incompatible with the American Convention in that they restrict the possibilities of free, open, plural, and uninhibited discussion on matters of public importance. In its report, the Commission again states that bringing criminal charges against individuals who criticize public officials constitutes the subsequent imposition of liability for the exercise of freedom of expression that is unnecessary in a democratic society and is disproportionate in its serious impact on the person making such criticisms and on the free flow of information in society.

23. Similarly, the Commission states that the criminal sanction provided for in the Organic Code of Military Justice for anyone who insults, offends, or denigrates the National Armed Forces is in breach of the international standards that govern freedom of expression, since it is not a restriction that is necessary in a democratic society and, in addition, it is drafted in such vague terms that it is impossible to identify the actions that could lead to criminal sanctions. The Commission views with concern that both the Penal Code and the Organic Code of Military Justice contain provisions that constitute a way to silence unpopular ideas and opinions and that have the effect of dissuading criticism through the fear of prosecution, criminal sanctions, and fines.

24. The present report also examines the use of presidential blanket broadcasts. In its observations on the present report, the State asserted that the use of informative blanket radio and television broadcasts by the national government is part of the constitutional obligation of the State to keep its citizens informed. For its part, the IACHR finds that the lack of clarity in the terms of the Law on Social Responsibility and the Organic Telecommunications Law that place limits on the use of presidential blanket broadcasts could undermine the informational balance that the highest authorities of the State are obliged to uphold. As described in this report, the President of the Republic has made use of the powers granted by those laws to broadcast his speeches simultaneously across the media, with no time constraints. In addition, the duration and frequency of these presidential blanket broadcasts could be considered abusive on account of the information they contain, which might not always be serving the public interest.

25. The IACHR's report also studies the recently enacted Organic Education Law and calls the State's attention to several of its provisions. Among others, the IACHR points out that the provisions establishing that the media, including private media outlets, are public services, could be used to restrict the right of free expression. The Commission also finds that some of this law's provisions contain grounds for restricting free expression that differ from those set out in Article 13 of the American Convention, such as the one that prohibits the transmission of information that promotes "the deformation of the language" or that affronts "values."

26. The Commission notes with concern that the Organic Education Law defers for subsequent legislation the regulation and implementation of several of its precepts, which have been set down in that law in terms that are exceedingly broad, imprecise, and vague. Moreover, the IACHR believes that this law gives state agencies a broad margin for control over the implementation of the principles and values that should guide education. Thus, the Organic Education Law allows, through subsequent laws or their enforcement by the competent authorities, for restrictions to be placed on several of the rights guaranteed by the Convention, such as the right to education, freedom of expression, teachers' and students' freedom of conscience, and others. Moreover, the Commission notes with extreme concern that until laws regulating the terms of the Organic Education Law are enacted, its transitory provisions give the authorities the power to close down private educational institutions. Similarly, the IACHR is also

concerned that the law empowers the educational authorities to disqualify owners, principals, or teachers found guilty of such offenses from holding teaching or administrative positions for up to ten years.

27. In this report, the Commission also deals with the major obstacles faced by human rights defenders in their work in Venezuela. The IACHR observes that in Venezuela, human rights defenders suffer attacks, threats, harassment, and even killings. Information received by the Commission refers to six cases of violations of the right to life of human rights defenders between 1997 and 2007. It also notes with concern that witnesses and relatives of the victims of human rights violations are frequently targeted by threats, harassment, and intimidation for denouncing violations, organizing committees for victims' families, and investigating abuses by state authorities. In addition, in recent years, the Commission has seen an escalation in attacks on defenders who take cases to the inter-American system for the protection of human rights.

28. The report also describes a series of state actions and statements by high-ranking public officials aimed at undermining the legitimacy of defenders and of the domestic and international human rights nongovernmental organizations (NGOs) working in Venezuela. In addition, the Commission identifies a trend of opening unfounded judicial investigations or criminal proceedings against human rights defenders in order to intimidate them, particularly when they have been critical of the government. The report describes cases in which judicial proceedings have been brought against NGOs and human rights defenders for the alleged commission of offenses such as conspiracy to destroy the republican form of government, criminal association, and defamation, among others.

29. According to the State's observations on the present report, the IACHR is attempting to establish a cloak of immunity around human rights defenders. It added that if it confirms that there is cooperation between coup-seeking Venezuelan human rights organizations or that such organizations receive funding from agencies of the United States Department of State, it has an obligation to denounce this. In the Commission's view, the violence, discrediting, and criminalization faced by human rights defenders in Venezuela have a cumulative impact that affects the currency of human rights in general, since only when defenders enjoy due protection for their rights can they seek to protect the rights of other people.

30. Also in connection with human rights defenders, the IACHR reiterates its concern about the provisions of the International Cooperation Bill. The Commission points out in its report that the vague language used for some of this draft law's provisions and the broad margin of discretion it gives to the authorities responsible for regulating it pose the danger of its being interpreted restrictively to limit rights including freedom of association, freedom of expression, political participation, and equality, and that it could therefore seriously affect the functioning of nongovernmental organizations. The Commission also notes that the bill places limits on NGO funding that could hamper freedom of association in a way that is incompatible with the American Convention's standards.

31. The IACHR also finds that inadequate access to public information has hindered the work of defending human rights in Venezuela. According to information received by the Commission, one human rights organization has been denied public information on account of the authorities' view of its political position, which, in the Commission's opinion, constitutes an undue restriction of its right of access to information and an impediment to the effective pursuit of its work in defending human rights. Furthermore, the lack of access to information in Venezuela hinders the emergence of informed democratic debate on matters of public interest between the government and civil society. In its observations on the present report, the State asserted that it is doing the impossible to overcome the problem of the lack of information from public entities, particularly statistical information.

32. One of the issues relating to human rights in Venezuela of gravest concern to the Inter-American Commission is that of public insecurity. In the report, the Commission analyzes and applauds the State's efforts to implement policies to ensure the safety of the Venezuelan people from common crime and the actions of organized criminal groups, as well as from possible abuses of force by state agencies. Nevertheless, the Commission notes that in many cases, the State's response to public insecurity has been inadequate and, on occasions, incompatible with respect for human rights, and this has seriously affected the rights to life and humane treatment of Venezuela's citizens.

33. The IACHR's report identifies certain provisions in the Venezuelan legal framework that are incompatible with a democratic approach to the defense and security of the State. Among other provisions, the Commission calls the State's attention to those that allow the military to participate in upholding law and order in Venezuela. In its observations on the present report, the State indicated that the public safety entities are civil in nature and that the participation of the Armed Forces in public order is limited to situations of national emergency or national security. It added that all the components of the Armed Forces have special training and courses on human rights so that they know how to treat citizens. The IACHR again states that a democratic society demands a clear and precise separation between domestic security, as a function of the police, and national defense, as a function of the armed forces, since the two agencies have substantial differences in the purposes for which they were created and in their training and skills.

34. In connection with this, the Commission has taken note of the creation of the Bolivarian National Militia as a special force, established by the Venezuelan State to help ensure its independence and sovereignty. According to information provided by the State, citizens receive military training through the Bolivarian National Militia and then may assist in upholding domestic law and order. In the Commission's view, citizens who receive military training should not be involved in domestic defense. In addition, the IACHR notes with concern the vague language used to define the structure, functions, and oversight of these militias.

35. In connection with making excessive use of state force, the Commission received with concern the figures collected by the Office of the Human Rights Ombudsman of Venezuela. During 2008, the Ombudsman's Office recorded a total of 134 complaints involving arbitrary killings arising from the alleged actions of officers from different state security agencies. It also recorded a total of 2,197 complaints related to violations of humane treatment by state security officials. In addition, it reports receiving 87 allegations of torture and claims it is following up on 33 cases of alleged forced disappearances reported during 2008 and 34 reported during 2007.

36. Homicides, kidnappings, contract killings, and rural violence are the phenomena that most frequently affect the security of Venezuela's citizens. In its observations on the present report, the State rejected the statistics produced by nongovernmental organizations, but recognized that kidnappings and contract killings had increased. According to the State, these crimes have had as their victims not only campesinos, but also human rights defenders, and it affirmed that it has redoubled its efforts to investigate and punish these crimes as a result.

37. In spite of the difficulties faced by the Commission in obtaining official figures on violence in Venezuela and the State's refusal to provide it with statistics, information made available to the Commission indicates that in 2008, there were a total of 13,780 homicides in Venezuela, which averages out to 1,148 murders a month and 38 every day. The victims of these killings include an alarming number of children and adolescents. According to figures from the United Nations Children's Fund (UNICEF), homicides are the main cause of death of male adolescents aged between 15 and 19 in Venezuela. In 2007 alone, 5,379 children and adolescents met violent deaths, and a third of those were murder victims. As for

kidnappings, various organizations agree that between 2005 and 2007 there were more than 200 abductions per year in Venezuela, whereas in 2008, more than 300 cases were reported.

38. Also of concern is the persistence of contract killings in Venezuela, a phenomenon that particularly affects trade unionists and campesinos. The IACHR notes with concern the continued increase in the number of union leaders who are victims of attacks and threats to their lives and persons. Between 1997 and 2009, information received by the Commission indicates that 86 union leaders and 87 workers were killed in the context of trade union violence, with contract killings being the most common method for attacking union leaders. In its report, the IACHR describes some of these cases and indicates with concern that most of them remain unpunished.

39. At the same time, the IACHR was informed that the struggle for the right to land and to benefit from the national government's agrarian reform process has posed risks to the lives and persons of campesinos, particularly agrarian leaders. Campesino organizations have reported the deaths of more than 200 people in the context of land-related conflicts since the enactment of the Land and Agrarian Development Law.

40. Conflicts related to land ownership have also claimed victims among indigenous peoples, as a consequence of the State's failure to demarcate ancestral indigenous lands. Delays with the State's obligation of demarcating ancestral lands are such that, according to information received by the IACHR, between 2005 and the end of 2008, only 34 ownership deeds were issued; in other words, 1.6% of the total number of communities had benefited from the land demarcation process in Venezuela. As a result, indigenous peoples have faced constant harassment at the hands of people seeking to expel them from the ancestral lands over which they have been regaining control, and on some occasions their assailants act with the support of state agents.

41. The Commission's report also notes with extreme concern that in Venezuela, violent groups such as the Movimiento Tupamaro, Colectivo La Piedrita, Colectivo Alexis Vive, Unidad Popular Venezolana, and Grupo Carapaica are perpetrating acts of violence with the involvement or acquiescence of state agents. These groups have similar training to that of the police or the military, and they have taken control of underprivileged urban areas. The IACHR has received alarming information indicating that these violent groups maintain close relations with police forces and, on occasion, make use of police resources. The State has informed the Commission that irregular groups do exist on both sides in Venezuela. In the Commission's view, the fact that the agencies responsible for preventing, investigating, and punishing such acts have failed to respond appropriately has created a situation of impunity surrounding violations of rights protected by the American Convention.

42. In this report, the Commission also continues with its observations on the alarmingly violent conditions within Venezuelan prisons. The Commission approves of certain legislative amendments made by the State to tackle overcrowding through provisions that promise to speed up criminal proceedings. In addition, the IACHR applauds the implementation of specific actions and policies that have had an immediate impact on the risks facing people deprived of their liberty in Venezuela, in particular since the implementation of the Prison System Humanization Plan in 2005.

43. These rules and policies, however, have been insufficient to prevent continued acts of violence in Venezuelan prisons, which in recent years have claimed the lives of thousands of people and left thousands of others with injuries. According to information received by the Commission, between 1999 and 2008, a total of 3,664 people were killed and 11,401 were injured at detention facilities in Venezuela. In November 2009 alone, the Commission requested provisional measures from the Inter-American Court in relation to two cases of alleged forced disappearances of persons who were held in state custody, deprived of their liberty. In spite of the provisional measures issued by the Court, as of the date of this

report, their whereabouts are unknown. Also at the request of the IACHR, the Inter-American Court has adopted provisional measures in favor of four penitentiaries in Venezuela, calling on the State to implement measures to avoid irreparable damages to persons deprived of liberty in those centers after violent incidents occurred in which hundreds of persons lost their lives and hundreds more were injured. The Commission notes with extreme concern that in spite of the provisional measures ordered by the Inter-American Court with respect to several Venezuelan prisons, those facilities continue to report acts of violence in which human lives are lost and personal injuries are suffered.

44. In addition to violations of the rights to life and humane treatment of people held in state custody, the Commission notes that the main problems affecting the more than 22,000 prison inmates in Venezuela include delays at trial, overcrowding, the lack of basic services in prisons, the failure to separate convicts from remand prisoners, and the presence of weapons within detention centers. In addition, since preventive custody is the most severe measure that can be taken against a person charged with a crime, the Commission observes with concern that more than 65% of Venezuela's prison inmates have not yet been convicted.

45. The report also indicates that although Venezuela has made progress with the legal recognition of equal rights between men and women and with women's political participation in public affairs, the laws and policies pursued by the State have not been effective in guaranteeing the rights of women, particularly their right to a life free of violence. The Commission notes that the Penal Code still contains provisions that affect the equal rights of women and that allow violent crimes committed against them to remain unpunished as long as the assailant contracts marriage with the victim. Additionally, information received by the Commission indicates that some 100 cases of gender violence take place every day in Venezuela. The IACHR was also told that almost 70% of women who try to combat impunity are met with harassment and threats. Official information on the problem is not available, and the figures submitted by the State in 2009 in response to the Commission's request dated from 2002.

46. The Commission notes in its report that impunity is a common characteristic that equally affects cases of reprisals against dissent, attacks on human rights defenders and on journalists, excessive use of force in response to peaceful protests, abuses of state force, common and organized crime, violence in prisons, violence against women, and other serious human rights violations.

47. On the other hand, in this report the Commission highlights the Venezuelan State's major achievements in the fields of economic, social, and cultural rights, through legally recognizing the enforceability of the rights to education, to health, to housing, to universal social security, and other rights, as well as by implementing policies and measures aimed at remedying the shortcomings that affect vast sectors of the Venezuelan population. The Commission emphasizes that the State has succeeded in ensuring the majority of its population is literate, reducing poverty and extreme poverty, expanding health coverage among the most vulnerable sectors, reducing unemployment, reducing the infant mortality rate, and increasing the Venezuelan people's access to basic public services.

48. The IACHR also congratulates Venezuela on being one of the countries that has made most progress toward attaining the Millennium Development Goals. It has also brought about a major reduction in the disparity between the groups at the extremes of income distribution, to the point that the country now reports the lowest Gini coefficient in Latin America, according to the Economic Commission for Latin America and the Caribbean (ECLAC). In addition, according to the United Nations Development Programme (UNDP), Venezuela moved from having a medium level of human development in 2008 to join the group of countries with a high level of human development in 2009. In the IACHR's opinion, the priority the State has given to economic, social, and cultural rights is fundamental in ensuring the decent existence of the population and is an important foundation for the maintenance of democratic stability.

49. The IACHR notes that the Missions have succeeded in improving the poverty situation and access to education and health among the traditionally-excluded sectors of Venezuela's population. Nevertheless, the Commission expresses concern at certain issues relating to the Missions as an axis of the government's social policies. For example, the Commission notes that clear information is lacking on the guidelines used to determine how the Missions' benefits are allocated. The absence of public information on those guidelines gives the impression that benefits are awarded at the executive branch's discretion, which could lead to a situation in which certain individuals are denied benefits on account of their political position vis-à-vis the government. The Commission also believes it is vitally important that corrective measures be taken so that economic, social, and cultural rights are guaranteed through public policies that will continue over the long term instead of depending on the will of one government or another. In addition, the Commission notes that the Missions, as a social policy, appear to be welfare-oriented in nature, which does not necessarily imply the recognition of rights.

50. One issue relating to economic, social, and cultural rights is that of free association within trade unions. In this regard, the Commission notes that Venezuela is still characterized by constant intervention in the functioning of its trade unions, through actions of the State that hinder the activities of union leaders and that point to political control over the organized labor movement, as well as through rules that allow government agencies to interfere in the election of union leaders. The Commission observes with concern that in Venezuela, trade-union membership is subject to pressure related to the political position or ideology of the particular union. In fact, the government recently announced that it will not discuss the collective contract of the oil sector with any trade union that is opposed to the ideology of President Chávez.

51. Another situation affecting the right of free labor association is the growing criminalization of union activities through the bringing of criminal charges against individuals who defend labor rights. This is due to the use of provisions that restrict peaceful demonstration and the right to strike in connection with employment demands, particularly through the enforcement of provisions contained in the Criminal Code, in the Organic National Security Law, and in the Special Law of Popular Defense against Stockpiling, Speculation, and Boycotts. Information received by the Commission indicates that some 120 workers are affected by measures requiring them to report regularly to the courts for having exercised their right of protest. In addition, the Commission notes that the State of Venezuela has enforced the legislation for protecting minimum services in such a general fashion that the effect has been to curtail the right to strike when an essential public service would be affected. The Commission again states that strikes and boycotts are peaceful forms of labor protest, and so punishing them with custodial sentences or exorbitant fines constitutes a restriction of the rights enshrined in the American Convention.

52. In order to better guarantee those rights, the Commission once again urges the State to complete its ratification of the Additional Protocol to the American Convention on Human Rights in the area of Economic, Social, and Cultural Rights (Protocol of San Salvador), through which the States Parties undertake to adopt the measures necessary, to the extent allowed by their available resources and taking into account their degree of development, for the purpose of progressively achieving the full observance of economic, social, and cultural rights, pursuant to their domestic laws.

53. The Commission emphasizes that human rights are an indivisible whole and so the realization of economic, social, and cultural rights in Venezuela does not justify sacrificing the currency of other basic rights. In that the effective exercise of democracy demands full enjoyment of citizens' fundamental rights and freedoms, the IACHR again points out to the State its duty of meeting the international human rights obligations it freely assumed under the American Convention and other applicable legal instruments.

54. The Inter-American Commission repeats its offer to work with the government, and with Venezuelan society as a whole, to effectively comply with the recommendations contained in this report and thereby to contribute to strengthening the defense and protection of human rights within a democratic context in Venezuela.

Trade

“Venezuelan Trade Declines with U.S., Increases with Brazil, Russia, China, Japan” by James Suggett, *Venezuela Analysis*. 21 August 2009.

Trade between Venezuela and the United States decreased by more than half in the first semester of this year. Meanwhile, Venezuela continued to diversify its trading partners in South America and abroad, most recently through a series of bilateral accords with Brazil, while Russia increased its investments in the Orinoco Oil Belt fivefold.

According to a recent report by the Venezuelan-American Chamber of Commerce and Industry (Venamcham), trade between the U.S. and Venezuela was valued at \$25.7 billion in the first half of 2008, and declined by nearly 53% to just over \$12 billion during the first half of 2009.

During April and June of this year, Venezuela's exports to the U.S. totaled \$6.4 billion, which is nearly 56% less than its exports to the U.S. during April and June of last year, when exports were worth \$14.5 billion, according to the report. Venezuela's imports from the U.S. totaled \$2.3 billion in April and June of this year, a 22% decline in comparison to April and June of 2008, when imports were worth \$3 billion.

Overall, the Venamcham report shows that Venezuela's oil sector accounted for 96% of exports to the U.S. in the first semester of this year, which is roughly the same as last year. Non-oil goods accounted for roughly 93% of Venezuela's imports from the U.S. in the first semester of this year.

Meanwhile, Venezuela continues to diversify its trade amongst countries in South America and abroad. In a meeting in Caracas on Friday, the foreign relations ministers, trade ministers and other officials from Brazil and Venezuela signed a series of bilateral accords to increase cooperation in food security and electricity generation, and to boost Venezuela's capacity to produce glass products, valve, PVC plastic products, industrial refrigeration, and electrical appliances.

Venezuelan Foreign Relations Minister Nicolás Maduro said the accords are not only aimed at boosting Venezuela's economy and bilateral relations with Brazil, but convey "the vision of the great South American Nation."

Colombia was Venezuela's biggest trading partner in South America last year, and its second largest trading partner overall, after the U.S.

However, since Colombia and the U.S. signed a deal in late July to allow the presence of thousands of U.S. military personnel on seven Colombian bases, Venezuela has vowed to replace its imports from Colombia with imports from the rest of South America.

Before going into Friday's meeting with Brazilian officials, Venezuelan Commerce Minister Eduardo Samán said Venezuela could replace as much as 60% of its imports from Colombia within six months through deals with Argentina, Brazil, and the member countries of the Caribbean and South American integration bloc known as ALBA.

Moreover, Russia, the biggest investor in Venezuela's Orinoco Oil Belt according to the Venezuelan newspaper Panorama, has pledged to invest a total of \$30 billion so far this year in the exploitation of the giant reserve, which is estimated to be the world's second largest with 235 billion barrels of crude.

The deal with Russia was signed last week and includes the formation of a mixed enterprise between a consortium of Russian companies and Venezuela's state oil company, PDVSA. It boosted Russia's total investment in the Orinoco to five times greater than it was at the start of the year.

Russia's investment follows an \$8 billion investment by Japan and a \$6 billion investment by China in the Orinoco, deals which were signed during Venezuelan President Hugo Chávez's tour of the region last April. On that occasion, Chávez made clear his government's intention to diversify its trading partners.

"Japan is interested in diversifying its supplies from energy providing countries, and Venezuela complements this with its desire to broaden the destinations of its oil exports... the United States is no longer the only country interested in our oil," said President Chávez.

Venezuela's Central Bank (BCV) reported this week that the GDP decreased by nearly two and a half percent in the second quarter of this year, compared to the second quarter of last year. This marks an overall contraction of 1% in the Venezuelan economy when including the first quarter of this year.

Oil-related activity declined by 1.6%, while non-oil related activity declined by 4.2%, the BCV reported. The sharpest declines were registered in the chemical, metallurgy, mining, and plastics industries, while growth was registered in the construction and electricity industries, meat, grains, and vegetable production, and services sector.

Bearing the effects of the world economic downturn that was sparked by the U.S. financial crisis last year, Venezuela's economic growth shrank to 0.5% in the first quarter of this year, following more than twenty-two consecutive quarters of economic growth.

HIGHLIGHTS

Outlook for 2010-11

- Worsening economic problems will raise public frustrations with the government, but the ruling PSUV is expected to retain a congressional majority following a legislative election in September.
- Cashflow problems will increase the risk of uncompensated expropriation of private-sector assets. Firms in the food sector will be particularly at risk.
- The government's decision to ban bond swaps co-ordinated by brokers and direct these operations at the BCV at a managed exchange rate will, in effect, create another implicit fixed exchange rate.
- As more firms access foreign currency on the riskier (and weaker) black market, consumer price inflation is likely to rise to 38.3% by the end of 2010.
- Venezuela is the only economy in the region where we forecast a renewed contraction in real GDP in 2010 and 2011 (of 5.5% and 2.5% respectively), following a 3.3% decline in 2009.
- A dramatic collapse in import spending will help to boost the current-account surplus from 2.6% of GDP in 2009 to an annual average rate of 8.4% in 2010-11, but massive capital flight will force the authorities to draw down reserves.

Monthly review

Relations with the Catholic Church have deteriorated following a war of words between the president, Hugo Chávez, and Cardinal Jorge Urosa, the archbishop of Caracas.

Bilateral ties with Colombia have remained fractious, on the back of Colombian allegations that Venezuela is turning a blind eye to the presence of Colombian guerrillas on its territory.

The granting of a BsF2bn credit line by the Central Bank to a state steelmaker has raised concerns that the BCV is turning into a de facto lender of last resort for nationalised companies.

Severe difficulties in accessing foreign exchange have persisted. A new bond swap mechanism administered by the BCV has supplied dollars but supply has lagged considerably behind demand.

Concern over how the government will meet a US\$1.5bn scheduled bond re-payment on August 7th has raised speculation about the liquidity of Venezuela's international reserves and prospects for future debt issuance.

OUTLOOK FOR 2010-11: DOMESTIC POLICIES

Deepening economic problems will increase public frustrations with the government of the president, Hugo Chávez, but the opposition is unlikely to capitalise on these developments to secure a majority in the September legislative election. Although the opposition Mesa de Unidad Democrática (MUD) coalition is so far proving relatively cohesive, it is failing to project itself at the national level through a lack of criticism of a string of recent government failings, including mismanagement of food imports by a state company and electricity shortages. A clampdown on anti-government activities—which has forced prominent opposition leaders into exile and barred some candidates from running for elected office—will also hamper the opposition. That said, there are growing signs that divisions within the governing Partido Socialista Unido de Venezuela (PSUV) threaten to split the Chávez vote. With few of its legislators selected to run for re-election and reports of bitterness within the party ranks, a separate challenge from

the Patria Para Todos (PPT, a small party that has split with the PSUV) could be sufficient to unseat some PSUV candidates. In the run-up to the election, the government will seek to guard against this loss of power by passing reforms to boost the power of hand-picked bodies at the local, regional and national level, eroding the authority of the elected legislature. A further crackdown on the private-sector media (potentially including web providers) is also possible, demonstrating the extent to which the government is extending its reach. Although the Economist Intelligence Unit's central forecast scenario is that the PSUV will retain an overall majority, there is a significant risk that the MUD and the PPT could strip the PSUV of a majority. Regardless of the outcome, dissatisfaction with the authorities will continue to build in 2011. Although the immediate risk of a general electricity crisis has abated, the risk of renewed problems in 2011 will sustain public frustrations with the government.

OUTLOOK FOR 2010-11: INTERNATIONAL RELATIONS

Despite media speculation about a possible rapprochement with Colombia once the new president, Juan Manuel Santos, takes office on August 7th, we believe that Venezuela's relations with Colombia will become even frostier in the coming months. Although Mr Santos has not become involved in the most recent spat—the previous president, Álvaro Uribe, accused Mr Chávez of allowing significant numbers of left-wing Colombian guerrillas to take refuge in Venezuelan territory—there is deep personal animosity between Mr Chávez and Mr Santos related to a border spat that occurred during Mr Santos's tenure as minister of defence. Moreover, Mr Chávez is likely to maintain an antagonistic stance, since an aggressive line is designed to rally his supporters around the claim of external threats and deflect attention from the ailing economy. However, an outright conflict between the two countries remains unlikely. Relations with the Netherlands, which had traditionally been cordial, could remain tense given that the president has recently thrown the spotlight on the presence of US military bases on its island possessions of Aruba, Curaçao and Bonaire, which lie just offshore from Venezuela. Mr Chávez will also continue to stoke tensions with the US and renewed threats to cut off its oil supply are possible, although it is unlikely this will actually happen; Venezuela will seek to diversify its oil export market to Asia (as shown by a recent agreement signed with China), but it lacks viable replacement markets for the bulk of crude (most of which requires heavy refining) that is currently sold to the US market.

OUTLOOK FOR 2010-11: POLICY TRENDS

In the current policy framework, it is difficult to envisage any scope for the stabilisation of macroeconomic variables within the forecast period. The government's heterodox response to distortions arising in the domestic economy will further aggravate this year's downturn. This has been evident in the recent criminalisation of the unregulated bond swap market, which many businesses had used as their principal source of foreign exchange. Instead of tackling the root cause of the problem (steep overvaluation of the official currency peg), the government's response is aggravating capital flight and reducing domestic demand for debt issuance (which is essential to meet the government's financing gap). Cashflow problems will increase the risk of uncompensated expropriation of private-sector assets, with Empresas Polar, a food and beverages producer and Venezuela's largest domestically owned private company, particularly at risk following recent threats by the authorities. A particularly rainy start to the 2010/11 rainy season (May-November) has alleviated immediate concerns about the shutdown of around 35% of the country's hydroelectricity capacity, but the long lead times in adding new generating capacity sustain the risk of a repeat crisis in the 2010/11 dry season. Meanwhile, although the main banks remain relatively well capitalised, problems abound in smaller institutions, reflecting a failure to implement regulatory directives and political meddling in oversight.

OUTLOOK FOR 2010-11: FISCAL POLICY

Even though this year's devaluation will double the bolívar value of fiscal oil earnings, and narrow the fiscal deficit temporarily, the authorities' recourse to such a measure is an admission of the increasingly desperate state of the public finances despite years of unprecedented oil earnings. Owing to the devaluation, we expect central government revenue to increase from 20.4% of GDP in 2009 to 24.8% in 2010; the rise would be even more marked if it were not for a decline in the number of people employed in the formal sector (which will result in lower income tax collection) and lower corporate taxation amid falling profitability. Election-related spending is likely to rise ahead of the September poll, reflecting continuing rises in transfers and a higher public-sector wage bill. This will raise central government expenditure to 27.9% of GDP, generating a deficit of 3.1% of GDP. Assuming a further devaluation in early 2011, fiscal revenue is forecast to rise to 25.4% of GDP. However, spending will rise more strongly—largely reflecting higher public-sector wage costs (which will account for one-third of central government expenditure) on the back of spiralling inflation. This will result in a renewed widening of the deficit, to 3.7% of GDP in 2011. Although this will be an improvement on the 2009 level, the underlying fiscal position will be even weaker as rising expenditure is channelled off-budget. The administration is likely to tap reserves held by the Banco Central de Venezuela (BCV, the Central Bank) and issue debt to finance the fiscal shortfall, resulting in a sharp rise in the public debt stock, albeit from low levels.

OUTLOOK FOR 2010-11: MONETARY POLICY

The bailing out of a nationalised steel company in July by the Central Bank reinforces its lack of de facto independence from the executive, which will have serious ramifications for its ability to control inflation and prevent large-scale increases in the money supply. The devaluation of the exchange rate has already resulted in a sharp jump in monetary aggregates, which have soared in recent years. Assuming a further devaluation in 2011, M2 is forecast to end 2011 at more than double the end-2008 level. The Central Bank will be powerless to withstand pressure from the government to lower interest rates (which are already negative in real—inflation-adjusted—terms). The extent to which fiscal concerns are dominating monetary policy could give rise to direct financing of the government by the Central Bank and allowing the Central Bank to count bonds issued by the state oil company, *Petróleos de Venezuela (PDVSA)*, as part of the international reserves.

OUTLOOK FOR 2010-11: ECONOMIC GROWTH

Venezuela is set to be the worst-performing economy in the Latin American region in 2010 (and among the weakest globally, with even the Greek economy expected to post a smaller contraction). A deepening of the recession will be driven by a 25.4% fall in fixed investment, reflecting the increasingly adverse business climate. Rising government subsidies and transfers will be insufficient to prevent a sharp fall in private consumption, with high inflation eroding real household incomes and unemployment continuing to edge up. The only component of GDP to grow will be government spending, as the administration seeks to bolster its support ahead of the legislative election in September 2010. We currently expect a further GDP contraction of 2.5% in 2011, reflecting the absence of any signal that the authorities are willing to tackle the structural causes of currency imbalances. These are affecting growth through a combination of disrupting production, reducing consumer and business confidence, eroding real incomes (through an increase in inflation) and raising capital flight.

On the supply side, electricity rationing will be the main factor behind a further 15% contraction in industrial production in 2010. Given the legacy of underinvestment in energy, the oil sector will remain weak. Even if the government reaches a final agreement with foreign oil firms over the auction of several blocks in the Carabobo field, production would not come on stream within the forecast period. Agriculture will continue to suffer from increased government intervention, price-setting and electricity rationing. The latter will also hit retail trade, given the restrictions on power usage at shopping malls.

OUTLOOK FOR 2010-11: INFLATION

Heavy-handed efforts by the government to prevent retailers from raising prices in reaction to the January devaluation have failed, with inflation rising from 24.3% year on year in January to 31.3% in June. The crackdown on the bond swap market will force more firms to access foreign currency on the riskier (and more expensive) black market. As a result, we expect consumer price inflation to rise to 38.3% by the end of 2010. An additional devaluation in 2011 will contribute to a further rise in inflation to 44% by the end of 2011. However, with a large share of the consumer price basket comprised of items with either fixed or managed prices—and many people relying on the black market for staple goods, where prices are rising much more strongly—the cost of living will increase even more sharply than official inflation data suggest. In spite of an increase in the fixed price of some goods, inadequate investment and more complicated access to foreign currency will sustain capacity constraints in a growing number of sectors, leading to shortages.

OUTLOOK FOR 2010-11: EXCHANGE RATES

Throughout the forecast period the government will struggle to contain pressures on the exchange rate without recourse to ever tighter controls. The government's decision to ban bond swaps co-ordinated by brokers (which have until now functioned as a parallel currency market) and direct these operations at the BCV will, in effect, create another implicit fixed exchange rate. This follows the introduction in January of two currency pegs (accompanied by a sharp devaluation): BsF2.6:US\$1 for essential imports and BsF4.3:US\$1 for other goods. Although the devaluation has helped to reverse the real appreciation (80%) that had occurred since 2005, a massive increase in local-currency liquidity (with the authorities printing money to boost the value of dollar-denominated oil earnings) has undermined the sustainability of the devalued exchange-rate peg. The illegal black market for foreign exchange is likely to become more prevalent following a crackdown on the bond swap market; this rate is likely to be considerably weaker, reflecting higher implicit risks. With the authorities gearing up for a presidential election in 2012, we expect a further nominal devaluation of the rate for non-essential imports in 2011. The rate for essential imports is expected to remain unchanged, suggesting a renewed build-up of imbalances that will eventually require a sharp adjustment.

OUTLOOK FOR 2010-11: EXTERNAL SECTOR

Following a fall in the current-account surplus from 12% of GDP in 2008 to 2.6% in 2009, higher oil prices and a fall in import volumes will boost the surplus to 9.3% of GDP in 2010. The services deficit is expected to fall in nominal terms (reflecting a sharp fall in the cost of freight), but this will be offset by a wider income deficit, owing to lower reserve holdings and higher interest payments. Oil prices will continue to determine current-account trends in 2011, with a slight fall in prices reducing the trade and current-account surpluses. Although we expect the current account to remain in surplus, massive capital flight, transfers to off-budget spending accounts and the need to meet scheduled debt repayments will result in a decline in foreign reserves (including gold) from US\$36.8bn at the end of 2009 to US\$18.3bn at end-2011. Import cover will fall but remain ample, but this will partly reflect the reduction in the import bill.

THE POLITICAL SCENE: DOMESTIC POLITICS BECOME INCREASINGLY VOLATILE

A number of disparate domestic and international developments in the past month have reinforced deep political divisions evident in the country. The government has continued to insist that radical elements of the opposition are seeking to destabilise the political scene, announcing on July 7th that it had arrested and deported Francisco Chávez Abarca, who had entered the country on July 2nd on a false passport with

the alleged aim of disrupting the September legislative elections. The government claimed that Mr Chávez Abarca was a close associate of the anti-Castro Cuban terrorist, Luis Posada Carriles. The authorities stated that around 30 opposition figures were co-conspirators and a week later the intelligence services arrested a right-wing opposition activist, Alejandro Peña Esclusa, in the capital, Caracas. On searching his apartment, the authorities stated that they discovered explosives but Mr Peña's wife claimed that they had been planted. Some of the opposition media suggested that the operation was staged and that Mr Chávez Abarca was, in fact, a Cuban intelligence agent. Government politicians retaliated with accusations that this proved that the media was complicit in the alleged plot.

More broadly, government relations with the media and Catholic Church have remained fractious. Having already seized the assets of Nelson Mezerhane—a major shareholder in the television news channel Globovisión (the only remaining channel that is critical of the government)—the authorities now claim that they control almost half of the company's shares. According to the government, this gives it the right to name a board member, but Globovisión claims that the government has no legal case for such a move. Relations with the Catholic Church have also deteriorated following a war of words between the president, Hugo Chávez, and Cardinal Jorge Urosa, the archbishop of Caracas. Cardinal Urosa warned that the country was heading towards a Marxist-style dictatorship, with the president retaliating by labelling the Cardinal a "troglodyte" for his criticism of the government. Mr Chávez has also threatened to reconsider Venezuela's relationship with the Vatican. Nonetheless, the Cardinal's warnings may have been a factor behind the decision to slow down the parliamentary passage of one key piece of radical legislation, the Law of Communes, which proposes establishing an overlapping tier of local government, subsidised by the central government and with the specific aim of constructing a socialist state. It is likely that the bill will remain on hold until after the September elections, but that Congress will subsequently approve the legislation, before the new congressmen take office.

It is too early to determine whether the government's chances in the September elections have been enhanced or damaged by these developments, but recent polls suggest that Mr Chávez certainly has cause for concern. A survey by a local polling firm, Hinterlaces, in mid-June found that 55% of respondents evaluated the president's performance negatively, and 65% stated that they believed the country was on the wrong path. Most of these respondents thought that conditions would deteriorate during the remainder of the year. That said, the long-standing weakness of the opposition will continue to work in Mr Chávez's favour and is likely to result in a close election in September.

THE POLITICAL SCENE: ROCKY RELATIONS WITH COLOMBIA AS MR. URIBE LEAVES OFFICE

Foreign policy has also been a source of tension over the past month, with relations with Colombia becoming particularly volatile. On July 22nd the Colombian government presented to a special session of the permanent council of the Organisation of American States (OAS) what it claimed was proof that guerrillas from the Fuerzas Armadas Revolucionarias de Colombia (FARC) maintain permanent camps inside Venezuelan territory. According to the outgoing Colombian government of Álvaro Uribe, the former president, some 1,500 guerrillas (equivalent to around one-sixth of the FARC's estimated strength) are taking refuge across the border in dozens of camps. The Chávez government dismissed the accusations, stating that they were motivated by a desire on the part of the US (a close ally of Colombia) to fabricate an excuse to intervene in Venezuela in pursuit of "regime change". Venezuela immediately broke off diplomatic relations with Colombia and took its case to the fledgling Unión de Naciones Suramericanas (Unasur), an inter-governmental union of 12 South American nations.

The outlook remains uncertain. The incoming Colombian president, Juan Manuel Santos—who will take office on August 7th—is Mr Uribe's chosen successor but he has taken care to distance himself from the

conflict with Venezuela, prompting speculation that this could pave the way for a rapprochement once he becomes president. But given that stoking tensions with Colombia has traditionally been used by Mr Chávez to rally his supporters—and to detract attention from the deteriorating economy—Venezuela may seek to prolong tensions with Colombia ahead of the September legislative elections.

Relations with other countries have also deteriorated in recent weeks. A resolution passed by the Chilean Senate (the upper house) calling for international monitors to ensure the transparency of the September legislative elections was strongly criticised by pro-Chávez legislators in Venezuela. And in mid-July Venezuela filed a protest with the Netherlands over an alleged violation of its airspace earlier in the month by a Dutch military aircraft based in the Netherlands Antilles, located just off the Venezuelan coast. The Dutch government denied that any of its aircraft had even been close to Venezuela's airspace. This follows accusations by Mr Chávez in December 2009 that the Dutch were conspiring with the US to intervene in Venezuela.

ECONOMIC POLICY: CENTRAL BANK BAIL-OUT OF SIDOR RAISES SEVERAL CONCERNS

The granting of a BsF2bn (US\$465m) credit line by the Banco Central de Venezuela (BCV, the Central Bank) to steelmaker Siderúrgica del Orinoco Alfredo Maneiro (Sidor)—which was re-nationalised in 2008 after 11 years in private hands—has raised concerns that the BCV is turning into a de facto lender of last resort for nationalised companies. Together with two aluminium producers based in the Guayana region—Alcasa and Venalum—Sidor had borne the brunt of the government's electricity rationing scheme earlier this year. While all three companies were ordered to suspend operations to conserve electricity, they were not permitted to lay off workers during the shutdown. This left all three state-owned firms behind on their payments to suppliers and on the brink of insolvency. In relying on the BCV for financing, the Sidor rescue loan sets an unsettling new precedent. With other nationalised companies in the industrial sector also facing large losses stemming from forced shutdowns during the period of electricity rationing (which ran from January to June), the Sidor loan may be only the first in a series of other bailouts.

This raises several concerns on a number of fronts. State-owned companies generally have a poor record of repaying rescue-loans of this kind, raising concerns that this could potentially compromise the financial integrity of the Central Bank. A deterioration of its balance sheet could also prompt the authorities to reduce the amount of US dollars available to fund import purchases, forcing more individuals and businesses to resort to the costlier black market. This would fuel already-high inflation as retailers pass on higher costs to the consumer. Moreover, the bailout loan is designed specifically to meet expired obligations with suppliers and includes no requirement for Sidor to return to profitability. Experience in Venezuela—including in Sidor itself prior to its 1997 privatisation—suggests that, in the absence of a hard budget constraint, managers of state-owned enterprises have little incentive to seek to return to profitability. A succession of financial rescues often ensues, with large losses for the lender of last resort.

A final concern is specific to the industrial sector in the Guayana region. The cause of financial distress for these firms was the harsh electricity rationing imposed following last year's drought and the dwindling water levels at the country's main hydroelectric dam, Guri, which provides around three-quarters of Venezuela's total electricity generation. With investment to install new generating capacity running behind schedule, there is little prospect of reducing the country's dependence on the Guri dam. But with rainfall levels highly variable in the Caroní river basin, this raises the possibility of a reintroduction of electricity rationing, potentially pushing the region's state-owned enterprises into a long-term cycle of low rainfall, leading to rationing, to financial losses and then to rescue packages. That said, the likelihood of a repeat scenario in 2011 has abated somewhat thanks to one of the wettest rainy

seasons on record, resulting in a sharp recovery in water levels at the Guri dam since April. If the remainder of the rainy season is as wet as the first part has been, there may be no need to reintroduce rationing in the first half of 2011.

ECONOMIC POLICY: CURRENCY IMBALANCES REMAIN SEVERE

Severe difficulties in accessing foreign exchange have persisted. The new bond swap mechanism administered by the BCV (whereby bonds are purchased in local currency and then resold for US dollars) has continued to supply dollars at a rate of BsF5.3:US\$1 (weaker than the official currency peg but stronger than the black-market rate). However, the supply of dollars has lagged considerably behind demand, with daily sales averaging just US\$23m per day and total sales since the system's inception standing at US\$830m (as of July 28th). Before the introduction of the BCV system, an estimated US\$80m per day was traded through this type of bond swap, of which around 30% was used to fund import purchases and the remainder to fund capital flight.

Given the artificially strong level of the bolívar in the BCV swap market, a certain level of coercion has been necessary to induce banks to supply bonds to this market. Venezuela's vice-president, Elías Jaua, has described the arrangement as a "gentlemen's agreement" between the government and the banks, but the problem for the government is that banks do not have an unlimited supply of bonds. As such, there is concern that the banking sector's overall stock of foreign-currency-denominated instruments may run out faster than the BCV expects, adding yet another constraint to the supply of the swap market. If this is the case, the government and/or the state oil company, Petróleos de Venezuela (PDVSA), may be forced into new issuance—even at extraordinarily high rates—in the coming months, simply as a way of injecting new supply into the BCV swap market. As an alternative, the head of the BCV, Nelson Merentes, has floated the possibility of transacting third-party bonds through the swap market. In a recent speech, Mr Merentes mentioned Brazilian sovereign bonds as one possibility, although it remains unclear how such a scheme would work in practice.

The multiple constraints on the supply of foreign currency have fuelled the illegal black market. However, the black-market exchange rate has become increasingly opaque. The parallel market used to provide a reference price but since this has been banned (and replaced by the regulated BCV system), market participants have no reliable way of obtaining a reference price for black market operations. Some have turned to the prices quoted by illegal currency hawkers at Maiquetía International Airport in the capital, Caracas, or in Colombian border towns. A string of blogs has also sprung up that cite such prices (with questionable accuracy). This has led to extraordinarily wide spreads as dealers demand considerable risk premiums for brokering illegal deals. It is believed that the black-market rate has been trading at anything between BsF8:US\$1 and BsF13:US\$1 in recent weeks, compared with an official rate of BsF2.6:US\$1 (for essential imports) and BsF4.3:US\$1 (for other imports).

Environment and Energy Issues

“Blackouts Plague Energy-Rich Venezuela” by Simon Romero, *The New York Times*. 10 November 2009.

CARACAS, Venezuela — This country may be an energy colossus, with the largest conventional oil reserves outside the Middle East and one of the world’s mightiest hydroelectric systems, but that has not prevented it from enduring serious electricity and water shortages that seem only to be getting worse.

Power failures have plagued Venezuela in recent years. At the Caracas home where María Gabriela Cabeza Pompa, 5, sat with her cousin Andrea Acosta, 9, blackouts damaged the TV.

President Hugo Chávez has been facing a public outcry in recent weeks over power failures that, after six nationwide blackouts in the last two years, are cutting electricity for hours each day in rural areas and in industrial cities like Valencia and Ciudad Guayana. Now, water rationing has been introduced here in the capital.

The deterioration of services is perplexing to many here, especially because the country had grown used to cheap, plentiful electricity and water in recent decades. But even as the oil boom was enriching his government and Mr. Chávez asserted greater control over utilities and other industries in this decade, public services seemed only to decay, adding to residents’ frustrations.

With oil revenues declining and the economy slowing, the shortages may have no quick fixes in sight. The government announced some emergency measures this week, including limits on imports of air-conditioning systems, rate increases for consumers of large amounts of power and the building of new gas-fired power plants, which would not be completed until the middle of the next decade.

Skepticism also persists over another plan — to develop a nuclear energy program — because it would require billions of dollars and extensive training of Venezuelan scientists at a time of budget shortfalls and falling oil production. Potential diplomatic resistance to Venezuela’s cooperation on nuclear matters with Iran could slow these ambitions further.

“We’re paying for the mistakes of this president and his incompetent managers,” said Aixa López, 39, president of the Committee of Blackout Victims, which has organized protests in several cities. In some cities, protesters have left household appliances on the steps of state electricity companies.

In response, the president is embarking on his own crusade: pushing Venezuelans to conserve by mocking their consumption habits.

He began his critique last month with the amount of time citizens spent under their shower heads, saying three-minute showers were sufficient. “I’ve counted and I don’t end up stinking,” he said. “I guarantee it.”

Then he went after the country’s ubiquitous love motels and shopping malls, accusing them of waste. “Buy your own generator,” he threatened, “or I’ll cut off your lights.” He similarly laid blame with “oligarchs,” a frequently used insult here for the rich, for overconsumption of water in gardens and swimming pools.

Mr. Chávez is even going after his countrymen's expanding waistlines. "Watch out for the fat people," he said last month, citing a study finding a jump in obesity. "Time to lose weight through dieting and exercise."

While Mr. Chávez zeroes in on such issues, Venezuela's declining public services offer what may be a view into the "resource curse": the idea that some countries with abundant natural resources have societies hampered by sometimes sharp political discord, stunted growth and glaring inefficiencies.

On paper, at least, Venezuela should be swimming in surplus power. The country has huge reserves of oil and natural gas and sizable coal deposits. Its Guri dam complex, built with postwar oil riches in the 1960s, ranks as one of the world's largest hydroelectric projects.

Guri provides Venezuela with as much as three-quarters of its electricity and, just as crucial, allows Venezuela to export about 500,000 barrels of oil a day that might otherwise be needed to meet electricity demand.

But energy economists here said a combination of negligence and poor planning pushed Guri to its limit in this decade, while other electricity projects, including several built in recent years to be fueled by natural gas, remain completely or partly idle.

Mr. Chávez's government blames relatively low rainfall this year for low water levels at Guri and for declining water supplies for Caracas. But former officials in Mr. Chávez's government interviewed here said the problems were more daunting than a lack of rain.

They said the president encouraged consumption with a 2002 decree freezing electricity and other utility rates. A time-zone change by Mr. Chávez in 2007 that turned clocks back half an hour also led consumption to climb (the sun sets earlier here than before).

Meanwhile, nationalization effectively halted renewable-energy projects, like a plan by the AES Corporation, which used to control the main electricity company in Caracas, for a wind farm on the Paraguaná Peninsula. Despite Venezuela's large wind and solar potential, renewable energy here remains negligible.

Most significant, though, may be the government's failure to use its immense natural gas reserves, the second largest in the Western Hemisphere after those of the United States, to fuel existing power plants.

Venezuela's gas is technically hard to extract because almost 90 percent of it is associated with oil, but major projects have languished even as Venezuela's neighbor, Trinidad, taps adjacent gas reserves with ease. Venezuela relies on Colombia, with which ties are increasingly tense, for gas imports.

As a result, there is a disconnect between Venezuela's energy potential and its ability to keep the lights on. Billboards here extol a "natural gas revolution" and the prowess demonstrated by a satellite put into orbit last year with China's assistance, while daily blackouts plague poor areas where the satellite was supposed to help provide phone and Internet services.

"The problem isn't a lack of money," said Víctor Poleo, a former Energy Ministry official under Mr. Chávez. "It's the irresponsible and corrupt militarism that has replaced the professionalism of the industry."

Meanwhile, homes and businesses across the country are adapting to the erratic supply of power and, here in Caracas, of water. Sales of small generators, candles and water storage tanks are surging. Reflecting the

unease of the already strained industrial base, which developed around access to ample and cheap power, Sidor, a steel maker in Ciudad Guayana, said it was shutting down its furnaces five hours a day because of the cuts.

“If this crisis teaches us something,” said Fernando Branger, an energy expert at the Institute of Superior Administration Studies, a Caracas business school, “it is that the immensity of our energy reserves means nothing if we cannot even get them out of the ground.”

María Eugenia Díaz contributed reporting.

“Venezuela to Amp up Oil Production”-- Oxford Analytica. 5 April 2010.

New consortiums aim to double production by 2016, even in an environment favoring lower-carbon options.

Venezuela's heavy oil is one of the world's largest hydrocarbon resources, and is relatively undeveloped. On Feb. 10, the government announced the results of the first oil auction held since President Hugo Chávez took office in 1998; it comprised three blocks in the Carabobo field of the Orinoco belt:

--Carabobo 1 was awarded to a consortium involving state oil company PDVSA (60%), Spanish Repsol (11%), Malaysian Petronas (11%), and India's ONGC (11%), Indian Oil and Oil India Ltd (7% together).

--Carabobo 3 was awarded to a consortium including PDVSA (60%), U.S.-based Chevron (CVX - news - people) (34%) and Japanese Mitsubishi, Inpex, Japan Oil and Gas, and Japan Metals National (5%).

--Carabobo 2 was not awarded.

Details have yet to emerge, but it appears each of these consortia will be investing some \$15 billion, large commitments even by oil industry standards. If these investments are added to what might be invested in the separately negotiated Junin blocks, total new investment in heavy oil projects could exceed \$75 billion. Each of these consortia is likely to have to spend \$6 billion to \$8 billion on specialized refineries to upgrade the heavy oil to marketable specification and quality. The Venezuelan government showed it was prepared to sweeten the deals in some respects--lowering royalty levels and lifting some taxes--but maintained PDVSA as the dominant majority shareholder in each case.

--Doubling production. The government has stated that this suite of projects will increase the country's oil production from 3 million to 6 million barrels per day (b/d) by 2016, with first oil being delivered by 2013, an aggressive pace.

--Oil advances. Venezuela seems positioned to take a major step forward in the development of its oil industry. For some years, following enforced nationalization of the industry, most commentators felt it has been drifting or even slipping backward.

Production from these Carabobo and Junin projects is slated to start as early as 2013, reaching plateau production in 2016. However, this looks ambitious:

--Cementing consortia. The consortia need to be formalized and then actually established. In addition to the newly awarded Carabobo blocks, there are the separately negotiated Junin blocks, where there appears to be some way to go in formally establishing the operating companies. Progress has been slow, whether due to PDVSA's capability constraints or caution on the part of investors.

--Ideological issues. Operable management structures that allow the lead companies to work effectively with PDVSA need to be devised, staffed and put into operation. PDVSA is seen by some as an ideologically driven company, so it could face challenges in working on these huge projects with a mix of state and private oil companies.

--Management skills. PDVSA will have to find suitably qualified and experienced staff to contribute effectively in these consortia in areas such as project management. Major players such as Shell and BP have their own internal academies to develop these skills.

--PDVSA finances. Although PDVSA will get financial support from other consortium members, it must find tens of billions of dollars to contribute toward financing very large projects. Caution among international lenders may make this difficult.

--Political risk. Chávez has made the pragmatic decision that Venezuela needs help to improve the rate of exploitation of the country's heavy oil. The judgment investors must make, given his track record, is what line he will take once the investment has been made.

Heavy-Oil Outlook

While the estimate of oil in place has not changed materially for decades, the recoverability factor has risen from less than 10% to 40% at present. However, there are pluses and minuses to these heavy oil projects. They are widely perceived to be high-carbon at a time when low-carbon energy sources are seen as increasingly desirable. On the other hand, one of their obvious attractions is that they have a duration of between 25 and 40 years, with consistent, long-lived production.

Appendix

“Advance the Relationship between Colombia and Venezuela” Official statemente from the Embassy of the Bolivarian Republic of Venezuela to the United States. November 5, 2010.

“Nace una nueva mayoría” by **Javier Pereira**. *Siete Días; El Nacional*. Octubre 3, 2010.

“Resumen de la política nacional” by **Marcela Zaro**. Informe Escenarios Datanalisis. Julio 2010.
