VENEZUELA: POLITICAL REFORM OR REGIME DEMISE?

Latin America Report N°27 – 23 July 2008

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

President Hugo Chávez faces mounting difficulties at home and abroad. The defeat of constitutional reforms in a December 2007 referendum, a year after re-election, was his worst setback since winning the presidency in 1998. It was not primarily the divided opposition, which lacks a broad social base, that dealt this blow but the abstention of three million Venezuelans, including many former government supporters. There is growing disenchantment over food shortages, rising inflation, public insecurity and corruption, as well as resistance to Chávez's push to merge his coalition's parties into a new United Socialist Party of Venezuela (PSUV), and concern about further concentration of power in the president's hands and his foreign policy, including disputes with Colombia. Only by ending attempts to drastically alter the 1999 constitution is Chávez likely to return Venezuela to democratic stability. If he fails to compromise and govern more transparently and inclusively, November municipal and regional elections could produce a dramatic new setback for his increasingly autocratic "Bolivarian revolution".

Following his landslide second re-election in December 2006, Chávez sought to accelerate implementation of his "socialism of the XXIst century". The government-controlled National Assembly (NA) passed an "Enabling Law" (*Ley Habilitante*), which grants him full legislative powers until the end of July 2008, and he proposed sweeping reform of the 1999 constitution. If approved in the referendum, the latter would have removed limitations on presidential re-election as well as paved the way for centralised education; further politicisation of the military; recentralisation of government through a new territorial and political order; and strengthening of communal councils charged with administering the executive-led social welfare programs (*misiones*). Attempts to impose decrees without broad discussion in the first half of 2008 sparked strong dissent that forced their withdrawal.

The chavista movement is losing momentum. It has become bureaucratic, corruption is spreading and the government's management is poor. The president's social programs are not meeting expectations and have not empowered citizens. In the cities and even in rural areas, where Chávez's social base has been strongest, dissatisfaction is spreading due to shortages of basic foodstuffs and rising inflation and crime. The PSUV, established in early 2007, is unlikely to help Chávez regain lost support. On the contrary, at the grassroots and regional (state) and local (municipalities) levels, it is perceived as a top-down decision-making structure that reduces any space for political participation not blessed by the president.

The November elections will be a critical test for the Chávez administration and democratic processes in the hemisphere. If the political opposition is to make broad gains and capture several chavista fiefdoms, it must breathe life into the unity pact signed in early 2008, reach consensus on strong single candidates, attract the under-privileged sectors of the electorate and design a convincing national strategy capable of offsetting Chávez's charisma.

RECOMMENDATIONS

To the Government and State Institutions of Venezuela:

1. Focus on applying the 1999 constitution and act immediately to improve public sector accountability and transparency by:

   (a) establishing a high-level, civilian-led national commission to design a public security strategy to fight crime; members of the commission should include representatives of the interior and defence ministries, the National Assembly, the attorney general's and ombudsman's offices, a multiparty group from state governments and mayoral offices, national, regional and local law enforcement agencies and civil society;

   (b) ensuring that any revision to the withdrawn intelligence decree is consulted widely with civil society, the Inter-American Institute for Human Rights and the Inter-American Com-

mission on Human Rights to ensure that it does not contain provisions violating the 1999 constitution or internationally recognised covenants protecting civil liberties to which Venezuela is a signatory;

(c) creating with the leadership of the comptroller's office and the support of the attorney general's office, the prosecutor general's office (*procuraduría*) and the National Assembly a team of special prosecutors to conduct fair and independent investigations of charges of government corruption;

(d) alleviating food shortages by spurring domestic production, increasing support to small farmers and giving investment guarantees to national and foreign investors in agriculture; and

(e) integrating the social missions with existing public welfare programs and establishing effective and independent monitoring and evaluation mechanisms for them.

2. Establish guarantees for transparent conduct of the November 2008 municipal and federal state elections and respect of basic civil and political liberties enshrined in the 1999 constitution by:

(a) demonstrating in word and deed that violence will not be tolerated during the electoral campaign, including by avoiding the term "civil war" to describe the consequences should the opposition win in some key states and municipalities;

(b) inviting, jointly with the National Electoral Court (CNE), the Organization of American States (OAS) to send an international observation mission to help guarantee free and fair elections and making available to it information on all polling stations across the country; and

(c) lifting, in accordance with Article 65 of the 1999 constitution, the comptroller general's ban on 258 candidates to stand for office – they have yet to be convicted by a judge – and encouraging the Supreme Court (TSJ) to rule on the matter before the end of the candidate registration period.

3. Pursue a foreign policy conducive to peace and security in Latin America and the Caribbean, including by:

(a) adopting a constructive stance on the Colombian armed conflict and its political resolution by appointing a new ambassador to Colombia, reactivating the bilateral cooperation mechanisms that have been suspended since the bilateral crisis erupted in late 2007 and, in accordance with the 17 March 2008 OAS resolution, reinforcing border cooperation to prevent the use of sanctuaries by illegal armed groups;

(b) sending a clear message of non-interference in any way with other countries' constitutional and political processes; and

(c) continuing economic and technical assistance programs in Latin America and the Caribbean in close coordination with the partner governments, prioritising development goals without political conditions.

To the pro-Chávez Political Parties and Social Movements/Organisations:

4. Defend the 1999 constitution and Venezuela's democracy more actively by promoting, in and outside the National Assembly, accountability, transparency and the separation of powers.

5. The United Socialist Party of Venezuela (PSUV) should establish a dialogue with the other members of the Patriotic Alliance regarding the fair and transparent selection of single pro-Chávez candidates for state and municipal offices in the November 2008 elections.

6. The communal councils and other local and grassroots organisations should urge the national government to promote and respect the 1999 constitution, seek to enhance pluralism and political participation at the municipal level and contribute to strengthening the social missions.

To the Opposition Political Parties and Movements:

7. Recognise and reiterate publicly that, in accordance with the existing constitution, President Chávez's term will end in 2012, and clearly commit to attempt no extra-legal activity with a view to ending it prematurely.

8. Continue to pursue unity for the November 2008 elections by sticking to the 23 January National Unity Agreement, including selection of single candidates for regional and local offices.

9. Increase efforts to establish a shared programmatic platform and engage broad sectors of the electorate in that process.

10. The students' movement should continue its vigorous defence of civil liberties, urging both the pro-Chávez and opposition camps to act democratically.

To the Organization of American States (OAS):

11. Prepare for the sending of an international observation mission to guarantee free and fair November 2008 elections.

To the Government of Brazil:

12. Increase dialogue with Venezuela aimed at promoting regional cooperation and integration, prioritising respect for democratic processes and the Inter-American Democratic Charter.

To the Government of Cuba:

13. Continue working with Venezuela on technical assistance programs in Latin America and the Caribbean in close coordination with the partner governments, prioritising development goals without political conditions.

To the Government of the U.S.:

14. Support ongoing Colombian and Venezuelan efforts to resolve their diplomatic differences; promote Colombian-Venezuelan cooperation on border control; and engage in confidence-building measures to reassure Venezuela that the new designation of U.S. vessels in the region as the Fourth Fleet is not intended to be provocative.

Bogotá/Brussels, 23 July 2008

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VENEZUELA: POLITICAL REFORM OR REGIME DEMISE?

I. INTRODUCTION

Shortly after being re-elected in a December 2006 landslide,[1] President Hugo Chávez embarked on an ambitious process to accelerate implementation of his radical political agenda. His victory appeared to show that a large majority of Venezuelans had endorsed his socialist project and was prepared to continue supporting the "Bolivarian revolution". The government's "socialism of the XXIst century", however, has always been a vague concept at best and, more importantly, has not produced substantive benefits for large numbers of citizens, even those at the base of the income pyramid. When the president submitted his radical constitutional reform to the National Assembly (NA) on 15 August 2007, many did not like what they saw: further centralisation of the state, concentration of power in an autocratic government and greater politicisation of the military, all against a backdrop of corruption, chronic food shortages, rising, double-digit inflation and more street crime. On 2 December, the constitutional amendments were defeated in a national referendum.

Three million mainly former pro-Chávez voters abstained from the referendum. There was also mounting criticism by former government allies, while the president's unsuccessful and time-consuming foreign policy adventures, especially on Colombia, distracted from his referendum campaign.

Though the 1999 constitution prohibits re-submitting constitutional reforms a second time during the same presidential term (2007-2012), Chávez can issue decrees under the Enabling Law (*Ley Habilitante*) until the end of July 2008. In addition, he could attempt a new referendum or other legislative initiatives in the government-controlled NA.[2] Recently there have been signs of some concessions, including backtracking on a controversial intelligence decree and educational reform, reaching out to the private sector, distancing himself somewhat from Colombia's FARC rebels and efforts at rapprochement with Colombian President Álvaro Uribe. Unless he makes considerable internal policy adjustments, however, including recovering the spirit of the 1999 constitution and addressing the country's ever more pressing daily problems, his government is likely to face increased resistance from both a broadening opposition and key parts of his own camp.

After eleven electoral victories in a row at all levels since his first election as president in 1998, Chávez's social and political movement has begun losing momentum. Government performance is often incompetent. State bureaucracies and the executive-led social missions (large but often improvised and ineffective public welfare assistance programs) compete with each other with no clear priorities. Central government spending on the missions has not empowered civil society but rather created highly dependent political clients with little interest in the ideology of the "Bolivarian revolution". Several important former political allies and grassroots supporters have refused to join Chávez's new United Socialist Party of Venezuela (PSUV). As regional (states) and local (municipalities) elections approach on 23 November 2008, the chavista forces are riven by infighting.

2008 will largely determine whether Chávez can translate the spirit of the 1999 constitution into efficient government action that brings democratic stability and benefits for Venezuelans of all walks of life or whether he will stay on a radical course that puts his increasingly autocratic regime at risk.

[1] See Crisis Group Latin America Report N°19, *Venezuela: Hugo Chávez's Revolution*, 22 February 2007.

[2] Many in the opposition have acknowledged the mistake of not participating in the 2005 legislative elections, paving the way for total control of the NA by the chavista camp. Crisis Group interview, survey poll company analyst, Caracas, 18 September 2007.

II. 2007: SEEKING CONSTITUTIONAL REFORM AND REGIME CONSOLIDATION

A. ACCELERATING THE REVOLUTION

As he was being inaugurated for a third term on 8 January 2007, President Chávez announced the launch of the Simón Bolívar National Project 2007-2021,[3] the end of the "transition phase" and the beginning of a "new era" meant to accelerate an autochthonous Venezuelan socialist revolution, the "socialism of the XXIst century".[4] The National Assembly passed the Enabling Law on 31 January 2007, granting him full legislative authority for a limited period. Chávez then prepared a reform of the 1999 constitution to allow for indefinite presidential re-election, the most controversial of a number of far-reaching changes. Educational reform – the "morals and enlightenment campaign" ("*moral y luces*") – was to replace capitalist values with socialist ones. The "new geometry of national power" was to fundamentally change the country's territorial and political organisation and be followed by the dismantling of current government structures and empowering of "communal councils" (*consejos comunales*)[5] to administer the presidential-led social programs.

The Enabling Law, considered by Chávez the "mother of the revolutionary laws", provides the executive broad powers for eighteen months to issue decrees with the force of law in almost all aspects of public life.[6] It has been used with regard to the "migration" of joint venture contracts to mixed enterprises (with the state as the main shareholder) in the Orinoco belt;[7] to partially reform the value added tax (VAT);[8] to modify the currency;[9] and to cope with the hoarding of basic foodstuffs.[10]

Chávez's primary focus has been on constitutional reform and the communal councils, however.[11] Nine days after the inauguration, on 17 January 2007, he established the Presidential Councils for Constitutional Reform and Communal Power. The first of these, made up of eleven high government officials, elaborated proposals to reform the constitution according to the wishes of the president.[12] The second, consisting of ten other senior officials, addressed the implementation of communal power.[13] Both councils worked in secret for seven months.

Simultaneously, the government re-nationalised strategic assets in the communications, electricity and oil sectors. The CANTV telephone company was nationalised on 22 May 2007 and Electricidad de Caracas

[3] New executive cabinet's inauguration speech, 8 January 2007. See www.mci.gob.ve.

[4] See Crisis Group Report, *Hugo Chávez's Revolution*, op. cit., pp. 26-27. The terms – "Bolivarian revolution" and "socialism of the XXIst century" tend to be used indiscriminately in official rhetoric to describe everything undertaken by the government.

[5] The communal councils were created by law on 7 April 2006. Since 2007, President Chávez has assigned them a prominent role in the construction of the new Venezuelan "socialist state".

[6] Under the Enabling Law, the executive can issue decrees with the force of laws in the following fields: 1) transformation of state institutions; 2) popular participation; 3) public service; 4) economy and society; 5) financial and tax systems; 6) civic security; 7) science and technology; 8) territorial order; 9) defence and security; 10) infrastructure, transportation and services; and 11) energy. *Ley Habilitante* 2007, Caracas, 31 January 2007, at www.asambleanacional.gob.ve.

[7] The decree on the "migration" of association contracts to mixed enterprises in the Orinoco belt region paved the way for state-owned PDVSA to take control of at least 60 per cent of the shares of enterprises drilling and exploring for oil in that region from 1 May 2007. www.petroleumworldve.com.

[8] The 26 February 2007 decree reduced the VAT to 11 per cent from 1 March until 30 June 2007 and 9 per cent subsequently, www.seniat.gov.ve.

[9] The decree of 6 March 2007 on monetary conversion (*Ley de Reconversión Monetaria*) paved the way for the change of the currency from Bolivars to Strong Bolivars (1,000 Bolivars: 1 Strong Bolivar) on 1 January 2008. www.reconversionbcv.org.ve and section III.B.1 below.

[10] The decree of 28 January 2008 on hoarding of basic foodstuffs gave the government capacity to impose price caps, seize hoards and expropriate for security and food sovereignty reasons; it also authorised the communal councils to monitor implementation. www.asambleanacional.gov.ve/uploads/biblio/decretoespeculacion.doc.

[11] Implementation of the plans for education and territorial changes were linked to constitutional reform.

[12] Members included National Assembly (NA) President Cilia Flores; NA legislators Carlos Escarrá, Nohelí Pocaterra, Ricardo Sanguino and Earle Herrera; Supreme Court (TSJ) Magistrate Luisa Estela Morales; Ombudsman Germán Mundaraín; Labour Minister José Ramón Rivero; Attorney General Isaías Rodríguez; Luis Britto García (writer) and Jesús Martínez (lawyer).

[13] Members included Vice-President Jorge Rodríguez (its president); Economy Minister Pedro Morejón; Planning and Development Minister Jorge Giordani; Communications Minister Jesse Chacón; Light Industry and Commerce Minister María Cristina Iglesias; Finance Minister Rodrigo Cabezas; Science and Technology Minister Héctor Navarro; Labour and Social Security Minister José Ramón Rivero; Prosecutor General Gladys Gutiérrez; and Micro-Financial Development Fund President Margaud Godoy.

(EdC), the largest private electricity company, on 14 June 2007, after compensation was negotiated for the main shareholders, U.S.-based Verizon and AES, respectively.[14] On 1 May 2007, state-owned PDVSA took control of at least 60 per cent of the shares of its heavy-oil improvement joint ventures with transnational oil companies (TOCs) in the Orinoco belt. However, that has proved to be more difficult, and cases continue in international courts.[15]

Also that month, Chávez established a Central Planning Commission[16] to put more than 200 autonomous state institutes firmly under central government control, among them the Guayana Venezuelan Corporation holding, which includes iron ore and bauxite mining, aluminium smelters, hydro-power generation and telecommunications in the south east. Critics contend that the increased central government control has inexorably led to excessive bureaucratisation and lack of competitiveness.[17] Chávez also forced political allies into the PSUV, a single pro-Chávez party, though three of the chavista coalition parties refused, and he began transformation of the military (FAN) into a revolutionary force resembling Cuba's. Officers unwilling to subscribe to the "Fatherland, Socialism or Death!" motto were told by Chávez to leave the institution, in open violation of its constitutional apolitical character.[18]

As Chávez laid the foundations for his ambitious political project, discontent with his government's management grew. Support declined for policies that were increasingly perceived as autocratic and out of tune with the country's most pressing problems of insecurity, food shortages, growing inflation and official corruption.

B. THE CONSTITUTIONAL REFORM

In a speech to the NA on 15 August 2007, Chávez proposed fundamental reform of 33 articles – almost 10 per cent – of the 1999 constitution. The project sought to increase executive powers so as to centralise the state, reversing the federal decentralisation model;[19] to introduce a socialist political and economic model;[20] and to change the military from a professional, apolitical institution to a "patriotic, popular and anti-imperialistic" one.[21] Other initiatives, such as reduc-

[14] CANTV was state-owned until 1991, when it was privatised in an effort to modernise its infrastructure and achieve full national telephone service coverage. Critics of re-nationalisation questioned the latest available figures showing profits were reduced 9.4 per cent while operative costs increased 31.3 per cent; they cautioned that EdC could take the same path as CADAFE, the state-owned electricity utility, which has very low reliability. Teodoro Petkoff, "Cantv: socialismo o muerte", *TalCual*, 26 March 2008.

[15] One problem the government has faced with re-nationalisation has been the shortage of specialised personnel, many of whom went abroad when salaries were cut to PDVSA levels; a PDVSA refinery operator may earn $820 per month, including food and living subsidies, less than wages elsewhere in the oil industry. "Es un gran dilema: PDVSA, inflación, salarios y campaña presidencial", 7 November 2006, at www.aporrea.org/imprime/a26962.html. For the negotiations with transnational oil companies, see section III.C.1 below.

[16] It includes the vice-president, the ministers of planning, energy, labour, finance and agriculture and four other members appointed by the president.

[17] Crisis Group interview, economic analyst, Caracas, 5 March 2008. According to press sources, the 2007 Alcasa (aluminium smelter) board's report indicated that payroll increased from 2,400 workers in 2004 to 3,420 in 2007 (200 are on indefinite leave to attend "Marxist and political training schools"); in 2004, net losses were $37.2 million (with an aluminium market price of $1,700 per ton); in 2007, they were $218.6 million (with a $2,800 per ton market price); production costs increased from $2,300 per ton in 2004 to $4,200 in 2007 (international standards for aluminium production costs are some $1,500 per ton). Damián Prat, "Populismo y sangria económica", *TalCual*, 22 May 2008.

[18] Vivian Castillo, "Chávez instó a la FAN a asumir socialismo sin 'ambigüedades'", *El Universal*, 13 April 2007. 1999 constitution, Article 328. Judicial authorities have undertaken no inquiries into constitutional violations. On 1 July 2008, after submitting an appeal to the Supreme Court (TSJ) to ban the use of the motto, Army General Angel Vivas was arrested for several hours by the Military Intelligence Directorate (DIM). "Detenido general que solicitó revisión de lema socialista", *El Universal*, 2 July 2008.

[19] The increase of presidential powers included: extending the term of office from six to seven years; removing re-election limits; more control of the Central Bank; power to modify federal state and municipal boundaries and create "functional districts" by decree ("new geometry of power"); political control of Caracas city; creation of executive-appointed posts of regional vice-presidents charged with governing the new "functional districts", thus undermining the authority of the elected governors and mayors; and power to create "special military regions" in a national emergency. "Constitutional Reform Draft", 15 August 2007.

[20] This included introduction of severe limits on private property and means of production, the latter to be run in effect by workers' management committees, and regulation of the free exercise of liberal professions. Ibid.

[21] The military would change its name from the National Armed Force (FAN) to the "Bolivarian Armed Force", which were to be essentially "patriotic, popular and 'anti-imperialistic'". It could also perform some police functions, including criminal investigation. The National Guard would become the Territorial Guard and be given new functions, including police tasks, while the national reserve would become the Bolivarian Popular Militia. Ibid.

tion of the working day to six hours (36 hours per six-day working week) were included to increase attractiveness of the package.

On 2 November 2007, after two and a half months and three rounds of parliamentary debate, the NA approved the constitutional reform project and added 36 articles to it. Podemos was the only Chávez-allied party in opposition, arguing that such profound amendments should be undertaken by a constituent assembly. As a result, it was forced to leave the chavista coalition. The National Electoral Court (CNE) ruled that the referendum on the amendments had to be held within 30 days (2 December 2007), with the decision to be taken in two parts: on 46 articles (including those submitted by Chávez) in block "A" and on the remaining 23 in block "B".[22]

The proposal put to the voters also included provisional measures, of which the most important listed fifteen laws intended to form the backbone of a new revolutionary legal framework[23] and authorised the president to regulate by decree the transition toward the socialist economic model, which was believed to be a prelude to complete nationalisation of the financial and production sectors. The full text was not published until 12 November 2007, leaving voters only eighteen days to study the changes.

C. WANING SUPPORT

1. Political context

In 2007, the nationalisations, creation of a single chavista party, promotion of communal councils and establishment of an "anti-imperialistic" military force, were part of the concentration of political, economic and military power in the president's hands.[24] The government also did not renew the operating license of Radio Caracas TV (RCTV), the most outspoken opposition media outlet, when it expired on 27 May.[25] That decision proved costly at home and abroad,[26] prompting broad sectors of society, including some Chávez supporters, to protest.[27]

[22] The thirteen articles in block "A" beyond those originally proposed by the president, provided for: lowering the voting age to sixteen; weakening intellectual property protection; adopting a more radical foreign policy; dropping the principles of "social justice, democracy and free competition" for a system based on "socialist, anti-imperialist and humanist principles"; and making future constitutional reforms more difficult. Block "B" articles developed by the NA were in line with the president's views of a more powerful central government and were perceived as cutting back civil rights and participatory democracy mechanisms, for example by increasing the number of voters required to request various types of referendums. They also gave exclusive authority to the president and the council of ministers to declare states of exception (emergency) suspending constitutional rights without time limitation, while eliminating the requirement of parliamentary approval within eight days and any ruling by the constitutional chamber of the Supreme Court (TSJ).

[23] These dealt with: 1) popular power; 2) promotion of the socialist economy; 3) political and territorial organisation; 4) Central Bank reform; 5) the national fund of the popular power; 6) the municipal branch; 7) the foreign service; 8) hydrocarbons; 9) natural gas; 10) punishment of torture; 11) labour; 12) the justice system, 13) the social security system; 14) establishment of the fund for social stability for self-employed workers; and 15) education. "Decree on the Reform of the Constitution of the Bolivarian Republic of Venezuela", National Assembly, 2 November 2007. The new foreign service would be a "strategic activity of the state", oriented toward establishment of a "pluri-polar world, free of the hegemony of any imperialist power centre" and the promotion of regional integration, including "confederation" with other states. This last point stirred debate about a possible Cuban-Venezuelan confederation. Rory Carroll, "Chávez talks of Cuban and Venezuelan confederation", *The Guardian*, 17 October 2007.

[24] Crisis Group interview, political analyst, Caracas, 17 September 2007.

[25] In a clear sign of subordination to the executive branch, the Supreme Tribunal of Justice (TSJ) ordered seizure of RCTV's transmission infrastructure 24 hours before the new state station, Tves, began broadcasts. RCTV President Marcel Granier had previously denounced Chávez's political vindictiveness as the main reason for the closure decision.

[26] As the Caracas Metropolitan Police dispersed massive demonstrations with water cannons, tear gas and rubber bullets, the government was strongly criticised by the European Parliament and the Brazilian, Chilean and U.S. Senates. Freedom of expression concerns were addressed by the Spanish government, Human Rights Watch, the Inter-American Human Rights Commission, the Inter-American Press Association and the Committee to Protect Journalists (CPJ). Reporteurs sans Frontières (RSF) criticised the measure as without a legal base, condemning the TSJ role as a "masquerade". "Critica Reporteros Sin Frontera cierre de RCTV", *El Universal*, 28 May 2007. Lourdes Heredia, "EE.UU. repudia cierre de RCTV", BBCMundo, 30 May 2007.

[27] RCTV's soap operas and programs had high audience ratings across the country. Crisis Group interviews, survey poll analyst and former student leader, Caracas, 18 September 2007 and 5 March 2008. By mid-2007, the survey of Oscar Schemel of Hinterlaces, the only pollsters with a long-established network of focus groups in the poorest neighbourhoods, showed Chávez's support had fallen from 63 per cent on election day to 36 per cent. 70 per cent of those polled agreed with the peaceful protests and wanted them to continue; 60 per cent considered Chávez authoritarian; and 83 per cent opposed closure of RCTV. Cited in Enrique Ter Horst, "Summary on Venezuela 11" Caracas, 3 June 2007. In July 2007, RCTV signed an agreement with satellite

While university students emerged as the main nationwide civil society element capable of mobilising massive demonstrations against the refusal to renew RCTV's license at first and then against the constitutional reform,[28] the opposition political parties continued to be plagued by internal fissures and lack of programmatic cohesion. Primero Justica (PJ) broke apart, as its more progressive forces left to form Un Nuevo Tiempo (UNT), the movement behind Manuel Rosales, governor of Zulia and the united opposition's presidential candidate in 2006. Despite its gradual distancing from the regime, Podemos did not openly join the opposition, which had difficulty adopting a common position on whether to contest or boycott the referendum.[29]

The government clearly misjudged the students' movement, initially dismissing its representatives as "spoiled children" (*hijos de papi*) and charging that its protests were promoted by the political opposition, the media – especially U.S.-based CNN and Venezuelan Globovisión – and U.S. government efforts to destabilise the country. The students displayed an organised, common front across the country and all social classes, however.[30] The government also failed to understand the protest's motivation, which was not so much in support of RCTV as against what was perceived as an arbitrary measure and in defence of constitutionally guaranteed civil liberties.[31]

According to a student leader, the movement had already emerged as a response to increasing public insecurity and the government's initiative to amend the 1980 Education Law (*Ley Orgánica de Educación*) and control the universities.[32] Over time, the movement gained momentum, rallying large crowds to march against the proposed constitutional amendments. In part its success can be explained by the fact that Venezuelans associated the students with the idealism of historic student-led movements for independence in the nineteenth century and reestablishment of democracy in the first half of the twentieth century.[33] Once the constitutional amendments became public, the students sought to fend off attempts by opposition parties, entrepreneurs and the media to be used politically against Chávez.[34] They maintained a non-partisan agenda by organising a nationwide coordinating body, the students' parliament, during the mid-year vacation period.[35] They rejected an offer to debate the reform with pro-Chávez students, saying they would discuss their demands with "the only decision-maker", Chávez.[36]

The government stood to lose whether it let the students march or tried to prevent them. Consequently, it opted for trying to wear the movement down: when the ploy of a debate with the chavista students failed, chavista radical elements attempted to repress the marches with armed thugs on motorcycles, who terrorised campuses and city streets in Caracas and else-

broadcaster Direct TV Latin America to transmit to satellite subscribers worldwide. Satellite dishes are now said to be common in populous Caracas neighbourhoods. Crisis Group interviews, Caracas, 3-5 March 2008.

[28] TVes audience ratings are near to nil, as acknowledged by Chávez. Interview with Chávez on Venezolana de Televisión, 31 December 2007.

[29] Crisis Group interviews, senior members of PJ, UNT and PODEMOS, Caracas, 1-3 April 2008.

[30] In Caracas, the movement's main spokespersons were Yon Goicochea, a fourth year law student at the private Andrés Bello Catholic University (UCAB), and Stalin González, the president of the federation of student centres of the public Central University of Venezuela (UCV). However, student-led protests sprung up in private and public higher education institutions across the country, including Caracas, Táchira, Mérida, Barquisimeto, Zulia, Portuguesa, Carabobo, Valencia, Aragua, Anzoátegui and even Barcelona-Puerto la Cruz, a pro-Chávez stronghold. "Universidades del interior realizan movilizaciones en defensa a RCTV", *Globovisión*, 29 May 2007. Crisis Group interview, former student leader, Caracas, 5 March 2008.

[31] Crisis Group interviews, Venezuelan exile, Bogotá, 29 February 2008, and former student leader, Caracas, 5 March 2008.

[32] Chavista candidates for student leadership posts have lost repeatedly. No more than 10 per cent of university students can be considered pro-Chávez. An objective of the reform was thus to strip the universities of their academic autonomy and independent governance. Crisis Group interview, former student leader, Caracas, 5 March 2008.

[33] Two independence heroes, José Félix Ribas and Campo Elías, led students and seminarists against the Spanish armies. The student movement was also key in the fight of the "1928 generation" against Dictator José Vicente Gómez; leaders of that period, such as Rómulo Betancourt and Raul Leoni, later became major democratic figures. Crisis Group interviews, Venezuelan exile and political analyst, Bogotá and Caracas, 29 February and 3 March 2008 respectively.

[34] The Caracas universities are considered to be largely non-partisan; those in the regions are still much influenced by political parties and movements. Crisis Group interviews, former student leader and senior members of PJ and UNT, Caracas, 5 March, 1 and 3 April 2008.

[35] The students' parliament was established in August 2007. It adopted the same structure as the NA: 165 members, who represented the students of the various states, with each state's number of seats distributed according to the proportional weight of its universities. The directive board was elected in the second session on 6 September 2007. Coordination was facilitated by the relationships the universities had established in academic and non-academic fields, such as sports competitions. Crisis Group interview, former student leader, Caracas, 5 March 2008.

[36] Ibid.

where.[37] Nevertheless, the movement continued to grow. In the November 2007 elections to the student bodies of the Central University of Venezuela (UCV), anti-government candidates received more than four times the votes of the chavistas.

Organised rejection of the constitutional reform became a real possibility, however, only when those who actively promoted fighting the referendum gained the upper hand in the opposition camp. While hardliners, including constitutional expert Hermann Escarrá, Alianza Bravo Pueblo (ABP) leader Antonio Ledezma, National Resistance Command (CNR) leader Oscar Pérez and former COPEI Zulia governor and presidential candidate Oswaldo Alvarez called the entire reform project illegal and urged no participation in the referendum campaign, other well-known opposition figures, such as Teodoro Petkoff and Manuel Rosales, joined the students in arguing that the reform could only be defeated in the voting booths.[38]

Throughout 2007, Chávez's showed irritation with criticism from within his own ranks. In his view, effective political support for his "revolutionary" project required a unitary party, the new PSUV.[39] The Fifth Republic Movement (Movimiento Quinta República, MVR), the biggest pro-Chávez party, and the smallest chavista movements readily dissolved at his request, and their individual members formed the "United Socialist Bloc" in the NA, as they waited for the formal creation of the PSUV, which finally took place in March 2008.

The two largest parties in the governing coalition after the MVR,[40] Podemos (with about 760,000 votes in the December 2006 election) and PPT (over 597,000 votes in that poll), as well as the Communist Party of Venezuela (PCV, with slightly over 342,000 votes in December 2006),[41] decided to retain their identity and not merge into the PSUV. Though they declared their loyalty to the revolution and Chávez as its leader, the government chastised them for promoting an independent position.[42] Chávez's pressure pushed some individuals to defect from their parties, especially some of the PPT's traditional leaders,[43] but the chavista coalition became weaker as it became PSUV-centred.[44]

The NA debate on constitutional reform further deepened coalition fissures. Chávez expelled Podemos and drove it to the "no" campaign. A former defence minister and retired general, Raúl Isaías Baduel, once a staunch Chávez ally,[45] said on 12 November that the proposal violated the constitution and asked Chávez to withdraw it to maintain peace and stability and the Supreme Court (TSJ) to cancel the referendum. Going further, he denounced the project as a coup d'état, since the executive and the legislative would arrogate to themselves the people's powers, and said a "no" vote was the last opportunity to secure democracy peacefully. Several elected chavista governors and mayors also showed little enthusiasm for a reform that would

[37] Ibid. On 7 November, three protesting students were wounded on the UCV Caracas campus after being chased by these gangs. "Víctimas de la UCV reconocen a sus agresores", *El Mundo*, 19 November 2007. UCAB students were also attacked by hooded persons on motorcycles. "Grupos motorizados agredieron a estudiantes de la UCAB después que manifestaron", www.atravesdevenezuela.com, 27 November 2007. "Hombres armados dispararon contra universidades de Táchira", *El Universal*, 30 November 2007. However, university students may have also have been involved in violent actions against the population. On 26 November 2007, a worker who demanded a roadblock be lifted so he could go to his job was shot dead in Carabobo. Reportedly, there were university students at the roadblock, though it is unclear whether they were involved in the shooting. "Enviaron a 'Tocuyito' sospechosos por muerte de trabajador de Petrocasa", *El Periódico*, 30 November 2007; "Privan de libertad a presunto homicida de joven asesinado en Guarimba", ABN, 11 December 2007.

[38] Crisis Group interview, survey poll company analyst, Caracas, 18 September 2007.

[39] Shortly after being re-elected, Chávez called for the launching of the new unitary party of the Bolivarian revolution on 15 December 2006. Clodobaldo Hernández, "Presidente anuncia partido único y ajustes en el Gabinete", *El Universal*, 16 December 2006.

[40] MVR had an estimated 4.8 million voters in December 2006. www.cne.gov.ve.

[41] www.cne.gov.ve. The coalition had 25 political parties and movements, most of which dissolved and joined the PSUV.

[42] For instance, Chávez threatened recall referendums on the Aragua and Sucre governors, Didalco Bolívar and Ramón Martínez, both of Podemos. On television 21 April 2007, he said that some governors were "behaving like little presidents", and "all this nonsense must stop", in reference to the need to create a unified party.

[43] NA legislator Roberto Hernández (PCV); ex-Education Minister Aristóbulo Istúriz; ex-minister and Ambassador Alí Rodríguez (PPT).

[44] Crisis Group interview, foreign Venezuela expert, Caracas, 1 April 2008.

[45] Baduel was defence minister until July 2007, when he and other FAN and National Guard commanders were replaced by ideologically correct officers. He was an early Chávez ally, one of the officers who took the oath of Samán de Güere (the symbolic birth of the MBR-200, the conspiratorial movement Chávez founded while in the army) and the commander who rescued Chávez in the April 2002 putsch. The ties were also personal, as his youngest daughter is Chávez's godchild.

undermine their power.[46] Even Chávez's ex-wife, Marisabel Rodríguez, called on television for a "no" vote.

2. Socio-economic and public security problems

The government has emphasised the results of its fight against unemployment, poverty and inequality, especially after the big economic downturn in 2002-2003.[47] Its figures are difficult to dispute due to the absence of independent data. However, during numerous field trips to Venezuela since early 2004, Crisis Group has found that the well-intentioned, massive social spending funded by the oil windfall appears to have yielded only modest and, in the long term, unsustainable gains for the poorest part of the population. While the economy showed double-digit GDP growth until 2007,[48] the poor sectors of the population experience serious problems with the public health service, as well as in purchasing basic foodstuffs and meeting monthly expenses due to high inflation.

The problems in the public administration, from decaying hospitals to unrepaired schools,[49] are, to a large extent, the consequence of incompatibility between the "traditional" bureaucracy, which has been starved of funds, and the social missions – Chavez's flagship program – which receive the bulk of new money.[50] Under the constitutional reform, the latter would be extensively used to address the most pressing needs of the population as well as to build socialist institutions over time. Their inefficiency, however, has sent a discouraging message to the public.[51]

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[46] Governors such as those of Bolívar, Mérida, Táchira, Carabobo and Miranda were known not to have been enthusiastic about leading pro-referendum activities. Crisis Group interviews, survey poll and political analysts, Caracas, 5 March and 1 April 2008.

[47] According to the Economic Commission for Latin America and the Caribbean (ECLAC), Venezuela has shown improvement in almost its social indicators: unemployment decreased from an 18 per cent peak in 2003 to 8.7 per cent in the first ten months of 2007; illiteracy for both sexes (fifteen and older) dropped from 7.5 per cent in 2000 to 6 per cent in 2005; the Gini coefficient (a measure of economic inequality, with zero indicating perfect equality and one perfect inequality) dropped from 0.498 in 1999 to 0.441 in 2006; and poverty and indigence both dropped from 49.4 and 21.7 per cent, respectively, in 1999 to 30.2 and 9.9 per cent, respectively, in 2006. "Statistical Yearbook 2007: for Latin America and the Caribbean", ECLAC, 2007. Statistics at http://websie.eclac.cl/anuario_estadistico/anuario_2007/eng/index.html.
The Venezuelan Statistics National Institute (INE) shows similar trends: unemployment down from 29.2 per cent in December 2003 to 12.4 per cent in December 2007; the Gini coefficient increased from 0.47 in 1999 to 0.49 peak in 2002 but dropped in following years, to 0.42 in 2007; and poverty and extreme poverty up from 42 and 16.9 per cent, respectively, in the second half of 1999 to 55.1 and 25 per cent in the second half of 2003, but down to 27.5 and 7.6 per cent in the first half of 2007. www.ine.gov.ve.

[48] GDP growth was 18.3 per cent in 2004, 10.3 per cent annually in 2005 and 2006, and 8.4 per cent in 2007. "Statistical Yearbook 2007", op. cit.

[49] Health system problems extend from lack of policy continuity in the ministry (five ministers in eight years) to its diminishing budget ($2.33 billion in 2006, $2.06 billion in 2007), as well as new outbreaks of dengue fever and Chagas disease. For a thorough analysis, see: "Informe Anual Octubre 2006/Septiembre 2007. Situación de los Derechos Humanos en Venezeula", PROVEA, 9 December 2007, pp. 154-173, at www.derechos.org.ve. According to experts, Venezuela should allocate between 7 to 10 per cent of GDP to have free basic health coverage, but the ministry has received only 2 per cent of the government's ordinary budget since 1999. New health infrastructure has been built by the Integral Diagnostic Centres (CDIs) and the inclusion of hospitals in the Barrio Adentro III mission. However, critics contend that the equipment is scarce. Vivian Castillo, "'A Chávez no le ha importado la salud'", *El Universal*, 29 January 2008. The Venezuelan Doctor's Federation (Federación Médica) has denounced the government's refusal to renegotiate the collective contract that expired five years ago. "9 años en conflicto permanente con los médicos", *El Universal*, 29 January 2008. After years without basic services (electricity, drinking water and sewage), communities of Aragua and Anzoátegui states barred roads in protest against local authorities in February 2008. Miriam Rivero, "Trancan vías de Anzoátegui y Aragua por falta de servicios", *El Universal*, 19 February 2008. The PROVEA report pointed to increasing complaints in the press regarding education problems. Between one third and one half related to infrastructure problems, one third to overcrowding and need for new facilities. "Informe Annual", op. cit., pp. 79-103.

[50] On the social missions, see Crisis Group Report, *Hugo Chávez's Revolution*, op. cit., p. 10.

[51] The Barrio Adentro mission (a preventive medicine program) has problems in infrastructure and availability of qualified personnel; its separation from the formal health system prevents urgent coordination by a national authority; the widening of the mission to other programs has reportedly affected the participation of the health committees and the doctors who graduate in its training programs; most importantly, the Barrio Adentro I level (preventive medicine for the poor) has personnel shortages and has closed outposts. The Mercal mission (food distribution networks) has had supply bottlenecks and cuts due to inventory deficiencies; the Megamercals (open-air retail points) compete with the Mercal warehouses and franchised stores; the food sold is not adequately controlled; and work conditions need improvement. The Habitat mission (housing) is closely linked to the government's reorganisation of the sector, but construction of new housing has suffered from lack of leadership and management/control due to frequent rotation of ministers and officials in charge of programs; lack of dialogue with the private sector hampers rapid construction; and there have been protests against the slowness of bureaucratic

While overall the economy is expanding due to high oil revenues, the non-oil sector grew only 2 per cent in 2006 and contracted by 5.3 per cent in 2007.[52] Both national and foreign investment in productive activities has fallen sharply due to the government's unfriendly measures toward the market.[53] The "social economy", including a wide array of central government-led enterprises, is not only unproductive, but also very difficult to audit and control.[54]

Inflation is among the highest in Latin America,[55] with fiscal discipline regularly broken by political priorities;[56] the rate was 22.5 per cent in 2007, primarily affecting the poor, who allocate more than half their income to food, the price of which increased 30.1 per cent due to low domestic production.[57] Internal demand has been met by increasing imports that are favoured by an artificially high Bolivar rate (2.15 to $1); however, as the Currency Administration Commission (CADIVI) restricts foreign currency, economic actors have been forced to obtain it in the "parallel market", further contributing to inflation. Likwise adding to inflation is the growing demand for durable consumer goods among the wealthier owing to the high influx of foreign exchange.[58]

The government has implemented price controls since 2003 for a wide variety of foodstuffs in order to tame inflation.[59] However, this, coupled with a poor environment for private investors and the inefficiency of government-supported cooperatives, has created chronic shortages. Price regulation induced producers to switch to non-regulated items.[60] The agriculture sector grew only 0.2 per cent between 2005 and 2006, while annual food imports increased from $1.5 billion in 2003 to $5.5 billion in 2006.[61] As the import and distribution chains are increasingly being managed by government institutions, corruption has flourished, owing to the diversion of products from the subsidised

procedures and credit allocation. Internal working document, foreign foundation Caracas, January 2008. According to other sources, the Barrio Adentro mission has built only 2,708 health outposts despite a 2004 government goal for over 8,500. Many outposts in the slums are either vacant or the Cuban doctors survive thanks to gifts of food and money from neighbours. The Vuelvan Caras Mission (for the unemployed) has failed and is being replaced by the Che Guevara Mission. Though the Robinson mission program (literacy) has one million in it, critics contend it has become an income redistribution mechanism in which people are more interested in being paid than learning. Crisis Group interviews, experts on Venezuelan affairs, journalist and economic analyst, Bogotá and Caracas, 21 February, 4 and 5 March 2008. Vivian Castillo, "'A Chávez no le ha importado la salud'", *El Universal*, 29 January 2008.

[52] Central Bank of Venezuela, www.bcv.org.ve.

[53] Crisis Group interviews, Venezuelan foreign ministry official and political analyst, Caracas, 31 March and 2 April 2008.

[54] The "social economy" includes initiatives such as cooperatives, favoured by a soft credit policy, which increased from 800 in 1998 to 200,000 in 2004, though only 5,000 are presently in operation; co-management, focused on recapitalisation of enterprises in which workers are important in decision-making, though none are yet fully operational; and social production enterprises (EPSs), which lack any success stories. Crisis Group interview, economic analyst, Caracas, 5 March 2008.

[55] According to ECLAC statistics, inflation (Caracas metropolitan area) under Chávez has remained in two digits: 23.6 per cent in 1999; 16.2 per cent in 2000; 12.5 per cent in 2001; 22.4 per cent in 2002; 31.1 per cent in 2003; 21.7 per cent in 2004; 16 per cent in 2005; 13.5 per cent in 2006; and 22.5 per cent in 2007 (according to the Venezuelan Central Bank). Variations in the food product consumer price index have been constantly higher since 2001: 16.9 per cent in 1999; 11.5 per cent in 2000; 16.2 per cent in 2001; 28.2 per cent in 2002; 37.7 per cent in 2003; 33.8 per cent in 2004; 21.1 per cent in 2005; 20.1 per cent in 2006; and 30.1 per cent in 2007 (Central Bank). "Statistical Yearbook 2007", op. cit., and Venezuelan Central Bank, www.bcv.og.ve.

[56] The government ordered the Central Bank to reduce foreign reserves 28 per cent (from $36.6 billion to $26.3 billion) by transferring funds to the National Development Fund (FONDEN), established to finance investment projects in education, health, and the productive sector, as well as pay external debt and address "special situations" such as natural disasters. However, the use of its funds has been discretionary, with no effective control mechanism; its funds have also been used for financial speculation. José Guerra, "La caja negra del Fonden", *Analítica.com*, 10 June 2006. State-owned PDVSA will only transfer foreign exchange earnings needed for its domestic expenses, taxes, royalties, and dividends to the Central Bank, sending the rest to FONDEN.

[57] "Falta la mitad de los alimentos en anaqueles de supermercados", *A Través de Venezuela*, 23 January 2008. www.atravesdevenezuela.com.

[58] In 2007, the "parallel" exchange rate reached 6,500 Bolivars:$1. The government issued El Venezolano bonds to refinance the public debt, which experts considered also an effort to curb dollar demand in the parallel market (the bonds were bought at the official exchange rate – 2,150 Bolivars: $1, then sold at about 5,000 Bolivars in the markets). José Guerra, "La devaluación del Bolívar", *TalCual*, 19 November 2007. As bank interest is only half the inflation rate, there is incentive to use foreign currency for savings.

[59] The measures were implemented during the paralysing national strike in support of PDVSA employees' protests (December 2002-February 2003). See Crisis Group Report, *Hugo Chavez's Revolution*, op. cit., pp. 9-10.

[60] Milk producers have shifted production to other diary products (yogurts or cheese), or are using milk cows to produce beef.

[61] Ernesto Tovar, "PIB del sector agrícola creció 0,2% de 2005 a 2006", *El Universal*, 18 February 2008.

Mercal network to street vendors ("*buhoneros*").[62] In late 2007, there were drastic shortfalls of basic items such as milk, sugar, eggs, meat and poultry, leading 65 per cent of the general population to believe the economic situation was worse than in 2006.[63] An inhabitant of a heavily populated neighbourhood in the Caracas metropolitan area said:

> Not so long ago, Venezuela produced all the food we ate and even exported it. Now we have to import almost everything! I have to go to four different supermarkets to buy the food my family needs. I may be poor, but I do not want to go to a Mercal, where I have to wait in line for many hours and then just receive one chicken, one kilo of rice or one bottle of cooking oil, if there is any left….We, Venezuelans, do not mind to pay a bit more for good food. We just want to feed our families, not be told what and when to eat.[64]

The public perception of official corruption is increasingly at odds with the president's talk about the revolutionary ethos. The 2007 law set up communal councils designed to overcome the bourgeois state through a revolutionary "communal state".[65] But these new entities – whose members in principle should be elected freely every two years by the communities but in practice are controlled by chavistas – weaken the elected municipal governments through their direct links to the central government. Human rights activists with good contacts to chavista grassroots organisations see them as local dens of corruption and political favouritism.[66] Chavista legislators implemented NA "street sessions" in an attempt to appear more responsive to average citizens, but the effort failed as legislators simply followed an empty script.[67]

Public security has sharply worsened. In early 2008, 44 per cent of those questioned said their main concern was security (19 per cent in 2003).[68] Venezuela has one of the highest violent crime rates in Latin America. From 1999 to 2007, over 88,000 have been murdered.[69] Densely populated Caracas and Anzoátegui, Carabobo, Miranda and Zulia states accounted for almost 60 per cent of such crimes in 2006. Some six million – one in four – Venezuelans are believed to have firearms, with little or no control by the authorities.[70]

D. INTERNATIONAL CONTEXT

Throughout 2007, foreign policy focused on strengthening the "Bolivarian revolution". The government has singled out Iran, China, Russia and Belarus as strategic partners in the struggle against "U.S. imperialist aggressions". Reflecting their shared status as leading producers, Venezuela and Iran signed comprehensive oil deals and development agreements.[71] China has invested in heavy oil drilling activities in the Orinoco belt and become Venezuela's leading commercial partner after the U.S.[72] Though Chávez has vowed that relationships with Russia and Belarus will encompass wider business and political affairs,

[62] Mercal Vice-President Luis Fernández said there were 397 corruption cases inside the mission in 2007, a 51 per cent increase from 2006. "Denuncian 397 casos de corrupción en red de alimentos Mercal", *El Universal*, 19 February 2008.

[63] "Encuesta de Datos refleja que 65% de la población cree que su situación esta peor", *El Universal*, 23 January 2008.

[64] Crisis Group interview, Charavalle (Miranda state) inhabitant, Caracas, 6 March 2008.

[65] New executive cabinet's inauguration speech, 8 January 2007, op. cit.

[66] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

[67] Crisis Group interview, former student leader, Caracas, 5 March 2008.

[68] "Venezolanos perciben la inseguridad como el problema más grave", *El Universal*, 23 January 2008.

[69] According to Scientific Police (CICPC) statistics, homicides across the country increased steadily, from 5,968 in 1999 to 11,342 in 2003. In 2004, they fell to 9,719 but rose again to 9,964 in 2005, 12,257 in 2006 and 13,156 in 2007. "Informe Anual", op. cit., table no. 2, p. 357. Presentation of Centro para la Paz y los DDHH UCV, at www.ildis.org.ve.

[70] "Sin determinar la causa de 24,6% de muertes violentas en Caracas", *El Universal*, 17 April 2008. Other sources – using unofficial data that differ from CICPC statistics – point to even more violence and crime, including over 122,000 murders and 612,008 people wounded by firearms and sharp instruments over the past nine years and, in 2007 alone, 328,983 crimes such as muggings, homicides, car theft, kidnappings and rape, resulting in 16,064 dead and 80,355 wounded, and robberies costing about $930 million. "Venezuela: 122 mil homicidios han ocurrido en nueve años", *Cabos Sueltos magazine*, *El Periódico*, 25 February 2008, pp. 4-6.

[71] Chávez and President Mahmoud Ahmadi-Nejad have signed 182 agreements over the last two years, which according to Chávez include investments of over $4.6 billion in areas including energy, industry and finances. "Venezuela and Iran Strengthen 'Anti-Imperialist' Alliance", *Venezuelanalysis.com*, 20 November 2007.

[72] In September 2007, Venezuela announced an agreement with China National Petroleum Corporation (CNPC) to invest more than $10 billion for oil exploration in the Orinoco belt. This would include construction of three refineries, owned 60 per cent by PDVSA and 40 per cent by CNPC, which are to produce one million barrels of oil a day. Venezuela is currently exporting to China almost 250,000 barrels of oil per day and want to double this by 2010. "Venezuela, China ink $10 billion oil deal", *China Business News*, 13 September 2007. "Venezuela y China con pacto tecnológico", *CNNExpansion*, 4 April 2008.

only major arms deals were signed in 2006 and 2007.[73] Heating oil supply in poor neighbourhoods of U.S. cities and support of social movement political activities in Western Europe are part of Chávez's "charm" operations to sell his "revolution".

It is Latin America, however, where Chávez's foreign policy is both most visible and potentially far-reaching in its impact. While Cuba provides ideological and logistical support to Venezuelan government programs in exchange for oil and other economic and financial cooperation, Bolivia, Nicaragua and, to a much lesser extent, Ecuador have developed close ties.[74] Venezuela also offers generous oil and cooperation deals in the Caribbean, including to Haiti, the hemisphere's poorest country, where, with Cuba, it is building power plants in Port-au-Prince and Gonaïves.[75] The strengthening of relations with the Southern Common Market (Mercosur)[76] – especially after applying for full membership in 2006 – is done with the help of energy, commercial and financial agreements with Brazil and Argentina, its largest member states.[77] Chávez's main goal has probably been to attempt the unlikely task of distancing Colombia from the U.S., a policy designed to consolidate his political and ideological project in the hemisphere.[78]

The president faced several challenges in Latin America in 2007. The closure of RCTV put Venezuela's admission to Mercosur at risk. After the Brazilian senate urged reversal of that decision, Chávez called the senators "parrots of the empire" and threatened to withdraw Venezuela's application. This infuriated some of the senators, who have since dragged their feet on ratification of the treaty.[79] Chávez also threatened to withdraw from the Organization of American States (OAS) if it continued meddling in Venezuela's "internal and sovereign affairs".[80] On 4 August 2007, Antonini Wilson, a Venezuelan-American businessman, was briefly detained at a Buenos Aires airport after customs seized $800,000 he had failed to declare. Allegedly, this money was sent by Caracas to finance the campaign of an Argentine presidential candidate.

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[73] The defence budget increased from $2.3 billion in 2005 (originally $1.56 billion) to $2.56 billion in 2006 (originally $2.08 billion). The original 2007 budget was $2.56 billion but has likely been adjusted upwards. Venezuela has bought 100,000 Kalashnikov AK-103 assault rifles; 5,000 Dragunov sniper rifles; 50 Mi-17 and Mi-26 transport helicopters; Mi-35M fire support helicopters; and 24 Su-30MKV jet fighters, creating the most advanced fleet in Latin America; programs include possible purchase of 600 infantry fighting vehicles to operate in Apure state and the east; surface-to-air Tor-M1 missile batteries for an air defence network that includes Chinese radars; kilo-class diesel-electric submarines; and a refit of the old submarine fleet. After the U.S. vetoed Spanish-made transport aircraft, Venezuela plans to buy at least ten Il-76 tankers and AWACS, 30 An-74 and ten An-140 transports from Ukraine. "Military Balance 2008", International Institute for Strategic Studies, 5 February 2008, pp. 59-60.

[74] Venezuela signed several cooperation and investment deals with Bolivia in 2006, pledging to invest $1.5 billion in its natural gas industry. Crisis Group, Latin America Report N°18, *Bolivia's Rocky Road to Reforms*, 3 July 2006, pp. 12-13, 28-29. In August 2007, the two signed an agreement to create Petroandina, a joint venture between YPBF (with 60 per cent of the stock) and PDVSA (40 per cent). Venezuela pledged to invest $1 billion for exploration in oil and gas by the firm. "Chávez y Morales concretarán creación de Petroandina", *Telesur*, 9 August 2007. In early 2007, Chávez announced an aid package for Nicaragua including building of housing, a highway and an oil refinery. President Daniel Ortega reportedly said his government had spent $520 million of "non-conditioned" aid. "Cuestionan transparencia en ayuda que brinda Venezuela", *El Universal*, 23 May 2008. Chávez offered Ecuador help with early repayment to "liberate" it from the IFIs at a time when President Correa threatened to default on foreign debt. Crisis Group, Latin America Report N°22, *Ecuador: Overcoming Instability?*, 7 August 2007.

[75] Crisis Group field trip to Haiti, 27 May-3 June 2008.

[76] Mercosur is a regional trade agreement created by Argentina, Brazil, Paraguay and Uruguay in March 1991. Bolivia, Chile, Colombia, Ecuador and Peru are associates. Venezuela applied for full membership in 2006 but awaits ratification by Brazil and Paraguay.

[77] On 28 March 2008, Brazil and Venezuela signed an agreement to build a refinery in the Brazilian state of Pernambuco to process 200,000 barrels per day. Brazilian giant Petrobras will hold a 60 per cent stake, PDVSA the rest. Petrobras is also said to be interested in oil and gas exploration in the Orinoco belt. In 2006, Venezuela bought $2.5 billion in Argentine debt, helping Argentina to pay off the last of the $10 billion it owed the International Monetary Fund (IMF). Since 2005, Venezuela has bought $5.63 billion in Argentine bonds. "Cómo funciona la bicicleta financiera con Argentina", *La Nación*, 26 March 2008.

[78] Had Chávez succeeded in mediating the release of FARC hostages, he might reasonably have anticipated making the Colombian president more cooperative on a number of his own priorities.

[79] Chávez did not attend the June 2007 Mercosur summit on energy cooperation in Paraguay, another of the Mercosur countries (also Argentina, Brazil and Uruguay) whose senate opposes Venezuela's membership. However, Paraguayan left-wing President-elect Fernando Lugo recently said Brazil and Paraguay should reconsider Venezuela's application. "Presidente electo quiere a Venezuela en el Mercosur", *ABC Color*, 23 May 2008. Crisis Group interview, government officials, Brasilia, 11-13 March 2008.

[80] Venezuela and the U.S. clashed during the 37th OAS General Assembly, 3-5 June 2007 in Panama. Secretary of State Condoleezza Rice favoured creation of an OAS mission to investigate the RCTV case (the proposal was not put on the agenda). Venezuela denounced this as intervention in internal affairs and criticised the U.S. for violating human rights in Guantánamo.

Chávez's involvement in the internal politics of other South American countries has been denounced by the opposition in Bolivia and the Peruvian government.[81] Exasperation of many interlocutors at his long ideological diatribes was illustrated by the "why don't you just shut up?" ("¿Por qué no te callas?") interjection of Spanish King Juan Carlos at the Ibero-American summit in Santiago, Chile, in November 2007.[82]

Preoccupation with Colombia issues in the second half of 2007 may have influenced negatively the constitutional reform referendum outcome. After accepting President Álvaro Uribe's invitation to help in negotiating the release of hostages held by the FARC guerrillas in August 2007, Chávez devoted much time to foreign travel and work on the issue, leaving him with little for the referendum campaign. However, Chávez verbally attacked Uribe, after the latter abruptly ended his involvement in the hostages-for-prisoners swap on 21 November 2007. Chávez's remarks on the Colombian president and his government became more virulent after the Colombian military intercepted information about several hostages the FARC had promised to deliver to Chávez a week later. But the ensuing verbal confrontation failed to rally national support in the days before the referendum, possibly because many Venezuelans may have perceived Chávez's position as solely based on ideological sympathy for the FARC.[83]

E. THE DECEMBER 2007 REFERENDUM

Polarisation over the constitutional amendments was exacerbated by lack of open national debate on the impact they would have on daily life. The government claimed the issue was one of being for or against Chávez and warned Caracas "oligarchs" against another coup. Opposition parties and media played on the urban, middle-class fears of "Cubanisation", including ideological indoctrination of children and disappearance of private property.

Dissatisfaction with the government's radical line grew steadily, even among Chávez supporters, throughout 2007. According to an polling analyst, in 2006, 45.5 per cent favoured Chávez's idea to reform the constitution, while 23 per cent opposed. A year later, 40 per cent were opposed.[84] These figures appear consistent with trends found by the Datos polling company between 2006 and 2007: confidence in Chávez's management was 49 per cent against 24 per cent in the last quarter of 2006 but steadily dropped in 2007, from 47, to 42, to 39 and 30 per cent in successive quarters; mistrust of the government grew from 24 per cent in the first quarter to 36 per cent in the second and third and 44 per cent in the fourth.[85]

As the contents of the constitutional reform were disclosed, intention to vote increased, from 34 per cent in June 2007 to 45 per cent in August; and 56 per cent in mid-September. Also in September, 65 per cent indicated they wanted to vote article-by-article rather than on two large blocks of amendments.[86] A 20-24 November tracking poll reported 75 per cent said they would definitely vote, with 46 per cent saying they intended to support the project, 45 per cent opposed and 9 per cent undecided. When the 12 per cent who said they would possibly vote were included, the "No" camp led 51 per cent to 39 per cent.[87]

Though the polls showed defeat was likely, Chávez rejected postponement of the referendum, and on 2 December, both sets of proposals were voted down, with the "No's" scoring 50.7 per cent (4.5 million) and 51.06 per cent (4.52 million) against the block "A" and "B" amendments respectively. Comparison with the 4.29 million votes Manuel Rosales received in the 2006 presidential election suggests the opposition increased its total by only a little more than 200,000. Chávez's project lost primarily because of desertions from the chavista camp.[88] The president polled 62.84 per cent in the 2006 presidential elections (7.3 million votes), but some 2.93 million former supporters abstained on the referendum. Part of this may be accounted for by a distinction some voters made between personal sympathy for the president

[81] See section III.C.2 below.

[82] The king's remark came after Chávez called former Spanish Prime Minister José María Aznar a "fascist". José Luis Rodríguez Zapatero, the current Spanish prime minister, attempted to express disapproval over the personal attack on a former elected leader. Chávez repeatedly tried to interrupt, despite a turned-off microphone, at which point the king chastised him.

[83] Crisis Group interview, expert on Colombian-Venezuelan relations, Bogotá, 19 February 2008. For more on the hostage-for-prisoner swap, see Crisis Group Latin America Briefing N°17, *Colombia: Making Military Progress Pay Off*, 29 April 2008.

[84] Crisis Group interview, Caracas, 18 September 2007.

[85] Datos survey published in Javier Conde, "La confianza en Chávez baja de 30% en todo el país", *El Nacional*, 18 March 2008.

[86] Crisis Group interview, survey poll company analyst, Caracas, 18 September 2007.

[87] "Constitutional Reform Tracking Poll No. 12", Hinterlaces, 20-24 November 2007.

[88] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

and the goals of the reform, which for the most part were perceived negatively.[89]

"No" votes predominated in urban, modern, densely populated areas, while "Yes" votes had a clear lead in rural and undeveloped areas, where the central government presence is more important for daily life.[90] The project won in fourteen of the 23 states, including Amazonas, Apure, Barinas, Cojedes, Delta Amacuro, Guárico, Portuguesa, Trujillo and Vargas, where both blocks of amendments received over 55 per cent support.[91] It also passed in Podemos-governed Aragua and Sucre states, though the anti-Chávez vote was up over earlier elections.[92] In Falcón, block "A" passed with 50.13 per cent, while 50.24 per cent opposed block "B". What tilted the final results against the project was the massive "No" vote in Zulia, Táchira and Miranda (over 56 per cent on both blocks).[93]

The National Electoral Council (CNE) has not published final official results. Exit polls showing a close contest were confirmed by the preliminary count of 88.76 per cent of the ballot boxes on 3 December. Some opposition members have suggested that if full results were published, the "No" vote would be between 53 and 54 per cent.[94] There are indications that on referendum night Chávez struck a deal with the opposition in closed-door negotiations to accept a narrow defeat without including the 1.8 million ballots that remained to be counted.[95] A far less credible account is that the "Yes" vote won by less than 10,000, and in negotiation with the opposition Chávez preferred to accept defeat because the margin was so small.[96]

[89] Voters were above all worried about Chávez's desire to perpetuate his power by adding a year to the presidential term and removing limits on re-election. Crisis Group interviews, foreign ministry official and foreign political analyst, Caracas, 31 March and 1 April 2008. Pre-referendum polls showed that some government supporters (about 7.33 per cent, over 1.1 million persons) were not certain whether they would vote. Crisis Group interview, survey poll analyst, Caracas, 5 March 2008.

[90] Crisis Group interview, political analyst, Caracas, 3 March 2008. For detailed referendum results, see Appendix B below.

[91] Chavistas controlled states that voted for the reform: Amazonas (65.77 per cent for block "A", 57.94 per cent block "B"); Portuguesa (63.08 per cent and 62.69 per cent); Trujillo (62.16 per cent and 61.98 per cent); Apure (61.16 per cent and 60.99 per cent); Delta Amacuro (60.97 per cent and 60.72 per cent); Cojedes (60.87 per cent and 60.64 per cent); Guárico (58.36 per cent and 58.13 per cent); Monagas (57.87 per cent and 57.64 per cent); Vargas (56.21 per cent and 55.65per cent); Barinas (55.92 per cent and 55.68 per cent); Bolívar (52.71 per cent and 52.40 per cent); and Yaracuy (52.44 per cent and 52.07 per cent). www.esdata.info.

[92] In Aragua, another densely populated state, the anti-Chávez vote in the 2004 recall referendum was 193,925; in the 2006 presidential elections, 208,603; and in the December 2007 referendum, 288,890. In Sucre, the anti-Chávez vote in 2004 was 101,617; in 2006, 93,791; and in 2007, 120,214. http:www.cne.gob.ve.

[93] States where the "No" vote won in both blocks were: Táchira (57.32 per cent in block "A" and 57.51 per cent, block "B"); Zulia (56.94 per cent and 57.26 per cent); Miranda (56.21 per cent and 56.65 per cent); Nueva Esparta (56.1 per cent and 56.25 per cent); Mérida (54.71 per cent and 54.83 per cent); Anzoátegui (54.39 per cent and 54.65 per cent); Anzoátegui (54.39 per cent and 54.65 per cent); Carabobo (52.83 per cent and 53.13 per cent); Caracas Capital District (52.41 per cent and 52.84 per cent); and Lara (51.02 per cent and 51.5 per cent). www.esdata.info.

[94] This view is strengthened by survey results that showed a negative opinion on the reforms and referendum procedure: 53 per cent believed the reform was bad for the country; 39 per cent considered it beneficial; 54 per cent distrusted the CNE. "Constitutional Reform Tracking Poll No. 12", Hinterlaces, 20-24 November 2007.

[95] Accounts of the night of 2 December 2007 differ. Official sources said Chávez swiftly conceded defeat as the "tendency was irreversible". However, an analyst who claimed to having witnessed events in the opposition's "situation room" offered Crisis Group a different version: the first exit poll, in early afternoon, gave an eight percentage point edge to the "Yes" vote. In the second, the "No's" led by four points. In the third, "Yes" led by four points. At 6pm, "Yes" led, by two to four points. An hour later, 25 per cent of the votes had been counted and showed a "No" lead. With the outcome uncertain, Vice-President Rodríguez phoned Teodoro Petkoff, asking him to tell other opposition leaders to respect the outcome whatever it was. Petkoff said it was the government that had to respect the outcome, because the opposition held polling station certificates showing a "No" victory. Soon after, Rodríguez publicly acknowledged a close race. Between 9pm and 11pm, the government ordered armoured vehicles deployed to secure Caracas, while the opposition called its forces to gather in Plaza Brión (Chacao municipality), and the National Guard was sent to disperse them. Before midnight Chávez telephoned the military high command, which told him to accept defeat. He asked for time to prepare his televised address, after which the CNE immediately published its bulletin. Crisis Group interviews, survey and foreign political analysts, Caracas, 5 March and 3 April 2008.

[96] Crisis Group interview, senior member of an opposition party, Caracas, 3 April 2004.

III. 2008: THE BEGINNING OF THE END FOR CHAVEZ?

A. IS POLITICAL REFORM STILL POSSIBLE?

Though Chávez accepted his defeat, he called the opposition's victory pyrrhic, accused citizens in Miranda state and Caracas who had not voted of being responsible and finally concluded that Venezuelans were not ready for socialism.[97] In early 2008, he announced his "three Rs" plan: "Self-criticism (*Revisión*), Rectification and New Impulse (*Reimpulso*)". With this, he pledged to tackle pressing problems of food shortages, rising crime, insecurity, corruption and drug trafficking. The cabinet was reshuffled, and in a gesture toward the opposition, an amnesty law for political prisoners was issued.

However, these moves drew criticism from opposition and human rights activists. Many sources agreed the cabinet reshuffle did not send a positive signal, as senior officials were only rotated. Chávez has alienated skilled political operators and is increasingly assigning retired or active military officers to key posts in the executive and other state entities.[98] Though some said he has replaced the radical left wing in the cabinet with military "realists",[99] others asserted he feels the need to have a cabinet inclined to use a "strong hand" to prevent protests due to increased anti-government feeling.[100] The amnesty has been criticised for not including Caracas Metropolitan Police (PM) officers who were accused of crimes against humanity during the 11 April 2002 coup and still await trial, while the masterminds of the coup as well as radical pro-Chávez supporters who fired on protestors have been untouched.[101]

People close to the opposition said Chávez made the right tactical decision to launch his "3Rs" plan, but efforts to address problems within his own camp have been thwarted by lack of self-criticism[102] and determination to press on with the defeated reforms without changing a comma.[103] Indeed, Chávez has sought to tighten his grip during the first half of 2008. Already in late November 2007, he warned in a press conference that "elections [were] just one strategic option in building socialism".[104] Though the 1999 constitution forbids submission of the failed amendments in the same presidential term, he can still use the Enabling Law (*Ley Habilitante*) until the end of July, which gives him authority, if he chooses, to enact by decree many of the provisions the voters rejected.[105]

The authority of opposition regional and local authorities elected in November 2008 could be hollowed out, for example, by using the national police decree (9 April 2008), to transfer responsibilities to the central government,[106] as well as by increasing the budgets of communal council and social mission programs. Unlimited presidential re-election could be introduced in effect by holding a new recall referendum just after the first half of Chávez's term in order to ask Venezuelans whether they want Chávez out or to re-elect him. The lack of real judicial independence makes it

[97] On 5 December 2007, Chávez and the military high command organised a press conference to deny rumours about pressure from the military to accept defeat. He described the opposition's victory as "crap" (*victoria de mierda*) and the government's defeat as "one of courage". "'Victoria de mierda', dijo el 'demócrata'", *TalCual*, 5 December 2007.

[98] This includes creation of the General Staff Council (Consejo de Estado Mayor) as a consultative body for the president. Crisis Group interview, senior member of a former pro-Chávez party, Caracas, 2 April 2004.

[99] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

[100] Twelve of 28 ministers were reshuffled; the vice presidency and six ministries are now in the hands of active duty or retired military officers. Important appointments included Vice-President Ramón Carrizales (retired military officer and former housing minister); Interior Minister Ramón Rodríguez Chacín (retired navy commander who also served as interior minister in 2002); Health Minister Jesús Mantilla (lt. colonel, former president of the Venezuelan Social Security Institute, IVSS); Housing Minister Jorge Pérez (replaced by Edith Gómez on 12 March 2008); Food Minister Rafael José Oropeza (army general); and Secretary of the Presidency Jesse Chacón (former communications minister). Defence Minister Gustavo Rangel kept his post. Human rights activists have questioned the appointment of Chacín due to alleged involvement in human rights violations in 1988, when a navy commander. Crisis Group interviews, political analyst and economic journal editor, Caracas, 3 and 5 March 2008. "Provea solicita enjuiciar a Rodríguez Chacín", *El Universal*, 27 January 2008.

[101] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

[102] As one source put it, officials and chavista supporters are saying, "it's not me, it's the others that have to criticise themselves and rectify". Crisis Group interview, journalist, Caracas, 4 March 2008.

[103] Crisis Group interview, economic journal editor, Caracas, 5 March 2008.

[104] Enrique Ter Horst, "Summary on Venezuela 14", 20 November 2007.

[105] According to the 1999 constitution, such decrees can be annulled in a referendum called by a minimum of 5 per cent of the electorate (Article 74). There are doubts whether the constitution also gives the Supreme Court (TSJ) power to annul them.

[106] See section III.B.3 below.

unlikely such a re-election could be challenged effectively in the courts.

Military reform is being pursued not by laws, but by presidential rhetoric and establishment of the General Command of the Military Reserve, dependent solely on him and with a budget separate from that of other military forces. Critics contend that such independence from other FAN components will make it highly politicised.[107]

Chávez's attempts to impose his socialist reforms by other means have suffered setbacks, though. The "morals and enlightenment engine" of the reform was to be implemented via the new "Bolivarian curriculum" in public and private schools. However, Chávez had to retreat after teachers' and parents' associations led protest marches in several states and cities in March and April.[108] In early May, he pledged broad discussions with civil society to improve education. Likewise, he was forced to annul the decree on intelligence and counter-intelligence on 10 June, less than two weeks after enactment, following protests over provisions that allowed the government to force citizens to inform on one another to avoid prison. In an attempt to defuse criticism and minimise November election damage, he promised to send the initiative to the National Assembly for debate and amendment.

B. THE POLITICAL FORCES

1. The pro-Chávez camp

Chávez's power is based on personal ties with the masses, the pro-Chávez social and political movements and the military.[109] However, the merging of those heterogeneous forces under a single ruling party could fracture his base. The task of forcing unity on the chavista alliance was entrusted to former Vice-President Jorge Rodríguez, who led the final leg of the foundation of the PSUV from mid-January to March 2008. The party approved its statutes at a founding general assembly, 29 February-2 March. Chávez was elected its president, with power to appoint ten vice-presidents, and selected retired General Alberto Müller as the first vice-president. On 9 March, over 90,000 elected spokespersons and heads of commissions from the more than 14,000 "socialist battalions" (local grassroots units) voted for a one-year provisional leadership of fifteen national directors and fifteen deputies.[110]

This came about amid increasing internal feuds and widespread concern over the undemocratic election of the leadership.[111] The appointment of regional directors also faced criticism: First Vice-President Müller acknowledged that the party had reproduced clientelist practices of the old parties, and NA legislators cautioned against endorsing local power structures instead of promoting emerging grassroots leaderships.[112]

Since its establishment, the PSUV has shaken up the political, military and economic chavista power centres. While the president intended to consolidate his reforms by creating a monolithic bloc, the process has created a fault line dividing the core of the pro-Chávez elite between those who conceive of the party as an instrument of political and economic power (the

[107] Teodoro Petkoff, "FAN paralela"; Rocio Sanmiguel, "El fin de la Guardia Nacional", *TalCual*, 15, 17 April 2008 respectively.

[108] Crisis Group interview, economic journal editor, Caracas, 5 March 2008. Gustavo Méndez, "'Currículo bolivariano impone visión militar sobre la civil'", *El Universal*, 26 March 2008. Teodoro Petkoff, "Pensamiento único", *TalCual*, 3 April 2008. Miriam Rivero (et al.), "Protestas obligan suspensión del currículo en Anzoátegui y Zulia", *El Universal*, 22 April 2008.

[109] Crisis Group interview, political analyst, Caracas, 3 March 2008.

[110] On 14 March, Chávez swore in as directors: Aristóbulo Istúriz (38,186 votes; ex-PPT, ex-education minister and television host); Adán Chávez Frías (34,246; the president's brother and education minister); Mario Silva (32,483; television host); Jorge Rodríguez (31,034; ex-vice-president); Antonia Muñoz (29,777); Carlos Escarrá (29,104); Nohelí Pocaterra (26,240; indigenous movements' representative); Vanessa Davies (26,046; television host); Cilia Flores (23,388; NA president); María León (23,204); Nicolás Maduro (23,165; foreign minister); Alí Rodríguez Araque (22,623; ex-PPT, ex-energy minister and ambassador and current finance minister); Héctor Rodríguez (20,556; UCV student); Elías Jaua (20,161); Érika Farías (19,307); and María Cristina Iglesias (18,933). As deputies: Diosdado Cabello (18,290; Miranda governor); Héctor Navarro (17,794); Freddy Bernal (17,636; Libertador municipality mayor); Luis Reyes Reyes (17,141); Jacqueline Farías (16,121); Rafael Ramírez (15,352; energy minister, PDVSA president); Willian Lara (15,114; ex-minister); Ramón Rodríguez Chacín (15,066; interior minister); Rodrigo Cabezas (14,888); Ana Elisa Osorio (14,742); Darío Vivas (14,291); Yelitza Santaella (13,608); Tarek El Aissami (13,608); and Alberto Müller (12,007).

[111] For the PSUV's founding congress (between January and early March 2008), 1.5 million electors selected some 1,800 regional delegates. The directive board was chosen indirectly: fifteen appointed by the bases, five by Chávez. Each of the 1,800 proposed a "triad" (*terna*), from which 69 directors were to be picked. About 200 delegates protested the procedure as undemocratic. Crisis Group interview, political analyst, Caracas, 3 March 2008.

[112] Sara Díaz, "Diputados objetaron elección de equipos regionales del PSUV", *El Universal*, 18 April 2008.

"endogenous right", *derecha endógena*),[113] and those who consider it as one of the first steps to implement the socialist project (the "pure ones", *los puros*).[114]

On 17 April, as the deadline for completing the steps to register as a new national political party before the November regional and local elections approached, the PSUV leadership demanded that the CNE change the name of the old Fifth Republic Movement (MVR) to PSUV. Pro-Chávez forces revived the "Patriotic Pole" coalition (also known as "Patriotic Alliance") with the remaining PPT, PCV and even smaller political groups, such as the People's Electoral Movement (Movimiento Electoral del Pueblo, MEP, which received 94,700 votes in the last presidential election) and the Venezuelan Popular Unity party (Unidad Popular Venezolana, UPV, which received 79,900 votes).[115] With Podemos now considered an opposition party and the PPT, PCV, MEP and UPV having all lost their senior members to the PSUV,[116] the new Patriotic Alliance is becoming a coalition with small satellites revolving around the much bigger PSUV.

The four smaller members are already struggling to exert their independence, as the PSUV appears determined to impose its own candidates.[117] Members of several regional parties have protested against the way PSUV candidates for governorships and mayoral offices were selected at 1 June primary elections. They said Chávez in effect simply appointed the candidates.[118]

In the end, one of the most devastating consequences of the December referendum for Chávez is that he is no longer perceived as invincible by his own followers. Support remains considerable but is no longer unconditional. Though not yet openly acknowledged, the "chavismo without Chávez" alternative may be gaining ground.[119] The PSUV's informal "whatever Chávez says" motto could be put to the test in the November elections if chavistas who fail to win Chávez's support decide to stand for office as maverick candidates.

Since General Baduel left the defence minister post in mid-2007, some believe the top military leadership is ideologically closer to Chávez's project and supports further politicising the military.[120] However, sources contested this, pointing to the "no" majority in the referendum at garrisons such as Tiuna Fort near Caracas and to Baduel's continued popularity among the troops.[121] FAN dissent could become a serious prob-

[113] Many former military in the PSUV, such as Diosdado Cabello, are part of the so-called "endogenous Right". Crisis Group interviews, journalist and political and human rights analyst, Caracas, 3 and 4 March 2008.

[114] The Bolivarian circles, created in 2001 to defend the "revolution", were offshoots of the MVR. They fell from Chávez's favour due to their lack of discipline. However, this is the byproduct of an old dispute: in 2004, the MVR imposed regional and local candidates, causing many in the circles to feel excluded. The circles consider themselves the "pure ones", unpolluted by dirty political manoeuvre. Crisis Group interviews, journalist and political and human rights analyst, Caracas, 3 and 4 March 2008.

[115] The UPV of the radical leader of popular movements, Lina Ron, demanded to join the chavista coalition as a separate group. José Pinto, leader of the Tupamaro Revolutionary Movement, also demanded inclusion of his group in the Patriotic Pole coalition. Sara Carolina Díaz, "Tupamaros solicitan inclusión en el Polo Patriótico", *El Universal*, 9 April 2008. On the Tupamaro Movement and other radical grassroots groups, see Crisis Group Report, *Hugo Chávez's Revolution*, op. cit., pp. 21-22.

[116] Many PPT leaders left the party, including Alí Rodríguez and Aristóbulo Istúriz. Crisis Group interview, political analyst, Caracas, 3 March 2008. However, the PPT now appears to be recruiting unhappy PSUV militants. Juan Pablo Arocha, "PPT recoge descontentos", *TalCual*, 22 April 2008.

[117] The UPV has agreed to support all PSUV candidates, except those in Carabobo, Delta Amacuro and Vargas states. PPT announced it will keep its candidates in Portuguesa, Guárico, Carabobo, Sucre, Apure, Cojedes, Nueva Esparta, Yaracuy, Bolívar and Vargas. Pedro Peñaloza, "PPT suma otras seis candidaturas y reta a 'inamovibles' del PSUV", *El Universal*, 6 June 2008. "El escenario rumbo a las regionales del 23 de noviembre sigue difuso", *El Mundo*, 9 June 2008.

[118] PSUV candidates for governor or mayor were to be selected by the party bases in "primary" elections on 1 June. However, if the leading candidate did not have more than 50 per cent or a 15 percentage point lead, the PSUV leadership (ie, Chávez) was to appoint the candidate. Estrella Velandia (et al.), "Denuncian fraude tecnológico y sobornos en primarias del PSUV", *El Universal*, 5 June 2008. In Guárico state on 11 June, over 5,000 militants left the PSUV and rejoined the PPT to protest the candidacy of ex-minister William Lara, considered unknown to the party base and imposed by the leadership in a primary election plagued by irregularities. A day later Chávez expelled Guárico Governor Eduardo Manuitt as a "false revolutionary" seeking to impose his daughter as governor candidature. "Chávez expulsa del PSUV a Manuitt 'por falso revolucionario'", *El Universal*, 13 June 2008.

[119] "Chavismo without Chávez", ie, the continuation of the Boliviarian revolution and implementation of socialism of the XXIst century under the leadership of a new president, could emerge if Chávez cannot have himself re-elected a third time and his government in effect comes to an end in 2012 in accordance with the 1999 constitution. Crisis Group interviews, political analysts, Caracas, 3 and 5 March 2008.

[120] A source said the military may not be as politically divided as some portray. Part of the new elite, their differences are only between "revolutionaries" and "reformists". Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

[121] Reportedly, close to 60 per cent of officers voted "No". Crisis Group interview, senior member, former pro-Chávez

lem for Chávez in case of social unrest, particularly in Caracas.[122] There are signs of discontent among younger officers who demand respect for the 1999 constitution, tend not to support politicisation and are wary of the corruption tolerated or even encouraged by commanding officers, some of whom are reputedly engaged in drug trafficking, for example.[123] The territorial guard and the reserve, created by Chávez and including civilians, while armed, are still too weak to be a functional praetorian guard.[124]

2. The opposition

After eleven consecutive electoral losses to Chávez in nine years, the moderate opposition inflicted a severe blow on chavismo in the December referendum. It is now trying to advance beyond a simplistic anti-Chávez discourse to more active defence of the 1999 constitution.[125] The construction of a new majority could be possible if it can develop a dialogue with former pro-Chavez forces who abstained in the referendum. Podemos and several ex-Chávez allies, including General Baduel, have established relations with the opposition, but these are still feeble.[126]

Nevertheless, the belief among parts of the opposition that the chavista camp can be beaten relatively easily in November could prove self-defeating.[127] While almost three million Chávez supporters did not vote in the referendum, their future action is uncertain, as is whether the opposition will overcome its still significant fissures and form a united front to address daily concerns in each of the 22 states and 335 municipalities.[128] Signature by nine opposition parties of the National Unity Agreement on 23 January 2008 and its ratification by eight further political groups on 27 February was a first, but still insufficient, step in this direction.[129]

On 9 June, the National Unity parties announced consensus to field single candidates in seven states (Apure, Barinas, Cojedes, Delta Amacuro, Nueva Esparta, Trujillo and Vargas) and for about 50 mayoral offices. It will be critical to have single candidates for fourteen states and the Caracas mayor's office, as well as the remaining 285 municipalities, without breaking still fragile unity.[130] Each candidate will need to advocate programs that address citizens' real problems.[131] People want many chavista mayors and governors out, since they are often perceived as inefficient,[132] but the opposition campaigns need creative, non-polarising proposals.[133] The opposition's mid- and long-term challenge is to build a powerful social base and find common programmatic ground.[134]

People still distrust parties and the political forces associated with the old system. Though the conservative Comité de Organización Política Electoral Independiente (COPEI) has sought to renew its leadership with

party, Caracas, 1 April 2008. In April 2008, NA legislator Iris Varela requested a conspiracy inquiry against Baduel in connection with his alleged receipt of $1.2 million from the U.S. National Endowment for Democracy (NED) in late 2007.

[122] Crisis Group interview, retired military officer, Caracas, 1 April 2008. In a clear attempt to ostracise officers who are not politically and ideologically committed to the government, 835 on active duty (235 National Guard, 300 army; 100 air force, 200 navy) receive salaries but have not been assigned for years. Patricia Clarembaux, "Generales go to home", *TalCual*, 11 April 2008.

[123] Crisis Group interviews, political analysts, Caracas, 3 and 5 March 2008. On military involvement in drug-trafficking activities, see Crisis Group Latin America Report N°25, *Latin American Drugs I: Losing the Fight*, 14 March 2008.

[124] Crisis Group interview, retired military officer, Caracas, 1 April 2004.

[125] Crisis Group interviews, senior members of UNT and PODEMOS, Caracas, 1 and 2 April 2008.

[126] Baduel is a friend of Podemos's Didalco Bolívar. Though tainted by having supported Chávez at crucial moments, he is working on a national project of his own that does not rule out support for specific candidates. Crisis Group interviews, journalist, survey poll analyst and senior member of Podemos, Caracas, 4-5 March and 1 April 2008.

[127] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.

[128] Ibid. Recent polls suggest that 60 per cent of Venezuelans favour social democracy, 24 per cent socialism. "La democracia social le gana al socialismo y al capitalismo", *El Universal*, 23 January 2008.

[129] Signatories of the January agreement are Un Nuevo Tiempo (A New Time, UNT), Primero Justicia (Justice First), Acción Democrática (AD), COPEI, Movement Towards Socialism (MAS), La Causa R (LCR), Project Venezuela, Brave People Alliance (Alianza Bravo Pueblo, ABP) and Popular Vanguard (Vanguardia Popular). Subsequent members are Fuerza Liberal, Movimiento Republicano, Visión Emergente, Solidaridad Independiente (SI), Movimiento Laborista, Unión Republicana Democrática, Democracia Renovadora and Comando Nacional de la Resistencia. Crisis Group interview, journalist, Caracas, 3 March 2008.

[130] In Aragua state, Podemos announced its intention to hold primaries to choose candidates; this is supported by AD and Primero Justicia. In the remaining states and municipalities, the opposition will choose its candidates through survey polls in an attempt to avoid campaigns which could create further divisions. Crisis Group interview, ex-student leader, Caracas, 5 March 2008.

[131] Crisis Group interview, journalist, Caracas, 3 March 2008.

[132] Crisis Group interview, foreign political analyst, Caracas, 1 April 2008.

[133] Crisis Group interviews, former student leader and economic analyst, Caracas, 5 March 2008.

[134] Crisis Group interviews, former student leader and senior UNT member, Caracas, 5 March and 1 April 2008.

Ignacio Planas, the old guard continues to lead the social-democratic Acción Democática (AD). Justice First (Primero Justicia) lost ground when some of its leaders went to Un Nuevo Tiempo (UNT),[135] whose platform, launched in early April 2008, has yet to be accepted as a real alternative by many in society.[136] UNT leader Manuel Rosales has been criticised by other opposition parties for launching his candidacy for Maracaibo mayor in late May instead of taking a leading opposition role at the national level.[137]

While it is uncertain – and some sources believe unlikely – that the opposition can inflict a massive defeat on the chavista coalition in November, the president's allies could have trouble not only in winning opposition-held Zulia and Nueva Esparta states, but also in retaining governorships of the most economically dynamic and populous states: Mérida, Miranda, Carabobo, Anzoátegui, Táchira and Caracas.[138] To a large extent, this would be the result of the bad performance of elected chavista officials. The Capital District, where the local administrations of Freddy Bernal (Libertador), Juan Barreto (Caracas) and José Vicente Rangel Avalos (Sucre) are considered inept, is likely to be lost, as could be Maracaibo city, whose mayor, Giancarlo Di Martino, was publicly questioned about alleged relations with Colombian guerrillas and drug traffickers.[139] In Miranda state, where much of the population of the Caracas suburbs live, Diosdado Cabello's administration is losing support among chavista voters.[140]

Comptroller General Clodosbaldo Russián has justified disqualifying opposition candidates for reckless public spending. The candidates he has barred include highly popular Chacao Mayor Leopoldo López and former Miranda State Governor Enrique Mendoza, who planned to stand for mayor of the Caracas Capital District and Miranda governor, respectively. Those affected have appealed to the TSJ, arguing that Article 65 of the constitution permits disqualification only after a judge has sentenced a candidate.[141] The CNE urgently requested the TSJ to rule before the 5 August registration deadline.[142] However, some of the disqualified candidates have questioned its impartiality because it has refused to talk to some of them and asked Russián to update his disqualification list.[143] On 11 July, Russián provided a new list of barred candidates, reduced from 371 to 258 but still including the most prominent opposition figures, López and Mendoza.

Chávez praised Russián's "fight against corruption" on 24 June.[144] Since TSJ President Luz Stella Morales has already told the press the disqualified candidates cannot stand, many believe she should recuse herself from the case.[145] The lawyers' association has called the actions unconstitutional.[146] Though protest marches against the comptroller general's action have been

[135] Crisis Group interviews, political analyst and journalist, Caracas, 3 March 2008.

[136] Besides keeping Zulia state where Manuel Rosales has built its power base, UNT is poised to win the Caracas Capital District with Liliana Hernandez (Chacao), Gerardo Blyde (Baruta), Stalin Gonzalez (Libertador, with 64 per cent of the voters of Caracas) and Leopoldo López (Caracas Capital District).

[137] The UNT leadership has been criticised for its ambitions in Chacao municipality, which is currently held by Leopoldo López, a rising young figure in the party and widely considered as one of the country's best mayors.

[138] The grey areas are Falcón and the Podemos-held governorships of Aragua and Sucre. Crisis Group interviews, Venezuelan exile, Bogotá, 21 February 2008, and political and economic analyst, Caracas, 3 and 5 March 2008.

[139] Crisis Group interview, economic analyst, Caracas, 5 March 2008. In late January 2008, Colombia reportedly accused Mayor Di Martino of supporting the guerrillas after videos showed him and municipal officials giving provisions to alleged FARC and ELN members. Di Martino has denied the allegations. "Alcalde de Maracaibo sería amigo de las Farc", *El País*, 25 January 2008. Interior Minister Chacín promised an investigation. "Hermágoras González debe ser juzgado en Venezuela", *Diario de Los Andes*, 11 March 2008.

[140] The testimony of a Charavalle (Miranda) resident indicates what some pro-Chávez supporters think of the elections: "About 95 per cent of the people in my small town were ardent Chávez supporters. Now, support has reduced to about 70 per cent. I voted for Chávez or pro-Chávez people in every election until the last presidential one. Not anymore! They all talk too much and do nothing to address the real problems of the people. He has made too many empty promises and is not credible anymore….His people are incompetent and will lose badly". Crisis Group interview, Caracas, 6 March 2008.

[141] Crisis Group interviews, political and human rights analyst, journalist and economic journal editor, Caracas, 4-5 March 2008.

[142] "CNE exhorta al TSJ a que decida perentoriamente sobre recursos de inhabilitación política", CNE press release, 18 June 2008.

[143] In what is believed to be a precedent, the Supreme Court (TSJ) suspended pro-Chávez Yaracuy state Governor Carlos Giménez due to alleged embezzlement after he was found to have used public funds irregularly for social development projects. "Carlos Giménez inhabilitado de su cargo tras aprobarse antejuicio en su contra", Radio Mundial, 10 June 2008.

[144] This came during Chávez's speech at the military parade celebrating army day on the battlefield of Carabobo.

[145] Crisis Group interview, survey poll analyst, Caracas, 5 March 2008.

[146] Edgar López, "Inhabilitaciones de Russian son inconstitucionales", *Atravesdevenezuela.com*, 16 April 2008.

held throughout July, some observers nevertheless expect the chavistas to pressure the courts to block the opposition's most popular candidates even at the risk of making them appear martyrs.[147] The bans are at least straining opposition unity as rival parties propose alternative candidates.

The students' movement needs not only to keep focused on the daily problems of the universities, but also to continue its vigorous defence of civil liberties and democracy, helping, for example, via the students' parliament, to deploy election observers;[148] 2008 is proving to be a crucial year for it. Its parliament's agreement on a non-partisan agenda may be coming undone.[149] As some leaders graduate and leave the movement's leadership, political parties are seeking to co-opt them. Former UCV leader Stalin Gonzalez is currently UNT candidate for the Libertador municipality (Caracas Capital District). Yon Goicochea plans to run for a seat in the next NA election; Freddy Guevara now leads UNT party youths. With chavista support less than 20 per cent in the universities,[150] the government intends to organise its own structures to neutralise the current leadership, but few believe such a top-down initiative will attract many students.[151] However, its most significant measure against the universities has been the new enrolment mechanism promoted by the education minister.[152]

[147] Crisis Group interview, Caracas, 4 March 2008.
[148] Students, opposition parties and NGOs are to coordinate exit polls and quick-counts to prevent tampering with the electronic voting machines. Half the ballot boxes will be opened and their contents checked against the figures in the corresponding voting machines. Crisis Group interviews, political analyst and former student leader, Caracas, 3 and 5 March 2008.
[149] Crisis Group interview, former student leader, Caracas, 5 March 2008.
[150] Crisis Group interview, political analyst, Caracas, 3 March 2008.
[151] The universities promoted by the government are of three types: experimental, autonomous and technical. In the experimental ones, the representatives are appointed by the education minister (a change implemented under Chávez). However, the chavistas have even lost there. Crisis Group interview, political analyst and former student leader, Caracas, 3 and 5 March 2008.
[152] The ministry abolished admission tests, saying this was to end a minority's privileges; critics said it would harm academic quality and possibly politicise enrolment, and the government should increase university budgets, build more and better facilities and improve public mid-level education to give the poor a better chance for higher education. Crisis Group interview, ex-student leader, Caracas, 5 March 2008.

3. The potential for violence in the run-up to the November polls

President Chávez has set the tone for the campaign, announcing in his televised performances that the regional and local elections will revenge his referendum defeat. He also made incendiary declarations, telling followers publicly "there will be civil war" if chavismo loses its governorships and mayoral offices. The November elections will be important not only for the selection of local and regional officials, but also as preparation for the 2009 elections of state and municipal council members. Chávez's remarks may fuel radical and possibly violent confrontation.[153]

In February, Caracas suffered a spate of makeshift bombings. These targeted: a statue of George Washington, the first U.S. president, in a square in the El Paraíso neighbourhood on 6 February; the representation of the Holy See, where student leader and dissident Nixon Moreno is under protection, on 14 February;[154] a mercantile court and congressional offices in the Jose Maria Vargas building on 18 February; the Spanish embassy on 22 February; and the main door of the building of the Fedecámaras (entrepreneurs' association) on 24 February. Each time the previously unknown Venceremos Guerrilla Front (Frente Guerrillero Venceremos de la Izquierda Central Unida, We Will Be Victorious Guerrilla Front of the United Central Left) reportedly left leaflets. In the last blast the man attempting to plant the makeshift bomb died.

Interior Minister Ramón Rodríguez Chacín initially pointed to Colombian paramilitaries seeking to destabilise the "revolutionary government", but there are some indications of involvement of radical chavista elements. Many have asked whether the actions were carried out by radical individuals or by extremist cells linked to the chavista political milieu. There is a question whether Bolivarian circles, created to defend the revolution in 2001 but which subsequently lost Chávez's favour, may have become elements he is unable to control.[155] The attack against the Spanish embassy used tear-gas grenades, which are police and military ordnance. Four persons were allegedly arrested in connection with the attacks on the Washington statue and the papal nuncio's residence but were quickly

[153] Crisis Group interview, political analyst, Caracas, 3 March 2008.
[154] Gustavo Rodríguez, "Motorizados lanzaron explosivo contra la Nunciatura Apostólica", *El Universal*, 15 February 2008.
[155] Crisis Group interview, journalist, Caracas, 3 March 2008. On radical chavista groups, see Crisis Group Report, *Hugo Chavez's Revolution*, op. cit., pp. 21-23.

freed. One, Héctor Amado Serrano Abreu, died in the Fedecámaras attack.[156] A former member of the DISIP police intelligence agency, he reportedly carried credentials and used a gun and motorcycle of the Caracas Metropolitan Police (PM) the day of the explosion.[157]

In early February, Caracas Mayor Juan Barreto transferred PM control to the interior ministry, arguing this was needed to curb violence and crime in the capital.[158] A few days later, Minister Chacín reportedly said the PM had to be a "revolutionary, insurgent and subversive" police body. As information became available, he said the authors of the bombings were "a small anarchist group that began to commit mistakes" and had been fully identified. He also tried to deflect controversy regarding Serrano Abreu's PM link, saying he carried "honorary credentials" from the mayor's office that were removed when his ministry took control of the PM.[159]

The ensuing police operations in the populous 23 de Enero neighbourhood so upset the chavista grassroots that Lina Ron, a radical chavista leader, and other radical groupings such as the Colectivo La Piedrita,[160] took over the Caracas archbishop's offices on 27 February in protest against police harassment of their supporters.[161] Chávez, who was receiving in the capital a group of Colombian hostages released by the FARC guerrillas, was so embarrassed that he went live on TV to distance himself from the anarchic actions and scold the leaders of the protest as "infiltrated agents of the empire".[162]

Continuing police operations in search of explosives and against radical armed groups prompted blockades at the entry points to 23 de Enero on 3 April. Armed, hooded individuals from dozens of neighbourhood associations threatened that if the government did not halt operations they considered DISIP political repression, they would block everything from Catia to Petare, the two most populous neighbourhoods, and respond militarily to further aggression. On 19 June, two PM transport vehicles crashed, wounding fourteen policemen, after being attacked by heavily armed persons in 23 de Enero neighbourhood.[163]

Wider political violence is possible if Chávez loses control over such groups.[164] His administration's coolness toward radicals in the Caracas neighbourhoods may only be tactical. The government needs to appear tough on violence as it is being harshly criticised for poor performance in crime prevention,[165] but it also needs the groups for its defence policy, based on asymmetric war against any "imperialistic aggression", external or internal. Though moderate chavista allies are genuinely interested in stopping the violence of the radicals and stabilising the country, there are considerable quantities of weapons in the pro-Chávez camp. The presence of Colombian guerrillas and former paramilitaries on Venezuelan territory – though mainly engaged in drug trafficking and crime – could also ultimately feed political violence.[166] As the chavista base is not monolithic, many factions are disput-

[156] Crisis Group interview, journalist, Caracas, 3 March 2008.
[157] According to neighbours' accounts in the 23 de Enero parish (*parroquia*, or neighbourhood), Serrano Abreu had been a DISIP agent (intelligence), then a bodyguard for a NA legislator and lately a Caracas Metropolitan Police inspector; relatives also allegedly work for DISIP and the Miranda state police. DISIP reportedly searched his apartment and seized a computer and Venceremos group pamphlets. Gustavo Rodríguez, "Era ex DISIP muerto en explosión", *El Universal*, 26 February 2008.
[158] Venezuela has no national police, only state and municipal police forces headed by the regional and local authorities.
[159] Crisis Group interview, political analyst, Caracas, 3 March 2008. Gustavo Rodríguez, "Era ex DISIP muerto", op. cit.
[160] The Colectivo La Piedrita is a neighbourhood association in the 23 de Enero townships. Its representatives say they are in charge of security in their sectors. Billboards at the neighbourhood's entrance read: "Welcome, 'La Piedrita' guerrilla zone, fatherland or death" or "'La Piedrita' commands and the government obeys". Thábata Molina, "Colectivo La Piedrita impone su ley en el 23 de Enero", *El Nacional*, 8 April 2008.
[161] This was the anniversary of the 1989 events, when Venezuelans in all major cities, most notably in Caracas, rioted in response to acceptance by President Carlos Andrés Pérez (1989-1993) of the macro-economic package of the "Washington Consensus" and abrupt cuts in government spending and price adjustments, including on gasoline. The military quelled the protests, killing hundreds. See Crisis Group Report, *Hugo Chávez's Revolution*, op. cit.
[162] See Crisis Group Briefing, *Making Military Progress Pay Off*, op. cit.; section III.C.2 below; and Crisis Group interviews, political analyst and journalist, Caracas, 3 and 4 March 2008.
[163] Javier Mayorca, "Lesionados 14 agentes de la PM en tiroteo en el 23 de Enero", *El Nacional*, 21 June 2008.
[164] Crisis Group interview, political and human rights analyst, Caracas, 4 March 2008.
[165] Crisis Group interview, political analyst, Caracas, 3 March 2008. According to Forensics Medicine (*Medicatura Forense*), homicides increased nationally from 176 in January 2007 to 191 in January 2008; 216 in February 2007 to 230 in February 2008; and 229 in March 2007 to 289 in March 2008. Laura Dávila (et al.), "Número de crímenes en Caracas ha aumentado 14% durante 2008", *El Universal*, 16 April 2008. The interior ministry offers slightly lower figures: 198 in January 2008, 195 in February 2008 and 180 in March 2008. Minister Chacín said the difference reflected a "terror campaign" by the media against the government. Interior ministry press conference, 16 April 2008.
[166] Crisis Group interviews, political analyst and economic analyst, Caracas, 5 March 2008.

ing political and economic control, especially over the funds allocated to the social assistance programs.[167]

In February 2008, chavista forces stepped up protests against the opposition media outlet Globovisión.[168] Chávez has urged supporters to let that "sewer" continue transmitting, but violent protests against it could resume in the run-up to the November elections.[169] Likewise, violence may continue on university campuses, which already have seen tear gas used against meetings during the election of Caracas's UCV authorities, powerful explosions in Maracaibo's Zulia University (LUZ), the appearance of hooded gangs in Lara University (UCLA) and the death by gunshot of one student in Los Andes University (ULA) in Mérida on 10 July. On the other hand, there could also be more violent opposition street protests like the one in Guacara (Carabobo state) on 26 November 2007, when a worker, José Aníbal Oliveros, was gunned down after demanding that a roadblock be lifted.[170]

The National Police Decree Chávez issued on 9 April created a new national police corps intended to replace state and municipal forces which long have been considered highly corrupt; it is also to unify norms and procedures and create more specialised anti-crime units. Though creation of a national police force is mandated by Article 332 of the constitution, critics say the failure to include many National Commission for Police Reform (CONAREPOL)[171] recommendations might open the door to politicisation (lack of administrative autonomy and subordination to the executive branch) and militarisation (if it takes over many current National Guard tasks). Local governance could be put further at risk if the new national police take powers from regional and local governments that opposition forces seek to win control of in November.

C. THE SOCIAL AND INTERNATIONAL SITUATION

1. The socio-economic time bomb

Support for Chávez has dropped significantly in urban centres.[172] Though support in rural areas continues to be high,[173] the emotional connection that Chávez established with the masses may no longer suffice to maintain his political predominance.[174] Recovery of his government's credibility will likely depend on how it addresses citizens' daily problems in the remainder of 2008.[175] Crisis Group sources with access to senior Venezuelan officials said the government's management is appalling, Chávez is not interested in daily business, and his close entourage lacks qualified political operators who could give him timely advice.[176]

After years of social activism, the pro-Chávez camp has become bureaucratised. Lack of control mechanisms over running costs, corruption and the professional capacity of managers and workers prevents the executive-led social missions from providing quality public services. The challenge will be to overhaul the whole concept of the missions to make them compatible with other state bureaucracies; their medium- to long-term sustainability will also depend on their institutionalisation, establishment of efficient supervision mechanisms and independence from executive branch political control.[177]

[167] Crisis Group interview, foreign analyst, Caracas, 6 March 2008. See Crisis Group Report, *Latin American Drugs I*, op. cit.

[168] During the takeover of the Caracas archbishop's palace on 27 February 2008, Lina Ron said Globovisión had been declared a "revolutionary target". That same day, protestors gathered in front of Globovisión's studios demanding its closing-down.

[169] "SIP advierte sobre sanciones a Globovisión por diatriba oficial", *El Universal*, 15 February 2008.

[170] In early June 2008, Carabobo prosecutors investigating the killing of Oliveros charged brothers Carlos and Víctor Pinto (both in their early 20s) with cover-up, concealment of weapons and intimidation of people in public places; Luis Angulo and Ricardo Tavare were also accused of intimidating people in public places. In total, ten individuals are under investigation. "Cuatro acusados por muerte de joven trabajador de Petrocasa", *El Carabobeño*, 3 June 2008.

[171] In 2002, the NA created the National Commission for Police Reform (CONAREPOL) to coordinate a nationwide public deliberation process that culminated in late 2006 with publication of a report.

[172] According to a survey by Alfredo Keller & Associates, President Chávez's approval ratings dropped from a 65 per cent peak to 38 per cent between early 2006 and early 2008. "Aseguran que apoyo a Chávez cayó a 38%", *El Nacional*, 12 February 2008.

[173] Crisis Group interview, foreign political analyst, Caracas, 1 April 2008.

[174] According to one source, until 2007, people tended to blame only ministers and other high officials for government incompetence. Crisis Group interview, journalist, Caracas, 4 March 2008.

[175] Crisis Group interviews, journalist and political and human rights analyst, Caracas, 3 and 4 March 2008.

[176] Crisis Group interviews, foreign entrepreneur and Venezuelan and foreign political analysts, Caracas, 6 March and 2-3 April 2008.

[177] The government recently modified the law on contracts with public entities (*ley de contratación pública*), requiring contractors to allocate between 2 and 5 per cent of the total contract to social programs such as the missions.

The new emerging elite (the "Bolivarian bourgeoisie" or "boli-bourgeoisie") is associated with rampant state corruption. Part of the "3Rs" process is "rectification", via denunciation of corrupt officials, but this is proving easier said than done. None of the entities in charge of fighting corruption – the comptroller's office, the attorney general's office, the prosecutor general's office (*procuraduría*) and the National Assembly – appear to be making serious efforts to investigate suspect public officials. A team of special prosecutors – led by the comptroller's office and supported by the other four above-mentioned institutions – should be created to conduct fair and independent investigations into cases of offical corruption.

The November elections are exacerbating internal chavista feuds, while self-critics are being labelled "imperialist agents" or even expelled from the PSUV. One such dispute pitted Miranda Governor Diosdado Cabello, a close Chávez ally and would-be heir, against NA legislator Luis Tascón, who accused Cabello's brother, David, of mishandling public funds while in charge of the infrastructure ministry. Cabello responded by expelling Tascón from the United Socialist Bloc.[178] The chavista grassroots expressed its disapproval by electing Cabello only as a deputy director of PSUV.[179] The press has published information on alleged scandals involving NA head Cilia Flores,[180] former Attorney General Isaías Rodríguez[181] and even Chávez relatives.[182]

Government social spending may be unsustainable in the long term; it does not build social capital from below, but is a top–down effort privileging groups that can be considered diehard militants.[183] A November 2007 survey showed that despite huge redistributive programs, 54 per cent in all socio-economic strata perceived that poverty has increased under Chávez.[184] Despite the oil windfall, Venezuela's balance of payments had a $5.7 billion deficit in 2007, compared to a $5.14 billion surplus in 2006.[185] External debt, including PDVSA's, is almost $63 billion.[186] This is

[178] Tascón was expelled from the United Socialist Bloc (the NA members who later joined the PSUV) on 14 February 2008 after reporting potential irregularities in the purchase of official vehicles by José David Cabello while in charge of the infrastructure ministry. He requested a parliamentary inquiry on 13 February 2008. Cabello currently heads the Customs and Tax National Service (SENIAT), a key power post. Legislators close to NA President Cilia Flores accused Tascón of making unfounded charges and conspiring with the opposition Globovisión station and the U.S. Pedro Pablo Peñaloza, "Expulsan a Tascón por señalar a Cabello", *El Universal*, 15 February 2008. Miranda Governor Diosdado Cabello (the accused's brother) charged that he requested a diplomatic passport for a Venezuelan banker allegedly linked to drug trafficking. "Gobernador vincula al diputado con 'narco'", *El Universal*, 15 February 2008. The COPEI party asked the attorney general to investigate Governor Cabello and Flores for covering up the scandal. "Exigen a Fiscalía investigar a Cilia Flores y Diosdado Cabello", *El Universal*, 18 February 2008.

[179] Diosdado Cabello is considered one of the heads of the "boli-bourgeoisie": after being closely linked to Chávez's first presidential campaign in 1998, he was appointed vice-president, minister of the presidential secretariat and head of the National Telecommunications Commission (CONATEL), before running for the Miranda governorship. He has been linked to Rafael Sarría (another retired military officer); they manage a network of three small banks and several industries and hold shares in service companies. María Eugenia Díaz, "¿Dictaduel o God-given?", Veneconomía Mensual, January 2008, pp. 23-24.

[180] Pedro Pablo Peñaloza, "AN viola inamovilidad laboral con el despido de trabajadores", *El Universal*, 15 February 2008.

[181] Hernando Contreras, who helped investigate the 2004 assassination of Danilo Anderson, a state prosecutor who investigated persons suspected of involvement in the failed 2002 coup d'état attempt, accused Rodríguez of manipulating evidence and key witnesses to divert the investigation and protect the guilty. Rodríguez denied the accusation and asked the public prosecutor to investigate Contreras. "'La denuncia contra mí busca evitar que ocupe otro cargo'", *El Universal*, 1 April 2008. The main witness, Giovanny Vásquez, renounced his testimony, saying it was part of a set-up planned in the attorney general's office. Interview with Giovanny Hernández in Globovisión, 9 April 2008.

[182] In the 25 March NA plenary, Wilmer Azuaje (PSUV) accused brothers Argenis and Narciso Chávez of paying $372,000 for the Malagueña Hacienda and other estates, using straw men. He also said Argenis was the power behind the Barinas governorship of Hugo de los Reyes Chávez, the president's father. The NA opened an inquiry but will also investigate Azuaje, whom other Barinas legislators accused of excessive campaign spending. Pedro Pablo Peñaloza, "AN investigará denuncias contra hermanos del presidente Chávez"; "Amos de Barinas", *El Universal*, 26 March 2008. In 2000, Barinas Governor Chávez was accused of misappropriating some $26.5 million, but an inquiry found nothing. Despite persistent denials from relatives, people in Barinas talk about the Chávez's as landowners and cattle growers. Patricia Clarembaux, "Los Chávez se afincan", *TalCual*, 9 April 2008.

[183] Crisis Group interview, economic analyst, Caracas, 5 March 2008.

[184] Alfredo Keller, "Cultura y juegos de poder", *Ven-Economía Mensual*, January 2008, p. 14; 51 per cent in the lower strata and 55 per cent in the higher believed this.

[185] Ibid. Excel file available at www.bcv.org.ve/excel/2_4_1.xls?id=36.

[186] The country's external debt increased from $41.4 billion in 2006 to $46.6 billion in 2007; PDVSA's external debt reached $16 billion in 2007. Economist Intelligence Unit, at www.economist.com; "Fidevalores Weekly Report", year

mostly due to uncontrolled government spending, including generous foreign aid, such as oil deals at very low prices. Oil production has dropped from 3.2 million barrels per day in 2002 to less than 2.5 million in 2007, and lawsuits over nationalisation are affecting PDVSA's liquidity at a time when it intends to invest about $15.6 billion to increase daily production to 5.8 million barrels over the next five years.[187]

President Chávez has repeatedly denounced hoarding as a tactic of the U.S. "empire" to provoke shortages and weaken the revolution.[188] However, economic analysts contend that the government's fight against food shortages and inflation is misguided, as the equilibrium between higher production costs and fixed government prices must be restored; the sale prices should cover at least the production costs plus a profit margin.[189] In the first two months of 2008, the prices of some products increased by almost 50 per cent.[190] Cumulative inflation in April 2008 reached 9.9 per cent, and Planning and Development Minister Haiman El Troudi has announced that the year's rate could be 19.5 per cent, far above the initial 11 per cent estimate.[191] Independent estimates, however, exceed 40 per cent.[192]

Following the decree on hoarding of basic foodstuffs, Chávez ordered Energy Minister and PDVSA President Rafael Ramírez to create a food distribution scheme with PDVSA funds: PDVal. This has been questioned not only because PDVSA is an oil company, but also because the bureaucracy is not showing good results at managing existing food distribution programs.[193]

The biggest effort to curb chronic shortages, however, is the government's deeper involvement in production by buying or seizing industries[194] and expropriating land deemed idle.[195] To address dairy product shortages, it bought Los Andes Milk company (30 per cent of Venezuela's capacity) and CEALCO refrigerating company (70 per cent of its capacity) on 14 March 2008. Its announced intention to acquire a food distribution chain was interpreted as an attempt to take over the Polar Group (the country's main food and beer producer). Alleged hoarding of construction materials led to nationalisation of the cement industry on 3 April.[196] Six days later, nationalisation of the Ternium

3, no. 1, 16-23 January 2008, at www.fidevalores.com/download/cdt_428.pdf.

[187] Due to its ambitious investment plans and considerable liabilities PDVSA has reduced the payment time for international clients from 30 to eight days after ships are loaded and is selling foreign assets. Ibid; Crisis Group interview, economic journal editor, Caracas, 5 March 2008. ExxonMobil filed suit against it in New York, London, The Hague and Dutch Antilles courts on 24 January 2008 and rejected the $715 million settlement offered by PDVSA, demanding $5 billion compensation for nationalisation of its exploration activities. (France's Total accepted $834 million, Norway's Statoil $266 million and Italy's ENI $700 million, agreeing to settle for the book price of lost assets. The New York court has frozen $350 million in PDVSA bank accounts; the London court reversed its initial order to freeze $12 billion in assets in mid-March 2008. Initially, Chávez threatened to stop oil supply to the U.S., and PDVSA announced diversion of 60,000 barrels per day from ExxonMobil refineries in the U.S., but the tone of the dispute was quickly lowered. The U.S. buys 1.2 million barrels of Venezuela's daily production of 2.5 million barrels. The remaining 800,000 barrels not used domestically are exported to parts of the world not paying the same prices and as punctually as the U.S. Chávez announced PDVSA would counter file against ExxonMobil for not compensating Venezuela for some oil it exported. PDVSA also has an arbitration with U.S.-based ConocoPhillips pending. Marianna Párraga, "Exxon Mobil y Pdvsa se juegan 4.285 millones de dólares", *El Universal*, 15 February 2008. "Sería fatal para Venezuela corte de petróleo a EEUU", *TalCual*, 16 February 2008. "Venezuela settles with oil firms", BBC News, 21 February 2008.

[188] "Chávez amenaza con nacionalizar los supermercados por especuladores", *La Jornada*, 15 February 2008.

[189] Crisis Group interviews, political analyst, economic analyst and economic journal editor, Caracas, 5 March 2008.

[190] Bread prices increased 18 per cent; rice, 30.5 per cent; milk, 36.7 per cent; cheese, 47.3 per cent; beans, 48.4 per cent; sugar, 49.2 per cent; and pasta, 58 per cent. Víctor Salmerón, "Cercado por el desequilibrio el Gobierno aplica su ajuste", *El Universal*, 18 February 2008.

[191] Suhelis Tejero, "El gobierno plantea una meta inflacionaria cercana a 19,5%", *El Universal*, 9 April 2008.

[192] "Debate estéril", Veneconomía, 8 May 2008.

[193] Crisis Group interview, political analyst, Caracas, 3 March 2008.

[194] In 2007, the government bought the Italian-owned Parmalat milk processing facility in Machiques, with a daily capacity of 800,000 litres, though it currently processes only 50,000. "Chávez compra dos empresas del sector de alimentos", *El Universal*, 15 March 2008.

[195] The National Land Institute (INTI) announced the "recovery" of one million hectares of idle land in 2008. 60,000 hectares used for cattle on the Hato El Frío hacienda in San Fernando de Apure (Apure state) have been expropriated without compensation for conversion into a "socialist production unit". "Ejecutivo no tiene previsto realizar pago por Hato El Frío", *El Universal*, 2 April 2008. In Lara state, 2,400 hectares on 30 farms have been taken. "INTI afirma que tierras intervenidas en Lara estaban ociosas", *El Universal*, 10 April 2008. Inhabitants of municipalities in Falcón and Yaracuy states protested the INTI decision to act on farms to be given to afro-descendant communities. Joseph Poliszuk, "Consejos comunales de Yaracuy desalojan a ocupantes de hatos", *El Universal*, 4 April 2008.

[196] The main investor affected was Mexican CEMEX (world's third largest), with an annual production capacity of

Sidor steel mill (owned by the Argentine conglomerate Techint) was announced.[197] These measures have been resisted by entrepreneurs, as the government is further weakening the private sector and chasing away foreign investors.[198] Chávez's televised meeting on 11 June with some business representatives and the appointment of a respected former energy minister and ambassador, Alí Rodríguez, as finance minister have been interpreted as attempts to smooth things over with the private sector and gather support for government economic policies.[199]

The National Guard and the Institute of Defence and Education of the Consumer and User (INDECU) have also stepped up efforts to keep an eye on hoarders and prevent sales of basic foodstuffs over their fixed price. Seized merchandise is sold in the state-owned Mercal markets. INDECU's director announced that stocks held more than four days could be considered hoarded, but the supermarkets association (ANSA) and Fedecámaras rejected this as likely only to intensify shortages.[200] Many want the police to act against the corruption rings in the government-subsidised Mercal network that divert food for black market sale by the *buhoneros*.[201] Though generalised riots like the *Caracazo* ones of 1989 are unlikely, vandalism and looting have already been recorded in small cities.[202]

2. International arena for the "socialism of the XXIst century"

Deteriorating relations with Colombia during the first half of 2008 have further complicated Chávez's efforts to export "socialism of the XXIst century".[203] His demand that the international community consider removing the Colombian guerrilla groups from lists of terrorist organisations in January[204] was coupled with harsh rhetoric against President Uribe and allegations that the U.S., with Colombia as a proxy, was planning a military intervention against Venezuela.[205] A more

4.6 million tons and a previous target of Chávez's criticism for alleged environmental damage and diversion of national cement production to foreign markets. The Mexican foreign ministry said it would take "all measures at its disposal" to protect legitimate interests of Mexican companies overseas. "Venezuela nacionalizará la industria cementera", *Atravesdevenezuela.com*, 4 April 2008.

[197] "Gobierno confirma nacionalización de Ternium Sidor", *Business News Americas*, 9 April 2008. With the taking of this company, the government will have to face growing worker discontent. The SUTISS trade union has called at least five strikes in 2008. On 4 March, workers marches in Puerto Ordaz were repressed by the National Guard; on 6 March, workers struck for 24 hours. On 14 March, National Guard and police actions left at least twelve people wounded and over 50 workers arrested. Government officials – especially Labour Minister José Rivero and Bolivar Governor Rangel – supported the Argentine employer before the company was nationalised. "Venezuela: Los trabajadores luchan por su salario, Chávez los reprime", 20 March 2008, www.marxismo.info.

[198] Restrictions on foreign imports are being implemented to promote national production. Thus the automotive spare parts sector must shift the import-nationally produced balance (85-15) to 50-50 by 2013. But foreign entrepreneurs are not interested in building plants in Venezuela due to legal uncertainty. There is concern about foreign currency restrictions on Venezuelan importers, who used to pay with a 30-day delay but now with a 90-day delay. There is further worry about possible additional import sector restrictions. Foreign entrepreneurs feel their Venezuelan counterparts are not clearly expressing their concerns lest they lose government favour. Crisis Group interview, representative of Colombian exporters, Bogotá, 21 February 2008.

[199] Among the most relevant measures, Chávez abrogated the tax on financial transactions (ITF); ordered CADIVI to speed up foreign currency allocations under $50,000; launched the "fábrica adentro" plan to promote new social interest enterprises; and announced a $1 billion investment fund for strategic industrial sectors with the money collected via the tax on sudden oil profits.

[200] Angie Contreras (et al.), "Niegan que inventario superior a cuatro días sea acaparamiento", *El Universal*, 19 February 2008.

[201] See section II.C.2 above.

[202] On the 1989 events, see Crisis Group Report, *Venezuela: Hugo Chavez's Revolution*, op. cit., pp. 3-4. In January 2008, the Mercal of Sabaneta (Barinas state) was looted; in February 2008, six looting events were recorded. In Ciudad Guayana, the crowd looted what was left in a Mercal after thieves broke in. Violence has also been recorded against storekeepers of Chinese origin accused of hoarding. Crisis Group interviews, political analyst and journalist, Caracas, 3 March 2008.

[203] For background on Chávez's roles in the hostages-for-prisoners swap between the Colombian government and the FARC and in the crisis between Colombia and Ecuador and Venezuela, see Crisis Group Briefing, *Linking Military Progress*, op. cit.

[204] In a speech to the NA on 11 January 2008, Chávez said he believed both the FARC and the ELN were rebel "armies" with a respected political project, and both exerted effective territorial control in parts of Colombia. The NA legislators issued a declaration supporting his efforts to remove the guerrillas from international terrorism lists; the seven Podemos party members abstained, saying they rejected the violent methods of both illegal armed groups. Colombian public opinion was shocked when the Telesur TV crew filmed Interior Minister Chacín saying to the FARC commander in charge of the hostages' release that "President Chávez wishes to let you know that we pay great attention to your struggle. Keep up your fighting spirit and your force. You can count on us". (Crisis Group translation)

[205] After being dismissed as a swap mediator by Colombia in late 2007, Chávez established a "scientific and historic re-

serious crisis erupted after Colombian forces killed FARC commander Raúl Reyes in his base camp on Ecuadorian soil on 1 March. The next day, Chávez ordered a national minute of silence for Reyes, mobilised ten armoured brigades and deployed new fighter jets to the Colombian border to prevent hostile actions. He also expelled Colombia's diplomatic mission and openly supported Ecuador's diplomatic offensive against the Colombian incursion.

The government's daily efforts on television to warn against imminent "imperialist" U.S. aggression, using Colombia as a proxy, failed to rally domestic support, and Venezuelans remained as divided as ever. Indeed, many perceived the campaign as an effort to divert attention from pressing internal problems and questioned Chávez's apparent camaraderie with the late FARC commander. Other observers noted the poor state of the Venezuelan military equipment and troops, which were no match for the Colombians.[206] Diplomats reported that Cuba and Brazil cautioned Chávez following his initial decision to send tanks to the border. Apparently recognising the negative reaction to his actions and rhetoric, Chávez adopted a conciliatory tone with Colombia at the 7 March Rio Summit in Santo Domingo, and the danger of escalation to armed conflict quickly abated.[207]

In a surprising reversal, Chávez asked the new FARC commander, alias "Alfonso Cano",[208] to unilaterally release all hostages and questioned the validity of guerrilla warfare in Latin America in his 8 June television program, "Aló Presidente". This suggested a radically amended international priority: Chávez is now forced to rebut charges he backs and even finances internationally recognised terrorist organisations. His regional standing is under fire, following Interpol's finding, made public on 15 May, that the Reyes laptops and other devices the Colombians seized during their attack had not been tampered with.[209] Despite strong Caracas questioning of Interpol's impartiality and what it considers a U.S.-Colombian plot to discredit the Bolivarian government,[210] those computers, containing internal FARC secretariat communications, indicated a closer-than-expected relationship between the guerrillas and high Venezuelan government and security officials.

Included were messages discussing possible $300 million in financing for FARC, logistics support for its efforts to obtain weapons on the black market and movement of FARC forces across the border into Venezuela when under Colombian military pressure. All the emails involved FARC officials talking with each other and reporting on messages and meetings with the Venezuelans; none from the Venezuelan authorities have been cited or released.

While it is still uncertain whether Chávez has actually abandoned the FARC, he may be responding to the negative impact his efforts to give the movement political legitimacy had on his popularity at home. As he worked to mediate the release of hostages in Colombia, kidnappings of Venezuelans in the border states

search" presidential commission to determine the "true causes" of the death of Simón Bolívar (South American independence hero, 1783-1830), which he felt was the result not of tuberculosis, but of an assassination by Colombian traitors. He called President Uribe a "pawn" of the U.S. Empire, "liar" and "coward", as the latter embarked on a lightning tour of Europe in late January 2008 to win support for his proposals, further ostracise the FARC and contain Chávez's initiatives on the issue. Senior U.S. officials harshly criticised Chávez while visiting Colombia, including Joint Chiefs of Staff Chairman Admiral Michael Mullen, White House Drugs Director John Walters and Secretary of State Condoleezza Rice. The U.S. decision to reactivate the navy's Fourth Fleet on 1 July 2008, which will patrol Latin American waters, has raised suspicions in Venezuela. Washington insists this does not mean an increased military presence, merely improved coordination between units already operating under the South Command. On 17 May, a U.S.-Navy fighter plane on a counter-narcotics mission over Caribbean waters violated Venezuelan airspace at La Orchila Island, where a military base is located. The U.S. apologised, but the Venezuelan government said it believed the action was deliberate and in response its military carried out air-to-surface and surface-to-air missile tests in June.

[206] Crisis Group was told the troops and tanks sent to the border were below normal strength and had problems with their armour, as well as their firing and communication systems; the new fighter jets are not fully operational, as most of their pilots are still training in Russia. Crisis Group interview, economic, military and political analysts, Caracas, 5 March and 3 April 2008.

[207] After Santo Domingo, the Venezuelan and Colombian presidents met again and spoke briefly during the European Union-Latin America summit in Lima in May. A bilateral summit was held on 11 July 2008 (see below). This notwithstanding, Venezuela has not yet appointed a new ambassador in Bogotá.

[208] FARC's historic commander, alias "Manuel Marulanda", died on 26 March 2008; the FARC communiqué, broadcast by Venezuelan-financed Telesur in late May, also announced his replacement by Commander "Alfonso Cano".

[209] The U.S. president accused Chávez of threatening neighbours to divert attention from internal problems; some Republican lawmakers expressed concerns about his ties to FARC and urged Venezuela be added to the State Department's list of state sponsors of terrorism.

[210] Officials have gone as far as saying Venezuela is considering withdrawal from Interpol. "Rodríguez Chacín: 'Venezuela evalúa si seguirá en Interpol'", *El Universal*, 20 May 2008.

spiralled.[211] Chávez has not yet fully explained why he initially decided to back an armed group clearly involved in drug trafficking and terrorist actions, instead of supporting Colombia's left-wing democratic movements and parties, as he has consistently been doing elsewhere on the continent.[212] Likewise, it is still uncertain how much the support and internal cohesion of the military may have suffered from the confrontation with Colombia.[213]

In any event, long-term bilateral consequences are likely. Chávez's insults of Uribe have made revitalising ties an uphill task, even after the two met in Venezuela on 11 July.[214] While some analysts highlight the fragility of relations, noting the lack of institutional mechanisms that could have helped avoid the standoff, others point to both presidents' personal engagement in earlier years to deepen economic and infrastructure ties.[215] Venezuela welcomed Brazil's initiative to establish the Union of South American Nations (UNASUR), with a military coordinating component, the South American Defence Council. In late May, however, this fledgling initiative faced difficulties, as Colombia decided not to join, apparently motivated by concerns over Caracas's interest in using the new security framework to further its regional influence. The challenge for the two governments after the 11 July summit will be to strengthen bilateral cooperation mechanisms at all levels (security, trade, investment, infrastructure and energy) that were suspended when the political-diplomatic crisis erupted in late 2007.[216]

An action that could improve relations between Caracas and Bogotá would be to halt the significant transit use of Venezuela by drug traffickers, many of whom are linked directly to the FARC and other illegal armed groups. Recent UN and U.S. reporting shows major increases in 2007 in cocaine shipments from Colombia through Venezuela and via the island of Hispaniola to Europe and the U.S.[217]

The increasing socio-economic relations between Venezuelan and Colombian border communities are also crucial for overcoming the standoff. Though Chávez announced in early 2008 measures against Colombian commercial interests, retaliatory actions were constrained by the realities of Venezuela's food shortages.[218] Colombians who have lived in Venezuela for decades and have obtained Venezuelan ID cards thanks to Chávez's *Identidad* mission[219] may be highly supportive of his policies but are wary about anti-Colombian messages. The interdependency of the economies and societies is such that it is difficult for anyone to arouse xenophobic sentiments.[220]

Chávez is likely to face new challenges on other fronts also. The withdrawal of Fidel Castro from the international stage has negatively affected his political

[211] Crisis Group interviews, journalist, political analyst and survey poll analyst, Caracas, 4 and 5 March 2008. Alejandro Hinds, "Fedenaga exigió pronunciamiento de FAN sobre beligerancia de las FARC", *El Universal*, 17 January 2008.

[212] Crisis Group interviews, expert on Colombian-Venezuelan relations and political analyst, Bogotá and Caracas, 19 February and 5 March 2008.

[213] Crisis Group interview, expert on Colombian-Venezuelan relations, Bogotá, 19 February 2008. In early 2008, retired General Baduel said some in the military were worried about the consequences for Venezuela of Chávez's demand that the Colombian guerrillas be removed from international terrorism lists.

[214] After the meeting, both presidents gave a press conference in which they expressed their interest in resuming major bilateral trade and infrastructure projects. They also expressed their will to leave behind tensions, but nothing was said regarding the FARC and the Colombian internal conflict.

[215] The establishment of a border development zone; the steps made toward settlement of the maritime border dispute in the Gulf of Venezuela; and strategic projects in energy (electricity inter-connection in the Orinoco plains and natural gas supply between Guajira and Zulia), infrastructure (building of bridges) and inter-oceanic communication. Crisis Group interview, expert on Colombian-Venezuelan relations, Bogotá, 19 February 2008.

[216] Crisis Group interview, representative of Colombian exporters, Bogotá, 21 February 2008.

[217] Crisis Group Report, *Latin American Drugs I*, op. cit. "World Drugs Report", United Nations Office on Drugs and Crime (UNODC), June 2008, p. 80. Unclassified Command briefing presented by JTIAF-South, 24 June 2008.

[218] The border crossings with Colombia were closed by the National Guard during the first week of March 2008. Colombia is, after the U.S. and before China, the second biggest exporter to Venezuela; its exports to Venezuela increased from $3.06 billion in 2006 to $5.66 billion in 2007. www.ine.gov.ve/comercio. Besides food, high added-value exports have been favoured by the increasing exchanges. For example, about 300 companies in the spare parts sector of the vehicle-assembly industry exported $350 million of goods in 2007). The growth of the Venezuelan market has been behind expansion of their productive capacity. If retaliation hardens, about 5,000 Colombian jobs (direct, indirect and collateral) in the automotive industry would be injured. Crisis Group interview, representative of Colombian exporters, Bogotá, 21 February 2008.

[219] The massive Identidad mission was designed to give citizens identity cards (*cédulas*), in order to better control who was receiving social benefits from other missions. Many Colombians living in Venezuela for years, or even decades, also benefited from receiving these ID cards.

[220] Crisis Group interview, expert on Colombian-Venezuelan relations, Bogotá, 19 February 2008.

project.[221] Under Fidel's brother, Raúl, Cuba is being more pragmatic than anyone could have expected. A source pointed to its distancing from Chávez's rhetoric on two important issues: rapprochement with Luis Inázio "Lula" da Silva's Brazil by signing development accords and its "deafening silence" regarding the crisis with Colombia.[222]

While figures for foreign spending lack transparency, there are estimates that promised financing over the past two years of allied governments and left-wing social and political movements could reach $18 billion; in 2008, the government budget includes over $250 million for chavista groups and "anti-imperialist" movements across Latin America and even the U.S.[223] The Bolivian opposition (right-wing parties and the eastern lowlands civic groups) criticises Venezuela's close ties with the Evo Morales government, including Chávez's repeated remarks not to keep his arms folded if it seeks to oust Morales and alleged deliveries of weapons that could be used for political repression.[224] Recent survey polls show that Nicaraguans, despite Daniel Ortega's public stance beside Chávez, do not favour "socialism of the XXIst century".[225] The Nicaraguan opposition has also criticised the lack of transparency in an oil deal for ten million barrels of Venezuelan crude to be processed in the Managua refinery.[226]

The overt pro-Chávez stance of radical political groups is a source of worry for Peruvian authorities. After Chávez resumed relations with the Alan García government in 2007, Peruvian cabinet chief Jorge del Castillo warned against foreign – implicitly Venezuelan – meddling in internal affairs through illegally funding leftist groups.[227] This came in March 2008, immediately after police arrested two Peruvians with links to the pro-Chávez "ALBA houses" who allegedly attempted to bring $150,000 illegally into the country from Ecuador.[228]

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[221] Crisis Group interview, journalist, Caracas, 3 March 2008. Fidel still occasionally speaks out on issues of interest to Chávez, however. On 5 July, he released a statement praising the Colombian government's rescue three days earlier of fifteen hostages in FARC captivity, including former presidential candidate Ingrid Betancourt; he also severly criticised the cruelty of kidnapping and called for the release of all remaining hostages but did not ask the FARC to end the armed struggle, as Chávez had earlier done. "Fidel Castro in FARC hostage plea", BBC News, 6 July 2008.

[222] Crisis Group interview, military analyst, Caracas, 5 March 2008.

[223] Casto Ocando, "Chávez budgets $250 million for 'alternative' groups", *El Nuevo Herald*, 24 November 2007. "The amount of Venezuelan aid is hard to quantify. The Centre of Economic Investigations, a consulting firm in Caracas, says that in 2006, he pledged $47 billion in aid and agreements – impossible to deliver considering that Venezuela's annual budget hovers around $50 billion. Still, the country's central bank recorded billions spent on foreign bonds and other investments in the first nine months of last year, dwarfing the amount the U.S. offers in assistance to Latin America". Juan Forero and Peter Goodman, "Chávez Builds His Sphere Of Influence", *The Washington Post*, 23 February 2007.

[224] In late 2007, a Venezuelan military transport that landed in Riberalta (Beni department) was attacked with rocks and forced to take off by protestors who feared it could be transporting weapons for pro-government radical groups. Bolivian Army Second Lieutenant Georges Nava, a Venezuela-trained intelligence officer, is being investigated for his alleged participation in the bomb attack against a TV channel in Yacuiba (Tarija) on 22 June. Nava was arrested in possession of explosives in Yacuiba a few hours after the explosion, while he was driving a car rented by the Venezuelan embassy. The Bolivian Senate is investigating the embassy's involvement in the events. On Bolivian-Venezuelan relations, see Crisis Group Latin America Briefing N°18, *Bolivia: Rescuing the New Constitution and Democratic Stability*, 19 June 2008; Crisis Group Latin America Reports N°23, *Bolivia's New Constitution: Avoiding Violent Confrontation*, 31 August 2007, and *Bolivia's Rocky Road to Reforms*, op. cit.

[225] According to a survey conducted between 3 and 9 May 2008, 61.5 per cent of Nicaraguans reject the political project promoted by Chávez and want to continue their own. "Nicaragua rechaza socialismo de Chávez", *El Universal*, 20 May 2008.

[226] The first 250,000 barrels were delivered in mid-February 2008. PDVSA ships the oil to Alba Petróleos de Nicaragua S.A. (Albanisa), a mixed company created by Chávez and Ortega, that sells the oil through state-owned Petronic. The opposition is worried about use of the profits and the appointment of Franciso López, treasurer of the ruling Sandinista Front, to head Petronic. "Nicaragua recibirá este fin de semana primer envío de crudo venezolano en 2008", *El Universal*, 15 February 2008.

[227] Peru's government withdrew its ambassador to Caracas in May 2005 after Chávez openly supported Ollanta Humala and excoriated former president and American Revolutionary Popular Alliance (APRA) candidate Alan García in the June 2006 presidential elections. Venezuela and Peru restored diplomatic ties in early 2007.

[228] One of those arrested was Roque González, a former Tupac Amaru Revolutionary Movement (MRTA) guerrilla member, who is also suspected of buying roundtrip air tickets for fifteen people who went to a Bolivarian Continental Coordinating Instance meeting – where FARC propaganda was distributed among participants – and were involved with the "ALBA houses" (not a criminal offence if the tickets were not bought with dirty money). There are some 200 such ALBA entities doing charity work and assisting people with medical care, mostly out of private homes. "Policía antiterrorismo detiene a siete personas", *El Comercio*, 1 March 2008. However, Peruvian authorities fear ties to radical leftist and armed rebel groups such as the MRTA and Shining Path. Four days earlier, the Congress had unanimously voted to investigate the ALBA houses. The investigation was motivated by violent strikes in Cusco against new tourism pro-

Paraguay's presidential campaign was marked by outgoing President Nicanor Duarte's allegations that foreign groups – among them Venezuelans – had come to destabilise the country in case Fernando Lugo, a former bishop of socialist tendencies resembling those of Chávez and Bolivia's Morales, lost. In El Salvador there is an ongoing investigation of Venezuelan funding for the former left-wing insurgent group and current main opposition party, the Frente Farabundo Martí para la Liberación Nacional (FMLN). Chávez administration officials and business people close to his government face mounting scrutiny from Argentine and U.S. judicial authorities regarding the Antonini Wilson briefcase affair and the alleged illegal financing of the Argentine presidential campaign.[229] It remains to be seen whether this case and the Paraguay situation will affect Venezuela's Mercosur candidacy.

President Chávez's close relations with allies could also deteriorate. In mid-June, Ecuador declined to join the Chávez-led ALBA initiative. President Correa may have felt somewhat betrayed at the 7 March Rio Summit, where he was left alone in his dispute with the Colombian president, while Chávez repositioned himself as a man of peace. Revelations from the laptops of FARC's Reyes could also force an estrangement, as both presidents seek to avoid charges of plotting with a terrorist-labelled insurgency against a democratically elected government.[230]

motion laws and by farmers in Ayacucho for increased state subsidies and protection from farm seizures by banks. The latter left four farmers killed, allegedly by the police; the government said they were killed by makeshift ammunition used by other protestors. "Dirigentes pierden control del paro agrario: 4 muertos y 171 revoltosos detenidos", *El Comercio*, 20 February 2008; "Cusco prepares for future protests", *The Peruvian Times*, 26 February 2008.

[229] On 4 August 2007, Argentine customs seized $800,000 from a briefcase that Venezuelan-U.S. businessman Antonini Wilson failed to declare when flying to Buenos Aires on a private jet with executives from Energía Argentina (ENARSA) and PDVSA, just before Chávez arrived to sign an energy deal. Venezuela has denied involvement. In late 2007, the U.S. state of Florida began an inquiry, and Wilson entered the U.S. Justice Department's witness protection program. In January and February 2008 two Venezuelan citizens accused of threatening Wilson, trying to cover up the money's intended use in the Argentine presidential campaign and working as undercover agents of the Venezuelan government agreed to cooperate to obtain reduced sentences. One has alleged the direct participation of DISIP Director Henry Rangel Silva and other DISIP agents. "Se retrasa el caso Antonini en Miami", *El Universal*, 12 February 2008. "Venezuelan Pleads Guilty in Suitcase Scandal", Reuters, 3 March 2008. Reyes Theis, "Maionica implicó al director de la Disip en el caso del maletín", *El Universal*, 27 February 2008. In the Argentine investigation, former PDVSA chief Diego Uzcátegui and his son, Daniel, failed to appear in court to testify. "Uzcátegui se arriesga a ser buscado por Interpol", *El Universal*, 29 February 2008. "Jueza argentina analiza pedir captura mundial del ex vicepresidente de PDVSA", Agence France-Presse, 9 April 2008.

[230] An OAS 17 March 2008 resolution criticised the Colombian airstrike on Ecuadorian soil for violating the OAS Charter. (The U.S. objected that Colombia had acted in legitimate self-defence.) The resolution also called on all member countries to oppose illegal armed groups operating on their territory, especially those engaged in drug trafficking.

IV. CONCLUSION

President Chávez faces mounting pressure from not only the political opposition and student movement, but also his own support base, including social sectors that had been a fundamental pillar of his regime. Following a landslide re-election in December 2006, he sought to accelerate his "socialism of the XXIst century", but his government was unable to cope with widening dissatisfaction caused by a project that increased concentration of power in his hands without improving the living standards of a majority of citizens and deteriorating public services, or reducing chronic food shortages, double-digit inflation or crime and government corruption. The result was defeat of the government's sweeping constitutional reforms in the 2 December 2007 referendum.

The pro-Chávez camp is losing momentum. It has become bureaucratic, corruption is rampant, and its capacity to manage the country is poor. Regional and local grassroots are increasingly disappointed by the top-down style of the new PSUV party, which also is under mounting pressure from the smaller chavista groups. The struggle for political supremacy could further divide the pro-Chávez political and social elements, turning the 23 November 2008 municipal and state elections into a litmus test for the future of Chávez and his movement. The still-divided opposition has a chance to recapture several governorships and mayoral offices if it respects its unity pact, but it still lacks the programmatic cohesion and inclusive national political strategy needed for broader appeal.

The government's unbridled public spending can be maintained only if oil prices continue at record levels. Should both production and prices drop, serious cash flow problems, increased inflationary pressures and harsher food shortages could result. Many Venezuelans are dissatisfied with Chávez's foreign policy. Massive arms deals, generous cooperation with allies and intrusive diplomacy throughout Latin America, including support for radical armed groups such as the Colombian FARC, risk isolating the country internationally.

It is time for Chávez to change his radical course, regain the trust of a good part of his movement's former social base, seek compromise with the democratic opposition and govern far more efficiently. If he fails to revive the spirit of the 1999 constitution and continues to emphasise confrontation rather than consensus, 2008 may prove the beginning of the end of his increasingly autocratic regime and Bolivarian revolution.

Bogotá/Brussels, 23 July 2008

APPENDIX A

MAP OF VENEZUELA

Map courtesy of University of Texas at Austin.

APPENDIX B

CONSTITUTIONAL REFORM REFERENDUM RESULTS

Constitutional Reform Referendum - 2 December 2007
Partial Results - National Electoral Council (CNE) First Report

States	"A" Block				"B" Block			
	YES	% Yes	NO	% No	YES	% Yes	NO	% No
Táchira	169,171	42.68	227,156	57.32	168,024	42.49	227,379	57.51
Zulia	472,462	43.06	624,790	56.94	467,958	42.74	626,850	57.26
Miranda	422,811	43.79	542,799	56.21	416,797	43.35	544,717	56.65
Nueva Esparta	69,495	43.90	88,799	56.10	69,106	43.75	88,862	56.25
Merida	132,979	45.29	160,657	54.71	132,355	45.17	160,681	54.83
Anzoátegui	206,826	45.61	246,657	54.39	205,048	45.35	247,124	54.65
Carabobo	367,532	47.17	411,622	52.83	363,825	46.87	412,337	53.13
Distrito Capital	392,489	47.59	432,251	52.41	388,757	47.16	435,627	52.84
Lara	284,726	48.98	296,607	51.02	281,262	48.50	298,658	51.50
Falcon	136,038	50.13	135,337	49.87	134,710	49.76	135,983	50.24
Sucre	125,494	51.07	120,214	48.93	124,818	50.89	120,472	49.11
Yaracuy	97,736	52.44	88,647	47.56	96,778	52.07	89,074	47.93
Bolivar	202,767	52.71	181,929	47.29	200,843	52.40	182,414	47.60
Aragua	324,745	52.92	288,897	47.08	321,586	52.57	290,095	47.43
Barinas	118,198	55.92	93,166	44.08	117,440	55.68	93,468	44.32
Vargas	68,629	56.21	53,465	43.79	67,555	55.65	53,830	44.35
Monagas	160,096	57.87	116,532	42.13	159,079	57.64	116,894	42.36
Guárico	132,490	58.36	94,539	41.64	131,586	58.13	94,796	41.87
Cojedes	65,210	60.87	41,914	39.13	64,736	60.64	42,012	39.36
Delta Amacuro	28,505	60.97	18,251	39.03	28,299	60.72	18,308	39.28
Apure	70,761	61.16	44,936	38.84	70,392	60.99	45,022	39.01
Trujillo	139,657	62.16	85,011	37.84	138,935	61.98	85,215	38.02
Portuguesa	169,499	63.08	99,207	36.92	168,025	62.69	100,013	37.31
Amazonas	21,076	65.77	10,971	34.23	17,222	57.94	12,501	42.06
Venezuelans living abroad	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,379,392**	**49.30**	**4,504,354**	**50.70**	**4,335,136**	**48.94**	**4,522,332**	**51.06**

Source: www.esdata.info

APPENDIX C

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 135 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

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