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VENEZUELA: HUGO CHÁVEZ’S REVOLUTION

EXECUTIVE SUMMARY

After eight years in power, President Hugo Chávez won an overwhelming re-election in December 2006. Flush with oil revenues, bolstered by high approval ratings and at the start of a six-year term, he expresses confidence about advancing what he calls his Bolivarian Revolution, named after Simón Bolivar, the country’s independence hero, and installing his still only vaguely defined “Socialism of the 21st Century”. There are concerns in Venezuela and much of the hemisphere, however, that to do so the ex-colonel and one-time coup leader may be willing to sacrifice democratic principles. He is not yet a dictator and for the most part has not tried to act in a dictatorial manner, but the trend toward autocracy is strong. If he continues to build personal power at the expense of other institutions and militarise much of the government and political life, there will be serious risks for internal conflict, especially if the oil boom that cushions the economy falters.

Crisis Group will examine subsequently what the Chávez phenomenon means for regional and hemispheric politics. This report concentrates on what has changed in the country’s institutional landscape, politics and economics. Chávez has been reconstructing Venezuela since his first election in 1998. A year after that success he pushed through a new constitution that dismantled the condominium of traditional parties that had dominated the country for most of two generations, replacing it with a “participatory” democracy founded on the notion of the president’s direct relationship with the people. The two-chamber Congress became a unicameral National Assembly, which, since the badly fragmented opposition unwisely boycotted the December 2005 legislative elections, has had only pro-Chávez members.

Traditional checks and balances on executive power have all but disappeared as key state institutions, such as the attorney general’s office, the Supreme Justice Tribunal, the electoral council and the armed forces, have progressively come under the control of the president and his loyalists, with military officers, active duty and reserve alike, filling many normally civilian offices. Large social service programs, termed “missions”, have been launched in poor neighbourhoods and helped gain popular support for the government. State control of the economy, not just the vital oil sector, has increased, as has pressure on opposition media and NGOs.

Polarisation in the body politic has reached historic proportions, with traditional elites and many among the middle class opposing these profound changes in a series of elections and in the streets. During his first five years of power, Chávez faced several attempts to unseat him, both constitutionally and unconstitutionally. In April 2002 and late 2003, he weathered first a coup then a prolonged national strike, while in August 2004 he emerged victorious from a recall referendum. Boosted by the referendum victory and high oil prices, he has been on the offensive ever since. In January 2007, the National Assembly passed with little debate an enabling law granting the president far-reaching legislative powers for eighteen months.

The political opposition is marginalised for now, as much by its own feuds as anything Chávez has done to restrict its ability to operate. Nevertheless, serious challenges are ahead. Excessive government spending has built up the debt, and inflation is the highest in the hemisphere. If oil prices fall further and production of the state-owned oil company, PDVSA, goes down, generous, ideologically-driven social programs will need to be cut. Discontent is rising over public sector corruption and skyrocketing crime and drug trafficking. Inflation-driven uncertainty is aggravated by the appearance of some food shortages in stores and markets.

The proliferation of armed groups also could become troublesome. Many Chavista groups, particularly in Caracas, have access to weapons, while additional government-established groups like the Frente Francisco Miranda, a civilian organisation made up of young people sent to Cuba for ideological training, are due to receive them. The National Reserve and
Territorial Guard, created under Chávez, are outside the normal military chain of command, answerable directly to the president. There is concern that some of the armed groups could transform into criminal mafias. Chávez will also need to bridge widening fissures within his own camp about the direction in which his revolution should go.

Whether the social polarisation and accumulating tensions turn eventually into violence depends primarily on whether at a moment of triumph Chávez acts with restraint, in particular to:

- limit use of the far-reaching powers granted him by the National Assembly so as to avoid further damage to institutional checks and balances, and respect Venezuela’s obligations under the Inter-American Democratic Charter, the American Convention of Human Rights and other international human rights treaties;
- guarantee the full functioning of an attorney general, comptroller general and ombudsman independent of the executive, as designed in the 1999 constitution;
- increase efforts to improve the medium to long-term sustainability of social and infrastructure programs by attacking inflation and fiscal deficits and avoiding excessive state control of the economy; and
- halt the proliferation across the country of armed groups beyond control of the regular military and the professional police forces.

Bogotá/Brussels, 22 February 2007
I. INTRODUCTION

On 3 December 2006, President Hugo Chávez was re-elected by a wide margin for another six-year term. With voter turnout at 74 per cent, the sitting president obtained 63 per cent of the vote. The divided political opposition temporarily allied shortly before the polls to back the former governor of the federal state of Zulia, Manuel Rosales, who was perceived as the only candidate with a chance of defeating Chávez. With this comfortable victory, Chávez is now speeding up what he calls his Bolivarian Revolution. The National Assembly on 31 January 2007 passed the last of a series of enabling laws (ley habilitantes) granting the president far-reaching legislative powers for eighteen months. The next six years are to see the move towards “Socialism of the 21st Century”, a new model of government which Chávez has yet to define but which reportedly will involve further expansion of executive power, nationalisation of key economic sectors and politicisation of state institutions, as well as increased control over the flow of information. Venezuela seems set to move further down the road to autocracy.

Since Chávez was first elected in 1998, his revolution has been marked by growing polarisation. Following the Constituent Assembly and passage of a new constitution in 1999 and his first re-election in July 2000, the regime faced several attempts, both constitutional and unconstitutional, to unseat the president. During his first five years, Chávez was on the defensive and in spite of consistently high approval ratings generally showed a more conciliatory attitude. That changed with his victory in the August 2004 recall referendum, when high oil prices and a fractured opposition allowed him to move onto the offensive.

Under the guise of a new form of “direct” or “participatory” democracy, Chávez has progressively weakened the checks and balances of the political system. Appointments to the judiciary and the electoral council are subject to political influence, and it is questionable whether the comptroller general and ombudsman exercise effective oversight of public finances and human rights. Chávez’s growing power is also reflected in the trend toward undermining regional government, concentration of information on government activities in the ministry of communication and the placing of active and retired military in key civilian posts, including interior and justice minister. He has placed the new National Reserve, the Territorial Guard and non-official armed groups under his sole command, while instituting parallel military structures that eventually could be used to intimidate opponents.

Nevertheless, Chávez faces serious challenges. His government has failed in eight years to deliver on many promises, though he has deflected much of the criticism, blaming subordinates and outside factors, principally the U.S. He hopes to overcome dissent within his own camp about where the revolution is going with the recently announced creation of the United Socialist Party of Venezuela. Notwithstanding the electoral landslide, the recent campaign revealed growing frustration among the electorate due to spiralling crime, government inefficiency and corruption. Other challenges are the increasing penetration of society by the drugs trade and a questionable record in some areas of human rights.

Chávez’s election victory and high popular approval rating owe much to generous social spending and his economic initiatives but a question mark hangs over their long-term sustainability and profitability without state subsidies. As with past administrations, Chávez has engaged in excessive government spending and accepted a large and growing budget deficit. As the state is the engine of the country’s economy, the prospects for continued growth rely

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1 The revolution is named after the independence hero Simón Bolívar, conveying its strong nationalist and anti-imperialist nature, characteristics emphasised by Chávez in his disputes with the U.S., though Bolivar himself admired the American Revolution and society.

2 The title of minister of interior and justice was changed to minister of popular power for internal relations and justice at the start of Chavez’s new term.
heavily on government spending and the foreign exchange revenues produced by the national oil company, Petróleos de Venezuela S.A. (PDVSA).

Four key dynamics will define the revolution’s fate during the next six years: Chávez’s ability to introduce and make work a new socialist model, without violating basic democratic norms and while bridging the fissures in his own camp; oil revenues; the capacity of the opposition to unite and provide a coherent alternative; and, finally, whether the U.S. continues to give the revolution a powerful but relatively passive external enemy to “struggle” against. Each of these harbours potential for serious conflicts. A central question is whether Venezuela’s political evolution will revolve wholly around Hugo Chávez. If the trend toward autocracy prevails and domestic and international actors fail to find an effective, democratic response, the country’s future looks increasingly uncertain.

II. THE CHÁVEZ PHENOMENON

A. THE PUNTO FIJO REGIME (1958-1992) AND CHÁVEZ’S RISE

Venezuela exited the military dictatorship of Marcos Pérez (1948-1958) with the Punto Fijo Accord, signed by the Acción Democrática (AD), Comité de Organización Política Electoral Independiente (COPEI) and Unión Republicana Democrática (UDR) parties, which pledged to respect democratic principles and implement a power rotation system with equitable representation in government.

The political system was enshrined in the 1961 Constitution, which consolidated democratic rule. Venezuela avoided the rash of military dictatorships that engulfed the Southern Cone nations in the 1960s and 1970s. The executive was granted powers over defence, financial and foreign affairs and given a monopoly in appointments to state agencies, cabinet posts and civil consultative committees.

The military was placated by receiving considerable autonomy under the constitution and by the parties’ uncompromising stand against the Marxist insurgency that developed in the 1960s. The constitution forbade the military from interfering in politics, eliminated the General Command (Estado Mayor General) and separated the various branches.

This was balanced by the professionalisation of the military command, and the growing role of newly-trained officers in the media and academia. This political landscape was to be rewritten by Hugo Chávez in the 1990s, and by his revolutionary idea of a new socialist model.

4 Despite having worked underground in the Junta Patriotica along with AD, COPEI and UDR representatives to oust the military dictator, Marcos Pérez, the Communist Party was excluded from the Punto Fijo Accord. AD is of social democrat and COPEI of Christian social/conservative origin. The liberal UDR’s demise began in 1962 when it did not enter the government.

5 Terry Lynn Karl, “Petrole um and Political Pacts, the transition to democracy in Venezuela”, Latin America Review, no. 1 (1987), p. 84.

6 Despite widespread support in the military for the repressive measures against the Marxist guerrillas in the 1960s, some factions supported the so-called Carupanazo and Porteñazo, left-wing putsches carried out in 1962.

7 Decree 288 eliminated the army’s general command and established separate commands for each military branch. See Ricardo Sucre Hernández, “La Política Militar en la Constitución de 1999 ¿Cambio o Continuidad?”, Revista Venezolana de Economía y Ciencias Sociales, vol. 9, no. 1, pp. 139-162.


3 A forthcoming Crisis Group report will address the Chávez administration’s foreign policy.
armed forces, investment in new equipment, higher pensions and the military’s ability to run its own affairs, all while the government kept a close handle on officer appointments.

This period also set the stage for state intervention in the economy and the establishment of social policy based on the redistribution of oil revenues, a strategy colloquially known at the time as “sowing the oil” (sembrar el petróleo). Though massive investment in social programs and infrastructure has become a Chávez trademark, it is not new. The 1961 Constitution made the state responsible for promoting economic development through protectionist measures that favoured creation of domestic economic conglomerates and sketched out the framework for an ambitious social policy covering universal housing, health care, education and worker benefits. As oil prices rose, major infrastructure projects that began under President Rafael Caldera (COPEI, 1969-1974), such as hydroelectric plants and highways, were continued; investments were made in state-owned enterprises, especially the oil industry that was nationalised in 1975-1976.

Decentralised agencies were established for education, health and social security. The government also subsidised housing, telephones, power, water, transport services, and food staples.

Government largesse allowed the parties to expand clienteles and strengthen their grip on many aspects of society with the creation of partisan-oriented civic organisations and labour unions. As candidates for office were selected by party bosses, a patronage system developed. AD and COPEI collaboration consolidated a two-party system.

The Punto Fijo regime had two weaknesses, however, that ultimately led to its downfall. The first was inability to respond to a fall in oil prices, the second the stranglehold the parties had on political and economic life, which made them beholden not to their constituents but to the party bosses. Social policy focused on providing cheap, universal coverage of public services but failed to pursue comprehensive development so as to improve the quality of life, reduce social inequality and improve productivity.

As Latin America was engulfed by recession and oil prices dropped in the early 1980s, the government suffered a drastic fall in revenues. The first victims were inevitably social assistance budgets. Poorly controlled inflow of foreign exchange, increased public sector spending funded increasingly through foreign debt and squandering of public funds on poorly planned infrastructure projects triggered a crisis the governing parties were unable to tackle without shock therapy to an economy accustomed to relying on the oil cushion.

The re-election of Carlos Andrés Pérez (1989-1993) brought economic, social and political turmoil to a head. His first administration (1974-1979), when oil prices were high and government spending prolific, was fondly remembered and his promise of a “great economic turnaround” believed. In his second term, however, he embraced the macro economic package of the “Washington Consensus” and abruptly implemented cuts in government spending, as well as trade liberalisation, free exchange and interest rates, reduced price controls, a sales tax, and price

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8 Military interests were catered to by nearly doubling the security budget between 1967 and 1977. However, the president continued to exercise close control by approving appointments over the rank of colonel. See Trinkaunas, op. cit., p. 45.
9 The Congress could also question and revoke military appointments, but only seldom exercised this power.
10 Article 95 of the 1961 Constitution set the basis for state intervention in the economy: “The State will promote economic development and production diversification, in order to create new sources of wealth, increase income level of the population and strengthen the country’s economic sovereignty” (Crisis Group translation). See “Constitución de la República de Venezuela”, 16 January 1961, at www.analitica.com/bitblo/congreso_vecnuea/constitucion1 961.asp.
11 Under the constitution, the government would be expected to provide each family with an adequate home (Art. 73), universal health coverage (Art. 76) and full access to education (Art. 78) and take the necessary steps so that everyone has a decent standard of living (Art. 84) and can receive unemployment benefits (Art. 88) and a just minimum wage (Art. 87), ibid.
adjustments, including on gasoline.\(^{15}\) The response was swift and violent, as riots developed in all major cities, most notably Caracas on 27 February 1989. The government turned to the military to restore order in what became known as the Caracazo, a defining moment that had a profound effect on Chávez, then a mid-ranking army officer. Hundreds of people died in the repression of the riots.\(^{16}\)

Urban poverty increased from 18 to 33 per cent between 1980 and 1990,\(^{17}\) and figures showed almost 40 per cent of the population living in poverty by 1988.\(^{18}\) Underemployment increased from 39.7 per cent in 1989 to 49.3 per cent in 1994, and inflation spiked to 84.5 per cent in 1989.\(^{19}\) The economic crisis was accompanied by corruption charges against President Pérez that resulted in his impeachment in 1992. The public reaction was widespread rejection of party elites, who were believed to be responsible for the economic hardships.\(^{20}\)

Left-wing movements, excluded for more than 30 years by AD and COPEI domination, provided an ideological and organisational outlet for social indignation. The reforms undertaken since 1984 to allow direct election of governors and mayors provided the environment for the emergence of alternative political figures and movements. La Causa Radical (LCR),\(^{21}\) a party opposing neo-liberal reform and the Punto Fijo regime, burst onto the scene in 1989, when Andrés Velásquez was elected governor of Bolivar state.\(^{22}\)

The re-election of former president Rafael Caldera (1994-1999), following Carlos Pérez’s impeachment in 1992, dealt a massive blow to Punto Fijo. Citizens no longer placed allegiance in parties; they supported flexible movements and charismatic figures who acknowledged their claims.\(^{23}\) Caldera broke from COPEI and stood for office backed by Convergencia Nacional, a coalition opposed to neo-liberal reforms.\(^{24}\) However, the expected constitutional reform and improvement in social conditions failed to materialise, and Venezuelans began to look for more radical alternatives.

One was MBR-200\(^{25}\) and its leader, Lt. Colonel Hugo Chávez, who led a failed military coup on 4 February 1992, which left twenty dead and dozens injured. On surrender, he gave the “for now” speech that propelled him to fame.\(^{26}\) All the officers involved went to prison.\(^{27}\) However, the mood of the country favoured the putschists. Survey polls showed that

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\(^{15}\) The reforms proposed by Carlos Andrés Pérez followed the orthodox, neo-liberal economic guidelines for structural adjustment prescribed by the International Monetary Fund (IMF).

\(^{16}\) According to official sources, some 300 were killed and close to 1,000 wounded. Unofficial sources put the documented death toll at 400. Crisis Group Latin America Briefing N°5, Venezuela: Headed Towards Civil War?, 10 May 2004.


\(^{18}\) Margarita López, Del viernes negro al referéndum revocatorio (Caracas, 2006), p. 36.

\(^{19}\) Ibid, pp. 32, 34.

\(^{20}\) According to a 1995 survey, the statement “if Venezuela was honestly administered and corruption eliminated there would be enough money for all” received 94 per cent support. See Aníbal Romero, “Rearranging the Deck Chairs on the Titanic: The Agony of Democracy in Venezuela”, Latin American Research Review, no. 1. (1997), pp. 7-36.

\(^{21}\) La Causa Radical was born in 1971 as a spin-off of the Communist Party. Its support came from heavy industry labor unions in Ciudad Guayana and some smaller student unions in Universidad Central de Venezuela in Caracas.

\(^{22}\) Lopez, op. cit., p. 137.


\(^{24}\) Rafael Caldera won 30.46 per cent of the votes after being expelled from COPEI. His candidacy was supported by a broad coalition of former COPEI militants, the Movement Towards Socialism (MAS) and fifteen other political movements and parties. The runner up was labour unionist Andrés Velásquez of La Causa Radical (21.9 per cent).

\(^{25}\) The MBR-200 (Movimiento Bolivariano Revolucionario 200) was founded on 17 December 1982 by the then-captains Hugo Chávez, Jesús Urdaneta and Felipe Acosta. During the following years of profound political and economic crisis, it grew as a politically-inclined, conspiratorial movement with the inclusion of other low and middle ranking officers (the so-called comacates, or colonels, majors, captains and lieutenants), like Francisco Arias.

\(^{26}\) To end to the uprising, the ministry of defence demanded that the captured Chávez broadcast an improvised, unedited speech nation-wide. Hinting at his unbroken determination to continue in the struggle against the old regime, Chávez said: “lamentably for now, our objectives were not achieved in the capital,. But it now is time to reflect that new situations will arise for the country to take the road toward a better destiny.... I assume responsibility for this Bolivarian military movement”.

\(^{27}\) The failed coup involved ten battalions of the army’s 100 battalions and five lieutenant colonels, fourteen majors, 54 captains, 67 second lieutenants, 166 non-commissioned officers and 2,056 enlisted men. Chávez and his fellow conspirators acknowledged that the enlisted men were not informed of the plans and were just following orders from their commanding officers.
Venezuelans wanted tough solutions, even a military coup, to end the crisis. 28

Freed by President Caldera on 26 March 1994, Chávez worked hard to consolidate a more politically-oriented MBR-200, with the help of other political military officers and well-known radical left-wing intellectuals and politicians, many of whom were old guerrilla fighters, like Central University of Venezuela (UCV) professor Jorge Giordani 29 and Luis Miquilena. The latter was a former communist militant who helped polish Chávez’s political image and became interior and justice minister in his first government. MBR-200 gave birth to the Fifth Republic Movement (Movimiento Quinta Republica, MVR), which propelled Chávez to power in 1998 with the help of other left-wing groups like Patria Para Todos (an LCR spinoff) that made up the Polo Patriótico coalition.

B. THE 1999 CONSTITUTION

The first concrete evidence of the Bolivarian Revolution was the 1999 Constitution, which heralded the arrival of Venezuela’s Fifth Republic. With 125 pro-Chávez constituents out of 131, 30 the constituent assembly approved the new constitution in record time (from 8 August to 14 November 1999). It entered into force in March 2000, after receiving the support of 71.78 per cent in a December 1999 referendum (voter turnout was 44.4 per cent). 31

The new constitution changed the name of the country to “Bolivarian Republic of Venezuela”, incorporating a direct reference to the independence hero, Simón Bolívar, and his moral values of liberty, justice and peace. 32 It emphasised “participatory democracy” and enshrined popular sovereignty as a fundamental right. According to Article 5, “state organs emanate from popular sovereignty and are subject to it”. 33 This diverged from the practices of the Punto Fijo regime, when party control and pact-making prevented popular participation. The idea was that such democracy cut out the “evils” of representative democracy and established a direct link between the president and the people. 34 The first example was change of congress from two chambers to a single National Assembly.

The constitution also provides wide-ranging tools for citizens to exercise their right to participate in politics. A referendum can be called to consult on matters of national importance, 35 to revoke any public servant’s mandate, 36 to approve bills in the legislature 37 and to abolish laws. 38 The importance given to referendums is meant to reinforce the direct link between government and people.

Human rights were embedded in the constitution, with international norms taken as the standard. 39 In addition, the rights of indigenous peoples were promoted. The state was defined as “multiethnic and pluricultural”, and the rights of all ethnic groups to cultural heritage, education and medical practices were recognised. 40 Equality of women was also

29 Giordani became the chief architect of Chávez’s economic policy and is currently the planning and development minister.
30 The pro-Chávez coalition comprised MVR, MAS, the Patria Para Todos party (PPT) and the Communist party.
32 In its preamble, the constitution declares the “supreme aim of the republic is to establish a democratic, participative, multiethnic and multicultural society within a federal and decentralised state of justice that consolidates the values of liberty, independence, peace, solidarity, the common good, territorial integrity, life in society and the rule of law for this generation and those in future” (Crisis Group translation).
33 Article 62 assures people the right to participate, directly or through their elected representatives, in public decision-making.
34 According to Article 67, all citizens have the right to freely associate for political ends, but respecting democratic practices.
35 According to Article 71, important national matters can be made subject to a referendum. The initiative must be taken by the president in the council of ministers, a majority vote in the National Assembly or a petition of at least 10 per cent of the electorate.
36 According to Article 72, any public servant’s mandate can be revoked by referendum, but only in the second half of his or her mandate and if petitioned by at least 25 per cent of registered voters. The official is recalled if a majority of the referendum’s participants votes in favour of removal, total referendum votes cast exceed those for the official’s original election, and participation in the referendum is over 25 per cent of the electorate.
37 According to Article 73, bills can be passed by referendum if at least two thirds of the National Assembly agrees, voter participation is over 25 per cent, with a majority in favour.
38 According to Article 74, laws can be revoked by referendum if at least 10 per cent of registered voters so petition or the president takes the initiative within the council of ministers, and participation in the referendum is at least 40 per cent.
39 Article 22.
40 Chapter XIII.
outlined, and house-work was recognised as a form of labour. 41

Popular participation was the theme behind the institutional reforms. Separation of powers was modified by introduction of “Citizen Power” (Poder Ciudadano) – attorney general, ombudsman and comptroller general – and Electoral Power (Poder Electoral), embodied in the National Electoral Council (CNE). These powers are meant to protect and be accountable directly to citizens, 42 their officials selected by committees made up of members of civil society and the National Assembly. 43 The aim was to prevent the emergence of partisan patronage, the central weakness of the Punto Fijo regime, in the selection of officials, but it also provided an opportunity to imbue the new institutions with the revolutionary ideals.

The constitution did not take the decentralisation process that began in 1989 further than direct election of governors and mayors. 44 Indeed, its thrust was more towards centralisation. While there is a vague pledge in Article 4 to maintain the “federal decentralised” nature of the state, Article 152 allows the National Assembly to legislate the election of legislative councils at the federal level and approve any changes in federal tax prerogatives. 45

The presidency emerged greatly strengthened from the constitution, most obviously by the extension of the term from five to six years 46 and the possibility of re-election of a sitting president. Perhaps the most significant change was introduction of laws (leyes habilitantes) 47 which transfer legislative tasks to the president. Unlike the 1961 Constitution, which restricted these laws to economic and financial affairs, the 1999 Constitution grants the executive powers to legislate on citizen rights and a wide range of social issues. Such laws can be sanctioned by a three-fifths majority in the National Assembly, but neither they, nor the executive decrees that result, are required to go through a constitutional examination by the Supreme Justice Tribunal. 48

One of the most significant changes was the removal of restrictions on military participation in politics. The military now has a mandated role (Article 326) in both public order and national development. 49 It has been reunified under one command and freed from National Assembly scrutiny of promotions. 50 Now only the president, as commander in chief, regulates these above the ranks of colonel and vessel commander. 51 Accusations against senior officers must be found to have merit by the Supreme Justice Tribunal for sanctions to be imposed.

Despite its revolutionary demeanour and the fact it introduced the notion of equality in economic development and redistribution of wealth, 52 the new constitution did not set out a radical, new economic model nor greatly diverge from the economic principles of its predecessor. The role of the state as a promoter of social welfare continues to encourage strong intervention in socio-economic matters.

41 Article 88 recognises house-work as an economic activity that entitles social security benefits. In addition, the National Institute for Women (INAMUJER) has developed the “Plan for Equality for Women 2004-2009”, which proposes to include gender as a cross-sectional issue in policymaking.
42 Articles 274 and 294.
43 Consultation Committees were supposed to select candidates for the Electoral and Civil Powers, and the Supreme Justice Tribunal. However in 2002 the National Assembly, with the approval of the Supreme Justice Tribunal, gave itself power to make these appointments. This has been criticised by human rights organisations and the Inter-American Human Rights Commission. See “Annual Human Rights Report 2002”, Comisión Interamericana de Derechos Humanos, Washington, May 2002; Articles 264, 279, 295, 1999 Constitution.
44 The process is outlined in the Decentralisation Law (Ley Orgánica de Descentralización, Delimitación y Transferencia de Competencias del Poder Público) of 28 February 1989.
45 Article 152.2 of the constitution prevents states from levying consumption taxes previously allowed by the 1961 Constitution. In addition, the 1999 constitution restricts their ability to levy new taxes to laws passed by the National Assembly.
46 Article 230 maintained the absolute majority, single round election despite.
47 Articles 230 and 236, 1999 Constitution.
48 Articles 135 and 136 of the 2001 Public Administration Law (Ley Orgánica de Administración Pública) requires the presidency to publish decrees on its website and consult with civil society. The Constitutional Chamber of the Supreme Justice Tribunal ruled on 19 September 2001 that laws decided by the president did not require ratification by the Supreme Justice Tribunal. See, A. R. Brewer-Carias, Reflexiones sobre el constitucionalismo en América (Caracas, 2001), p. 197.
49 Article 326: “The Armed Force constitutes an institution…organised by the State to guarantee the independence and sovereignty of the Nation and to assure the integrity of the geographical space, through military defence, the co-operation in the maintenance of public order and the active participation in national development”.
50 Even though during the Punto Fijo era only 5 per cent of appointments were questioned by Congress, that scrutiny helped prevent radicalisation within the army, Trinkunas, “The Crisis”, op. cit., pp. 70-71.
51 Article 236, 1999 Constitution
52 Article 299.
Market and capital accumulation principles continue to provide the basis for the economic model but the state reserves the right to regulate private property for the general interest.\(^{53}\) It also maintains the right to nationalise strategic sectors and to control PDVSA and oil production.\(^{54}\)

C. ON THE DEFENSIVE

After the enactment of the new constitution in March 2000 and Chávez’s election victory in December, the revolution moved onto the defensive,\(^{55}\) facing both constitutional and unconstitutional attempts to overthrow it. In 2001, opposition forces united under the umbrella of the *Coordinadora Democrática de Acción Cívica* (CD). The catalyst was a November 2001 law passed by the National Assembly, where the government coalition held 101 of 165 seats, which allowed the president to issue 49 social and economic decrees. Combined with alleged human rights violations during protests, media restrictions and Chávez’s increasingly intimate relationship with Fidel Castro, these prompted fears a socialist state on Cuba’s model was around the corner.\(^{56}\) The CD brought together corporate interests, unions within the Central Workers Union (CTV),\(^{57}\) the media, the Frente Institucional Militar,\(^{58}\) opposition parties and the Chamber of Commerce Federation (Fedecamaras). The leader was Pedro Carmona.\(^{59}\)

Between December 2001 and April 2002, mass protests and mobilisations were commonplace. The opposition mustered tens, then hundreds of thousands. The government staged equally large counter protests, bussing supporters from the countryside.\(^{60}\) Violence and radical rhetoric increased.\(^{61}\) Both sides hardened their stances. Chávez refused to back down in the face of objections to the 49 decrees and threatened to expel party members who negotiated with the opposition.\(^{62}\) For the opposition, the only acceptable outcome was his removal.

PDVSA, the key to the national economy and government revenue, was in the hands of opposition sympathisers. Chávez named Gaston Parra Luzardo, a former vice president of the central bank, as its president and appointed other supporters to the board of directors, an action not well received by company management. On 25 February 2002, more than 30 managers signed a statement, “Let’s Save PDVSA”, which rejected the appointments as not based on merit and cautioned against the struggle for political power inside the company.

The battle for PDVSA led to the call for a general strike on 6 April 2002. Chávez insisted the strike would fail and fired seven opposition executives during a public broadcast.\(^{63}\) It took place between 9 and 11 April and received mass media coverage. Encouraged by the massive turnout,\(^{64}\) the organisers redirected a march towards the presidential palace to call for regime change.\(^{65}\) Clashes between protestors, government supporters and the National Guard, which was protecting the presidential palace, soon led to gunfire, which left nineteen civilians dead and more than 46 wounded.\(^{66}\) Reports about armed government and opposition militants and strategically placed snipers and members of the National Guard

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53 Article 115.
54 Articles 299, 302-303.
55 In a less polarised climate, some government policies introduced shortly after promulgation of the constitution, such as the creation of the Bolivarian University, were received favourably by the opposition, including non-Chavista university rectors, Crisis Group telephone interview, 5 February 2007.
57 CTV, founded in 1936 as the first workers union confederation, has traditionally been linked to the Acción Democrática party.
58 The Institutional Military Front (Frente Institucional Militar) was created on 1 March 2000 by active and retired officers calling for respect of military traditions and institutions and opposition to President Chávez’s military policy.
60 Marches and counter-marches were organised throughout January-February 2002. Opposition marches on 23 January and 27 February were met by similar-sized counter-marches which concluded in a political gathering with Chávez.
61 On 5 January 2002, pro-government protesters attacked congressmen Juan Farias (MVR dissident) and Andres Vasquez (LCR) outside the National Assembly. On 10 January, PPT militant Luis Mora was assassinated after receiving threats from big ranchers.
64 It is estimated that between 400,000 and 600,000 people joined the march.
65 CTV leaders reportedly instigated the change in focus from PDVSA to the ousting of President Chávez.
with orders to fire into the crowd exacerbated tensions within the military.67

The violence broke open the fractures that were already apparent after February 2002, when a group of officers publicly asked Chávez to resign; opposition forces alluded to the crucial role of the military in promoting regime change.68 The 11 April event split the high command, leading a group to declare the government illegitimate and demand the president’s resignation.69 Dissident officers, with links to the opposition, assumed operational command of parts of the armed forces, took Chávez prisoner and insisted he resign.70

Carmona was sworn in as president and dissolved the National Assembly, called for constitutional reform and revoked the 49 decrees.71 It quickly became clear, however, there was still much military support for Chávez, among not just the rank and file but also senior commanders heading combat units.72 Public support became apparent when between 10,000-15,000 gathered around Fuerte Tiuna on 13 April demanding to see Chávez. Repression increased between 12 and 14 April, producing 73 civilian casualties.73 Condemnations on 12 and 13 April by the Rio Group and the OAS Permanent Council74 of the violation of constitutional order put further pressure on Carmona. The coup unravelled under popular protests, international pressure, abandonment by some labour sectors which had not been consulted and international pressure, abandonment by some labour and social sectors which had not been consulted and a growing military backlash. By 14 April, Chávez was back in control.75 The opposition’s legitimacy was weakened, and the U.S., which had recognised the Carmona government, assumed the role of Chávez’s public enemy number one.76

Chávez, clearly shaken by the coup, sought to diffuse tensions and adopt a more conciliatory tone. He did remove 43 generals and high ranking officers directly related to the 11 April events77 and suspended close to 100 officers78 but could have gone much further. During the promotion of 43 officers on 2 June 2002, he showed respect for the hierarchical, merit-based promotion system, in an effort to regain support of the more neutral factions.79 Pro-government members of the National Assembly were willing to discuss the 49 decrees that provoked the protests, and the newly appointed economic cabinet opened negotiations with the textile and automotive sectors.80

There was also some conciliation over PDVSA with the appointment of Ali Rodriguez as its president in April 2002 and efforts by OAS Secretary General Cesar Gaviria to establish talks to resolve differences. Despite a guerrilla-fighter background, Rodriguez was a cunning negotiator and acted moderately while asserting government control over this rich resource.

The opposition did not take the olive branch. The CD continued blockades and marches throughout 2002.81 On 22 October, thirteen anti-Chávez officers took control of the Plaza de Altamira in Caracas to demand his resignation. This became the focus for the increasingly militant opposition, and tension again grew with clashes between pro-government and opposition supporters. On 12 November there was a gun fight between factions of the Caracas Metropolitan Police, one protesting working conditions,82 the other loyal to opposition mayor Alfredo Peña.

68 Colonel Pedro Soto, Captain Pedro Flórez, General Guaicaipuro Lameda and Vice-Admiral Carlos Molina all demanded the president’s dismissal between 7 and 18 February 2002.
69 Vice-Admiral Daniel Comiso, General Henry Lugo, General Vida Rigoberto, General Clinio Rodríguez
70 At 5:10 p.m. ten high ranking officials read a communiqué asking Chávez to resign.
72 General Efraín Vasquez declared that even though he had been against Chávez government policies, he had never intended to disrespect the constitution or the institutional framework. See “Situación de los Derechos Humanos”, PROVEA, op. cit., p. 57.
73 Ibid.
76 For more details see Crisis Group Briefing, Headed Towards Civil War?, op. cit.
77 El Universal, 14 May 2002.
78 During a speech in La Vega in January 2003, Chávez acknowledged that the attempted coup had helped purge the military. See Eleazar Diaz Rangel, Todo Chávez De Sabaneta al Siglo XXI (Caracas, 2006), pp. 177-178.
79 Baduel was named division general following his loyal action to prevent Chávez from being flown out of the country and facilitating his return. See “Mas de sesenta cambios en las FAN luego del 11-A”, El Universal, 23 May 2002.
80 “Situación de los Derechos Humanos”, PROVEA, op. cit., p. 21.
81 These were intensified on the 11th and 13th of each month to mark the ousting and return of President Chávez.
The new opposition concentration was on a national strike to force the government to its knees economically and Chávez into resigning. The opposition press fed the frenzy, echoing slogans like “elections now!” and “Christmas without Chávez.” There were also attempts to seek a recall referendum. The CTV, with the support of PDVSA senior management, called for a general strike on 2 December 2002. On 4 December Rodriguez admitted the oil industry was slowing down, and members of the CD declared they had 75 per cent support in it. The strike was backed by the oil transporters and tankers, while PDVSA workers sabotaged some production facilities. Production dropped from an average three million to 630,000 barrels per day (bpd) in January 2003, resulting in the loss of nearly $9 billion in government revenue. Convinced that the government would fall as a result of the strike, the CTV and “Gente del Petróleo,” a group of PDVSA managers, called for civil disobedience and mass mobilisation.

The industrial and financial sectors quickly joined the strike, followed by much of the commercial sector. Revenues in commercial wholesale and retail outlets dropped by almost 17 per cent in December and 34.6 per cent in January 2003. Manufacturing went down, and members of the CD declared they had 75 per cent support in it. The strike was backed by the oil transporters and tankers, while PDVSA workers sabotaged some production facilities. Production dropped from an average three million to 630,000 barrels per day (bpd) in January 2003, resulting in the loss of nearly $9 billion in government revenue. Convinced that the government would fall as a result of the strike, the CTV and “Gente del Petróleo,” a group of PDVSA managers, called for civil disobedience and mass mobilisation.

Chávez launched his counterattack with the help of the armed forces. First priority was to assure the flow of basic foodstuffs and prevent the desertion of his core support in the slums of Caracas. This was done through a national supply plan implemented with the armed forces. $600 million of petrol was imported to maintain the supply of gasoline at the pumps. Pro-government supporters were mobilised to block opposition marches and protect oil production sites, while the military and the ministry of energy and mining re-established control over transport routes and key extraction and refining facilities. By the end of January 2003, the opposition was showing signs of fatigue, and on 3 February the strike officially ended.

The drawn out nature of the strike and the increasingly dire economic situation hurt the opposition most. Time was on the government’s side as Chávez brought the state’s resources to bear. Unemployment jumped from 15.66 per cent in November to 20.3 in January; GDP decreased 27 per cent in the first quarter of 2003 and mid-size businesses, many supporting the strike, were hard hit. During the first months of 2003, the government regained control over PDVSA and restructured it, laying off 18,000 workers. A plan to integrate PDVSA better into government socio-economic policy was also begun. By March oil production was up to 2.3 million bpd.

The failure of the PDVSA strike forced the opposition to change tactics. The social upheaval between April 2002 and March 2003 had resulted in more than 40 deaths and some 750 injured. Both sides had been

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83 Diaz Rangel, op. cit., pp.177-180.
84 See Crisis Group Briefing, Headed Towards Civil War?, op. cit.
86 Buxton, op. cit., p. 333.
87 On 28 December 2003, the CD asked people not to pay value added or income tax and delay payment for public services to reduce the government’s field of manoeuvre. Former PDVSA President Luis Giusti had said the country would collapse if PDVSA went on strike, El Universal, 24 November 2002.
89 El Universal, 18 December 2002.
91 Ibid., p. 154.
92 “Situación de los Derechos Humanos”, PROVEA, op. cit., p. 91.
94 Ibid., p. 275.
95 Ibid., pp. 272-274.
97 Violence ensued throughout the following years. There were 165 extra-judicial killings between October 2002 and September 2003; opposition marches in late February-early March 2004 left fourteen people dead in clashes with security forces and 261 injured. Some detainees were tortured. The figure for killings, while high, was a slight decline from 175 and 241 reported for the previous two periods, “Report on the Situation of Human Rights in Venezuela”, Inter-American Commission on Human Rights, 29 December 2003; “Situación de los Derechos Humanos”, PROVEA, op. cit., p. 301.
bloodied and with the “Declaration against Violence, for Peace and Democracy in Venezuela” on 18 February 2003, the opposition vowed to fight in the political arena alone. The vehicle was to be Article 72 of the constitution, the right to demand a recall referendum against a sitting president.

Chávez had blocked previous attempts in 2002 and early 2003. This time the dispute was over validity of many of the signatures collected in late 2003. Súmate, the NGO designated by the opposition to collect signatures, declared that 3,467,050 supported the recall petition, surpassing the 20 per cent of the electorate (2,430,000) required. Under pressure from the Carter Center and the OAS, a compromise was found and 14 August 2004 set as the referendum date.

The cards were stacked in Chávez’s favour, as he controlled PDVSA by April 2003, and oil prices were almost $40 a barrel. He embarked on his ambitious, promised social programs, launching the “missions”, to tackle pressing social problems on several fronts, among them education, health, food supply, work and housing, building on the experience of assistance projects during the Vargas catastrophe in 1999 and the food supply programs of the national strike.

*Misión Barrio Adentro* provided basic health care to poorer rural and urban communities and established the template. Robinson provided basic literacy and

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99 On 2 February, the CD collected a large number of signatures for the referendum, in what became known as the “firmazo.”

100 See Crisis Group Briefing, *Headed Toward Civil War?*, op. cit.

101 Torrential rains and flash floods along the Caribbean coast claimed the lives of more than 5,000 Venezuelans in December 1999.

102 At a November 2004 seminar, the president admitted a fall in support in early-2003 prompted him to launch the missions, first known as “missions to save the people”, “El Nuevo Mapa Estratégico”, workshop at Fuerte Tiuna, Caracas, November 2004. Mission Barrio Adentro began on 16 April 2003; Mission Robinson on 1 July; Sucre on 10 July; Miranda on 19 October; Robinson II on 28 October; Ribas on 17 November; Mercal on 10 January 2004 and Vuelvan Caras on 12 March 2004. Yolanda D’Elia, Las Misiones Sociales en Venezuela: una aproximación a su comprensión y análisis (Caracas, 2006).

103 While probably the most popular mission, the opposition harshly criticised it due to the extensive use of Cuban doctors, circumventing a Venezuelan regulation on validation of their education and training. It was developed by the Integral Barrio Adentro Plan for Caracas of the Institute for Local Development linked to the office of the Caracas mayor.

104 The Barrio Adentro Presidential Commission was created on 6 July 2003. On 10 December, the government established the Presidential Commission for the Supply of Food for Mission Mercal. In July 2004, it set up the Presidential Commission for Mission Vuelvan Caras and the Presidential Commission for Literacy programs.

105 Between July and December 2003, the doctors attached to the Barrio Adento mission increased from 303 to 9,179. In June-July 2004, Mercal markets increased from 3,869 to 8,299. The number of beneficiaries also increased from 1,025,814 at the end of 2003, to 3,834,600 in mid-2004. A survey showed that people who agreed Chávez helped the poor increased from 53 per cent to 62 per cent between March and June 2004; those who disagreed dropped from 44 to 36 per cent.

106 Marcano and Barrera, op. cit., p. 396.
III. UNDERMINING DEMOCRACY

A. STATE INSTITUTIONS AND PARALLEL POWERS

Chávez, in the driver’s seat for the first time since 2000, did not hesitate. He was flush with money, and the purged military was far more pliant and increasingly “bolivarianised”. The social missions were gathering speed and had proved their political worth. Chávez dealt the opposition a knockout blow in late 2005 by taking absolute control of the National Assembly after the opposition boycotted the elections. This allowed him to systematically remove checks and balances on his power.

1. The judiciary and the public control entities

When Chávez came to power, the judiciary had a reputation for corruption, political interference and glacial speed. After eight years of his revolution, it is much the same.

Restructuring has left the judicial system open to political influences. The independent Citizen Power oversight established by the 1999 Constitution was rapidly politicised. By establishing a Public Power Transition Regime in December 1999, the constituent assembly was able to forego civil society’s active participation in selecting candidates for attorney general, ombudsman and comptroller general. In August 1999, the constituent assembly invoked a judicial emergency committee with power to remove judges without consulting other branches of government. Over 190 were suspended on corruption charges. In 2005, the magistracy’s executive directorate reported that close to 12 per cent of all judges had been removed, and 71 per cent were under investigation.

Isaías Rodríguez was named attorney general on 26 December 2000. His MVR affiliation and close ties to Chávez since being appointed vice president in 1999 puts his independence in doubt. He has led high-profile cases against opposition members but has yet to take a strong stance on government corruption. Human rights organisations have said that close to 90 per cent of his office’s prosecutors are temporary and personally selected.

In May 2004, the Organic Law of the Supreme Court (Ley Orgánica del Tribunal Supremo de Justicia) increased the Supreme Justice Tribunal justices from twenty to 32. Their appointment was ratifiable by a simple National Assembly majority, not the two thirds required by the constitution. The law also allows the National Assembly to remove justices by simple majority. Thus, justices can be fired if they rule against the government. The opposition said the twelve new justices were pro-Chávez and gave the government a wide majority on the court. Corruption charges continue to surround the administration of justice. Luis Velásquez, fired from the Supreme Justice Tribunal in June 2006 and under investigation for embezzlement, accused Vice President Rangel in the press of running a gang of lawyers and judges – “the band of dwarves”. He went missing shortly thereafter.

The comptroller general’s office has not rigorously controlled government finances as mandated. It has been deemed lenient at a time when the influx of oil money and extensive social programs require strict auditing. A Crisis Group source called the balance

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107 Articles 273 and 274.
108 This regime was established by the Constituent Assembly to fill the political void in the absence of the necessary laws for appointment to public posts. The special law for ratification and designation of public officials was used to appoint the new attorney general, ombudsman and comptroller general.
109 With the consent of the Supreme Justice Tribunal, the National Assembly established a fifteen-member evaluation committee which selected the candidates. See Inter-American Commission on Human Rights, op. cit.
110 199 porciento de los jueces del país están bajo la lupa de la DEM”, El Nacional, 4 September 2005.

111 Rodriguez was a member of Chávez’s campaign command for the 1998 elections, before winning a seat as senator for Aragua state on the MVR ticket. He was first vice president of the Constituent Assembly in April 1999, then appointed vice president of the republic in 2000. His political allegiance is obviously pro-government, suggesting a possible conflict as attorney general with Article 145 of the constitution, which states that no public servant should serve a party’s interests.
112 The annulment of the 14 August 2004 sentence which exonerated four officers involved in the 2002 coup, under alleged pressure from the president of the Supreme Justice Tribunal, Ivan Rincon, reflects a politicised case-selection process.
113 According to Livia Romero, 6,207 corruption cases have been filed since 1999, but the attorney general’s office has only sixteen attorneys to handle them so there is a backlog. Última Hora, 10 March 2005; “Oidos Sordos”, El Universal, 19 June 2005.
sheet PDVSA presents “unbecoming” of an oil and gas company of its size, with many grey spots that make it impossible to get a clear picture of activities. On 4 March 2004, former Comptroller General Eduardo Roche accused the incumbent, Clodosbaldo Russian, of using investigations to intimidate opposition office holders. The lack of proper information, discretionary nature of much of the executive’s funding, informal budget understandings between the National Assembly and president and more flexible regulation of government tenders (ley de licitaciones), make the comptroller general’s role almost worthless.

Despite the ombudsman’s progress in monitoring human rights, he has not been decisive in denouncing high-profile violations against opposition civil society organisations and government critics. He has also failed to take a clear stance against military court jurisdiction over civilians and has not spoken about modifications to the penal code which endanger freedom of speech. No comment was made over treason charges against two members of the Súmate NGO for accepting money from a U.S. foundation, a controversial application of Article 132 of the penal code.

Confidence in public institutions is decreasing. A 2002 survey showed 56 per cent of the population did not trust public institutions to investigate events that led to the 2002 coup. This sentiment has grown; in October 2005, two thirds wanted the attorney general to resign. More than half those surveyed did not approve of the work done by the comptroller general, the ombudsman, the National Assembly, the CNE or the Supreme Justice Tribunal.

2. The National Electoral Council (CNE) and the electoral process

The 1999 Constitution created the Electoral Power and the National Electoral Council (CNE) as its governing body. An independent, non-partisan CNE is to guarantee the impartiality and transparency of elections; its members must represent all social sectors and be appointed by a two-thirds National Assembly majority. However, the Supreme Justice Tribunal had to intervene before the recall referendum, because the pro-Chávez camp and the opposition in the National Assembly could not agree on appointments. In effect, on two occasions, 25 August 2003 and 20 January 2005, it took the initiative and appointed CNE members after discussing general guidelines with the parties. In an effort to appease critics, a new CNE was established on 28 April 2006, with members of civil society included in the selection process. Even though this body appears more balanced, the opposition continues to question the selection process.

118 The comptroller general only recently enforced use of sworn declarations as a method for public servant accountability. Questions remain about ability to process these transparently and publish resulting figures. “Avances de la República Bolivariana de Venezuela en la Implementación de la Convención Interamericana contra la corrupción”, Organisation of American States (OAS), IX Reunión del Comité de Expertos del Mecanismo de Seguimiento de la Implementación de la Convención Interamericana contra la corrupción, Washington, 27 March 2006; “Comentarios con la ocasión del informe presentado por Venezuela a la convención Interamericana contra la corrupción”, Transparencia Venezuela, Caracas, March 2004, p. 5.
120 “Situción de los Derechos Humanos”, PROVEA, op. cit., p. 363.
121 María Corina Machado and Alejandro Plazo have been charged with “conspiracy to destroy the nation’s republican form of government” and face sixteen years in prison if convicted. See subsection (6) below.
122 “Casi dos tercios de la población desea que el Fiscal General renuncie”, Datanalisis, October 2005.
123 Three of the members must be chosen by civil society, one by the faculties of law and political sciences of state universities and one by the Citizen’s Power, Articles 294-296, 1999 Constitution.
124 The CNE appointed on 25 August 2003 reflected this manoeuvring: three members, Francisco Carrasquero, Oscar Battaglini and Jorge Rodriguez, were viewed as government sympathisers. During the lead-up to the recall referendum bias was apparent as decisions were taken by three votes to two. On 20 January 2005, Tibisay Lucena and Oscar León Uzcátegui were appointed principal members of the CNE, bringing the pro-government membership to four-to-one.
125 In 2005 the CNE issued a resolution calling for party candidates to include at least half women. This helped double the presence of women in the National Assembly after the 2005 elections. See “2005: Éxito en la Participación Política de las Mujeres en la Revolución Bolivariana”, Instituto Nacional de la Mujer, December 2006, at www.inamujer.gob.ve.
126 According to the head of the opposition organisation Súmate Felipe Cabana, two of the five new members did not meet the standards the opposition sought. Tibisay Lucena, already a member of the CNE between 2003 and 2005, was reelected and named president. Sandra Oblitas, head of the regional electoral council in Libertador municipality, and Vicente Díaz were selected to represent civil society, while Janeth Díaz, representing the academic sector and German Yépez, a substitute member, were selected on behalf of the civilian power, El Universal, 29 April 2006 and 4 May 2006.
3. Weakening regional government

The Decentralisation Law (Ley Orgánica de Descentralización, Delimitación y Transferencias de Competencias del Poder Publico, LOD) of December 1989 introduced direct elections for governors and mayors. It favoured a gradual transfer of responsibilities for taxation and services, including education and health, and an increase in the “constitutional transfers” to the states (situado constitucional) from 15 to 20 per cent of the national budget. However, the “missions” and the use of the military in social projects have undermined local government. In addition, Chávez has recently favoured re-centralisation of the state with his plan for a “de-concentrated decentralisation”, which entails establishing communal councils, distinct from elected local government. He has sought to justify this by insisting that the decentralisation of the Fourth Republic was actually undemocratic.

The establishment of parallel funds has given the central government more direct control over policy implementation. The creation in 2004 of FONDESPA (Fondo Economico y Social del País), which, according to the minister of energy and petroleum, Rafael Ramirez, had already received by May 2005 $2.84 billion in earmarked funds from general oil revenue, and, in 2005, of FONDEN (Fondo de Desarrollo Nacional), has given it more leeway for executing big social programs.

While pro-Chávez governors have been receiving additional funding beyond the transfers established in the constitution, transfers to opposition governors have been delayed, especially during the period when the most pressure was being applied on Chávez. In addition, Chávez has favoured community-based organisations such as the Bolivarian Circles and the Community Councils. The 2006 Community Council law shifted the balance of the important FIDES (Fondo Intergubernamental para la Descentralización) funding for the regions. Instead of distributing 60 per cent to the states and 40 per cent to the municipalities, it will henceforth transfer 42 per cent to the states, 28 per cent to the municipalities and 30 per cent to the openly Bolivarian Community Councils.

This tendency to weaken local government looks set to continue with Chávez’s announcement in January 2007 that he plans to change the territorial structure of municipalities and states in favour of “cities and federal territories”, so as to lead to a “creative explosion of communal power”.

4. Communications, media and transparency

During the national strike, several media outlets allied with the opposition and came under scathing attack by the president, who described some of the owners as the “Four Horsemen of the Apocalypse”. In December 2004, the National Assembly passed the Law of Social Responsibility in Radio and

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127 Governors get their state budget from the interior ministry. The “situado constitucional” transfers are based on demographic criteria, not the problems of each state, Crisis Group interview, Caracas, 20 October 2006.
129 A pro-Chávez analyst said: “Really, the old, neo-liberal style of decentralisation created power centres within federal state government. Governors became local caudillos, with total control at local level, at the same time as community participation from below was cut out of the picture”, Marta Hamecker, Understanding the Venezuelan Revolution, (New York, 2005), p. 115.
131 Crisis Group interview, Caracas, 20 October 2006.
132 Governors say funds for the states have been systematically delayed. In February 2003 the governor of Carabobo won a claim before the First Court of the Administrative Tribunal denouncing non-fulfilment of the decentralisation law. The governor of Yaracuy also filed a successful claim that month. Between December 2002 and February 2003 the opposition promoted several anti-Chávez marches. He retaliated by delaying transfer funds and during a broadcast told governors to ask those involved in the coup for the money, Globovision, 3 March 2003 quoted in Rickard Lalander and Francisco Roberto García, “Chavismo y oposición en Venezuela: Exploraciones críticas sobre democracia, descentralización y populismo”, Ciudad Política, Buenos Aires, 2005, p. 29, at www.ciudadpolitica.com.
133 In early 2006, the government created the community councils as a response mechanism for natural and other disasters. On 10 April 2006, the Community Council law gave the executive direct links to them, bypassing the regional government system.
134 Manuel Rachadell, op. cit.
Television,\footnote{The law has been dubbed “gag” (mordaza) by the opposition and “spring” (resorte) by the government.} whose vague clauses can be used to fine or even close media outlets for 72 hours. Offences include broadcasts that “condone or incite” public disturbances or publish messages “contrary to the security of the nation”. Repeated violations can result in closure for five years. Private media is required to give the government 70 minutes a week to inform on its work.

Media restrictions were reinforced on 16 March 2005 with amendments to the criminal code extending “contempt” (desacato) laws beyond the president to cover insult of additional government and military officials.\footnote{Article 149 extends this privilege to the vice president, governors, members of the National Assembly and CNE, the ombudsman, the attorney general, the comptroller general, and the high military command. “Ley de Responsabilidad Social en Radio y Televisión”, Gaceta Oficial, no. 38.081, 7 December 2004.} Sentences for menacing a public servant and distributing unreliable information which causes panic were increased from fifteen months in prison to up to three years; the right to privacy was weakened by widening the spectrum of communications to emails and flyers as well as regular media outlets.\footnote{Ibid.}

According to PROVEA, a human rights NGO, violations against freedom of speech dropped from 136 cases in 2003-2004 to 86 in 2004-2005. However, government authorities were responsible for more than 80 per cent of the alleged violations, including more than $2 million in fines against the four main private television stations in March 2004 for broadcasting opposition advertisements free of charge.\footnote{“Situación de los Derechos Humanos”, PROVEA, op. cit., pp. 386-387.}

Opposition members have protested use of the Customs and Tax National Service (Servicio Nacional Integrado de Administración Aduanera y Tributaria, SENIAT) to intimidate the media. During 2005 it closed newspapers including El Impulso in Barquisimeto and El Progreso, El Expreso, El Diario de Guayana and Nueva Prensa in Bolívar state, and radio stations such FM Bolivariana, Alegre and Eléctrica FM, all allegedly in retaliation for anti-government editorials. According to a local NGO, Espacio Público, it was responsible for almost 12 per cent of the 86 violations of freedom of speech and press.\footnote{Members of the national media say they engage in considerable self-censorship due to the new codes and environment.} Foreign media are not exempt from official censure. Several foreign correspondents critical of the government are finding it difficult to renew visas and say their access to government sources and events is restricted.\footnote{“Ministro Lara niega que ejecutivo impida acceso a información”, El Universal, 31 January 2007.}

After the December 2006 elections, Chávez said he would consider a referendum on whether opposition media should be closed as subversive,\footnote{According to PROVEA, SENIAT has been responsible for 10 per cent of the cases involving violations of freedom of speech and the press. “Informe 2005 Situación del derecho a la libertad de expresión e información”, Espacio Público, Venezuela, 2006; “Situación de los Derechos Humanos”, PROVEA, op. cit., pp. 387-388.} and at the end of the month he announced the licence of Radio Caracas Televisión (RCTV) would not be renewed in March 2007.\footnote{Crisis Group interviews, Caracas, 1-2 December 2006} Founded in 1953, it has long been critical of the president but insisted its licence was not up for renewal until 2020.\footnote{Crisis Group interviews, Caracas, 20 and 24 October 2006} The announcement was condemned by international media bodies, human rights groups, journalists and the Organisation of American States (OAS).\footnote{“Granier: La concesión es hasta 2020”, El Universal, 29 December 2006.} The latter described the state of media liberties as “tragic”.\footnote{“Chávez backs possible vote to close private TV stations”, Associated Press, 4 December 2006.}

As well as inhibiting the media, the government has severely curtailed the flow of information about its own activities. Crisis Group requests to the communications and information ministry (MINCI) met with good humour but no success. Statistics on issues such as crime are not available, nor comprehensive reports of how government money is spent. MINCI controls the public relations of all ministries, though the government says this will not restrict the flow of information.\footnote{Maria Lilibeth da Corte, “No habrá nueva concesión para ese canal golpista RCTV”, El Universal, 29 December 2006.}

Chávez has increased the budget for government media. The flagship for government media strategy is Telesur, billed as the Latin American alternative to international channels like CNN, which started...
broadcasting in July 2005. The government owns a 51 percent share.\(^{150}\)

With government expenditures increasing and money channelled through parallel institutional structures like the missions, accountability and transparency have been greatly reduced, with correspondingly more opportunity for corruption. Chavistas and non-Chavistas alike rank corruption as a principal weakness of the regime, alongside crime. It is not a new phenomenon; indeed it was a contributing factor in the fall of the Punto Fijo regime. But the perception, and what little evidence there is, suggest it has become much worse under Chávez.\(^{151}\)

5. Targeting of opposition figures

The appearance of the “Tascón” List in 2003 promoted a wave of what opposition members have labelled “Bolivarian McCarthyism”.\(^{152}\) President Chávez himself fuelled fears, when in October 2003, in the midst of the signature collection for the 2004 recall referendum, he declared that “those who sign against Chávez will sign against the fatherland and will be registered for all history, as they will have to provide their name, surname, signature, identification number and fingerprint”.\(^{153}\) Opposition supporters who signed the petition complain of subsequent discrimination, such as loss of public-sector jobs, denial of passports and refusal of access to public assistance programs.\(^{154}\) On 15 April 2005, in an effort to escape the controversy, Chávez ordered that the Tascón list be “buried”.\(^{155}\)

The controversy continues, however. The subsequent appearance of the so-called “Maisanta Program”, allowing cross-referencing of voter preferences with employment and social data, raised new fears of discrimination.\(^{156}\) More than 800 former employees of 42 public entities have filed law suits claiming they were fired because they signed the recall referendum petition.\(^{157}\) Venezuela Penal Forum, an independent association of lawyers, has compiled a list of 400 cases taken on by the attorney general against government opponents, which it considers are of a political nature.\(^{158}\) The Andean Commission of Jurists, an NGO, has questioned the impartiality of the attorney general’s office.\(^{159}\) A source told Crisis Group that many individuals asserting discrimination must petition the attorney general’s office to be removed from one or more of these lists.\(^{160}\) Crisis Group came upon recent cases of public service employees who apparently lost jobs due to political affiliation, and others have been highlighted in the press.\(^{161}\)

Fear of retaliation, disillusionment with the opposition leadership and overconfidence of the pro-Chávez camp contributed to the fact that only 31 per cent of the electorate voted in elections for councils on 7 August 2005. After the polls, the president urged his followers to “heat up the streets” for the legislative elections on 4 December. However, the opposition withdrew a week before those elections, after an OAS audit of the machines to verify voter identity (“captahuellas”) showed that ballot secrecy could not be guaranteed.\(^{162}\) The pro-Chávez parties swept the National Assembly but voter participation was only 26 per cent.\(^{163}\)

\(^{150}\) María Esperanza Sánchez, “Telesur empieza transmisiones”, BBC, 24 July 2005

\(^{151}\) Venezuela has fallen in Transparency International’s country rankings from 77th in 1998 to 138rd in 2006.

\(^{152}\) This expression was coined by Teodoro Petkoff, a prominent member of the opposition. See Tal Cual, 2 May 2005. The “Tascón List” was a compilation of names and national identification numbers of individuals who had signed the recall referendum. It was put together an MVR deputy, Luis Tascón, and published on his web page.

\(^{153}\) Aló Presidente, no. 180, 1 February 2004.

\(^{154}\) “Oil, missions and a chat show”, The Economist, 12 May 2005.

\(^{155}\) Aló Presidente, 16 April 2005, p. 4.

\(^{156}\) Although Chávez had called on officials to stop using the “Tascón List”, it reportedly was incorporated into a computer program, “Maisanta”, which also included information about whether voters benefited from the government missions. Some identified as having signed the recall petition were reportedly the targets of retaliatory government action. See “Country Reports on Human Rights Venezuela”, U.S. State Department, Washington D.C., 5 April 2006.

\(^{157}\) “42 organismos públicos incurrieron en discriminación”, El Universal, 11 November 2006.


\(^{160}\) Crisis Group interview, Caracas, 19 October 2006.


\(^{162}\) Former Vice President Rangel demanded suspension of the captahuellas.

\(^{163}\) The distribution of seats was: MVR (115), PODEMOS (fourteen), PPT (nine), PCV (seven), CONIVE (two), MIGENTE (two), Abrebrecha, AMANSA, FUNDACI, LAGO, MEP, MIGATO, PUAMA, MUIPI, UPPI-FIORP and UPV (one each). Chávez criticised the OAS and EU observer missions for their reports. Marcano and Barrera, op. cit., p.398.
6. Human rights defenders and civil society

While the government has emphasised its respect for human rights, officials have tended to associate many human rights groups with the opposition. During a speech on 15 February 2004, President Chávez labelled a number of such organisations “actors in a macabre cast of a great conspiracy against Venezuela”. The investigating prosecutor refused to inform Ayala about the accusation, and a judge backed the prosecutor. After a concerted campaign by local and international human rights organisations “actors in a macabre cast of a great conspiracy against Venezuela”. The government issued Executive Decree no. 3408 of 10 January 2005 (dubbed “zamorano”) to reorganise and regulate land tenure. In his weekly television program, President Chávez announced that “La Marqueseña” hacienda in his native Barinas state would be broken up to create “social production enterprises” (cooperatives) for peasants. Expropriations have been carried out both by the authorities and squatters. By early 2005, more than 100,000 hectares had been taken from the British-owned Vestey Group Ltd. and the Hato Piñero tourist complex. A few months before the December 2005 legislative elections, farms and agro-industrial properties were forcefully occupied, including the Heinz food-processing facilities and grain silos of Polar Group (the biggest Venezuelan private conglomerate).

In July 2005, a Caracas court ordered prosecution of civil society leaders Corina Machado, Alejandro Plaz and two colleagues under Article 132 of the penal code for “conspiracy to destroy the nation’s republican form of government”. Their NGO, Súmate, had received $31,150 from the National Endowment for Democracy (NED) of the U.S. for a program that encouraged citizen participation in the 2004 recall referendum. If convicted, Machado and Plaz face up to sixteen years in prison. They remain free pending trial but their activities and those of their organisation are hampered.

7. Expropriation

Implementation of the Land Law of 2001 has contributed to clashes over property rights. The government issued Executive Decree no. 3408 of 10

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164 Aló Presidente, no. 182, 15 February 2005.
165 The investigating prosecutor refused to inform Ayala about the accusation, and a judge backed the prosecutor. After a concerted campaign by local and international human rights advocates, the prosecutor dropped the case in October 2005.
167 From the total of 8,490 hectares, the legal owner would keep 1,500; 2,700 would be used as reserve for a dam and the rest given to peasant social production enterprises, BBC News, 26 September 2005.
168 The National Institute of Land (INTI) considers that 80 per cent is idle; it aims to distribute 2.4 million hectares.
172 Luis Alberto Buttó, “‘Militarismo en Venezuela en los albores del siglo XXI?”, in Milares y Poder en Venezuela (Universidad Catolica Andres Bello, 2005), p. 233
but also in the everyday working of the state. As Simón Bolívar’s Army of Independence created the nation, so the National Armed Forces (FAN) are to help build the Bolivarian Revolution. The informal symbol of that revolution is the red paratrooper beret Chávez wore as a colonel when he led the failed 1992 coup.

The loyal military has already saved the revolution once and appears disposed to do so again should the need arise. During the 2003 national strike it was the armed forces that allowed Chávez to survive, not only deploying for internal security but also distributing goods and services and keeping PDVSA running, albeit at greatly reduced levels, by supporting the pro-Chávez minority after almost half the oil workers were fired. The military also did much of the work of the Caracas police, regarded as pro-opposition, during this period.

Civil-military relations have undergone a profound shift, with growing military involvement in governance combined with a constitutional weakening of civilian checks. The military is now a major political actor and will remain so after Chávez, who acknowledges a strong presence in his government and that officers will continue “incorporating themselves, little by little, into the political leadership of the country, but not into party politics”.

Article 132 of the 1961 Constitution placed the military – “an apolitical institution, obedient and not deliberative” – under civilian control. Defence ministers were drawn on a rotating basis from the branches of the military. Civilian government controls, however, were weak, exercised through the defence budget and congressional review of promotions. The military had almost total autonomy on how its budget was spent but its mandate was for external defence. There was involvement in internal affairs, but primarily fighting the insurgency in the 1960s. By the 1970s the national guard had assumed many of these internal security roles.

The weak civilian controls were further undermined under Chávez. The 1999 Constitution laid the foundations for involvement in both public order and national development. Article 328 renamed the military the National Armed Forces and directed it to act in a unified manner, thus centralising the command structure for administration, planning and operations for the navy, air force, national guard and army, which previously were independent.

Article 331 eliminated the right of the National Assembly to approve promotions, assigning that to the president (Article 236), who since the 2002 coup has rewarded senior officers for loyalty, while purging those deemed to lack political conviction. It was actually the coup that showed the absence of civilian institutional control but Chávez’s response was not to reinstitute those controls, but rather to politicise the institution while increasing his personal influence through the promotion system.

Young officers undergo not just rigorous military training at the academy, but also political indoctrination. They are taught that the armed forces are not the same as those that suppressed the 1989 Caracazo uprising. They are to help the people, not repress them. That they are also social workers for the revolution is institutional philosophy.

Plan Bolivar 2000, launched exactly ten years after the Caracazo uprising, heralded the new direction and signalled that the military was to become a principal executor of government programs. It included infrastructure repair and construction, health care for the poor, food distribution, and combating illiteracy and unemployment. The air force supplied cheap rural transport. Resources come at the cost of depriving local governors and mayors, while security regulations allow the military to shield activities from prying eyes, thus hindering transparency and opening the way for corruption.

173 Crisis Group interview, Caracas, 2 December 2006.
174 Marta Harnecker, op. cit., p. 74.
Chávez appointed the first and only civilian defence minister (Jose Vicente Rangel, February 2001-May 2002) but the overall flow of power and position has moved in the other direction, with an unprecedented number of officers, active duty and retired, entering political and government positions. In October 2000, more than 150 active service officers, already a high number, were in senior ministerial or administrative positions, among them at PDVSA, the U.S. oil subsidiary CITGO, the police, the tax collection service, customs and even the Supreme Court. There are no reliable, current figures but sources believe the numbers are now in the thousands.

A key recommendation of the National Commission for Police Reform (Comisión Nacional para la Reforma Policial, CONAREPOL), published in December 2006, was that military officers be removed from police posts, since military and police attitudes and training are different. The government ignored it, appointing a former army officer as interior and justice minister, but it looks set to embrace calls for a national police force, which could allow the president to exert the same control over the police as he has over the military. Part of the rationale is that it would remove municipal or state police control from opposition mayors or governors.

Chávez has embarked on an ambitious, much publicised campaign to modernise military equipment, provoking claims by Washington that he will spark an arms race, but the purchase of 100,000 modern Russian assault rifles and warplanes as well as several Spanish naval vessels serve two purposes. First, they help implement the doctrine adopted by the military in the first half of 2005 to develop an asymmetric capacity to deter external attack, in particular a U.S. invasion, either directly or though its proxy, Colombia. Secondly, they further secure the loyalty of the armed forces.

1. The National Reserve and the Territorial Guard

The National Reserve (RN) and the Territorial Guard (GT), established in September 2005, are designed as the cornerstones of the asymmetric warfare doctrine, variously called the “doctrine of national resistance” and the “Strategy of Security and Integral Defence”. On 4 February 2006, during a rally to mark the anniversary of his failed coup, Chávez confirmed the government’s intention to train and arm over one million citizens in the RN, whose headquarters is in the Military Museum, where Chávez surrendered in 1992.

Both organisations are outside the normal chain of command and, while they are financed through the defence budget, answer directly to the president. They are directed through the National Reserve and Mobilization Command (Comando General de la Reserva Nacional y Movilización Nacional) and form two additional arms of the military, bringing the total to six (with army, navy, air force, national guard). Made up of former members of the regular army and civilians prepared to give up twenty consecutive Saturdays for training (at some $8 a day), they are to embody the notion of a nation in arms, prepared to resist any external aggression.

The primary threat is outlined as a U.S. invasion, though critics insist they are little more than political tools designed to suppress internal dissent or at

186 Army Commander Raul Baduel said the army would need to adopt new strategies to accommodate growing threats of internal and external destabilisation. On 25 January 2005 Secretary of the National Council for the Defense of the Nation (Codena) Melvin López said President Chávez had ordered adoption of a new military strategy incorporating elements of asymmetric war doctrine. Alberto Garrido, “Chávez y la Guerra Asimétrica”, El Universal, 4 April 2006.

187 Crisis Group interview, Caracas, 19 October 2006.

188 “Chávez amenaza con comprar armas para un millón de venezolanos”, Reuters, 5 February 2006.

189 “The possibility of an asymmetric conflict with the U.S. is ever-present. I wish we could deactivate it with dignity. I will not kneel down because I represent a proud nation”, Chávez told a military conference. “We want peace, but our enemies are not going to kneel over the war fields, and they will pay dearly”. See “Hipotético ‘conflicto asimétrico’ con E.U.”, Agencia EFE, 9 April 2005.

190 According to the opposition congressman and member of the Defence Commission, Pedro Castillo, the latest military decision did not respond to fears of conflict with the U.S. or at

184 On 8 January 2007 Pedro Carreño, a former army captain was sworn in as interior and justice minister, putting him in charge of the government’s war on crime and reform of the police force.

185 During a visit to Brazil in March 2005, U.S. Secretary of Defence Donald Rumsfeld said he did not see how 100,000 AK-47 Russian assault rifles would enhance hemispheric security and that he hoped the deal did not go through, “Rumsfeld Critica a Venezuela por Compra de Armas”, Agencia EFE, 23 March 2005.
least coerce and intimidate voters; they did play a significant role in the 2006 presidential elections, providing security for, and guiding, voters. They are known as “Chávez paramilitaries” among the opposition. Political indoctrination is a big part of their training. Some NR members interviewed were more knowledgeable about Bolivarian philosophy than weapons handling. General Mario Arveláez, RN second-in-command, has said about 80 per cent of the work is social, 20 per cent military.

By placing the RN and GT outside the normal military command structure, Chávez has constructed a serious obstacle to any attempted coup since military plotters would either have to recruit or in some way neutralise them.

2. Dangers for future governments

Chávez, an ex-army officer, believes esprit de corps and discipline make military men efficient leaders and administrators. They also act as watchdogs over civilians in the ministries they have penetrated. Though some analysts believe Chávez has set up a praetorian regime, heavily dependent on the military, the reality is more that he has simply politicised and placed this key institution under his control.

However, Chávez has actually weakened the control of any future president over the armed forces. The attitude of the military has been changed, especially that of younger officers, who believe their role is not just to defend the nation from external enemies but also to defend the revolution from its enemies, internal as well as external. The 1999 Constitution weakened civilian controls over the military; any non-Bolivarian president would have to contend with a top brass promoted on the basis of political affiliation rather than ability, junior officers heavily indoctrinated in the military academy and two organisations, the RN and GT, designed mainly as Chavista political groups, loyal to the man, not his office. Chávez understands the military from which he came but his successors are likely to be hard pressed to understand, let alone control it.

C. FREE AND FAIR ELECTIONS?

Chávez has been able to deflect much criticism by pointing out, correctly, that Venezuela has had more elections since 1998, when he first won the presidency, than any other nation in the region. How much of a functioning democracy it has, however, depends upon the extent to which its elections are free and fair. The December 2006 elections, when he won for a third time, raised serious questions. Voting on 3 December passed the scrutiny of international observers but the conditions for the campaign were stacked heavily in the incumbent’s favour.

The opposition cites laws, including the ban on state funding for campaigns, and the CNE’s failure to cap spending as bars to a level playing field. Its 1 August 2006 regulation on election propaganda did not distinguish between government and campaign acts, so the Chavista machine dominated airwaves. Minister for communications and information William Lara insisted news about government was not propaganda and would continue during the campaign. Chávez had a 22:1 lead in television time over Rosales. Opposition media covered their candidate but there was no comparison with the publicity deluge from government-controlled channels. Government social programs were touted as the first evidence of the promised “Socialism of the 21st Century”. The payment of Christmas bonuses to state employees before the elections was also seen by many as a form of bribery.

As discussed above, the targeting of opposition figures and some individuals who signed the recall referendum petition has left parts of the electorate...

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191 Steve Dudley, “Chávez militias prepare to fight off U.S.”, Miami Herald, 13 April 2005
192 Crisis Group interview, Caracas, 3 December 2006.
195 International observers were deployed on the eve of elections from the EU Election Observation Mission (EOM), the OAS, MERCOSUR and the Carter Center. There was also a delegation of members of the European Parliament and diplomats from EU embassies in Caracas, Juan Francisco Lozano, “OEA asegura que fallas no permiten objetar los comicios”, El Universal, 5 December 2006; “European Union deploys Election Observation Mission to Venezuela”, European Commission, press release, 16 November 2006.
196 The opposition NGO Súmate claimed that the Ley de Presupuesto of 2006 gives the government publicity advantage. Crisis Group interview, Caracas, 20 October 2006.
198 El Universal, 7 August 2006.
199 Vivian Castillo, “En tiempo en televisión Chávez supera 22 a 1 a Rosales”, El Universal, 3 November 2006
200 Bill board at the entrance of the Nucleo de Desarrollo Endógeno Fabricio Ojeda, Catia, Caracas.
concerned that a vote against the president could cost a government job or other advantages. A leaked video in November 2006 showed Energy Minister Rafael Ramirez telling PDVSA workers they must support the government or look for work elsewhere. Instead of rebuking him, Chávez said he should make the speech 100 times a day, the same applied for the military, those who wanted to work for the government should vote for the revolution, and others should consider moving to Miami.

Fear that the government could learn an individual’s vote was raised by the opposition NGO Súmate, unintentionally reducing the willingness of undecided voters to oppose the government. Voter secrecy is a fundamental right in the constitution but EU observers concluded that past controversy over the “Tascón” list, and the “Maisanta Program” had left voters unsure about vote confidentiality. There were also claims that the fingerprints used for voter identification could be cross-referenced with information from voting machines.

For the presidential elections, 12,000 machines were used in polling booths in Zulia, Miranda, Anzoátegui, Apure, Táchira, Carabobo, Monagas and the Caracas Capital District. CNE representatives and technicians working for the software producer insisted there could be no cross referencing, and transmission networks would be “sealed” to prevent manipulation. Crisis Group observation suggested it was highly unlikely cross-referencing was possible, as voters presented themselves to fingerprinting machines randomly before moving in an uncontrolled way to tables to vote. There was no control on the order of voting and movement between fingerprinting and voting machines. However, Crisis Group interviews appeared to justify experts’ concern that fear of retribution, justified or not, would affect some percentage of voters.

The Chávez campaign blatantly used state resources to ensure that voters reached the polling stations and to encourage them to vote for the president when they got there. In the militant Chavista neighborhood “23rd of January”, RN and regular troops worked with local Chavista groups to wake residents early and persuade them to vote for the president. This was repeated in several districts throughout the capital.

Another government mission, “Identidad”, may also have prepared the ground for victory. It was carried out by Chavista groups who in some instances urged citizens both to get a new ID card and to vote for the president. Colombians resident in Venezuela who were given Venezuelan ID cards were a target. The electoral roll grew from 12.3 million in February 2004 when “Identidad” was launched to 16.08 million in September 2006.

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201 This was a common fear cited during the election campaign, Crisis Group interviews, Caracas, 19 October, 4 December 2006.
203 Article 63.
205 The OAS observer mission to the 2005 legislative elections concluded fraud was improbable. However, the dependence by the CNE on its providers raised concerns about the independence of the technology. “Informe de la Misión”, OAS, op. cit., pp. 37-38.
206 El Universal, 10 November, 2006.
208 Crisis Group interviews, Caracas, 3 and 4 December 2006.
209 Crisis Group interviews, Caracas, 20 October, 1 December 2006.
210 Posters were pasted throughout Caracas, principally in the MVR’s name, saying Colombians in Venezuela were with Chávez.
211 Consejo Nacional Electoral “Gaceta Electoral de la Republica Bolivariana de Venezuela,” no. 346, Caracas, 7 November 2006.
IV. POTENTIAL FOR INTERNAL CONFLICT AND INSTABILITY

President Chávez, not a man to sidestep controversy or confrontation, has often been uncompromising in verbal attacks on those who oppose him. The first enemy was “the savage oligarchy” of the opposition but he switched focus in 2004 to “Mr. Danger”, his nickname for U.S. President George W. Bush. Even his closest allies recognise this need for political combat. Former Vice President Rangel said: “He really enjoys permanent confrontation; he is an extrovert and an excellent communicator, and he likes polemic and seeks it out”.212

Chávez’s rhetorical style has on occasion had serious repercussions, as in the lead-up to the 2002 coup, when supporters fired on an opposition march on 11 April. This could be a precedent should the revolution again be threatened. The president has asked: “Can you imagine what would happen if there were another coup attempt here, whether military or institutional? This country would be transformed into a war zone. If in Colombia there are zones affected by the guerrilla presence, if they sabotage the oil pipelines, what would happen here with a people and an army who see this government as their hope for the future?”213 In the aftermath of the 2002 coup, Chávez warned: “I surrendered on 4 February 1992 at around 10:00 a.m. and I surrendered ten years later on 11 April 2002, at around 3:00 a.m., but if it happens a third time I am not sure that I will surrender, no matter what may happen to me”.214

A. BOLIVARIAN ORGANISATIONS, IRREGULAR ARMED GROUPS AND MILITANT OPPOSITION

The defence of the revolution rests on a wide array of organisations. As part of the idea to promote participatory democracy and strengthen the president’s grassroots support, a series of “Bolivarian” organisations have been founded. Several, such as the Bolivarian Circles (BCs) and the Francisco de Miranda Front (FFM), have an explicit role in defending the revolution, by force if necessary. The BCs were initially designed to counter the CTV, the opposition labour union movement.215 The launch came on the weekly show, “Aló Presidente”, on 7 December 2001, as Chávez led an oath, part of which was military in nature: “I swear that I will fight without rest for the defence of the revolution, even at the cost of my life”.216 Guillermo García, then director of the Political Command of the Revolution,217 elaborated on the roles of the BCs “to form revolutionary squads loyal to the process of change, creative and efficient; to defend the Bolivarian revolution from its enemies, open and surreptitious”218. In 2002 there were incidents of BCs attacking the opposition and media. In January 2002, COFAVI, a local NGO, received threats from BC members.219

While the BCs have fallen from favour,220 other grass roots groups have arisen.221 Many have links with former guerrilla organisations, principally the Tupamaros, which have numerous offshoots and often competing cells,222 frequently still with weapons, which, they told Crisis Group, they were prepared to use if the revolution was threatened by “reactionary elements”.223 There are at least twenty such irregular groups in Caracas, some unarmed, some with a few small arms and others with assault

212 Richard Gott, op. cit., p. 10.
213 Marta Harnecker, op. cit., p. 136.
214 Ibid., p. 130.
rifles and rocket-propelled grenades. There have been killings and clashes between Chavista groups, who are capable of violence even under the government they support. The government created the FFM in 2003 as a committed, indoctrinated Bolivarian force. It has 10,000 members spread across 24 states. Volunteers receive training in Cuba and political indoctrination. The movement takes its name from another liberation hero, who fought in the French, American and Haitian Revolutions and with Bolivar. The FFM views itself as the “foot soldiers of the revolution” and has a military command-style structure whose leaders are appointed by Chávez.

While the FFM has concentrated more on social and educational work in the missions, especially “Robinson” and “Identitad”, the president has promised it new Kalashnikov assault rifles. Part of its charter is the “development of the concept of integral defence of the Fatherland”. Chávez has said: “From today on I want all training, capacity building and furnishing [equipment] guidelines to be followed in order to assure the country’s military defence capability.” On its third anniversary, the director, Erika Farias, called the group “a wall of defense capability”. On its third anniversary, the director, Erika Farias, called the group “a wall of defense capability” and stated a readiness to defend the nation against any form of aggression.221

221 “Erika Farías”, op. cit.


225 Steven Dudley, “Rival Chávez factions resort to deadly force”, Miami Herald, 16 July 2006


227 Graffiti seen in Caracas.

228 Valentina Lares Martiz, “El venezolano Frente Francisco de Miranda, organización de unos 15,000 civiles, tendrá fusiles”, El Tiempo, 26 July 2006.


230 “Rafael Noboa, “Chávez confía su socialismo a jóvenes formados en Cuba”, AFP, 1 July 2006.

221 “Erika Farías”, op. cit.

As well as government-sponsored forces and not counting Colombian warring factions on Venezuelan territory, there are a handful of illegal, irregular armed groups. Most are pro-government, many predating Chávez; few number even 100 members. The largest and most active are the Bolivarian Liberation Forces (Fuerzas Bolivarianas de Liberación, FBL), which espouse the same rhetoric as Chávez. Neither the government nor the military has tried to disarm the FBL, although six suspected members were arrested in May 2006 after an armed guerrilla column of twenty clashed with security forces in Táchira. The FBL is active mostly in the border states of Táchira and Apure and more inland in Barinas, although graffiti espousing support appears in poorer parts of Caracas. Communiqués backing Chávez have been published on the internet and in pro-government newspapers.

The FBL has been linked to Colombian guerrilla groups and initially worked with the National Liberation Army (ELN) in kidnapping and extortion operations in Venezuela. More recently there has been a turf war between the two, and the FBL has gone into business for itself. The Army of the People under Arms (Ejército del Pueblo en Armas, EPA), emerged in January 2005. It stated that while it has no ties with the government, it shares much of the president’s ideology.

The government insists there are several militant opposition groups, committed to undermining the revolution through violence. In December 2006, just before the presidential election, Chávez said the security forces had foiled a “fascist” plan to assassinate his opponent in order to destabilise the country. He did not produce details, and no arrests were reported.

232 “We are a political-military organization, Bolivarian and Marxist-Leninist. Our final objective is to take power to promote the construction of socialism in Venezuela”. See “Estamos dispuestos a conversar con el señor Presidente”, Frente Bolivariano de Liberación, comuniqué, 1 October 2004, at www.cedema.org/ver.php?id=1237.


235 Crisis Group interview, Bogotá, 14 August 2006.


Chavista groups, again without offering evidence, have accused members of the armed forces of being in touch with extremist opposition groups with plans to assassinate the president. 238 Chavistas told Crisis Group that opposition groups had recruited Colombian paramilitaries for armed actions against the president and security forces. The only evidence is from May 2004, when 130 alleged Colombian paramilitaries supposedly planning to kill the president were arrested at a ranch outside Caracas. Most were deported, although 27 were sentenced to six years in prison in May 2006. 239 Former Colombian paramilitaries have been reported to be active along the border, as are Colombian guerrilla groups, but there are no indications they work with Venezuelan opposition groups.

Violence was unconvincingly attributed to opposition groups in 2003 and 2004. In February 2003, bombs were placed outside the Spanish and Colombian embassies days after the president criticised both countries for involvement in Venezuelan affairs. FBL leaflets were found at both sites. The FBL denied involvement and insisted they were planted by the opposition. 240 Three dissident national guard officers were implicated but fled arrest. 241 The prosecutor who investigated the bombings as well as the 2002 coup, Danilo Anderson, was killed by a car bomb in November 2004. The government insisted this was a coup, Danilo Anderson, was killed by a car bomb in November 2004. The government insisted this was a coup. 242 The government insisted this was a coup. 242 The government insisted this was a coup.

The government was roundly condemned. 243 Venezuela has overtaken Colombia, still afflicted by an internal armed conflict, in the homicide rate. The NGO Civil Association for a Secure Venezuela (Asociación Civil Venezuela Segura, ACVS) calculated a rate of 57 per 100,000 inhabitants in 2005 (Colombia’s was 38 per 100,000). 244 This is the most accurate indication of crime levels available. The police virtually shut down their media office two years ago, and the interior and justice ministry seems unwilling to deliver hard data. 245

Though the explosive growth in criminal activity looks set to worsen, with correspondingly greater chances for instability and conflict, 246 there is a lack of government strategy and commitment to fight against crime. Only 3 or 4 per cent of the national budget is for security, while the interior and justice ministry has had nine heads in eight years. Federal Venezuela has no national police force; each municipality and state has its own police but coordination between them is weak. In the Caracas district alone, there are eleven different police bodies. Knee jerk reactions to rising crime have been aggravated by growing politicisation and militarisation of the police. 247

The undermining of independent institutions and the organs that support the police, among them the offices of the attorney general, the comptroller general and the Ombudsman, as well as lack of debate in the National Assembly all contribute to weak law enforcement. Prisons are notoriously violent, with little or no attention to rehabilitation. According to human rights NGOs, at least one prisoner dies daily in one of the world’s most violent jail systems, while the national guard, which is in

B. CRIME

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The undermining of independent institutions and the organs that support the police, among them the offices of the attorney general, the comptroller general and the Ombudsman, as well as lack of debate in the National Assembly all contribute to weak law enforcement. Prisons are notoriously violent, with little or no attention to rehabilitation. According to human rights NGOs, at least one prisoner dies daily in one of the world’s most violent jail systems, while the national guard, which is in


239 “Condenan a seis años de cárcel a 27 colombianos por supuesta participación en complot contra Chávez”, El Tiempo, 5 May 2006.


246 ACVS, op. cit., believes that Venezuela entered a new and highly dangerous phase in 2006.

247 Crisis Group interview, Caracas, 18 October 2006.
Chávez contributed to the worsening situation by suggesting crime can be condoned in some circumstances if it is to assuage hunger but he has sought to distance himself by blaming subordinates and calling for resignation of the then interior and justice minister, Jesse Chacón, and police chiefs “if you do not feel responsible for this struggle”. Chacón was reassigned in a January 2007 cabinet reshuffle to the telecommunications ministry.

Chavistas and opposition alike acknowledge a lack of confidence in the police and the judicial system. A perception of impunity and endemic corruption has led citizens to take matters into their own hands. The “sicariato” (hit man) phenomenon has strengthened in recent years. Once it was concentrated along the Colombian border, and assassinations were selective. Now it affects the whole country, including common criminals and attacks on peasants and rural leaders involved in agrarian reform. While attacks dropped slightly during the year, there were still almost 70 assassinations of this kind in 2006.

Kidnappings have increased six fold over six years and have provoked the strongest public reaction, as shown in April 2006 by a street protest after two high profile crimes. The first and most emotive was the abduction and murder of the Faddoul boys, Jason (12), Kevin (13) and John (17), and their driver, Miguel Rivas. Eyewitnesses said the boys were taken at gunpoint by men in police uniforms; serving officers are among those under investigation; three men have been arrested. On 28 March 2006 a well known Italian-Venezuelan businessman, Filippo Sindoni, was killed after being kidnapped in Maracay, 230 miles west of Caracas. Men in police uniforms were again involved. There have been arrests of police in connection with these cases, and analysts believe many kidnapping gangs include acting or former members of the security forces.

There is evidence that Venezuelan criminals who once worked with Colombian kidnappers, particularly Marxist rebels, have struck out on their own and made kidnap-for-ransom a domestic industry. Up to 40 per cent may go unreported, either for fear of reprisal or lack of faith in the police. Ransom payments average around $200,000.

C. DRUGS

Drugs also fuel violent crime. U.S. and Colombian authorities believe as much as 500 tons of Colombian cocaine transits annually, making Venezuela a primary regional route. Colombian drug organisations have chosen Venezuela for two main reasons. The first is pressure within Colombia from the U.S.-backed campaign against illegal crops and trafficking. Since President Álvaro Uribe took office, almost 500 alleged traffickers have been extradited to the U.S. The second reason is that with Chávez’s refusal to allow U.S. monitoring of national airspace or to cooperate with its Drug Enforcement Administration (DEA), Venezuela has become the path of least resistance, offering a route not just to the U.S. (via Haiti, the Dominican Republic and Mexico), but also to the lucrative European market.

There are fears Venezuela could go the way of Mexico, which in the 1980s was primarily a transit
country for South American cocaine, with local organisations paid to move drugs to the U.S. With the demise of the powerful Colombian cartels and after having been paid in product, Mexican cartels largely replaced the Colombians. They now have a monopoly of the trade to the U.S. west coast and have made parts of their country ungovernable. Domestic consumption of drugs in Mexico has also increased street violence and turf wars over distribution.

Venezuela does not yet have notable cartels or trafficking groups, in part because Colombian “baby cartels”, former paramilitaries and guerrillas operate there. This has been made easier by the large numbers of Colombians in the country, for whom Mission Identidad has made getting ID cards relatively simple. While statistics are impossible to find, all analysts agree domestic consumption is on the increase.

Intelligence sources in Bogotá and Caracas report high corruption within the security forces, which do not just turn a blind eye to movement of narcotics but in some cases escort shipments. International law enforcement agencies call Caracas’s Maiquetia airport a major route for Colombian cocaine and heroin. Allegations have surfaced of payouts to airport security forces, which appear to have been penetrated. In April 2006, a DC-9 from Maiquetia with five tons of cocaine in 128 suitcases was seized at Ciudad del Carmen airport, in eastern Mexico. The logistics of loading that quantity suggests help from officials and security forces. Seizure of a ton of cocaine at Mexico City’s airport on 6 February 2007 further strengthened the belief that drugs are constantly leaving Maiquetia.

The arrest of Farid Feris Domínguez in Venezuela in September 2006 and his subsequent extradition to Colombia to face trafficking charges have been followed by his claims to Colombian and U.S. drug authorities that senior members of the military and government are involved in smuggling illegal narcotics, although no names have been made public. This may be relevant to the firing in February 2007 of the drug “czar”, Luis Correa, who, in another example of militarisation, has been replaced by a national guard colonel.

But seizures are up, as are arrests of traffickers. Authorities seized 58.4 tons of cocaine in 2005, 87 per cent more than in 2004, according to the National Anti-Drugs Office (ONA). Chávez claims “no government has dealt such a serious blow to drug trafficking”. The government asserts this is proof it takes the fight against drugs seriously, and there is evidence this is true, with the ONA’s establishment and two new laws. However the ONA simply replaced the National Commission against the Illegal Use of Drugs (CONACUID) that ex-Minister Chacón insisted DEA ran. The opposition believes the rise in arrests and seizures is inevitable given the trafficking growth.

Coca, the raw material for cocaine, and poppy, used to make heroin, are growing in Venezuela. Poppy crops have been found on the Venezuelan side of the Serrania de Perija, while a dense coca cultivation has been photographed by satellite in the Venezuelan Amazon. The scale is still small (between 500 and 3,000 hectares) compared with Colombia, Peru and Bolivia which in 2005 had 86,000, 48,200 and 25,400 hectares of coca respectively. Nevertheless, increased transiting of Colombian drugs, domestic narcotics consumption and rising homicide and kidnapping rates all indicate not only that crime is increasing, but also that organised crime syndicates are emerging. Colombia and Mexico reveal the destabilising effect this can have; Venezuela’s security forces, which appear to have been penetrated by corruption, lack the expertise and experience to fight these plagues.

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262 Crisis Group interviews, Caracas, 24, 26 October 2006.
263 Crisis Group interviews, Caracas, 23 October 2006.
270 The National Assembly passed the Organic Law against Illicit Traffic and Consumption of Drugs and Psychotropic Substances on 27 September 2005 and the Organic Law Against Organised Crime on 5 October, to comply with international agreements.
V. ACCELERATING THE REVOLUTION

A. “SOCIALISM OF THE 21ST CENTURY”

2006 marked the end of the transition period. Chávez now aims to consolidate the revolution by implementing “Socialism of the 21st Century”. What this means exactly is still unclear, although announcements made in January 2007 indicate change is coming at a quicker rate than expected.

The initial mention of the new doctrine was at the Social Forum of Porto Alegre (Brazil) on 30 January 2005, when Chávez said change in his first years had to be undertaken slowly but surely but a new economic path was emerging:

> Capitalism must be transcended through socialism…. I am a revolutionary and I am becoming more revolutionary by the day, because every day that passes convinces me more that the only way in which we will be able to break out of the capitalist hegemony, the hegemony of the oligarchies that rule our lands, is through the path of revolution; there is no other way.

After the December 2006 elections, the president began to outline what the move towards “Socialism of the 21st Century” would entail. With passage of the enabling law on 31 January, he has eighteen months of virtually full power to introduce changes. It was under such a law in 2001 that Chávez issued the 49 decrees that sparked the crisis that led to the 2002 coup. He has said that once completed, the measures and constitutional reform will be put to a referendum.

One article of the 1999 Constitution to be amended concerns presidential re-election. Chávez plans to abolish the two-term limit to allow unrestricted re-election and has stated his desire to remain in power until 2021. There will be questions whether other aspects are consistent with provisions in the Inter-American Democratic Charter and the American Convention on Human Rights relating to such core elements of representative democracy as periodic elections, access to the judicial system, pluralistic political parties and separation of powers.

A central pillar of the new socialism is to be nationalisation of key industries but this means different things depending on the economic sectors involved. Chávez announced on 1 February 2007 that the state would hold the majority share in all oil sector ventures in the Orinoco Basin negotiated before 1 May. Through PDVSA it presently has between 30 and 49.9 per cent stakes in those fields, shared with six international companies. Two targets in the telecommunications and electricity sectors so far are C.A. Nacional Teléfonos de Venezuela (Cantv) and Electricidad de Caracas. Minister Chácon said Cantv will be expropriated if terms for full nationalisation are not agreed.

Other announced measures suggest yet more government controls on the media and NGOs. On 13 June 2006, a reform of the International Cooperation Law was proposed, which civil society organisations and Western embassies fear may restrict their actions and discourage even constructive criticism of the government. The bill outlines creation of the National Fund for International Cooperation and Assistance, with wide powers over all sources of foreign funding, and the Integrated Registry System requiring NGOs to disclose full information to be accredited.

276 When elected in 1999, Chávez expressed a desire to see his job completed in 2021, the bicentennial of the battle of Carabobo, which sealed Venezuelan independence. Since 2005, he has said it could only be achieved by 2030. Marcano and Barrera, op. cit.

277 Inter-American Democratic Charter, adopted by the OAS General Assembly, Lima, September 2001, at http://www.oas.org; American Convention on Human Rights, Pact of San Jose, at http://www.oas.org. Venezuela is obligated to the former as a member of the OAS and is a party to the latter.

278 Brian Ellsworth, “Venezuela vows Orinoco oil takeover on May 1”, Reuters, 1 February 2007. These are the four extra-heavy oil upgrading projects.


Analysts see this as potentially allowing the government to block funding for those perceived as anti-Chavista.282 The bill was put aside in the lead-up to elections but is due to be picked up again. The other proposed measure would call a referendum on whether to close private television stations accused of subversive activities.283

A new parallel power structure is being mooted in the form of Communal Councils (Consejos Comunales, CC).284 These are projected to exist independently of the municipal and federal state structure and work directly with the executive, receiving government funds and assuming much of the role (and, presumably, budget) of local government. This would undermine mayors and governors and increase the power of the president, as well as limit the chance of opposition presidential candidates emerging from the traditional springboards of state and municipal government. There has been speculation that the election of governors and mayors will eventually be abolished altogether.285

The creation of a single Chavista party, the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela, PSUV),286 will also further limit debate and increase presidential power. While there have been murmurs of dissent from within Podemos, a Chavista party, opposition to Chávez at this time would be political suicide.287 PSUV will be an artificial entity at the service of the president, since it will be forced to incorporate a wide range of positions. Even the biggest pro-Chávez party, the MVR, is known for the multiplicity of its internal views.288

Divisions within the Chavista parties and the multitude of Bolivarian grassroots organisations may come to the fore in 2007, especially if the president truly intends to radicalise the political situation as part of his move towards socialism. Bureaucratic quotas could be one area of conflict. Some analysts believe parties like the MVR and PPT are already struggling to get as close as possible to the president.289 Many sectors are frustrated by government inefficiency, which Chávez acknowledges.290 It is in part the product of the rapid rotation of senior officials.291

There is also a possibility of ideological struggle between the radical revolutionaries, “los Talibanes”, and the more moderate elements, “chavista lites”. The MVR is the most important Chavista movement but the Communist Party is increasingly influential under the patronage in part of the president’s brother, Adan Chávez, now education minister. There are fears the education system will become part of the revolution’s propaganda machine.

The future pace likewise depends on the opposition’s strength and unity. Rosales, the 2006 challenger, kept the disparate elements together and received a respectable 4.19 million votes. In 2008, if he can maintain this control and give the movement cohesion,292 he may be able to challenge Chavista domination in the regional elections of mayors and governors. However prospects are not good; a key opposition party, Primero Justicia, split in early 2007, with popular Chacao mayor Leopoldo López setting up his own party. A challenge to the Chavistas’ National Assembly stranglehold would also be essential. However, those elections are not due until 2010, meaning there is neither opposition to government legislation nor any forum for national debate on government proposals.

B. FINANCING THE REVOLUTION

The revolution depends on the continuing high price of oil and Venezuelan production levels. The first seems assured in the short-term at least, due to Middle East instability. However, a question mark hangs over the second. There is a perception that with the 2007 budget calculated at $29 a barrel and the reality being closer to $50, Chávez is awash in money. This is not strictly true; the budget is calculated on official production figures, which are 3.4 million barrels a day (bpd). The reality is more

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282 Crisis Group interview, Caracas, 23 October 2006.
283 “Chávez backs possible vote to close private TV stations”, Associated Press, 4 December 2006.
284 The April 2006 Law of the Communal Councils states that a minimum of 200 families are needed to establish a CC.
289 Crisis Group interview, Caracas, 18 October 2006.
291 In 2006, there were three housing ministers, three directors of the land institute, two communication ministers and three popular economy ministers.
292 Rosales has called on opposition parties to either reconstitute or unite, Elvia Gómez, “Manuel Rosales insta a partidos a ‘refundarse o fusionarse’”, El Universal, 12 December 2006.
like 2.6 million bpd. Another point of contention is what price Chávez needs at current levels of production to maintain his projects and meet an increasingly bloated government payroll. Analysts place the point of equilibrium anywhere between $30 and $50 a barrel. This perhaps explains plans to raise revenue by unpopular consumer price increases, including for petrol. New credit lines for PDVSA are also being explored.

A crucial factor in production levels is the maintenance of oil infrastructure and investment in exploiting reserves. The government does not score well on either count. The cost of operating the oil industry increased to $8.1 billion in 2006 from $7.4 billion in 2005, mostly due to decaying infrastructure. A director at the Central Bank of Venezuela, Domingo Maza Zavala, said not enough was being invested in PDVSA to guarantee future production levels, and with the prospect of further changes in the rules for foreign companies, few will be willing to make the large investments needed to develop new fields. There have as yet been no radical moves towards a socialist economy but Chávez’s aspirations have become the basis of a new, though not yet fully defined model. In his first administration, in the midst of an acute Latin American recession and falling oil prices, he adopted orthodox stabilisation measures such as controls on public expenditure and inflation, while carrying out a tax reform to increase the non-oil share of government revenues. The treasury’s situation changed dramatically from late 2003, the result, inter alia, of rising oil prices, control of PDVSA, more efficient tax collection, additional public debt and transfers of profit (utilidades cambiarias) and wealth (patrimonio) from the Venezuelan Central Bank (BCV) to the government. Chávez consequently increased state presence in the economy decisively, promoting spending to unprecedented levels with the implementation of the “missions”, accompanied by increases in wages of officials.

High oil prices and general buoyancy in the world economy have kept the country’s economy growing: reserves have doubled since 2004 to $35 billion, government spending has been increasing by 30 per cent annually alongside an uncontrolled parallel budget used to keep pro-Chávez groups content and increase military spending. The economic feel-good factor contributed to the president’s convincing December 2006 victory. But the two warning flags are inflation and unemployment. The former is projected by the government in 2007 to be around 10 per cent, an ambitious aim since it was 17 percent in 2006 and under pressure to rise further. The target for unemployment is 7 per cent, down from more than 10 per cent at the end of 2006. Infrastructure spending has rivalled that on social programs. During 2006, Chávez focused on accelerating such projects as bridges across the Orinoco River, the commuter train system connecting Caracas with the Tuy valley and enlargement of the Caracas underground, many of which were planned and begun before 1999.

The economic strategy for “Socialism of the 21st Century” is described as self-generated (“endogenous”) and expectations of devaluation led to abandonment of the foreign currency fluctuation range (bunda cambiaria) system in February 2002. VAT exemptions were eliminated, and its rate and that of the IDB increased to 15.5 per cent and 1 per cent respectively, ibid.

293 Estimates of oil output vary wildly depending on the expert and what was included in the estimates, but Crisis Group interviewees in December 2006-January 2007 agreed that 2.6 million bpd is the most realistic figure.
294 Ministries have increased from thirteen to 27. While there are no official statistics on the total number of government employees, interviews and press articles suggested the number is close to two million in a population under 26 million.
295 Crisis Group interview, Caracas, 22 October 2006.
299 He inherited a government deficit of 2.5 per cent of GDP, chiefly caused by government spending at 21.2 per cent of GDP and a drop in oil revenue not compensated by the value added tax (VAT) and the tax on bank debits (IDB), Jose Guerra, Venezuela enducada: de Carlos Andrés Pérez a Hugo Chávez (Caracas, 2006), p. 36. In 2001 he was forced to take further action as inflation controls put pressure on debt service. Government spending was further reduced by 1 per cent of GDP, and collection of VAT, customs and “renta” was stepped up. These measures were deemed insufficient, and expectations of devaluation led to abandonment of the foreign currency fluctuation range (bunda cambiaria) system in February 2002. VAT exemptions were eliminated, and its rate and that of the IDB increased to 15.5 per cent and 1 per cent respectively, ibid.
300 Government spending has gone from 18.8 per cent of GDP in 1999 to 27.4 per cent in 2005, peaking at 28.8 per cent in 2003; BCV credits to the government increased from 16.2 per cent in 1999 to 29.5 per cent in 2005, peaking at 39.3 per cent in 2003. The BCV has reserves of $35 billion. Crisis Group interview, Caracas, 20 October 2006; See Guerra, op. cit., Table 7, p. 42.
301 The Boston Globe, 13 August 2006.
302 Crisis Group interview, Caracas, 19 October 2006.
development, an alternative to industrialisation and
dependence on foreign investment. The aim is to
promote growth from within communities, unlike the
import-substitution strategy of the 1970s, which
favoured big conglomerates, and the neo-liberal
approach, which emphasised foreign capital. The
policy spearheads are called endogenous development
nuclei (Núcleos de Desarrollo Endógeno, NUDE)305
and the social production enterprises (Empresas de
Producción Social, EPS). NUDEs are being
developed, with government credit, around industrial,
tourism and agricultural projects, both infrastructure
and service, identified by communities. During its
initial phase, Mission Vuelvan Caras trained community
members called “lancers” (lanceros) to set up
cooperatives that could produce productive projects.

These initiatives are backed by the popular economy
ministry and have received considerable money also
from PDVSA.306 At a cost of approximately $863
million,307 Vuelvan Caras has established 130 NUDEs
and 6,814 cooperatives to which it has given more
than $423 million.308 Yet, doubts remain about the
long-term sustainability of the investment. Senior
government officials have admitted to a lack of
planning; NUDEs have not always been based on
analysis of development potential or consultation
with the communities.309

Cooperatives are being set up to get access to cheap
government credits but it is unclear how the NUDEs
will be incorporated into the economy in the long
run. Moreover, there is concern that granting these
new projects preferential access to government
contracts and subsidies will thwart their
competitiveness in the long run. A local economist
predicted to Crisis Group that once the government
stops providing outlets for the products, many will
not survive in the open market of the national and
global economy.310

A flagship NUDE, Fabricio Oreja, in Catia suburb of
Caracas, has two cooperatives, one producing shoes,
another clothing, both set up with government loans.
The shoe factory manager freely admitted that unit
costs could not compete with Chinese imports, and
the clothing factory was sustained wholly by
government orders for campaign and Bolivarian
organisation t-shirts. Without government support
these cooperatives would not be competitive.311

If oil prices do not rise again, the revolution could
experience a growing need to increase government
revenue. Increased land expropriation might be a
short-term fix. According to government figures,
three million agricultural hectares have already been
redistributed. However, much money has been
invested in rural-development programs without
results. Due to poor management, the cultivated area
has increased only 9 per cent and productivity 3 per
cent.312 Subsidised food distributed through government
supermarkets (Mercal) is damaging agriculture.
There is evidence – denied by the government – that
Mercal is running out of some basic foodstuffs.313
Cheap imports discourage local producers and may
encourage the black market for goods, particularly
from Colombia. Agriculture and Land Minister Elias
Jaua admitted the sector stagnated in 2006, though he
insisted this was temporary.314

The president has indicated that expropriations will
continue, although he stresses that fair market prices
will be paid.315 In 2005, the administration took
plants which it deemed unproductive from private
firms such as Parmalat, Heinz and the Polar Group.316
However, it criticised the Caracas mayor’s attempt
that year to expropriate two private golf courses for

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305 The establishment of Mission Vuelvan Caras on 12 March
2004, whose aim was to provide training and capacity
building for local productive projects, also became the basis
for the new model of the NUDE.

306 Economic and Social Development Bank (BANDES),
Industrial Bank of Venezuela (BIV), BANFOANDES,
Women’s Bank, Housing and Habitat Bank, People’s Bank,
Micro-finance Development Fund (FONDEMY), National
Superintendence of Cooperatives (SUNACOOP), Rural
Development National Institute (INDER), Social Unique
Fund (FUS), Industrial Credit Fund (FONCREI), Fund of
Agrarian, Fishing and Forestry Development (FONDAFA).
See Guerra, op. cit., pp. 44-45.

307 “Ministro evalúa obras de desarrollo endógeno”, El Nuevo
Día, 11 November 2006.


309 Interview with J.R. Álvarez, national coordinator for
Mission Vuelvan Caras, in Yolanda D’Elia, op. cit., pp. 61-
62, 66.

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310 Crisis Group telephone interview, Caracas, 22 November 2006.
311 Crisis Group visit to NUDE Fabricio Oreja, 25 October 2006.
312 Crisis Group interview, Caracas, 18 October 2006.
313 “Carreño: rumores de desabastecimiento buscan
314 Raquel Barreiro, “MAT prevé alza de 27% en
315 Hugo Chávez during a press conference at Miraflores
Palace, 30 November 2006.
316 Casto Ocando, “Chávez lanza ola de expropiaciones”, El
Nuevo Herald, 12 September 2005.
housing projects as a violation of constitutional property rights.317

C. CHÁVEZ THE CAUDILLO?

Is the Bolivarian Revolution anything other than the leadership of Chávez, with participatory democracy a façade for an increasingly autocratic regime? Many analysts, particularly those associated with the opposition, see Chávez as merely a new incarnation of the traditional Latin American caudillo (strong man), an autocratic figure though not necessarily a dictator. A source told Crisis Group that many who support Chávez admit ignorance of socialism but the government exploits their identification with the charismatic leader.318

All government programs are delivered in Chávez’s name. The pro-Chávez media portrays the missions almost as if the president was personally giving everything to the people, and much of his agenda is taken up with the inauguration of Bolivarian and infrastructure projects and the delivery of government subsidies, loans and grants to enterprises or individuals. Chávez’s speeches constantly refer to the revolution as the vehicle for empowering the popular masses. He acknowledges his own leadership but is quick to say only the popular will keeps him in power: “[I]f I ever believe that my leadership has weakened so much as to put the process at risk, and another leader rises, I will not have any problem supporting that person, not a problem whatsoever”.319

However, his constant references to Simón Bolívar have facilitated a new popular myth identifying Chávez with the legacy of Venezuela’s greatest military strategist and statesman.320 The MVR’s military origins have facilitated a hierarchical command which hardly questions his leadership. The revolutionary process has not produced another major figure. Those who threaten to achieve a high profile have been shunted aside, like Chávez’s military colleague and fellow MBR-200 member, Francisco Arias Cardenas, who ran against him in the 2000 election. He has since been appointed ambassador to the UN but his political star has faded.

Two tendencies are seen within the pro-Chávez camp: a democratic version inspired by former Vice President Rangel and a militaristic one inspired by the Argentine sociologist, Norberto Ceresole.321 Though Ceresole was forced out of Venezuela in 1999, he probably inspired the concept of civil-military relations that is omnipresent in Chávez’s social programs. He conceived a model he called “post-democracy”, in which the union of people and army in a movement justifies concentrating power in a single person, the caudillo, with the civil-military party the intermediary between leader and masses. Chávez appears convinced of such a fusion as a means of national development.

With the removal of Rangel as vice president, a lifetime leftist leader known throughout the region, one of the last independent voices in the cabinet has gone. The 27 new ministers are unlikely to contradict the president. Chávez runs his cabinet like a feudal court, using his weekly television program to berate them for failures. Nobody is allowed to build up a profile that could compete with him, and the notion of a successor has never been mentioned. The official line is that Chávez must stay in power until 2021.

318 Crisis Group interview, Caracas, 19 October 2006.
319 Marta Harnecker, op.cit., p 54.
320 People close to Chávez, such as Jesús Urdaneta, reportedly say he considers himself the reincarnation of Ezequiel Zamora, a radical leader during the Federal War (1859-1863), who advocated agrarian reform in favour of peasants. Cristina Marcano and Alberto Barrera, Hugo Chávez sin uniforme: Una historia personal (Caracas, 2006), p. 153.
321 Ceresole had been expelled from Venezuela in 1995, due to links to Chávez. He is said to have been a radical left-wing activist in the 1960s in Argentina, a counselor to Peruvian dictator Juan Alvarado and later to have had ties to the right-wing military dictatorships in Argentina and elsewhere in the Southern Cone, as well as to various Arab governments. Chávez met him in 1994 in Argentina and kept contact with him until 1999, when his presence in the country became awkward for the new government. He died in 2003.
VI. CONCLUSION

After eight years in power, Chávez scored a major victory with his resounding re-election in December 2006. The majority of people feel empowered under the system of participatory democracy. Whatever their criticism of the government, Crisis Group interviews showed that they believe the president is sincere in his wish to reduce poverty and give a voice to the people.

However, the Bolivarian Revolution so far has been more about perception than reality. Massive, oil-funded social investment is not new. The oil booms under the Punto Fijo regime resulted in the same infrastructure and social spending. If there is one consistent characteristic of Chávez’s time in office, it is the assumption of control of state institutions and the removal of checks on presidential power, reaching a peak with the election of a 100 per cent pro-Chávez National Assembly in 2005 and the January 2007 enabling law. There is now no check on Chávez except the possibility of another recall referendum. He has created the basis for a regime with autocratic tendencies, suborning the military, taking control of the judiciary and the electoral commission and introducing laws that can be used to intimidate and muzzle the press. Through his system of parallel institutions he has ensured that all the levers of power can be operated by his hand and his hand alone.

A climate of fear has been created in certain sectors of society not by widespread repression, but by a few high-profile cases, enough to send a message that there are certain lines it is not wise to cross. The president has not needed to use all the repressive tools at his disposal. His popularity is such that he can play relatively clean and win. Oil revenues ensure that he has the money he needs for his programs, though if the price drops far below $50 a barrel, he may have to cut back some projects or find alternative sources of income. It is uncertain, moreover, whether he can continue to divert blame for obvious failings like crime and corruption onto his ministers.

Three scenarios could trouble Chávez. The likeliest, at least in the next few years, is that problems will arise if oil prices drop to a point where the president can neither sustain current social spending, nor paper over the economic distortions produced by exchange rate and price controls, inflation and increasing dependence on imports. Despite the rhetoric, the U.S. is still by far the crucial economic partner. Cutting off oil to the U.S. is not a viable economic option for any Venezuelan government. (Conversely there is a practical limit on what the U.S. would be willing to do to squeeze Venezuela, one of its most important sources for oil imports.) Transport costs to alternative markets such as China and the need for special refineries to process the sulphurous Venezuelan oil limit options. If a recession imperils government funding, the endogenous economic enterprises would likely collapse, provoking more unemployment and undermining faith in the revolution. The increasingly bloated government payroll would have to be reduced, which could provoke an angry backlash among the president’s supporters.

A second possibility is political recovery of the opposition to the point where it could take control of the National Assembly and provide a serious alternative. This is a distant prospect, since further splintering of the opposition has become apparent, but, in the event, the president might choose to use the considerable array of non-democratic tools he has amassed over the last eight years, and diehard Chavistas might be prepared to resort to violence to defend the regime. The weapons and government-sponsored irregular organisations and armed groups exist.

A third scenario involves a challenge to Chávez from within his movement. There are some fissures and tensions over where the president is taking the country, and at some point it is conceivable that elements within the administration might challenge Chávez’s handling of power. Since multiple groups other than the army have weapons, that could provoke violence within the revolution.

There is also the question as to what kind of country any non-Bolivarian president would inherit. If current trends continue, an opposition president would face a partisan military, the ultimate arbiter of power, with limited means by which to control it. The Chavista cadres in the NR and GT, justice system, the CNE and the ministries would have to be won over or purged before the organs of government could be relied upon.

As in Colombia and Mexico, there is an additional danger of crime, particularly drugs, creating a destabilising dynamic, corrupting institutions on a scale that causes the public to lose what little faith remains in the police and judiciary. Corruption of the armed forces, already evident, could also undermine

322 Many U.S. refineries are optimised for Venezuelan crudes, and a loss of Venezuelan exports on the world market would raise world prices.
security. More dangerous still would be a transformation of the armed, irregular Chavista groups into criminal mafias. Their alliances with the security forces and local influence would make it easy for them to take over local crime and make them very difficult to fight.

Violent internal conflict is only potential in these scenarios and situations, not inevitable, but if President Chávez continues to polarise society and dismantle the checks and balances of representative democracy as he has for eight years, the risks are considerable.

Bogotá/Brussels, 22 February 2007
APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with nearly 120 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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Venezuela: Headed Toward Civil War?, Latin America Briefing No.5, 10 May 2004 (also available in Spanish)

Increasing Europe’s Stake in the Andes, Latin America Briefing No.6, 15 June 2004 (also available in Spanish)

Bolivia’s Divisions: Too Deep to Heal?, Latin America Report No.7, 6 July 2004 (also available in Spanish)

Demobilising the Paramilitaries in Colombia: An Achievable Goal?, Latin America Report No.8, 5 August 2004 (also available in Spanish)

Colombia’s Borders: The Weak Link in Uribe’s Security Policy, Latin America Report No.9, 23 September 2004 (also available in Spanish)

A New Chance for Haiti?, Latin America/Caribbean Report No.10, 17 November 2004 (also available in French)

War and Drugs in Colombia, Latin America Report No.11, 27 January 2005 (also available in Spanish)

Haiti’s Transition: Hanging in the Balance, Latin America/Caribbean Briefing No.7, 8 February 2005 (also available in French)

Coca, Drugs and Social Protest in Bolivia and Peru, Latin America Report No.12, 3 March 2005 (also available in Spanish)

Spoiling Security in Haiti, Latin America/Caribbean Report No.13, 31 May 2005

Colombia: Presidential Politics and Political Prospects, Latin America Report No.14, 16 June 2005 (also available in Spanish)

Can Haiti Hold Elections in 2005?, Latin America/Caribbean Briefing No.8, 3 August 2005 (also available in French)

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Bolivia’s Reforms: The Danger of New Conflicts, Latin America Briefing No.13, 8 January 2007

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