
✦ Chavez has been the president since 1999.

✦ He makes trouble in Venezuela, and for neighbors.

✦ It appears that not much can stop him.

✦ He is a buddy with Castro, and wants to become like Cuba.

✦ About 16 stories for 2005. (18 pages) ........................................... 3

✦ About 14 stories for 2004. (16 pages) ........................................... 21
  • They had the recall election. It appears that the vote was stolen by Chavez.

✦ About 6 short stories from 2003. (8 pages)................................. 37

✦ A previous document, June 2003. (61 pages, 2 here)................. 45

✦ Ready for scan May 24, 2005, Doc RJ0384 (46 pages)

✦ NOTE: Brazil, Russia, and Spain will sell weapons to Chavez (May 2005 info.)

Roy Jenne
May 24, 2005

update Jan, 2006
Venezuela; More Trouble Comes

- Ready to scan Feb 23, 2005
- Only 11 pages
- (Added more later)

Venezuela's Hugo Chávez is a threat not just to his compatriots but to the entire region.

Feb 14, 2005
U.S. House

Venezuela: a sad case

Cracking down on Caracas

Feb 14- 2005

Will Chávez's Oil Still Flow?

 WHETHER OR NOT Venezuelan President Hugo Chávez is the next Fidel Castro, the leftist firebrand has mastered the

Feb 7, 2005
Time Mag

Chavez's Tyranny Emboldens Nicaragua's Ortega

Dec 24, 2004
Wall St. J.

U.S.-backed Chavez foe charged with treason

Jan 31 - Feb 6, 2005
Washington Times

Venezuela set to seize Vestey ranch

Jan 8, 2005
Financial Times

Venezuela has ordered 100,000 Kalashnikovs from Moscow.

Jan 21, 2005
Wall St. J.

Should Chávez Be on the List of Terrorism Sponsors?

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Venezuela’s oil-rich troublemaker

The bad leader (Chávez) is a big problem.

How big a threat is Hugo Chávez?

At the end of last month, Venezuela’s president, Hugo Chávez, made yet another trip to Cuba to see his friend and ally, Fidel Castro. He signed a slew of trade and co-operation agreements, deepening what is already a close relationship. In Mr Chávez, Cuba’s communist government has at last found a partial replacement for the foreign benefactor it lost when the Soviet Union collapsed. Venezuela is supplying Cuba with all the oil it needs at a subsidised price, in return for the services of thousands of Cuban doctors. Nowadays, Mr Chávez calls himself a “socialist”. Before an adoring audience of 800 radicals from Latin America, including Evo Morales, a coca-grow-

ers’ union leader and would-be president of Bolivia, Mr Chávez and Mr Castro proclaimed an “alternative” to the Free-Trade Area of the Americas, backed by the United States.

To some in the United States, the Venezuelan leader is starting to look like their worst hemispheric nightmare: a second Fidel Castro—but, unlike the Cuban, with lots of oil and therefore money. They accuse him not only of crushing Venezuelan democracy but of destabilising a large chunk of Latin America by helping Colombia’s guerrillas and funnelling money to radical movements from Nicaragua to Bolivia. To cap it all, there are signs that he wants to redirect Venezuela’s oil exports away from the United States to China.

How alarmed should the Americas be about Mr Chávez? Take those points one by one. Certainly, Venezuela has given Mr Castro what he most wants: a way of circumventing the American trade embargo against his regime, and a rich friend who shares his dream of promoting revolution across Latin America. But time is not on Mr Castro’s side. He is 78 and increasingly frail. When he dies, Cuban communism will almost certainly die with him. As for financing radical movements, so far the United States has not come up with proof to support its claims. And if it were to? Most of the parties Mr Chávez is accused of helping, such as Nicaragua’s Sandinistas or Mr Morales’s Movement to Socialism, are legal political parties operating in democracies.

More worrying would be claims that Mr Chávez is helping Colombia’s FARC guerrillas—if true. His government has, at least, turned a blind eye to guerrilla incursions. Some of Mr Chávez’s more radical supporters are friends of the guerrillas. But there are signs that the president realises that he has more to gain from collaborating with Alvaro Uribe, his Colombian counterpart, than with the FARC. As for selling oil to China, so what? Venezuela accounts for little more than 10% of American oil imports. Anyway, oil is a fungible commodity, with an international market.

By far the biggest cause for concern about Mr Chávez is what he is doing to his own country. He has twice been elected, and last year he won a recall referendum. But one by one, he has removed all the checks and balances that are central to democracy, concentrating power in his own hands. He is starting to undermine property rights and place curbs and controls on private business. Far from laying the basis for lasting growth in Venezuela, he is repeating many of the mistakes that have impoverished his country over the past 30 years: instead of trying to diversify away from oil, he is squandering much of the windfall income from high oil prices. Much, but not all: Mr Chávez is hugely popular, mainly because some of the money has gone on programmes which offer tangible benefit to the mass of poor Venezuelans who felt neglected by previous governments (see pages 23-25).

So what should be done about Mr Chávez? The short answer is not much. The first point to understand about Venezuela’s president, a former army officer, is that, like Mr Castro, he thrives on being Washington’s boogeyman. For much of the past few years, American policy towards Venezuela has been run by junior officials who have appeared to flirt with regime change. In 2002, the United States failed to condemn, and may have connived in, a short-lived coup against Mr Chávez. That not only sent the wrong message in a region where democracy still needs to be nourished. It played into Mr Chávez’s hands, giving him an excuse for repression.

Keep calm, and let history take its course

The United States is now reviewing its policy towards Venezuela. Mr Chávez needs to be watched, especially if he starts to export weapons. But as much as possible, the United States needs to work with Latin American governments on the issue. They have the biggest interest in ensuring that democracy is not extinguished in Venezuela. That means they should press for guarantees that a presidential election next year will be fair. If it is not, that will be the time to invoke the hemisphere’s democratic charter and consider sanctions.

With luck, that might not be necessary. Left to run its course, Mr Chávez’s “Bolivarian revolution”, a pretty corrupt and incompetent affair, may well implode. But Venezuelans need to learn for themselves that Mr Chávez’s brand of socialism is a recipe for poverty and oppression. This is not a lesson they want outsiders—least of all the United States—to ram down their throats.
Why Condi’s Meeting With Lula Matters

BENIGN NEGLECT—that’s how many Latin American officials viewed U.S. policy toward their region during the first term of the Bush Administration, particularly after September 11, 2001. Now there’s a feeling that Washington is realizing it needs to engage more actively with its southern neighbors. Defense Secretary Donald H. Rumsfeld recently traveled to the region, and Secretary of State Condoleezza Rice will be heading out on a four-day swing through Brazil, Colombia, Chile, and El Salvador beginning on Apr. 26.

The key stopover will be Brasília, where Rice is to meet with President Luiz Inácio Lula da Silva. Washington wants to improve ties with the moderate leftist President for a host of reasons. Lula played a role in stymieing the Bush Administration’s trade agenda in the first term, from talks on the Free Trade Area of the Americas to the Doha Round of global trade negotiations. And some in Washington are concerned about closer economic ties between Brazil and China, which is doing multibillion-dollar deals in the region. Lula himself has been wooing Chinese President Hu Jintao, as well as leaders in Russia, India, the Middle East, and Africa. “Brazil is turning increasingly to China as a trading partner,” says Roger Leeds, a Latin America expert at Johns Hopkins School of Advanced International Studies.

Above all, the Bush Administration hopes it can persuade Lula to help rein in what it sees as the region’s most dangerous leader—Venezuela’s authoritarian President, Hugo Chávez. He has clamped down on democratic institutions at home—from press freedom to judicial independence—and Washington believes he is using his oil wealth to support insurgent groups in Bolivia, Colombia, and Peru. And while Venezuela is the No. 4 oil supplier to the U.S., Chávez plans to start selling some of that oil to China. “Venezuela is dividing the hemisphere,” says Peter Hakim, president of Washington’s Inter-American Dialogue.

Mixed Signals

But Rice will have to play her diplomatic cards carefully. The last thing Lula wants is to look like he’s doing Washington’s bidding. His Workers Party has plenty of anti-American followers. Even though Lula has implemented the kind of prudent economic policies advocated by Washington and has cordial personal relations with President George W. Bush, he is sure to keep pursuing his independent foreign policy. Lula plans to sell weapons to Chávez, as do Russia and Spain. Still, some think the Brazilian President can play a constructive role. “Lula has influence over Chávez and has been a moderating factor in U.S.-Venezuelan relations and on the continent,” says Rubens Barbosa, former Brazilian ambassador to the U.S.

It would help if Rice cleared up Washington’s mixed signals. The U.S. hasn’t bolstered its case with Brazil by opposing its candidate to head the Organization of American States. Washington could also score points by backing Brasilia’s bid for a seat on an expanded U.N. Security Council. And trade issues are still a source of tension.

Both Brazil and the U.S. share an interest in promoting stability and democracy in Latin America. On her trip, Rice plans to join ministers from over 100 countries around the world in Chile to discuss democracy. All well and good. But forging a coherent policy toward Brasilia and the region remains a challenge.

—By Jonathan Wheatley in São Paulo, with Stan Crock in Washington

May 2, 2005
Business Week
VENEZUELA

Chavez willing to face recall

CARACAS — President Hugo Chavez is willing to face a recall referendum if the opposition gathers enough petition signatures to force the vote, former U.S. President Jimmy Carter said after meeting the Venezuelan leader.

Carter met Chavez as opposition leaders concluded a three-day campaign in which they sought to have supporters ratify their signatures on petitions for an August presidential recall vote — likely their last chance to unseat the populist leader before he is up for re-election in 2006.

The Nobel laureate’s Atlanta-based Carter Center and the Organization of American States are monitoring the signature verification process. OAS Secretary-General Cesar Gaviria also met with Chavez on Sunday.

CAN VENEZUELA FIX ITS OIL-INDUSTRY WOES?

FOR THE first time, Venezuelan President Hugo Chávez admitted on May 3 that state oil company Petróleos de Venezuela (PDVSA) is pumping 100,000 barrels per day less than its OPEC-agreed target of 3.165 million bpd.

Chavez has steadfastly denied any problems with the industry since he fired 18,000 workers and managers after a 2003 strike aimed at toppling him. Now he’s blaming poor maintenance of aging oil wells and perhaps sabotage by disgruntled workers. What’s unclear is whether a new shake-up lies ahead. Analysts say the shortfall is worse than acknowledged—at least 400,000 bpd. Venezuela is the No. 4 oil supplier to the U.S.

May 16, 2005 | BusinessWeek | 49

Elections Body Predicts Venezuela Recall Vote

CARACAS, Venezuela—The elections council here projected President Hugo Chávez will face a recall vote, opening a turbulent new phase in this oil-producing nation’s volatile power struggle.

The prediction came as political violence gripped the capital, with Chávez supporters setting fire to cargo trucks, severely beating an opposition lawmaker outside Congress and opening fire on the offices of Caracas’s mayor.

Based upon a count of roughly 40% of voter signatures, recall supporters will have gathered 2.56 million signatures when the counting is completed, said Jorge Rodriguez, a director of the National Elections Council. That would surpass the 2.43 million signatures—or 20% of the electorate—required to demand the referendum. Mr. Chávez said this week that he would abide by any elections-council ruling.

Mr. Rodriguez didn’t say when final results will be released and didn’t announce a date for a referendum.

For a recall to succeed, more citizens would have to vote against Mr. Chávez than the 3.76 million who re-elected him in 2000 to a six-year term.

—Associated Press

June 4, 2004

A vote was held & Chavez won
It was irregular
Venezuelan President Hugo Chávez has tightened the state's grip on its oil fields and raised taxes on foreign operators in recent weeks, delivering a one-two punch to international oil companies already struggling with setbacks in places ranging from Nigeria to Russia.

The rapidly cooling climate in Venezuela is the latest example of how the high price of oil is changing the relationship between international oil companies and host governments. Especially in poorer nations, governments that gave oil firms favorable terms to attract investment when prices were low now are revisiting those deals as prices rise.

In Nigeria, legislators are debating terms that are far-less-advantageous for foreign companies eager to explore the oil-rich offshore waters. Moscow has reasserted control over much of the oil sector and is considering new laws that would limit foreign companies to minority stakes in some fields.

"This is what we call the 'pitfalls from the windfalls,'" said Matthew Shaw, senior Latin America analyst at Wood Mackenzie energy consultants in Edinburgh, Scotland. "Oil companies are making so much money at the moment that many governments are trying to get a bigger share. That's making companies nervous."

Among the more-drastic changes to the investment environment have come in Venezuela, the world's fifth-largest oil exporter and a member of the Organization of Petroleum Exporting Countries. Mr. Chávez, a populist who was first elected in 1998, has rewritten the rules of the country's oil industry repeatedly to help fund a government-spending spree on social programs.

Over the past two weeks, the Chávez administration has changed the terms of some 32 operating contracts signed by oil companies during the 1990s. The changes are designed to retroactively bring the pacts into compliance with a more-restrictive 2001 law. But the unilateral nature of the move—and the bite it will take out of the bottom line—could anger companies.

Holders of such contracts—Chevron-Texaco Corp., BP PLC, Petróleo Brasiliero SA, Royal Dutch/Shell Group and China National Petroleum Corp., among others—are paid a fee in return for drilling older or marginal fields on behalf of state-run Petróleos de Venezuela SA, or PDVSA, which retains the output.

The companies will be forced within six months to forgo the fee-based model and form a joint venture with PDVSA in which the state company takes a 51% stake. Roughly speaking, the deals will change from service contracts to production-sharing agreements, in which both sides have a share of the output and in the risk and reward for changes in oil prices, analysts say. "What's really happened is the government has decided to abolish the previous service contracts ... and migrate them to the new model," said Ramón Espinosa, who was chief economist at PDVSA from 1992 to 1999.

In addition, the income-tax rate on the projects would rise to 50% from 34%, effective last week. The higher tax rate will cost foreign firms about $350 million in profits, according to a Wood Mackenzie estimate. But that isn't the only problem: In forming a joint venture with only a minority stake, the firms effectively cede control of their operations to Venezuela's government.

"If the government has a 51% stake, it considers the company a state enterprise, which means their operating plans have to be approved by Venezuela's Congress," said Luis Giusti, a former chief of PDVSA.

PDVSA management argues the operating contracts are a bad deal because in as many as half the deals, the oil costs PDVSA more than it would on the open market. The head of Venezuela's tax office, José Vieira Mora, said foreign firms are "laughing" at the country through such deals.

It is unclear whether any foreign companies with operating contracts, which account for about 500,000 of Venezuela's 2.6 million barrels of daily oil output, will actually pull out of the Andean nation. One smaller company, Japan's Teikoku Oil Co., has said the changes will make it unprofitable to continue unless Caracas gives it new incentives. The Chávez administration said it is considering such incentives.

A spokeswoman for Royal Dutch/Shell, which has an operating contract for one Venezuela field producing some 50,000 barrels of oil a day, declined to comment on the changes, except to say the company "is engaged in discussions with the government" about how to retool the contract. BP has interests in three operating agreements, but the company doesn't know enough details about the plan or about the proposed tax increases to comment, a spokesman in London said.

Last year, Venezuela raised to 16.6% from 1% the royalty on projects aimed at extracting extra-heavy crude from its Orinoco region. Exxon Mobil Corp. formally notified Venezuelan officials recently that it disputes that royalty increase. Exxon President Rex Tillerson said in an interview earlier this month. Exxon needed to give formal notice to protect its right to take the dispute to international arbitration, he said. He added that the company would prefer to negotiate a settlement.

—José de Córdoba in Mexico City and Jeffrey Ball in Dallas contributed to this article.
Venezuela's dangerous exports

Venezuela's implicit or explicit harboring of terrorists and its importation of so many Kalashnikov rifles is worrying the chief of the Southern Command, Gen. Bantz Craddock. Gen. Craddock's statements give greater credence to widespread concerns about terrorist safe havens and Venezuela's motives for bolstering its arsenal.

In his testimony before the Senate Armed Services Committee on March 15, Gen. Craddock said, "I am also concerned with Venezuela's influence [...] The capture of senior FARC member Rodrigo Granda in Venezuela, carrying a valid Venezuelan passport and his possible connection to the kidnapping and killing of the daughter of Paraguay's former president is of concern." The FARC is one of Colombia's largest terrorist groups, and Granda's capture highlighted the presence of Colombian militants in Venezuela. Colombia coordinated the capture of Granda on Venezuelan soil, an operation which caused a major but brief diplomatic rift between the two countries. Colombia has reportedly sent proof to Venezuela that other terrorists are living freely in the country. The general also pointed out that while Colombia, Brazil and Peru signed a pact to improve border coordination in February of last year, "Venezuela's record of cooperation in aid since 2000 as part of an effort to bolster that country's security and halt the flow of drugs that make their way onto U.S. streets. That costly initiative would be undermined by the existence of terrorist camps across the Venezuelan border."

Gen. Craddock also signalled his concern about the possibility that Venezuela's arms imports could make their way to other countries, fueling conflict in the Southern Hemisphere. Venezuela is reportedly importing 50 latest-generation Mig-29 warplanes, dozens of helicopter gunships, a fleet of naval vessels and 100,000 Kalashnikov automatic rifles. "We are wondering just what the intent here is," Gen. Craddock told the Financial Times.

Venezuelan President Hugo Chavez has always jealously guarded Venezuela's sovereignty, using that defense to ward off criticism of his repressive policies. But Mr. Chavez has failed to recognize that he is in effect violating Colombian sovereignty by allowing, or encouraging, the presence of terrorist encampments. The export of arms to Colombian and other terrorist groups would constitute another grave transgression against national sovereignties.

The Bush administration is beginning to fashion a policy to contain Mr. Chavez's potential harmful effects on the region. This is a welcome and necessary step. The administration should take pains, though, to cooperate closely with other regional leaders who have reason to be concerned about Mr. Chavez's latest maneuvers. Any policy that appears glaringly made in America could backfire and empower Mr. Chavez.
Cracking down on Caracas

While we have our eyes on the Middle East and the recent good news out of there, a danger to democracy is brewing right here in our backyard. Venezuela, long one of Latin America’s strongest democracies, is now under siege by its president, Hugo Chávez. Thanks to an ill-judged intervention by former President Jimmy Carter, Chávez narrowly survived a recall election and has now accelerated his subversion of Venezuela’s democracy by a scummy deal with Fidel Castro.

According to Miami’s El Nuevo Herald, Chávez has granted Cuban judicial and security forces extensive police powers within Venezuela. Cubans are already running the intelligence services and indoctrinating and training the military. They will effectively bypass what is left of Venezuela’s judicial system when they exercise new powers to investigate, seize, detain, and interrogate Venezuelans and Cubans living in Venezuela, with the right to extradite them to Cuba and try them there. This threatens the safety of some 30,000 Cubans in Venezuela.

All this is a culmination of Chávez’s frontal attack on civil society, reducing state institutions to mere shadows with only ceremonial powers. Just for starters, Chávez has rewritten Venezuela’s Constitution to enhance his powers, purged critics in the military, set up legislation to pack the Supreme Court, intimidated the media by threatening the expropriation of the licenses of private television stations that supported the opposition, and given succor to thousands of Castro’s military and intelligence officers, along with many social and medical workers, while tens of thousands of young Venezuelans have been sent to Cuba for indoctrination.

Spots and pans. Chávez, in turn, provides Castro with 80,000 barrels a day of essential oil. Venezuela’s rich flow of oil revenues has enabled Chávez to buy the support of sectors of Venezuelan society and assert himself as the leader of what he calls a “jihad” against American imperialism. Chávez’s sense of moral justice is manifest in his alliance with the worst criminal organizations in Latin America, especially the narcoterrorists in Colombia. Just recently, he denounced Colombian authorities because they arrested a senior member of the narcoterrorist Revolutionary Armed Forces of Colombia (FARC) who had been given sanctuary in Venezuela.

To get a sense of the degree to which Chávez is intimidating his opponents and harassing dissidents, just read the language of a new criminal law that he pushed through the legislature: “Any individual who creates panic in the community or causes it to be restless by disseminating false information via print media, radio, TV, phone, electronic mail, or pamphlets will be punished with two to five years in prison.” Even the most popular form of political protest, banging pots and pans, done in the presence of members of his government, now carries with it up to a three-month jail sentence.

A distinguished international coalition, including former Czech President Vaclav Havel, Sen. John McCain, and former Secretary of State Madeleine Albright, wrote to Chávez expressing concern that his actions are “a grave threat to democracy.”

Alas, our own President Carter compromised the hopes of Venezuelans in the recall election by prematurely endorsing the vote that Chávez did not earn or deserve. Carter’s people counted fewer than 1 percent of the polling stations, which, instead of being selected at random, as originally anticipated, were selected by Venezuelan officials. Even then, only 76 of the previously agreed 192 ballot boxes were counted, with either opposition witnesses or international observers present at only 26 out of the 76 boxes reviewed. The Chávez-controlled National Electoral Council (CNE) forbade access to the tallying centers, not only to Carter’s people but to the representatives of the opposition, and even to the two members of the CNE who opposed Chávez. Two professors from Harvard and the Massachusetts Institute of Technology issued a report concluding that there was at least a 99 percent chance the election was a fraud. The audited sample (Carter’s) was simply not a random sample, the professors concluded. Various independent exit polls showed that Chávez had lost the vote by 59 percent to 41 percent, instead of Chávez’s contention that he had won by that margin.

Jimmy Carter, in effect, provided a seal of approval for a left-wing demagogue intent on destroying democracy in Venezuela even as he seeks to extend his ideology to other parts of Latin America. Secretary of State Condoleezza Rice was correct when she pointed out that Chávez is a danger not just to Venezuela but to much of Latin America. Very soon, we must translate those wise words into an effective policy.
Venezuela Announces Plan to Seize More Lands

CARACAS, Venezuela—Some landowners facing Venezuelan government plans to officially seize their property are vowing to fight the first land confiscations since President Hugo Chávez took office six years ago.

The government during the weekend announced it would seize parts of four large estates after finding irregularities in their ownership status. It questioned the legitimacy of their land titles and said the lands aren’t being used productively enough.

Members of Venezuela’s Branger family, which owns a cattle ranch and nature preserve, said they would appeal the decision and prove their rightful ownership of the land. Agroflora, a subsidiary of Britain’s Vestey Group, owner of a top meat-producing ranch in the southeast, said it still is awaiting official notice from the National Land Institute of the seizure.

The Land Institute said it will seize 110,000 hectares, or about 270,000 acres, of farmland, including portions of the Hato El Charcote, the 32,000-acre ranch owned by Vestey, and El Pinero, the Brangers’ cattle ranch. All that land once belonged to the state, so the government will “recover” it, the Institute said. An Institute spokeswoman said there are no plans to compensate those currently controlling the lands. But those affected by the decision will have 90 days to appeal.

Business leaders denounced the move as illegal. “This decision has no basis [in law],” said Jose Luis Betancourt, president of the Fedenaca cattle-ranchers association, in a televised broadcast. “This must go through a proper judicial process.”

Mr. Chávez, who says he is pursuing “socialism for the 21st century,” has vowed to break up large landholdings as part of his strategy to revamp land tenure and encourage agricultural production. Venezuela’s 2001 land law forces owners of agriculture-ready land deemed “idle” by authorities to follow government-dictated production plans or face taxes and possible expropriation.

—Dow Jones Newswires

Venezuela Calls Foreign Media a Tool of U.S.

CARACAS, Venezuela—Venezuela lashed out at the foreign media’s reporting on the South American nation, saying it would use state-owned media to counter what its information minister alleged is a U.S. campaign to discredit President Hugo Chávez’s administration.

Andres Izarra accused the Bush administration of leading a smear campaign against Mr. Chávez’s government by using U.S. newspapers to publish “lies” regarding the “revolutionary” process led by the left-leaning president. “Enough of the poisonous press,” he said during a ceremony handing over equipment to community television and radio stations. “I send them to hell.”

He said Caracas would use state-run media to broadcast accurate news regarding Venezuela.

Last year, the government-controlled congress passed a law whose goal, critics say, was to muzzle domestic media, which has been highly critical of Mr. Chávez’s administration. Earlier this week, Mr. Izarra took on the foreign media for the first time, saying a number of newspapers and television stations were working to destabilize the Chávez government.

“There is no media campaign against Venezuela,” said Stephen McFarland, the U.S. Embassy’s deputy chief of mission in an interview on local radio station RCR. He said U.S. media critical of Mr. Chávez have also criticized the Bush administration.

Earlier in the week, Mr. Izarra named several reporters who he suggested were receiving funds from the U.S. government, but said he had no evidence to support this.

—A Wall Street Journal News Roundup
A spectre stalks the Americas

Is the United States’ nightmare of “a second Cuba” coming true in Venezuela?

Ever since he was first elected as Venezuela’s president in 1998, Hugo Chávez has been fond of anti-American rhetoric. American officials long ignored this, preferring to watch what the Venezuelan did rather than what he said. Since Mr Chávez trounced his opponents in a recall referendum last August, not only has he turned up the volume of his “anti-imperialist” pronouncements, but some of his words are turning into deeds. As a result, some in Washington are starting to become alarmed about Mr Chávez and the wider regional implications of his leftist-nationalist “revolution”.

Mr Chávez, a former army officer, recently declared himself to be a Fidelista, a follower, that is, of Cuba’s communist president, Fidel Castro, his closest ally. He has ordered Venezuela’s armed forces to draw up a new Cuban-style strategy in which the top priority has become preparing to fight a war of resistance against a hypothetical invasion by the United States, now seen as the principal adversary. To this end, Mr Chávez has recently ordered a doubling of the army’s reserve, to more than 100,000 troops under his personal command. “Popular defence units” of 50 to 500 civilians are to be set up in workplaces and on farms.

At the same time, the president is shopping for arms. In recent months, he has bought from Russia 40 Mi-8 helicopters and 100,000 Kalashnikov rifles. He is negotiating for up to 24 Brazilian Super-Tucano ground-attack planes and four Spanish naval corvettes. The United States has protested to Russia over its arms sales, and wonders out loud what they are for. So do the armed forces in Colombia, the Americans’ closest ally in the region, with which Venezuela shares a disputed border. The answer, say Venezuelan officials, is partly to replace outdated kit, and partly to do what both the United States and Colombia have been pressing for: to defend the border against incursions by Colombian leftist guerrillas, rightist paramilitaries and drug-traffickers.

A senior Colombian official asks what will happen to the Venezuelan army’s existing rifles. He fears that these, and perhaps some of the ammunition for the new Kalashnikovs, will find their way to the FARC guerrillas in their country, who are ideological soulmates of Mr Chávez.

A second issue on which Venezuela’s stance is changing is oil. The United States has long been the main market for Venezuela’s oil exports. Now Mr Chávez is negotiating trade and investment deals with Russia, Brazil, Iran and China. The next step, some in Washington worry, will be that Venezuela will start diverting its oil from the United States to China. That is not an immediate possibility: China lacks refineries to process Venezuela’s heavy crude. But it may happen in the medium term. Mr Chávez has signalled a desire to sell Citgo, a state-owned Venezuelan company that refines and retails the country’s oil in the United States. Even so, Venezuela’s foreign minister stressed this week that his country will “always be a reliable supplier to the United States”.

A third controversy is Mr Chávez’s tightening grip at home. Since the referendum, the opposition has all but disappeared as a coherent force. The chavista majority in the legislature has appointed an expanded—and avowedly “revolutionary”—supreme court, which in turn has named a new electoral authority, with a 4-1 pro-government majority.

These developments have produced differing reactions across the Americas. In recent weeks, the United States has unleashed a barrage of criticism of Mr Chávez. Condoleezza Rice, the secretary of state, called his government a “negative force” in the region and some aspects of his rule “very deeply troubling”.

For half a century, American policy in Latin America has been dominated by the desire to prevent a “second Cuba”. Some officials in Washington fear that is what is now emerging in Venezuela. They also worry that Venezuela may be soft on “narco-terrorism”, and trying to export its “revolution” to the rest of the region. As a result, they want to isolate Mr Chávez.

But George Bush is finding it hard to
persuade the rest of Latin America to do this. Last week, Colombia's president, Álvaro Uribe, met Mr Chávez, putting a diplomatic face on a bitter dispute following the abduction in Caracas and subsequent arrest in Colombia of a senior FARC leader. However temporary, this rapprochement, brokered in part by Mr Castro and backed by Brazil, Chile and Peru, ended up making the United States, rather than Venezuela, look isolated. One day later, Brazil's president, Luiz Inácio Lula da Silva, visited Caracas to seal a "strategic alliance", signing two-dozen trade and investment accords. Lula even praised Venezuelan democracy, to the dismay of the remnants of the opposition, which insists that the referendum was rigged.

Should the region be worried, as America argues? The Colombian official, noting Mr Chávez's speeches about recreating the "greater Colombia" that in the 1820s briefly united the two countries under his hero, Simón Bolivar, is convinced that Venezuela, despite its repeated denials, is helping the FARC.

Brazil, whose president represents a more moderate brand of leftism than Mr Chávez's, takes a more relaxed view. According to a senior Brazilian diplomat in Brasilia, the referendum removed any doubts about Mr Chávez's democratic legitimacy. Brazil does not see any danger of an arms race—indeed, nobody objects to the mooted sale of Super-Tucanos. Some Brazilians see dealing with Venezuela as a way of reducing the risk of intervention by the United States, whose presence in Colombia they dislike. The diplomat notes that Brazil has sealed similar "strategic alliances" with Argentina and Peru. Brazil's dialogue with Venezuela has the blessing of Washington.

The prevailing attitude in Latin America is that Mr Chávez has not yet crossed the line between democracy and authoritarianism—and that he is unlikely to do so unless he feels cornered by the United States. According to this view, Mr Chávez's "revolution", paid for by oil wealth, would be hard to imitate elsewhere. So, it is argued, there is more to be gained by engaging Mr Chávez in a democratic South America than by isolating him.

Certainly, Mr Chávez's intentions are sufficiently ambiguous to warrant close scrutiny by South America's democrats. The United States this week dismissed claims by Mr Chávez and Mr Castro that it is planning to assassinate the Venezuelan leader. Any attempt to execute "regime change" in Venezuela—such as the failed coup in 2002 which the United States did not condemn—would be rejected in the region as the ousting of an elected leader. But whatever the neighbours say, rising tension between the United States and Venezuela will be a dominant theme in the region for the foreseeable future.
After six tumultuous years in power, the claim by Venezuelan President Hugo Chavez that he is leading Venezuelans toward greater prosperity cannot be sustained. Any serious analysis of our economy shows a dramatic deterioration in Venezuelan well-being. A series of feel-good government programs only help ameliorate the negatives that would otherwise accrue to Chavez with his disastrous handling of the economy.

In 1998, the vast majority of Venezuelans were very poor and had no good reason to hope for a better future. For decades, the quality of life had been deteriorating. The democratic process seemed to function well only for the benefit of politicians and their friends. The political parties that had alternated in power since 1958, Social Democrats and Social Christians, were very much the same. Both offered socialism with political freedom. Their policies paid lip service to the poor but always proved counterproductive. Private property and contracts meant little in their laws. Two-thirds of willing workers could not find employment in the formal economy and The Heritage/Wall Street Journal Index of Economic Freedom classified Venezuela as "mostly repressed." The country needed dramatic change.

In that same year, presidential candidate Lieutenant Colonel Hugo Chavez swept the country's imagination with a good assessment of our problems, but wrongly naming economic liberalism as the cause of the misery. He promised a new state with new laws and said hope to the poor. In December 1988 he won the presidency and for some time after his inauguration, he continued to gain popularity.

It is true that Mr. Chavez has expanded pension payments and implemented programs that did not exist before, like the 11 "missions" programs. Three of these programs are educational. "Misión Robinson" is designed to teach people to read. Participants receive a monthly stipend of 160,000 Bolivars (about $5) and in six months they may receive a sixth-grade diploma and can graduate to "Misión Ribas" where they have the same stipend and in six months may earn a high school diploma. In other words, an adult with no previous schooling can earn in just one year what normally takes 11 years.

There is no question that a monthly stipend is popular among the unemployed or those who earn very little but the quality of these diplomas is suspect. For the government, enrollment helps boost employment statistics since those studying do not count as unemployed.

A main characteristic of our repressed economy is the imposition of exchange and price controls two years ago. We've seen this movie before. Venezuela had these controls from 1983 to 1989 and from 1994 to 1996. In both cases, corruption ballooned, and the economy sank. In the end, they had to be discarded amid scarcities and hyperinflation.

Another economically pernicious measure introduced by this government is property confiscation. Earlier this year, the country's most productive ranch, owned by the British company Vestay Group LTD since 1903, became the target of a potential confiscation with plans to partition it for "cooperatives." This may be popular with the poor, but if the past is any guide, the newcomers will either starve or go back to where they came from. Meanwhile, the nation will have lost a major productive asset. Next we'll be wondering why there is not enough investment and job creation.

Mr. Chavez still has credibility among his disciples and his charisma may carry him for some time to come, despite rising crime, filthy cities, declining services, an expanding informal economy and more beggars in the street than ever before. His followers are so infatuated that they do not pay attention to the contradictions in his speech or his numerous promises never fulfilled. But when the price of oil comes down, the "missions" will be unsustainable and the bloom is sure to fall off the rose.

Mr. Chelminski is a private consultant in Caracas.
Chávez Says Venezuela Intends To Sell Its U.S. Refinery Holdings

Ratcheting up his battle against Washington, Venezuelan President Hugo Chávez said he intends to sell Venezuela's interests in eight U.S. oil refineries, part of a broader bid to reduce his government's oil dealings with its biggest customer and ideological adversary.

During a visit to Argentina, Mr. Chávez yesterday made it clear what many indus-

try observers have suspected in recent weeks: that Venezuela's oil policy is moving away from pragmatic accommodation and toward open hostility. "Our strategy is to look for businesses in the North to sell, such as refineries," Mr. Chávez said, adding he was considering cutting Venezuela's oil interests in the U.S. altogether. "We are subsidizing Mr. Bush."

A sale doesn't appear to be certain. Venezuelan Energy Minister Rafael Ramírez cautioned that selling refineries in the U.S. could be complex, depending on whether they use Venezuela's crude oil or oil from elsewhere. Mr. Ramírez heads the state-owned oil company Petróleos de Venezuela SA, known as PDVSA. A person within Venezuela's Energy Ministry said the process toward selling assets could take at least two years to carry out. Mr. Chávez's comments coincided with the naming of a Chávez ally, PDVSA vice president Félix Rodriguez, as head of Citgo, succeeding the current chief, Luis Marín.

Analysts say Mr. Chávez's policies against the U.S., which buys half of the oil Venezuela sells, could cut into its oil income and hurt the country's ability to maintain production, which has fallen from about 3.1 million barrels a day in 2002 to about 2.6 million barrels a day. That could further strain tight global oil supplies.

But in the U.S., an eventual sale could benefit other U.S. refineries, which are enjoying a time of high profit margins amid tight inventories of gasoline and other products and rising demand. The refineries owned or co-owned by PDVSA's Citgo Petroleum Corp. unit represent 4% of U.S. refining capacity. The refineries are prized because they are adept at refining the heavy crude of the type supplied by Venezuela, and those crudes can be found on world oil markets at a discount to lighter crudes.

Already, refiner Valero Energy Corp., based in San Antonio, said it is interested in two Citgo refineries. Sales could

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Journal Link: WSJ.com subscribers can read the transcript of American Express's conference call, at WSJ.com/JournalLinks.

Chávez Moves to Trim Oil Trade With U.S.

continued from page A2

further consolidate the industry, which has hit capacity strains in recent years in part because no new U.S. refinery has been built since 1976. Those strains, along with rising oil prices, contributed to a surge in gasoline prices last year, bringing renewed scrutiny on the industry from state and federal officials.

A Citgo spokesman in Houston declined to comment.

Because Venezuela's U.S. refineries are especially equipped to handle the country's sulphur-laden crude, they give the Andean nation a direct link to the world's biggest market, which depends on Venezuela for 11% of oil imports. But Mr. Chávez wants to change that and sell more oil to places such as China. Analysts say the U.S. likely would make up for any reduction in sales from Venezuela with increased purchases from West Africa, the Middle East or Central Asia.

In addition to reducing Venezuela's dealings with the U.S., Mr. Chávez also announced that PDVSA was expanding in South America by holding talks to buy the Argentine service stations of Royal Dutch/Shell Group in partnership with Brazil's Petrobras, and Argentina's Energia Argentina SA, or Enaranges.

The fiery leftist leader, who accuses the U.S. of backing a failed coup against him in 2002, has waged a war of words with Washington. But until now, analysts say, he kept the doors open to U.S. oil companies. In recent months, however, it appears Venezuela would rather cut ties to U.S. oil companies and make deals with state oil companies from places such as Libya, Qatar, Brazil and China.

Within the past month, Venezuela suspended a plan by ConocoPhillips, Houston, to develop a new oil field in Venezuela. Just weeks earlier, Energy Minister Rafael Ramírez said the government would review its 33 operating agreements with oil companies from the 1990s to see whether they still were viable for Venezuela.

In order to sell less oil to the U.S., Mr. Chávez is increasing shipments of oil to China.

—Raúl Gallegos of Dow Jones Newsmakers in Caracas, Venezuela, contributed to this article.
Americas / By Mary Anastasia O'Grady

Should Chávez Be on the List of Terrorism Sponsors?

In the war on terror no Latin American leader has been a better ally to George W. Bush than Colombian President Álvaro Uribe. It has not been without cost.

In circumstances similar to those former Spanish Prime Minister José María Aznar had to endure for his support of the Iraq invasion, the Colombian president has faced anti-Yanqui grandstanders who want to blame America first. Yet Mr. Uribe has remained true to the anti-terror cause and a good friend to the U.S. Now, Mr. Bush has a chance to return the favor.

In the last month, evidence has surfaced that Venezuela’s President Hugo Chávez is harboring Colombian terrorists. Although the U.S. Embassy in Bogotá is supporting Mr. Uribe, Mr. Bush owes the Colombian leader an even stronger effort towards containing the Venezuelan tyrant.

Another good reason to take Chávez seriously is that there are alarming reports that suggest he may be bent on arming his revolutionary cadres all over South America. That could threaten regimes friendly toward the U.S. throughout the region.

Mr. Uribe’s troubles with Chávez came to a head in December with the capture by bounty hunters, inside Venezuela, of a key leader of the Revolutionary Armed Forces (FARC), which has for years waged war on Colombians. Rodrigo Granda, known as the “foreign minister” of the FARC, was delivered to Colombian officials in the border state of Cúcuta.

It turns out that Granda had been living in Venezuela since 2002, in a comfortable mountain residence just south of Caracas, coming and going as he pleased. Just before the August recall referendum that challenged the Chávez presidency, Granda was granted Venezuelan citizenship.

Chávez’s denial that he knew about Granda is implausible, given the man’s political importance and the Chávez network of domestic spys. Reliable sources say that Interpol advised Venezuela a year ago that Granda was a wanted man.

But why arrest a friend of the family? Venezuelan Foreign Minister Ali Rodriguez is on the editorial board of the hard-left Argentine-based magazine “América Libre,” so are the FARC’s Commandante Manuel Marulanda, and the leader of Colombia’s other main terror group known as the ELN. This is a strange association considering the fact that the FARC, heartily supported by Fidel Castro, has murdered, maimed and kidnapped thousands of Colombians and terrorized society over its 40-year history. The Financial Times reported yesterday that “according to Granda’s diary, excerpts of which were seen by the FT, the top FARC representative kept the telephone numbers of several people in the Chávez government and other FARC members in Venezuela.”

All of this raises the likelihood that Venezuela is a safe haven for FARC terrorists, just as Colombia has claimed over the past few years. Officials in Bogotá maintain that at least seven guerrilla bigwigs are enjoying Chávez’s protections. The Colombian government also says that FARC members have attended conferences hosted by the Venezuelan government in Caracas and it further alleges that there are various FARC encampments on the Venezuelan side of the border.

Chávez is bent out of shape about the Granda capture. He, like Granda, protests that Venezuelan sovereignty was violated, even though it was not Colombian law enforcement agents that brought Granda in but Venezuelans who wanted the reward. Chávez can’t very well object to the use of reward money, since he has offered just such compensation for the capture of his own enemies, inside or outside Venezuela.

Granda’s complaints give a good picture of just how safe the Colombian terrorist thought he was in Venezuela. “There has to be a minimum of good manners toward another government, for sure,” he told Colombian authorities. Otherwise, if captures like his are allowed, “we return to the law of jungle.” Venezuela’s vice president is telling the Colombian government that Bogotá must pinpoint the whereabouts of the guerrillas it alleges are inside Venezuela or stand accused of lying.

President Bush has made it clear that any government that gives safe haven to terrorists is a U.S. enemy. That would seem to require a more serious approach to whether Venezuela is supporting terrorism in Colombia.

Special attention might be profitably directed at FARC’s role in South American arms smuggling and why that might tie in nicely with ambitions of Chávez and Castro to expand their influence throughout the region. Russian press reports say that Chávez has recently ordered 100,000 Kalashnikov automatic weapons from Moscow. His national guard and police are already well armed so it is reasonable to worry that these guns are meant for clandestine distribution on the continent.

Former Colombian Interior and Justice Minister Fernando Londoño wrote in Bogotá’s El Tiempo on Monday that, “Chávez and Castro know that there is no dictatorship without arms.” That could be why the Granda seizure has caused such uproar in the Chávez government: The FARC’s arms and narcotics trading network is key to spreading the Chávez revolution throughout South America.

The State Department has badly bungled its handling of Chávez. In August it endorsed his victory in a recall referendum even though voters faced government intimidation and no serious investigation was ever allowed of plausible charges that voting machines were rigged. State’s ill-considered action, granting Chávez a legitimacy that he doesn’t deserve, will be used in his defense for years to come. Only this week, Rhode Island Republican Senator Lincoln Chafee used it during Senate hearings on Condoleezza Rice’s nomination to head up State. Complaining about Ms. Rice’s criticisms of Chávez, he said, “It seems disrespectful to the Venezuelan people. They have spoken.” Mr. Chafee is not one of Washington’s brighter bulbs, but the initial problem was State’s blessing of Chávez’s tainted “victory.”

It can be hoped that Ms. Rice will give serious attention to the shippage in Latin America and set about to build a team that will address the problems of the region in a more knowledgeable and active way. The U.S. cannot ignore Venezuela’s alliance with the worst criminal organizations on the continent or its support of aggression against a neighboring government. All those tender souls who worry that Chávez “cut off the oil” need to be told that he would do himself far more harm than the U.S. if he ever attempted such a power play.
Will Chávez's Oil Still Flow?

Whether or not Venezuelan President Hugo Chávez is the next Fidel Castro, the leftist firebrand has mastered the Cuban’s art of pushing the U.S.'s buttons—including the ones on our gas pumps. Venezuela is the U.S.'s fourth-largest oil supplier (15% of U.S. imports), a nearby and reliable source that few in Washington want to alienate. But the visit to Caracas last week by Chinese Vice President Zeng Qinghong was the latest reminder that Chávez, a sharp critic of U.S. foreign policy, wants to cut Venezuela's dependence on the U.S. market and start exporting to his oil-thirsty ideological ally, China. Talks are under way to build pipelines to pump Venezuelan crude to Pacific ports in Colombia and Panama for that very purpose.

Analysts question whether Chávez can profitably ship oil all the way to Asia, and Venezuelan officials insist that U.S. supplies will remain steady even if he does. But given Chávez's anti-Bush fervor—and the leverage that sky-high oil prices afford him—Washington is nonetheless starting to worry that the flow of Venezuelan oil might shrink significantly by the end of this decade. Indiana Senator Richard Lugar has asked the Government Accountability Office to study what “contingencies are in place to mitigate the effects” of a sharp Venezuelan shortfall, “as this could have serious consequences for our nation’s security.” Other Senators are urging the Bush Administration to mend fences with the democratically elected Chávez, whom it accuses of trying to destabilize Latin America, as Castro once was. But Secretary of State Condoleezza Rice, at her confirmation hearings, showed no signs of softening on Chávez, calling him a “negative force” in the hemisphere. Chávez, who claims that Bush backed a failed 2002 coup attempt against him (the Administration denies it), called Rice “an illiterate” who “seems to dream about me.” Washington’s bigger fear is that U.S. consumers may someday see Chávez in their nightmares.

—By Tim Padgett

Chávez has been consolidating power — fast

Venezuela is becoming more and more like a Castro — Cuba
U.S.-backed Chavez foe charged with treason

By Brian Ellsworth
SPECIAL TO THE WASHINGTON TIMES

CARACAS, Venezuela - A leading organizer of last year's bid to unseat President Hugo Chavez has been charged with treason amid accusations that she accepted U.S. government funding from the National Endowment for Democracy.

As director of the civic group Sumate, Maria Corina Machado helped organize three petition drives to recall Mr. Chavez, leading to a failed referendum in August.

State prosecutors have invoked an 80-year-old law to charge Miss Machado and two other Sumate leaders with "conspiring to destroy the republican nature of the country," saying they received $31,000 from the endowment. A trial has not been scheduled, but is expected to begin in the next few weeks. Miss Machado faces 16 years in prison if convicted.

"The reason for [the endowment] giving all that money was to end the Chavez government," said legislator Nicolas Maduro. "If the Venezuelan government financed organizations to topple the Bush administration, I'm sure we would face life sentence in prison."

Miss Machado said the money was used "to hold workshops that explained how citizens could work toward a just and transparent recall vote. It was an exercise of our constitutional rights. For that, we are being called conspirators."

Questions have been raised about whether Miss Machado will receive a fair trial.

"The majority in congress just expanded the court and put in [Chavez] sympathizers. They packed the courts with their people," said Daniel Wilkinson of Human Rights Watch in New York.

"They've undermined any pretense of independence. It undermines any hope that highly politicized cases like this one will be handled in a fair fashion."

Mr. Machado, a 37-year-old engineer who spent eight years running a shelter for abandoned children, said her work is dedicated to creating a strong civil society to fortify democracy in Venezuela.

But U.S. lawyer and pro-Chavez activist Eva Golinger, who accessed documents through the Freedom of Information Act, said the endowment's support was part of a broader campaign to bolster the Venezuelan opposition.

"It's not a coincidence that almost all of NED financing in Venezuela has gone to opposition groups," Miss Golinger said. "The funds that went to Sumate were part of the same pattern. They were meant to help remove President Chavez from office, not to promote democracy."

The NED, a congressionally funded organization founded in 1983 to promote democracy around the world, says it has provided almost $4 million since 2000 to about 15 Venezuelan civic organizations, including a few pro-Chavez groups.

But some of the endowment's Venezuelan grantees were involved in a brief coup d'etat against Mr. Chavez in 2002 — a failed overthrow that the Bush administration tacitly endorsed — lending credence to the charge that the funds had a subversive purpose.

Michael Shifter of the Washington-based Inter-American Dialogue said Mr. Chavez's idea of national sovereignty is making sure that foreign countries have no influence within Venezuelan borders — a position that is incompatible with modern diplomacy.

"Latin American dictatorships thrived in the 1960s and 1970s because no one in the diplomatic community spoke out against the human rights abuses taking place there. This is why 30,000 people disappeared during Argentina's dirty war," said Mr. Shifter, who recently signed a letter by the endowment in support of Sumate.
Venezuela set to seize Vestey ranch

By Andy Webb-Vidal in Caracas and Henry Tricks in London

Venezuelan authorities backed by troops are today expected to seize a 32,000-acre ranch owned by Lord Vestey, an English aristocrat and meat tycoon.

The move, the first in what is expected to be a series of Zimbabwe-style expropriations of big estates, appears to signal a renewed radicalisation in the left-wing government of President Hugo Chávez.

Lord (Sam) Vestey, known as “ Spam” to friends because of the source of his wealth, has a fortune estimated last year at £750m ($1.2bn). The family’s interests have ranged from cattle ranches to a chain of butchers’ shops in the UK. El Charcote, set in the lush cattle-ranching pastures of Cojedes, a state west of Caracas, is one Venezuela’s most modern ranches.

Confiscation would bring to a head a dispute that began four years ago when squatters occupied part of the property, which prompted Lord Vestey to stage a one-man protest outside the Venezuelan embassy in London.

He was reluctant yesterday to discuss the matter because of its sensitivity but told the Financial Times: “We’ve been in Venezuela for just over 100 years and we hope to be there for some time yet.” His great grandfather bought the land in 1903, he said.

Alfredo Toro Hardy, Venezuelan ambassador in London, said the ranch was among those held to be “partly idle” and its property titles were not considered to be in proper order. That, he said, prompted the need for an investigation.

While agrarian reform has faded in most of Latin America since the early 1980s, Mr Chávez has vowed as part of his self-styled “revolution” to attack an “oligarchic” system of land tenure.

This week his government urged regional governors to use legislation passed in 2001 to press ahead with a so-called War against the Large Estates.

Eleazar Otaiza, director of the National Land Institute and one of Mr Chávez’s allies, said at least 100,000 plots would be redistributed in the next six months.

Critics complain that property rights are being violated with no mention of compensation.

Alexis Ortiz, attorney-general of the state of Cojedes, said: “The full weight of the armed forces and the police will be present at the El Charcote estate to implement the first phase of the land mission.”

Although it remains one of Venezuela’s biggest meat producers, the value of the Vestey Group has declined recently, and it has written down Venezuelan assets.

The company had net assets of £76m in the last published set of accounts in 2003, down from £195m in 2002.
Colombia and Venezuela

Neighbour dispute

BOGOTÁ AND CARACAS

A Colombian bounty hunt puts Hugo Chávez on the spot

Rodrigo Granda was scarcely a household name when in mid-December the Colombian police said they had arrested him in the city of Cúcuta, close to the border with Venezuela. With his cardigan and the air of a carefully groomed, middle-aged bank manager, he looked anything but a leader of the FARC, Colombia’s main left-wing guerrilla group. But the FARC has acknowledged that Mr Granda was indeed a roving envoy for their movement, which figures on the United States’ list of terrorist organisations.

The story might have ended there, as another success in the “war on terror”, were it not for the details of how Mr Granda ended up in Cúcuta. These have emerged in fits and starts. He was snatched from a café in the centre of Caracas and smuggled over the border by, it is alleged, the anti-kidnap squad of Venezuela’s National Guard. It was a freelance operation, carrying a hefty reward—and perhaps with Colombian agents present.

These revelations have brought relations between the two countries to their lowest point since 1987 (when a Colombian warship entered disputed waters, almost sparking a war). Hugo Chávez, Venezuela’s left-wing president, accused Colombia of violating his country’s sovereignty. On January 14th, he suspended trade agreements with Colombia and withdrew his ambassador from Bogotá.

Pending an apology, Álvaro Uribe, his right-wing counterpart in Colombia, denies that any violation took place. He has repeated claims that Mr Chávez harbours terrorists and turns a blind eye to guerrilla camps on Venezuelan soil.

This issue has long caused tensions. Mr Chávez claims to be “neutral” in the conflict between Colombia’s democratic state and the rebels, who rely on kidnapping and drugs. Venezuela’s ruling coalition includes some close friends of the FARC. Although both the FARC and right-wing paramilitaries have spilled across the 2,200km (1,370-mile) border between the two countries, Mr Chávez refused to coordinate army operations with Colombia. Venezuela is suspicious of American aid to its neighbour, which includes helicopters and military advisers.

Recently, however, relations had become warmer. Mr Chávez’s victory in a recall referendum in August, and Mr Uribe’s success in obtaining a constitutional change to allow his re-election, mean that both men expect to have to do business with each other for a while. In November, they met and talked of exchanging intelligence on the border region.

The Granda incident has put paid to this thaw. It appears that Mr Granda and his family had been living openly in Venezuela. He had been given nationality and even voted in the referendum. Awkwardly for Mr Chávez, the FARC put him on the spot by stating that Venezuela’s government had invited Mr Granda to two conferences, something officials had previously denied. The president must now choose either to quarrel with Colombia, or to repudiate the FARC and deny his “revolutionary” credentials.

Even though Colombia’s exports to Venezuela are substantial and growing, officials in Bogotá were slow to mend relations. Francisco Santos, the vice president, called on “bounty hunters of the world” to help capture terrorists. Colombia says at least seven more guerrilla leaders are in Venezuela, and it wants them extradited.

The United States, which has criticised Mr Chávez’s recent curbs on the media and opponents, has given firm backing to Colombia in the argument—and may have helped find Mr Granda. A group of American senators recently called for better relations with Venezuela, which is an important oil supplier. But at her confirmation hearing this week, Condoleezza Rice, the new secretary of state, said that Venezuela’s government was “a negative force in the region”. She promised to “work with others to expose that and to say to President Chávez this kind of behaviour is really not acceptable in the hemisphere.”

What now? Mr Uribe has not accepted Mr Chávez’s invitation to a bilateral meeting, saying the two should meet in the presence of other Latin American leaders. Brazil’s president, Luiz da Silva, has offered to mediate. Colombia has promised hard evidence that Venezuela is protecting the guerrillas—something which has been elusive. If there is substance to the claim, even Mr Chávez’s friends in the region will press him to crack down. A Latin America composed of democracies no longer thinks it acceptable for one country to harbour another’s “terrorists”.

Granda was kidnapped, says Venezuela
Our Men in Caracas

Venezuelan President Hugo Chavez has been pressing his anti-American agenda more aggressively all the time, so we can only imagine what the strongman thought of the solicitous visit this week by three U.S. Senators.

Connecticut Senator Chris Dodd, ranking member on the Western Hemisphere subcommittee, came calling with Lincoln Chafee of Rhode Island and Bill Nelson of Florida. Mr. Dodd emerged from a two-hour meeting with Mr. Chavez to declare that “this is a very, very important bilateral relationship” and that “we’re here to see if we can’t move this in a better direction.” He then urged soon-to-be Secretary of State Condoleezza Rice to “try something new” to improve Washington-Caracas ties.

Good luck with that. Only last month Mr. Chavez gave his view of America in an interview with Al-Jazeera television on a swing through the Middle East, accusing the U.S. of “horrendous terrorism” in Afghanistan and Iraq. He said Venezuela is on a jihad against imperialism, which means that “confrontation with the United States becomes inevitable.” And he made clear that he is “on the offensive, because attack is the best form of defense. We are waging an offensive battle.” Yesterday, in Tehran, the spiritual guide Khomeini told me a true statement: Power, power.

Ayatollah Khamenei happens to be one of the Iranian mullahs attempting to build a nuclear weapon as a way to dominate the Persian Gulf. “Power” indeed. Mr. Chavez also declared that “We have to unite in South America, Africa and Europe. Please follow our recent tour—Madrid, Tripoli, Moscow, Tehran, Doha and then Madrid; and later our trip to Ayacucho in Peru…” (Ayacucho is the birthplace of Peru’s Maoist Shining Path.) Sounds like Mr. Dodd would have done better to tell Mr. Chavez that he’s the one who should “try something new.”

Phony Air War

The longest running show in trade politics is the Airbus-Boeing dispute, with both sides trading accusations of unfair government subsidies. So we’re sorry to see that the two sides decided this week to back down from their mutual showdown at the World Trade Organization.

Three months ago, the U.S. tore up the 1992 U.S.-EU Agreement on Large Civil Aircraft and sued the EU over the government loans Airbus receives as seed money when developing a new airplane. The EU filed a countersuit alleging that Boeing was subsidized by U.S. defense contracts, and things were moving. But the U.S. and the EU called off the dogfight Tuesday saying they’d spend the next 90 days trying to reach a bilateral agreement to end subsidies going forward.

WTO panels have handed down their share of clinkers over the years. But a WTO ruling in this case might have brought some clarity on the merits of the two sides’ arguments. At the very least, it would have forced the EU to present the “evidence” it likes to claim it has that Boeing’s cost-plus defense-contracts serve as subsidies to its civilian-aircraft development. It would also have forced Airbus to reveal (at least to the WTO panel) the actual terms of the loans it receives as “launch aid” from European governments. Beyond insisting that the loans are given at market terms, Airbus and the governments have kept the actual details under wraps.

That, along with EU Trade Commissioner Peter Mandelson’s surprising admission Tuesday that he expected to lose the case brought against the EU last year, no doubt explains why Europe wants a negotiated settlement. But the U.S.’s motivation for backing away is more puzzling. Unlike the EU, the U.S. says it thinks it can win both cases at the WTO. But as any lawyer will tell you, once you get into a courtroom anything can happen, so perhaps the Bush Administration felt it was safer to extract some concessions by negotiation.

U.S. trade officials seem reasonably confident that they can strike a favorable deal with the EU, which has as much as acknowledged that launch aid is an illegal subsidy to Airbus, under WTO rules. But the last negotiated agreement, while it put some restrictions on subsidies, amounted mostly to a mutual conspiracy to look the other way when it came to what each side considered to be subsidies. The U.S. would further the cause of clarity if it demanded more than see-no-evil, hear-no-evil this time around. As for the EU, its Competition Commission professes opposition to state industrial subsidies, so how about starting now?

By Quentin Letts

Male members of the British often dress in unusual outfits. The dollops of gold braid at state occassions required to master the art of the white bow tie and the seamless band for official banquets.

The tall coat, peaked military three-piece suit and “plus-four” b (for expeditions on to the grouse) found in the wardrobes of Buckinghamsi, was the uniform of the boyish Prince Charles and the late, saintly Harry dressed in a German Worist form. “Harry the Nazi,” sneered Sun newspaper. “Prince’s swastika and swastikas.

Alongside this astonishing headturn of 20-year-old Prince Harry, Prince Charles and the late, saintly pair of the Bril Wonmel’s Afrika Korps left arm he wore that emblem of Germany—a black swastika on red.

The immediate image of the in this get-up came as a shock to Queen’s subjects, not least to off Ingham Palace. It coincided with new sensitivity about the far right days earlier a popular football made news across Europe by app. Musolniki-style salute during With signs of recent political r nationalistic groups in Holland, some parts of the United Kingdo
Venezuela

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  - It was not a random sample
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**Venezuelan Recall Effort to Miss a Deadline**

CARACAS, Venezuela—Venezuelan electoral authorities will miss a key deadline today in the effort to recall populist President Hugo Chávez, increasing opposition fears that the fiery leftist could stay in power for years to come.

Members of the National Electoral Commission, or CNE, signaled they will delay until the end of the month a final decision on whether opposition groups have collected enough signatures to force a recall election. Opposition leaders, fearing time is running out to oust the president peacefully, vowed to stage a massive march on the CNE tomorrow. Students clashed with police in two Venezuelan cities yesterday over the decision.

"The people won't accept this farce any longer," said Elias Matta, an opposition deputy, summoning Venezuelans to turn out for the march. "It's time for [the CNE] to show its face and say when the presidential referendum will be held."

The stakes are high for the U.S. and for the region. Venezuela is the fourth-largest oil supplier to the U.S. and is part of the most volatile region in Latin America. Mr. Chávez, a cashed-out former army colonel who helped lead a failed coup in 1992, has forged close ties to Cuban strongman Fidel Castro and has rallied diverse groups against a U.S.-backed free-trade agreement for the region.

The U.S., afraid the Venezuelan government is preparing a massive fraud, is watching the situation closely, a high-ranking U.S. official said. "We expect the international community will react strongly to any attempt to steal this referendum," the official said.

The recall vote must take place before Aug. 19. If it occurs after that—and succeeds—Mr. Chávez's vice president would finish the president's term while the charismatic leader campaigns for the 2006 elections against a divided and disorganized opposition.

The opposition needs at least 2.4 million valid signatures to launch the recall vote. Mr. Chávez has claimed that the signature drive, which collected 3.4 million signatures, was marred by "megafraud," but international observers said it was largely free, fair and transparent. The electoral board, three of whose five members are allies of the populist leader, is scrutinizing about half of the submitted signatures. Mr. Chávez's ruling Fifth Republic Movement party has said it expects to see only about 1.8 million valid signatures.

It is hard to find Venezuelans who believe the referendum will occur. Mr. Chávez may not be willing to risk flatly ruling out a referendum, since that could provoke criticism abroad and perhaps an outbreak of violence. Still, opponents are convinced he will use a combination of legal stalling tactics, intimidation and dirty tricks to run out the clock on the referendum.

Overwhelmingly elected president in 1998, Mr. Chávez alienated Venezuela's middle classes with his fiery rhetoric and close ties with Mr. Castro. His once-massive support among Venezuela's urban poor has eroded along with their incomes, which have fallen 23% in the past two years.

—José de Córdoba and Peter Millard

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**Russia’s Health**

**Dire Lack of Funds Creates Sick, Dwinding Population And ‘National Emergency’**

BY JEANNE WHALEN

ALEXEI SEROV knew it was time to evacuate the pregnant mothers from his maternity hospital in central Russia when pipes began bursting and plaster started falling off walls.

Health regulators closed the clinic, which hadn't been renovated in 40 years, and Dr. Serov moved his patients to a makeshift ward across the street.

Conditions there aren't much better. There is no elevator, so women must be carried upstairs to the operating room if complications arise during birth. A clinic for tuberculosis patients stands next door.

And two children died last year because the hospital lacked a simple breathing machine that costs just $15,000.

"We physicians are working on the razor's edge," says Dr. Serov, who earns the equivalent of $130 a month. "All our problems boil down to a lack of financing."

The dire state of Russia's public-health system has helped create what President Vladimir Putin calls a national emergency: Every year nearly a million more Russians die than are born. Even with surging immigration, mostly from former Soviet republics, Russia's population has dropped from 147 million in 1989 to 145.
Kafka in Caracas

Venezuela

Chavez frustrates the petitioners

TIME was when Latin American rulers would lose an election but still manage to win it during the vote count. But it is a novelty for a vote to be stolen before it has even been scheduled. According to Venezuela's opposition, that is just what the country's increasingly authoritarian president, Hugo Chávez, is trying to do with a recall referendum which—if it ever happens—could bring his populist government to an abrupt end.

Ironically, Mr Chávez was once a great enthusiast for the idea of recall referendums, an innovation in a new constitution he sponsored in 1999. No longer. The electoral council (CNE) was slow to issue rules for referendums, so two previous opposition attempts were ruled invalid. Last year, the CNE finally drew up guidelines; these have been followed by the Democratic Coordinator, the opposition umbrella group.

On four days late last year, the Co-ordinator gathered over 3m signatures calling for the plebiscite. The CNE's rules were so strict that, for example, petition forms were printed on bank security paper to avoid fraud. The signature-gathering went smoothly, witnessed by officials from the government, the opposition and the CNE.

But on day three, when it became clear that the number of signatures would easily exceed the 2.4m (20% of the electorate) required, Mr Chávez denounced the exercise as a "mega-fraud". If the CNE called the referendum, he would not recognise it.

But the president then backtracked, saying he would respect the council's decision and calling on the opposition to do the same. Why? Perhaps because the CNE's board, three of whose five members appear to support the government, is itself throwing up obstacles. It is already a month late in ruling on whether a referendum should take place. And it has been making up new rules as it goes along.

On February 24th, the CNE ruled that signatures will be annulled if the accompanying personal details were penned by another hand (eg, if they were taken down by the referendum organisers)—unless the signatories individually confirm during a five-day period that they really did sign. That should be enough to abort the referendum.

The Organisation of American States (OAS), which has observed the process, is said to have discussed pulling out if what it has called "excessive technicalities" take precedence over the will of the electorate.

It is no mere onlooker. Together with the Carter Centre, headed by Jimmy Carter, a former American president, it did much to persuade the opposition to take the referendum route (despite its fears that Mr Chávez would bend the rules). Both are guarantors of a deal struck in May 2003 in which government and opposition agreed to abide by the constitution. "No tricks!" warned Mr Carter at the time.

Absent a referendum, many would argue that Mr Chávez was no longer ruling as a democrat. Venezuela would risk expulsion from the OAS for violating its Democratic Charter. That decision might be closely fought. Mr Chávez would hope for many votes from the small states of the English-speaking Caribbean, to whom he supplies cheap oil. He recently visited neighbouring Guyana, where he downplayed Venezuela's claim to that country's Essequibo territory. A sudden about-turn aimed at forestalling diplomatic isolation, said opponents. But if forced to choose between isolation and power, Mr Chávez might prefer to walk alone.

VENEZUELA

Chavez accuses U.S. of 2002 coup attempt

CARACAS—President Hugo Chavez on Sunday vowed to freeze oil exports to the United States and wage a "100-year war" if Washington ever tried to invade Venezuela.

The United States has repeatedly denied ever trying to overthrow Chavez, but the leftist leader accuses Washington of being behind a failed 2002 coup and of funding opposition groups seeking a recall referendum on his presidency.

Chavez accused the United States of ousting former Haitian President Jean-Bertrand Aristide and warned Washington not to "even think about trying something similar in Venezuela.

Venezuela "has enough allies on this continent to start a 100-year war," Chavez said during his weekly television show.

March 8, 2004
Daily Camera
Boulder, Co.

Chavez is a bad apple!
2 Killed as Troops Fight Protesters in Venezuela

By JUAN FORERO

LIMA, Peru, Feb. 27 — Venezuelan troops and antigovernment demonstrators clashed Friday in the streets of the capital, Caracas, leaving at least two people dead and several wounded as President Hugo Chávez convened a summit meeting of developing nations.

The confrontation, in which National Guard troops repeatedly fired tear gas at protesters and gunfire broke out, came two days before a government electoral board was to rule on the validity of signatures government opponents had collected to force a referendum on recalling Mr. Chávez from office.

Earlier this week, the Venezuelan electoral authorities said up to a third of the 3.4 million signatures submitted would require further revisions and be checked for fraud because of technical violations, leading to an outcry from the petition’s organizers. A Western diplomat familiar with the electoral process said the National Electoral Council would announce Sunday a five-day “repair period” in which those who signed could verify their signatures.

Since a brief uprising in 2002 and a series of strikes failed to oust Mr. Chávez, the opposition has resorted to a binding recall referendum as allowed in the Constitution. The opposition needs 2.4 million signatures, but many political analysts warn that if the government succeeds in blocking a vote, Venezuela could become gripped in violence.

Opponents of Mr. Chávez say the government and the electoral board have increasingly put up obstacles to derail their referendum efforts. Though he was democratically elected, many Venezuelans accuse him of authoritarian rule and mismanaging the economy. The government accuses the opposition of provoking violence.

“Tensions are high, and it’s an important moment for the country,” the diplomat said in a telephone interview from Caracas.

The Bush administration, which has been increasingly critical of Mr. Chávez and supportive of the opposition, called on his government on Friday to respect the rights of the people. “The Venezuelan government has, at times, agreed with those rights, but often we’ve seen activity that we think is not consistent with that,” said Richard A. Boucher, the State Department spokesman.

The Organization of American States and the Atlanta-based Carter Center, mediators in Venezuela, are working with electoral officials to streamline the signature verification process and ensure that the repair period is technically feasible.

The Caracas fire chief, Rodolfo Bricero, said 2 people had been killed and 14 wounded by gunfire, and 10 more hurt by plastic bullets, Reuters reported.

The government halted live broadcasts of the unrest, replacing them with speeches from the summit meeting, which was attended by leaders from 19 Latin American, Asian and African nations.

The leader of Venezuela is a bad one

The people have tried so hard to get rid of Chavez. They deserve to be successful please let them win.
Chavez backers protest ruling on recall

By Christopher Toothaker
The Associated Press

CARACAS, Venezuela — Supporters of President Hugo Chavez demonstrated outside the Supreme Court on Tuesday, angered by a ruling that enables his opponents to pursue their campaign for a recall referendum.

The court said signatures on petitions seeking a recall vote are valid unless citizens disclaim them.

The National Elections Council had asked for confirmation of 870,000 signatures it said were questionable.

Monday's ruling spared Chavez opponents the effort of mobilizing voters to come forward and confirm that they signed, a logistical nightmare that could have killed the recall drive. But it remained far from certain that they would get their vote.

"The government is going to try to use trickery to try to change the ruling," said Altagracia Perez, 27, one of hundreds of Chavez opponents who took to the streets Monday night to celebrate the ruling.

The government immediately appealed Monday's decision, said Freddy Bernal, a key member of the president's ruling party.

The ruling was made by the Supreme Court's electoral chamber and can be overturned by its constitutional chamber. The court, made up of 20 magistrates, is divided into several chambers that rule on different areas of law.

Opposition leaders submitted more than 3 million signatures Dec. 19. They needed some 2.4 million to force the vote.

But the elections council decided two weeks ago that only 1.8 million were valid. The council rejected almost 400,000 outright.

It ordered 1.1 million citizens to confirm they signed — more than 870,000 of them because they allegedly violated procedural rules when completing petition forms.

The Supreme Court said the 870,000 signatures should be deemed valid unless citizens come forward to disclaim them. If no citizens come forward, opponents would have 2.7 million signatures — enough to hold a vote.
WORLD VIEW

Venezuela court overrules council

Ruling says recall petition signatures don't need validation

By Alexandra Olson
Associated Press

CARACAS, Venezuela — Venezuela's Supreme Court gave a major boost Monday to opponents of President Hugo Chavez, ruling that signatures on recall petitions need not be validated.

The court overturned a decision by the National Elections Council to force more than 870,000 citizens to confirm they signed the petitions seeking a vote to recall Chavez. The court ordered the council to accept those signatures as valid unless citizens come forward to say they had not signed a petition.

The ruling, while not guaranteeing a recall, was a big victory for Chavez's opponents, who claimed the council's decision had made holding the referendum nearly impossible. If the citizens don't come forward, Chavez opponents would have more than enough signatures to trigger the vote.

Opposition leaders called for celebratory rallies and planned a big march to the Supreme Court on Tuesday.

Venezuela's state television urged Chavez supporters to stage a counter-demonstration at the Supreme Court on Tuesday, raising the possibility of violent clashes in a nation deeply divided between those who accuse Chavez of becoming increasingly autocratic and those who think he speaks for the poor.

At least nine people died and scores were injured two weeks ago during clashes between National Guard troops and Chavez opponents protesting the election council's decision.

"The elections council has no choice but to accept (the Supreme Court's) decision," said Enrique Mendoza, leader of the Democratic Coordinator coalition of opposition political parties. "There will be a referendum."

But the government immediately appealed the high court decision, said Freddy Bernal, the mayor of the federal district of Caracas and a Chavez confidante.

The ruling was made by the Supreme Court's electoral chamber and can be overturned by its constitutional chamber. The court, made up of 20 magistrates, is divided into several chambers that rule on different areas of law.

Chavez insists the elections council has reason to suspect the petition is fraud-ridden. The president claims many signatures were duplicated or belong to dead people, minors or foreigners.

March 16, 2004
Camara
Boulder, Colo
Chávez’s Nasty Battle Against the Popular Will

John Kerry won’t say which foreign leaders” told him privately that they long for a Bush defeat in November. But here in the Venezuelan capital there is no need for speculation about President Hugo Chávez’s preference in the U.S. elections. Mr. Chávez has praised Mr. Kerry and is openly rooting for “los candidatos democratas.”

When not cheering for Democratic Party candidates, the Venezuelan president spends enormous energy railing bitterly against the Bush administration. A few weeks ago, in one of his legendary television rants of several hours, he used a vulgarity to characterize Mr. Bush and offered to wager that his own presidency will outlast Mr. Bush’s. The White House stay at about the same time he was feeding Zimbabwean bad boy Robert Mugabe here and honoring him with a Bolivarian sword award.

It’s no mystery as to why Mr. Chávez would prefer a Democratic president. Senate Democrats, led by Connecticut’s Chris Dodd, have insisted that because Mr. Chávez won office in a popular election in 1998, he is entitled to do pretty much as he pleases, even trample on human rights.

In April 2002, when the military brass refused to comply with Chávez orders to fire on unarmed demonstrators and demanded the president step aside, Mr. Dodd denounced the intervention. A day or so after what was billed as a military “coup,” Mr. Chávez returned to power, promising to reconcile himself with those he had wanted to kill only days before. Since that April event Mr. Dodd and Mr. Chávez have both delivered rants against “the coup,” which is now widely suspected to have been stage-managed by Mr. Chávez himself.

In recent weeks it has become apparent that Mr. Chávez has sufficiently reorganized his military to ensure that should circumstances similar to April 2002 recur, Mr. Dodd would not be disappointed. Mr. Chávez also seems to believe that should Democrats gain control of the White House, international resistance to his use of force would be minimal.

The streets are quiet now but a huge anti-Chávez rally was brutally attacked by the National Guard three weeks ago. The quietude is well understood as an eerie calm before another wave of protests against Mr. Chávez’s attempts to supress popular opposition.

The opposition is pursuing the constitutional option that allows for a recall halfway through a president’s term. It has collected more than the 2.4 million signatures required to trigger the recall referendum. But as he has all along, Mr. Chávez is employing delay and obstruction. Last month, the electoral council (CNE), which he controls, ruled that there are only 1.8 million valid signatures, charging, among other things, that thousands of signers are disqualified because they received help in printing their names and identification numbers next to their signatures.

This charge of widespread “assistance” is unsubstantiated. I have seen some of the forms that the CNE disallowed and the printing is notably varied, suggesting that the signers themselves did indeed record their own names. Moreover, even if signers had been helped to fill out their printed names and I.D. numbers that would be entirely consistent with international democratic standards, which insist that the semi-literate and uneducated have the same rights as the literate. It is likely that some signers asked for help because the government had warned that printed names not matching exactly the official register would be disallowed. A shortage of forms also made it critical to avoid mistakes. Under such limitations, organizers would undoubtedly have gone to great lengths to be sure that printing was correct.

The opposition celebrated this week when the electoral chamber of the Supreme Court countered the CNE’s decision, ruling that the signatures are valid and the referendum ought to go forward. But Mr. Chávez appealed and yesterday the government opened an investigation of the three Supreme Court magistrates who ruled the signatures valid.

This is a bad joke. The president will now drag the country through a Kafkaesque “constitutional” procedure that he himself designed to thwart any effort to end his misrule. As long as he sticks to the constitution, as interpreted by him, his U.S. Congress fan club will remain intact.

Venezuelans have been deeply disturbed by the events of the last few weeks. They have seen heavily armored National Guard troops shooting rubber bullets at close range, ruthlessly beating unarmed civilians and firing tear gas into crowds. They have heard that National Guardsmen launched tear gas canisters into a hospital displaying the Red Cross banner. The Guard allowed TV cameras to film most of this, undoubtedly well aware that it would be televised and serve as a warning to future demonstrators.

Other forms of dissuasion are in evidence. A congressional supporter of the president has gained access to the list of petitioners and has posted their names on his Web site, exposing them to both physical and economic intimidation. At least one government-owned company has declared its intention to fire employees who oppose the government. Last week the government demanded that banks here supply it with private details of their clients’ accounts. The banks flatly refused and the government backed down. But the intention was clear and the fear lingers.

Mr. Chávez is not relying only on his glorious Bolivarian constitution. His good friend Fidel Castro is sending in support. A credible source here reports that there is now an average of three to four flights daily from Cuba and some 100 visas have been granted to Cubans. Mr. Chávez’s America-bashing and destruction of political rights make it clear that he wants oil-rich Venezuela to mirror Cuba. The question for Americans to ask themselves as new elections approach is why is it that he prefers John Kerry over George Bush?
VENezuela

Regime change or bust

CARACAS

How does Venezuela’s increasingly authoritarian president get away with it?

Even before the election of Hugo Chávez, Venezuela was in trouble. But in the five years since he became president, Mr Chávez has steered his country into the abyss. The economy is disintegrating; the opposition is trying to oust him through a California-style recall referendum; other leaders revile him. Yet Mr Chávez still looks safe in his job. Why?

In part, because of some old-fashioned Latin American strong-arming. The opposition groups allege that around a dozen people have been killed in the last two weeks, during street protests at the scuppering of their referendum campaign. Venezuela’s electoral commission, the CNE, controversially disqualified over 1m signatures on the recall petition; its organisers will imminently decide whether to try to get some of those names reinstated—thus meeting the threshold required to trigger a referendum—or give up altogether. The chances of a referendum actually being held look slim.

Another part of the answer is Mr Chávez’s judicious use of electoral bribes. During 2002 and 2003 alone, abetted by strikes and lockouts, his government presided over a drop of at least 18% in GDP. Venezuelans are now living on income levels lower than any since the 1950s. Yet by diverting resources into programmes that benefit his own constituency among the poor, Mr Chávez has retained popularity ratings of between 30% and 40%.

He can afford the bribes because he has oil. After an abortive opposition attempt to force him from office by paralysing the oil industry, Mr Chávez introduced price and exchange controls, which have proved formidable tools for keeping the rebellious private sector in check. In 2003, the average price of a barrel of Venezuelan oil ($25.65) was around 17% higher than the year before. In 2004, it has remained above $27. In theory, the windfall profits that the high prices bring to the state oil corporation, PDVSA, should go into a fund to compensate the vicissitudes of the oil-price cycle. But Mr Chávez has raided the fund, and now argues that such revenues should pay for economic subsidies.

He has other sources of income, too. His bid to persuade the central bank, the BCV, to hand over $1 billion of its reserves—which Mr Chávez wanted to distribute in the form of agricultural loans—failed. No matter; now PDVSA is to shunt part of its income into government agriculture, housing and “social” programmes, a transfer that may well violate Venezuela’s constitution. Moreover, stringent restrictions on foreign exchange have boosted the BCV’s international reserves from around $13 billion in January of 2003 to over $22 billion now. In conjunction with that growth, a devaluation of the official dollar exchange rate, from 1,600 to 1,920 bolívares, has created notional bolivar “earnings” that Mr Chávez’s government has grabbed.

As well as the loans and subsidies, the cash has been channelled into social programmes of doubtful durability. These should boost the vote for the president in the unlikely event of a recall referendum, and for his candidates in the mayoral and gubernatorial elections due in August. Parliamentary elections are due next year. Despite its experience with the thwarted recall campaign, the opposition is unlikely to boycott them altogether, thus lending the vote a semblance of credibility.

Oiling the revolution

These shenanigans, of course, have a price, and not just in protesters’ lives. On the black market, the bolivar is plummeting. Partly as a result, inflation is the highest in the region: over 27% last year. Internal debt, which most Venezuelan banks have little choice but to keep refinancing, has spiralled. So Mr Chávez’s economic populism is unsustainable; but if he manages to crush the opposition, he won’t have to sustain it. Then, Venezuela’s economy may come to look like look Cuba’s. “It doesn’t matter if we go hungry or barefoot,” Mr Chávez once said, “so long as we preserve the revolution.”

What can the rest of Latin America do about him? If (and probably when) the opposition pulls out of the rigged referendum process, or is finally defeated by the cve’s machinations, the verdict of international observers will doubtless be harsh. The Organisation of American States (OAS) may debate the imposition of sanctions. The United States would like Brazil to take the lead in punishing Mr Chávez; and Luiz Inácio Lula da Silva, Brazil’s president, is himself increasingly disen-
Venezuela's president

Chávez administers the last rites to the rule of law

CARACAS

The president is close to winning absolute power, making a peaceful solution to Venezuela's political conflict harder

A DASTARDLY opposition plot to use Colombian paramilitaries to overthrow the president? Or a government show, designed to discredit a shaky opposition and distract attention from its own manoeuvring to quash a recall referendum? Whatever the truth behind the arrest this week of 90 odd uniformed but unarmed men alleged to be right-wing terrorists at a ranch on the outskirts of Caracas, it spells more trouble for the opposition to Venezuela's president, Hugo Chávez.

Mr Chávez, a populist former army officer, stands on the brink of winning absolute power in his country. The opposition's attempts to invoke the constitution and subject the president to a recall referendum looks doomed. Worse still, a new law enables the president to seize control of the supreme court. And the "paramilitary" incident is the perfect excuse for a crackdown.

"This is a country in which the last vestige of the rule of law has vanished," said Rafael Marín, an opposition legislator, after an attempted raid this week on his house, ordered by a military judge. That is hyperbole—but only just.

After a long filibuster by the opposition was defeated, the National Assembly on April 30th approved a law that adds 12 new justices to the 20-member supreme court. Hitherto, judicial appointments and dismissals have needed approval by a two-thirds majority in the Assembly, which Mr Chávez lacks. Under the new law, likely to take effect this month, only a simple majority is needed. So the president can now both pack and purge the court. Since the supreme court controls the rest of the judiciary, every judge in the land will have to apply the law the way the government wants—or risk losing his or her job.

That is probably the final blow to the referendum. Six months ago, the opposition gathered over 3m signatures for this, well above the 2.4m required by the constitution. But the government-dominated electoral authority disqualified 1.2m of them—requiring those concerned individually to confirm their signature in a laborious exercise due later this month. Even if enough do, the matter is likely to go to the supreme court. Time is running out. If a referendum is held after August 19th (the mid-point of his term) and Mr Chávez loses, the upshot would not be an election but his vice-president taking over.

The opposition fears that the new law heralds the curtailment of the political liberties that have hitherto prevailed in Mr Chávez's Venezuela. "Those who dare to dissent from the regime will be punished," says Gerardo Blyde, a constitutional lawyer and opposition congressman. This week, a mayor from his party was jailed on what the opposition says are trumped-up charges. Venezuelans who signed the referendum petition are finding that they may be denied everything from passports to bank loans, government contracts or jobs, and dollars at the cheap official rate.

Mr Chávez retains the support of at least a third of voters. He also controls the armed forces and the all-important oil industry. And with Venezuelan oil at over $30 a barrel, his government is awash with cash. Since Mr Chávez was first elected in 1998, income per head in Venezuela has fallen by 27% (partly because of a two-month general strike in 2002-03). But this year, the economy has started to recover.

So the president looks as if he will easily survive until the end of his term in January 2007, and perhaps longer. The opposition, a mosaic of parties and civic groups, faces an unappetising future. It is held together only by a desire to get rid of Mr Chávez. Absent a referendum, its rickety coalition may fall apart. Moderates may reach an accommodation with the government that allows them to survive—and Mr Chávez to present a façade of democracy. Radical elements, including some former military officers, may try rebellion, armed or otherwise. But the "paramilitary" affair has given the government the pretext to preempt any such efforts with a wave of arrests.

Like his mentor, Cuba's Fidel Castro, Mr Chávez thrives on enemies: he sees them not just at home, but in Colombia and the United States. His "microphone diplomacy" has the potential to strain Venezuela's relations with both countries.

A few years ago, the United States might have been expected to make a much more vigorous attempt to stop democracy from being extinguished in a large South American country. But the Bush administration has shown no sign of wanting to do anything that might disrupt the flow of Venezuelan oil ahead of November's election in the United States. So it is likely to
confine itself to rhetorical tut-tutting.

Venezuela’s relations with Colombia are more complicated. Security along the disputed border is a constant headache; both guerrillas and paramilitaries operate on the Colombian side, and have spilled over. President Álvaro Uribe’s government in Bogotá has complained of lack of co-operation from Mr Chávez in dealing with the guerrillas. Venezuela’s vice-president this week accused the head of Colombia’s army, General Martín Carreño, of involvement in the Caracas “paramilitaries”. General Carreño denied this.

Mr Uribe has held peace talks with the paramilitaries, but these are close to breaking down. It is not wholly implausible that Colombia’s paramilitary leaders—and even its army—might make an alliance of convenience with hardline opponents of Mr Chávez. True or not, the president is making it plain that the only role for a democratic opposition in Venezuela is impotence. One day, he may reap the whirlwind he is now sowing.

What sort of neighbour is this?

SANTIAGO

Chile suffers from Argentina’s energy bungling

IN THE late 1970s, Chile and Argentina almost went to war over three small islands off Cape Horn. Since the return of democracy to Argentina in 1983 and to Chile seven years later, relations have been transformed. The border disputes have been settled and the Mercosur trade block has done much to help the two countries link their energy and transport systems. All that has now been placed in jeopardy by the energy policy of Néstor Kirchner, Argentina’s president.

Chile has only small deposits of coal, oil and gas. Periodic droughts disrupt hydro-electricity. So it has come to rely on Argentina’s cheap and hitherto abundant natural gas for two-fifths of its electricity. Since the mid-1990s, around $5 billion has been invested in cross-border pipelines, gas-fired power plants and the conversion of industries and homes. In March, however, and without consultation, Mr Kirchner ordered a cut of up to a quarter in exports of Argentine gas to Chile, which normally amount to 20m cubic metres per day. The cut was a panicked response to predictable energy shortage in Argentina, where utility tariffs were slashed by a third in dollar terms and frozen after a devaluation in 2002, but where demand has soared with economic recovery.

What ranks Chile is that an agreement signed by the two countries in 1995 says that Argentina can cut supplies in an emergency—but only in the same proportion as they are restricted at home. “Argentina’s deficit is 5%, and a 5% cut in Chile would have been perfectly manageable,” says Rudolf Araneda of GasAtacama, an electricity generator controlled by CMS Energy of the United States and Spain’s Enesa. His firm has a 15-year contract for 3.6m cubic meters a day, but is receiving less than a quarter of that.

Chile now faces local elections in October and hopes to get through the winter without blackouts. So far, the gas cuts have mainly affected the north, home to several big copper mines. Old coal-fired plants there have been brought back into service, and most of the gas-fired plants could switch to diesel. But cuts in gas supplies to central Chile, home to 90% of the population and most (non-mining) industry, would be far more damaging. The central grid has little spare capacity. Avoiding power cuts there may depend on whether winter rains are sufficient to fill hydro-electric dams.

All this comes just when a surge in the copper price has helped Chile to shake off several years of low economic growth. The government is sticking to its forecast of growth of 5% this year. But officials say that using pricier alternatives to gas will cost the electricity industry at least $32m over the next six months. Generators, many of whose customers have fixed-price contracts, will absorb much of that cost. They doubt that they will get compensation for breach of their contracts either from Argentina’s government or their suppliers.

Chile’s opposition politicians and some businessmen have called on President Ricardo Lagos to retaliate—with trade sanctions or legal action—against Argentina. “We’re paying for their energy crisis and they’re competing against us with products made with artificially cheap fuel,” moans a local manufacturer. Instead, Jorge Rodriguez, the economy minister, is trying to minimise the cuts, or at least gain a say in how and when they occur.

This week, Mr Kirchner announced measures to boost the domestic supply of energy in Argentina. To include the creation of a new state energy firm, plus taxes on exports of oil and other liquid fuels. But in Chile the cuts have already forced new thinking. Generators say they will insist in future that their suppliers from Argentina provide greater assurances on supply, use separate pipelines and compensate for cuts.

They will also look farther afield. Peru’s Camisea field is too distant for fuel to be brought in by pipeline. Bolivia has big reserves but still resents the loss of its coastline to Chile in an unforgotten 19th-century war. It stipulates that “not one molecule” of the gas it will now send to Argentina can be sent on to Chile. So Mr Lagos has launched a plan to build a $500m terminal for imports of liquefied natural gas, to open in 2007.

Mr Lagos has been a loyal ally to Mr Kirchner, lobbying the IMF and the United States on Argentina’s behalf. Only days before the cuts came, leaders of his Socialist Party had visited Buenos Aires at the invitation of Mr Kirchner’s wife, Senator Cristina Fernández. Chile and its president have every reason to feel aggrieved—and the cause of South American integration has suffered a big setback.

Dominican Republic

Vote and ride

Electoral bribes may not save Mejía

DESPERATE times call for desperate measures. Opinion polls show President Hipólito Mejía trailing badly ahead of the May 16th election in which he is seeking a second term as president. So he has resorted to handing out cut-price motorcycles. Some 3,000 have already been delivered in exchange for a small down-payment. The beneficiaries are expected to oblige with their vote. “You know that the hands that give, await,” an aide to Mr Mejía told Dominicans. Another 100,000 motorcycles are said to be on the way should the island’s 5m voters keep the president in office.

They are not likely to do so. Mr Mejía, who claims to be a social democrat, has presided over a recession in the tourism and assembly industries. That was not his fault, but much else was. The country suffers continuing electricity shortages, and...
To Head Off Recall, Chávez Tries More Dirty Tricks

The mounting evidence that Venezuelan President Hugo Chávez has no intention of ever constitutionally relinquishing power horrifies much of the nation. And with good reason. What are Venezuelans to make of the president’s profound admiration for Saddam Hussein, who we now know made a practice of surgically removing the right hands of his critics?

The answer, undoubtedly, is that they are meant to be terrified. Indeed, it is reasonable to conclude that Mr. Chávez’s televised rants in defense of some of history’s most ruthless figures are not at all the spontaneous outbursts of a man lacking vision. Rather, they are part of an effort to intensify the climate of fear and intimidation so that opponents run for cover. How else to beat the horrendous odds Mr. Chávez would face if a recall were held?

Venezuela’s constitution allows for a recall vote to remove a president if, through a petition drive, the required signatures can be garnered. The magic number is 2.4 million, and by all impartial estimates—including the Carter Center—it was achieved last year. In fact, Venezuelans ought to be gearing up for the referendum.

But they are not, because Mr. Chávez, who controls the Supreme Court, the electoral council, the military and congress, has stood in the way. In doing so, he has displayed no small amount of fanciful logic and creative spin. Even the government cannot dispute the fact that in order to demand the “verification” of 1.1 million of over 3 million signatures, the Chávez-hand-picked electoral council had to retroactively change the rules.

Contrary to what had been agreed, the government now insists that in cases where it judges that signers had help in filing in personal data on the petition forms, their John Hancock are suspect. It has also alleged that many signatures were copied. Reviews of the forms prove that this is a ludicrous charge.

The Washington-based Center for Strategic and International Studies reported in its May 21 “Hemispheric Focus” that, “Anecdotal evidence suggests numerous cases of quite arbitrary deletion, including the signatures of some of the country’s most prominent public figures.” I have also come across such anecdotes. A Caracas friend who went out of his way to make sure he followed the signing rules tells me that his name is on the list of questioned signatures.

The challenge of the signatures is of course specious. Yet, by consolidating his power Mr. Chávez left the opposition with little choice but to comply with his demands. So this weekend petition-signers will slog through a shamb process to “verify” their signatures. To meet the minimum referendum requirement, more than 525,000 signatures will have to be revalidated. If the bar is not cleared, Mr. Chávez will have suffocated the referendum while retaining the facade of democracy.

The realities of daily life will help the chavistas some. Many folk may find travel impossible. Illness or other conflicts could arise. Also, the government has organized an anti-referendum campaign named Comando Ayacucho to canvass door-to-door against the petition.

But Mr. Chávez, who has already said that there will not be a referendum, will not rely on happenstance or conventional politics. Rather, economic and physical intimidation, fearmongering about foreign threats to Venezuelan sovereignty and, in the end, data manipulation are more likely to ensure his survival.

The government’s economic power may be its most insidious tool. As the owner of the monopoly Petroveno oil company, which is for all intents and purposes the Venezuelan economy, the state holds ultimate sway over most economic decisions. Anyone who wants to eat had better kowtow to the government.

This explains why striking oil workers who were fired have been blackballed from private-sector employment. It also explains why a parallel federal chamber of commerce and a parallel national labor union have been set up to challenge those traditional organizations that oppose Mr. Chávez. There are reliable reports that soldiers, Pdvsa workers and other government employees who signed the November petition have been dismissed.

This is the stick. But there is also the carrot. With oil at $40 a barrel, Mr. Chávez is able to buy a lot of goodwill and thereby recruit supporters. Government handouts of jobs, food and privilege all sit well in a country where the private sector has been crippled. If some meaningful number of signers, recall this weekend, want could explain a lot.

Physical intimidation is already an old story. There is plenty of film footage showing the government meeting public assembly—a civil liberty in true democracies—with rubber bullets and tear gas. Numerous government critics have died at the hands of Chávez enforcers.

This brutality has run wild while the Organization of American States has differed and Connecticut’s Democratic Senator Chris Dodd defended Mr. Chávez’s rule as a democracy. The tyrant is emboldened. Government raids on property and arrests of opponents have escalated. In conducting this harassment, the politicized National Guard claims absolute authority and sends a message loud and clear that jackboot justice is now the law. The arrest of retired Gen. Francisco Uson, who was once Mr. Chávez’s finance minister but now opposes him, was another warning signal to prospective dissenters.

The most recent production in Mr. Chávez’s theater of the absurd was the raid on a farm near Caracas. The government claims it captured 130 Colombian paramilitaries who were preparing to kill him. But testimony suggests that they are poor Colombians who were promised work and transported to the farm. Some said they were given brand new fatigues to wear—presumably to give them a military appearance. Just after they put these on, the Venezuelan authorities showed up. It is a fact that they had no weapons.

It stretches credulity to think that this ragtag bunch of peasants were plotting a coup that even Mr. Chávez was not able to accomplish when he was inside the military and tried one in 1992. Clearly, it was a staged event, part of a pattern of underhanded manipulation by Hugo Chávez. What the president has been doing to create the illusation of legitimacy would have made his ideological ancestors, the Bolsheviks, proud.
Chávez Recall Vote: Edging Closer, but Still Facing Obstacles

By JUAN FORERO

CARACAS, Venezuela, June 4 — After two and a half years of pushing by a fractious opposition, the door to a recall vote on President Hugo Chávez’s rule has finally swung open, but his opponents face an array of obstacles that could still stall their effort to end his turbulent presidency.

Until now, Mr. Chávez has managed to hold off a referendum through legal challenges while deter-minedly, and divisively, buttressing the powers of his presidency and building up his support by shifting his country’s oil wealth toward the poor of a highly polarized society. Already a leader who has survived a coup and four national strikes, Mr. Chávez coolly predicted in a nationally televised speech on Thursday night that he would persevere again, saying, “Friends, it is a new battle, and what awaits us is a new victory.”

Many analysts say the president may have reason to be confident. Though electoral authorities announced this week that the opposition had gathered enough signatures to force a recall vote, the guidelines for what would be this nation’s first presidential recall referendum remain untested. Questions are already swirling about the date of the recall, the effectiveness of the government’s vote-counting machines and a number of murky legal intricacies that may add to the level of uncertainty.

The most troublesome issue for the opposition is the timing. If Mr. Chávez succeeds through administrative or further legal challenges in pushing the vote off past Aug. 19, a recall will not lead to a new presidential election, as his opponents most desire, because the referendum would fail too late in Mr. Chávez’s six-year term. Instead, his vice president would take over, creating what many see as an opportunity for Mr. Chávez to command the country from behind the scenes and, in any case, permitting him to run again in the next presidential election, in 2006.

Even if the opposition wins a recall vote before Aug. 19, leading to a presidential election within a month as laid out in the law, it is unclear from the Constitution whether or not Mr. Chávez can participate. The Supreme Court has yet to rule on this central point.

The president’s foes are already warning that authorities could put time-consuming delays. “We finished one stage,” said Alfredo Peña, the mayor of Caracas and a strident foe of the president. “We are now entering another stage, perhaps as hard or harder than before.”

Then there is the fact that Mr. Chávez commands a solid block of popular support among the country’s 12 million registered voters.

Buoyed by prices hovering above $34 for a barrel of Venezuelan crude, Mr. Chávez’s government has been spending handsomely in recent months on education, health care, neighborhood medical clinics and subsidized markets. That has fueled up the president’s backing in the tumble-down barrios where his Bolivarian movement has most of its support since he was elected in 1998.

The opposition needs, the state oil company, Petróleos de Venezuela, says in its 2004 budget that $1.7 billion will be set aside for social programs, up from just $40 million or so per year in recent years. The budget says $600 million would go to agricultural development, and $500 million would finance low-income housing, among other projects.

Oil analysts say there is no way to tell if the government will actually spend that much. But it is clear that Mr. Chávez’s left-leaning government has focused much of its attention on reaching potential voters, offering everything from free dental clinics to literacy classes to small-scale neighborhood improvement projects.

“My mother is 75 years old and she’s in classes, learning how to read,” said Angélica Tutiérrez, 37, a former bank worker from a poor barrio. “It’s beyond imagination the number of people who are in favor of Chávez.”

Larry Birns, who closely tracks Venezuela for the Washington-based Council on Hemispheric Affairs, said the new emphasis on social programs had permitted Mr. Chávez to appeal to onetime supporters who stayed as the economy faltered.

“He is getting the revenue flows that will enable him to win back those who had defected because of the fact that he had not honored his pledges of allocating resources to the poor,” Mr. Birns said.

A poll released here in April showed, for the first time, that Mr. Chávez would squeak to victory in a recall. And to win, his opponents need to collect nearly 400,000 more votes than the 3.4 million signatures they claimed to have collected in December to force the recall.

William Contreras, a neighborhood leader in Catia, a poor district of Caracas, said poor people in the barrios were conscious of the program. “They know the government is giving them things,” he said. “They will go on to defend their president, to defend their revolution, and they will do it with democracy, with their vote.”

Others disagree, saying the country’s two-year, 19-point plunge has soured millions on Mr. Chávez.

Alberto Garrido, an author critical of both Mr. Chávez and the opposition, said the president could very well win an election against a fragmented, disorganized opposition.

But he said a referendum was another story, in essence a plebiscite on a combative leader who, for many Venezuelans, is a symbol of disorder and division. “People will be unified by a referendum,” he said.

Even so, Mr. Garrido says the road toward a recall is “a labyrinth that’s going to be harder than anything else the opposition has faced.”

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Jun 5, 2004
The vote in 2004

Question:
Should Chávez be ousted

- They finally got a vote in 2004
- Evidence says that the opposition won the election
  - But the win was stolen

The next few pages are about the election
In Venezuela, the Fox Guarded the Chickens

In regard to John Graham's Sept. 13 Letter to the Editor "Carter Didn't Whitewash Venezuelan Voting Process"—Mr. Graham got it wrong. Mary O'Grady may have quoted him out of context (Americas, Aug. 27), but she got it right:

1. The Aug. 18 sample was not a random sample. And, even if it was, it had zero credibility, having been created by the CNE computer using the CNE's software (CNE is the Venezuelan government's electoral council). That's akin to putting the fox to guard the chickens. As you apparently are not aware, the Carter Center ignored opposition pleas that the center create the sample using the Carter Center computer. In short, as Ms. O'Grady says, "an impartial audit of the ballots was not allowed."

2. Ms. O'Grady's assessment, that "President Carter whitewashed a manipulated Chavez victory," may be a bit strong, but how else can one qualify a rush to judgment by a veteran of 30 (or more) elections who knew that there had been no manual count of the votes based only on the CNE's say-so when, in fact, the discrepancies between the exit polls and "actas" produced by the touch-screen voting machines were crying out for a more serious investigation?

3. Given Mr. Graham's knowledge of Venezuela, there can be no explanation for his whitewash of Mr. Carter's unjustifiable failure to call for an immediate manual count of a representative sample of "boxes" chosen at random using a third-party computer and program. Venezuela's democracy is paying a very high price for the president's irresponsibility and the failure of those such as Mr. Graham who could have blown the whistle at the time.

Robert Bottome
Editor
VenEconomy Weekly
Caracas, Venezuela

They finally got a vote

But it was stolen

The Aug 18 -04 sample count was not a random sample

She said "President Carter whitewashed a manipulated Chavez victory"

Other studies also said that the vote was manipulated

So now the people will suffer

Sep 30, 2004
Wall Street Jour
Venezuela’s Oil-for-MiGs Program

In the all too familiar tradition of appealing the neighborhood bully, Venezuelan President Hugo Chávez has been granted “legitimacy” by the Organization of American States and Jimmy Carter. Well supported charges that the president rigged the voting to avoid a recall have not been refuted, but Venezuelans are being told to get over it.

The only question now is how long it will take before the hemisphere’s democracies have reason to regret the free pass given to Mr. Chávez. A survey of the region suggests it won’t be long. Not only might a showdown be brewing at home but Mr. Chávez seems fully prepared to menace neighboring states. Some of his targets, Bolivia for example, appear to be cowed. Another, Colombia, is in his cross-hairs. A Sept. 14 United Press International story quoted a Venezuelan military intelligence officer saying that his country is “heading toward a war with Colombia.”

Mr. Chávez has made no secret of his dream of spreading his Bolivarian revolution all over the South American continent. The OAS had no trouble throwing the Venezuelan population to this wolf so as to have peace in our time. But now that Mr. Chávez has tightened his grip on power, he is pursuing his bolder ambitions.

Mr. Chávez seems to be already wielding influence in Bolivia, whose President Carlos Mesa betrayed his sympathies toward the Venezuelan to Journal editors during a visit Monday. When I asked about Chávez’s designs on the continent, Mr. Mesa expressed gratitude for the strongman’s statement that he “dreams of swimming in a Bolivian sea.” That, Mr. Mesa said, is an affirmation of Bolivia’s right to a Pacific coast. He did not elaborate, however, on the fact that this would necessitate carving a path through Chile.

In surveying the altered Latin American political landscape since the 1980s, Mr. Mesa lumped Venezuela’s Hugo Chávez, Brazil’s Luiz Inácio “Lula” da Silva, and Argentina’s Nestor Kirchner together, noting that they all share a common rejection of the “orthodoxy” of “neoliberalism.” And for good reason, he explained: free markets are not what they’re cracked up to be.

Mr. Mesa intends to fix the problem in Bolivia by expanding the role of the state and by rewriting oil and gas contracts with the private sector to claw bigger royalties.

Given what we know about how economies grow, this sounds less like a well-informed development strategy and more like a political calculation, not only to satisfy the saber-rattling Chávez but also militant Chávez disciples inside Bolivia.

Mr. Mesa admits that the Venezuelan president is backing the Bolivian president’s political rival, coca-strongman Evo Morales, but he says he doesn’t mind. This seems odd too. Mr. Morales, who won the Libyan peace prize from Moamar Gadhafi, was a key player in the civil unrest and bloody rioting that forced elected President Gonzalo “Goni” Sanzeh de Lozada from office and brought former Vice President Mesa to power.

One might expect a democrat to object to the use of violence to unseat an elected president. But Mr. Mesa bows to Mr. Morales, calling him an important player in Bolivian politics. The lesson Mr. Mesa seems to have drawn is that defying Mr. Chávez and his fellow traveler is a career limiting move.

Yet not every Latin leader is running for cover. To deal with that problem Mr. Chávez is now engaged in an arms build-up and is threatening neighboring Colombia. In July 2003, this column reported that the former Colombian finance minister, Juan Manuel Santos, had said the Chávez government was shopping for MIG fighter jets. The Chávez government vehemently denied it and called Mr. Santos a “cynical and irresponsible liar.” Imagine my shock when I learned this week that it was the Chávez government doing the lying.

Russian news services are reporting that both U.S. and Colombian military sources have confirmed that Venezuela’s defense ministry has purchased several advanced MiG-29 fighters and that U.S. sources have detected them on training missions.

On Monday, the Russian Business Monitor reported that “Venezuela plans to spend approximately $5 billion on acquisition of Russian fighters’ including purchase of armament, airframe and airborne equipment.”

The Sept. 14UPI story said that in “letters addressed last year to the director general of Russian Aeronautic Corp., Nikolai F. Nikitin, the Venezuelan air force requested the ‘latest version’ of the MiG-29 SMT equipped with high-tech weaponry, including radar-guided missiles and 2,000-pound bombs.”

UPI further reported that it had a document signed by the Venezuelan air force commander, Maj. Gen. Regulo Anselini Esplin, which stated, “The plane must have the capacity to carry no less than 4 tons of bombs.” UPI reported that “Vene- zuelan generals have told European diplomatic officials that they need the MiGs to protect the Panama Canal. When asked against whom, the air chiefs wouldn’t specify.”

The story also claimed that U.S. intelligence reports say that “Venezuelan contracts are also being drawn up for Russian Mi-17 heavy-lift helicopters as well as radar systems from China.” Separately, the Sept. 16 Jane’s Intelligence Digest claimed that “negotiations are under way for Ukraine to supply more sensitive and strategically important military equipment to both Cuba and Venezuela.”

The OAS may have stamped Mr. Chávez “legitimate” but a dark cloud of public doubt hangs over the Miraflores presidential palace and the Venezuelan people are clearly restive about the direction their president is heading.

This may explain why he cancelled his trip to New York for the U.N. General Assembly this week and instead visited a spot on the Colombian border where five Venezuelan soldiers had been killed by guerrillas. It’s said he was poorly received by his own men. The OAS and the Carter Center may one day be sorry that they rushed to validate the results of the recall vote.
Chavez’s Tyranny Emboldens Nicaragua’s Ortega

Ortega might have been kept in check if not for the corruption in the Liberal Party.

men lifetime congressional seats and immunity from prosecution. They also divided up the seats on the electoral council, the Supreme Court and the government’s fiscal oversight agency and then rewrote election law to make it difficult for other parties to get into congress. When one Sandinista took up his new seat on the bench, after the reform, he announced publicly that he was in the court to defend the interests of his party.

With so much power—not to mention money—in Alemán’s hands, it’s easy to see why President Enrique Bolaños’s decision to bring the oversized party boss to justice has been unpopular among Liberal loyalists. Indeed, it is amazing that Mr. Bolaños was able to strip Alemán of his immunity and win two convictions against him. But Alemán went to jail still wielding enormous power in the party. If you believe his critics it’s because the graft was not his alone. He also seemed aware of the potential of Ortega’s 38 congressional members and the Sandinistas on the supreme court.

This brings us to the coup underway: Congressional Liberals and the Sandinistas have approved, on a first-round vote, a constitution change that if approved on a second-round vote, will strip Mr. Bolaños of power. The measure grants congress new confirmation powers as well as the authority to fire cabinet ministers and ambassadors. It explicitly states that the goal is to elevate the legislative branch above the executive but it makes Nicaragua neither a parliamentary nor presidential system. “They are picking what they want from every different political system and creating a monster,” says Eduardo Enriquez, managing editor of Nicaragua’s La Prensa.

Perhaps not coincidentally, the court has overturned one of Alemán’s convictions and the other is pending, leaving many to conclude that Ortega is letting Liberal corruption slide by in return for Liberal support in destroying executive power. Disgust among the Liberal’s constituency explains the shockingly low turnout of 44% in municipal elections last month and the good performance of Ortega’s party.

Now Ortega is feeling oats. One example: Mr. Bolaños had told the U.S. he would destroy the military’s large collection of Soviet-made surface-to-air missiles. But with the job only partly done, the congress has put a stop to it, announcing that the executive doesn’t have the power to carry out his promise. It is a good indication of where the country is headed if the unelected Ortega is able to destroy the office of the president.
Venezuela

Stories from 2003

- Read the fine print: Chavez charm offensive (May 2003)
- Venezuela's courts: No justice (Nov 2003)
- Chavez rule: The beatings will continue (Jan 03)
- Sandinistas still hold Nicaragua in thrall (Oct 03)
- One more from March 2005 (oil)
- Venezuela: RJ0287 (61p) see a previous document yrs 2002-03

A vote on Chavez comes closer (Dec 2003)

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Read the Fine Print on the Chávez Charm Offensive


Mr. Kemp explained that he has a long-standing relationship with "Bernardo" and suggested that since much Venezuelan oil flows to the U.S., the U.S.-Venezuela relationship is important.

Of course, U.S. oil supplies have nothing whatsoever to do with U.S.-Venezuelan relations. Venezuela has to sell its oil to survive, if not to Americans, then to others. So Venezuela is hardly in a position to curtail the world's supply of petroleum, the only thing that matters to the U.S. Other OPEC nations have the same urgency, which is why the strategy of cutting output to boost prices has serious limitations, all the more so because there are important non-OPEC oil-producing countries that don't comply with cartel quotas.

The upshot is that Venezuela needs to worry more about its image in the U.S. than the U.S. has to worry about good relations with Venezuela. That image could hardly be worse at the moment. The totalitarian aspirations of Hugo Chávez's "Bolivarian Revolution" have moved like a hurricane across the Venezuelan economy, wreaking everything in its path. The only thing left standing that can throw off revenue is the Venezuelan oil monopoly PDVSA. But since Mr. Chávez's absolute utopia also requires authoritarian control of PDVSA, he has had to fire every oil worker who doesn't agree with him.

It's no coincidence that those fired also happened to be the company's most able and educated employees. To replace them he's brought in untrained "chaquis" who are loyal to the revolution but can't tell an oil rig from a desert cactus. Ergo, Mr. Chávez's survival depends on seducing foreigners—those by choice apolitical—to invest and to provide technical know-how. It's the same model Fidel Castro has used in the tourism sector to stay alive since the Soviet Union collapsed, taking his subsidies with it.

This is really what Mr. Alvarez's recent U.S. charm offensive—in which he quotes Thomas Jefferson, boasts of Venezuelan "democracy" and pals around with a well-known Republican—is all about. But while Mr. Alvarez is flitting about the U.S. paying lip service to American values, back home his political party—the hard-left Patria Para Todos or PPT—is nefariously aiding Mr. Chávez in draining the last bit of freedom out of Venezuelan society.

Mr. Chávez's political party is the MVR, which largely draws its power from the fossil (slums). But it is Mr. Alvarez's PPT, an elite party of ideologically socialist close to Castro, that is now running the country.

All Rodriguez, a PPT heavyweight, now heads PDVSA and has so politicized the company that Venezuelans have taken to calling it PPTsa. In her May 11 column in Venezuela's El Universal, prominent political commentator Marta Colomina referred to the "knife fight" going on inside the company for control of the oil "booty." At war are the PPT, MVR and the military, who she sad doesn't want to be last in line to share the wealth. When he's not running

PPTsa Mr. Rodriguez sits on the board of Sao Paulo Forum—an international association started by Fidel Castro in the early 1990s—along with Colombian guerrilla leader Manuel Marulanda.

The PPT's version of "democracy" holds that, once elected, the maximum leader calls all the shots. Mr. Chávez didn't have far to go to travel ideologically to close ranks with the PPT. Since he came to power in 1999 he has been perfecting his impersonation of an egotistical Cuban dictator, railing against his political adversaries, free enterprise, the media, the Catholic Church et al. He invites property invasions, fomenta hatred, and threatens opponents with retaliation. The country is rife with Cubans, who Mr. Alvarez told me are "helping" Venezuela as teachers and medics.

Yet none of this has been as effective in clamping down on the opposition as the heavy artillery Mr. Chávez brought out in January: exchange controls and price controls. Superficially these policies may seem minor offenses, next to the Chávez practice of arming paramilitary groups—the infamous Bolivarian Circles. But by seizing power over every dollar that comes into the country and by imposing price controls he's done what no chaquis thus could. He has gained a chokehold on the private sector.

Since January there has been almost no access to dollars by private businesses. Wholesalers and industrialists are running out of inventories and in a country that exports oil and imports almost everything else, this is devastating. Imagine the fleet of garbage trucks in Caracas that wants for spare parts and you have some idea of how the economy is breaking down. Businesses are closing, pharmacies are short on medicines and official unemployment—21% at the end of February—ballooning.

Dollars are now the government's most valuable weapon. It can withhold them to punish its enemies and use them to reward loyalty. Only it or its chosen few can import food. It's supplying its own chain of government stores and also distributing small food parcels to the poor at below market prices.

Packed in every bolsita is a colorful revolutionary propaganda flyer.

In recent days, Mr. Chávez has proposed new laws to censor the media and add 12 new seats to the Supreme Court, which he will no doubt pack. All of this will be stamped "democratic" because of his simple majority in congress and his elected office. To complete his totalitarian takeover of the country, all Mr. Chávez has to do now is make sure that the black gold keeps flowing. And that's why Mr. Alvarez is trying to make nice with American oilmen.
Venezuela’s courts

No justice

CARACAS

Hugo Chávez takes on the courts

ALL is far from well in Venezuela’s courts. Last month hidden microphones were discovered at the Supreme Tribunal. Then state television broadcast an ostensibly compromising video involving one of the tribunal’s justices, who is said to be friendly with the opposition to President Hugo Chávez. Another court, known as the First Court for administrative disputes, whose job was to adjudicate cases concerning the government, has been summarily shut down by a “judicial restructuring commission”, and its judges fired.

What lies behind all this? For Mr Chávez, a messianic populist, the answer is judicial wrongdoing. He has often said that 80% of judges are corrupt. He may not be far wrong. But, if so, his own government is partly to blame. After Mr Chávez was first elected in 1998, his government redesigned the judicial system from top to bottom, evaluating each judge and sacking many of them.

For the opposition, the goings-on in the judiciary have a different explanation. Some judges apply the law without regard to the wishes of the government. That was true of the First Court, whose status, despite its name, is second to that of the Supreme Tribunal. Now, pending cases against the government will remain pending—unless and until the tribunal sets up a new court to replace it.

Several rulings by the First Court had irked Mr Chávez. It upheld an argument by the medical association that Cuban doctors—sent as volunteers by Fidel Castro—should not be allowed to practise in Venezuela without a review of their qualifications. The government, which has promised to put a Cuban medical team in every poor neighbourhood, has refused to abide by the ruling. Globovisión, a rabidly anti-Chávez television news channel, claims that the defunct court was poised to order the government to return microwave-transmission equipment confiscated from it last month. It was also in line to handle some matters concerning an opposition proposal for a recall referendum on Mr Chávez.

That will now be the preserve of the Supreme Tribunal. It seems fairly evenly split in its political loyalties. But the government is trying to use its slender majority in the National Assembly to push through a bill which would allow it to add 12 new judges to the 20-strong tribunal.

The tribunal, says the government, is overworked. The opposition denounces the bill as a naked attempt to pack the court. It has staged a filibuster, so far successfully. So Mr Chávez’s supporters are changing the parliament’s rules to restrict the number of speakers in a debate. Meanwhile, conspiracies abound in the tribunal. As well as suffering hidden mikes and video spies, it recently recanted a ruling issued in its name which would prevent Mr Chávez from standing in any post-referendum election, saying that it was a forgery.

Some supporters of Mr Chávez point out that past governments in Venezuela could count on politically pliant courts. So why not this one? Opponents have long mistrusted Mr Chávez’s efforts to concentrate power in his own hands. They fear that he wants to rule as an elected dictator. So far, those fears have proved exaggerated. If the court-packing bill is passed, they would look justified.
Chavez's Law: The Beatings Will Continue Until Morale Improves

Whatever one makes of the Robin Hood intentions of Venezuelan President Hugo Chavez's "Bolivarian revolution," it's becoming pretty obvious that the incentives he's using may require a bit of tweaking. Rumor has it his government is using gunpoint, politically motivated arrests and state-sponsored gang violence, for some reason, do not seem to be motivating the population toward compliant, productive behavior.

Assaults on private property, human rights, the environment and press freedom reached frightening new levels this week. The top story was the National Guard seizure of merchandise at a Coca-Cola-affiliated bottling plant and a beer distribution plant owned by Venezuela's Empresas Polar on Friday. The Supreme Court decision to block a Feb. 2 non-binding referendum and capital controls were also big news. But there were plenty of other attempts to consolidate government control and Mr. Chavez has promised more of the same to come.

Predictably, with every stroke of the Venezuelan military nightstick more investment capital is withdrawn, unemployment rises and the nation sinks. The Associated Press reports that Microsoft Corp. closed two offices on Monday. The report added that since a national strike against Mr. Chavez began on Dec. 2 "ConocoPhillips and TotalFinaElf have withdrawn nonessential expatriate staff" and other fast-food franchises such as McDonald's, Burger King, Wendy's and Subway have closed.

The dismal economic failures of twentieth century totalitarianism have done nothing to convince Mr. Chavez—or his supporters in the U.S. Congress like Chris Dodd, Barney Frank, Jan Schakowsky, John Conyers and Jose Serrano—that force is not a wealth-creating policy tool. Economic neanderthals are forever breaking eggs in search of the elusive egalitarian omelet, but if Mr. Chavez's aggression against his people continues unrestrained the poor will get poorer. Venezuela's natural environment will be trashed and even minimal human-rights protection will become a dim memory.

Mr. Chavez's brigades appear to be caught up in the adrenaline rush that confiscatory power produces. The military general who chugged the Coca-Cola in front of the bottling plant his troops had raided and then burped for the cameras is a case in point. So is the National Guardsman who, in the same locale, viciously threw an unarmed woman to the pavement, rendering her unconscious.

This machismo profiles the passion of the chavistas for all the world to see. But such vulgarity and brutality is hardly a promo for attracting direct investment, tourism or even the more passive portfolio capital. By now Venezuela's image is not dissimilar to that of a bunch of low-class, wife-beating hooligans who get guns and view breaking into the beer factory their highest calling. Worse, it seems to be a metaphor for Bolivarian economics, which posits that to cure poverty all that is needed is to invade the property of the "haves" and redistribute the spoils.

The grab for the coke and beer is wrong in every moral sense but it pales in comparison with the human-rights violations carried out by the Venezuelan military. One is left to ponder why so many human-rights groups that have long monitored Latin American military abuses are now so passive toward Mr. Chavez's jackboot. The more prominent among them have been able to muster little more than the standard moral equivalency blather about how both sides are responsible for the nation's discord, a stance that raises questions about their political orientation.

The evidence that the government is using inhumane means is readily available. Photographs of the bottling plant workers, their but-tocks swollen with large purple welts, back their claims that the National Guard beat them. Mr. Chavez's armed forces also use rubber bullets against peaceful protestors, causing bloody, painful sores. These injuries have also been caught on video.

Among the more disturbing cases is that of 24-year-old university student Jesus Soriano. Mr. Soriano was illegally detained by Venezuela's secret police, known by its Spanish initials Disip, and badly beaten. He appeared on Venezuelan television late last week, his face disfigured, barely able to speak. "I lived the terror in person . . . terror . . . terror. The Bolivarian Circles [Mr. Chavez's "community groups"] and they are one and the same."

Mr. Soriano alleges that he was tortured. He says that Disip ripped off some of his fingernails and injected him with a substance that made him dizzy. He says Disip wanted information about the opposition. His lawyer also said that while he was incarcerated, Jojo Gouveia—the man accused of killing some of the victims of the Plaza Altamira massacre—was given keys to his cell and paid him a visit. "Gouveia entered his cell with other thieves and tried unspeakable things."

Last week the government started "administrative procedures" against two television stations, implying that it doesn't like their reporting on politics and that they could lose their licenses. Meanwhile environmental groups are reporting large oil slicks in Lake Maracaibo as incompetent and understaffed fill-ins try to manage oil production amid a strike of the industry workers. Last week Mr. Chavez banned flights over the lake that would have helped prove this allegation.

Chavistas—at home and abroad—have made it clear that the moral arguments in favor of constitutional liberalism to protect private property and free speech are unimportant to them. So be it. But if the welfare of Venezuelans is the issue, Chavez supporters in the U.S. might want to give some thought to what happens to the poor after the government has finished manhandling the population and stripping productive enterprise of its rights and its incentives.

Mr. Chavez's planning minister, the Chicago-trained economist Felipe Perez Marti, once lectured journalists that to talk down the economy is "a sin against the Holy Spirit." Coming from a member of Mr. Chavez's government, that's a heavy dose of do-as-I-say, not-as-I-do.
Sandinistas Still Hold Nicaragua in Thrall

Amnesty is amnesia. We’re supposed to forget,” Nicaraguan President Enrique Bolanos explained when asked at The Wall Street Journal offices in New York last week why Sandinistas who took homes in the infamous “La Pina” property grab of 20-odd years ago still retain them. Call it revolutionary realism. A decade after Sandinismo was defeated at the polls in Nicaragua, deposed commandantes live in the homes they confiscated, dominate the Nicaraguan military and control the country’s Supreme Court. Meanwhile, visitors to Managua now tell of starving children with distended bellies roaming the streets of the capital. So much for the holy ideals of the Sandinista revolution.

In three presidential elections since 1990, the Sandinista Party (FSLN) has never won. Yet it has cleverly used the leverage it gained through amnesty for its past predations—negotiated with President Violeta Chamorro—to make deals with corrupt elites and continue to exercise a large measure of power.

Nicaraguans presumably are supposed to forget what they suffered during the pillage of their country under Sandinista leader Daniel Ortega and his Cuban-backed regime. On top of that, they are asked to accept the political legitimacy of these violent actors, who hang onto spoils of their takeover, make law and act as judges. From their position of privilege, the Sandinistas are able to trade favors with loyalists to former Liberal Party (PLC) President Arnoldo Alemán, now in jail on corruption charges, and effectively thwart accountability.

Nicaraguan poverty levels now rival Haiti’s. Yet what can seriously be expected as long as the nation lives in the shadow of its dismal past? It is subject to a mind-boggling double standard fostered by the international left. This view wants Chilean Gen. Augusto Pinochet hung from the nearest yardarm for his counter-coup against Fidel’s man in Chile, an effort that eventually delivered both an economic and political freedom. But there is no such clamor for justice in Nicaragua. Indeed, “human-rights activists” appear perfectly content with Mr. Ortega’s impunity, to say nothing of the pass granted to his lead henchman, the Castro-trained Tomás Borge, who many Nicaraguans claim did the dirty work required to instill fear in the hearts of Nicaraguans. Amazingly, the ruthless Mr. Borge now runs the congressional committee on tourism.

A Democratic Congress adopted an amendment sponsored by Massachusetts Democrat Edward Boland to prohibit U.S. aid to the anti-Communists, known as the Contras. Oliver North concocted his now famous and totally ill-advised Iran-Contra plan to circumvent the Boland Amendment and help Nicaraguans fight communists. Mr. Dodd and like-minded Sandinista sympathizers have since walked away from the enormous mess they encouraged in Nicaragua, moving on to greener pastures like support for Haitian strongman Jean Bertrand Aristide. The poor Nicaraguans are left behind to live with the Sandinista legacy.

Mr. Bolanos explained to us that the Marxist rule also created a fiscal nightmare. In 1979, Nicaragua had $1.5 billion in foreign debt and exports of around $700 million a year. Over the next decade of Sandinismo, the country took on more than $1 billion of new debt a year, mostly from communist regimes that stipulated, according to Mr. Bolanos, only that the money had to be used against “imperialism.” By the end of the 1980s, Nicaragua had some $12 billion in foreign debt and exports had fallen to $250 million a year.

The 75-year-old Mr. Bolanos, who earned his stripes by staying in his country throughout the Sandinista years, has managed at least one impressive achievement in his first year in office. He has stripped Mr. Alemán of the immunity he thought he had “cooked” and put him in jail. Still, to illustrate just how elusive justice might be, its worth pointing out that the judge now trying him on money laundering, embroilment and election fraud is Juana Méndez, a Sandinista who lives in a house grabbed during La Pina.

In a September 2003 report the Eco

mint Intelligence Unit assigned Nicaragua “high” legal and regulatory risk. “Enforcement of contractual agreements remains problematic and attempts to reform the corrupt legal system fail. Unresolved Sandinista-era property claims weigh down the judiciary,” it said.

Getting Nicaragua to turn the corner on poverty requires property rights and a rule of law. But as long as Sandinista impunity stands, that may be a long way off.
Venezuela's president
Signed but not sealed

CARACAS
A vote on Hugo Chávez comes closer

There were those, on both sides, who thought it would never come. But last weekend Venezuelans finally got the opportunity to sign an officially-recognised petition for a recall referendum against Hugo Chávez, their controversial leftist president. Millions of them seized it. According to the Democratic Coordinator, an opposition umbrella group, some 3.6m signed the petition—well above the 2.4m required by the constitution to trigger the referendum. If so, Mr Chávez faces a real threat that his presidency could soon be brought to a premature end.

He certainly seems worried enough to be taking evasive action. On day three of the four-day signature drive, he called on his supporters to take to the streets to prevent what he called a "mega-fraud". Fortunately, his call went largely unheeded, and the exercise passed off with only minor incidents. Foreign observers, headed by César Gaviria of the Organisation of American States, were satisfied that the process was properly conducted.

In a bitterly divided country, government and opposition representatives at the signing centres managed to resolve their disputes amicably, shaking hands and even sharing food. Whatever they think about their president after five turbulent years of his rule, most Venezuelans seem now to be united by a desire to settle their differences in a peaceful and constitutional way.

That marks a welcome change. In its desperation to get rid of a president whom it sees as an authoritarian populist who is destroying the country, the opposition last year allowed itself to be provoked into trying some short-cuts. It paralysed the country's vital oil industry with a two-month general strike, and even succeeded in briefly ousting the president.

Go to 2

Note: They finally got a vote. But a victory of the opposition was stolen by Chavez.

Dec 6, 2003
The Economist

After protracted talks, chaired by Mr Gaviria, both sides agreed to respect the 1999 constitution, itself the brainchild of Mr Chávez. In an innovation which he once championed but now seems to regret, this allows for a recall referendum, once an elected official has served half his term, and provided that 20% of the electorate requests one.

But the game is far from over. The electoral authority now has 30 days to determine the validity of each signature. The tight regulations which governed the whole process—the petition forms were printed on bank security paper, for example—make it unlikely that many signatures will be disqualified. If all goes smoothly, the referendum would probably be held in April.

But the government will be looking for any excuse to impugn the process, using its leverage over the electoral authority and the courts. Some in the opposition have long argued that Mr Chávez will not leave without a fight. The president, a former army officer, has said he sees politics as a branch of warfare. Unless the country's institutions, including the armed forces, stand squarely behind the constitution, the president may yet evade an early date with the voters. The consequences for Venezuela would be dire.
pressure from the United States, voted in mid-January to boost production quotas by 1.5 million barrels per day, but that will make up less than half the total shortfall from Venezuela. Plus, the fresh crude won’t arrive immediately. Most will come from Saudi Arabia and the United Arab Emirates, and it takes 45 to 60 days for a tanker to steam from the Middle East to the United States, compared with just four to eight days from Venezuela. A war would almost certainly result in a temporary loss of Iraq’s two million barrels per day, and it might curtail production elsewhere in the Middle East, too. "We can make up for a disruption in supply from either Venezuela or Iraq, but not both," says Daniel Yergin, president of Cambridge Energy Research Associates, a firm that tracks the international oil market.

That explains why the United States has suddenly launched a major diplomatic effort to resolve Venezuela’s political crisis. There is little doubt the Bush administration would prefer to see regime change in Venezuela. Chávez, a former paratrooper turned leftist populist, has irritated the United States ever since he was first elected in 1998. He promised Venezuelans a revolution loosely modeled on Castro’s Cuba and began shipping oil to Havana at subsidized prices. He went on a grand tour of rogue states, cozying up to Iran and Libya and referring to Saddam Hussein as “my brother.” And he pushed for the passage of a new “hydrocarbons law” that effectively ended new foreign investment in Venezuela’s oil sector. Twice elected with majorities approaching 60 percent, Chávez’s increasingly authoritarian tendencies have alienated large segments of the country.

Today, he enjoys the support of poorer Venezuelans but is reviled by the majority of middle-class and richer members of society.

But the Bush administration’s first attempt to hasten Chávez’s exit from Miraflores Palace, the Venezuelan presidential residence, was hopelessly ham-handed. The White House seemed to endorse—and, some speculate, covertly helped plan—an abortive April coup against Chávez that even many of his opponents denounced as undemocratic. The administration was deeply embarrassed when Chávez was restored to power after 48 hours.

Until recently, the United States had been content to let the Organization of American States (OAS) take the lead in brokering a settlement between Chávez and the coalition of labor unions, business groups, and civic organizations—called the Democratic Coordinator—that oppose him. But the OAS-sponsored talks at Caracas’s Hotel Melia have dragged on for months with little progress. Despite moving into the Melia to personally oversee the negotiations, the best OAS Secretary General Cesar Gaviria has been able to do is convince both sides to agree on the need for a “constitutional” solution to the crisis. Even Gaviria admitted in an interview on January 14 that the government and the opposition remained far apart on what exactly “constitutional” means.

With an attack on Iraq imminent, the Bush administration can’t afford to wait. So for the moment, at least, it has subordinated its desire to see Chávez out of power to its desire to see oil flowing out of Venezuela again. “Right now, we don’t have much choice but to deal with him,” says one State Department official. In fact, Chávez and the White House have never broken off contact altogether—the oil relationship is too important. “The ambassador in Caracas has the best access to the government is still the U.S. ambassador,” says another Western ambassador in the city. U.S. oil companies have continued to operate facilities near Lake Maracaibo on behalf of Venezuela’s state-owned oil firm Petróleos de Venezuela. Perhaps that’s why Chávez has recently made more accommodating statements about the United States, telling American reporters that his revolution is based on America’s own founding principles.

Having learned its lesson from April’s fiasco, the United States has made it clear to Chávez’s opponents that it won’t abide another coup. “We wouldn’t touch it with a ten-foot pole,” the State Department official says. Plus, a coup might well fail. After being restored to power in April, Chávez purged the military of suspected dissidents. “It’s not at all clear that a sizable percentage of the military would line up against Chávez,” the State Department official says.

The new American diplomatic push centers on a group called “The Friends of Venezuela,” which consists of Brazil, Chile, Mexico, Portugal, and Spain, along with the United States. It’s a clever maneuver designed to head off a rival proposal by Brazil’s new left-leaning president, Luiz Inácio Lula da Silva. At Lula’s inauguration, Chávez called for the formation of an international coalition to help resolve Venezuela’s crisis. He was clearly looking for leverage over the opposition, and Lula, whom Chávez considers a good friend, seemed ready to oblige. Lula’s “Group of Friends” would have offered Chávez international allies—including Algeria, Cuba, and Iran—that were sympathetic to his politics. Instead, the United States has co-opted Lula’s idea and turned it to its own purposes. It successfully cajoled Brazil to agree to a much more neutral set of participants and brushed aside Chávez’s wishes to expand the group beyond the six members the United States selected.

The Friends of Venezuela, which held its first meeting in Washington last week with Secretary of State Colin Powell present, wasted no time in ramping up the pressure on Chávez and the opposition. The goal is to convince both sides to accept one of two solutions broached by America’s favorite back-channel diplomat, former President Jimmy Carter, during a recent visit to Caracas. One proposal calls for a referendum on Chávez’s presidency on August 19, 2003; the other would involve amending the constitution to reduce the president’s term from six years to four, leading to new elections before the end of the year.

While Chávez has struck a defiant tone in recent public remarks, even threatening to walk away from the talks, both sides are in the mood to deal, according to sources close to the negotiations. “With both the U.S. and Brazil speaking..."
VENEZUELA

KILLING THE GOLDEN GOOSE?

Chávez is harming the oil industry to feed his social programs

MARIA CONCHITA

Carrillo didn’t learn to read and write as a child because her mother couldn’t afford to send her to school. But in June the 77-year-old former seamstress will complete sixth grade, courtesy of Petróleos de Venezuela (PDVSA). Venezuela’s state-run oil company doesn’t just pay for Carrillo’s schooling. If foots the bill for a new community health clinic where she can get free medicine, and it subsidizes the rice, cooking oil, and other staples she buys at government-run stores. “It’s the first time that the government has ever done anything with our oil wealth to benefit the poor,” says Carrillo, sitting in an improvised classroom in a poor barrio in Caracas.

Venezuela’s oil riches have long been a curse as well as a blessing. The country boasts the largest petroleum reserves outside the Middle East. For the better part of a century the commodity has fueled the local economy—along with the ambitions of politicians. Now, President Hugo Chávez, a left-leaning populist who draws inspiration from independence hero Simón Bolívar, is reaching deep into PDVSA’s coffers to finance a “democratic revolution” to raise millions of Venezuelans out of poverty. Chávez is pumping some $4 billion of PDVSA’s windfall profits into social programs each year. At PDVSA’s headquarters in Caracas, a mural depicts Chávez and a child superimposed on an oil well, with the slogan: “Deepening the Bolivarian Revolution in 2005.”

Turning petrodollars into good works? Sounds laudable. But Chávez is also using oil in his bid to turn Venezuela into a counterweight to U.S. influence in Latin America. Venezuela, once a dependable American ally, has become a thorn in Washington’s side. The White House takes a dim view of Caracas’s sales of subsidized oil to Fidel Castro’s Cuba. It’s also none too thrilled that Chávez is using petrodollars to outfit his army with Russian-made Kalashnikov rifles, combat helicopters and MiG fighter jets.

Ever since the Bush Administration appeared to endorse a short-lived coup d’état against Chávez in 2002, the Venezuelan leader has accused Washington of trying to oust him. In a Feb. 20 TV appearance he warned that George W. Bush plans to have him assassinate. If that happens, he warned, the U.S. will not receive another drop of Venezuelan oil for a 1,000 years.

Some of this is bluff and bluster. But Chávez knows he has oil-guzzling America in a corner. The U.S. depends on Venezuela for 15% of its oil imports, and when a strike at PDVSA disrupted crude shipments in 2003, American refineries were left scrambling. To curb Venezuela’s dependence on the U.S., which absorbs 60% of the country’s oil exports, Chávez has been working to find new markets. In December he inked deals to sell 120,000 barrels a month of fuel oil to China and is eyeing pipelines that could ferry larger amounts of crude to Pacific ports.

For now, Venezuela has little choice but to keep selling most of its oil to the U.S., where refineries are outfitted to handle high-sulfur, heavy Venezuelan crude. But if oil-hungry China builds similar refineries, Chávez will have a much freer hand in diverting oil from U.S. customers. No wonder U.S. Senator Richard G. Lugar (R-Ind.), recently asked the Government Accountability Office to conduct a study to determine how the U.S. might com-
Some countries have difficult problems with their leadership.

- Some writers claim that people can get rid of a bad leader if they really want to.

- But if a leader controls the guns and the press, it is not easy to displace them.

- And a tough leader can gradually displace people who do not give support.

This text has been prepared so that people can think about the problems of the people in countries that are in trouble.

- What can the people do?
- What should the world do?

This has 61 pages, ready June 25, 2003, RJ0287

Roy Jenne
June 25, 2003

(Summary)

Roy Jenne
Jun 2003

Some countries in the world have difficult problems with their leadership. Venezuela is one of those countries. Zimbabwe is another. The citizens of such countries may have a very rough situation to live in. Here are a few stories for Venezuela:

✧ Chavez is head of Venezuela. He is a pill.
   • Most people want him to leave office.

✧ Chavez took office in 1999. In 2002-03 he has been purging the opposition, and now he is trying to control the press.

✧ A coup: Chavez was ousted on Apr 11, 2002.
   • But he got back in by Apr 13.

✧ Both business and labor do not like Chavez.
   • They are trying to get him out of office.

✧ A big strike started Dec 2, 2002.
   • It cut off most of the oil shipments.

✧ News Jan 15, 2003: The strike is in its 44th day now. Wow.

✧ Their oil exports are way down, and world oil prices are up.

✧ After April 2002, Chavez purged the Army. Now he will purge oil workers, etc. Who will help the victims? (Probably no one.)

✧ May 24, 2003: Chavez and foes agree to a vote
   • But will it happen (Chavez now has more power).
- Venezuela -

Some updates for the text
-added Jan 4, 2006

* Mostly dated March 2005 to Dec 2005

(More News about Venezuela)

Roy Jenne
Jan 2006
NCAR
Venezuela Puts 32 Oil Fields Under State Control

CARACAS, Venezuela—Thirty-two privately operated Venezuelan oil fields returned to state control on Sunday with the start of the new year, the government said.

At midnight Dec. 31, a deadline expired for all private companies with contracts to independently pump oil here to agree to joint ventures that will give Venezuela’s state oil company majority control.

The operating agreements were signed between 1990 and 1997 when Venezuela’s petroleum industry was open to private and foreign capital. The objective then—when the price of crude was below $10 a barrel—was to raise production at low-priority oil fields that had been closed because of their location or a lack of resources, and which the state firm, Petrólíeos de Venezuela SA, had no plans to reactivate.

As oil prices crept back up in recent years, President Hugo Chávez’s government sought to boost its control and share of profits from the industry. In 2001, it passed a hydrocarbons law that made the operating agreements illegal by requiring oil production to be carried out by companies majority-owned by the government.

As of Sunday, Venezuela had completed “the recovery” of the 32 fields, oil minister Rafael Ramírez said. The government had threatened to reclaim oil fields from companies that refused to sign the so-called transitional joint-venture agreements, which will later be converted into permanent agreements with PDVSA.

Chevron Corp., BP PLC, Royal Dutch Shell PLC and Brazil’s state oil company Petrobras SA were among those that signed earlier.

Last week, Spanish-Argentine company Repsol YPF SA became last to sign after buying out Exxon Mobil Corp.’s stake in the Quiamare-La Ceiba oil field. Exxon, of Irving, Texas, had resisted the contract changes, which will substantially reduce the oil companies’ share of profits and control over operations.

The 32 oil fields have been responsible for about 500,000 of Venezuela’s official declared production of 3.2 million barrels a day. Venezuela is the world’s fifth-largest oil exporter and has the largest proven reserves outside the Mideast.

—Associated Press

Jan 3, 2006
Wall Street Joun.

* He is starting the move toward nationalist oil policies

* This says: Venezuela has the world’s largest proven oil reserves outside the Mideast

-48-
Opponents avoid Venezuelan polls

Chavez supporters expect to win more legislative seats

By Patricia Rendon Espin

CARACAS, Venezuela — Candidates aligned with President Hugo Chavez were widely expected to increase their legislative majority Sunday as Venezuelans voted for a new National Assembly in an election boycotted by several opposition parties.

William Lara, a leading lawmaker in Chavez's governing party, said internal tallies of the Fifth Republic Movement indicated pro-Chavez candidates could sweep all 167 of the assembly's seats.

Chavez earlier dismissed the boycott as a failed ploy to sabotage legitimate elections and avoid an embarrassing defeat, and officials later blamed a pipeline explosion on government opponents.

"The whole world knows a true democracy is in motion here in Venezuela," Chavez said after voting at a school where cheering supporters greeted him outside.

Chavez accused the United States, with which he often clashes, of being behind the boycott — a charge Washington has denied.

The boycotting parties said they did not trust the voting system. Chavez said Venezuela has the most solid electoral system in South America, and that its integrity was secure despite "attempts to sabotage this process."

Officials and election observers said the voting proceeded peacefully Sunday, while thousands of soldiers were deployed to keep order. The military said it stepped up security at oil installations to prevent any possible sabotage in the country, the world's No. 5 oil exporter.

Government officials reported several disturbances leading up to the vote, including blasts from small explosives that injured three people in Caracas on Friday and a pipeline explosion Saturday night in the western state of Zulia.

Interior Minister Jesse Chacon said C-4 explosives were used to blow up the pipeline and that officials believed the perpetrators were government opponents trying to destabilize the country.

"We already know who is behind this situation, and we have made some detentions," Chacon said, without giving details.

Chavez said the situation in the country was calm and that such acts had no effect on the voting process.

Oil Minister Rafael Ramirez blamed the same opponents who unsuccessfully tried to oust Chavez in a two-month strike that ended in early 2003. Ramirez said a gas pipeline running along the same route was also attacked, but that there was no damage.

Chavez said traditional parties that withdrew would be responsible for their own demise, and he cited electoral figures showing that only 556 of more than 5,500 candidates had quit the race.

"They are old parties that are already dead," Chavez said. He added that boycotting parties could emerge "not only delegitimized but also illegal." He did not elaborate.

Dec 5, 2005

Daily Camera
Boulder, CO
WORLD VIEW

U.S. concerned by boat, plane deal

By Natalie Obiko Pearson
Associated Press

CARACAS, Venezuela — Spain agreed Monday to sell 12 military planes and eight patrol boats to Venezuela in a $2 billion deal that the United States has threatened to block.

The State Department repeated reservations about the sale because the planes and boats carry U.S. parts and technology, but Spanish Defense Minister Jose Bono joined Venezuelan leader Hugo Chavez in saying the sale should not concern Washington.

"Is there some rule that prohibits this sale? ... There is no international embargo," Bono said at the signing ceremony.

Spain is selling 10 C-295 transport planes and two CN-235 patrol planes, as well as four ocean patrol boats and four coast patrol vessels. It is Spain's largest-ever defense deal.

Bono said neither the boats nor transport planes were armed and that the patrol planes were only equipped for self-defense.

Chavez also criticized Washington for trying to hold up the sale.

"Venezuela was a colony of the U.S. empire for a long time. Today we're free, and the world should know it," Chavez said, repeating his frequent criticism that in past decades the United States held sway over the oil-producing country.

Last week, the U.S. ambassador to Spain, Eduardo Aguirre, said Washington could refuse to allow U.S. technology to be transferred to Venezuela, and State Department spokesman Sean McCormack repeated concerns about the sale Monday.

"We are currently looking at technology licensing issues," he said. "There hasn't been any final conclusion on that question yet."

Chavez has said that the vessels and planes will be used to combat the drug trade in Venezuela, which borders Colombia, the world's top cocaine producer.

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Private beach plan approved in Mexico

By E. Eduardo Castillo
Associated Press

MEXICO CITY — Mexican environmental officials said Monday they have authorized a private reconstruction project for Mexico's famous Caribbean

beach sand bags is nontoxic and will gradually decompose and disappear into the newly formed dunes, Juarez said.

Luege said the privately financed efforts will complement a federal government plan to re-
Chávez’ Oil-Fueled Revolution

IT SEEMS THERE’S no stopping Venezuelan President Hugo Chávez. He’s already curbing the power of the big oil companies operating in Venezuela. Now he’s stepping up a program of expropriation that could bedevil a number of businesses, both locally owned and foreign. The moves come just as

Chávez seems prepared to further consolidate his power at legislative elections in December. The pro-Chávez coalition hopes to increase its majority in the 167-member National Assembly by more than 20 seats, to around 110. “It’s going to be a battle for us,” concedes Gerardo Blyde, a legislator from the opposition First Justice Party.

The opposition has pledged to join forces for the elections, but remains discredited after last year’s defeat in a referendum that attempted to oust Chávez from office. If voters reward Chávez with a big win, as expected, the way will be clear for sweeping new moves in his Bolivarian revolution—his populist effort to tap Venezuela’s oil wealth to impose socialism in the country. “Chávez is dead set on his revolution; there’s no turning back,” says Aníbal Romero, a political scientist at Simón Bolívar University in Caracas. “The question is how fast and how far.”

Food fight

CHÁVEZ IS MOVING quickly. He has been boosting spending on health and education since coming to power in 1999, but he is now increasing government control of the economy, to investors’ dismay. Oil companies with operating contracts in Venezuela, such as Chevron and BP PLC., have been ordered to set up joint ventures controlled by state oil company Petróleos de Venezuela (PDVSA), and royalties have been hiked from 16.7% to 30%. Chávez now has targeted more than 700 plants, particularly in the food industry, that are idle or not operating at capacity for possible expropriation. On Sept. 26 the state seized control of a plant operated by Alimentos Polar, the country’s No. 1 private food manufacturer. “This is an unfair and arbitrary expropriation,” Polar President Lorenzo Mendoza told reporters, adding that the facility was operational. The move followed the seizure of a shuttered H.J. Heinz Co. tomato processing facility. The company is negotiating to sell the plant to the state. Chávez defends the moves. “We will only expropriate what is necessary,” he said in a recent speech.

The President is also going after rich landowners. Authorities recently began taking control of 21 large ranches spread over hundreds of thousands of acres. Chávez has threatened to hand part of the land to poor Venezuelans unless owners legally document their ownership and show that their spreads are being productively used. In another shock to investors, Chávez disclosed plans to review—and possibly revoke—mining concessions and create a national mining company. The news caused shares in Canada’s Crystallex International Corp., which has operations in Venezuela, to plunge 52% from Sept. 19 to Sept. 28. “What happens here in Venezuela will undoubtedly have some impact on the commercial decisions of companies, not just from the U.S. but from all over the world,” U.S. Ambassador to Venezuela William Brownfield told reporters in Caracas. “Nationalization is a step backward,” adds a State Dept. official in Washington.

It may sound risky, but Venezuela can afford it. Gross domestic product soared 17.9% in 2004 as the country rebounded from two years of recession following a long strike at the national oil company. Growth of 6.5% is forecast for this year and next, says Efraín Velázquez, president of the National Economic Council. Thanks to a new law, Chávez can dip into the country’s $32.6 billion in international reserves for social spending.

How to win friends

WHILE CHÁVEZ goes out of his way to irritate President George W. Bush—he’s a close friend of Fidel Castro’s—he’s using Venezuela’s wealth to win support in his neighborhood. His Petrocaribe initiative offers 196,000 barrels of oil a day to 13 Caribbean countries—including 98,000 to Cuba alone—with long-term financing options. He has set up the Petrosur alliance with Venezuela, Brazil, and Argentina to work on joint oil exploration and development. A similar alliance could be forged with Colombia, Peru, Bolivia, and Ecuador. PDVSA is looking to invest in half a dozen of the region’s oil refineries.

Chávez, 51, is up for reelection in 2006, and he vows to stay in power until at least 2021. Critics say his shakeup may redistribute income from the rich and middle classes to the poorest, but the spending won’t be sustainable if oil prices tumble. “With oil prices this high, Chávez doesn’t need investment,” says Miguel Octavio, director of BBO Financial Services, a financial advisory firm. “But if they drop by $15 or $20 [a barrel], there will be problems.” Annual foreign direct investment has fallen from $5 billion in 1998 to $1.5 billion last year, according to Central Bank figures. The President’s bet is that he’ll transform his country without foreign investors and before the oil markets shift. With Venezuela’s opposition so divided, Chávez’ experiment could continue for years.

—By Stephen Izer in Caracas

Chávez also threatens to turn rich landowners’ land over to the poor
Venezuela

Cowboy the private sector

Chavez is a bad apple

CARACAS

The ever-extending tentacles of Hugo Chavez’s “21st-century socialism”

The crowded beach of Camuri Chico, squeezed between Venezuela's coastal mountain range and the Caribbean sea, is not the first place one might look for experiments in “21st-century socialism”. But if Venezuela's president, Hugo Chavez, has his way (and few are betting against him these days), the country's economy will soon start to look a lot less capitalist and a lot more like this beachfront.

Nearly six years ago, devastating mudslides obliterated much of Vargas state, just north of Caracas, killing thousands of people. In effect, Camuri Chico ceased to exist. Recovery has been agonisingly slow. Somewhat reluctantly, the vendors who used to operate out of ramshackle wooden huts agreed to form a co-operative, demolish their huts and trust the government to replace them with purpose-built modules.

The government kept its word, and the Brillo del Mar co-operative is now in business. “It isn’t easy,” admits its chairman, Victor Mendible. “You have to accept what the majority wants. But we’re 100% better off now.” The 32 co-op members have a 15-year concession allowing them to run everything from the car park to the cafes.

Capitalism, says Mr Chavez, is the root of all evil. Poverty, corruption, the decline in moral values—all are the fault of “savage neo-liberalism” and globalisation. The only hope for the world is a society based on socialist solidarity. Many wonder whether private enterprise—theoretically guaranteed by the 1999 constitution that Mr Chavez himself fathered before he openly embraced socialism—has any place in this Utopian vision. There is even speculation that the president’s “Bolivarian revolution”, ever more closely tied to Fidel Castro’s Cuba, might take the road towards collectivisation.

Nonsense, the government retorts. There are to be new types of businesses, mixed public and private, dubbed “social production companies” (EPS). But normal capitalist firms will continue to co-exist with them. The EPS segment will be based around co-operatives, such as Brillo del Mar, whose number has already leapt from fewer than 1,000 when Mr Chavez came to power in 1998 to an estimated 67,000 today. But there will also be more companies run under workers’ co-management schemes. The “community” is to be involved in decision-making, and part of the production and/or profits will be devolved to projects that benefit it.

Mr Chavez’s version of co-management has been greeted coolly by private-business leaders, who say it would prevent them from applying normal market criteria. But many fear that they may have no choice. Firms seeking government assistance of any kind—even those bidding for public contracts—are increasingly being told that only co-operatives or co-managed businesses will be considered. Legislation already in draft envisages a wide range of circumstances under which firms could be obliged to adopt co-management—if they are considered to be “of public utility or social interest”, have ever received government aid, or go bankrupt, for example.

According to Conindustria, Venezuela’s industrialists’ organisation, around 40% of the country’s 11,000 industrial concerns have gone bust since Mr Chavez came to power. He recently threatened to expropriate some 700 idle firms, along with more than 1,000 working below capacity, unless their owners resumed full production. One large company, the paper firm Venepal (now Invepal), was confiscated earlier this year and put back into operation with government money under a co-management scheme. Many state-owned enterprises are now attempting to implement different forms of workers’ control, with mixed results. Nowhere, though, has the state relinquished its majority stake.

The government now has a virtual stranglehold on the economy, thanks to state ownership of the oil industry, representing more than a quarter of GDP, and to a variety of recent government measures including exchange controls, price limits and credit regulations. It recently launched four agro-industrial businesses supplying staple products such as milk and maize flour, and its retail-food chain, Mercal,
Venezuela's President Chávez idolizes Castro, rails at Bush and leads Latin America's leftist wave

By TIM PADGETT CARACAS

WHEN HUGO CHÁVEZ, THE PRESIDENT of Venezuela, talks about the Bush Administration, he does so with invective that can be both bellicose and sophomoric. Since he became President in 1999, Chávez has publicly, in Spanish, called Bush an a______ who is trying to assassinate him. He has referred to Secretary of State Condoleezza Rice as an “illiterate” who has a crush on him.

Chávez often airs his attacks on Aló Presidente, a weekly, hours-long television call-in show from the Miraflores presidential palace in Caracas. His fulminations are such a hit with Venezuelan supporters that Chávez has broadened his audience. During a recent live broadcast, he exhorted people across the region to join his anti-U.S. campaign. "Latin America," he said, "is done kneeling to take orders from the White House."

Hearing that bluster, one might assume that Chávez fancies himself a 21st century Fidel Castro. Chávez does idolize Castro, rarely missing an opportunity to be seen with the Cuban leader—like last week, when, with Castro at his side, he announced a regional "solidarity" fund to give cash-strapped Caribbean countries cheaper access to Venezuelan oil. Although Chávez was democratically elected, he flirts with autocracy. And he indulges in Castroesque paranoia about the U.S.: This summer Venezuelan civilians are training alongside the army in antiaircraft and antitank warfare so they will be able to thwart the next Bay of Pigs.

Yet for all that, Chávez is not, so far, a dictator. But he has one thing that Castro did not, and that is why his rhetoric is being taken more seriously from the barrios of Caracas to the hallways of Washington. Chávez controls the hemisphere's largest oil reserves and is the U.S.'s fourth largest foreign supplier. As oil prices hit $60 per bbl. this summer, his government reaped a multibillion-dollar windfall. Chávez has used that, and his rising prestige in the region, to lead a political shift in Latin America that is buzzing like a Che Guevara souvenir convention. With the Bush Administration tied up in the global war on terrorism, Chávez and his allies have mounted an assault on U.S.-backed free-market reforms that are allegedly widening the gap between the region's rich and poor. Since Chávez was elected in 1998 (and again in a special 2000 election), leftist leaders like him have taken power or are leading voter polls in eight countries, including the two largest, Brazil and Mexico. The most recent domino to fall was Bolivia. Last month an uprising by indigenous citizens demanding the nation-
yalization of the country's natural-gas reserves toppled the President, Bolivia's second to go in less than two years. Says Evo Morales, the rebellion's leftist leader, who is a favorite to win a presidential election later this year: "Chávez is our example."

There is so far no evidence that Chávez is financing the rippling revolts. But while the Bush Administration continues to regard Chávez as a "negative force," as Rice calls him, some U.S. officials feel it is time to stop dismissing him as a hothead with a dubious popular mandate—especially because he is likely to win another six-year term next year. Chávez "may be a radical," says a high-ranking U.S. official, "but he's a radical with deep pockets."

Chávez, 50, who led a failed coup in 1992—he still wears his red army beret at rallies—was elected on a wave of anger at Venezuela's epic corruption. Since then he has faced a coup attempt, a general strike and a recall referendum—all of which, he says, were aided by the U.S. But he survived them, thanks to an inept opposition and Venezuela's legions of poor, whose barrios now get schools, bodegas, potable water and free clinics. Chávez, who grew up in the poor rural state of Barinas, holds that base with his earthy and confrontational llanero (cowboy) touch. During last year's referendum campaign he employed a Venezuelan folk song in which a llanero beats the devil in a singing contest. Chávez cast himself as the llanero and Bush as Satan. "He has enormous communications talent," says Alberto Barrera, co-author of a biography of Chávez. "He has created his own populist myth, and the U.S. can't figure out how to discredit it."

The myth does deserve some puncturing. To U.S. and opposition critics, Chávez is a polarizing would-be dictator who has subordinated institutions like the courts. Thousands of public employees claim they were fired last year for signing petitions to recall Chávez, and his new media law con-

Why is Chávez's rhetoric being heeded? He has one thing that Castro did not: oil

contains a broad definition of slander that opponents say is meant to stifle dissent. Still, Venezuela's opposition can freely rail at Chávez. And it's harder for the U.S. to demonize Chávez as an oil autocrat when Washington's main oil ally, Saudi Arabia, has a far worse record.

Oil is the U.S.'s major anxiety. Chávez led the drive to raise crude prices by urging OPEC, of which Venezuela is a founding member, to rein in production. Venezuela's state-owned oil industry can't afford to cut off the U.S., but Chávez, to reduce dependence on the American market, is inking delivery deals with oil-thirsty giants China and India. That leads polls like Indiana Senator Richard Lugar to wonder if the U.S. can mitigate the effects of a possible Venezuelan shortfall. Oil analysts say Chávez may be pushing prices higher by dramatically raising taxes and royalties on U.S. and multinational oil firms, which in the 1990s received unusually generous contracts to help pump Venezuela's heavy crude. Such companies are "vultures watching meat," Chávez said last week. (The firms will not comment.)

Of course, his influence could dry up if oil prices fall. Like the profligate élite he defeated in 1998, he has presided over soaring increases in public spending. Nonetheless, unemployment remains high. However, Chávez prefers to play up the specter of U.S. aggression and how he will stand up to it. He says, for example, he will have to "reconsider" diplomatic relations with Washington if the U.S. does not extradite suspected terrorist Luis Posada Carriles, who is wanted in Venezuela for the 1976 bombing of a Cuban airliner that killed 73 people. Francisco Arias, a former army officer who took part with Chávez in the 1992 coup, says it is that doggedness that explains why, "for better or worse, people follow Hugo. They know he'll cross the Rubicon for them." And from now on, he's likely to make a bigger splash each time he does. —With reporting by Brian Ellsworth/Caracas
The Americas

Venezuela’s Oil Moves Signal a New Policy

CARACAS, Venezuela—President Hugo Chávez is ushering in the return of nationalist oil policies that could make life harder for foreign companies in coming years.

Oil experts known for favoring tougher restrictions on foreign capital now hold key government posts. Under their counsel, Mr. Chávez is pushing oil multinationals into new contracts that would produce higher taxes and royalties. Congress has also held hearings for three weeks to look into alleged abuses by foreign oil companies.

"Multinationals [have] sought to expropriate the use of oil resources from Venezuelans. ... [We] must recover our oil sovereignty," Oil Minister Rafael Ramírez told lawmakers at the opening of the congressional probe.

Mr. Ramírez and Deputy Oil Minister Bernard Mommer, considered Mr. Chávez’s oil-policy architect, argue that past governments let foreigners make hefty profits for decades, sometimes abusing contracts, while Venezuela’s take declined. An initial fix, they say, is to convert Venezuela’s 32 private operating agreements into joint companies with the government firmly in control.

Oil executives admit Mr. Chávez’s ideology-charged oil threats are a major concern. Recent talk of company abuses, they suspect, is partly a negotiating tactic.

Indeed, Mr. Ramírez recently told foreign reporters he has no plans to shut down operations involved in alleged abuses—everything is playing a part in the negotiations, he said.

Under the new joint companies, Venezuelans want foreigners to give up the right to international arbitration for contract disputes and hand over day-to-day operations.

Pressure on companies began last year when Mr. Chávez unilaterally raised royalties on the Orinoco heavy-oil upgrading projects to 16.6% from 1%. This year he increased taxes on operating agreements to 50% from a preferential rate of 34%.

Mr. Chávez’s detractors agree getting higher oil rents is desirable, but they criticize what they see as a heavy-handed government. His oil lieutenants are convinced, however, that oil companies will always line up to invest in Venezuela, the country with the largest oil reserves outside the Middle East.

—Raul Gallegos,
Dow Jones Newswires

June 14, 2005

Wall Street Jour
P. A13

- Venezuela has large reserves of crude oil, and tar sand oil.

- The government of Venezuela will be hard to deal with (See documents)
VENEZUELA

KILLING THE GOLDEN GOOSE?

Chávez is harming the oil industry to feed his social programs

MARIA CONCHITA Carrillo didn’t learn to read and write as a child because her mother couldn’t afford to send her to school. But in June the 77-year-old former seamstress will complete sixth grade, courtesy of Petróleos de Venezuela (PDVSA), Venezuela’s state-run oil company doesn’t just pay for Carrillo’s schooling. It foots the bill for a new community health clinic where she can get free medicine, and it subsidizes the rice, cooking oil, and other staples she buys at government-run stores. “It’s the first time that the government has ever done anything with our oil wealth to benefit the poor,” says Carrillo, sitting in an improvised classroom in a poor barrio in Caracas.

Venezuela’s oil riches have long been a curse as well as a blessing. The country boasts the largest petroleum reserves outside the Middle East. For the better part of a century the commodity has fueled the local economy—along with the ambitions of politicians. Now, President Hugo Chávez, a left-leaning populist who draws inspiration from independence hero Simón Bolívar, is reaching deep into PDVSA’s coffers to finance a “democratic revolution” to raise millions of Venezuelans out of poverty. Chávez is pumping some $4 billion of PDVSA’s windfall profits into social programs each year. At PDVSA’s headquarters in Caracas, a mural depicts Chávez and a child superimposed on an oil well, with the slogan: “Deepening the Bolivarian Revolution in 2005.”

Turning petrodollars into good works? Sounds laudable. But Chávez is also using oil in his bid to turn Venezuela into a counterweight to U.S. influence in Latin America. Venezuela, once a dependable American ally, has become a thorn in Washington’s side. The White House takes a dim view of Caracas’ sales of subsidized oil to Fidel Castro’s Cuba. It’s also none too thrilled that Chávez is using petrodollars to outfit his army with Russian-made Kalashnikov rifles, combat helicopters and MiG fighter jets.

Ever since the Bush Administration appeared to endorse a short-lived coup d’état against Chávez in 2002, the Venezuelan leader has accused Washington of trying to oust him. In a Feb. 20 TV appearance he warned that George W. Bush plans to have him assassinated. If that happens, he warned, the U.S. will not receive another drop of Venezuelan oil for a 1,000 years.

Some of this is bluff and bluster. But Chávez knows he has oil-guzzling America in a corner. The U.S. depends on Venezuela for 15% of its oil imports, and when a strike at PDVSA disrupted crude shipments in 2003, American refineries were left scrambling. To curb Venezuela’s dependence on the U.S., which absorbs 60% of the country’s oil exports, Chávez has been working to find new markets. In December he inked deals to sell 120,000 barrels a month of fuel oil to China and is eyeing pipelines that could ferry larger amounts of crude to Pacific ports.

For now, Venezuela has little choice but to keep selling most of its oil to the U.S., where refineries are outfitted to handle high-sulfur, heavy Venezuelan crude. But if oil-hungry China builds similar refineries, Chávez will have a much freer hand in diverting oil from U.S. customers. No wonder U.S. Senator Richard G. Lugar (R-Ind.), recently asked the Government Accountability Office to conduct a study to determine how the U.S. might com-
penate for a drop in Venezuelan imports.

So far, Chávez’ oil-fueled revolution appears to be going according to plan. The billions he spent on the poor helped him beat a recall referendum mounted by the opposition last August. It also powered consumer spending, boosting growth to 17.3% last year—after two years of steep declines. Barring some unforeseen event, Chávez should handily win another six-year term in elections next year.

A STARVING GIANT

BUT EVERYTHING depends on PDVSA’s health. Interviews with former employees, foreign oil-company execs, and industry analysts indicate that the company has sustained heavy, perhaps long-term, damage under Chávez. The evidence: The government says Venezuela’s oil output at 3.2 million barrels per day, but the Organization of Oil Exporting Countries puts it closer to 2.6 million. That’s down sharply from a peak of 3.3 million in 1997. And despite sky-high oil prices, Central Bank data show that the oil portion of the economy actually shrank in the last three quarters of 2004. “The company is only a shadow of what it used to be,” says Luis Giusti, PDVSA’s chairman from 1994 to 1999, and now a senior energy adviser at the Center for Strategic and International Studies in Washington.

Much of the decline can be traced to the paralyzing strike of two years ago. Angered by Chávez’ appointment of a political ally to head a company that long prided itself as a meritocracy, some 18,000 of PDVSA’s employees walked out, shutting down exports for two months. Chávez retaliated by firing them all.

It was a crippling blow, even if high oil prices mask the damage: PDVSA’s preliminary 2004 results show a $6.5 billion profit on revenues of $63 billion. Yet, by other measures, PDVSA is hurting. Production levels at some of the country’s most important wells are dropping at a rate of 25% a year, which means the company must ramp up exploration to keep output steady. Yet the number of exploratory rigs is down to 67 as of January, from a high of 119 in 1997, according to Baker Hughes Inc., an oil-services firm based in Houston. Independent analysts say this is evidence that the company is being starved of capital. PDVSA director Eugenio Del Pino insist the company continues to invest $5 billion to $6 billion a year in development and exploration: “Our goal is to reach production of 4.9 million barrels a day within five years, so we are investing according to that plan.”

Venezuela’s chances of making that target depend hugely on foreign oil companies, which today account for almost half of total production. The opening of the nation’s oil sector to outside capital 10 years ago has netted some $25 billion in investments, with 22 foreign oil companies now present in the country.

Yet in October, Chávez hiked royalties on major heavy-crude exploration and refining projects in the country’s Orinoco belt from 1% to 16.66%, arguing that the hike was justified based on market conditions. “These are highly profitable projects, even considering the government’s decision to [change the royalties],” says PDVSA’s Del Pino. With the exception of Exxon Mobil Corp., which protested the increase and says it wants to negotiate a better deal, the oil majors have kept quiet. “We’ve been in Venezuela for 90 years, and we’ll be here another 90 years,” says Sean Rooney, Shell Oil Co.’s new president for Venezuela operations.

The terms on new ventures will be even less favorable—30% royalties and a 51% stake for PDVSA. That could dampen enthusiasm for a new round of projects, especially since the new rules will not be finalized until mid-year. “We need a legal framework. Sanctions of contracts is key for us,” says Luis Xavier Grisanti, who heads the Venezuelan Hydrocarbons Assn., which represents foreign investors.

The irony is that Venezuela’s need for foreign investment in its oil industry will probably only increase. “We already killed the goose that lays the golden egg,” says Ramón Espinosa, who stepped down as PDVSA’s chief economist when Chávez took office in 1999. “That means the country will have no choice but to open even further to private international capital.”

Chávez’ supporters counter that the old PDVSA was staffed by overpaid executives who cared little about using oil profits to improve the lot of poor Venezuelans. “Now employees are much more conscious of how important the company is for Venezuela,” says Del Pino.

Chávez has even more plans for PDVSA. In February he signed agreements with Brazil that call for Petrobrás, the state-run oil company, to help develop Venezuela’s production and refining capacity. It’s part of Chávez’ dream of creating “Petroamérica,” a Latin oil-and-gas giant controlled by the region’s state-run oil companies. It may be far-fetched—but it’s abundant proof that Chávez’ aggressive oil diplomacy has just begun.

— By Geri Smith in Caracas

BusinessWeek online For a Q&A with PDVSA director Del Pino, please visit us online at www.businessweek.com/extras

-57-
Inciting self-censorship

Venezuela

CARACAS

An intimidatory response to media bias

HUGO CHÁVEZ, Venezuela’s leftist president, has long complained of a “media conspiracy” against him. He has a point. Most of the country’s privately owned television channels and newspapers enthusiastically joined a three-year campaign to unseat him—though they were also obliged, by law, to carry Mr Chávez’s frequent and lengthy speeches to the nation. They backed an abortive coup in 2002, failing to cover a military-civilian counter-coup that restored Mr Chávez until it could no longer be ignored. Later that year, media bosses played a leading role in promoting a two-month general strike.

Last August, Mr Chávez finally saw off the opposition, winning a recall referendum. He now exercises personal control over all of the country’s main institutions including the armed forces, the state oil monopoly—and the state radio and television stations. His promised “revolution” is at hand, now avowedly socialist and allied with Fidel Castro’s Cuba. So, too, is revenge against his opponents in the media.

The government’s cure for media bias is worse than the disease. The combined firepower of the legislature, judiciary, the public prosecutor and even the army is being deployed. Radio and television are now subject to a “social responsibility” law, purportedly aimed at protecting chil-

dren from inappropriate programmes. It allows the government to impose heavy fines and/or revoke broadcasting licences for such offences as information “contrary to national security”. It has been criticised by international press-freedom watchdogs and the Inter-American Human Rights Commission. The commission stated that the law’s “vague terminology” and “potentially excessive penalties” could intimidate journalists and media companies into failing to report matters of public interest.

The government accuses the commission of bias, and of meddling in internal affairs (which is its job). Venezuelans still get a range of news and views. But there are indeed signs of self-censorship. Two of the government’s fiercest media critics—Napoleón Bravo and Marta Colomina—have lost their jobs as presenters of morning television shows. Mr Bravo faces charges of “inciting hatred”. Three other journalists also face charges, one for “inciting military rebellion” after she broadcast a video alleged to be of Cubans inside a barracks. General Francisco Uson, a former minister in Mr Chávez’s government, is serving five years in jail for remarks he made on television.

Worse may be to come. A new penal code, awaiting Mr Chávez’s signature, would increase the penalty for defamation to 12 months in jail and eliminate the presumption of innocence. To “cause panic” by spreading “false information” by any means, including e-mail, would carry a sentence of up to five years.

The media are taking legal advice—and more care. The latter, many concede, is no bad thing: they have often been quick to publish unsubstantiated stories that put the government in a bad light. But “imposing a straitjacket on the media is not the way to promote democracy,” says José Miguel Vivanco of Human Rights Watch, a New York-based body.

Up to now, the foreign press has faced little or no harassment. After the 2002 coup, foreign correspondents briefly became heroes to chavistas (since they carried on reporting during the local media blackout). No longer: last month Andrés Izarra, the information minister, launched a tirade against the American press in particular. He accused several journalists (including The Economist’s correspondent) of forming part of a campaign by George Bush’s government to isolate Venezuela.

Mr Izarra suggested that the State Department was paying for anti-Chávez coverage. He admitted he had no evidence of this, but added: “Don’t be surprised if later we find the documents.” Were he an opposition journalist, such remarks would land him in jail for defamation.
Two Venezuelan academics claim to have found statistical evidence of fraud in last month's referendum on President Hugo Chávez, fueling the opposition's claims of a rigged vote and raising the possibility that despite Mr. Chávez's victory, the country's tense standoff will continue.

The claims were made Sunday by Ricardo Hausmann, a professor at Harvard University's John F. Kennedy School of Government and former chief economist at the Inter-American Development Bank, and Roberto Rigobón, a professor of applied econometrics at the Massachusetts Institute of Technology's Sloan School of Management.

The pair issued a report that tried to measure the possibility that the vote was clean using two separate analyses of the official results. In both cases, they said, the chances of a clean vote were less than one in 100.

Members of a civic group called Súmate that organized the referendum, which Mr. Chávez won by a 59% to 41% margin, seized on the study to suggest Mr. Chávez had won by tampering with the electronic-voting machines used in the contest. "We don't think the truth about the referendum has been revealed yet," Alejandro Plaz, a spokesman for Súmate, told reporters in presenting Mr. Hausmann's study Sunday. Súmate requested help from the academics in analyzing the referendum data but didn't pay for the study.

Mr. Chávez's government reacted with disbelief to the claims, saying the opposition's previous claims of fraud had so far proved incorrect. Vice President José Vicente Rangel said members of the Atlanta-based Carter Center and the Organization of American States had already validated the result. "No one believes in their theories anymore because three weeks have gone by and they haven't been able to prove anything," Mr. Rangel said.

Members of the Carter Center and the OAS were unreachable for comment yesterday. But both organizations have consistently stood by their findings in the past weeks and watched as other theories of fraud fell short under scrutiny.

The results of the study, however, prompted some independent experts on computer voting to call on the Venezuelan government to open up all aspects of the election—including electronic codes from voting machines—to public scrutiny.

"The Hausmann/Rigobón study is more credible than many of the other allegations being thrown around," said Aviel Rubin, a computer-science professor at Johns Hopkins University who has warned about security flaws with electronic voting. Mr. Rubin recently conducted a study of opposition claims that machines were rigged to limit the number of votes against Mr. Chávez and concluded the claims were highly unlikely.

"I would encourage the Venezuelan government to open up all aspects of the election to public inspection, not just to selected observers. That includes all of the paper ballots, the source code in the voting machines, the random generators ... that were used to pick the sites to audit," he said in an e-mail interview.

The study by Messrs. Hausmann and Rigobón suggested the government may have tampered with only some of the machines, leaving others clean for observers to audit. They said the sample used for the audit, which was carried out days after the election, wasn't randomly chosen and limited to the "clean" machines.

The study says the computer that determined which ballot boxes were to be subjected to a recount belonged to Venezuelan election officials. However, the Carter Center's Jennifer McCoy has said the group tested and verified the computer program used to select the sample.

The study compared the votes obtained by the opposition during the recall vote with the signatures gathered in November 2003 requesting the referendum. For the recounted votes, the correlation between the number of "yes" votes matched the 2003 petition numbers at a rate that was 10% higher than in the ballot boxes that weren't recounted. They calculate the probability of this taking place by chance at less than 1%.

The government's sample recount "was not a random sample, and I can say that with 99% confidence," Mr. Hausmann said in a telephone interview.

The academics used another technique to look for suspicious patterns in the results, using the 2003 petition and an exit poll on the day of the vote as a vague measure of a voter's intention. Because both measures are imperfect for different reasons, the academics argued, the measures should make different mistakes in predicting the final result.

But the academics found that each method had similar margins of error when compared with the official results, something that would happen only one in 100 times without fraud, they argued.
THE HUGO FACTOR

Venezuela’s firebrand president seems stronger than ever. Why the conventional wisdom may be dead flat wrong

By Eduardo Cue

CARACAS, VENEZUELA—The palm trees and 19th-century, British-made, forged-iron fountain that grace the courtyard of Venezuela’s neoclassical Congress buildings offer a cool respite from the chronic noise and pollution of this capital’s historic center. Today, the white-and-lime-colored structure, once the site of a convent, is home to a most unusual institution—a freely elected legislature whose 167 members are, each and every one, government loyalists.

This unprecedented situation in a nominally democratic country resulted from the December election boycott by Venezuela’s opposition parties to protest what they feared would be a rigged vote, a change some believe was a cover for their anticipated defeat. Whatever the case, their last-minute withdrawal prompted most voters to stay home and produced a rubber-stamp legislature for the country’s fiery leftist president, Hugo Chávez.

Polarization. The election results further consolidated power for Chávez, who allies himself with Cuba’s Fidel Castro and gleefully flaunts his bad-boy reputation with Washington. But even as he uses influence and money to push other Latin America nations leftward, political watchers say Chávez may face a serious domestic backlash. “The conditions now exist,” says Luis Vicente León, head of the Datanálisis polling organization, “for the radicalization of the debate and the formation of extreme groups to get rid of Chávez.”

Chávez comparison with the early days of the Cuban Revolution, he adds: “It’s just the opposite. There is no ideology— they just want to steal and get rich.” Chávez says his goal is to create a 21st-century socialism, a nebulous and ill-defined mix of Soviet collectivism, Chinese-style capitalism, and Cuban populism.

To date, his socialist model has tried to sidestep private enterprise by setting up nearly 7,000 state-financed cooperatives employing some 200,000 persons, creating state enterprises, and increasing government controls on the banking sector and the oil industry, which accounts for 80 percent of export earnings. The Venezuelan president also pushed a restrictive press law through the National Assembly and packed the Supreme Court by increasing the number of its judges from 20 to 32. Four of the five members of the National Electoral Council are Chávez loyalists.

For the average Venezuelan, however, perhaps the most troublesome aspect of his “Bolivarian Revolution,” named after Simón Bolívar, the 19th-century inde-
dependence, hero, are Chavez's harsh verbal attacks against private ownership—although, in fact, few acres have been collectivized and only a handful of abandoned factories expropriated. Chavez put a halt to the exercise and stopped talking about the issue after polls showed that the vast majority of Venezuelans favor private property. "This is not the Cuba of Batista. This is not an island," says Cesar Perez Vivas, the secretary general of the center-right Social Christian Party known as Copei, referring to Fulgencio Batista, the Cuban dictator overthrown by Castro. "A very strong base of democratic values exists here."

Plots. Whatever Chavez-style socialism may turn out to represent, there is a sense of de
dia vu in Caracas. As in Cuba, everything that goes wrong, from the recent arrest of two Venezuelan businessmen in Miami for allegedly trying to smuggle arms into the country to the high abstention rate in the recent elections, is part of an American plot to overthrow the regime. Chavez, whose live weekly television program may run as long as six hours, speaks endlessly about American imperialism. In the Caracas subway and on some major avenues, posters can be seen with quotes from Bolivar claiming that the United States appears "destined by providence to plague America with misery in the name of liberty."

Yet even Chavez's most outspoken critics readily admit that his charisma and revolutionary rhetoric have touched a chord with many of Venezuela's poor, who represent 54 percent of the population and have long been shut out of the country's political and economic life. "A lot of poor people feel understood and represented by Chavez," says Perez Vivas, "even if they don't receive anything."

But since Chavez established his so-called outreach missions to the poor in 2003, many of Venezuela's poor have concrete reason to believe that this government cares about them. At the Fabrizio Ojeda mission in the hills of Caracas's Catia neighborhood, which one bus driver described as "hell's antechamber," workers like Milagro Correa praise Chavez. "I was a housewife and never left my home. Here I found a additional source of income for my family," she said while working at the mission's shoe cooperative, which was trying to fill an order of 10,000 pairs for the Cuban government. "He is the only president who has not been afraid to come to the barrios, to give to the people what is theirs."

Besides the shoe cooperative, the Fabrizio Ojeda mission, named after an assassinated guerrilla leader, also includes a textile plant, a subsidized supermarket, and a modern, air-conditioned clinic. But perhaps the most impressive of the government's social programs can be seen inside the octagonal, two-story brick buildings constructed in hundreds of poor neighborhoods. In these local health centers, Cuban doctors provide services to residents.
A Slight Lean Left

Brazil,” it has been quipped, “is the country of the future and always will be.” But back in the 1990s, Brazil and the rest of Latin America generated some real economic momentum. Growth boomed—the region’s gross domestic product grew 79 percent as governments dismantled trade barriers and sold state-owned companies. The change was more evidence of what political scientist Francis Fukuyama referred to as the “end of history,” with democratic capitalism triumphant. The catchphrases. That the “domino theory” might better describe recent events in the region. In country after country, left-wing parties with more skeptical attitudes toward free markets have been on the march. Turns out that Venezuela’s Hugo Chávez was just the prologue. On January 15, socialist doctor and former Defense Minister Michelle Bachelet won a runoff for the Chilean presidency while the indigenous Bolivian politician Evo Morales—who once described capitalism as mankind’s “worst enemy”—took office January 22. They join leftists of various stripes who, since 2002, have captured the presidencies of Brazil, Argentina, and Uruguay. And Mexico and Peru could be next.

Chávez. Why the leftward turn? Some blame rampant inequality. “The region went through a period of free-market reform in the 1990s, but there was too much crony capitalism,” says Alvaro Vargas Llosa, director of the Center on Global Prosperity. “Clearly there’s been a backlash.” Then, after the boom came a bust from 1998 through 2003, triggered by the Asian currency crisis. And even though regional economic growth has returned to a 4 percent annual pace, spurred on, in part, by the rise of oil and other commodities, the turnover in governments continues.

China. “He clearly controls the streets of Latin America,” Larry Birns, director of the Washington-based Council on Hemispheric Affairs, said in a telephone interview. “Whatever the leaders may feel, it is Chávez who is the man of the hour.” The key question now is how the president will use his undivided control of the government. Pointing out that he failed to inspire his supporters to vote in the parliamentary elections, some analysts see serious trouble ahead for the mercurial president. With deep divisions within the Chávez camp, a hard-core revolutionary wing is likely to demand even more radical reforms now that it controls all of the country’s political institutions. “It will be easier for dissidence to develop within the Chávez camp itself than for the political opposition to damage him,” says Alberto Garrido, who has written several books about the president. “The opposition does not know what to do; it has neither political leadership nor strategic direction.”

The most serious threat to Chávez, a former lieutenant colonel, may come from the military. Although he purged the Army of officers who showed dubious loyalty during the failed 2002 coup, and many retired military personnel have been put to work within the bureaucracy, large segments of the armed forces are unhappy with the close ties to Castro and Chávez’s socialist initiatives. Chávez has proved to be a canny political operator who has outfought the opposition time and again. Whether his luck will hold is the key question facing Venezuela.