

# A Watershed Moment in Venezuela

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## December 2, 2007

### Conceding Defeat

A review of the conditions in Venezuela has to begin with an examination of the events of December 2, 2007, the day a narrow 51 percent majority rejected President Hugo Chávez's proposed constitutional reform package.

Through nine years and numerous elections and referenda, it was the first time Chávez was defeated at the polls. Late that night, as tension edged closer to the breaking point, the president surprised both supporters and adversaries by conceding defeat. True to his style, he downplayed the opposition win and reiterated his famous but somewhat trite "*por ahora*" (for now) declaration. Just as in 1992, after he realized that his coup attempt had failed, "*por ahora*" meant that he saw the setback as temporary and that he would fight to achieve his original goal eventually.

Two days later, his temper got the better of him. Incensed at a news report claiming that the decision to concede defeat had been forced on him by military leaders, Chávez burst into a news conference called by the defense minister to refute the rumor and proceeded to unleash a barrage of vulgar abuse against the opposition and the author of the news story. His ego wounded, Chávez thus undid his initial moderate statement. Conceding defeat had paid political divi-

dends both at home and abroad, portraying him as an even-handed democratic leader, but his venting undid much of the impact of his initial reaction.

The question raised in the press is relevant. Did the military actually force him to accept defeat? I, for one, do not think so. There is no one in the current high command with the independence—or courage, for that matter—to encourage Chávez to concede defeat. Military pressure, if any, is more likely to have pushed in the opposite direction. In my view, the decision was his and his alone, because, among other reasons, his style of leadership has made him a solitary ruler who surrounds himself mostly with timid and subservient advisors.

Once again, Chávez showed himself a wily politician with formidable tactical instincts. His cost-benefit analysis of the circumstances led him to the only politically sensible conclusion: concede defeat to avoid civil strife. Vote counts had been leaked to the press, and large segments of the opposition and general population stood ready to take to the streets if Chávez had announced victory. He could not be sure how soldiers would react. Nor could he accurately gauge the effect of the public admonition made to the armed forces by his former defense minister and retired general, Raúl Baduel: defend the institutions and the will of the people.

*(continued on page 3)*

# Andersen

Working Paper

### Table of Contents

December 2, 2007.....	1	The "Bolivarian Curriculum" .....	12
The Opposition .....	5	The International Stage .....	12
Local and Regional Elections.....	9	"It's the Economy, Stupid" .....	14
Nationalizations .....	10	Conclusion .....	16

# Foreword

The Inter-American Dialogue is delighted to publish this paper by Teodoro Petkoff, editor of the Venezuelan daily *TalCual*, former minister of economic planning, and one of the region's leading public intellectuals. Petkoff dissects the causes and explores the political implications of the Venezuelan voters' rejection of Hugo Chávez's constitutional reform referendum in December of 2007. He also sets the stage for local and regional elections in November and previews Chávez's agenda for the rest of his second term.

This working paper is the seventeenth in a special series focused on the Andean countries of South America. The Dialogue's aim is to stimulate a broad and well-informed public debate on the complex issues facing key analysts and decision makers concerned with Colombia, Venezuela, Peru, Ecuador and Bolivia. We seek to offer diagnoses of the current situation as well as policy prescriptions to deal more effectively with deep-seated problems.

The series is a byproduct of a working group project launched by the Dialogue in 2001. The Andean working group is comprised of select and diverse analysts and policymakers from the Andean region, other Latin American countries, Europe, Canada and the United States. Like the working paper series itself, the group was launched with a particular focus on the Colombian conflict but then naturally expanded to encompass all of the Andean countries.

The working group essentially serves as a "brain trust" or core group of advisors for the Dialogue on the Andean region, a top priority for the organization. The goal of the group is not necessarily to reach agreements or produce consensus documents. Rather, it is to generate fresh interpretations of multiple Andean challenges, in order to shape thought and encourage constructive responses.

To date, the papers have dealt with a wide range of topics, including the Colombian conflict, drug trafficking, civil-military relations, human security and the political stalemate in Bolivia. We hope this paper will contribute to a deeper understanding of a critical situation in the hemisphere. Petkoff's perspective does not necessarily reflect the views of the working group or the Inter-American Dialogue.

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Michael Shifter  
Vice President for Policy

*(continued from page 1)*

He also must have realized that a failure to accept the referendum result would be seen as fraud and significantly damage his standing abroad. Chávez knew that no Latin American government would condone a power grab and that attempting vote manipulation would leave him looking like a tin-pot dictator. Conceding defeat, on the other hand, might help show he was a democrat and dispel some of the misgivings and suspicions about him.

Although there was only one reasonable course of action, Chávez still took several hours to settle on it. His ultimate choice, of course, was perfectly consistent for a man who had twice before opted to surrender rather than fight. As irascible and impulsive as Chávez can be, he does keep his cool in times of crisis, especially if his own future is at stake. Although fellow soldiers who controlled leading garrisons during Chávez's 1992 coup wanted to stay the course, Chávez understood that their failure in Caracas and the return of President Carlos Andrés Pérez spelled defeat and that surrender was the only way to save his movement and live to fight another day. History proved him right. During the coup of 2002, Vice President José Vicente Rangel advised Chávez to make a stand in Miraflores Palace. But Chávez, who had communicated by telephone with each of the garrisons (as both he and Rangel told me in separate interviews), knew that he had no support outside of General Baduel's elite paratroopers—a small island of support surrounded by a sea of mutinous troops. He again chose to surrender, cognizant that his political power would remain intact as long as he stayed alive. History again proved him right, even faster than he could have imagined.

Chávez understood on the night of December 2 that he had much more to gain by admitting defeat. And this he did, only to

see his verbal excesses betray him two days later. That said, exactly what did happen on December 2? Was it just another electoral episode—in a democracy, you win some and you lose some—or did something more significant take place?

### Charismatic Leadership

What happened was indeed momentous, going well beyond the referendum vote and offering insights into Chávez's model of leadership. Max Weber characterized leadership models like the one employed by Chávez as “charismatic,” as opposed to “institutional.” Regardless of the personal qualities of the leader, institutional leadership is based on and exercised through a network of political parties and public powers in a complex set of interactions between leader and follower. Charismatic leadership, on the other hand, is based on a direct link between the leader and a significant segment of the population, what Weber called “the charismatic community.” Such leadership arrangements generally emerge when societies face profound economic and social crises compounded by a systemic political collapse. Some nations have filled the vacuum by following an alluring leader who is soon idealized and sanctified.

The emotional and political bond between leader and follower is always an important factor in the exercise of power, but some charismatic leaders have also built or used institutional intermediaries to buttress their power. Chávez, on the other hand, is a charismatic leader who has seriously weakened the institutional fabric of his country, without replacing it with effective alternatives. In the long term, this makes his leadership more vulnerable than that of charismatic leaders who have constructed a strong state. An example of the latter is Fidel Castro, the type of charismatic leader that comes along only once every century. Castro, with help from the Soviet Union and from his brother

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Raúl—rightly identified by Jorge Domínguez as the great organizer of the armed forces and the Communist Party, the Cuban state’s most efficient organizations—built a strong totalitarian state that complements and enhances his personal power.

Charismatic leadership, of course, could not exist if the public did not see the leader as a miracle worker, capable of resolving any problem or overcoming any obstacle. When confidence falters, the charismatic leader is in trouble. In Weber’s own words:

If confirmation (of charismatic power) is long in coming, if the leader possessed of charismatic grace seems to have been abandoned by his God or his magic or heroic powers, if success is denied for a long time, and above all, *if his government fails to bring prosperity to those he rules*, then his charismatic authority is in danger of vanishing.<sup>1</sup>

Not only has the wellspring of Chávez’s power begun to run dry, power brokers such as business leaders, unions, professional associations, the Catholic Church, and especially the armed forces are beginning to take notice. They may disagree with the president, but they still obey and respect him because they understand his hold on the masses. But if this relationship begins to show fault lines, these elites, whose cultural seismographs are very sensitive, will take notice. If Chávez ceases to be useful to their interests, new divisions may appear and further weaken his hold on power.

The events of December 2 showed that the charismatic powers of Hugo Chávez have begun to wane. While calling the referendum rejection “the beginning of the end”—as *The Economist* did—is wishful thinking, there is no doubt that his power is receding and that

December 2 was the turning point. Chávez won the 2006 presidential election with 64 percent, about seven million votes. He lost the referendum, which he had turned into a plebiscite on his rule, with just 49 percent of the vote. In other words, in the course of one year he lost 14 to 15 percent of his own voters. About three million abstained rather than vote against him, while hundreds of thousands said “no,” giving the opposition the edge needed to win. Keeping Chávez from sliding even further is his checkbook, which gives him significant room for maneuver at home and abroad. In Venezuela, charisma and money can make for an unstoppable combination.

### A Skeptical Constituency

Seen from another perspective, the events of December 2 underscored what the closure of the Radio Caracas Television (RCTV) channel in May 2007 had suggested. At the time, surveys showed that over 80 percent of the population was opposed to the measure. It was the first time since the coup of April 2002 that so many had categorically refused to back Chávez. While not ready to break with him, his followers still made plain their opposition to a clear abuse of power that put an end to Venezuela’s most watched entertainment source. It was clear that his constituency was not as unquestioning or loyal as Chávez had thought. When the referendum rolled around, Chávez’s traditional voter base grabbed the chance to express its growing skepticism to the leader. The more they understood the gist of his proposal, the less they liked it. The request for nearly absolute powers (unlimited re-election, curtailment of governor and municipal prerogatives, partisan armed forces, veto over military promotions, subordination of the Central Bank, redefinition of private property, economic statism, etc.) was denied by democratic-minded Venezuelans.

<sup>1</sup> *Economy and Society*, 1992. Weber’s own emphasis.

In addition, Chávez's links to Cuba had thus far flown under the radar of most *chavistas* (Chávez supporters), but the proposal showed them in a whole new light. Although most people appreciate the work Cuban doctors do in Venezuela, polls show that the same is not true for the Cuban political and economic model. At some point, the proposed reform had started to resemble a power grab in the Fidel Castro mold, which raised red flags among some *chavista* voters.

Interestingly, the two issues that met with the most resistance were control over the Central Bank and unlimited re-election, which had over 60 percent disapproval, well above the referendum average. While the administration of the Central Bank might seem like a technical question of interest only to experts, a second look reveals that many voters felt that the government wanted to control money that rightly belonged to the people. In addition, strong disapproval of unlimited re-election shows that some government supporters are beginning to show signs of fatigue after nine years under Chávez.

## The Opposition

The (relatively) organized opposition—primarily political parties and social movements—is undergoing an encouraging process of renewal. The recent history of Venezuelan opposition is divided into three qualitatively different stages that merit review.

### Stage One: 1999–2003

The first stage runs from Hugo Chávez's February 1999 inauguration through the end of the oil strike in February 2003. During this stage, the opposition was led by powerful elites: business executives, media tycoons, military conspirators, and the strange bed-fellows of Confederation of Venezuelan Workers (CTV) labor union members and

the Federation of Chambers of Commerce and Production (Fedecamaras) industry association. After Chávez's electoral victory of December 1998, political parties were all but destroyed. Weakened, discredited, and barely surviving, Democratic Action (AD) and Venezuela's Social Christian Democrat party (COPEI), the two groupings that had run Venezuela for half a century, played a secondary role behind the powerful elite. Democratic Coordination, created in mid-2002 to rally political parties and social organizations, languished for months, overshadowed by the de facto leadership. During this time, the opposition had a distinct right-wing bias (which greatly helped Chávez divide the country into rich and poor) and a seditious strategy that overtly sought a military takeover. Progressive sectors had little say in the way events unfolded, much less in leading them. The hardline opposition defined the Chávez government as "a totalitarian dictatorship." Since all options are legitimate against such a regime, the definition served as the pretext for a coup. The opposition was able to co-opt vast segments of the middle class and even some sectors of the working class, including organized labor, who took to the streets in unprecedented numbers.

Three coups were attempted. The first took place on April 11, 2002, after conspirators hijacked a massive rally and turned it into a pitched battle with Chávez supporters. In the ensuing mayhem, conspirators from the armed forces removed Chávez from power for two days, following a series of episodes that seemed closer to magic realism than to conventional politics. The botched coup—which went down in history as the *carmonazo* after Pedro Carmona, the hapless figure they named as president—and the resulting ominous specter of massive reprisals paved the way for Chávez's triumphant return.

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In the aftermath, a contrite and ostensibly conciliatory Chávez agreed to reinstate fired managers at the state oil company PDVSA and named Alí Rodríguez as PDVSA chairman (with approval from reinstated managers). He also pledged to stop wearing army fatigues, appointed a “dialogue commission,” and convened the Federal Council. Although Chávez was clearly on the ropes after his brief ouster, opposition leaders were too politically obtuse to take advantage. They merely reiterated the “illegitimacy” of his government and went back to plotting the next coup attempt.

The next overthrow effort came on October 10, 2002, as the military conspirators from April appealed to the armed forces to oust Chávez, based on their reading of Article 350 in the Constitution, which delegitimizes governments that violate human rights. Since Chávez had previously filled key command positions with loyal officers, the call fell on deaf ears. Faced with failure, the military conspirators barricaded themselves in Altamira Square and stayed there for over a year. Chávez wisely chose not to go after these subversive elements, a decision that helped him polish his democratic credentials, especially abroad. These events deepened the opposition’s isolation and went a long way toward earning it a poor international reputation.

The third attempt to remove Chávez by force was the oil strike from December 2002 to February 2003. While the opposition had assumed that no Venezuelan government could survive an oil strike for more than three days, Chávez was able to withstand it for 62 days, all without interference from the armed forces. PDVSA workers allowed themselves to be manipulated by reckless coup plotters into a senseless conflict that ended in catastrophe. In its aftermath, the government fired some 20,000 PDVSA workers and trans-

ferred full control of the company into its own hands. The first stage in the recent history of the Venezuelan opposition ended in February 2003.<sup>2</sup>

### Stage Two: 2003–2006

The second stage began as the oil strike ground to an end. When the powerful elites left to lick their wounds, parties took on a greater role. Democratic Coordination, until then pushed to the sidelines by coup advocates, came into its own. Its call for a recall referendum became the implicit launch of a democratic strategy, disturbed only occasionally by coup advocates. The strategy took firm hold after the formidable success of the referendum, which overcame every hurdle thrown in its path by the government, whose absolute control of the National Electoral Council helped delay the recall vote by a full year. Chávez used this time to launch his “missions,” social programs (with an enormous electoral impact) involving massive financial transfers and food distribution, primary health care, and educational services. The referendum was at last held in August 2004. But the resounding success achieved in getting four million Venezuelans—nearly 45 percent of the electorate—to vote against Chávez was squandered by the opposition’s unfounded charges of fraud, which turned a political victory into defeat. The vote-rigging accusations

<sup>2</sup> On a personal note, as a member of the democratic left who was forced to take a position on a daily basis in my role as newspaper editor, I wish to note the ordeal I lived through in those years. As a government opponent who was completely against the right-wing conspirators, I was a harsh critic of both and publicly called for a democratic opposition strategy. On the night of April 12, 2002, I went on national television to denounce the coup in the strongest terms possible. In the days leading up to the coup attempt of October 10, 2002, I wrote several editorials categorically opposing a military solution to the crisis. While other dailies gave copious front-cover coverage to the coup attempt, *TalCual* headlined “Golpe No” (No Coup) in large type. I repeatedly called for an end to the Altamira standoff and harshly criticized democratic leaders who paraded through the square to have their picture taken with the mutinous soldiers. When the call for a national strike was made in December 2002, I publicly opposed it in the paper. I relate this just for the record, lest readers think I’m an armchair general with 20–20 hindsight.

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also prompted calls for a boycott in October 2004, which allowed Chávez to coast to victory in 21 of 23 governorship campaigns and nearly 300 of 335 mayoralty races. In December 2005, *chavistas* won practically all of the municipal councils, and then, for good measure, the entire National Assembly.<sup>3</sup>

### Stage Three: 2006–Present

The third stage runs from January 2006 to the present. In early 2006, Manuel Rosales and Julio Borges, the leaders of the small parties A New Era (UNT) and Justice First (PJ), respectively, and I launched a democratic strategy whose immediate goal was to field a single, unified candidate in the presidential elections of December 2006. By June, the initiative had crystallized in the candidacy of Manuel Rosales, the governor of the most important state in Venezuela: Zulia. Although it met with skepticism and ridicule by abstentionist sectors at first, the campaign quickly began to gain traction, especially among the underprivileged. Boycott advocates gradually lost ground until practically all opposition forces came over to support Rosales. On election day, over four million Venezuelans, slightly over 40 percent of the electorate, most of whom had stayed away from the polls after the recall referendum, made a grand comeback to the political scene and voted for Rosales.

In what later became an event with crucial political consequences, Manuel Rosales graciously conceded defeat on election night. For the first time in Chávez's reign, rather than harping on the tired old song about fraud and illegitimacy, the opposition simply acknowledged the obvious: Chávez had won fairly. Although disparaged by a small

but noisy mob of opposition extremists, this gesture succeeded in establishing a basis to move forward with a democratic strategy. While Chávez barely acknowledged the gesture and did nothing to meet it halfway, this in no way precluded consolidation of the new policy. Needless to say, as long as room still exists for free political action, democratic participation is the only viable way to confront authoritarian, autocratic, and militaristic regimes. Ironically enough, someone who saw this with utmost clarity was Ché Guevara himself, whose now-forgotten tract on guerrilla warfare warned that armed struggle had no place in countries where room for democratic action still existed. (Of course, Guevara himself would forget his own assertion during the revolutionary fervor of the 1960s).

The presidential elections had two significant results. First, A New Era and Justice First became strong political parties with broad national appeal. Before that, the former had existed only in Zulia and the latter in just four municipalities. Each party obtained more than a million votes from across Venezuela, which provided a basis to build a nationwide structure. Their sustained efforts in this respect have built an organizational capacity that, while still weak, does extend throughout the country. In the public mind, these parties are slowly taking the place of Democratic Action and COPEI, the once-dominant parties that ruled the country for half a century. This political emergence is rebutting the once potent “*no volverán*” (they will not come back) slogan the *chavistas* chanted to warn against the return of the parties Venezuelans kicked out of power in 1998 in favor of Chávez.

In December 2007, as Chávez embarked on his misguided constitutional reform package, he proclaimed that the first step would be to create a “unified party of the revolution.” He was stunned to be rebuffed by three of the four groups in the *chavista* alliance. As a

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<sup>3</sup> Once again, I feel compelled to recall my rejection of this opposition stance at the time, which was noted in many *TalCual* editorials and summarized in the last chapter of my 2005 book *Dos Izquierdas*. About fraud allegations and my view as to how a Chávez referendum victory could not be challenged on those grounds, this chapter may prove useful.

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result, the United Socialist Party of Venezuela (PSUV) is being cobbled together from the membership of the former Fifth Republic Movement (MVR) and little else. In spite of Chávez's abuse and threats, Fatherland for All (PPT) and the Communist Party (PCV) both refused to join, forcing him to propose reviving the Patriotic Pole, the *chavista* coalition of 1999-2000, as an umbrella for the PSUV, PPT, and PCV. Of course, it should come as no surprise that so far this coalition only exists in the President's rhetoric. As heirs to a democratic and pluralistic tradition, PODEMOS (Democratic and Social Power)—a *chavista* faction that stayed behind when the Movement Toward Socialism (MAS) party walked out of the government coalition in 2001—also balked at the proposed creation of a single party. As a result, PODEMOS has become the unofficial opposition in the National Assembly, although in an effort not to break with the *chavista* constituency it keeps a safe distance from the rest of the opposition. PODEMOS has provided a welcome boost to center-left opposition forces like A New Era, the single-largest opposition party and similarly moderate leftist group.

The opposition renewal process has also been bolstered by high-profile defections from the Chávez camp, notably General Baduel. In addition to his previous positions as minister of defense, army chief, commanding officer of the Maracay garrison (the largest in Venezuela), and commanding officer of the paratrooper battalion, Baduel was until recently a Hero of the Revolution, awarded for his prominent role in returning Chávez to power in 2002. His new role is illustrated by the fact that the recent weeklong commemoration of the sixth anniversary of the 2002 coup was almost entirely devoted to heaping abuse on Baduel and rewriting him out of the official history. (Interestingly, Marisabel

Rodríguez, Hugo Chávez's ex-wife, joined Baduel in opposing the constitutional reform package.) The recent acrimonious denunciation of so-called "institutionalist" military officers by the defense minister seems to suggest that a number of members of the armed forces, who identify with General Baduel, may be staging a passive resistance to presidential efforts to bring ideology and partisan politics into the military.

Another key component of the opposition renewal process is the re-emergence of the student movement. Although Venezuelan students have a long-standing tradition of activism, under Chávez they had all but passed from the scene, probably due to the crisis facing the left, who are the traditional student movement organizers. For the past nine years, students were nowhere to be seen in the Venezuelan social or political arenas. Yet, out of nowhere and obviously as more of a social than a partisan phenomenon, hundreds of thousands of college and high school students flooded the streets to protest the closure of RCTV in May 2007. These middle-class youths, just 12 or 13 years old when Chávez took power, were incensed at the blatantly arbitrary decision and mobilized against it in a completely spontaneous way. The combative, creative presence of young people—ready to spring to action at a moment's notice and steadfast in their allegiance to democratic procedure—was a welcome breath of fresh air for Venezuelan politics. The opposition seems to have learned its lesson, as parties no longer seem bent on hijacking the student movement, and the student movement no longer thinks of itself as an appendage attached to them. If this continues, and there is no reason to doubt it will, Venezuela can continue to count on a qualitatively different opposition than that of the period from 1999 to 2005.

## Local and Regional Elections

The next electoral confrontation will take place on November 23, 2008, when Venezuelan voters will elect 23 state governors and legislatures, the mayor and municipal council of Caracas, and 335 town mayors.

For the opposition, this window of opportunity is extraordinarily important. Absent from all state institutions since the second half of 2004 and with a weak street presence (save for the formally apolitical student movements), the opposition stands to reclaim from six to nine governorships and about 100 municipal governments. They governed eight states prior to the collapse of 2004 and 2005 but lost all but two. The opposition was reduced from running some 100 municipal governments to less than 50, none of them in large, key cities. In addition, the opposition lost every municipal council and was shut out of the National Assembly, all thanks to the *abstentionitis* that infected political parties and their constituencies.

Returning to power in state and local institutions would be a major achievement in itself, but as it turns out, races in most large states and Caracas are also ripe for opposition victories. Wins in these key votes would redraw the country's political and territorial map and more than offset *chavista* gains in other states and municipalities. For the opposition, it would secure a degree of institutional legitimacy it currently lacks and give it a decisive presence in places where crucial political decisions are made.

Of course, the opposition must remain united, as it has been since the 2006 presidential elections. A January agreement, ratified several times since, commits the opposition to fielding a single candidate for each post. Although not a simple undertaking, candidate selection should wrap up in time to register a consensus choice for each post in the November vote.

Hugo Chávez, for his part, has been vocal about the importance of these elections to his overall plans but is not proclaiming victory prematurely. This time he acknowledges that he faces a tough challenge. Chávez appears fully conscious of the sea change that an opposition win in key regions would bring and is consequently leveraging every weapon in his rhetorical arsenal. He has gone as far as warning about “war” if the opposition wins in Caracas and the neighboring state of Miranda. In his usual manipulative manner, he is repeating that an opposition win would start a war because presumably “he would be next,” ousted by the opposition, in other words. As usual, the government is expected to use its monetary and logistical resources to its advantage. The opposition also faces the challenge of fielding observers at every polling station, as the president's language leaves room for attempts to manipulate results. The opposition must also be careful not to give in to its tendency to underestimate Chávez and consider a victory all but assured.

The *chavistas*, for their part, are having serious difficulty selecting candidates. Extensive reiteration of the PSUV's democratic credentials notwithstanding, the candidates will ultimately be appointed by Hugo Chávez himself. He does not want a repeat of surprises like those he faced during elections for the PSUV leadership, when his favorites were placed on the slate in an order he had not anticipated, leaving several out of the final lineup. In some states, infighting among Chávez supporters is fierce enough to leave the impression that they belong to entirely different sides. This fragmentation is a consequence of a lack of a unifying doctrine, for the PSUV and *chavismo* in general, capable of keeping their component parts together. The absence of a common set of principles allows personal interests to be placed ahead of the collective good and for feuding sides to jockey for power or fight over the spoils.

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As opposed to Cuba, where Fidel adopted Marxism-Leninism as the official party ideology, the driving force in Venezuela is Chávez's speeches, which are not exactly a paragon of theoretical sophistication.

A singularly important topic has emerged in the run-up to these local and regional elections: electoral disqualification. The Venezuelan comptroller general has barred some 400 individuals, including a number of strong opposition candidates, from running for or being named to political office. The basis for the ban is an administrative regulation, Article 105 of the Comptrollership Law, that is ironically similar to a law passed by elements of the current opposition before Chávez came to power. The clause allows the comptroller to disqualify public officials directly, without any previous judgment or trial, if they are accused or even just suspected of administrative irregularities.

The controversy arises from the fact that Article 42 of the Venezuelan Constitution clearly establishes that, “The exercise of citizenship or any political rights can be suspended only by final judicial decision in the cases provided by law.” As is apparent from the text, the power to disqualify candidates is technically permitted by law but not constitutional. The unilateral declarations of the comptroller have allowed the *chavistas* to rid themselves of potential political rivals without due process or a definitive legal judgment. The decision has given rise not only to a legal debate but also to a growing public protest against the disqualifications.

In reality, disqualification applies to appointed, not elected, officials. It is a stop-gap measure to permit the removal of those suspected of rule breaking, though only after a verdict has been rendered at trial. Until a final judgment has been made, any disqualified officials retain all rights, including the

right to be elected. While this interpretation of the constitution seems obvious, the government continues to insist that the disqualifications are valid. In the hands of a comptroller beholden to the president's will, the power to disqualify candidates poses a real and potential threat to democratic rule.

In spite of the unconstitutional disqualifications, the local and regional elections on November 23 may well mark another watershed moment in the troubled history of Chávez's rule.

### **Nationalizations**

Despite his constitutional reform defeat, Chávez has been busy pushing ahead with some of the key goals of the referendum. His neo-totalitarian scheme remains alive and he can be expected to do everything possible to enact, by decree or legislation, anything that does not require explicit constitutional support. His autocratic and militaristic brand of state-controlled capitalism seeks to place powerful instruments of social control in his hands—even if Venezuelan history shows that statism can have devastating economic effects. While Venezuela has indeed had a tradition of statist economic policy under democratic regimes, an autocratic and militaristic ruler is a different story. This is particularly dangerous because state companies and their thousands of workers can be effective mechanisms of social control.

In May 2007, Chávez nationalized CanTV, a telephone company owned by U.S.-based Verizon and Spain's Telefónica, as well as Electricidad de Caracas, a power utility owned by U.S.-based AES. He also announced plans to nationalize the Siderúrgica del Orinoco (Sidor) steelworks, controlled by a consortium headed by Argentina's Techint, as well as cement plants owned by Cemex of Mexico, Lafarge of France, and Holcim of Switzerland that produce all of the cement used in

Venezuela. In 2007, the government simply bought the companies lock, stock, and barrel at market prices, and it proposes to do the same with Sidor and the cement companies. These “postmodern,” trouble-free nationalizations are characteristic of a state awash in petrodollars but devoid of the romantic aura of bygone socialism.

The explicit reason for these measures is familiar: the state needs to control certain areas of the economy it deems strategic. However, in the case of Sidor, which can hardly be considered strategic, the rationale has more to do with electoral expediency. Nationalization was a sudden decision prompted by a bitter labor conflict, a Gordian knot Chávez decided to cut by simply buying the company. Polls show dwindling support for Chávez in Bolívar state—home to the steel plant and other heavy industry facilities and thus of strategic importance to the government—and the nationalization decision was an effort to stop the electoral hemorrhaging in this region. Seen from the vantage point of the progressive weakening of the president’s standing, the Sidor nationalization is a case of offense being the best defense. That labor unions and most company employees rejoiced at the announcement came as no surprise: the current statist drive has rekindled an old, conditioned reflex in the labor force. Before privatization in 1997, Sidor needed 20,000 workers to produce less than three million tons of steel a year. As the employer, the state eagerly agreed to unrealistic collective agreement terms knowing the national purse would make up for any red ink. After privatization, the payroll was cut to 6,000 and Sidor started producing five million tons of steel a year.<sup>4</sup>

<sup>4</sup> It must be said that an obtuse Sidor management totally mishandled the labor dispute, trusting perhaps in the links between its Argentine owners and Néstor and Cristina Kirchner, who have ties to Chávez.

In the case of the cement plants, however, the reason for nationalization is less apparent. In Venezuela, the cement industry has always been in private hands. But after the foreign companies mentioned above entered the scene, Chávez baselessly placed the blame for setbacks in his housing program on a cement shortage caused by excessive exports.

In brief, the inevitable conclusion is that this is not just another episode in Venezuela’s long tradition of statism. It is a qualitatively different project, in whose context state-controlled capitalism is yet another lever for social control. This is not merely about control of strategic areas of the economy, it is about controlling all industry, strategic or not. The intent is to turn the state into a ubiquitous presence in all economically significant areas, place key economic hubs under government control, subject the private sector to a battery of regulations, and significantly restrict market mechanisms. Should the nationalization of Sidor and the cement companies come to pass, the state would be in control of the oil, electricity, steel, aluminum, and cement industries, not to mention iron and bauxite mining. It still remains to be seen how far statism will reach under Hugo Chávez.

The flip side is that in Venezuela, accustomed as it has been for more than a half century to strong state involvement in the economy, ordinary citizens are justifiably convinced that state companies are by definition inefficient and corrupt. The exception is those workers in state company unions, a veritable working-class aristocracy that has directly benefited from greedy, wasteful management. There is no reason to believe that companies nationalized under the current government will become models of efficiency and integrity—quite the opposite. In fact, CanTV is

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already showing signs of financial decline. Earnings are down, and they ended the last quarter heavily in debt. Costs are up significantly, mostly because of a bloated payroll that has grown in the time-honored tradition of using public companies as employment agencies for party affiliates. Incredible as it may seem after such a short time, the quality of service is also sliding. Electricidad de Caracas, for its part, has recently been used as conduit for a highly corrupt issuance of securities. There was no reason to expect otherwise.

The nationalization issue reveals a pragmatic streak in ordinary Venezuelans. Will the history of public company inefficiency and graft repeat itself? We expect so. How will the country evaluate the growth of statism? We will probably not respond positively, which is largely why the country is still far from reaching Orwellian depths of political and social control. On the contrary, nationalizations may end up boomeranging back on the government, whose poor management skills are evident in how PDVSA is run.

### The “Bolivarian Curriculum”

Chávez is also pushing his authoritarian goals in other areas. The proposed introduction of a so-called “Bolivarian Curriculum”—an attempt to reform the primary and secondary school curriculum drastically—sparked much debate. Two issues are especially serious: the inexplicably reduced emphasis on core subjects such as math, physics, and chemistry in favor of a heavy focus on history and social sciences, with a strong militaristic bent. The history taught in the proposed curriculum has been rewritten based on Hugo Chávez’s peculiar reading of it, including ascribing himself a greater historical role than even the revolutionary hero Simón Bolívar. This is a crude attempt at forcing ideology into schools, without the appropriate theoretical equipment. Venezuela is neither Cuba nor the former

Soviet Union, with their Marxist-Leninist prayer books. But what is particularly interesting is the reaction to Chávez’s trial balloon. The concerns raised by teachers, education experts, political parties, and citizen groups quickly threatened to turn the idea into another fiasco. This is not the first time that Chávez broached the highly charged education issue. Indeed, back in 1999 his proposal to introduce political commissioners in the education system met with countrywide condemnation. This time, the solid arguments fielded by the opposition as well as the downright mediocrity and conceptual vacuity of the proposal produced by the Education Ministry portended a very discouraging outcome. Chávez, always the shrewd political animal, understood that such a debate in an election year could be highly counterproductive and therefore announced that he was in no hurry. He said that Venezuelans could take “all this year and next” to debate the curriculum, after which he would call a referendum (an absurdity, since referenda are not intended to consider such matters). While the debate rages on, implementation seems neither imminent nor likely.

### The International Stage

The months since the referendum have been marked by intense political wrangling. While the erratic measures adopted by the often bungling Chávez have done little to improve his image at home or abroad, they speak volumes of his tenacious intent to move forward with his “21<sup>st</sup> century socialism.” Equally tenacious, to be sure, are as his opponent’s efforts to stop him. On the international scene, Chávez’s influence has been shrinking. Among the European left, there is little, if any, tolerance of him. In Latin America, the difference between his agenda and those of Presidents Luiz Inácio “Lula” da Silva, Tabaré Vázquez and Michelle Bachelet is quite evident. In fact, until the Colombia-Ecuador

border incident on March 1 of this year, even Ecuador's Rafael Correa had been moving slowly but noticeably away from this inconvenient fellow traveler. Chávez's only allies are in the phantom organization known as the Bolivarian Alternative for the Americas (ALBA), comprised of Nicaragua, Bolivia, Cuba, and most recently, Dominica. Relations between Cuba and Venezuela merit special attention. Though previously based on the bond between Chávez and Fidel, the latter's marginalization and Raúl Castro's circumspection have returned bilateral relations to a more conventional mold. While no one thinks that Cuba is about to reduce or even cut off ties to Venezuela, its deafening silence in the face of the Venezuelan government's recent international stumbles speaks volumes. Most likely, the Cuban agenda, especially vis-à-vis the United States, is not entirely compatible with the strident anti-imperialist rhetoric in which Chávez often indulges. The immediate future in Cuba is sure to bring surprises that will have an impact on relations with Venezuela.

Chávez's mediation in the Colombian conflict ended in a blunder unworthy of a man of his political acumen. Had he not allowed his ego and propensity for media antics to get the better of him, he could have secured a major diplomatic and political victory, substantially improving his international image. But this was not to be. After securing the release of several FARC hostages, Chávez gave his Colombia policy an unexpected spin by advocating recognition of the FARC as a "belligerent force." To Uribe, this was an unexpected yet welcome gift. His popularity at home reached new heights while the international community—unsurprisingly unsympathetic towards the FARC—dismissed the Venezuelan president's absurd proposal out of hand. Save for Nicaragua, no Latin American government even considered the suggestion. Cuba and Bolivia kept silent

and Ecuador rejected it flat out. Oil money is not quite all-powerful, after all.

Shortly after, Chávez adopted an outrageously bellicose tone to meddle needlessly in the border incident following Colombia's airstrike on a FARC camp in Ecuador. He ordered the military to mobilize to the border with Colombia, a stunt few Venezuelans took seriously and which revealed the Venezuelan army's serious operational shortcomings.

With Colombia, Chávez tried to play the nationalist card. After the events of December 2, he is doing everything he can to contain the persistent thinning of the ranks of his supporters. Samuel Johnson had it right when he said that "patriotism is the last refuge of a scoundrel," and Chávez, wrapping himself in the flag, is no exception. But if he meant to unite the country around him in order to stand up to the "imperialist menace," with Colombia an expedient scapegoat, his plan fell through. The rather surreal conclusion of the affair at the Rio Group summit in Santo Domingo, Dominican Republic shortly after the airstrike made the whole sorry episode seem even more preposterous.

While his enormous financial reserves still give Chávez room for maneuver on the international stage, any influence is quickly waning. While not isolated, he is certainly not the regional leader that his own self-perception and the inept assessment of the State Department in the early days of the Bush presidency led him to think he would be.

However, there is one aspect of President Chávez's foreign policy that cannot be discounted. Outside of Rómulo Betancourt, Chávez is the first Venezuelan president to make oil a potent instrument of foreign policy. He has done so boldly and with a clear sense of geopolitics. Behind his oil policy is clearly a political agenda, but that is no dif-

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ferent from any other country that flexes its economic muscle to further its interests. The U.S. government, whose diplomatic and economic might are inextricably linked, has little justification for reproaching Chávez about his use of oil as a foreign policy instrument.

A dispassionate examination reveals PetroCaribe is an appropriate response to the needs of its Caribbean and Central American beneficiaries, even if it also happens to meet Chávez's strictly personal goals. Selling oil at favorable terms—half at market price payable within 90 days and the remainder payable in 25 years at 1 or 2 percent interest—to poor countries crushed under exorbitant world prices should be a lesson to oil-producing countries. The hypocritical United States, in particular, could buy oil from its private companies and practically give it away to Central America and the Caribbean at a cost of less than one billionth of gross domestic product (GDP). Of course, nothing could be more unthinkable in a country whose foreign policy is built on the principle of “trade, not aid.” Oil agreements between Venezuela and Uruguay, Paraguay, and Argentina share the same principles: preferential prices and easy terms intended to strengthen Chávez's claim to continental leadership. That this also secured the votes of Caribbean countries in the Organization of American States and improved relations with other countries is what foreign policy is all about, as Machiavelli would say. In my view, no post-Chávez government, especially if progressive, should set those agreements aside. Like the Mediterranean for the Romans, after all, the Caribbean is *mare nostrum*.

In short, in a continent where clashes with the United States are a fact of life, Chávez's discourse resonates strongly with sectors of the far left and not so strongly with the mainstream, democratic left. Faced with the imperialist policies and arrogance of Bush

and the neoconservatives, Chávez's discourse arouses sympathy in ordinary Latin American citizens—even if his belligerent and excessive rhetoric ultimately ruin the effect.

### “It's the Economy, Stupid”

The centrality of politics in Venezuelan culture is unquestionable. The political arena is the stage where the leading contradictions facing the country are displayed. As Engels would say, however, the economy always has the last word.

Chávez's success at home and abroad would be hard to explain without sky-high oil prices and the resulting revenues rolling into his coffers. Venezuela's foreign reserves stand at some \$60 billion. At current prices, oil sales in 2008 should bring in an additional \$70 billion. In a country of 27 million, this much wealth makes the government more than comfortable. This is not the place to go into the long-term effects of Dutch disease and increased dependence on oil. Suffice it to say that oil revenues will continue to provide Hugo Chávez with a substantial financial cushion, at least in the short and medium term. The current account surplus is vast enough to offset easily the capital account deficit, but this deficit reflects an uncontrollable capital flight. In an oil-based economy, this can lead to vulnerabilities. In spite of exchange controls, Venezuelans with sufficient wealth still invest in hard currency. In 2007, the government held the line on the current account deficit by going into debt. As a result, the foreign debt now hovers around \$40 billion, which translates into additional medium- and long-term vulnerabilities.

Oil revenues have caused a formidable increase in public spending, the engine of growth since 2003. Public spending, historically 20 to 22 percent of GDP, has grown to about 35 percent. The economy, which grew at Chinese rates through 2007, has been

driven by expansion of aggregate demand, especially private consumption. While all sectors of the economy have grown—private construction saw a dramatic boom in 2006, for example—manufacturing grew the least. Growth is skewed toward the non-tradable sector and import growth has been more than \$40 billion a year over the past two years, exacerbating a significant loss of diversity in the productive system. Chávez brags about his “endogenous” economy (a rehashing of the Economic Commission for Latin America and the Caribbean import substitution model of the 1950s and 1960s), but there is no economy, endogenous or not, capable of withstanding the crushing weight of such a volume of imports, whose most visible result is an obscene degree of consumerism.

An economy based on expanding demand and meeting it with increased imports rather than production will decline in the long run. The economy grew 8 percent in 2007, down from 10 percent in 2006, and estimates for 2008 point to no more than 6 percent growth. Public and especially private investment are at near-bottom rates, which, to put it in Marxian terms, precludes the reproduction of capital on an extended scale.

The expansion of public spending and liquidity, coupled with an overvalued currency due to exchange controls, is driving inflation. In 2007, the inflation rate reached 22.5 percent, far and away the continent’s highest. Inflation from January through March 2008 stands at 8.2 percent, more than triple the 2.6 percent posted a year before. Annualized (March 2007–March 2008) inflation is a whopping 29 percent, which is projected to reach 30 percent by December. While finance ministers have tried to downplay its effects, that inflation is strongly and negatively affecting the poor is one of the chief sources of growing skepticism among *chavistas*.

The government has adopted a number of measures to deal with inflation, including reducing liquidity and reconciling the official and informal exchange rates. Yet inflation has not subsided. Inflation can hardly be expected to yield given that a return to previous liquidity levels is highly likely—public spending continues to grow in this election year and new sectors of the economy are switching to the informal exchange rate, thus recreating the de facto dual rate. In addition, the vast amount of food imported to supply discount markets and offset the shortages caused by price controls at a time when world food prices are skyrocketing is also driving inflation. In other words, the economy and the country are set to continue enduring the hardships associated with high inflation. Food shortages have never reached catastrophic proportions—as they did in Cuba, for example—and are easing with massive imports. Nevertheless, all of this suggests an economic policy that is untenable over the medium and long term.

The Chávez regime has indulged in “socialist” experiments that have proven nothing short of pathetic. Cooperatives are dead, doomed by amateurism, improvisation, poor member training, lack of technical support, and Chávez’s own neglect after he discovered that cooperatives are, after all, just another form of capitalism. “Social production companies” fared no better and “co-management” experiments only succeeded in discrediting the concept. Agrarian reform in a country where large landed estates are of marginal economic and social significance has not advanced beyond a few haphazard land expropriations. In addition, the state, not farmers, keeps the income, which all but seals the fate of the experiment.

Other than resorting to the tried-and-true formulas of statism and populism, Chávez’s

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so-called Bolivarian Revolution has failed to bring about any real, progressive reform of social structures. Its achievements stop at a few social programs whose earnest goals are mired in corruption, wastefulness, and political discrimination, all without creating permanent employment.

### Conclusion

A few general definitions might help capture the *chavista* phenomenon. Is it a revolutionary regime? No. In spite of Chávez's loud rhetoric, the historical examples of revolution bear no resemblance to what is now underway in Venezuela.

Is it a classic Latin American dictatorship? No. Although the regime imposes severe constraints on a full exercise of democratic rights, the country still limps along within a formally democratic institutional framework. Yes, the regime is autocratic, no real separation of powers exists, militarism is a key trait, and the president is authoritarian. Still, we cannot label it a dictatorship in the strictest sense of the word. While some speak of a “post-modern dictatorship,” I confess ignorance as to what that may mean. A dictatorship is a

dictatorship, as Venezuelans who lived under strongmen Juan Vicente Gómez and Marcos Pérez Jiménez know all too well. A regime that allows political parties, elections, civil society, a union movement, free speech, and holds no more than a dozen political prisoners is no dictatorship.

Chávez's Venezuela is a Bonapartist democracy of sorts, a one-of-a-kind “dictatorship.” He aims to make the armed forces the institutional base of his power. Chávez is also creating a new bourgeoisie based on corruption and preferential dealings with the state. He has created a hypertrophic government bureaucracy with over two million public servants, led by a *nomenklatura* perfectly aware that its power depends directly on the president's power. This structure rests on the still considerable support of a mass movement used as foot soldiers, while the vast network of intermediaries established these past few years grows increasingly perverted by clientelism and direct dependence on presidential whims. That is *chavismo*. He is a leader obeyed and even loved by some, but Chávez is nevertheless decidedly on a downward slope.



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