

Center for Democracy  
— IN THE —  
AMERICAS



**RESEARCH TRIP TO VENEZUELA  
JULY 2007**

## Introduction

The Center for Democracy in the Americas (CDA) is devoted to changing U.S. policy toward the countries of the Americas by basing our relations on respect and dignity, and fostering dialogue particularly with those governments and movements with which U.S. policy is at odds.

Consistent with its mission, we have been taking delegations to Venezuela since early 2006, to help U.S. policymakers and others understand the transformative changes taking place in that country, and to learn whether U.S. policy toward Venezuela is effective or requires reform.

From July 6 to July 10, The Center for Democracy in the Americas led a research delegation to Venezuela. The delegation included six legislative aides to Republican and Democratic Members of Congress. During our stay in Venezuela, we met with a cross-section of government supporters and critics, leaders of the business community and civil society, foreign journalists and representatives of foreign embassies.

With these individuals, we had rich and informative conversations, during which they expressed to us pointed and at times contradictory views of what is happening in Venezuela today.

This document reports on the substance of those conversations. In it, we respect the confidence of every person with whom we spoke, to recognize them for the candor with which their opinions were delivered. Here, we produce a record of what we learned in five critical areas:

- First, we report on Venezuela's political life and on the concerns people have about the forthcoming reforms to the nation's constitution.
- Second, we discuss Venezuela's booming economy and the sustainability of their economic model going forward.
- Third, after visiting two impoverished communities, we discuss some of Venezuela's efforts to provide economic and political empowerment to the nation's poor.
- Fourth, after meeting with leaders of Venezuela's political opposition, we reflect on their position nearly ten years after Hugo Chavez was elected to power.
- Fifth, we discuss what we learned from four leaders of the student movement who led protests against the government's decision to withdraw the broadcast license of RCTV.

We conclude our report with a brief discussion on further research about Venezuela and its relationship with the United States.

## Venezuela's politics

President Hugo Chavez is revising his country's constitution for the second time since he was elected in 1998. Although the president has promised broad consultation later, the reforms are still being worked out in secret, and no one outside his inner circle truly knows how sweeping the changes will be.

Yet, details are being leaked to test the public's reaction to various proposals. This meant that Venezuelans could discuss what they knew and express a range of emotions from anger to anticipation about how the constitution may change. Of those we met, the least concerned were among the nation's poor who have gained the most from the Chavez program of social missions and political inclusion.

Constitutional reforms are significant because they will affect the durability of Chavez's political project and his ability to accrete and centralize power. How the rights of citizens are affected will, in turn, influence everything from the nation's democratic spaces and economic climate to global attitudes toward Venezuela. Finally, they represent another likely defeat for a discredited political opposition and a new challenge for an untested student movement that has only recently re-emerged.

In a normal democracy, as one observer told us, elections help countries solve problems and foster reconciliation. But in Venezuela, after every election Chavez has won, the country has emerged more skeptical, more divided, and more polarized. After the presidential elections in 2006, which Chavez won handily, a government critic said that the trend toward polarization driven by deep-seated political change had accelerated.

The most controversial decision taken by Chavez this year ended the license of Radio Caracas Television (RCTV), an active opponent of Venezuela's government, to broadcast over the public airwaves. From the government's perspective, RCTV was complicit in the 2002 coup against President Chavez, and was accused of abandoning its role in reporting the news and rallying demonstrators with its programming instead. Still, when RCTV lost its license, Chavez was condemned for this action, in the region and internationally. It was overwhelmingly unpopular in Venezuela, even within the president's political base, and it triggered protests by a student-led movement that was described as fundamentally different and more effective than the traditional opposition political parties.

Some changes championed by Chavez, since his reelection, have precedents in Venezuelan history. The country has gone through cycles of nationalization and privatization before. The National Assembly has authorized presidential rule by decree before. The national government's role in ruling the states and municipalities has changed before. Whether one calls it reform or radicalization, allies and adversaries do agree that the changes taking place now scale to a fundamentally different level.

Since his re-election, Chavez has been defining a program of socialism for the 21<sup>st</sup> century.

In the economic realm, it is not entirely clear what he is promoting. As will be described later in this document, we were offered a mixed picture of an economy that was growing, thanks to high oil prices and massive consumption, but whose long-term prospects were uncertain; indeed, many express serious doubts over whether his economic strategy is sustainable.

The political program is clearer and is being received with greater concern.

Early in 2007, the National Assembly, which has no elected members of the opposition, gave Chavez the right to rule by decree for eighteen months. This broad authority to legislate comes on top of his at least nominal control of all five branches of Venezuela's government (the courts have occasionally ruled against him). The president also named a reform group on the constitution in January 2007, whose work represents the next stage of his project.

How the reforms will be ratified remains unclear. Chavez is by-passing the National Assembly in writing the new constitution. When the new draft is finished, no one knows if it will be considered or debated by the National Assembly, but it will be sent to the people for ratification in a national referendum whose date is not yet set.

By every indication, the new constitution will consolidate further both the president's program and his political authority.

Among the reforms we heard described:

- Changing the constitution to make it a "socialist constitution," and adding "Socialist" to the name Bolivarian Republic of Venezuela.
- Altering how the national government relates to states and municipalities. One reform would amplify the concept of community power, by having community councils replace local governments. They may also expand the number of people serving as "vice-president" to govern Venezuela's various regions, and provide local councils with an executive branch official to whom they could directly report.
- Abolishing term limits on the office of president making it possible for Chavez to serve in perpetuity.
- Redefining the constitutional definition of and protections for "property."

After indefinite presidential terms, changing how *property* is defined is provoking the greatest anxiety. The new draft apparently divides property into five categories: public, mixed, social, collective, and private. Private sector property is "accepted" unless it comes into conflict with a third party raising the prospect of confiscation without compensation.

These changes to the constitution have political and economic dimensions that are raising many people's fears about the future.

Why is this happening?

First, Chavez won in 2006 with more than 60% of the vote and he is governing with a mandate which he is clearly eager to test.

Second, Chavez talked throughout the campaign about the likelihood of a long tenure in office. Quite apart from whether his desire is to hold power for its own sake, what he apparently wants to accomplish substantively is going to take years.

Third, his view toward holding power hardened following the April 2002 coup. As one observer told us, the coup made Chavez see the stakes. His goals were always radical, but this meant that his means would also have to become radical.

Fourth, many of these changes – often derided by critics as improvisational – have, in fact, been thought through, by Chavez and his advisors, and reflect his views about nationalism and his philosophy. For example, one expert talked to us about the oil nationalization policy and how contracts signed before Chavez were based on the foreign oil companies' views that energy resources "belonged to all of humanity." What Chavez is saying is "no, they belong to Venezuela."

Fifth, Chavez is taking a longer view; he is increasing the reach of his power, as one observer suggested, to prepare for the day in the future when he is not as popular as he is today. We were advised to consider the closing of RCTV in this context. It may hurt him *now* with his base (who enjoyed the channel not for its news, but its telenovelas) and internationally. But, when there is the next election, there will also be a smaller opposition media presence, and this could prove useful if the economy ebbs and with it the tolerance of Venezuelans for his rule.

Finally, if these changes cause more polarization, that's fine with the president. Chavez likes positioning himself as an outcast. His narrative is as the voice of sanity internationally, which also positions him in domestic politics. He encourages even cultivates polarization to motivate his base and to weave the noise of his opponents into his narrative: testing the limits works for him.

Are there limits? We return from this trip uncertain.

Political cycles have historically followed economic cycles. Previously, when the economy in Venezuela went bust, a new administration came in to clean up the mess. But Chavez wants to rule for a while. So he will need a scapegoat. As one critic said, to achieve his vision of Venezuela as a 21st century socialist state, he needs to blame the U.S. for the problems of the past or the obstacles of the present, and he will continue to pick fights with our government as a result.

However, we were also told that Chavez does have limits on what he can do in the context of the American relationship and Venezuelan public opinion. He cannot break relations with the U.S. He must continue exporting oil to the U.S. whose dollars finance purchases by Venezuelan consumers of American goods. Even as Chavez uses America as a scapegoat for his problems and his critique of the world, Venezuelans are close to the United States as public opinion polling in Venezuela often suggests.

They also have expressed themselves in polls against moving the country in the direction of Cuba as a model.

An election monitor talked to us about how important it is to protect the legitimacy of the forthcoming vote on the constitution, whenever it occurs, because that election may be the only brake on what Chavez can achieve in the near term.

Another observer said there is the student movement. But it won't be for another ten or fifteen years that we can see how powerful they really are.

### **The economy**

On the economy, Chavez is performing as he promised: addressing Venezuela's massive income inequality and taking more direct control of the nation's energy resources.

If there's one word to describe the Venezuelan economy, a businessman told us, it should be "bonanza." Venezuela is in the midst of a construction boom and Venezuelans are enjoying a consumption binge led by imports of consumer goods from the United States. The nation's poor are buoyed by social spending funded by the government, which uses revenues taken from its state-owned oil company whose coffers are flush thanks to high world oil prices.

Chavez critics – among elites, economists, and political opponents – declare these conditions "unsustainable." For the immediate future, it might be closer to the truth to describe Venezuela's economic prospects as uncertain or unpredictable.

At a meeting with international business representatives, they offered us this consensus view of Venezuela's economy. The economy is not diversified and the boom is entirely oil driven. Last year, private consumption grew by 19% in real terms. The productive sector, especially services, is growing, but they cannot meet demand, forcing increases in imports. They have dollars from oil revenues, so they can afford it. The money supply is going up, and inflation is back up. Venezuela, they said, has the highest rate of inflation in Latin America; in June, the Financial Times said Venezuela's inflation was nearly double that of any country in the region.

Battling back against an overheated economy, the government has imposed new rules and regulations on business: price controls, currency rules, restrictions on imports and exports. None of this, business leaders told us, has occurred within a framework of transparency or a legal process.

Price controls have resulted in businesses holding back products from the market, and the government responded with actions against hoarding. At times there are shortages of food and other products in Venezuelan stores.

One foreign government was unable to provide meat for a planned Bar-B-Q event at its embassy. Another ambassador received an urgent call from a government official asking that country to provide Venezuela with an emergency shipment of eggs. A foreign business leader told us that his company is providing some goods to Venezuelan retailers with payments deferred until later just to keep products on the shelves.

Still, the government is creating more uncertainty. It has renegotiated contracts with the multinational energy companies, raising taxes and royalties. One observer told us that Chavez will engage in further nationalizations in education and health care. We also heard contradictory claims over whether Chavez would withdraw or press forward on his effort to join Mercosur, given Brazil's unwillingness to make fundamental changes in the South American economic alliance as Chavez has demanded; a decision with implications for Venezuela's access to a natural market.

Oil is at the heart of the Chavez political project, fueling social missions at home and his efforts to gain influence abroad. The success of the economy requires high oil prices and an industry producing a sufficient rate of return to sustain the government's social programs. What is happening, then, with Venezuela's most precious economic asset?

At several levels, nobody knows. One critic called the oil industry "a black box." There is no transparency for levels of oil production, amounts of oil exported, or dollars invested in the industry's upkeep, and no scorecard showing the revenues diverted to social missions and social programs or from which pocket the monies were drawn.

In oil production, we were told, there is a natural decline rate. Venezuela needs 4-5 billion dollars in annual investments to keep up its fields. No one who spoke to us about oil believes investments at those levels are being made. PDVSA is still recovering from the 2003 work stoppage that resulted in 20,000 of its workers being terminated. One observer said Venezuela is experiencing problems with refinery capacity and has recently imported needed components just to produce gasoline.

A businessman told us that oil imports to the U.S. are 1.1 million bb per day down from 1.5 ml. Since Chavez is selling much of his oil at a discount as part of his foreign policy project, what is sold to the U.S. at the market price is therefore his "profit margin." How much is that? Again, nobody knows.

Still, an overheated economy, a potentially counter-productive government economic strategy, political challenges, and even uncertainty about the nation's oil industry – all of this affects confidence. Foreign direct investment in Venezuela is drying up. The average annual figure for FDI was \$800 million. It has now slowed to an annualized rate of \$19 million.

The Washington Post and Business Week report that there is a net outflow of capital from the country at-large. Members of the middle class are leaving. There is a brain drain. And constitutional changes that limit legal protections for property could drive more people out of the country. Venezuela, one social scientist told us, is facing a governability problem. Others said this all comes apart if energy prices were to fall significantly.

Business argues that economic and political health requires a return to good economic policy. What are needed, they say, are rational fiscal and monetary policies and an intense focus on productivity and stimulating private investment. An opposition politician said simply, Chavez needs business people to stay in the country, and that argues rationally for a more business-friendly climate in Venezuela.

One observer said we simply don't know about the sustainability of his economic model. A former Central Bank official laid out a plausible scenario for Chavez using economic instruments at his disposal to manage his way through a crisis. Venezuela has plenty of foreign exchange and it's on a massive reservoir of oil as a hedge against uncertainty yet to come.

But as one close observer said to us, darkly but without elaboration, "this will not end well." Whether he referred narrowly to the oil boom or more broadly to the Chavez political project was left intentionally vague.

### **The poor**

The meme about the Hugo Chavez social project—repeated with striking uniformity by government critics, the opposition, journalists, and the staff of the U.S. embassy – goes like this:

In the social missions, (some) people have received some benefits, but it is a palliative; no wealth is being created, and without wealth creation, you cannot get poverty down. The programs themselves are riddled with corruption, and the benefits are only being provided to give popularity to Chavez and to keep him in office.

The hardest critics won't even concede that anyone has benefited.

Our delegation spent time in two of Venezuela's impoverished communities – a barrio in Caracas called Veintitres de Enero (23<sup>rd</sup> of January) and 90 miles away in San Juan, located in Barlovento, the center of Afro-Caribbean life in Venezuela. These visits helped us to see for ourselves whether the missions were reaching the intended recipients and doing any good. By visiting these communities, we also learned something about how their residents view Venezuela and the world.

## Barlovento

Barlovento is a region where slaves from Africa were brought to Venezuela to work on in the cacao industry and sugar plantations, the copper mines and fishing. The slave trade began in the early 1500s and lasted three centuries. Their heirs in contemporary Venezuela were doubly dispossessed, because they were poor and because they were black.

Chavez, according to the community, is offering them unprecedented social and economic benefits along with new political rights of inclusion.

In San José de Barlovento, we toured a health clinic, staffed with Cuban doctors, which contains extensive diagnostic equipment – for example, machines offering EKGs and sonograms – that had never been seen in the region. Before the clinic, we were told, patients faced extremely high prices for medical care. Most care was only available through hospitals in Caracas. Now primary and diagnostic care is available locally, and our hosts cited a decrease in infant mortality as a tangible benefit of their new access to primary health care.

We visited a school for children in the community, who attend classes and feeding programs. There is a standard curriculum, plus extras including arts and crafts and music.

The school has an interactive computer room. Here, they teach classes both to students and members of the community. The program was created by the national government to give technology to marginalized sectors that never had access. At the computer room, the students do research and help each other with their homework. Education, they said, is used as a tool of inclusion.

Political leaders from the Afro-Venezuelan Network also talked about the constitutional reforms. Their platform demands that their rights be named and protected in the constitution, in the preamble and in specific articles stipulating that their culture and African legacy is respected, their land is recognized, and that Venezuela will fight against racism and discrimination and against its citizens being excluded.

## 23 de Enero

The barrio called “23 de Enero” is named for a revolutionary movement that overthrew a dictator, Marcos Evangelista Perez Jiménez, in 1958. The movement has taken over the neighborhood, which one leader said used to be a “zone of laziness,” but it has been rebuilt and recreated with a new infrastructure in order to stimulate progress. They provide basic services that the neighborhood never had: for example, potable water, education, 24-hour per day health care aided by Cuban doctors, and even programs that connect rural farmers with their inner city customers.

The community's connection to the federal government is an emblem of Chavez's plan to create councils for popular power. The government's goal is to let communities decide what solutions are needed and then apply for government funding since they know their own problems the best.

The delegation visited a school with a computer lab filled with new Hewlett-Packard computers and classrooms where the entire curriculum –literacy, math, science, history and social science–is taught.

We also toured a community center housed in what was known as a “repressive” police station. The replacement of the police station was a conquest of the social movement. It now used for a community radio station, as a computer center (they have 167 computers), as a place for kids to do homework, and as a place to teach arts and crafts. They offer lessons for the disabled and they have programs for the elderly.

We saw the movement's headquarters decorated with vivid posters: One saying that Israel assassinates innocents, others depicting Fidel Castro, Che Guevara, Salvador Allende, and scenes of the carnage in Iraq. The movement clearly sees itself as part of a larger global community of activists working for the dispossessed.

Following the tour, our hosts talked more about their political views.

They said: they do not teach hatred; they teach the benefits of reconciliation. But they are against anyone who would want to take this progress away from them. They have adults in military training programs. They hope it will never get to the use of force, Venezuelans have not done this against anyone else, but they are preparing to defend the revolution as needed.

Every country, they said, suffers the risk of invasion. It is not only about physical aggression. Media warfare is abundant and is trying to sew division among the people. It is absurd and disgusting to label a country just because of its ideology. They respect all ideologies and only want to be left alone to be able to do things their way.

They have high hopes for the American people to vindicate the words of the constitution and stop the corporatist movement. There is a big difference between the people and the government in the U.S. As a world power, the U.S. should help and not hinder.

Our visit ended with a debate over whether the 9-11 attacks were “self-attacks”, as they suggested and as many movements in Latin America and elsewhere strongly believe. Noting our offense, they said, in the end, that was only what they heard, not what they believed, but some of us weren't quite sure.

### Are the social missions working?

More work must be done to evaluate the success of Chavez's social missions, and we only saw a fraction of the more than 10 million Venezuelans who are poor. But we did see evidence that people who have been historically excluded and poor are now receiving substantial social benefits. Even an opposition leader told us frankly that "the lower section has seen a 60% improvement in 4 years."

Putting the meme to rest, a social scientist, also a former Chavista told us:

Chavez has wide support. He has a lot of money. He has changed lives. He has increased political participation and economic consumption by the poor. Poverty is down. Employment for the poor is up. There is more education. There is more money for women and primary schooling, more support for women who are heads of households. They are providing primary health care in the barrios; Cuban and Venezuelan doctors, together. All of this makes a big difference. And there is no plausible alternative offered by the opposition.

### **The opposition**

The most generous comment we heard about Venezuela's political opposition came from a foreign journalist who said, a society needs to have an opposition, but none of the opposition in Venezuela has the public excited. A more caustic observation was delivered by an academic who said, "The opposition doesn't understand that they are a minority. They don't live in this country. They live in Miami now."

Our delegation met at the headquarters of one of Venezuela's oldest political parties with an opposition leader, and spoke elsewhere with critics of Chavez, and observers who talked about the opposition's failures in the face of the president's growing power.

To be sure, it cannot be easy to be an opposition party or politician, or to even hold an opposing view, in this highly-polarized political environment. The opposition carries the weight of Venezuela's history, and with it, their deteriorated position in the nation's political system.

Many citizens are fearful about the closing of democratic spaces. They are discouraged by the president's control over the five branches of government, and how democratic change seems so elusive with Chavez so powerful and so popular with his base.

With this as background, it is easy to understand how dispirited his political opponents could be. And yet, the opposition seems to be in a unique state of denial about its predicament and how to move forward.

We were struck by five problems that the political opposition has failed to address as President Chavez has consolidated his power.

*They continue to question the president's legitimacy.* These are the parties that were routed in presidential elections, blamed for a coup and a general strike that brought the country to its knees, defeated in a recall referendum, and then abstained from a parliamentary election that left them without a single seat in the National Assembly.

Their continuing unwillingness to accept the legitimacy of the Chavez presidency further undermines their own standing and validates his view that anyone who opposes him is trying to drive him from office.

*They act in ways that validate his polarizing framework.* By questioning his legitimacy, they embed themselves in the president's political framework which traps them in the past and leaves them with on-going responsibility for every problem that brought Chavez to power that the public wants the political system to solve. Some go further, publicly throwing in their lot with the United States, thus equipping Chavez with more evidence that they want to do the bidding of "The Empire" against him.

*They refuse to break with the past.* They make no apologies for their failures, when they controlled the Venezuelan political system from 1958-1998, to offer economic support or political inclusion to the millions of their fellow citizens who were dispossessed, and one opponent said he still believes that these years were the best years for Venezuela.

*They deny that his program benefits the poor.* The opposition dismisses the social missions as "buying votes" and discounts the president's popularity because he is "just one of them." This is a message that might resonate with elites and committed government opponents but it seems to deny a basic reality in the poorest neighborhoods we saw on this trip.

*They offer no meaningful alternative.* They have no program that speaks to the poor for whom the need is greatest and where the president's support is strongest. Of the reforms that one party leader described to us, not a single one involved alleviating poverty or promoted greater social inclusion. When questioned about that omission, he said that "it's not enough just to offer a plan that offers hope. Everyone can do that." He simply expressed the belief that Venezuela is on an unsustainable path, and that the economy will catch up with Chavez eventually. This is not a program.

As one observer told us, when Chavez came to power, Venezuela was near collapse. There was huge income inequality. The people were mad. There was no excuse for their exclusion. Chavez has been delivering on what promised in the campaign and what he has been fighting for while in office.

He has offered a new form of participatory democracy, ended rule by the elites, stopped the neo-liberal policies of the 1990s, and put money in the people's pockets. It is no surprise that President Hugo Chavez is popular.

If it is to become relevant in Venezuela, the opposition must do more than wait for the economy to fail. They need to offer a positive alternative that speaks to the Chavez base. One critic asked: Who among the opposition can prove to them that they want life (for the poor) to change for the better? So far, no one has.

### **The students**

In the spring of 2007, when the government of President Chavez ended the broadcast license of RCTV, there were unprecedented protests led by college students. We heard about the demonstrations, the student movement, and debates about their significance from a variety of sources during our trip.

We also had an opportunity to meet with four leaders of the student movement in Caracas. The students we saw were affiliated with mainstream universities and we met with them at the political headquarters of one opposition party. We did not have a chance to meet with students from the Bolivarian University.

With these caveats in mind, what we learned suggests to us that the student movement is a broad-based and interesting new movement, not a creation of the political parties. While there are segments of students within the universities who are very supportive of Chavez, this movement seems to be genuinely spontaneous and to offer something very different from what the traditional opposition has brought to Venezuelan politics for so long.

#### What the students said about themselves

The student movement had been asleep. Because of the RCTV case, they awakened. The reaction was spontaneous and represented what the students wanted to express. It started with freedom of speech.

Who are they? For a long time, the student movement had a period of not participating in their nation's political life. They are students between the ages of 18-24, born and raised in a culture of anti-politics, anti-political parties, supported by the media, and informed by the mistakes of the opposition. They have lived through an era of political history that promotes discrimination and hate.

On a Thursday, during a presidential address, Hugo Chavez said that the university had to be subservient to the 21<sup>st</sup> Century socialism, undermining its independence.

On Friday, the protests started, although they started smaller than they became. RCTV triggered the protest. There was frustration because of the growing evidence that Chavez was going to do as he had threatened (disconnecting RCTV) despite the hope that he would not.

RCTV had been in the lives of Venezuelans for fifty years and the closing of RCTV, plus the threat to the university, added up. There was also repression of the protests, and tear-gassing of the students when the demonstrations first began.

The opposition has made mistakes. But the students are not trying to replace the roles of the political parties and they won't register as a party. They are not part of the 4<sup>th</sup> Republic. They want no part of the Fifth Republic. They are only a student movement, fighting for civil rights, for human rights, and to defend democratic institutions in Venezuela. They are above politics.

The students denied the charges Chavez makes against them. They are not the CIA, not financed by imperialism, and not working for the war in Iraq.

The students are united. They tell the people: no violence and no threats. We only believe in peaceful struggle.

Because they hold these qualities, the president, they said, cannot argue against the messenger. He must debate the message. They are above polarization, not in a fight between Venezuelans, but are working for reconciliation. And all the while they keep a non-violent flag in their battle.

Looking forward, they are adding a social dimension to their effort: the struggle against poverty and for the equal distribution of economic resources.

#### What observers said about the students

The RCTV moment was important.

The student movement turned out people who are different from those the political parties normally attract. They also had a different message: they were not saying 'Chavez out.' Not challenging his mandate, but saying that he was not listening to the people, whom polling said were against his decision to disconnect the station.

A significant aspect of the student demonstrations was how they escaped the 2002 post-coup paradigm: they are not an opposition per se; they were non-violent; they were not seeking an overthrow; and, they were a departure from the past, because they are about the future.

And so they are a real dilemma for Chavez. If he were to repress them, he is the loser. The protests ended with summer vacation and finals, and this may have saved Hugo Chavez. The challenge may return if Chavez brings forward the question of university independence once again.

Before, the student movement was sleeping. But what it has awakened in Venezuela remains to be seen.

## Lessons and Recommendations

President Chavez poses a real challenge for U.S. policy. For him, it is useful to have a powerful outside enemy. He has already said that he will take on Fidel Castro's struggle after Fidel's death. A U.S. foreign policy based on out-spoken objections to his policies does little more than play to his strongest hand. We need to modulate our voice.

It's not good for the U.S. to be seen in the region as an actor in events against Venezuela. No regional government wants to line up with the U.S. against Chavez. They prefer quiet diplomacy and persuasion.

Direct confrontation also puts us at odds with the poor in Venezuela and others in the community of the dispossessed. Addressing the problem of income inequality in Venezuela and the region should be a much higher and urgent foreign policy priority of our country than it is today.

We must find ways to send signals to the Venezuelan government, and its supporters, that while we will not be their enablers when they do things against our interests and values, that we are also not their adversaries. The U.S. approach should be to try and pursue the relationship by discussing mutual interests. There needs to be places where diplomacy can take place beneath the rhetorical fireworks.

Although 2007 is not an election year, election monitors would like to update election legislation. They also worry about changes in the electoral system that would reduce democracy. This concern was echoed by a representative of the Catholic Church which has called for a new Election Commission to better guarantee the fairness of balloting on any future constitutional reform. International institutions with greater credibility in Venezuela should offer assistance where appropriate.

We need to understand that Hugo Chavez is likely to be with us for a long time. He is popular in his country because he keeps his promises, he delivers tangible benefits to the majority of Venezuelans who are poor, and he is operating in a political climate that is largely free of checks and balances on his own power.

The U.S. needs to pay greater attention to Latin America more broadly. But it also cannot ignore Venezuela. We strongly advocate greater dialogue with all segments of Venezuelan society and a more positive U.S. presence that reflects our values and interests.

The Center for Democracy in the Americas intends to return to Venezuela to monitor the debate on the constitutional reforms before they are submitted to the public for a vote. We will continue to follow the trends and issues we identified in this report going forward.