

THE WORLD AFFAIRS COUNCIL OF WASHINGTON, DC

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An Ambassador Series Reception

AN EVENING WITH HIS EXCELLENCY BERNARDO ALVAREZ HERRERA

AMBASSADOR OF THE BOLIVARIAN REPUBLIC OF VENEZUELA

Venezuela is the world's fifth-largest oil producer and the fourth-largest oil importer to the United States. In recent years, Venezuela has assumed a vital role in guiding Latin American interests on the world stage. Despite its great wealth and influence, 37 percent of Venezuelans live in poverty. In response, Venezuela is undergoing a rapid nationalization program, in line with President Hugo Chavez's promise to turn the country into a socialist state.

Ambassador Bernardo Alvarez Herrera will give remarks to the World Affairs Council members and guests, and comment on Venezuela's evolving economy and energy policy, as well as Venezuela's efforts to strengthen ties with both major world powers and developing countries. A short Q & A session will follow his remarks.

Prior to his current posting, Ambassador Herrera worked with the Ministry of Energy and Mines, the Venezuelan Institute of Foreign Trade, and the Forum on Debt and Development (FONDAD). Ambassador Herrera is currently the Venezuelan Representative to the Energy Council of the United States of America. He received his degree in Political Science from the School of Political Studies, Universidad Central de Venezuela and a M.A. degree in Development Studies from the University of Sussex, England.

Transcript

VENEZUELA: Energizing Democracy and Democratizing Energy

H.E. Bernardo Alvarez Herrera

I would like to thank the World Affairs Council of Washington, D.C. for inviting me to share and discuss with its members and distinguished guests what I consider to be the most important issues related to energy integration and democracy in Venezuela today. Given the reputation of the World Affairs Council in promoting debate and discussion of pressing global issues, I find it important to engage in a constructive dialogue about the dramatic changes that have taken place in Venezuela over the last eight years, the state of relations with the United States and the changing global context.

As you all know, Venezuela has been undergoing important social, economic and political transformations aimed at promoting what we have called "Socialism of the 21st Century." These transformations have not only reconfigured societal relations but have also helped shape the country's foreign policy over the past seven years. As part of these transformations, we have expanded the means of democratic participation, grown and diversified the economy, pushed innovative social programs and put the country's energy sector to the service of the Venezuelan people and our neighbors in the Global South.

The Context of Venezuela's Democratic Revolution

Up until President Hugo Chávez was elected in 1998, Venezuela wasn't a country that attracted much

attention. It was considered the “exceptional case” in Latin America. Outsiders saw Venezuela as a rich oil-producer, a stable and consolidated democracy, a U.S. ally and an obedient adherent of the Washington Consensus recipe of neo-liberal economic reforms. But starting with civil disturbances in 1989 and a pair of military rebellions in 1992, Venezuela was exposed as a country mired in poverty, a country whose people were profoundly excluded from their own political system and whose government had surrendered the capacity to address pressing social and economic concerns. While that civil disturbance and those two military rebellions were provoked in part by the imposition of neo-liberal reforms, an oil rebellion was also under way in Venezuela's energy sector. Inspired by the logic of neo-liberalism, Venezuela's petroleum industry began a process of privatization in the early 1990s that turned control over the country's most important natural resource over to private interests. These dramatic reforms drained the state of revenues from the production of oil, and provoked a conflict within the industry that would come to a head with the election of President Chávez in 1998.

President Chávez's election was a democratic revolution - by overwhelmingly casting their votes in his favor, the Venezuelan people signaled their desire for a new path toward a new system in which they could more actively participate and which would marshal the resources to fight for social justice. This democratic revolution has taken place against the will of an old political elite that united against our project and refused to accept the democratic changes mandated by the Venezuelan electorate. At the same time, this democratic revolution has re-defined relations between the state, the market and the people. It has restored Venezuela's ownership of its natural resources, while spawning an active foreign policy aimed at strengthening Venezuela's position in the international system and promoting a redefinition of the global system of cooperation and development. And while the experience of Salvador Allende in Chile in 1973 and the resulting 17-year dictatorship of Augusto Pinochet taught us that there were obstacles for revolutionary change in elite-based democracies during the Cold War, the experience of Venezuela and other Latin American countries today shows that it is possible to foster revolutionary change in vibrant democracies that include the vast majority of the historically excluded.

Venezuela's democratic revolution is profoundly tied to evolution of the international system and the state of the post-Cold War world. After the Soviet Union fell, policymakers and pundits assumed that any remaining ideological battles were thus over - Francis Fukuyama called this moment the “end of history,” while Charles Krauthammer celebrated the U.S.'s “uni-polar moment.” Representative democracy and free markets were assumed to have won the battle of ideas, and U.S. policy went about promoting them as if they had. The countries of Latin America that met at the 1994 Summit of the Americas united behind the mantra of the Washington Consensus - free trade, privatization, limited government, open markets and private capital.

Just by its name - “consensus” - policymakers insinuated that no alternative existed and no debate was necessary. The truth of the matter is that no consensus ever existed. Instead, it was an agreement between elites that sought to benefit from the trappings of power. Recognizing this difference is essential to understanding the changes that have taken place in Venezuela and other countries of the hemisphere. The politics opposing the hegemony of neo-liberalism became the flagship of alternative movements whose influence has grown in the politics of the region over the past two decades. The proposals put forward by these movements are an important component for any redefinition of the alternative development models being proposed in the region and that will emerge in the future.

Venezuela: Energizing Democracy

In practice, Venezuela's new vision for democracy and development - our Socialism of the 21st Century - has yielded a number of positive results. In terms of the country's political arrangement, citizens are more engaged than ever before, participating at various levels of government and exercising more control over their own affairs. In a historic change, Venezuelans can now employ the referendum to cut short the terms of elected officials or vote down laws. According to a region-wide survey by independent polling firm Latinobarometro, Venezuelans are second most likely in the region to call their country “totally democratic,” and 57 percent are satisfied with their democratic system - the highest number in recent history. The economy has continued to grow - 10.3 percent in 2006, one of the highest rates in the world - and diversify, with the non-oil sector growing faster than the oil sector. In a sign of responsible

management, the ratio of debt to GDP continues to fall, and in 2006 stood at its lowest level in 20 years. Tax collection has improved, and in 2004 Venezuela's tax revenue as a percentage of GDP stood at 23.6, one of the highest rates in the region. A recent poll found that 59 percent of Venezuelans ranked their economy as better than 12 months ago. The number of economic cooperatives has grown from 800 in 1998 to 181,000 in 2006, and more than 2 million hectares of land have been distributed to 10,000 families. Social programs have put 20,000 doctors in Venezuela's poorest neighborhoods thanks to the invaluable help from the people and government of the Republic of Cuba. Moreover, social programs have offered access to free education, subsidized foods and job training, while poverty has fallen from 40 percent in 2005 to 30 percent in 2006, according to the World Bank. And while some skeptics have claimed that the missions are not sustainable, the 2006 budget represented the first time in almost a century that the majority of the state's revenues came from taxation and other sources, not simply the oil sector (47 percent came from oil, 53 percent from taxation). Put together, polling firm Consultores 30.11 found that 68 percent of Venezuelans feel positive about the state of the country, a huge jump for a people that were regularly pessimistic about their government and economy.

On top of these substantial changes, Venezuela has taken dramatic steps with regards to its most important resource - energy.

Venezuela: Democratizing Energy

Energy has been a key component of our development over the past century and of the democratic revolution currently taking place in Venezuela. Professor Terry Lynn Karl of Stanford University has written extensively about this. In her book *The Paradox of Plenty: Oil Booms and Petro-States*, Professor Karl acknowledged the importance of oil to Venezuela's development but warned that Venezuela's status as an oil exporter held back economic and political development under the elite-based Pact of Punto Fijo that marked Venezuela's democracy from 1958 to 1999. The Venezuelan process of change under President Chávez cannot be understood without understanding the dynamics of the world's energy market and the transformation we have championed in the energy sector since 2001, when a new Hydrocarbons Law was put into place. This transformation has to be placed in an international context that recognizes the asymmetry that exists between consumers and producers of energy. Here, as the largest consumer of energy in the world, the U.S. plays a major role.

It should be noted that the energy debate in the U.S. has always been framed solely in terms of how this country can assure access to as much energy as it wants by any means necessary, including by force. This paradigm appears to be premised on the view that energy producing countries, such as our own, exist only to serve the energy demands of the U.S. Such an approach, in my view, assures neither energy nor security.

The U.S. must recognize that it is not the only country in the world, despite being the only superpower. The need for access to affordable energy for every country is the *sine qua non* for sustainable economic and social development that is the basis for security for all nations. The extreme asymmetries that characterize use and access to energy by the U.S. compared to every other country in Central and South America and the Caribbean must be addressed. Quite simply, we believe that it is this asymmetry in energy consumption that lies at the root of the appalling inequalities that exist among the countries and the peoples in this hemisphere and beyond. If current consumption patterns continue, developing countries will never have access to the energy they need to stimulate economic growth. Indeed, without achieving greater energy access and equilibrium, the world cannot attain equitable development, much less security.

In our hemisphere, the consumption gap is enormous. The U.S. accounts for more than 70 percent of the energy consumed, but comprises less than a third of its population. Worldwide, the gap is equally startling. The U.S. comprises three percent of the world's population, yet it accounts for more than 20 percent of the world's energy use. More alarming are figures on CO₂ emissions. The U.S. accounts for more than 68 percent, followed by Canada with 6.4 percent, Mexico with 4.3 percent, Brazil with 3 percent, and Argentina, Venezuela and others with less than 1.5 percent each.

Meeting U.S. energy needs cannot continue at the expense of other countries. Putting aside the moral imperative to stop the exploitation of less-developed countries and their people, the geopolitics of oil simply will not permit it. The development model of the U.S. is indeed unsustainable under its current consumption patterns. Democrats and Republicans in Washington, D.C. speak loudly about an imminent energy crisis, yet they blame outsiders for the crisis. I have not heard any of them present a clear, objective, concrete and straightforward domestic and international solution to reduce and ameliorate the so-called crisis. Let me be clear on that - the U.S. energy crisis cannot be solved looking only at the supply side of the equation. The demand side - and the industry side - has to be reviewed carefully and adapted to the new world energy dynamic. The U.S. faces a crisis at the production level with the production of crude oil in clear decline since the 1970s. The same is true at the refining level, where capacity will reach its maximum level by 2008. This is also true at the security and environmental levels. Unfortunately, we only hear political speeches and no willingness to tackle real problems. Despite the rhetoric on energy security, the U.S. has no real plan or desire to do what is necessary to achieve an energy-efficient society. The U.S. keeps consuming a disproportionate share of the world's finite resources to fuel a way of life that, in our humble opinion, is not sustainable in an inter-dependent world.

Cheap oil is gone forever. There are no new major crude oil reservoirs to be discovered, there exists a lack of spare production capacity and refining capacity is tight throughout the world. Worldwide demand will grow significantly, with India and China needing more and more oil in the years to come to fuel their dynamic economic growth to an extent that was unforeseeable just a few years ago. Moreover, in the next 25 years, it has been estimated that the number of net oil exporting countries will be reduced from 35 today to 12 by 2030, the majority of which will be members of OPEC. In addition, market speculation, the high financial and technological costs of energy projects, armed conflicts in the world, and even high taxes on consumers imposed by energy consuming countries all contribute to the high cost of oil. Finding new models to find the equilibrium between consumers and producers of energy is the challenge we all face.

Traditional oil and natural gas models are frankly outmoded because they have been based on the power that has traditionally been wielded by international oil companies (IOCs) in the world oil and gas markets since the beginning of the oil age. National oil companies (NOCs) are in ascendance and are reshaping these models. Whereas IOCs are primarily exploiters of natural resources solely for the profitability of their shareholders, NOCs are social contributors to the overall sustainable development of the countries to whom they belong. Make no mistake - even with their social mandates, NOCs are also sophisticated business entities which enjoy comparative advantages compared to the IOCs and are gaining competitive advantages throughout the entire value chain. As such, there has been a major shift in control of reserves and production of both crude oil and natural gas from the IOCs to the NOCs and a concomitant growth in state-to-state agreements. This has made obsolete the conventional wisdom of traditional oil market analysis. While in the 1970s IOCs controlled more than 80 percent of the world oil reserves, they control less than 6 percent today.

In short, the neo-liberal view of oil production that was prevalent around the world — and Venezuela — is no longer operative. This approach aimed at unlimited oil production by, and exploitation of, the oil producing countries at the dictate of the U.S. and other developed countries. As history has shown us, this led to the complete collapse of the price of crude oil and to the economic ruin of oil producing countries in the 1980s and mid-1990s. In Venezuela, we are committed to not let this happen again.

It is difficult for some in Washington to recognize the legitimate aspirations of the people of the developing world to control their own destiny. It is our sovereign right to develop and manage our non-renewable energy resources in ways we see fit. For too long, the benefits associated with the resources of the developing world have flowed in only one direction. Venezuela is committed to changing that dynamic. No longer can the model be based only on profits and feeding the seemingly insatiable appetite for energy of the developed world. There is an urgent need to reach equilibrium between producing countries and consuming countries, taking into account the needs and sovereign rights of each.

Within a producing country equilibrium means reducing asymmetry and increasing interaction between the oil and the non-oil economy. Equilibrium should assume the necessity for a fair and steady fiscal

income that allows a direct benefit of the people from the oil wealth. In my view this equilibrium has been seriously damaged by the imposition of a fiscal model giving privileges to the needs of investors over the needs of the state. It was the so called liberal fiscal regime versus proprietary fiscal regime; and that was the basis of the crisis in Venezuela. At the external level, equilibrium among producers, consumers and industry has to be reached. A fair price needs to be established. Taking into account the need of all parts is a must. On one hand, producing countries need sustainable development, a just and steady fiscal revenue and a welfare of the people, and a sovereign right on how to choose to develop and produce its natural resources; on the other hand consuming countries need a reliable supply and a price that cannot impact negatively their economy, and finally industry needs access and fair returns to its investment.

This new dynamic must be created to replace the existing imbalance where the developed countries - with 18 percent of the world's population - exert pressure on exporting countries to increase production by all means possible, regardless of these countries' interests or the needs of the other 82 percent of the world's population. Further, this approach disregards entirely the oil exporting countries' legitimate sovereign rights to control their natural resources and their own destiny as they see fit. Instead, a new dynamic must be accepted, bringing into fair and equitable equilibrium three distinct, but by no means mutually exclusive, elements: (1) Oil exporting countries' decisions, exercising their sovereign rights, on how they choose to develop their natural resources; (2) Increased accessibility and affordability to oil and natural gas for all developing countries; and (3) Reasonable and sustainable consumption patterns by the developed countries, particularly the U.S.

Democratizing Energy in Venezuela

In Venezuela we are leading the way in implementing this new dynamic. In the 1990s and until the election of President Chávez, our national oil company, Petroleos de Venezuela, S.A. (PDVSA), was ready to hand over our energy resources to transnational capital and become the hand-maiden to the IOCs. PDVSA, just like a private corporation, was committed to what its executives called the "maximization of shareholder value." That is, the value of the company after payment of taxes, royalties, and the like. In the case of PDVSA, the shareholder is the state, which is also the recipient of general taxes and royalties generated. In other words, as PDVSA strove to minimize its tax and royalty obligations it ignored the essence of why the Venezuelan oil industry was nationalized in the first place in 1976 - the maximization of the value of the natural resource, i.e., crude oil, to the Venezuelan people. The consequences were startling - the government of Venezuela received double the value of its crude oil through rents and royalties in 1975, the year prior to nationalization, than it did in the year 2000.

The prices used for calculating royalties were solely in PDVSA's hands. Royalty rates were artificially low. Substantial discounts costing our country billions of dollars in the price of crude oil were provided to PDVSA's wholly-owned subsidiaries abroad, including CITGO here in the U.S. In the mid-1990s, the Venezuelan oil industry, although having long been nationalized by law, was, in fact, being given away to the IOCs. All the while, more than 60 percent of our population remained mired in poverty.

As his first order of business, President Chávez brought the oil industry under the control of the Venezuelan people for the benefit of the people. While appreciating the role of private investment in the oil sector, President Chávez restored the rightful balance between private and state ownership and the privileges and obligations attendant to the exploration and production of our non-renewable natural resources.

As I have noted, the Venezuelan oil industry was fully nationalized in 1976. With nationalization, private investment in the vast energy resources of Venezuela was prohibited by law. Any such investment could only occur by a special act of the National Assembly. In 2001, the Chávez Administration was responsible for changing the fundamental premise of the law from one not recognizing any private investment at all to one that permits private investment. The new Hydrocarbons Law of 2001 places no limit on private investment in downstream activity, such as the ownership of refineries, and simply places a limit on private investment in upstream production activity of 49 percent of a venture, thereby leaving the State with a controlling interest in such ventures. Pursuant to this legislation, the state now has been able to bring under the law's requirements what had previously been illegal upstream "concessions" granted to

private oil companies in the 1990s. The state has also been able to work with private investors in the lucrative Orinoco Belt upstream production activity. Equally significant, the new law corrected anomalies in our royalty and tax structures, by establishing reasonable royalty rates of 30 percent and an income tax rate of 50 percent for all upstream oil projects.

These rates now provide about 77 percent of Venezuela's share of revenues generated from the production of oil, which is on a par with Norway, a country that keeps at least 70 percent of its oil revenues. Venezuela is hardly unique in this respect, as all countries - including developed countries with oil production - are rightly increasing their take of oil revenues. Our increase in royalty rates, accomplished in full conformity with our laws, is one issue that deserves closer attention because of the negative publicity that it engendered here in the U.S. The U.S. is also facing this issue and doing something about it. For example, the Senate Committee on Energy and Natural Resources of the U.S. Senate requested in 2006 a report by the Government Accountability Office (GAO) on royalty revenues. The Committee was concerned that royalty revenues from the sale of oil and gas in the U.S. had not kept pace with the increase in oil prices from 2001 to 2005. As the GAO concluded, the price of oil increased an average of ninety percent in those four years, while total royalty revenues increased by only eight percent.

Earlier this year, the U.S. House of Representatives overwhelmingly passed legislation that would eliminate a number of tax breaks for U.S. oil companies that will raise an additional \$5 to \$6 billion in government revenue. Moreover, this legislation requires renegotiation of contracts entered into between the U.S. government and oil companies in 1998-1999 for oil production in the Gulf of Mexico because the contracts failed to include the payment of any royalties on that production. It has been estimated that with the renegotiation, the U.S. government stands to gain between \$10 and \$12 billion.

It is ironic that Venezuela has come under such attack for its policies when, even with the changes that have been made in our oil sector structure, the openness of our oil market to U.S. companies, or any foreign company, remains extensive. As a Department of Energy report in 2006 explained, whereas a U.S. company in Venezuela can purchase a local oil company and obtain an equity interest in oil production, that same U.S. company has no such opportunity in Kuwait, Mexico, or Saudi Arabia, countries perceived as natural allies of the U.S. in matters of energy.

The 2001 Hydrocarbons Law has democratized energy in Venezuela. The financial benefits brought about by the law have allowed Venezuela to invest billions of dollars in much needed social programs geared towards the inclusion of the historically excluded in the democratic development process currently under way. For example, social programs have put 20,000 doctors in Venezuela's poorest neighborhoods thanks to the invaluable help from the people and government of the Republic of Cuba. They have also offered access to free education, subsidized foods and job training, and as a consequence poverty in Venezuela has fallen.

Democratizing Energy Abroad

Internationally, Venezuela has also promoted energy integration schemes to bring about balance between oil producers and consumers in the hemisphere. Initiatives such as PETROAMERICA & PETROCARIBE seek to increase and upgrade our neighbors' abilities to produce refined petroleum products, as well as their energy supply and infrastructure that are so vital to economic growth and development.

Similarly, Venezuela is committed to fostering greater integration among all the South American countries, especially with respect to meeting the energy needs of our continent by taking advantage of the huge natural gas reserves that we, and other countries in South America, have the good fortune to possess. We have initiated plans, with Brazil, Bolivia, Uruguay, and Argentina, to construct a 10,000 kilometer natural gas pipeline from Venezuela to Argentina to integrate already existing pipelines throughout South America to make the region more self-reliant and environmentally friendly in its energy use to spur economic and industrial development. We have been attacked on the grounds that such a pipeline cannot be justified from a purely economic standpoint at this time. In this respect, however, we

have taken a page from the successful development of the U.S. This country often built infrastructure that could not be economically justified at the time, but the existence of which proved to be a necessary element of later economic growth. So too we are laying the groundwork for our future growth.

Our hemisphere is energy sufficient, and our south cone is definitely energy independent. According to the reserve base in South America, Venezuela and Ecuador are self sufficient in oil consumption beyond year 2030, and from 2007 to 2030 the rest of South American countries will require 49 billion barrels of oil, that can easily be supplied by Venezuela. In Natural Gas, Venezuela, Bolivia and Peru are self sufficient in natural gas consumption beyond year 2030; and from 2007 to 2030 the rest of the South American countries need 204 BCF that can be covered by the former three. What our hemisphere needs is not energy but a coherent and fair model based on access and affordability of that energy, which can be achieved through the principles of solidarity, complementarities and sovereignty over our natural resources, and linked to a broader vision of social justice, sustainable and endogenous development.

In April 2007 Venezuela promoted the South America Head of State Energy Summit in Margarita Island and fostered a treaty that goes far beyond an agreement to achieve a more equitable, fair and sustainable energy development. That treaty will be developed under 4 strategic guidelines: (1) Oil, (2) Natural Gas, (3) Alternative Energy and (4) Energy Efficiency.

In oil, Venezuela is offering its magna resource base in the Orinoco Belt, with more than 235 billion barrel of reserve to be developed, which will be the cornerstone to guarantee energy supply to all Latin-American countries. Through mixed companies and in conjunction with Venezuela, state owned companies from these countries can secure specific blocks to produce and export oil back to their people. A special fund will be created to help companies undertake such exiting development. In addition, refining hubs will be created based on current and new capacity.

Natural Gas is our major cornerstone for Energy Integration. The pipeline to the south from Venezuela to Argentina and from Venezuela to Colombia and then Panama are our major challenges, which will bring not only energy but development through the creation of petrochemical plants, industrial complexes and cleaner environment.

Led by Venezuela, what is happening in South America is a long overdue awakening of the people of our region to regain control of our national sovereignty and to rely on ourselves to spur economic, industrial, and endogenous development. The governments of South America are finally realizing that our greatest resource is our people and that our strength lies within ourselves. This realization is long overdue. In this way, we can, and we will, create the conditions that give every individual in every country in the hemisphere the opportunity for a healthy and productive life.

It should be noted that Venezuela has also developed a close relationship with the people of the U.S. In 2006-2007, Venezuela delivered discounted heating oil to close to 500,000 families in 16 states and in 173 Native American tribes, while sending an additional shipment of 2.5 million barrels of gasoline after the disaster of Hurricane Katrina. The horrific aftermath of Katrina showed the world that the problems of poverty and exclusion are ones that affect us all, and their solutions can come only through cooperation and solidarity.

Venezuela will continue on its path and will not be dissuaded, regardless of condemnations of the Bush Administration. With its vast resources and the political will, Venezuela is making energy integration a reality, and it is important to understand the capabilities of Venezuela in this regard and what Venezuela has already achieved, although much remains to be done.

The U.S. Reaction

Have these changes been easy? Of course not; no process of revolutionary change is. What is remarkable and a sign of the political maturity of the Venezuelan people is that all these changes have taken place over the course of seven elections and referenda, all in peace and democracy despite repeated efforts by internal and external forces to destabilize the inevitable process of change under way

in Venezuela. These efforts have included a military coup supported by Washington against President Chávez in 2002, the sabotage of the oil industry which cost the country over \$10 billion over 60 days and an economic stoppage led by some industrialists and business owners that sought to break the back of the Venezuelan economy. I cannot think of any other country in the region that could have resisted, or any other government that could have survived such hostility. But the Venezuelan people and their democratically elected government survived and became stronger. Venezuelans risked their lives to rescue the president from imprisonment during the coup and brought him back to power; rescued the oil industry from the hands of the saboteurs and withstood the hardships brought about by the economic stoppage without jeopardizing the democratic order. Even more remarkable is that through all of these crises, the government led by President Chávez neither declared a state of emergency nor sought to suspend constitutional rights and guarantees. Nor has Venezuela stopped being a reliable source of energy to the U.S.

Generally speaking, the administration of President George W. Bush has looked upon Venezuela's new direction and energy proposals with disdain, skepticism and concern. Why? Because Venezuela's new goals have clashed with Washington's insistence on free trade as the only means to development and integration, representative democracy as the only viable political organization of society and the use of preventive war and transformational diplomacy as its main diplomatic tools. Also, the horrific attacks of September 11, 2001 brought back many of the policies and personalities of the Cold War, harking the return of a hegemonic and paternalistic pattern of interacting with the hemisphere that dates back to the Monroe Doctrine of 1823. This has brought a loss of confidence and a deterioration of the U.S.'s image in the region. The U.S.'s continued attempts to dictate the actions that other countries should take, the path of development they should follow and its mantra that you are "either with us or against us" has put it at odds with countries in the region and around the world. For example, initiatives for the "promotion of democracy" seem to be a component of its preventive war and transformational diplomacy strategy that assumes a universal definition of democracy. In Venezuela, these initiatives have often benefited organizations of civil society that have taken anti-democratic actions against the government of President Chávez. And in matters of energy security, we believe that no country can "go at it alone." Energy integration, which brings energy security, must be based on the concepts of solidarity, complementarities of interests, inclusion, and the recognition of the sovereign rights of each country. We understand and are committed to this vision. It is our hope that Washington will share it as well.

Washington's support for the coup that overthrew President Chávez in April 2002, along with its policies in the Middle East, has made many in Latin America skeptical about the true intentions of U.S. foreign policy. It was only recently that President Bush started speaking of the importance of achieving social justice in the hemisphere and finding alternative sources of energy, and even then it was seen more as a means to isolate Venezuela than a true recognition of a new and different Latin America and the needs of its people. Venezuela would like to believe that this new proposal for change in U.S. vision on development and energy policies for the region are indeed sincere. However, the proposal to designate a mere \$1.67 billion for assistance to the region next year makes us all skeptical. After all, this is approximately the amount the U.S. currently spends on a weekly basis in the war in Iraq.

Conclusion

The presidential election of December 3, 2006 marked another step in Venezuela's democratic revolution. With 75 percent turnout, some 63 percent of the Venezuelan people re-elected Hugo Chávez as their president. After seven years in power, President Chávez achieved what can be considered a remarkable political victory anywhere in the world - he obtained 1.7 million more votes than he did when he was first elected in 1998. With a renewed mandate from the Venezuelan people, President Chávez and his government are deepening and expanding a model of democracy and development that places emphasis on social justice, participatory democracy, regional integration, multi-polarity and a socially-responsible private and energy sector. Other countries are similarly pursuing such paths according to their means, the wishes of their people and their particular historical circumstances. What these new governments represent is a renewed debate over how democracy and development are to occur, what role the state and the people are to play, what role natural resources should play in the development of their nations, and how those processes will shape the international system, particularly relations among nations in our

hemisphere. We, in Venezuela, are committed to the promotion of social justice, finding a new equilibrium in energy between consumers and producers, and to addressing the historical frustration that have afflicted so many of our people that were historically excluded from the development processes. We have called this model "Socialism of the 21st Century." Again, the experience of Venezuela and other Latin American countries today shows that it is possible to foster revolutionary change in vibrant democracies that include the vast majority of the historically excluded.

We are also committed to promoting a hemisphere where relations among nations are based on mutual respect, cooperation, solidarity and integration. In Venezuela, we are not proposing anything against the U.S. What we propose is in favor of the countries in Latin America. This must be understood as such. For Venezuela, our time is surely not the "end of history." It's only the beginning.

Thank you.

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