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## **Venezuela: Political Conditions and U.S. Policy**

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# Venezuela: Political Conditions and U.S. Policy

## Summary

Under the populist rule of President Hugo Chávez, first elected in 1998, Venezuela has undergone enormous political changes, with a new constitution, a new unicameral legislature, and even a new name for the country, the Bolivarian Republic of Venezuela. U.S. officials and human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of speech and press under the Chávez government. Chávez has survived several attempts to oust him from power, including an April 2002 coup attempt and an August 2004 recall referendum, which Chávez survived by a vote of 59% to 41%. The country's next presidential elections are set for December 3, 2006, and polls show Chávez with a substantial lead over opposition candidate Manuel Rosales. The government has benefitted from the rise in world oil prices, which has sparked an economic boom. As a result, Chávez has been able to increase government expenditures on anti-poverty and other social programs associated with his populist agenda.

The United States traditionally has had close relations with Venezuela, the fourth major supplier of foreign oil to the United States, but there has been friction in relations with the Chávez government. U.S. officials have expressed concerns about President Chávez's plans for military arms purchases, his relations with such countries as Cuba and Iran, and his efforts to export his brand of populism to other Latin American countries. A dilemma for U.S. policymakers has been how to press the Chávez government to adhere to democratic principles without taking sides in Venezuela's polarized political conflict.

In the 109<sup>th</sup> Congress, the FY2006 Foreign Operations appropriations measure (P.L. 109-102) provided \$2 million in Democracy Funds for Venezuela, and \$2.2 million in assistance under the Andean Counterdrug Initiative (ACI). For FY2007, the Administration requested \$1 million in ACI funding, \$1.5 million in Economic Support Funds (ESF) for democracy initiatives, and \$45,000 for International Military Education and Training. The House-passed FY2007 Foreign Operations appropriation bill, H.R. 5522, would provide no ACI funding for Venezuela, while the Senate Appropriations Committee report to the bill (S.Rept. 109-277) recommends full funding of the Administration's ACI and ESF requests. H.Con.Res. 400 (Burton), approved July 26, 2006, condemns Venezuela's failures to stem the flow of narcotics through its territory and calls for steps to restore cooperation between Venezuela and the DEA. Pending legislation includes the House-passed version of H.R. 2601, which would authorize \$9 million for each of FY2006 and FY2007 for democracy programs in Venezuela and authorize funds for U.S.-government broadcasting to Venezuela; H.Con.Res. 224 (Fortuño), which would call on the Venezuelan government to uphold human rights and civil liberties; H.Con.Res. 328 (Mack), which would condemn President Chávez's anti-democratic actions; S. 2435 (Lugar), which would increase hemispheric cooperation on energy issues; H.Res. 1033 (Graves) and S.Res. 607 (Bunning), which would condemn President Chávez's anti-American rhetoric at the United Nations; and S.Res. 587 (Santorum), which would condemn the anti-democratic actions and statements of the leaders of Iran, Cuba, and Venezuela and express concern about the national security implications of the relationships between those leaders.

## Contents

Recent Developments .....	1
Political Situation .....	3
Background .....	3
Chávez’s Brief Ouster in April 2002 .....	5
Continued Opposition and Strike in 2002 and 2003 .....	5
August 2004 Presidential Recall Referendum .....	6
Background Leading to the Referendum .....	6
Referendum Results .....	7
December 2005 Legislative Elections .....	8
Opposition Boycott .....	8
Election Results .....	9
International Observers .....	9
Political Significance .....	10
December 2006 Presidential Election .....	11
Human Rights Concerns .....	12
Trafficking in Persons .....	14
Economic Conditions .....	15
U.S. Policy .....	15
Background and Overview .....	15
Tensions Increase in 2005 .....	17
Developments in 2006 .....	19
General Policy Approaches .....	21
U.S. Funding for Democracy Projects .....	22
Oil Issues .....	24
Counternarcotics Cooperation .....	26
Concerns about Venezuela’s Military Purchases .....	28
Concerns About Venezuela’s Activities in Latin America .....	29
Terrorism Issues .....	31
Venezuela’s Extradition Requests .....	32
Legislative Initiatives .....	34
108 <sup>th</sup> Congress .....	34
109 <sup>th</sup> Congress .....	35

## List of Figures

Figure 1. Map of Venezuela .....	37
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# Venezuela: Political Conditions and U.S. Policy

## Recent Developments

On November 1, 2006, after 47 rounds of voting, both Venezuela and Guatemala gave up efforts to secure a two-year rotating Latin America seat on the United Nations Security Council. During most of the voting rounds, Guatemala had received about 25-30 votes more than Venezuela, but neither country received the two-thirds vote needed for the seat. Ultimately, both countries turned to Panama as a compromise candidate. Many observers attribute Venezuela's defeat in part to President Chávez's strong anti-American speech before the U.N. General Assembly in September.

In a September 20, 2006, speech before the U.N. General Assembly, President Chávez strongly criticized U.S. foreign policy and spoke pejoratively of President Bush, repeatedly referring to him as the Devil.

On September 15, 2006, President Bush — for the second year in a row — designated Venezuela as a country that has failed demonstrably to adhere to its obligations under international narcotics agreements, although he waived economic sanctions that would have curtailed U.S. assistance for democracy programs in Venezuela. (See “Counternarcotics Cooperation” below.)

On August 18, 2006, U.S. Director of National Intelligence John Negroponte announced the establishment of the position of Mission Manager for Cuba and Venezuela responsible for integrating collection and analysis on the two countries across the Intelligence Community. Venezuelan officials responded that they would reconsider signing an anti-drug cooperation agreement negotiated between the two countries.

On July 26, 2006, the House approved H.Con.Res. 400 (Burton), by voice vote, which, among other provisions, condemns Venezuela's failures to stem the flow of narcotics through its territory and calls for, among other measures, steps to restore cooperation between Venezuela and the Drug Enforcement Administration.

On July 13, 2006, the House International Relations Committee's Subcommittee on International Terrorism and Nonproliferation held a hearing examining Venezuela and international terrorism.

On June 27, 2006, the Government Accountability Office (GAO) issued a report on the issue of potential Venezuelan oil supply disruption. The report concluded that a sudden loss of all or most Venezuelan oil from the world market could raise world

prices up to \$11 per barrel and decrease U.S. gross domestic product by about \$23 billion. It also concluded that if Venezuela does not maintain or expand its current level of oil production, then the world oil market may become even tighter than it is now, putting pressures on both the level and volatility of energy prices (U.S. GAO, “Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production,” GAO-06-668, June 2006).

On May 15, 2006, the State Department announced, pursuant to Section 40A of the Arms Export Control Act, that it was prohibiting the sale or license of defense articles and services to Venezuela because of its lack of cooperation on antiterrorism efforts.

On April 28, 2006, the State Department released its annual *Country Reports on Terrorism*, which asserted that “Venezuela virtually ceased its cooperation in the global war on terror, tolerating terrorists in its territory and seeking closer relations with Cuba and Iran, both state sponsors of terrorism.”

On March 8, 2006, the State Department issued its annual human rights report for 2005, which asserted that Venezuela’s “new laws governing libel, defamation, and broadcast media content, coupled with legal harassment and physical intimidation,” have “resulted in limitations on media freedoms and a climate of self-censorship.” (Also see “Human Rights Concerns” below.)

On March 1, 2006, the State Department issued its annual *International Narcotics Control Strategy Report*, which maintained that corruption and a weak judicial system have contributed to an increase in drug trafficking in Venezuela but also stated that continued U.S. work with Venezuelan law enforcement led to record cocaine seizures in 2005. (Also see “Counternarcotics Cooperation” below.)

On February 24, 2006, Venezuela announced its intention to reduce flights by U.S. carriers, effective March 1, until Venezuelan carriers are allowed to expand service to the United States. Delta and Continental Airlines’ flights to Venezuela would be terminated, while American Airlines flights would be reduced. Venezuela subsequently extended the deadline. American Airlines, which met with representatives of the Venezuelan government, called on the U.S. Federal Aviation Administration to raise its rating of Venezuela under its International Aviation Safety Assessments Program. The FAA had downgraded Venezuela’s safety rating in 1995, which prohibited expansion of services to the United States by Venezuelan carriers. After an FAA team visited Venezuela in March 2006, the agency announced on April 21, 2006, that it was upgrading the country’s safety rating.

On February 16, 2006, Secretary of State Condoleezza Rice stated in congressional testimony before the House International Relations Committee that one of the biggest problems for the United States in Latin America was Venezuela, which she characterized as “attempting to influence its neighbors away from democratic processes.” The Secretary also expressed concerns about Venezuela’s relationships with Cuba and Iran.

On February 2, 2006, Secretary of Defense Donald Rumsfeld compared President Chávez to Adolf Hitler in terms of someone who was elected legally and

then consolidated power. Chávez subsequently responded by referring to President Bush as Hitler and as a “madman,” with plans to invade Venezuela.

On February 2, 2006, President Chávez announced that his government would expel a U.S. naval attache for spying, which U.S. officials strongly denied. In response, the United States expelled a Venezuelan diplomat based in Washington.

On February 2, 2006, Director of National Intelligence John Negroponte expressed concerns in congressional testimony before the Senate Select Committee on Intelligence that President Chávez “is seeking closer economic, military, and diplomatic ties with Iran and North Korea.”

On January 13, 2006, the State Department indicated that the United States had denied licenses to transfer U.S. technology for use in planes (10 military transport planes and 2 maritime patrol aircraft) that Spanish companies had contracted to sell to Venezuela.

In December 4, 2005 legislative elections, pro-Chávez parties won all 167 seats in the National Assembly after opposition parties pulled out of the race just days before the vote. International observers lamented the withdrawal of the opposition, but also raised questions and had criticisms regarding the conduct of the elections.

## Political Situation

### Background

With his election as President in December 1998, Hugo Chávez began to transform Venezuela’s political system. The watershed election, in which former coup leader Chávez received 56% of the vote (16% more than his closest rival), illustrated Venezuelans’ rejection of the country’s two traditional parties, Democratic Action (AD) and the Social Christian party (COPEI), that had dominated Venezuelan politics for much of the past 40 years. Elected to a five-year term, Chávez was the candidate of the Patriotic Pole, a left-leaning coalition of 15 parties, with Chávez’s own Fifth Republic Movement (MVR) the main party in the coalition.

Most observers attribute Chávez’s rise to power to Venezuelans’ disillusionment with politicians whom they judge to have squandered the country’s oil wealth through poor management and endemic corruption. A central theme of

#### Chávez Biography

Hugo Chávez Frias was born on July 28, 1954, in a small farming town in the western Venezuelan state of Barinas. The son of school teachers, Chávez was a 1975 graduate of Venezuela’s Military Academy. He reached the rank of lieutenant colonel by 1990. In February 1992, Chávez led an unsuccessful attempt to overthrow the elected government of President Carlos Andres Perez. He was imprisoned for two years for the coup attempt before being pardoned. While in the military, Chávez founded the nationalistic and left-leaning Bolivarian Revolutionary Movement, which was later transformed into the Fifth Republic Movement in the 1998 elections when Chávez was first elected president.

**Source:** Current Leaders of Nations, Gale Group. May 20, 2004.

his campaign was constitutional reform; Chávez asserted that the system in place allowed a small elite class to dominate Congress and that revenues from the state-run oil company, Petroleos de Venezuela (PdVSA), had been wasted.

Although Venezuela had one of the most stable political systems in Latin America from 1958 until 1989, after that period numerous economic and political challenges plagued the country and the power of the two traditional parties began to erode. Former President Carlos Andres Perez, inaugurated to a five-year term in February 1989, initiated an austerity program that fueled riots and street violence in which several hundred people were killed. In 1992, two attempted military coups threatened the Perez presidency, one led by Chávez himself, who at the time was a lieutenant colonel railing against corruption and poverty. Ultimately the legislature dismissed President Perez from office in May 1993 on charges of misusing public funds, although some observers assert that the President's unpopular economic reform program was the real reason for his ouster.<sup>1</sup> The election of elder statesman and former President Rafael Caldera as President in December 1993 brought a measure of political stability to the country, but the Caldera government soon faced a severe banking crisis that cost the government more than \$10 billion. While the macro-economy began to improve in 1997, a rapid decline in the price of oil brought about a deep recession beginning in 1998.

Under President Chávez, Venezuela has undergone enormous political changes, with a new constitution in place and even a new name for the country, the Bolivarian Republic of Venezuela, named after the 19<sup>th</sup> century South American liberator Simon Bolivar, whom Chávez often invokes. In 1999, Venezuelans went to the polls on three occasions — to establish a constituent assembly that would draft a new constitution, to elect the membership of the 165-member constituent assembly, and to approve the new constitution — and each time delivered victory to President Chávez. The new document revamped political institutions, eliminating the Senate and establishing a unicameral National Assembly, and expanded the presidential term of office from five to six years, with the possibility of immediate re-election for a second term. Under the new constitution, voters once again went to the polls in July 2000 for a so-called mega-election, in which the President, national legislators, and state and municipal officials were selected. President Chávez easily won election to a new six-year term, capturing about 60% of the vote while his opponent, fellow former coup leader Francisco Arias, received 38%; Chávez's term will expire in January 2007. Chávez's Patriotic Pole coalition also captured 14 of 23 governorships and a majority of seats in the National Assembly.

From the outset, critics raised concerns about Chávez and his government. They fear that he is moving toward authoritarian rule and point to his domination of most government institutions. Some argue that Chávez has replaced the country's multiparty democracy with a political system that revolves around himself, in essence a cult of personality; others point to Chávez's open admiration of Fidel Castro and close relations with Cuba as a disturbing sign. Other observers express concern about the increased role of the military in the government, with Chávez appointing

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<sup>1</sup> For example, see M. Delal Baer, "Revenge of the Venezuelan Dinosaurs," *Wall Street Journal*, June 18, 1993.

dozens of retired and active duty officers to key positions, as well as the mobilization of thousands of army reservists for social projects. Still other critics of Chávez believe that he is trying to politicize the educational system by making changes to school curriculums. They fear Chávez's call for his followers to form political cells in schools, hospitals, and businesses in order to support his revolution and believe that such groups, known as Bolivarian circles, could mirror Cuba's controversial neighborhood committees.<sup>2</sup>

## **Chávez's Brief Ouster in April 2002**

Although President Chávez remained widely popular until mid-2001, his standing eroded considerably after that, amid concerns that he was imposing a leftist agenda on the country and that his government was ineffective in improving living conditions in Venezuela. In late 2001 and early 2002, opposition to Chávez's rule grew into a broad coalition of political parties, unions, and business leaders. Trade union opposition became stronger amid the President's attempt to replace the Venezuelan Workers Confederation (CTV) with a pro-government union. President Chávez's own Fifth Republic Movement also became plagued with internal dissent.

In April 2002, massive opposition protests and pressure by the military led to the ouster of Chávez from power for a brief period. However, he ultimately was restored to power by the military. Chávez was ousted from office on April 11, 2002, after protests by hundreds of thousands of Venezuelans and the death of at least 18 people. Venezuelan military leaders expressed outrage at the massacre of unarmed civilians and blamed President Chávez and his supporters. On April 12, Pedro Carmona of the country's largest business association — the Federation of Associations and Chambers of Commerce and Industry (Fedecamaras) — proclaimed himself interim president, but Carmona quickly lost the support of the military when he took such hardline measures as dismantling the National Assembly, firing the Supreme Court, and suspending the Constitution. Carmona stepped down just a day after he took office, paving the way for Chávez's return to power early in the morning of April 14. The interim government's hardline policies as well as strong support in the streets from Chávez supporters convinced military commanders to back Chávez's return. Moreover, some military factions had continued to support Chávez during his ouster.

## **Continued Opposition and Strike in 2002 and 2003**

After Chávez's return to power, some 40 disparate opposition groups united in a coalition known as the Democratic Coordinator (CD) in an effort to remove Chávez from office, focusing on efforts to hold him accountable for the death of civilian protestors in April 2002 and to push for a national referendum on his presidency. The CD demanded a non-binding referendum on Chávez's rule in early February 2003, which they believed would force the President to resign, but Venezuela's Supreme Court ruled against holding such a referendum. President Chávez

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<sup>2</sup> For example, see William S. Prillman, "The Castro in Caracas: Venezuelan Strongman Hugo Chávez, in Fidel's Image," *National Review*, Apr. 3, 2003; Stephen Johnson, "Venezuela Erupting," *National Review*, Mar. 5, 2004.



maintained that, according to the constitution (Article 72), a binding referendum on his rule could take place after the halfway point of his term, which would occur in August 2003.

From early December 2002 until early February 2003, the CD orchestrated a general strike that severely curtailed Venezuela's oil exports and disrupted the economy but was unsuccessful in getting President Chávez to agree to an early non-binding referendum on his rule or new elections. At various junctures, there were violent clashes between Chávez supporters and the opposition, resulting in several deaths. The Chávez government responded to the oil sector strike by firing 13,000-16,000 PdVSA employees.

## August 2004 Presidential Recall Referendum

After months of negotiations facilitated by the OAS and the Carter Center, the government of Hugo Chávez and the opposition signed an agreement on May 29, 2003, that set forth mechanisms to help resolve the political crisis. Implementation of the accord was difficult at times and hampered by political polarization between supporters and opponents of President Chávez. Nevertheless, Venezuela's National Electoral Council (CNE) announced on June 8, 2004, that a presidential recall referendum would be held on August 15, 2004. Chávez won the referendum convincingly by a margin of 59.3% to 40.7%, according to the CNE's final official results.<sup>3</sup>

**Background Leading to the Referendum.** For a recall referendum to take place, the constitution required a petition signed by 20% of registered voters (which means 2.4 million signatures out of a registry of 12.3 million). Petition signatures were collected during a four-day period beginning in late November 2003, but on March 2, 2004, the CNE ruled that there were only 1.83 million valid signatures supporting a presidential recall referendum. The CNE subsequently updated this to 1.91 million valid signatures, with almost 1.2 million signatures that could be valid if individuals confirmed their signatures in a *reparo* or "repair" period. This meant that about 525,000 signatures of those under review would need to be validated for a referendum to be required. The CNE's announcement that there were not yet enough valid signatures for a referendum prompted strong opposition protests, but the opposition ultimately agreed to participate in a repair period that was held May 27-31, 2004, in more than 2,600 centers around the country. About 100 observers from the OAS and the Carter Center monitored the repair period; President Carter reported that the overall process was peaceful and orderly, although he did note some initial concern about the temporary suspension of the CNE's tabulation process.<sup>4</sup>

On June 3, 2004, the CNE announced that enough signatures had been secured for a recall referendum, and subsequently scheduled the referendum for August 15. The date of the referendum was significant because under the constitution, if it were

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<sup>3</sup> "CNE Emitió Resultados Oficiales Del Referendo Revocatorio Presidencial," Consejo Nacional Electoral, Aug. 26, 2004.

<sup>4</sup> "President Carter's Trip Report on Venezuela, May 29-June 1, 2004," The Carter Center, June 4, 2004.

held after August 19 (one year after the half-way point of Chávez's term) and Chávez lost the referendum, then Vice President Jose Vicente Rangel (a Chávez ally) would serve the remainder of the President's term until January 2007.

In order for President Chávez to be recalled, the majority of voters needed to vote "yes" and the number of votes to recall him needed to exceed the number that he received when last elected in July 2000 (3.75 million). If Chávez had been recalled, new presidential elections would have been held within 30 days. It was unclear whether President Chávez would have been allowed to run for re-election, but most observers believed that the Supreme Court would have ruled that he was eligible to run. One of the problems that plagued the opposition was that it did not have a well-organized or coherent political coalition. As a result, it could have been difficult for the opposition to present a single candidate who could have defeated Chávez in new elections, assuming that he was permitted to run.

Public opinion polls conducted in June and July 2004 by various survey firms yielded significantly different results, with some favoring the opposition and some favoring Chávez, but by early August 2004 a number of polls showed Chávez with an advantage. A June 2004 poll by Datanálisis, a Venezuelan research firm, showed that 57% of Venezuelans would vote to recall President Chávez, while another poll in June by the U.S.-based Greenberg, Quinlan, Rosner Research firm found that only 44% would vote to recall the president.<sup>5</sup> Another poll by North American Opinion Research Inc. published in early July 2004 showed that 41% would vote to recall Chávez, compared to 57% favoring the president.<sup>6</sup> A poll in late July by the U.S. firm of Evans/McDonough and Varianzas Opinión of Venezuela showed that 43% would vote against Chávez and 51% would vote for him.<sup>7</sup> In early August, a newspaper that has been a strong opposition supporter, *Ultimas Noticias*, published four polls showing that Chávez would win by at least 10%.<sup>8</sup> Some observers, however, maintained that many people were not being truthful in these opinion polls because of fear of retribution for answering truthfully; they maintained that these so-called "hidden voters" could determine the outcome of the referendum.<sup>9</sup>

**Referendum Results.** With a turnout of about 70% of registered voters, President Chávez won the recall referendum convincingly with 5.80 million people voting "no" to reject his recall, or 59.25% of the vote, and 3.989 million people, or 40.74%, voting "yes" in favor of his recall.<sup>10</sup> Observers from the OAS and the Carter Center maintained that these results were compatible with their own quick count results. The opposition claimed that massive fraud had taken place and cited their

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<sup>5</sup> "Battle of the Polls is Engaged," *Latin American Weekly Report*, July 6, 2004.

<sup>6</sup> "Venezuela's Recall Referendum," *BBC Worldwide Monitoring*, July 8, 2004.

<sup>7</sup> "A Poll of Polls," *Miami Herald*, Aug. 11, 2004.

<sup>8</sup> "Chávez on Course for Victory," *Latinnews Daily*, Aug. 9, 2004.

<sup>9</sup> Steven Dudley, "Chávez Recall Vote Confounds Pollsters," *Miami Herald*, Aug. 11, 2004.

<sup>10</sup> "CNE Emitió Resultados Oficiales Del Referendo Revocatorio Presidencial," Consejo Nacional Electoral, Aug. 26, 2004.

exit polls showing that 59% had voted to recall President Chávez.<sup>11</sup> The Carter Center and the OAS conducted a second audit of the vote on August 19-21 and concluded that the vote results announced by the CNE reflect the will of the Venezuelan people.<sup>12</sup>

On August 26, 2004, the OAS approved a resolution expressing “satisfaction with the holding of the presidential recall referendum” and calling “upon all players to respect the results.” In the resolution, the OAS also welcomed the offer made by President Chávez “to foster national dialogue” and called “for a process of reconciliation ... in which differences are settled in the framework of the democratic systems and in a spirit of transparency, pluralism, and tolerance.”<sup>13</sup>

Various factors explain President Chávez’s victory in the recall referendum. The economy, fueled by proceeds from high oil prices, turned around in 2004. The president was able to use oil proceeds to boost social spending for the poor. He made anti-poverty programs an important focus of his administration. Another factor has been the strength of the opposition. As noted above, the opposition in Venezuela has been fragmented and did not wage an effective campaign during the recall referendum. Even if it had won the referendum, it was unclear whether it would have been able to present a single candidate to challenge Chávez in a subsequent election.

After the August 2004 recall referendum, President Chávez’s rule was further strengthened when his allies won a majority of gubernatorial and municipal posts in elections held in late October 2004 and municipal posts in municipal elections held in August 2005.

## December 2005 Legislative Elections

**Opposition Boycott.** Just days before the December 4, 2005, elections, in which all 167 seats in the National Assembly were at stake, Venezuela’s five major opposition parties announced that they would boycott the election. They maintained that the National Electoral Council (CNE) was dominated by the government and accused it of making decisions in favor of parties supporting the government. The parties withdrawing from the race consisted of the country’s two parties that had been historically dominant until 1998, Democratic Action (AD) and the Social Christian Party (COPEI), and three other key opposition parties: the Movement to Socialism (MAS), the center-right Justice First party (PJ), and Project Venezuela (PV).

Before the boycott, the opposition’s major concern was the CNE’s plan to use digital fingerprint machines. The opposition feared that the government would be

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<sup>11</sup> Andy Webb-Vidal, “Auditing of Chávez Vote Begins as Fraud Allegations Multiply,” *Financial Times*, Aug. 20, 2004.

<sup>12</sup> *Last Phase of the Venezuelan Recall Referendum: Carter Center Report* (English and Spanish), Carter Center, Aug. 21, 2004.

<sup>13</sup> Organization of American States, Permanent Council. “Results of the Presidential Recall Referendum Held in Venezuela on August 15, 2004,” CP/RES. 869 (1436/04), Adopted Aug. 26, 2004.

able to determine how individuals had voted and that this information would be used for political retribution, just as they assert that there was discrimination against those people who signed the petition in favor of having the 2004 presidential recall referendum. On November 28, 2005, however, the CNE, in a decision brokered by the Organization of American States, announced that it would not use the controversial digital fingerprint machines. Nevertheless, a day later, opposition parties began announcing their boycott of the legislative elections. The move surprised election officials, and some reports indicate that international observers were unhappy that the opposition had reneged on a commitment to participate in the elections if the digital fingerprint machines were not used.<sup>14</sup>

In the lead up to the legislative elections, some opposition groups had also objected to parties fielding candidates under two separate banners in order to increase the chances of winning additional seats. (Venezuela's electoral system utilizes a combination of proportional representation on a national party list and electoral districts where individuals who win a majority of votes are elected.) The pro-Chávez coalition had used this method to win some 77% of seats in municipal elections held in August 2005. In late October 2005, Venezuela's Supreme Court rejected an injunction against this practice that was filed by the opposition AD.<sup>15</sup>

**Election Results.** Because of the opposition boycott, pro-Chávez parties won all 167 seats in the National Assembly, with 114 going to the President's Fifth Republic Movement (MVR) and the remaining 53 going to smaller pro-Chávez parties as well as to independents and representatives of some social groups that support the government. The voter participation rate was low and estimated at 25%, or 2.9 million voters out of an electorate of 14.5 million. Legislators were elected for five-year terms that began on January 5, 2006. In the previous National Assembly, which had 165 members, pro-Chávez supporters controlled 86 seats, while opposition parties controlled 79. In the lead-up to the December 2005 election, observers predicted that the opposition would struggle to win one-third of the seats in the Assembly and that the pro-Chávez parties would win a two-thirds majority control of the legislature. The opposition's boycott guaranteed that pro-Chávez supporters will completely control the legislative branch.

**International Observers.** Both the OAS and the European Union sent delegations to observe the elections. Both groups lamented the withdrawal of the opposition, but also raised questions and had criticisms regarding the conduct of the elections.

The EU observer group maintained that wide sectors of Venezuelan society do not have trust in the electoral process and in the independence of the electoral authority. It found that the electoral campaign focused almost exclusively on the issue of distrust in the electoral process and the lack of independence of the CNE. Overall, the EU concluded that the elections represented a lost opportunity and did not contribute to the reduction of the fracture in Venezuelan society. Nevertheless,

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<sup>14</sup> Phil Gunson, "Vote Boycott Sparks Test of Wills," *Miami Herald*, Dec. 3, 2005.

<sup>15</sup> "Court Rebuffs AD Bid to Change Electoral Rules," *Latin American Weekly Report*, Nov. 1, 2005.

the EU lauded the steps taken by the CNE to open the automated voting system to external scrutiny and to modify various aspects that were questioned by the opposition. In particular, the EU stated the CNE's decision to eliminate the digital fingerprint devices from the voting process was timely, effective, and constructive, and noted with surprise the opposition's withdrawal just four days before the election.<sup>16</sup>

The OAS delegation noted that there remains a distrust of the CNE on the part of a significant segment of the population in terms of the origin and composition of the CNE and the perception that its actions lack transparency and impartiality. It suggested that a new democratic consensus be reached through dialogue that could include a discussion of the election of the CNE, the automated voting system, the electoral law, the process of issuing identification cards, a parliamentary system to ensure proportional representation of minorities, and the strengthening of the principle of separation, independence, and balance of powers. It criticized the opposition's withdrawal from the election, stating that every democracy requires an institutional opposition committed to the electoral process, so that it can loyally participate in the democratic system.<sup>17</sup>

**Political Significance.** With Chávez supporters controlling the legislature, it will be far easier for the government to enact its legislative agenda and to enact constitutional changes. Chávez supporters have indicated that they would like to amend the constitution to end limits on presidential re-election. Currently, Chávez is only eligible to run for one more six-year term in December 2006.

With opposition parties having no representation in the legislature, they will virtually have no official role in the political system. Some observers question the wisdom of the opposition's boycott of the election and contend that the decision not to participate will erode its legitimacy. According to Jose Miguel Vivanco from Human Rights Watch, which has been a critic of President Chávez, the opposition's tactics will not help them "gain any ground," and it will be difficult for "them to present themselves as victims that deserve solidarity from the international community."<sup>18</sup> Other observers contend that the high abstention rate in the election could allow the opposition to question the legitimacy of the National Assembly. According to this view, the boycott helped send a message that democracy is at threat in Venezuela and could bolster international support to press the Chávez government for transparency and accountability.

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<sup>16</sup> EU Election Observation Mission to Venezuela, Parliamentary Elections 2005," Preliminary Statement," Dec. 6, 2005.

<sup>17</sup> "Preliminary OAS Observations on the Legislative Elections in Venezuela," Press Release, Dec. 6, 2005.

<sup>18</sup> Juan Forero, "Chavez's Grip Tightens as Rivals Boycott Vote," *New York Times*, Dec. 5, 2005.

## December 2006 Presidential Election

Venezuela's next presidential elections are scheduled for December 3, 2006, and there is a strong chance that Chávez will win another six-year term. Polls show Chávez with a substantial lead over opposition candidate Manuel Rosales. The government has benefitted from the rise in world oil prices, which has increased government revenues, and sparked an economic boom. As a result, Chávez has been able to increase government expenditures on anti-poverty and other social programs associated with the populist agenda of his Bolivarian revolution. In his re-election campaign, President Chávez describes himself not as a populist but as a revolutionary.

Although the political opposition remained weak and fragmented in the aftermath of the August 2004 recall referendum and their boycott of the December 2005 legislative elections, it managed to agree on a single unified 2006 presidential candidate, Manuel Rosales, governor of the western oil-rich state of Zulia and former mayor of Maracaibo, Venezuela's second largest city. A primary had been scheduled for August 13, 2006 to select the opposition candidate, but on August 9, eight other candidates dropped out of the presidential race in support of Rosales who was the frontrunner. Those standing down in favor of Rosales included Julio Borges of the center-right Justice First Party, and Teodoro Petkoff, a leftist newspaper editor and former planning minister.

There will be 22 candidates on the presidential ballot, but Chávez and Rosales are the two leaders in the race. Most polls have shown Chávez with a lead of more than 20 percentage points over Rosales. A Zogby International poll in late October 2006 showed Chávez with 59% and Rosales with 24%, while another poll from early November by the U.S.-based Evans/McDonough Company and Consultores 30.11, a Venezuelan company, showed 57% for Chávez and 35% for Rosales.<sup>19</sup> Although Rosales trails in the polls, most observers credit him with running a strong campaign that has resonated with many Venezuelans.

Rosales is running a populist campaign that emphasizes social justice and an alliance between lower income sectors and the middle class. He has criticized the Chávez government for not doing enough to reduce poverty and called for a program to transfer oil revenues directly to the poor via a debit card, controversially named "Mi Negra," that would provide payments to poor families ranging from \$280 to \$460 monthly. He supports efforts to bolster the private sector and a strategy to increase both domestic and foreign investment. Rosales has also called for efficiency and transparency in the judicial system and has pledged to crack down on soaring crime. He has vowed to call new legislative elections with a system of proportional representation and supports a reduction in the presidential term of office from six to four years. He has criticized President Chávez for providing so much assistance to

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<sup>19</sup> "Venezuela Poll: Chávez Widens Lead for Reelection," *Miami Herald*, Oct. 25, 2006; Natalie Obiko Pearson, "Poll Gives Venezuela's Chávez 22-point Lead Ahead of Presidential Vote," *Associated Press*, Nov. 7, 2006.

foreign countries while there is extensive poverty in Venezuela, and he has criticized the government's alliances with countries like Cuba and Iran.<sup>20</sup>

Opposition supporters and other observers have complained that President Chávez has used state resources for his re-election, with government expenditures for advertising and access to television. They argue that Chávez government already has distributed Christmas bonuses for public-sector employees, which normally would not be due until the end of the year. Observers also assert that the government is using political coercion to ensure support among public sector employees and point to a recent video of Venezuela's Minister of Energy and Petroleum urging PdVSA workers to support Chávez's re-election.<sup>21</sup> While Venezuela's National Electoral Council (CNE) initiated an investigation into the incident for violating campaign rules, the opposition asserts that the CNE continues to be dominated by Chávez supporters.

Both the Organization of American States and the European Union will be sending delegations to observe the elections.

## Human Rights Concerns

U.S. officials and human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of speech and press in Venezuela under the Chávez government. The State Department's human rights report for 2005 asserts that Venezuela's "new laws governing libel, defamation, and broadcast media content, coupled with legal harassment and physical intimidation," have "resulted in limitations on media freedoms and a climate of self-censorship." At the same time, however, a majority of Venezuelans (almost 60%) have expressed satisfaction with how democracy in their country is working, according to a 2005 poll by Latinobarómetro, a far greater percentage than in most Latin American countries.<sup>22</sup>

The Inter-American Commission on Human Rights (IACHR) issued in 2004 expressing concerns about the Chávez government's tendency to militarize public administration. The Commission expressed extreme concern about reports of "undue influence of the armed forces in the country's political affairs" and "excessive involvement by the armed forces in political decision-making."<sup>23</sup> According to the State Department's February 2005 human rights report on Venezuela, "the military has played an increasingly larger role in civilian life," with active and retired military

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<sup>20</sup> "Can Rosales Win?," *Andean Group Report*, Nov. 7, 2006; "Venezuela: Opposition Candidate Proposes Building New Social Democracy," *Open Source Center* (Caracas Globovision Television) Nov. 7, 2006; Simon Romero, "Venezuelans Square Off Over Race, Oil and a Populist Political Slogan," *New York Times*, Nov. 12, 2006.

<sup>21</sup> Steven Dudley, "Government Power Give Chávez Campaign Edge," *Miami Herald*, Nov. 11, 2006; Elizabeth M. Nunez, "Opponents of Chávez Release Video," *Associated Press*, Nov. 3, 2006.

<sup>22</sup> "Ten-Year Rut, The Latinobarómetro Poll," *The Economist*, Oct. 29, 2005.

<sup>23</sup> Inter-American Commission on Human Rights, "Report on the Situation of Human Rights in Venezuela," Dec. 29, 2003 (original in Spanish); released in March 2004.

officers holding high-ranking government positions. Under President Chávez, the military has also become involved in numerous public service and development projects. This coincides with Chávez's view of the "military as an instrument of social transformation," part of his so-called Bolivarian revolution.<sup>24</sup>

Some observers are concerned that Chávez is using his political strength to push toward authoritarian rule. Human Rights Watch maintains that the Chávez government dealt a severe blow to judicial independence by packing the Supreme Court with his supporters under a new law that expanded the court from 20 to 32 justices. The Chávez government enacted a broadcast media law in December 2004 that could allow the government to restrict news coverage that is critical of the government, while in March 2005 it amended Venezuela's criminal code to broaden laws that punish "disrespect for government authorities." The IACHR, human rights groups, and other observers have expressed concerns that these measures have restricted freedom of expression, with newspaper and broadcasters practicing self-censorship.<sup>25</sup> The government has also reportedly used the tax code to intimidate media critics.<sup>26</sup> In July 2006, a mission of the Inter American Press Association expressed concern about the government's coercive action against Venezuela radio and television stations.<sup>27</sup> Other observers, however, assert that freedom of the press and assembly thrive in Venezuela, and that allegations of threats to Venezuelan judicial independence are grossly exaggerated.<sup>28</sup> As some human rights groups have noted, even before the Chávez government took office, Venezuela's Supreme Court was highly politicized and undermined by chronic corruption.<sup>29</sup>

The IACHR has also expressed concerns about acts of violence and persecution against human rights activists. In 2005 testimony before the Commission, members of several Venezuelan human rights organizations asserted that the government has labeled members of human rights groups as traitors and coup plotters. One example is Carlos Ayala, a former president of the IACHR, who has been charged with supporting the April 2002 coup against Chávez even though he had opposed the coup attempt. The charges were filed after Ayala initiated human rights cases against the government.<sup>30</sup>

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<sup>24</sup> Michael Shifter, "Chávez Should Not Steer U.S. Policy," *Financial Times*, Apr. 7, 2005.

<sup>25</sup> Inter-American Commission on Human Rights, "IACHR Reports on Human Rights Situation at the Conclusion of its Session," Press Release, Oct. 28, 2005; Danna Harman, "Latin Strongman Rebels Against U.S.-Centric News," *Christian Science Monitor*, May 13, 2005

<sup>26</sup> Foreign Broadcast Information Service, "Analysis: Venezuela: Government Using Laws to Harass Media Critics," Nov. 4, 2005.

<sup>27</sup> Inter American Press Association, "IAPA Says State of Press Freedom in the Americas Far from Ideal," Press Release, July 21, 2006.

<sup>28</sup> Mark Weisbrot, "Chavez is Admired in Latin America," *Augusta Chronicle*, June 20, 2005; "U.S. Criticism of Chávez Unfounded," *Miami Herald*, Dec. 20, 2004.

<sup>29</sup> "Freedom in the World 2005, Country Reports," Freedom House, p. 700.

<sup>30</sup> "Venezuela's Conscience," *Washington Post*, Oct. 30, 2005.



Human rights groups and the Bush Administration have criticized Venezuela's charges against four leaders of the Venezuelan civic group *Súmate* (Join Up) for accepting U.S. foreign assistance for a program to encourage citizen participation in the presidential recall referendum. The four, including María Corina Machado who met with President Bush in May 2005, are charged with conspiring against the government and could face up to 16 years in prison. *Súmate* asserts that there are more than 200 political prisoners in Venezuela today, and that there is targeted political retribution and discrimination against those who signed a petition in favor of having the 2004 presidential recall referendum.<sup>31</sup>

There has been increasing concern about the Venezuelan government's expropriations of large land holdings and private companies that observers see as a violation of property rights and due legal process. In August 2005, the government expropriated *Empresas Polar*, the country's largest food and beer company, for reportedly underutilizing its land and capital. In early September 2005, the government seized a tomato processing plant belonging to H.J. Heinz, a U.S. company. The Venezuelan government reportedly is reviewing some 700 large land holdings and companies to see if they are underutilized, as part of a campaign to turn them into productive enterprises for poor farmers and workers.<sup>32</sup>

**Trafficking in Persons.** Venezuela has been on the State Department's Tier 3 list for trafficking in persons since 2004, which means that the government is categorized as one that has failed to make significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking in persons. The State Department's June 2006 Trafficking in Persons (TIP) Report maintains that Venezuela is a source country, transit, and destination country for women and children trafficked for sexual exploitation and forced labor. The report asserted that the Venezuelan government has made some clear improvements in anti-trafficking activities, such as training officials and undertaking public awareness efforts, but that it has made no progress in prosecuting traffickers.<sup>33</sup> The Venezuelan government rejected the findings of the TIP report as ignoring its efforts to combat trafficking, including the prosecution of 21 individuals in human trafficking in 2005 and the hosting of an OAS meeting on human trafficking in March 2006.<sup>34</sup> (Also see CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by Clare M. Ribando.)

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<sup>31</sup> House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on Democracy in Venezuela, Statement of Ana Julia Jatar, *Súmate*, Nov. 17, 2005.

<sup>32</sup> Jens Gould, "Chávez Now Aims for Corporate-Owned Land," *Christian Science Monitor*, Nov. 1, 2005.

<sup>33</sup> U.S. Department of State, "Trafficking in Persons Report," June 5, 2006.

<sup>34</sup> Embassy of the Bolivarian Republic of Venezuela in the United States of America, "Venezuela Rejects State Department Human Trafficking Designation," Statement, June 5, 2006.

## Economic Conditions

Venezuela's major economic sector is petroleum, which accounts for one-third of its gross domestic product and 80% of exports. The country is classified by the World Bank as an upper middle income developing country because of its relatively high per capita income of \$4,810 (2005). Despite the country's oil wealth, economic conditions in the country deteriorated in the 1990s. The percentage of Venezuelans living in poverty (income of less than \$2 a day) increased from 32.2% to 48.5% of the population between 1991 and 2000, while the percentage of the population in extreme poverty (income of less than \$1 a day) increased from 11.8% in 1990 to 23.5% in 2000.<sup>35</sup>

In 2002-2003, the country's political instability and polarization between the government and the opposition contributed to a poor investment climate, capital flight, and declines in GDP. The national strike orchestrated by the opposition from late 2002 to early 2003 contributed to a contraction of the national economy by almost 9% in 2002 and 7.7% in 2003.

Since 2004, however, the economy has rebounded, with a growth rate over of almost 18% in 2004 and 9.3% in 2005, fueled by the windfall in international oil prices. A growth rate over 9% is forecast in 2006.<sup>36</sup> Given this positive outlook, the Chávez government has moved ahead with economic goals that fit into his "Bolivarian revolution." These include the expansion of a state-led development model, land reform, renegotiation of contracts with large foreign investors (especially in the petroleum sector), the restructuring of operations at the state oil company, and diversification of trade and investment partners. The government has used windfall oil profits to boost social spending and programs to fight poverty. Social programs, known as *misiones*, offer services like food subsidies, medical and dental services, eye surgery, literacy programs, and access to technical and higher education.

## U.S. Policy

### Background and Overview

Although the United States has traditionally had close relations with Venezuela, characterized by an important trade and investment relationship and cooperation in combating the production and transit of illegal narcotics, there has been friction and tension in relations with the Chávez government. In the aftermath of the September 11 terrorist attacks, U.S. officials became far less tolerant of President Chávez's anti-American rhetoric.

After Chávez's brief ouster in April 2002, the United States expressed solidarity with the Venezuelan people, commended the Venezuelan military for refusing to fire on peaceful demonstrators, and maintained that undemocratic actions committed or

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<sup>35</sup> World Bank, "Venezuela Country Brief," August 2004.

<sup>36</sup> Economist Intelligence Unit, "Venezuela Country Report," November 2006.

encouraged by the Chávez administration provoked the political crisis.<sup>37</sup> With Chávez's return to power, the United States called on President Chávez to heed the message sent by the Venezuelan people by correcting the course of his administration and "governing in a fully democratic manner."<sup>38</sup> In contrast, many Latin American nations condemned the overthrow of Chávez, labeling it a coup. Venezuelan allegations of U.S. involvement in the attempted overthrow of President Chávez have contributed to strained relations. U.S. officials have repeatedly rejected the charges that the United States was involved.<sup>39</sup> In the aftermath of Chávez's temporary ouster, the Department of State's Office of the Inspector General undertook a review of U.S. policy toward Venezuela and concluded that the Department of State had not played any role in President Chávez's overthrow.<sup>40</sup>

The Bush Administration expressed strong support for the work of the OAS to bring about a resolution to the crisis. With U.S. support, the OAS approved a resolution on December 16, 2002, that rejected any attempt at a coup or interruption of the constitutional democratic order in Venezuela, fully supported the work of the Secretary General in facilitating dialogue, and urged the Venezuelan government and the Democratic Coordinator "to use good faith negotiations to bring about a constitutional, democratic, peaceful, and electoral solution..." Beginning in January 2003, the United States joined with five other nations — Brazil, Chile, Mexico, Spain, and Portugal, in establishing a group known as the "Friends of Venezuela" — to lend support to the OAS Secretary General's efforts. U.S. officials welcomed the May 2003 accord ultimately signed, and maintained that the United States would continue to work to facilitate a peaceful, constitutional, democratic, and electoral solution to Venezuela's political impasse.

Comments by Venezuelan and some U.S. officials at times exacerbated tensions in the bilateral relationship. In the lead-up to the "repair" period held in late May 2004, Assistant Secretary of State for Western Hemisphere Affairs Roger Noriega maintained that it was already clear that "the requisite number of people supported the [recall] petition."<sup>41</sup> Venezuelan Vice President Jose Vicente Rangel strongly criticized Noriega's statement as prejudging the outcome of the "repair" period. President Chávez, who has often used anti-American rhetoric to shore up his domestic support, maintained that President Bush would be his greatest rival in the

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<sup>37</sup> U.S. Dept. of State, "Venezuela: Change of Government," Press Statement, Apr. 12, 2002.

<sup>38</sup> U.S. Dept. of State, International Information Programs, "White House Calls on Venezuela's Chávez to Preserve Peace, Democracy," *Washington File*, Apr. 14, 2002.

<sup>39</sup> U.S. Dept. of State, International Information Programs, *Washington File*, "U.S. Again Rejects Charges of Meddling in Venezuelan Affairs," Apr. 19, 2004.

<sup>40</sup> U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General, "A Review of U.S. Policy Toward Venezuela November 2001 — April 2002," Report Number 02-OIG-003, July 2002.

<sup>41</sup> David R. Sands, "U.S. Casts Wary Eye on Venezuela Vote; Action Promised if Vote is Rigged," *Washington Times*, May 26, 2004.

recall referendum, and that the United States would “govern” in Venezuela if the opposition wins the recall referendum and subsequent election.<sup>42</sup>

After the August 2004 recall referendum, the Administration congratulated the Venezuelan people for their commitment to democracy and commended the work of the OAS and Carter Center. At the same time, U.S. officials stressed the importance of reconciliation on the part of the government and the opposition in order to resolve their political differences peacefully.

**Tensions Increase in 2005.** In 2005, however, Administration officials voiced increasing concern about President Chávez, and tensions increased in U.S.-Venezuelan relations, with elevated rhetoric on both sides. In both March and September 2005, State Department officials testified to Congress that President Chávez’s “efforts to concentrate power at home, his suspect relationship with destabilizing forces in the region, and his plans for arms purchases are causes of major concern.” They asserted that the United States “will support democratic elements in Venezuela so they can fill the political space to which they are entitled.”<sup>43</sup> Secretary of Defense Donald Rumsfeld expressed concerns in March about Venezuela’s plan to buy 10 military helicopters and 100,000 AK-47 rifles from Russia and questioned why Venezuela needs the weapons.<sup>44</sup> U.S. officials have also expressed concerns about Venezuela’s plans to buy patrol boats and military transport aircraft from Spain as well as a decision by Venezuela in April 2005 to cancel a U.S.-Venezuelan bilateral military exchange program.

On May 31, 2005, President Bush met with Maria Corina Machado, the founder of *Súmate*, a Venezuelan civic group that was involved in the signature drive for the August 2004 recall referendum. The meeting exacerbated the already tense U.S.-Venezuelan bilateral relations. Machado is facing charges in Venezuela for conspiring against the government by accepting U.S. funding from the National Endowment for Democracy for *Súmate*’s activities leading up to the recall referendum. U.S. officials and some Members of Congress have strongly defended the NED’s activities in Venezuela and have criticized the Venezuelan government’s efforts to intimidate the leaders of *Súmate*. (See *U.S. Funding for Democracy Projects*, below.)

In early August 2005, Venezuela suspended its cooperation with the U.S. Drug Enforcement Administration (DEA) because it alleged that DEA agents were spying on Venezuela. U.S. officials asserted that the accusations were “baseless and outrageous” but also indicated that the United States would like to improve U.S.

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<sup>42</sup> Alice M. Chacon, “Venezuelan President Says His Greatest Rival is George W. Bush,” *Associated Press*, June 12, 2004.

<sup>43</sup> House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on “The State of Democracy in Latin America,” Testimony of Roger F. Noriega, Assistant Secretary of State for Western Hemisphere Affairs, Mar. 9, 2005; Hearing on “Keeping Democracy on Track: Hotspots in Latin America,” Testimony of Charles A. Shapiro, Principal Deputy Assistant Secretary of State, Sept. 28, 2005.

<sup>44</sup> Todd Benson, “Rumsfeld in Brazil, Criticizes Venezuela on Assault Rifles,” *New York Times*, Mar. 24, 2005.

relations with Venezuela and reverse the negative trend in relations over the past few months.<sup>45</sup>

While traveling in South America in August 2005, Secretary of State Donald Rumsfeld asserted that “there certainly is evidence that both Cuba and Venezuela have been involved in the situation in Bolivia in unhelpful ways.”<sup>46</sup> Some Members of Congress, such as Senator Arlen Specter, reportedly called for the Secretary to tone down his rhetoric.<sup>47</sup> Specter met with President Chávez and Venezuelan ministers in mid-August 2005 to discuss cooperation on drug interdiction. Subsequently, on September 15, 2005, President Bush designated Venezuela as a country that has “failed demonstrably during the previous 12 months to adhere to their obligations under international counternarcotics agreements.” At the same time, the President waived economic sanctions that would have curtailed U.S. assistance for democracy programs in Venezuela. (Also see *Counternarcotics Cooperation* below.)

On August 22, 2005, the comments of TV evangelist Pat Robertson that the United States should “assassinate” Chávez evoked a strong response from Venezuelan officials and from many U.S. policymakers. The State Department responded by labeling Robertson’s comments as “inappropriate.”<sup>48</sup> (For further information on the U.S. prohibition against assassination, see CRS Report RS21037, *Assassination Ban and E.O. 12333: A Brief Summary*, by Elizabeth B. Bazan.)

In testifying to Congress on November 17, 2005, the new Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon asserted that there is “a growing hemispheric and international consensus that democracy in Venezuela is in grave peril.” He stated that the United States was working multilaterally and bilaterally with Latin American and European nations to support Venezuelan civil society, speak out against abuses of democracy, and hold Venezuela accountable to its commitments under the Inter-American Democratic Charter. He described U.S. funding for democracy projects in Venezuela as “working to preserve political and civic space for increasingly at-risk groups.”<sup>49</sup> Reflecting an escalation of the Venezuelan President’s harsh rhetoric, Chávez responded to Shannon’s comments by calling President Bush a “crazy, genocidal killer.”<sup>50</sup>

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<sup>45</sup> Lauren Monsen, “United States Hopes for Improved Cooperation,” Washington File, U.S. Department of State, Aug. 19, 2005.

<sup>46</sup> Josh White, “Rumsfeld in Latin America, Voices Democracy Concerns,” *Washington Post*, Aug. 17, 2005.

<sup>47</sup> Holly Yeager, “Senator Takes Rumsfeld to Task Over Chavez Criticism,” *Financial Times*, Aug. 20, 2005.

<sup>48</sup> U.S. Department of State, Daily Press Briefing, Aug. 23, 2005.

<sup>49</sup> House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on Democracy in Venezuela, Statement by Asst. Sec. of State Thomas A. Shannon, Nov. 17, 2005.

<sup>50</sup> “Venezuela: Chávez Responds to Shannon’s Criticism,” *Latinnews Daily*, Nov. 18, 2005.

U.S. reaction to the Venezuelan elections on December 5, 2005, was restrained, with a State Department spokesman indicating that United States would wait until the OAS and EU observers make their reports. Nevertheless, the State Department did point to the high voter abstention rate in the election and maintained that it reflected “a broad lack of confidence in the impartiality and transparency of the electoral process.”<sup>51</sup> (There was a 75% abstention rate in the December legislative election, compared to an abstention rate of 44% in the last legislative election in July 2000, which occurred at the same time that voters elected a president and state and local officials.<sup>52</sup>)

**Developments in 2006.** U.S.-Venezuelan relations have continued to be tense in 2006, with several incidents and rhetoric exacerbating the poor state of relations. On February 2, 2006, Secretary of Defense Donald Rumsfeld compared President Chávez to Adolf Hitler in terms of someone who was elected legally and then consolidated power.<sup>53</sup> Chávez responded by referring to President Bush as Hitler and as a madman, with plans to invade Venezuela. On February 2, 2006, President Chávez announced that his government would expel a U.S. naval attache for spying, which U.S. officials strongly denied. In response, the United States expelled a Venezuelan diplomat based in Washington.

Administration testimony before Congress in February 2006 highlighted U.S. concern about Venezuela’s foreign relations. In February 16, 2006 congressional testimony, Secretary of State Condoleezza Rice stated that one of the biggest problems for the United States in Latin America was Venezuela, which she characterized as “attempting to influence its neighbors away from democratic processes.” Secretary Rice also expressed concerns about Venezuela’s relationship with Cuba, describing it as “a particular danger to the region,” and also referred to both countries as Iran’s “sidekicks” in reference to those countries’ votes in the International Atomic Energy Agency against reporting Iran to the U.N. Security Council over its uranium enrichment program.<sup>54</sup> Also in February 2006 congressional testimony, Director of National Intelligence John Negroponte expressed concern that President Chávez “is seeking closer economic, military, and diplomatic ties with Iran and North Korea.”<sup>55</sup>

In late April 2006, the State Department issued its annual *Country Reports on Terrorism*, which asserted that “Venezuela virtually ceased its cooperation in the global war on terror, tolerating terrorists in its territory and seeking closer relations with Cuba and Iran, both state sponsors of terrorism.” This was followed up in mid-May 2006, with a State Department announcement that, pursuant to Section 40A of

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<sup>51</sup> U.S. Department of State, Daily Press Briefing, Dec. 5, 2005.

<sup>52</sup> “State Department Holds Fire on Election Result,” *Latinnews Daily*, Dec. 6, 2005.

<sup>53</sup> “Donald H. Rumsfeld Delivers Remarks at the National Press Club,” *CQ Transcriptions*, Feb. 2, 2006.

<sup>54</sup> House International Relations Committee, Hearing on the Fiscal Year 2007 International Affairs Budget, Testimony of Secretary of State Condoleezza Rice, Feb. 16, 2006.

<sup>55</sup> Senate Select Intelligence Committee, Hearing on World Wide Threats, Testimony of Director of National Intelligence John Negroponte, Feb. 2, 2006.

the Arms Export Control Act, it was prohibiting the sale or license of defense articles and services to Venezuela because of its lack of cooperation on antiterrorism efforts. The State Department asserted that the determination was based on Venezuela's near lack of antiterrorism cooperation over the last year, citing its support for Iraqi insurgents and Iran's development of nuclear capabilities, the country's status as a safe haven for Colombian and Basque terrorist groups, and its effort to derail hemispheric efforts to advance counter-terrorism policies in the OAS. In July 13, 2006, congressional testimony, the State Department's Principal Deputy Coordinator for Counterterrorism, Frank Urbancic, asserted that Venezuelan travel and identification documents are easy to obtain for persons not entitled to them, including non-Venezuelans, and maintained that the United States was detaining increasing numbers of third-country aliens at its borders carrying falsified or fraudulently issued Venezuelan documents.<sup>56</sup>

On August 18, 2006, U.S. Director of National Intelligence John Negroponte announced the establishment of the position of Mission Manager for Cuba and Venezuela responsible for integrating collection and analysis on the two countries across the Intelligence Community. Venezuelan officials responded that they would reconsider signing an anti-drug cooperation agreement negotiated between the two countries. Press reports in June and July had indicated that the two countries were on the verge of signing such an agreement.

In speaking before the U.N. General Assembly on September 20, 2006, President Chávez strongly criticized U.S. foreign policy and spoke pejoratively of President Bush. President Chávez repeatedly referred to President Bush as the "Devil" and asserted that "the hegemonic pretension of U.S. imperialism ... puts at risk the very survival of the human species."<sup>57</sup>

In response to President Chávez's comments, Secretary of State Condoleezza Rice maintained his remarks "were not becoming of a head of state," while U.S. Ambassador to the United Nations John Bolton said that the Administration would "not address this sort of comic-strip approach to international affairs."<sup>58</sup> State Department spokesman Tony Casey said that he would "leave it to the Venezuelan people to determine whether President Chávez represented them and presented them in a way they would have liked to have seen."<sup>59</sup> President Chávez's remarks at the U.N. are not the first time that the Venezuelan president has spoken disparagingly of President Bush or other U.S. officials or criticized U.S. policy. He routinely refers

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<sup>56</sup> House International Relations Committee, Subcommittee on International Terrorism and Nonproliferation, Hearing on "Venezuela: Terrorism Hub of South America?," July 13, 2006.

<sup>57</sup> "Venezuela's Chávez Says World Faces Choice Between U.S. Hegemony and Survival," Venezuelanalysis.com, Sept. 20, 2006 [includes transcript of President Chávez's speech before the U.N. General Assembly].

<sup>58</sup> U.S. Department of State, Secretary of State Condoleezza Rice, "Remarks After the United Nations Security Council Meeting on the Middle East Process," Sept. 21, 2006; Pablo Bachelet, "Chávez Bashes Bush on U.N. Stage," *Miami Herald*, Sept. 21, 2006.

<sup>59</sup> U.S. Department of State, Daily Press Briefing, Sept. 20, 2006.

to President Bush as a “donkey,” “Mr. Danger,” or other pejorative terms.<sup>60</sup> U.S. officials appear largely to have refrained from responding to such personal charges or criticisms leveled by President Chávez and instead have focused on the negative aspects of his policies, such as the status of democracy and human rights under his government, the extent of Venezuela’s military purchases, or President Chávez’s efforts to influence political events in other Latin American countries. Several Members of Congress criticized President Chávez for his anti-American rhetoric and introduced resolutions (H.Res. 1033, S.Res. 607, S.Res. 587) condemning his statements.

## General Policy Approaches

A dilemma for U.S. policymakers has been how to press the Chávez government to adhere to democratic principles without appearing to interfere in Venezuelan domestic affairs or taking sides in the country’s polarized political conflict. The appearance of U.S. interference in Venezuela could result in increased popular support for the Chávez government. In the lead up to the recall referendum, the Chávez government portrayed the opposition as supported by the U.S. government and the United States as Venezuela’s main adversary. As noted above, for the most part, the Bush Administration worked through the OAS and the Carter Center from 2002-2004 to help resolve the country’s political crisis. At the same time, U.S. officials have not refrained from criticizing the Chávez government on various occasions for its anti-democratic actions.

According to press reports, the Administration was involved in a major reassessment of policy toward Venezuela in the spring of 2005, with the policy review resulting in a two-prong strategy to increase support to civil groups in Venezuela and to convince other countries that Chávez should be viewed as a troublesome meddler in other countries’ affairs.<sup>61</sup> Some observers, however, have expressed concerns that a more aggressive approach will create further estrangement and tension in the bilateral relationship.

There are other schools of thought about the appropriate U.S. policy toward Venezuela. Some maintain that the United States should work to normalize relations with the Chávez government and attempt to work cooperatively on issues of mutual concern, such as drug trafficking. Some also maintain that United States should

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<sup>60</sup> For example, see “President Hugo Chávez Travels the World,” *Voice of America News*, Sept. 15, 2006; “Danger, Danger George Bush,” *Washington Post*, Aug. 6, 2006; Christopher Toothaker, “U.S. Ambassador Urges Venezuela to Consider Dialogue, Leave Insults Aside,” Associated Press, Mar. 30, 2006; “Venezuela’s Chávez Calls Bush ‘Coward’ Over Iraq,” *BBC Worldwide Monitoring*, Mar. 20, 2006; “Hugo Chávez to Condi Rice: Don’t Mess with Me, Girl,” *Agence France Presse*, Feb. 19, 2006.

<sup>61</sup> Pablo Bachelet, “U.S. Tries Everything, But Can’t Slow Chávez,” *Miami Herald*, Sept. 7, 2005; Pablo Bachelet, “U.S. Exploring Taming Chávez,” *Miami Herald*, Mar. 18, 2005; Juan Forero “U.S. Considers Toughening Stance Toward Venezuela,” *New York Times*, Apr. 26, 2005.



ensure that no U.S. funding goes to any groups headed by individuals who participated in the April 2002 ouster of President Chávez or to any partisan groups.<sup>62</sup>

Another longer-term policy approach advocated by some is that the United States should work to address the circumstances that led to the rise to power of Chávez. This policy approach pertains not just to Venezuela, but to other countries in Latin America struggling with high levels of unemployment, crime, and political corruption.<sup>63</sup>

## **U.S. Funding for Democracy Projects**

The United States has provided funding for democracy projects in Venezuela through the National Endowment for Democracy (NED) since 1992, but the level of funding has increased over the past several years under the Chávez government. In the FY2006 Foreign Operations appropriations measure (P.L. 109-102), Congress provided \$2 million in Democracy Funds for NED for democracy programs in Venezuela. In FY2005, NED provided \$902,000 for 16 democracy projects in Venezuela. Prior to that, NED funded 13 democracy projects with about \$874,000 in FY2004, and funded 15 democracy projects with \$1.05 million in FY2003.

In addition to the NED funding, the United States has provided Economic Support Funds (ESF) for democracy-related projects in Venezuela. For FY2007, the Administration requested \$1.5 million in ESF for Venezuela democracy initiatives. The House-passed version of the FY2007 foreign operations appropriation bill, H.R. 5522, did not specifically earmark ESF democracy assistance for Venezuela, although the Senate Appropriations Committee report to the bill (S.Rept. 109-277) recommends fully funding the Administration's \$1 million ACI and ESF requests for Venezuela. For FY2006, although the Administration requested \$500,000 in ESF for such projects, it did not allocate any ESF for Venezuela. In FY2005, \$2.4 million in ESF was provided, while \$1.497 million (including \$1 million in reprogrammed funds to support political reconciliation) was provided in FY2004, and \$470,000 in FY2003.

The U.S. Agency for International Development (USAID), through its Office of Transition Initiatives (OTI) has been a third source of U.S. funding for democracy projects in Venezuela. According to USAID, its OTI program in Venezuela began in 2002 with the goals of strengthening democratic institutions, promoting space for dialogue, and encouraging citizens' participation in democratic processes. OTI funding in recent years was \$5 million in FY2005, \$3.6 million in FY2006, and is projected to be \$1.7 million in FY2007. According to USAID, the funding supports projects implemented by five U.S. organizations: Development Alternatives Inc, which focuses on dialogue, public debate, citizen participation and leadership

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<sup>62</sup> Testimony of Mark Weisbrot, Center for Economic and Policy Research, at a hearing of the Senate Foreign Relations Committee on "The State of Democracy in Venezuela," June 24, 2004.

<sup>63</sup> Testimony of Miguel Diaz, Center for Strategic and International Studies, at a hearing of the Senate Foreign Relations Committee on the "The State of Democracy in Venezuela," June 24, 2004.

training; the International Republican Institute and the National Democratic Institute, which offer technical assistance for political parties; Freedom House, which provides technical support to human rights groups; and the Pan-American Development Foundation, which provides support to civil society.<sup>64</sup>

In other legislative action in the 109<sup>th</sup> Congress, the House-passed version of the FY2006 and FY2007 Foreign Relations Authorization Act, H.R. 2601 (H.Rept. 109-168), would authorize \$9 million in Economic Support Funds for each of FY2006 and FY2007 to fund support for a variety of activities in support of democratic and accountable governance in Venezuela.

The Venezuelan government and some other critics have criticized NED's funding of opposition groups.<sup>65</sup> They maintain that the NED has funded groups headed by people involved in the overthrow of Chávez in April 2002 as well as a group, *Súmate*, involved in the signature collecting process for the recall referendum campaign. Critics argue that *Súmate* led the signature drive for the recall referendum, and question whether the NED should have funded such a group.

U.S. officials and some Members of Congress strongly defended the NED's activities in Venezuela and have criticized the Venezuelan government's efforts to intimidate the leaders of *Súmate* by charging them with conspiring against the government. The State Department asserts that the charges are without merit, and constitute an attempt "to intimidate members of civil society for exercising their democratic rights."<sup>66</sup>

According to the NED, its program in Venezuela "focuses on promoting citizen participation in the political process, civil and political rights, freedom of expression and professional journalism, and conflict mediation." The NED asserts that all of the Venezuelan programs that it funds operate on a non-partisan basis. It maintains that *Súmate*, which received a grant of \$53,400 in September 2003, mobilized a citizen campaign to monitor the signature collection process and that the money was used "in developing materials to educate citizens about the constitutional referendum process and to encourage citizens to participate."<sup>67</sup> NED officials also assert that they did not fund the Democratic Coordinator for the development of its July 2004 consensus platform. The NED points out that it did fund a consensus building project in 2002 for one of the NED's core institutions, the Center for International Private Enterprise (CIPE). For the project, CIPE partnered with a Venezuelan group, the Center for the Dissemination of Economic Information (CEDICE) to work with

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<sup>64</sup> U.S. Agency for International Development, USAID/OTI Venezuela Field Report, April-June 2006.

<sup>65</sup> Testimony of Mark Weisbrot, Center for Economic and Policy Research, at a hearing of the Senate Foreign Relations Committee on "The State of Democracy in Venezuela," June 24, 2004.

<sup>66</sup> "United States Rejects Venezuelan Decision to Try Civic Group," Department of State, Washington File, July 8, 2005.

<sup>67</sup> National Endowment for Democracy, "NED Venezuela Programs FAQ," available online at [<http://www.ned.org/grants/venezuelaFacts.html>].

several Venezuelan nongovernmental organizations and the business sector for the development of a broad-based consensus.<sup>68</sup> In early September 2005, the board of the NED approved a new \$107,000 grant to Súmate for a program to train thousands of people on their electoral rights.<sup>69</sup>

As a result of the controversy, the conference report to the FY2005 Consolidated Appropriations Act (Division B of P.L. 108-447, H.Rept. 108-792) required a comprehensive report on NED's activities in Venezuela since FY2001, and reaffirmed NED's duty to ensure that all sponsored activities adhere to core NED principles. The reporting requirement had first been included in the report to the House version of the FY2005 Commerce, Justice, and State Appropriations bill (H.R. 4754, H.Rept. 108-576).

## Oil Issues

Since Venezuela is a major supplier of foreign oil to the United States (the fourth major foreign supplier in 2005, after Canada, Mexico, and Saudi Arabia), providing about 12% of U.S. crude oil imports, a key U.S. interest has been ensuring the continued flow of oil exports. Some 68% of Venezuela's oil exports are destined for the United States, highlighting the dependency of Venezuela on the U.S. market, and oil exports account for the overwhelming majority of Venezuela's exports to the United States. In 2005, Venezuela's total exports destined for the United States amounted to almost \$34 billion, with oil products accounting for \$31.6 billion, or 93% of the total.<sup>70</sup> The December 2002 strike orchestrated by the opposition reduced Venezuela's oil exports, but by May 2003, Venezuelan officials maintained that overall oil production returned to the pre-strike level. Venezuelan officials maintain that national production currently amounts to about 3 million barrels per day but independent analysts assert that the figure is about 2.6 million barrels per day.<sup>71</sup> Venezuela's state-run oil company, PdVSA, owns CITGO, which operates three crude oil refineries and a network of some 14,000 retail gasoline stations in the United States.

The Chávez government has benefitted from the rise in world oil prices, which has increased government revenues and sparked an economic boom. As a result, Chávez has been able to increase government expenditures on anti-poverty and other social programs associated with his populist agenda. By the end of 2005, the Venezuelan government had completed the conversion of 32 operating agreements with foreign oil companies to joint ventures, with the Venezuelan government now holding a majority share of between 60-70% in the ventures. PdVSA is a minority owner in four extra-heavy oil Orinoco River Basin projects involving six foreign

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<sup>68</sup> Telephone conversation with NED official July 15, 2004; also see Andres Oppenheimer, U.S. Group's Funds Aid Democracy, *Miami Herald*, July 15, 2004.

<sup>69</sup> Pablo Bachelet, "Citizens Group to Get U.S. Funds," *Miami Herald*, Sept. 13, 2005.

<sup>70</sup> Department of Commerce statistics, as presented by World Trade Atlas.

<sup>71</sup> Economist Intelligence Unit, "Country Report: Venezuela," June 2006; Andres Oppenheimer, "Venezuela's Oil Production Still a Big Question Mark," *Miami Herald*, June 22, 2006.

companies, but the Venezuelan government has plans to bring these projects under its control. It is seeking to increase PdVSA control to at least 51% by the end of 2006.<sup>72</sup> Majority state ownership in the oil sector fulfills a policy goal of the Chávez government to assert greater control over the country's oil reserves, but has reportedly slowed the rate of foreign investment. Production has reportedly not been able to recover from the firing of some 18,000 PdVSA employees in early 2003 and from continued underinvestment in maintenance and repairs.<sup>73</sup>

Despite notable frictions in bilateral relations, Venezuela continues to be a major supplier of oil to the United States. Even though Venezuela opposed the U.S. war in Iraq, the Chávez government announced before the military conflict that it would be a reliable wartime supplier of oil to the United States. At various junctures, however, Chávez has threatened to stop selling oil to the United States. In February 2006, he asserted that the "U.S. government should know that, if it crosses the line, it will not get Venezuelan oil."<sup>74</sup> In April 2006, he warned that his government would blow up its oil fields if the United States ever were to attack.<sup>75</sup> On November 4, 2006 (amid Venezuela's presidential election campaign), President Chávez asserted that Venezuela would "not send one more drop of oil to the U.S." if the United States or its "lackeys" in Venezuela try a "new coup," fail to recognize the elections, or try to overthrow the oil industry. Venezuela's Ambassador to the United States asserted in late July 2006 that oil-cutoff comments by Venezuelan officials, including President Chávez, only reflect what would be Venezuela's response against aggression initiated by the U.S. government.<sup>76</sup> Many observers believe Chávez's threats have been merely part of his rhetoric that is designed to bolster his domestic political support.

Some observers, however, have raised questions about the security of Venezuela as a major supplier of foreign oil. There are also concerns that Venezuela is looking to develop China as a replacement market, although Venezuelan officials maintain that they are only attempting to diversify Venezuela's oil markets. In June 2006, the Government Accountability Office (GAO) issued a report, requested by Senate Foreign Relations Committee Chairman Richard Lugar, on the issue of potential Venezuelan oil supply disruption. The GAO report concluded that a sudden loss of all or most Venezuelan oil from the world market could raise world prices up to \$11 per barrel and decrease U.S. gross domestic product by about \$23 billion. It also concluded that if Venezuela does not maintain or expand its current level of oil

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<sup>72</sup> Christopher Toothaker, "Venezuela to Take State Majority in Heavy Oil Project by Year's End," *Associated Press*, Aug. 29, 2006.

<sup>73</sup> Danna Harman, "Venezuela's Oil Model: Is Production Rising or Falling,?" *Christian Science Monitor*, May 31, 2006.

<sup>74</sup> "U.S. Warned to Back off or Risk Losing Oil Supply," *Miami Herald*, Feb. 18, 2006; "Chávez Threatens To Cut Oil in Case U.S. 'Crosses Line,'" Open Source Center, Foreign Broadcast Information Service, Feb. 18, 2006.

<sup>75</sup> "Chávez Says He'll Blow up Oil Fields If U.S. Attacks," *Miami Herald*, Apr. 20, 2006.

<sup>76</sup> Andy Webb-Vidal, "Venezuela Will Not Cut Off Oil Despite Hostile U.S. Attitude," *Financial Times*, Aug. 1, 2006.

production, then the world oil market may become even tighter than it is now, putting pressures on both the level and volatility of energy prices.<sup>77</sup>

For additional information, see CRS Report RL33693, *Latin America: Energy Supply, Political Developments, and U.S. Policy Approaches*, by Mark P. Sullivan and Clare M. Ribando.

## Counternarcotics Cooperation

Because of Venezuela's extensive 1,370-mile border with Colombia, it is a major transit route for cocaine and heroin destined for the United States. As noted above, Venezuela suspended its cooperation with the U.S. DEA in early August 2005 because it alleged that DEA agents were spying on Venezuela. U.S. officials maintained that the charges were baseless. In September 2005, and again in September 2006, President Bush designated Venezuela, pursuant to international drug control certification procedures set forth in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), as a country that has failed demonstrably to adhere to its obligations under international narcotics agreements, although he waived economic sanctions that would have curtailed U.S. assistance for democracy programs in Venezuela. Small amounts of U.S. counter-narcotics assistance to Venezuela under the Andean Counter-drug Initiative will also continue.

Press reports in late June and July 2006 indicated that the United States and Venezuela were on the verge of signing an anti-drug cooperation agreement that would allow the DEA to continue working with the Venezuelan government, but approval of the agreement has still not taken place.<sup>78</sup> In August, Venezuelan officials said that they were reconsidering signing the agreement in response to the announcement by U.S. Director of National Intelligence John Negroponte on the establishment of a new position of Mission Manager for Cuba and Venezuela. According to the Bush Administration's September 2006 justification for determining that Venezuela had "failed demonstrably" to adhere to counternarcotics obligations, "the role and status of the DEA in Venezuela remains in limbo since the host country refuses to sign a memorandum of understanding authorizing" a DEA presence "even after successfully concluding a lengthy process of negotiation with U.S. officials."<sup>79</sup> On July 26, 2006, the House approved H.Con.Res. 400 (Burton), which, among other provisions, condemns Venezuela's failures to stem the flow of narcotics through its territory and calls for, among other measures, steps to restore cooperation between Venezuela and the DEA.

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<sup>77</sup> U.S. Government Accountability Office, "Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production," GAO-06-668, June 2006.

<sup>78</sup> "DEA to Continue Working with Venezuela," *Latin American Regional Report, Andean Group*, July 2006; "Venezuela, U.S. to Sign Anti-drug Agreement," *Miami Herald*, June 27, 2006.

<sup>79</sup> U.S. Department of State, "Memorandum of the Secretary of State: Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2007," Presidential Determination No. 2006-24, White House Press Release, Sept. 15, 2006.

According to the President's September 2006 determination on Venezuela, the country's "importance as a transshipment point for drugs bound for the United States and Europe has continued to increase in the past 12 months, a situation both enabled and exploited by corrupt Venezuelan officials." The determination also maintained that, according to DEA, seizures of illegal drugs transiting Venezuela have fallen. It also asserted that the number of suspected drug flights departing Venezuela and going to the Caribbean more than doubled in 2005 and continued to rise in the first half of 2006. According to the determination, Venezuela was designated as having "failed demonstrably" in counternarcotics cooperation in part "because it ended most air interdiction cooperation, refused to grant U.S. counternarcotics overflights of Venezuela, curtailed most military and law enforcement counternarcotics cooperation, replaced its most effective counternarcotics officials, and failed to effectively implement its own money laundering and organized crime legislation."<sup>80</sup>

However, the Department of State, in its March 2006 *International Narcotics Control Strategy Report* (INCSR), maintained that despite political tensions in U.S.-Venezuelan relations, continued DEA work with Venezuelan law enforcement led to record cocaine seizures by Venezuela in 2005. The report noted that DEA estimated that cocaine seizures in the first eight months of 2005 amounted to approximately 30 metric tons, well ahead of 2004 seizures. During the same time period, the Venezuelan government reported that 54 metric tons of cocaine were seized, but this figure included seizures made by third countries in international waters that were returned to Venezuela. The report also noted Venezuela's promulgation of two significant anti-drugs laws in October 2005, the "Law against Organized Crime" and the "Law against the Trafficking and Consumption of Narcotics and Psychotropic Substances" and noted that these laws put Venezuelan law in line with the 1988 U.N. Drug Convention.

Over the past several years, Venezuela has received small amounts of U.S. assistance under the Administration's Andean Counterdrug Initiative: \$5 million in FY2002; \$2.075 million in FY2003; \$5 million in FY2004; almost \$3 million in FY2005; and an estimated \$2.229 million in FY2006. The FY2007 request is for \$1 million in ACI funding for Venezuela. ACI programs in Venezuela focus on counternarcotics cooperation and judicial reform support. ACI funds will also help complete a Port Security Container Inspection facility in Puerto Cabello. The House-passed version of the FY2007 foreign operations appropriation bill, H.R. 5522, would provide no ACI funding for Venezuela, while the Senate Appropriations Committee report to the bill (S.Rept. 109-277) recommends fully funding the Administration's \$1 million ACI request. President Bush's September 2006 drug cooperation determination on Venezuela stated that Venezuela had not yet signed a letter of agreement to make almost \$3 million in FY2005 assistance available for U.S. counternarcotics assistance. (For further information, see CRS Report RL33370, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2007 Assistance*, by Connie Veillette.)

Venezuelan officials maintain that President Bush's decision to designate Venezuela was purely political because of the overall state of U.S.-Venezuelan

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<sup>80</sup> Ibid.

relations. They assert that Venezuela has made considerable counternarcotics efforts that have been lauded in the State Department's annual *International Narcotics Control Strategy Report*.<sup>81</sup>

## Concerns about Venezuela's Military Purchases

As noted above, the Bush Administration has expressed concerns about Venezuela's purchases of military equipment. On January 13, 2006, the State Department indicated that the United States had denied licenses — required by the Arms Export Control Act — to transfer U.S. technology for use in 12 military transport planes that Spanish companies had contracted to sell to Venezuela. According to a State Department spokesman, the proposed sale could contribute to de-stabilization in Latin America. Spain initially responded by indicating that it would go ahead with the sale of the airplanes utilizing non-U.S. technology, but in mid-October 2006, Spain's Foreign Minister announced that such an alternative was not economically feasible and the deal was cancelled.<sup>82</sup> Venezuela responded to the U.S. action by labeling it as "imperialist." The State Department official also indicated that the United States had expressed similar concerns to Brazil about military sales to Venezuela. Venezuela expressed interested in purchasing at least a dozen light-attack aircraft, manufactured by Embrarer, that contain U.S. technology.<sup>83</sup>

President Chávez has vowed to continue with his nation's military purchases, asserting that he was acquiring the minimum equipment for Venezuela to defend itself from the United States. Venezuela is buying significant amounts of military equipment from Russia. This includes contracts to buy 30 Sukhoi Su-30 fighter jets, 53 military helicopters, 100,000 Kalashnikov assault rifles, a license to build a factory to produce Kalashnikov rifles in Venezuela, and potentially 2 to 3 submarines.<sup>84</sup> The Venezuelan government maintains that it is buying the Russian fighter jets because the United States is refusing to sell the country spare parts for its aging fleet of F-16 fighters that it purchased in the 1980s. Defense analysts predict that Venezuela will speed up its arms procurement plans from Russia and China in light of U.S. efforts to block countries like Spain from selling it military equipment.<sup>85</sup>

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<sup>81</sup> Ian James, "Venezuela Says U.S. Move to Call Country Uncooperative on Drugs is Pure Politics," *Associated Press*, Sept. 16, 2005.

<sup>82</sup> Renwick McLean, "U.S. Objections Lead Spain to End Venezuela Deal," *New York Times*, Oct. 19, 2006.

<sup>83</sup> U.S. Department of State, Daily Press Briefing, Jan. 13, 2006; Phil Gunson and Pablo Bachelet, "Spain's Planes for Chávez Can't Use U.S. Components," *Miami Herald*, Jan. 14, 2006; Leslie Crawford and Andy Webb-Vidal, "Spain to Defy U.S. over Military Sale to Venezuela," *Financial Times*, Jan. 14, 2006.

<sup>84</sup> Neil Buckley and Andy Webb-Vidal, "Chavez Seeks to Link Putin with Anti-U.S. Alliance," *Financial Times*, July 26, 2006.

<sup>85</sup> Andy Webb-Vidal, "Caracas Eyes Arms from China, Russia," *Financial Times*, Oct. 19, 2006.

Defense Intelligence Agency Director Lt. Gen. Michael Maples expressed concern in February 2006 congressional testimony about Venezuela's arms purchases, maintaining that Venezuela was seeking to increase their capability for their own defense and to operate elsewhere in Latin America and the Gulf area.<sup>86</sup> State Department officials maintain that Venezuela's military purchases from Russia go far beyond what the country needs for self-defense. Secretary of State Donald Rumsfeld cited concerns among neighboring Latin American countries about Venezuela's military purchases and also a concern that the assault rifles could end up in the hands of terrorist groups like the FARC.<sup>87</sup> President Chávez criticized Secretary Rumsfeld for suggesting that countries such as Colombia are concerned about Venezuela's military purchases.

## **Concerns About Venezuela's Activities in Latin America**

President Chávez's popularity has grown throughout Latin America, in part because of his strong stance toward the United States and also because of his so-called "oil diplomacy." He has launched a Bolivarian Alternative for the Americas (ALBA) as an alternative to the Free Trade Area of the Americas. ALBA advocates a socially oriented trade block that would include mechanisms for poverty reduction. At the June 2005 OAS meeting held in Florida, Latin American governments refrained from supporting a U.S. proposal that would have established a permanent committee to monitor democracy in the region. They viewed it as an attempt to monitor Venezuela through the OAS. During the Fourth Summit of the Americas held in November 2005 in Argentina, President Chávez, while participating in a counter-summit, denounced the FTAA and strongly criticized the Bush Administration. Some observers fear that the network will spread Chávez's populist and anti-U.S. rhetoric throughout the hemisphere.

President Chávez is providing oil to Latin American and Caribbean nations on preferential terms, and there has been some U.S. concern that these programs could increase Venezuela's influence in the region. In the Caribbean, Venezuela is offering oil on preferential terms in a new program known as PetroCaribe. Since 1980, Caribbean nations have benefitted from preferential oil imports from Venezuela and Mexico under the San José Pact, and since 2001, Venezuela has provided additional support for Caribbean oil imports under the Caracas Energy Accord. PetroCaribe, however, goes further with the goal of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program. Under the program, Venezuela announced that it would supply 190,000 barrels per day of oil to the region, with countries paying market prices for 50% of the oil within 90 days, and the balance paid over 25 years at an annual interest rate of 2%. When the price of crude oil is

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<sup>86</sup> Senate Armed Services Committee, Hearing on Worldwide Threats to U.S. National Security, Testimony of Lt. Gen. Michael D. Maples, Direction, DIA, Feb. 28, 2008.

<sup>87</sup> U.S. Department of Defense, "Media Availability with Secretary of Defense Donald Rumsfeld After the First Day of Meetings with Western Hemisphere Defense Ministers from Managua, Nicaragua," Oct. 2, 2006.



over \$50 a barrel, the interest rate is cut to 1%.<sup>88</sup> In Central America, the Honduran government has expressed interest in securing oil on a preferential basis from Venezuela, while in Nicaragua, a group of leftist mayors signed an agreement in late April to provide their communities with cheap oil.<sup>89</sup> Venezuela is also moving ahead with additional preferential oil agreements in the Andean region (known as PetroAndina) and elsewhere in South America (PetroSur), and in the United States, Venezuela has provided subsidized oil to low-income families in several states through Citgo, a subsidiary of PdVSA.

In addition to these preferential oil arrangements, Venezuela is investing in energy sectors in several Latin American countries. Chávez has pledged to invest \$1.5 billion in Bolivia's gas industry, and Ecuador and Venezuela have signed agreements for joint development in oil, gas, refining, and petrochemical sectors. In 2005, PdVSA signed an agreement to build an oil refinery in northeastern Brazil. Colombia and Venezuela signed an agreement in July 2006 initiating a gas pipeline project that would initially supply gas to Venezuela from northern Colombia, and then reverse the flow once Venezuela develops its own natural gas reserves. In Cuba, PdVSA is involved in refurbishing an unfinished oil refinery in Cienfuegos and recently signed an exploration and production agreement with Cupet, Cuba's state-oil company.

There also have been U.S. concerns about President Chávez's attempts to export his brand of populism to other Latin America countries. He strongly supports Bolivia's President Evo Morales and offered assistance for development projects and assistance to help Bolivia re-write its constitution and implement radical reforms to the economy. In Peru's presidential elections, Chávez openly supported the presidential candidacy of Ollanta Humala in Peru, a nationalist former army colonel who had led a failed uprising against former President Fujimori in 2000. Humala's defeat by Alan Garcia in a second presidential round held in June 2006 allayed concerns about the future of Peruvian democracy and Venezuela's influence on the government. In Nicaragua, there were concerns about President Chávez's support for Sandinista candidate Daniel Ortega in the November 5, 2006, presidential election.

Despite Chávez's advances throughout the region, there has been friction at times with various countries and leaders. A diplomatic row in November 2005 with Mexican President Vicente Fox led to the two countries recalling their ambassadors. President Chávez had referred to Fox as a "puppy" of the United States, while Fox accused Chávez of intolerance at the recent Summit of the Americas in Argentina.<sup>90</sup> In early January 2006, Peru withdrew its ambassador from Venezuela and accused Chávez of meddling in Peru's internal affairs because of his meeting with populist

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<sup>88</sup> "Venezuela: Caribbean Will Receive 190,000 bpd," *Latinnews Daily*, Sept. 8, 2005.

<sup>89</sup> In response, the Nicaraguan government has asked President Chávez, who publicly supports Sandinista leader Daniel Ortega in the country's presidential election this year, to stop meddling in its internal affairs. "Nicaragua to Chávez: Quit Meddling in Our Country," *Orlando Sentinel*, May 6, 2006.

<sup>90</sup> Phil Gunson, "Venezuela, Mexico Rift Widens in War of Words," *Miami Herald*, Nov. 15, 2005.

presidential candidate Ollanta Humala. Current President Alan Garcia has publicly complained about President Chávez's use of petrodollars and insult, maintaining that the Venezuelan President divides rather than unites Latin America. Officials in both Peru and Paraguay have expressed concerns about a pact that calls for Venezuela to provide assistance to construct military bases in Bolivia.

In early November 2006, President Chávez also lost a hard-fought effort to secure a two-year rotating Latin America seat for Venezuela on the U.N. Security Council. Venezuela had been pitted against Guatemala — supported by the United States — in 47 rounds of voting. Guatemala received about 25-30 votes more than Venezuela during most of the voting rounds, but neither country received the two-thirds vote needed for the seat. Ultimately, both countries turned to Panama as a compromise candidate. The failure of President Chávez to secure the seat for Venezuela can be attributed in part to his strong anti-American speech at the United Nations in September 2006 in which he spoke disparagingly of President Bush.

## **Terrorism Issues**

In late April 2006, the State Department issued its annual *Country Reports on Terrorism*, which asserted that “Venezuela virtually ceased its cooperation in the global war on terror, tolerating terrorists in its territory and seeking closer relations with Cuba and Iran, both state sponsors of terrorism.” This was followed up in mid-May 2006, with a State Department determination that, pursuant to Section 40A of the Arms Export Control Act, it was prohibiting the sale or license of defense articles and services to Venezuela because of its lack of cooperation on antiterrorism efforts. Other countries on the Section 40A list include Cuba, Iran, North Korea, and Syria, not to be confused with the “state sponsors of terrorism” list under Section 6(j) of the Export Administration Act of 1979, which currently includes Cuba, Iran, Libya, North Korea, Sudan, and Syria. The State Department asserted that the Section 40A determination was based on Venezuela's near lack of antiterrorism cooperation over the last year, citing its support for Iraqi insurgents and Iran's development of nuclear capabilities, the country's status as a safe haven for Colombian and Basque terrorist groups, and its effort to derail hemispheric efforts to advance counter-terrorism policies in the OAS.

According to the State Department terrorism report, Venezuelan citizenship, identity, and travel documents are easy to obtain, making the country a potentially attractive way-station for terrorists. In July 13, 2006, congressional testimony, the State Department's Principal Deputy Coordinator for Counterterrorism, Frank Urbancic, asserted that the United States was detaining increasing numbers of third-country aliens at its borders carrying falsified or fraudulently issued Venezuelan documents.

There have been long-held suspicions that Chávez has supported leftist Colombian guerrillas, although Chávez denies such support. The State Department's terrorism report maintains that Colombia's three terrorist groups — the leftist Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN), and the rightist United Self-Defense Forces of Colombia (AUC) — reportedly exploit the Venezuelan side of the border as a safe area to tranship arms and drugs, rest, secure logistical supplies, and commit kidnappings. The report maintained,

however, that “it is unclear to what extent the Venezuelan Government provided material support to Colombian terrorists and at what level.”

U.S. officials also have expressed concerns about President Chávez’s close relationship with Cuba’s Fidel Castro, but Chávez defends his relationship with Cuba. Venezuela supplies oil to Cuba on a concessionary basis, which in 2005 increased from 53,000 to 90,000 barrels per day. In return, Venezuela has received support from thousands of Cuban health care workers and sports instructors in the country. During an April 2005 trip to Cuba, Presidents Chávez and Castro announced commercial deals worth over \$400 million, including a joint shipyard to build small navy ships and a joint housing construction company.

Beyond Latin America, the Bush Administration has expressed concerns with Venezuela’s growing relations with Iran. In February 2006, Secretary of State Rice referred to Venezuela, along with Cuba, as “sidekicks” of Iran in reference to those countries’ votes in the International Atomic Energy Agency against reporting Iran to the U.N. Security Council over its uranium enrichment program.<sup>91</sup> In testimony before the Senate Select Intelligence Committee in early February, Director of National Intelligence John Negroponte expressed concern that President Chávez “is seeking closer economic, military, and diplomatic ties with Iran and North Korea.”<sup>92</sup> Iran and Venezuela signed an agreement for a \$200 million fund to finance joint investment and social projects, and commercial agreements in the early stages include plans for a cement factory, oil exploration in the Orinoco River belt, and a joint operation to build oil and liquid natural gas tankers.<sup>93</sup>

## Venezuela’s Extradition Requests

Venezuela requested the extradition of three of its citizens from the United States in two controversial terrorism cases. In early 2004, the Chávez government requested the extradition of two former Venezuelan National Guard lieutenants, José Antonio Colina and German Rodolfo Varela, charged with the February 2003 bombings of the Spanish Embassy and the Colombian Consulate in Caracas. Both applied for political asylum because they claimed that they would be executed or tortured if returned to Venezuela. They were held from December 2003 until April 2006 by U.S. Immigration and Customs Enforcement (ICE). In February 2005, a U.S. immigration judge denied them asylum because of “serious reasons for believing” that they were involved in the bombings but prohibited the United States from deporting them to Venezuela because of the likelihood of being tortured.<sup>94</sup> The

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<sup>91</sup> Pablo Bachelet, “Rice Bashes Venezuelan Leader, Politics,” *Miami Herald*, Feb. 17, 2006; House International Relations Committee, Hearing on the Fiscal Year 2007 International Affairs Budget, Testimony of Secretary of State Condoleezza Rice, Feb. 16, 2006.

<sup>92</sup> Senate Select Intelligence Committee, Hearing on World Wide Threats, Testimony of Director of National Intelligence John Negroponte, Feb. 2, 2006.

<sup>93</sup> Steven Dudley, “Chávez’s Wooing of Iran Called Troubling,” *Miami Herald*, Mar. 2, 2006.

<sup>94</sup> Gerardo Reyes and Alfonso Chardy, “Wanted Chavez Foes Flee to South Florida,” *Miami* (continued...)

Department of Homeland Security (DHS) asked an immigration appeals court to deport the two Venezuelans, arguing that they would not be tortured if returned home. As evidence, they cite the treatment of a former general arrested in Venezuela for the same case.<sup>95</sup>

In late December 2005, Colina and Varela — on a hunger strike for a month in protest of being held by U.S. immigration — were transferred from Florida to Houston for medical treatment. They ended their 33-day hunger strike in early January 2006. In April 2006, ICE reversed its stance on the deportation case and joined with the attorneys for Colina and Varela in filing a joint motion asking the immigration appeals court to dismiss the case, whereupon they were released. Lawyers for the two former officers maintain that the State Department’s March 2006 human rights report on Venezuela played a role in ICE’s decision to abandon its efforts to deport Colina and Varela.<sup>96</sup> The report cited accusations that a military general imprisoned in Venezuela for alleged involvement in the bombings had been subject to sensory deprivation and psychological torture. The Venezuelan government condemned the release of Colina and Varela, maintaining that the United States had become a “sanctuary for terrorists.”<sup>97</sup>

In another controversial case, Venezuela has requested the extradition of anti-Castro activist Luis Posada Carriles for his alleged role in the 1976 bombing of a Cuban airliner that killed 73 people.<sup>98</sup> In April 2005, Posada’s lawyer announced that Posada had entered the United States illegally from Mexico and would apply for asylum because he has a “well-founded fear of persecution” for his opposition to Fidel Castro.<sup>99</sup> Posada had been imprisoned in Venezuela for the bombing of the Cuban airliner but reportedly was allowed to “escape” from prison in 1985 after his supporters paid a bribe to the prison warden.<sup>100</sup> He had been acquitted for the bombing but remained in prison pending a prosecutorial appeal. Posada also reportedly admitted, but later denied, involvement in a string of bombings in Havana in 1997, one of which killed an Italian tourist.<sup>101</sup> More recently, Posada was imprisoned for several years in Panama for his involvement in an alleged plot in November 2000 to kill Fidel Castro. He was convicted on weapons charges in the

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<sup>94</sup> (...continued)

*Herald*, Apr. 5, 2005.

<sup>95</sup> Alfonso Chardy, “Deport Venezuelan Bombing Suspects, U.S. Urges Court,” *Miami Herald*, Mar. 25, 2005.

<sup>96</sup> Alfonso Chardy, “2 Officers Won’t Be Sent Home,” *Miami Herald*, Apr. 12, 2006.

<sup>97</sup> Christopher Toothaker, “Venezuela’s Chávez Says Bush ‘Demolishing’ U.S. Democracy, Threatening Peace,” *Associated Press*, May 24, 2006.

<sup>98</sup> Also see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark P. Sullivan.

<sup>99</sup> Alfonso Chardy and Nancy San Martin, “Lawyer Expects Posada to Show Soon,” *Miami Herald*, Apr. 14, 2005.

<sup>100</sup> Ann Louise Bardach, “Our Man’s in Miami. Patriot or Terrorist?,” *Washington Post*, Apr. 17, 2005.

<sup>101</sup> Oscar Corral and Alfonso Chardy, “Victim’s Kin Oppose Posada Bid for Asylum,” *Miami Herald*, May 7, 2005.

case and sentenced to eight years in prison, but ultimately was pardoned by outgoing President Mireya Moscoso in August 2004.

ICE arrested Posada on May 17, 2005, and subsequently charged him with illegally entering the United States. A DHS press release indicated that ICE does not generally deport people to Cuba or countries believed to be acting on Cuba's behalf.<sup>102</sup> Venezuela has pledged that it would not hand Posada over to Cuba, but on September 26, 2005, a U.S. immigration judge ruled that Posada cannot be deported to Venezuela because he could be tortured.<sup>103</sup> ICE reviewed the case and determined on March 22, 2006, that Posada would not be freed from a federal immigration facility in El Paso, Texas.<sup>104</sup>

In early November 2006, however, a U.S. federal judge, who is considering Posada's plea that he be released, ordered the government to supply evidence, by February 1, 2007, justifying his continued detention. Federal grand juries are reportedly investigating Posada's activities that could lead to his indictment and justify his continued detention. In Texas, a grand jury reportedly is focusing on "whether he lied about how he sneaked into" the United States, while in New Jersey, a grand jury is examining Posada's alleged role in the 1997 bombings in Cuba.<sup>105</sup>

## Legislative Initiatives

**108<sup>th</sup> Congress.** In the 108<sup>th</sup> Congress, Members of Congress had expressed concerns about the political situation in Venezuela. The Senate Foreign Relations Committee held hearing in June 2004 on the status of democracy in Venezuela and the August recall referendum.<sup>106</sup> As noted above (U.S. Funding for Democracy Projects), the conference report to the FY2005 Consolidated Appropriations Act (Division B of P.L. 108-447, H.Rept. 108-792) required a comprehensive report on NED's activities in Venezuela since FY2001 and reaffirmed NED's duty to ensure that all sponsored activities adhere to core NED principles.

Also in the 108<sup>th</sup> Congress, two resolutions were introduced in the House, but no action was taken on these measures. H.Res. 716, introduced by Representative Elton Gallegly on July 14, 2004, would, among other provisions, have encouraged Venezuelans to participate in a constitutional, peaceful, democratic, and electoral solution to the political crisis in Venezuela, and appealed to the Venezuelan government and the opposition to support a free, fair, and transparent recall

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<sup>102</sup> Department of Homeland Security, Office of Public Affairs, Statement, May 17, 2005.

<sup>103</sup> Alicia Caldwell, "Judge Says Cuban Militant Can't Be Deported to Venezuela," *Associated Press*, Sept. 28, 2005.

<sup>104</sup> Oscar Corral, "Cuban Exile Militant Luis Posada Denied Release," *Miami Herald*, Mar. 22, 2006.

<sup>105</sup> Alfonso Chardy and Jay Weaver, "Posada a Target of New Federal Probes," *Miami Herald*, Nov. 12, 2006.

<sup>106</sup> Senate Foreign Relations Committee, Subcommittee on Western Hemisphere, Peace Corps, and Narcotics Affairs, "The State of Democracy in Venezuela," Hearing, June 24, 2004.

referendum in accordance with the Venezuelan Constitution. H.Res. 867, introduced by Representative Tom Lantos on November 20, 2004, would have expressed support for the National Endowment for Democracy in Venezuela. The resolution would have expressed the view that charges against Súmate were politically motivated. As noted above, Súmate is a Venezuelan civic organization involved in voter education and electoral observation that received funding from the National Endowment of Democracy. The resolution also would have welcomed the dropping of charges by the Venezuelan government against Súmate. Earlier in the year, in a July 12, 2004, letter to President Chávez, the House International Relations Committee expressed serious concern about the treatment of the leaders of Súmate.

**109<sup>th</sup> Congress.** In the 109<sup>th</sup> Congress, there has been legislative action on several initiatives on Venezuela and oversight hearings have been held in both houses. The FY2006 Foreign Operations appropriations measure (P.L. 109-102, H.R. 3057, H.Rept. 109-265) appropriated \$2 million in Democracy Funds for the NED for democracy programs in Venezuela and \$2.252 million in funding under the Andean Counterdrug Initiative (ACI), although slightly less will be provided because of a 1% across-the-board rescission in the Defense Department appropriations measure (P.L. 109-148) that affected Foreign Operations funding. The Administration also had requested \$500,000 in Economic Support Funds (ESF) for Venezuela, although no specific earmark was provided in the conference report to P.L. 109-102, and the Administration ultimately did not allocate the assistance.

For FY2007, the Administration has requested \$1 million in ACI funding, \$1.5 million in ESF for democracy initiatives, and \$45,000 for International Military Education and Training (IMET). The House-passed version of the FY2007 foreign operations appropriation bill, H.R. 5522, would provide no ACI funding for Venezuela. The Senate Appropriations Committee report to the bill recommends fully funding the Administration's \$1 million ACI and ESF requests for Venezuela.

In other action, the House-passed version of H.R. 2601 (H.Rept. 109-168), the FY2006 and FY2007 Foreign Relations Authorization Act, has a provision (Section 1025) that would authorize \$9 million in Economic Support Funds for each of FY2006 and FY2007 "to fund activities which support political parties, the rule of law, civil society, an independent media, and otherwise promote democratic, accountable governance in Venezuela." H.R. 2601 also has a provision, in Section 106(5), that would authorize funds for the "Broadcasting Board of Governors to carry out broadcasting to Venezuela for at least 30 minutes per day of balanced, objective, and comprehensive television news programming, radio news programming, or both."

With regard to counternarcotics cooperation with Venezuela, the House approved H.Con.Res. 400 (Burton), by voice vote on July 26, 2006, which expresses the sense of Congress that Venezuela should actively support strategies for ensuring secure airport facilities that meet international certifications to prevent trafficking of controlled substances, narcotics, and laundered money. The resolution also condemns Venezuela's failures to stem the flow of narcotics through its territory and calls for, among other measures, steps to restore cooperation between Venezuela and the DEA.

With regard to the human rights situation in Venezuela, H.Con.Res. 224 (Fortuño), introduced July 28, 2005, calls on the Venezuelan government to uphold the human rights and civil liberties of the people of Venezuela. H.Con.Res. 328 (Mack), introduced December 18, 2005, condemns “the anti-democratic actions of Venezuelan President Hugo Chávez “and expresses the sense of Congress that the United States should strongly support aspirations of the democratic forces in Venezuela.”

Another pending initiative is S. 2435 (Lugar), the Energy Diplomacy and Security Act of 2006, introduced March 16, 2006, which, among other provisions, would increase hemispheric cooperation on energy issues, including cooperation among the governments of Brazil, Canada, Mexico, the United States, and Venezuela.

In the aftermath of President Chávez’s use of strong anti-American rhetoric in his September 20, 2006, remarks at the United Nations, resolutions were introduced in both houses that would condemn the remarks: H.Res. 1033 (Graves), introduced September 21, 2006, and S.Res. 607 (Bunning), introduced September 30, 2006. In addition, S.Res. 587 (Santorum), introduced September 26, 2006, would condemn the anti-democratic actions and “misguided, irrational, and outrageous statements” of the leaders of Iran, Cuba, and Venezuela and express concern about the national security implications of the relationships between those leaders.

Several oversight hearings have been held in the 109<sup>th</sup> Congress dealing with Venezuela policy issues. On November 17, 2005, the House International Relations Committee, Subcommittee on the Western Hemisphere, held a hearing on the status of democracy in Venezuela. Earlier in the year, the subcommittee held hearings on March 9 and September 28, 2005, regarding the state of democracy in the Latin America, both of which touched on Venezuela. In 2006, the full House International Relations Committee held a June 21 hearing on the status of democracy in Latin America that covered Venezuela, while the House Subcommittee on International Terrorism and Nonproliferation held a July 13, 2006, hearing specifically on Venezuela and terrorism issues. In terms of energy security in the Western Hemisphere, the House Subcommittee on the Western Hemisphere held a hearing on March 2, 2006, while the Senate Foreign Relations Committee held a hearing on June 22, 2006.

Figure 1. Map of Venezuela



Source: Map Resources. Adapted by CRS. (K.Yancey 7/15/04)