



# Venezuela: Issues for Congress

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## Summary

Under the rule of populist President Hugo Chávez, first elected in 1998 and reelected to a six-year term in December 2006, Venezuela has undergone enormous political changes, with a new constitution and unicameral legislature, and even a new name for the country, the Bolivarian Republic of Venezuela. Human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of expression under the Chávez government. Venezuela is scheduled to hold its next presidential election on October 7, 2012, with President Chávez running against Henrique Capriles Radonski, the unified opposition candidate. While Chávez's continued popularity and use of state resources bode well for his reelection, high rates of crime, inflation, and other economic problems could erode his support. Until recently, a wildcard in the election was the health status of President Chávez, but at this juncture Chávez appears to have bounced back from two bouts of an undisclosed form of cancer. Looking ahead, however, Chávez's health status raises questions about Venezuela's political future.

### U.S. Policy

The United States traditionally has had close relations with Venezuela, a major supplier of foreign oil, but there has been friction and tensions in relations under the Chávez government. Over the years, U.S. officials have expressed concerns about human rights, Venezuela's military arms purchases, its relations with Cuba and Iran, and its efforts to export its brand of populism to other Latin American countries. Declining cooperation on anti-drug and anti-terrorism efforts has been a major concern. The United States has imposed sanctions: on several Venezuelan government and military officials for allegedly helping the Revolutionary Armed Forces of Colombia (FARC) with drug and weapons trafficking; on three Venezuelan companies for providing support to Iran; and on two Venezuelan individuals for providing support to Hezbollah. Despite tensions in relations, the Obama Administration remains committed to seeking constructive engagement with Venezuela, focusing on such areas as anti-drug and counter-terrorism efforts.

### Legislative Initiatives

As in past years, there have been concerns in the 112<sup>th</sup> Congress regarding the state of Venezuela's democracy and human rights situation and its deepening relations with Iran. H.R. 3783, approved by the House Committee on Foreign Affairs on March 7, 2012, would require the Administration to develop a "strategy to address Iran's growing hostile presence and activity in the Western Hemisphere." H.R. 2542, approved by the House Subcommittee on the Western Hemisphere December 15, 2011, would withhold some assistance to the Organization of American States unless that body took action to invoke the Inter-American Democratic Charter regarding the status of democracy in Venezuela. H.R. 2583, approved by the House Committee on Foreign Affairs July 19, 2011, includes a provision that would prohibit aid to the government of Venezuela. Other legislative initiatives include H.Res. 247, which would call on the Secretary of State to designate Venezuela as a state sponsor of terrorism; and H.R. 6067, which includes a section imposing restrictions on U.S. nuclear cooperation with any country assisting the nuclear program of Venezuela or Cuba or transferring advanced conventional weapons or missiles to Venezuela or Cuba.

In action on the FY2013 foreign aid appropriations, the report to the House Appropriations Committee bill, H.R. 5857 (H.Rept. 112-494, reported May 25, 2012), directs that \$5 million in

Economic Support Funds be provided for democracy programs in Venezuela, the same amount appropriated in FY2012, and \$2 million more than requested by the Administration. In contrast, the report to the Senate Appropriations Committee bill, S. 3241 (S.Rept. 112-172, reported May 24, 2012), recommends \$3 million for democracy programs in Venezuela to be administered by the National Endowment for Democracy.

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## Recent Developments

On October 7, 2012, Venezuela is scheduled to hold its next presidential election, with the inauguration to take place on January 10, 2013. President Hugo Chávez, the candidate of the United Socialist Party of Venezuela (PSUV), is running in his fourth presidential race, while Venezuela's opposition parties chose Miranda Governor Henrique Capriles of *Primero Justicia* (PJ, Justice First) as their unified candidate. Capriles has remained the underdog, with President Chávez dominating most opinion polls. Nevertheless, some observers maintain that Capriles is gaining strength and could pose a significant challenge to Chávez in the election. A wildcard in the presidential race earlier this year was Chávez's health status, but at this juncture Chávez appears to have bounced back from two bouts of an undisclosed form of cancer. (See "Chávez's Health Status" and "October 2012 Presidential Election" below.)

On August 25, 2012, an explosion at a Venezuelan oil refinery killed more than 40 people, and raised questions about whether the government has neglected maintenance and safety in its management of the state oil company, PdVSA. (See "Energy Issues" below.)

On July 31, 2012, the head of the U.S. Southern Command, General Douglas Fraser, maintained in a press interview that he did not view Venezuela as a "national security threat," and that Iran's connection with Venezuela is primarily diplomatic and economic. Fraser's comments followed a press interview with President Obama earlier in July in which the President expressed general concern about "Iran engaging in destabilizing activity around the globe," but indicated that his "sense is that what Mr. Chávez has done over the past several years has not had a serious national security impact on us." The President maintained that his main concern about Venezuela "is having the Venezuelan people have a voice in their affairs" and "having fair and free elections." (Also see "Deepening Relations with Iran" and "October 2012 Presidential Election" below.)

On May 24, 2012, the State Department issued its 2011 human rights report. With respect to Venezuela, the report maintained that the "principal human rights abuses reported during the year included government actions to impede freedom of expression and criminalize dissent." (See "Human Rights Concerns" below; the full text of the Venezuela chapter is available at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?dliid=186550#wrapper>.)

On May 8, 2012, for the seventh consecutive year, the Department of State made a determination pursuant to Section 40A of the Arms Export Control Act that Venezuela has not been cooperating fully with the United States on antiterrorism efforts. (See "Terrorism Issues" below.)

On March 7, 2012, the State Department issued the 2012 *International Narcotics Control Strategy Report*, which stated, as in previous reports, that Venezuela was one of the preferred trafficking routes for the transit of cocaine out of South America. The State Department also maintained in the report that the United States remained prepared to deepen anti-drug cooperation with Venezuela beyond the currently limited case-by-case level of cooperation. (See "State Department 2012 INCSR Report" below.)

On March 7, 2012, the House Committee on Foreign Affairs reported out a measure, H.R. 3783, which would require the Administration to develop a "strategy to address Iran's growing hostile presence and activity in the Western Hemisphere."

For developments earlier in 2009-2012, see **Appendix B** at the end of this report.



## Political Situation

For more than a decade, Venezuela has experienced significant political changes under the rule of populist President Hugo Chávez, and for a number of years there has been concern about the deterioration of democratic institutions and threats to freedom of expression in the country.

### Background: Chávez's Rise to Power and Rule from 1998-2008

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), which 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 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 S.A.* (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.

#### 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 Andrés Pérez. 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.

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



In the first several years of President Chávez's rule, Venezuela underwent enormous political changes and even received 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, including the elimination of the Senate and establishment of a unicameral National Assembly, and expanded the presidential term of office from five to six years, with the possibility of immediate reelection 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 Patriotic Pole coalition also captured 14 of 23 governorships and a majority of seats in the National Assembly.

Although President Chávez remained widely popular until mid-2001, his standing eroded 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 April 2002, massive opposition protests and pressure by the military led to the ouster of Chávez from power for less than three days. He ultimately was restored to power by the military, however, after an interim president alienated the military and public by taking hardline measures, including the suspension of the constitution. In the aftermath of Chávez's brief ouster from power, the political opposition continued to press for his removal from office, first through a general strike that resulted in an economic downturn in 2002 and 2003, and then through a recall referendum that ultimately was held in August 2004 and which Chávez won by a substantial margin. In 2004, the Chávez government moved to purge and pack the Supreme Court with its own supporters in a move that dealt a blow to judicial independence. The political opposition boycotted legislative elections in December 2005, which led to domination of the National Assembly by Chávez supporters.

The rise in world oil prices beginning in 2004 fueled the rebound of the economy and helped support an array of social programs and services known as "missions" that helped reduce poverty by some 20% by 2007.<sup>2</sup> In large part because of the economic rebound and attention to social programs, Chávez was reelected to another six-year term in December 2006 with almost 63% of the vote.

After he was reelected, however, even many Chávez supporters became concerned that the government was becoming too radicalized. Chávez's May 2007 closure of a popular Venezuelan television station that was critical of the government, Radio Caracas Television (RCTV), sparked significant protests and worldwide condemnation. Chávez also proposed a far-reaching constitutional amendment package that would have moved Venezuela toward a new model of development known as "socialism in the 21<sup>st</sup> century," but this was defeated by a close margin in a December 2007 national referendum. University students took the lead in demonstrations against the closure of RCTV, and also played a major role in defeating the constitutional reform.

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<sup>2</sup> U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America, 2008*, Briefing Paper, November 2008, p. 11.

In 2008, President Chávez moved to unite his supporters into a single party—the United Socialist Party of Venezuela (PSUV)—although several parties that had supported Chávez in the past declined to join. The Venezuelan government also continued to move forward with nationalizations in key industries, including food companies, cement companies, and the country’s largest steel maker; these followed the previous nationalization of electricity companies and the country’s largest telecommunications company and the conversion of operating agreements and strategic associations with foreign companies in the oil sector to majority Venezuelan government control.

State and local elections held in November 2008 revealed a mixed picture of support for the government and the opposition. Pro-Chávez candidates won 17 of the 22 governors’ races, while the opposition won governorships in three of the country’s most populous states, Zulia, Miranda, and Carabobo, as well as the states of Nueva Esparta and Táchira (see **Figure 1** for a map of Venezuela). At the municipal level, pro-Chávez candidates won over 80% of the more than 300 mayoral races, while the opposition won the balance. Among the opposition’s mayoral successes were races for the metropolitan mayor of Caracas, four out of the five smaller municipalities that make up Caracas (including the poor municipality of Sucre), and the country’s second-largest city, Maracaibo.<sup>3</sup>

Leading up to the November elections, President Chávez’s PSUV held primary elections around the country on June 1, 2008, to select candidates, although the process was criticized for a lack of transparency. The opposition initially had difficulty in agreeing on a single slate of candidates so as not to split the opposition vote, but by the end of September 2008 had agreed on a unified candidate for most governor races.<sup>4</sup> The opposition includes newer parties such as *Primero Justicia* (PJ, Justice First), *Proyecto Venezuela* (Project Venezuela), and *Un Nuevo Tempo* (UNT, A New Era); leftist parties that defected from the Chavista coalition such as the *Movimiento al Socialismo* (MAS, Movement toward Socialism) and *Por la Democracia, Social* (*Podemos*, For Social Democracy); and the traditional political parties from the past such as AD and COPEI.<sup>5</sup>

One of the major problems for the opposition was that the Venezuelan government’s comptroller general disqualified 272 individuals (down from almost 400 originally disqualified) from running for office, purportedly for cases involving the misuse of government funds.<sup>6</sup> There were several challenges to Venezuela’s Supreme Court that the comptroller general’s action violated the Constitution, but on August 5, 2008, Venezuela’s Supreme Court upheld the disqualifications. The Venezuelan government maintained that the majority of those disqualified were from the ranks of its own supporters,<sup>7</sup> while the opposition maintained that a large percentage were from the opposition, including several high-profile opposition candidates.<sup>8</sup> Among those excluded was Leopoldo López, the popular mayor of Chacao, who was seeking to run for mayor of Caracas.

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<sup>3</sup> “Both Sides Celebrate in Venezuela,” *LatinNews Daily*, November 25, 2008; “La oposición venezolana se atribuye un “triumfo indiscutible” electoral,” *Agencia EFE*, November 26, 2008; Tyler Bridges, “Chávez Allies Score Big Wins in Venezuela Elections,” *Miami Herald*, November 24, 2008; Simon Romero, “Venezuelan Opposition Gains in Several Crucial Elections,” *New York Times*, November 24, 2008.

<sup>4</sup> *Ibid.*

<sup>5</sup> “Venezuela: Opposition Disarray Hurts Electoral Hopes,” *Oxford Analytica*, July 1, 2008.

<sup>6</sup> “Inhabilitaciones a Políticos en Venezuela Se Reducen de 400 a 272,” *Agence France-Presse*, July 11, 2008.

<sup>7</sup> Embassy of the Bolivarian Republic of Venezuela to the United States, “Fact Sheet, Myths and Realities of the Disqualifications from Holding Public Office,” July 17, 2008.

<sup>8</sup> Inter-American Commission on Human Rights, Annual Report, 2008.

## Political Developments: 2009-2012

### February 15, 2009, Term Limits Referendum

In the aftermath of the state and municipal elections in November 2008, President Chávez announced that he would move ahead with plans to seek changes to the constitution that would lift the two-term limit for the office of the presidency. This would allow him to run for reelection in 2012 and beyond. The National Assembly voted on January 14, 2009, to hold a referendum on the constitutional amendment, expanding it further so that the abolition of term limits would apply to all elected government officials. As a result, the proposed amendment pertained to the president, all state and municipal officials, and deputies to the National Assembly. The referendum was scheduled for February 15, 2009, and various polls indicated that the vote would be close. Ultimately, with a participation rate of 70%, Venezuelans approved the constitutional reform with almost 55% voting for it and 45% voting against it.<sup>9</sup> President Chávez proclaimed that the vote was a victory for the Bolivarian Revolution, and virtually promised that he would run for reelection in 2012.<sup>10</sup>

The amendment was controversial given the defeat of the government's constitutional reform package in December 2007, which had included an amendment that would have removed the presidential two-term limit. Venezuela's opposition maintained that President Chávez's effort to amend the constitution in 2009 was illegal because the constitution (Article 345) prohibits a constitutional reform that was rejected from being presented again to the National Assembly in the same constitutional period. According to this view, since the next National Assembly would not be elected until late 2010 and take office until early 2011, such an amendment should not have been considered until then.

Similar to the campaign against the government's December 2007 constitutional reform package, student groups played a leading role in the opposition to the abolishment of term limits in 2009. During the referendum campaign, Venezuelan security forces used tear gas, plastic bullets, and water cannons to disperse several student protests nationwide, although a massive student demonstration was allowed to take place in Caracas. Opposition parties again united against the referendum, including the democratic socialist *Podemos* party that had once supported President Chávez.

During the campaign, President Chávez argued that the constitutional change would only allow him to run again, but would not mean that he would be reelected or remain in power indefinitely. He maintained that he does not want to be "President for life," but would like to remain in power until 2019 in order to ensure that his revolutionary project continues.<sup>11</sup> Chávez campaigned vigorously for the amendment, and spent hours on state-run television in support of it. The president's support among many poor Venezuelans, who have benefited from increased social spending and programs, was an important factor in the vote.

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<sup>9</sup> See the results on the website of the National Electoral Council (CNE), available at [http://www.cne.gov.ve/divulgacion\\_referendo\\_enmienda\\_2009/](http://www.cne.gov.ve/divulgacion_referendo_enmienda_2009/).

<sup>10</sup> Juan Forero, "Chávez Wins Removal of Term Limits," *Washington Post*, February 16, 2009.

<sup>11</sup> "Venezuela Poll Deadlocked," *LatinNews Daily*, January 29, 2009.

One likely reason that President Chávez moved quickly with the referendum was the economic problems facing Venezuela due to the global financial crisis and the fall in the price of oil. With declining government revenue, his government faced the possibility of losing support if the economic situation deteriorated further, especially if the government was forced to cut back on domestic spending. Such a scenario could have made it more difficult for an amendment on term limits to be approved. Moreover, the National Assembly at the time almost completely dominated by Chávez supporters because the opposition boycotted the 2005 legislative elections. Assuming that the opposition would participate in the next legislative elections in 2010, the next National Assembly would likely include an invigorated opposition that could have made it more difficult for the government to advance a constitutional amendment to abolish term limits.

### September 2010 Legislative Elections

In Venezuela's September 26, 2010, elections for the 165-member National Assembly, pro-Chávez supporters won 98 seats while opposition parties won 67 seats. For the government, President Chávez's United Socialist Party of Venezuela (PSUV) won 94 seats, while other government supporters included one seat for the Communist Party of Venezuela (PCV) and three indigenous representatives. For the opposition, 10 parties of the opposition coalition known as the Democratic Unity Platform (MUD) won 65 seats, while the leftist Homeland for All (PPT) won 2 seats.<sup>12</sup> Nationwide participation in the elections was high, with 66.45% participation (compared to almost 75% participation in the 2006 presidential race).<sup>13</sup>

Even though the ruling party won a majority of seats, the result was viewed as a significant defeat for President Chávez because it denied his government the three-fifths majority (99 seats) needed to enact enabling laws that grant the president decree powers. It also denied the government with the two-thirds majority (110 seats) needed for a variety of actions to ensure the enactment of the government's agenda, such as introducing or amending organic laws, approving constitutional reforms, and making certain government appointments. The combined opposition (MUD and PPT) also narrowly won the popular vote, capturing 51% of the vote compared to 49% for the ruling PSUV and its ally, the PCV. Nevertheless, the government was able to maintain a majority of seats because rural districts (where the government has strong support) elect a disproportionate number of legislators.<sup>14</sup>

In the lead-up to the elections, many observers had expected that the President Chávez's PSUV would retain a majority, but that the opposition coalition would gain substantial representation. The ruling party benefitted from the government's decision last year to redraw electoral districts. The PSUV also benefitted from significant resources, a nation-wide organization and electoral machine, and effective use of social network websites. The PSUV's campaign was dubbed Operation Demolition in light of President Chávez's call "to demolish the opposition." Despite the PSUV's advantages, the legislative elections were held at a difficult time for the Chávez government and the opposition benefited from this. President Chávez's popularity had declined to less than 40% and there were considerable public concerns about the difficult economic situation and high rate of violent crime facing the country.

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<sup>12</sup> "Venezuela Country Report," *Economist Intelligence Unit (EIU)* November 2010.

<sup>13</sup> "Poder Electoral Emitió Primer Boletín Oficial de Elecciones Parlamentarias," Consejo Nacional Electoral, September 27, 2010.

<sup>14</sup> "Venezuela Country Report," *EIU*, November 2010.

The Venezuelan government did not allow observers from the Organization of American States (OAS), the Carter Center, or other international groups with election monitoring experience, although it did permit each electoral coalition to invite 30 witnesses from abroad for the elections. Four domestic Venezuelan nongovernmental organizations, however, were involved in monitoring the elections, with a total of almost 2,500 observers. Election-day voting appeared to have been conducted peacefully with isolated minor problems.

### **December 2010 Actions by Outgoing National Assembly**

In December 2010, Venezuela's outgoing National Assembly approved several laws that were criticized by human rights organizations and others as threats to free speech, civil society, and democratic governance. The laws were approved ahead of the inauguration of Venezuela's new National Assembly in early January 2011, in which opposition deputies have enough representation to deny the government the two-thirds and three-fifths needed for certain actions.

Most significantly, the outgoing Assembly approved an "enabling law" that provided President Chávez with far-reaching decree powers for 18 months. In February 2011, then-Assistant Secretary of State for Western Hemisphere Affairs Arturo Valenzuela described the Assembly's action as "undermining the authority of the new assembly and thereby circumscribing popular will."<sup>15</sup> The Washington Office on Latin America (WOLA) also maintained that the law "constitutes an illegitimate infringement on the new National Assembly's authority, subverting the will of the electorate."<sup>16</sup> Until its expiration in June 2012, the enabling law was used by President Chávez more than 50 times, including decrees to change labor laws and the criminal code, along with a nationalization of the gold industry.<sup>17</sup>

Other measures approved by the Assembly included changes to broadcast media laws that, according to Human Rights Watch, introduce sweeping restrictions on Internet traffic, reinforce existing restrictions on radio and television content, and allow the government to terminate broadcasting licenses on arbitrary grounds.<sup>18</sup>

Another measure, the Law of the Defense of Political Sovereignty and National Self-Determination, imposes restrictions on Venezuelan human rights groups from receiving international support (also see "Human Rights Concerns" below). The law could have ramifications for U.S. government and other donors' assistance to Venezuelan civil society groups, and potentially could constrain the ability of nongovernmental organizations to operate.

### **Chávez's Health Status**

Since mid-2011, President Chávez's precarious health situation has raised questions about Venezuela's political future. During a June 2011 trip to Cuba, President Chávez underwent

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<sup>15</sup> U.S. Department of State, Testimony of Arturo Valenzuela, Assistant Secretary of State for Western Hemisphere Affairs, before the House Foreign Affairs Committee, Subcommittee on the Western Hemisphere, February 15, 2011, available at <http://www.state.gov/p/wha/rls/rm/2011/156598.htm>

<sup>16</sup> "Severe Setbacks to Democratic Governance and Human Rights Guarantees in Venezuela," Washington Office on Latin America, January 19, 2011.

<sup>17</sup> Ezequiel Minaya, "Chávez's Decree Powers Expire, but Not Before Heavy Use," *Dow Jones Newswires*, June 18, 2012.

<sup>18</sup> "Venezuela: Legislative Assault on Free Speech, Civil Society," Human Rights Watch, December 22, 2011.

emergency surgery for a “pelvic abscess.” The initial operation took place on June 11, followed by another operation (date unknown) to remove a cancerous tumor. Rumors were abounding about Chávez’s health until June 30, when Chávez, from Cuba, announced on Venezuelan television that he had cancer, although the president did not disclose the type of cancer he was battling. Several days later, Chávez returned to Caracas on July 4, 2011, in order to be in the country the next day for its bicentennial celebrating Venezuelan independence from Spain. Chávez traveled to Cuba several times for chemotherapy beginning in mid-July 2011, and by mid-October declared that he had beaten cancer.<sup>19</sup> Chávez appeared to be frail in the summer and fall, and gave up most public appearances including his weekly Sunday television program, *Alo Presidente*.

By late 2011, however, Chávez had returned to public appearances, including a meeting of Latin American and Caribbean leaders at the founding of the Community of Latin American and Caribbean States (CELAC) in Caracas in early December 2011. He hosted Iranian President Mahmoud Ahmadinejad in early January 2012 and also returned to his weekly television program. In an apparent attempt to send a message that his health had returned, on January 13, Chávez gave a marathon address to Venezuela’s National Assembly that lasted more than nine hours.<sup>20</sup>

Just several weeks later, however, on February 21, 2012, Chávez announced that his doctors had found a new lesion in the same area of his pelvic region requiring surgery. He returned to Cuba for the surgery on February 28 and confirmed on March 4 that the lesion was malignant. Chávez headed home to Venezuela on March 16, but returned again to Cuba multiple times over the next three months for radiation treatment. The President has never disclosed the type of cancer that he is battling, but doctors reportedly have speculated that it is prostate, colon, or bladder cancer.<sup>21</sup> In early July 2012, however, Chávez once again maintained that he was “cancer free,” and ready to take on a tough re-election campaign.<sup>22</sup>

Chávez’s sickness has introduced a measure of uncertainty into Venezuela’s political future. Under Venezuela’s Constitution (Article 233), new elections are to be called if the president leaves office during the first four years of his term, but the vice president would assume office if the president left office during the last two years of his term.<sup>23</sup> So Vice President Eliás Jaua is the official successor to Chávez if anything were to happen to him before his term expires in January 2013. To complicate matters, however, President Chávez has indicated that he will replace Jaua as vice president because he will become a candidate for the governorship of Miranda state in December 2012 state elections, but it is unclear who Chávez will appoint as vice president.

If Chávez were to run and win the October 2012 presidential election, but died before being sworn into office in January 2013, Venezuela’s Constitution (also Article 233) calls for a new presidential election within the next 30 days. In this case, the president of the National Assembly

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<sup>19</sup> Simon Romero, “Chávez Says He Has Beaten Cancer,” *New York Times*, October 21, 2011.

<sup>20</sup> William Neuman, “Chávez After Treatment for Cancer, Gets His Bluster Back and Flaunts It,” *New York Times*, January 22, 2012.

<sup>21</sup> Jim Wyss, “Chávez in Good Condition After Surgery,” *Miami Herald*, February 28, 2012.

<sup>22</sup> Valeria Pacheco, “Chávez Insists He Is ‘Totally’ Cancer-Free,” *Agence France Presse*, July 9, 2012.

<sup>23</sup> “Bolivarian Republic of Venezuela, Constitution of 1999 with Reforms through 2009,” Political Database of the Americas, Georgetown University, available at <http://pdba.georgetown.edu/Constitutions/Venezuela/vigente.html>

would assume the office of the presidency until a new president could be elected and sworn into office.

## October 2012 Presidential Election

Venezuela is scheduled to hold its next presidential election on October 7, 2012, with the inauguration to take place on January 10, 2013. The country has traditionally held its presidential election in December, but in September 2011, the country's National Electoral Council (CNE), dominated by Chávez supporters, moved up the date of the presidential election to October 2012. (State elections for governorships will be held on December 16, 2012, while municipal elections are scheduled for April 14, 2013.) While public confidence in the CNE running a clean race on election day reportedly is high, the body in the past has not curbed the extensive use of government institutions and resources for partisan purposes during the election campaign.<sup>24</sup> This is holding true once again with the 2012 presidential race, with the government advantaged because of the use of state resources for partisan electoral purposes.<sup>25</sup> Unlike the last presidential election in 2006, Venezuela is not hosting full international observer missions. Instead, domestic Venezuelan observer groups and political parties will monitor the vote.

Venezuelans had approved a constitutional referendum in 2009 abolishing the term limits for elected officials, so President Chávez is once again a candidate for reelection. As described above, he was first elected in 1998, then in 2000 (under a new Constitution), and most recently in 2006 to a six-year term. Venezuela's 2006 presidential election was characterized as free and fair by international observers with some irregularities, while 2010 national legislative elections were also characterized as free and fair by domestic observers with scattered irregularities, although there was criticism of the electoral law and the government's partisan use of state resources.

Venezuela's opposition held a unified primary on February 12, 2012, under the banner of the *Mesa de la Unidad Democrática* (MUD, Democratic Unity Roundtable) and chose Henrique Capriles Radonski in a landslide with about 62% of the vote in a five-candidate race (the next closest candidate, Pablo Pérez, governor of Zulia, captured about 30% of the vote). A member of the *Primero Justicia* (PJ, Justice First) party, Capriles is the governor of Miranda, Venezuela's second-most populous state, which includes several municipalities of metropolitan Caracas. Just over 2.9 million Venezuelans voted in the primary—while this only represented about 16% of the 18 million Venezuelans registered to vote, primary organizers had expected far less. During the primary election, Capriles had a message of reconciliation and national unity. He pledged not to dismantle Chávez's social programs, but rather to improve them. Capriles—who turned 40 in July 2012, also represents a new generation of Venezuelan politicians not belonging to the older traditional parties that have been largely discredited.<sup>26</sup>

While it was thought that the wide margin of the primary victory for Capriles would give him a boost in the general election race, he has remained the underdog. President Chávez has continued to retain high favorability ratings (currently reported to be over 60%), and has dominated opinion

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<sup>24</sup> "What Are Capriles' Chances of Defeating Chávez in October?" *Inter-American Dialogue's Latin America Advisor*, February 27, 2012.

<sup>25</sup> See for example, *Dangerous Uncertainty Ahead of Venezuela's Elections*, International Crisis Group, June 26, 2012, pp. 16-17, available at <http://www.crisisgroup.org/~media/Files/latin-america/venezuela/042-dangerous-uncertainty-ahead-of-venezuelas-elections.pdf>

<sup>26</sup> Michael Shifter, "Henrique Capriles' Moment," *El Colombiano*, February 15, 2012.

polls for the presidential race over Capriles, with a lead between 5% and 30%.<sup>27</sup> Nevertheless, some press reports maintain that Capriles's candidacy has been gathering strength and could pose a significant challenge to Chávez in the October election.<sup>28</sup>

Chávez has several distinct advantages in the presidential race. The Venezuelan economy has been growing strongly in 2012, with a forecast of 5% growth for the year, fueled by government spending made possible by high oil prices. With the shortage of housing a major public concern in Venezuela, the government has pressed ahead with a public housing program that has the goal of building some 200,000 units in 2012.<sup>29</sup> Critics maintain that the well-publicized program has the purpose of boosting the popularity of the Chávez government for the upcoming election, and will do little to resolve the country's housing shortage.<sup>30</sup> Nevertheless, the housing program, along with other numerous social programs or missions of the government, has helped forged an emotional loyalty among Chávez supporters. Another advantage for Chávez is that his electoral campaign has been using state resources and state-controlled media for campaign purposes. This includes the use of broadcast networks, which are required to air the President's frequent and lengthy political speeches.<sup>31</sup> Critics maintain that this is an abuse of public resources.<sup>32</sup>

There are several areas of vulnerability for President Chávez, however, that pose challenges to his support. These include Venezuelans' concerns about high rates of crime (including murder and kidnapping) and an economic situation characterized by high inflation and economic mismanagement that has led to periodic shortages of some food and consumer products and electricity outages.<sup>33</sup>

The high level of violent crime has made citizen security a top concern among Venezuelans. According to the Venezuelan-based nongovernmental organization Venezuelan Violence Observatory (OVV, *Observatorio Venezolano de Violencia*), there were 19,336 murders in Venezuela in 2011, the most violent year in the country's history, reflecting a murder rate of 67 per 100,000.<sup>34</sup> Kidnapping for profit has also become common in recent years as was highlighted by the high profile kidnapping of Washington Nationals catcher Wilson Ramos in November 2011 as well as the kidnapping of diplomats from several countries (including most recently a Costa Rican diplomat in April 2012). According to the Venezuelan government's *Cuerpo de Investigaciones Científicas, Penales, y Criminalísticas* (CICPC), there were 1,150 kidnappings in

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<sup>27</sup> "Venezuela Country Report," *Economist Intelligence Unit*, August 2012; "Table – Chávez Leads Polls Ahead of Venezuelan Election," *Reuters News*, August 23, 2012.

<sup>28</sup> "Venezuelan Politics: Opposition Gathers Strength Ahead of October Vote," *EIU ViewsWire*, August 23, 2012.

<sup>29</sup> "Venezuela Economy: Quick View – Housing Programme Gathers Pace," *EIU ViewWire*, August 17, 2012.

<sup>30</sup> Jordi Miro, "As Elections Looming, Chávez Rolls Out Housing for the Poor," *Agence France Presse*, June 25, 2012; and William Neuman, "Building Loyalty, With Bricks and Mortar," *New York Times*, July 14, 2012.

<sup>31</sup> "Venezuela Politics: Quick View – Mr. Chávez Maintains Lead Ahead of October Election," *EIU ViewsWire*, July 27, 2012.

<sup>32</sup> Andrew Cawthorne, "Interview-'Abusive' Chávez Set for Venezuela Vote Shock – Rival," *Reuters News*, August 20, 2012.

<sup>33</sup> William Neuman, "Price Controls Keep Venezuela Cupboards Bare," *New York Times*, April 21, 2012; and Peter Wilson, "Food Shortages Bode Ill for Chávez; Agriculture a Pillar of Venezuelan Leader's Campaign," *USA Today*, August 13, 2012.

<sup>34</sup> Observatorio Venezolano de Violencia, "Informe Homicidios 2011," December 29, 2011, available at <http://www.observatoriodeviolencia.org.ve/site/noticias/74-informe-homicidios-2011.html>



2011, reflecting an increase of 29% from 2010. The actual figure could be much higher since some 80% of kidnappings reportedly go unreported.<sup>35</sup>

Earlier this year, a wildcard in the presidential race was Chávez's health status, but at this juncture Chávez appears to have bounced back from his second bout of an undisclosed form of cancer and is heavily involved in the electoral campaign. (See "Chávez's Health Status" above.) If Chávez had been unable to run because of his health, many observers maintain that Capriles would have had a good chance at defeating another PSUV presidential candidate.

In event that Chávez could not stand for re-election, there is no clear successor to President Chávez among his supporters. Potential successors that have been mentioned in the press include current Vice President Eliás Jaua (who has been tapped by Chávez to run for governor of Miranda state in December 2012 elections); Foreign Minister Nicolas Maduro; Diosdado Cabello, president of Venezuela's National Assembly and first vice president of the ruling PSUV (a former army officer, Cabello took part Chávez's failed 1992 coup and is reported to have influence in the military); and Adán Chávez, the president's older brother and political mentor, a socialist ideologue who has served in several government posts and is currently the governor of Barinas state.

In the likelihood of a very close election, the response of the government and the opposition could be keys to ensuring stability in the country. Some observers have concerns about the potential reaction of the Venezuelan military in the likelihood of an opposition victory. Before General Henry Rangel became defense minister, he maintained in a November 2010 press interview that military was "wedded to [Venezuela's] socialist political project," and that neither the military nor the public would support an opposition government that would try to overturn the project. The comments raised doubts about whether the military would accept an opposition victory in the 2012 election,<sup>36</sup> although since becoming defense minister, General Rangel has said that the military would respect the result of the election whatever the result.<sup>37</sup> Some observers have also expressed concern about potential violence in the case of a close election, with fears centered on potential actions by radical elements on either side of the political divide who might pursue violence if their candidate does not win.<sup>38</sup>

The October 2012 presidential election could have significant implications for Venezuela's political and economic future as well as for U.S.-Venezuelan relations. It is important to note that if Capriles were to win the presidency, he would face a National Assembly still dominated by Chávez supporters since the country's next legislative elections are not due until September 2015. Without legislative support, he could face difficulty in making significant policy changes, with the result being extensive political gridlock. For the United States, however, an opposition victory

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<sup>35</sup> U.S. Department of State, "Venezuela, Country Specific Information," March 5, 2012, available at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1059.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1059.html)

<sup>36</sup> "La Polémica Entrevista de Rangel Silva a UNoticias," *Últimas Noticias* (Venezuela), January 17, 2012, reprint of November 8, 2010, interview from *Últimas Noticias* conducted by José Luis Carrillo; and Christopher Toothaker, "Venezuela's Hugo Chávez Defends General Whose Comments Stirred Democracy Concerns," *Associated Press*, November 14, 2010.

<sup>37</sup> "Ministro Venezolano Dice Respetarán Resultados Elecciones," *AP Spanish Worldstream*, February 10, 2012.

<sup>38</sup> Comments by Jennifer McCoy (Professor at Georgia State University and Director of the Americas Program at the Carter Center) during presentation sponsored by the Washington Office on Latin America, "Venezuela: Countdown to the October 7 Presidential Election," March 6, 2012; Also see *Dangerous Uncertainty Ahead of Venezuela's Elections*, International Crisis Group, June 26, 2012.

would likely reduce tension in bilateral relations and allow potential progress in the key areas of anti-drug and counterterrorism cooperation.

If Chávez were to be reelected, there would likely be a deepening of his statist economic policies, and some fear that there would be continued erosion of democratic institutions. With this scenario, relations with the United States would likely continue to be strained. His health status also could end up requiring new presidential elections. As noted above, if Chávez ran and won the October 2012 election, a new election would be called if he died before being sworn into office in January 2013 or if he died in the first four years of his new term. Venezuela's opposition would then have another opportunity to compete at the polls, and would be advantaged by not having Chávez on the ballot.

## Economic Conditions

With an estimated 211 billion barrels of proven oil reserves (the largest in the hemisphere, up from previously reported 99 billion in proven reserves), Venezuela's major economic sector is petroleum, which accounts for 90% of exports, more than 30% of its gross domestic product, and half of the government's fiscal income.<sup>39</sup> The country is classified by the World Bank as an upper middle income developing country because of its relatively high per capita income of \$11,590 (2010).<sup>40</sup>

Despite Venezuela'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>41</sup>

In 2002-2003, the country's political instability and polarization between the government of populist President Hugo Chávez and the political opposition contributed to a poor investment climate, capital flight, and declines in gross domestic product (GDP). A national strike orchestrated by the political opposition from late 2002 to early 2003 contributed to a contraction of the national economy by almost 9% in 2002 and 7.8% in 2003.<sup>42</sup>

From 2004-2008, however, Venezuela benefitted from the rise in world oil prices that began in 2004. Fueled by the windfall from oil price increases, the Venezuelan economy grew by over 18% in 2004 and averaged 8.6% growth annually from 2005 through 2008 (see **Figure 2**). The economic boom allowed President Chávez to move ahead with economic goals that fit into his "Bolivarian revolution." These included the expansion of a state-led development model, renegotiation of contracts with large foreign investors (especially in the petroleum sector) for majority government control, and the restructuring of operations at the state oil company, *Petroleos de Venezuela S.A.* (PdVSA). The government also nationalized numerous enterprises, including telecommunications, electricity, and steel companies, as well as cement, coffee, sugar, flour, and milk production facilities.

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<sup>39</sup> World Bank, "Venezuela Overview," available at <http://www.worldbank.org/en/country/venezuela/overview>; and "Worldwide Look at Reserves and Production," *Oil & Gas Journal*, December 5, 2011.

<sup>40</sup> World Bank, *World Development Report 2012*, 2011.

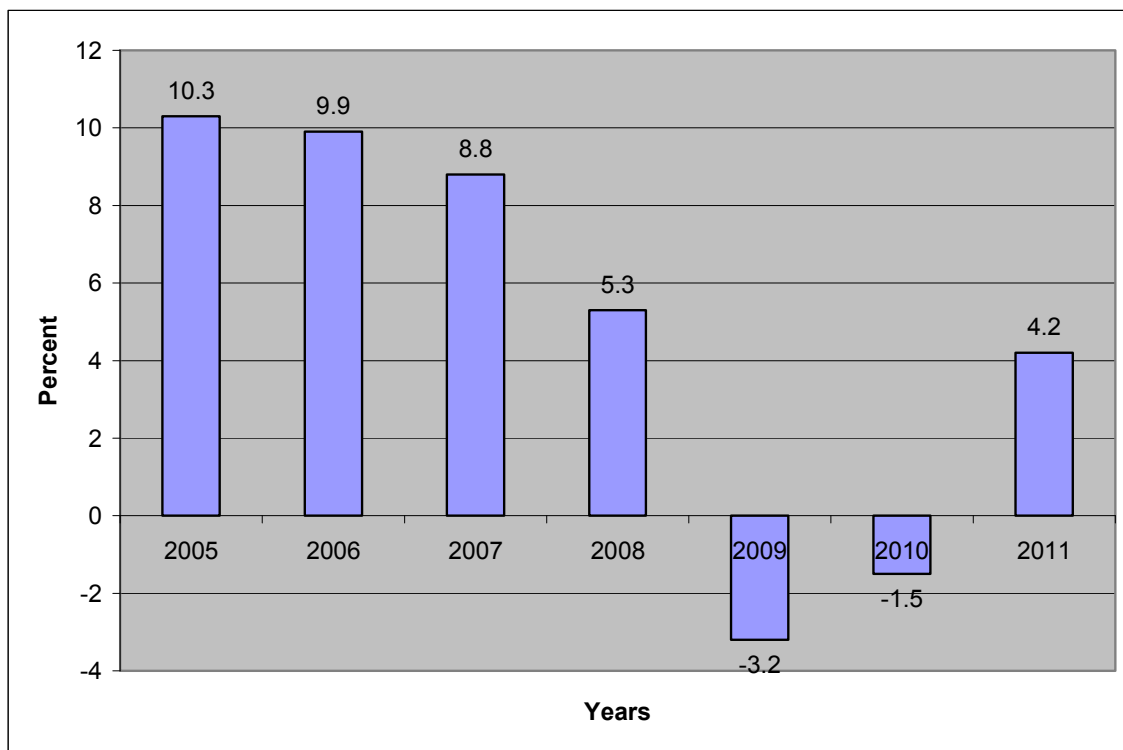
<sup>41</sup> World Bank, "Venezuela: Interim Country Assistance Strategy," November 18, 2002, Report No. 25125-VE.

<sup>42</sup> Economist Intelligence Unit, Country Data Tool.

The economic boom also allowed President Chávez to increase expenditures on social programs associated with his populist agenda. The government began implementing an array of social programs and services known as *misiones* or missions. There have been some 25 missions offering a wide array of services in the fields of education, health, nutrition, the environment, sports, culture, and housing, as well as targeted programs for indigenous rights and services for street children and adolescents.<sup>43</sup> As a result of the booming economy and increased social spending, poverty rates in Venezuela declined from 48.6% in 2002 to 27.6% in 2008, with extreme poverty or indigence falling from 22.2% to 9.9% over the same period.<sup>44</sup>

The global financial crisis and associated drop in the price of oil had significant negative effects on the Venezuelan economy, which contracted 3.2% in 2009 and 1.5% in 2010. This made Venezuela the only country in South America, and one of the few in the region, to continue to decline economically in 2010, and poverty rates increased slightly in that year. Economic growth returned in 2011, however, with a growth rate of 4.2% because of the rise in oil prices and because of increased central government expenditures (see **Figure 2**). The government has increased its fiscal spending in order to help Chávez in the October 2012 presidential election. With this spending and high oil prices, the growth forecast for 2012 is 5%.<sup>45</sup>

**Figure 2. Venezuela: GDP Growth (%), 2005-2011**



**Source:** Economist Intelligence Unit, Country Data Tool.

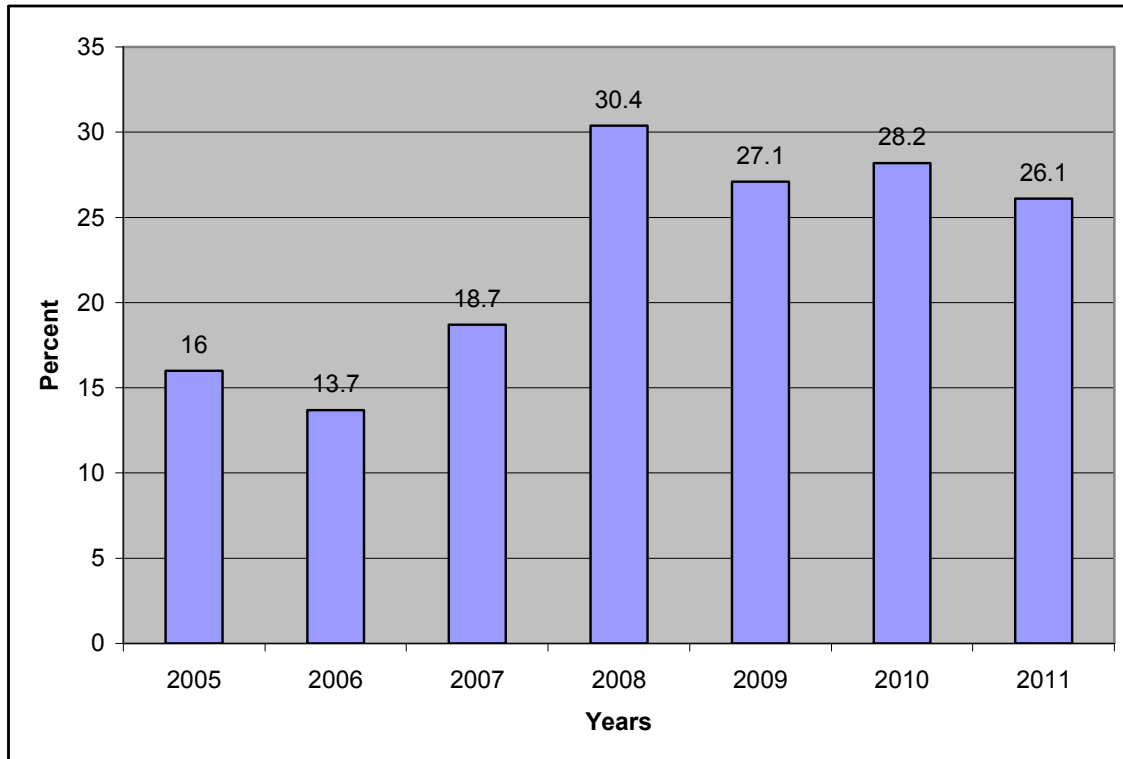
<sup>43</sup> For background on some of the missions, see “Fact Sheet: Social Justice in Venezuela,” Embassy of the Bolivarian Republic of Venezuela, Washington, DC, July 2008.

<sup>44</sup> U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2010, Briefing Paper*, November 2010, p. 13.

<sup>45</sup> “Venezuela Country Report,” *EIU*, August 2012.

The Venezuelan government continues to face significant economic challenges. Over the past four years, high levels of inflation, averaging almost 28% annually from 2008 to 2011, have eroded purchasing power (see **Figure 3**). The forecast for 2012 is for inflation to average about 21% for the year.<sup>46</sup> In addition to inflation, there have been periodic shortages of basic food staples and other products because of price controls that have stifled local production. The government's response to shortages has been to nationalize some domestic agricultural producers or distributors.

**Figure 3. Venezuela: Consumer Inflation (average %), 2005-2011**



**Source:** Economist Intelligence Unit, Country Data Tool.

Venezuela's private sector describes the business community as being under siege from the government because some companies have been nationalized without compensation and without appropriate legal procedures being followed. In June 2010, Venezuelan authorities discovered 30,000 tons of rotten food at a government warehouse that was supposed to be delivered to state-run supermarkets known as *MercaL*. The scandal prompted widespread criticism of the government, and raised questions about its strategy of taking over more economic activities. Since 2002, hundreds of companies, both domestic and foreign, have been nationalized. Companies that have been nationalized under the Chávez government are in a variety of economic sectors, including energy, food and agriculture, finance, heavy industry, gold, steel, telecommunications, electricity, transportation, and tourism.

<sup>46</sup> Ibid.

While the government maintains that it will provide compensation for the nationalizations, foreign companies are often forced to seek settlement through international arbitration.<sup>47</sup> There are currently 28 pending cases against Venezuela at the International Centre for Settlement of Investment Disputes (ICSID) affiliated with the World Bank.<sup>48</sup> In January 2012, ExxonMobil won a settlement valued at some \$900 million at the International Court of Arbitration (of the International Chamber of Commerce). The Chávez government reportedly welcomed the settlement because ExxonMobil had sought much more, but the company has another outstanding case against Venezuela at the ICSID that could provide it with a potentially much more significant settlement. President Chávez announced in early January 2012 that he would not recognize any decision made by the ICSID, and later in the month his government began procedures to withdraw from the organization. Some analysts, however, maintain that that the withdrawal process will be complex and could take as long as 15 years and involve Venezuela's re-negotiation of bilateral investment treaties with over 20 countries.<sup>49</sup>

In January 2010, the Venezuelan government took action to shore up its fiscal situation by devaluing Venezuela's currency, the *bolivar fuerte*, which increased the value of its oil earnings and boosted government revenues. The government shifted the official exchange rate from *Bolivares Fuertes* (BsF) 2.15/U.S. \$1 to BsF2.6/U.S.\$1 for essential imports such as food, medicine, and for public-sector projects and strategic sectors, and established a second fixed exchange rate of BsF4.3/U.S.\$1 for other imports. The increased revenue enabled the government to continue spending ahead of the September 2010 legislative elections, but also increased inflationary pressure.

In January 2011, the government unified the two fixed foreign exchange rates by eliminating the BsF2.6/U.S.\$1 rate for essential imports in favor of a rate of BsF4.3/U.S.\$1 for all imports. According to some analysts, the government's move appears to be an effort to reduce the complexity of the multiple exchange-rate system, but the action has raised concerns about an increase in inflation. The government still retains an exchange rate of BsF5.4/U.S.\$1 for bond swaps operated by the Central Bank, while the illegal black market rate is estimated at BsF9.3/U.S.\$1, a reflection of the continued overvaluation of Venezuela's currency.<sup>50</sup> Given the overvaluation, economic analysts expect Venezuela to devalue its currency again either later this year after the 2012 election or in early 2013.<sup>51</sup>

As noted above, Venezuela still remains highly dependent on oil, which accounts for some 90% of its exports. Because of its substantial oil exports, the country generally runs a positive trade balance. The country's trade surplus began to grow significantly as oil prices began to increase in 2004. Venezuela's trade surplus grew from \$16.7 billion in 2003 to a high of \$44 billion in 2008. The decline in the price of oil beginning in 2009 reduced the country's exports by about 40%, from \$95 billion in 2008 to \$57 billion in 2009. During the same period, imports declined at a

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<sup>47</sup> U.S. Department of Commerce, "Doing Business in Venezuela: 2011 Country Commercial Guide for U.S. Companies."

<sup>48</sup> See the ICSID's website at <http://icsid.worldbank.org/ICSID/Index.jsp>.

<sup>49</sup> "Venezuela's ICSID Exit Will Not Halt Exxon Arbitration," *Oxford Analytica*, January 31, 2012.

<sup>50</sup> "Venezuela Country Report," *EIU*, February 2011, March 2012, and August 2012; and "Venezuela Finance: Operating in the Shadows," *EIU*, February 11, 2011.

<sup>51</sup> Antonio Maria Delgado, "Analysts: Venezuela to Devalue Bolivar Next Year," *Miami Herald*, February 21, 2012; "Venezuela: Living on the Edge," *Latin America Monitor*, March 2012; "Venezuela: Currency Devaluation: When, Not If," *Latin America Monitor*, September 2012.

slower rate so that the trade surplus declined to almost \$18 billion in 2009. Since then, with the recovery and increase of oil prices, the trade surplus grew to \$27 billion in 2010 and \$46 billion in 2011. (See **Table 1.**)

**Table 1. Venezuela's Trade Balance, 2004-2011**

	U.S. \$ millions							
	2004	2005	2006	2007	2008	2009	2010	2011
Exports (f.o.b)	39,668	55,716	65,578	69,980	95,021	57,603	65,745	92,602
Imports (f.o.b.)	17,021	14,018	33,583	46,660	50,971	39,646	38,613	46,441
Trade Balance	22,647	41,698	31,995	23,320	44,050	17,957	27,132	46,141

**Source:** International Monetary Fund, International Financial Statistics, June 2012.

In terms of export markets, Venezuela's oil-based economy is highly dependent on the United States and has been for many years, even though the U.S. share of Venezuela's oil exports has been declining in recent years. The country is a major supplier of foreign oil to the United States, providing almost 10% of U.S. crude oil imports in 2011.<sup>52</sup> In 2010, the United States was the destination of about 40% of Venezuela's total exports. Ten years earlier—in 2000—about 55% of Venezuela's exports were destined for the United States. The percentage of Venezuela's imports that come from the United States has also declined somewhat over time, although the United States still remains the single largest country of origin for Venezuelan imports. In 2010, about 29% of Venezuela's imports were from the United States, while 10 years earlier, the United States was the origin of about 38% of Venezuela's imports.<sup>53</sup>

## U.S. Policy

The United States traditionally has had close relations with Venezuela, a major supplier of foreign oil to the United States, but there has been significant friction with the Chávez government. For several years, U.S. officials have expressed concerns about human rights, Venezuela's military arms purchases (largely from Russia), its relations with Cuba and Iran, its efforts to export its brand of populism to other Latin American countries, and the use of Venezuelan territory by Colombian guerrilla and paramilitary forces. Declining Venezuelan cooperation on antidrug and antiterrorism efforts also has been a U.S. concern. Since 2005, Venezuela has been designated annually (by President Bush and President Obama) as a country that has failed to adhere to its international anti-drug obligations. Since 2006, the Department of State has prohibited the sale of defense articles and services to Venezuela because of lack of cooperation on antiterrorism efforts.

<sup>52</sup> U.S. Energy Information Administration, "Petroleum: U.S. Imports by Country of Origin."

<sup>53</sup> Calculations were made utilizing trade statistics drawn from the International Monetary Fund's *Direction of Trade Statistics*, Yearbooks for 2004 and 2011.

## Bilateral Relations during the George W. Bush Administration

Tensions in relations turned especially sour in the aftermath of President Chávez's brief ouster from power in April 2002. Venezuela alleged U.S. involvement in the ouster, while U.S. officials repeatedly rejected charges that the United States was involved.

In the aftermath of the coup, U.S. statements and actions of the interim government represented a defining moment that influenced the course of bilateral relations over the next several years. After Chávez's ouster, the United States expressed solidarity with the Venezuelan people and maintained that undemocratic actions committed or encouraged by the Chávez administration had provoked the political crisis.<sup>54</sup> Yet at the same time, the leader of the interim government was dismantling the National Assembly, firing the Supreme Court, and suspending the Constitution. The interim government's hardline actions resulted in its loss of support from the Venezuelan military, and paved the way for Chávez's return to power. With Chávez's return, the United States called on him to heed the message sent by the Venezuelan people by correcting the course of his administration and "governing in a fully democratic manner."<sup>55</sup> In contrast, many Latin American nations immediately condemned the overthrow of Chávez, labeling it a coup. The failure of the United States to quickly condemn the coup and instead to criticize President Chávez upon his return to power set the stages for continued deterioration in U.S.-Venezuelan relations. Moreover, even after the coup, the widespread perception that the United States supported continued efforts by Venezuela's opposition to remove President Chávez from power contributed to the downward spiral in bilateral relations.

While strong political rhetoric from both U.S. and Venezuelan officials in the 2002 to 2006 period contributed to elevated tensions in U.S. relations, the tenor of U.S. political rhetoric changed in the second half of 2006. When Chávez spoke disparagingly of President Bush at the United Nations in September 2006, U.S. officials refrained from responding to those personal attacks. Likewise, when President Chávez led an anti-American rally in Argentina in March 2007 during President Bush's visit to Brazil and Uruguay, President Bush ignored the taunts and U.S. officials emphasized that they wanted to focus on a positive agenda of U.S. engagement with Latin America.

In the aftermath of Colombia's March 1, 2008, bombing of a Revolutionary Armed Forces of Colombia (FARC) camp in Ecuador that killed the terrorist group's second in command, Colombian forces captured laptops that contained files potentially linking the Venezuelan government with efforts to support the FARC. In an apparent shift in policy, however, on June 8, 2008, President Chávez publicly urged the FARC to end its armed struggle, and release all hostages.

In 2008, U.S. policy toward Venezuela appeared to be to refrain from getting into any unneeded conflicts or spats with President Chávez, and instead to focus on a positive U.S. agenda for the hemisphere. Then Assistant Secretary of State for Western Hemisphere Affairs Tom Shannon stated in July 17, 2008, congressional testimony that "we remain committed to a positive relationship with the people of Venezuela and have the patience and the persistence necessary to manage our challenging relationship." Shannon pointed out in his testimony that Venezuela "for

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<sup>54</sup> U.S. Department of State, "Venezuela: Change of Government," Press Statement, April 12, 2002.

<sup>55</sup> U.S. Department of State, International Information Program, *Washington File*, "White House Calls on Venezuela's Chávez to Preserve Peace, Democracy," April 14, 2002.

the first time in many years, expressed a willingness to explore improved relations with the United States,” including counter-drug cooperation, and that “we have told Venezuela that we would like to explore this diplomatic opening.”<sup>56</sup>

By September 2008, however, U.S. relations with Venezuela took a significant turn for the worse when Venezuela expelled U.S. Ambassador Patrick Duddy in solidarity with Bolivian President Evo Morales, who had expelled the U.S. Ambassador in La Paz after accusing him of fomenting unrest; the United States responded in kind with the expulsion of Venezuelan Ambassador Bernardo Alvarez. Also in September, U.S. officials criticized Venezuela’s efforts against drug trafficking, and President Bush determined, for the fourth year in a row, that Venezuela had failed demonstrably to adhere to its obligations under international narcotics control agreements. The U.S. Treasury Department also froze the assets of two high-ranking Venezuelan government officials and the former interior minister for allegedly helping the FARC with weapons and drug trafficking. In October 2008, the Treasury Department froze the assets of an Iranian-owned bank based in Caracas linked to an Iranian export bank that allegedly provided or attempted to provide services to Iran’s ministry of defense.

## Obama Administration Policy

During the U.S. presidential campaign, Barack Obama maintained that his Administration would use principled bilateral diplomacy to engage with such adversaries in the region as Venezuela under populist President Hugo Chávez. Nevertheless, tensions have continued in U.S.-Venezuelan relations, with President Chávez continuing “to define himself in opposition to the United States, using incendiary rhetoric to insult the U.S. Government and U.S. influence in Latin America.”<sup>57</sup> While in mid-2009, Ambassadors were returned, in late 2010, the Chávez government revoked an agreement for U.S. Ambassador-designate Larry Palmer to be posted to Venezuela. The Obama Administration responded by revoking the diplomatic visa of the Venezuelan Ambassador to the United States. Despite tensions in relations, the State Department maintains that the United States remains committed to seeking constructive engagement with Venezuela, focusing on such areas as anti-drug and counter-terrorism efforts.

**Developments in 2009.** A week before his inauguration, President Obama maintained in an interview that President Chávez “has been a force that has impeded progress in the region,” and expressed concern about reports that Venezuela is assisting the FARC.<sup>58</sup> President Chávez strongly criticized Obama for his comments, but subsequently stated that he would like to restore bilateral relations to the same level as during the Clinton Administration. Chávez suggested that a new period of constructive relations based on respect might be possible, but that it would depend on the attitude of the President and Secretary of State.<sup>59</sup>

At the fifth Summit of the Americas held in Trinidad and Tobago in mid-April 2009, President Obama met President Chávez along with other hemispheric leaders. Chávez maintained that he

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<sup>56</sup> Testimony of Thomas A. Shannon, Assistant Secretary of State for Western Hemisphere Affairs, hearing on “Venezuela: Looking Ahead,” House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, July 17, 2008.

<sup>57</sup> U.S. Department of State, “Background Note: Venezuela,” September 2, 2011.

<sup>58</sup> Nestor Ikeda, “Obama: Chávez ‘ha impedido’ progreso latinoamericano,” *AP Spanish Worldstream*, January 18, 2009; and Juan Forero, “Obama and Chávez Start Sparring Early,” *Washington Post*, January 19, 2009.

<sup>59</sup> “Venezuelan President Chávez Interviewed on CNN,” *CQ Newsmaker Transcripts*, February 3, 2009.



would be open to the U.S. Ambassador returning to Caracas. Two months later, on June 25, 2009, the State Department announced that the United States and Venezuela had exchanged diplomatic notes and agreed to return respective ambassadors. This led to U.S. Ambassador to Venezuela Patrick Duddy resuming his post in Caracas, and to the return of Venezuelan Ambassador Bernardo Alvarez to Washington, DC.

The return of respective ambassadors raised some hopes of an overall improvement in bilateral relations, but this did not occur. In an interview with *Globovisión* in early July 2009, Secretary of State Clinton maintained that there needs to be a dialogue between the United States and Venezuela on a range of issues, and that there are ways for countries that do not agree on many issues to have a conversation. At the same time, with regard to the political situation in Venezuela, Clinton maintained that she hoped to see over the next months “recognition that you can be a very strong leader and have very strong opinions without trying to take on too much power and trying to silence all your critics.”<sup>60</sup> State Department officials continued to express concerns about the intimidation of the news media in Venezuela, and steps taken by the government to restrict political participation and debate, and Secretary of State Clinton raised questions regarding Venezuela’s military purchases.<sup>61</sup>

**Developments in 2010.** In February 2010, then-Director of National Intelligence (DNI) Dennis Blair testified before the Senate Select Committee on Intelligence on the annual threat assessment of the U.S. intelligence community. According to Blair, President “Chávez continues to impose an authoritarian populist political model in Venezuela that undermines democratic institutions.” Blair maintained that with regard to foreign policy, “Chávez’s regional influence may have peaked, but he is likely to support likeminded political allies and movements in neighboring countries and seek to undermine moderate, pro-U.S. governments.” Blair maintained that “Chávez and his allies are likely to oppose nearly every U.S. policy initiative in the region, including the expansion of free trade, counter drug and counterterrorism cooperation, military training, and security initiatives, and even U.S. assistance programs.”<sup>62</sup>

In August 2010, President Chávez criticized comments by U.S. Ambassador-designate to Venezuela Larry Palmer for his responses to questions for record for his nomination before the Senate Foreign Relations Committee that touched on Cuba’s influence in the Venezuelan military and ties between members of the Venezuelan government and the FARC.<sup>63</sup> The Venezuelan government maintained that it would not accept Palmer as U.S. Ambassador in Caracas, and on December 20, 2010, officially revoked its agreement for the appointment of Palmer as Ambassador. The State Department responded on December 27, 2010, by revoking the diplomatic visa of Ambassador Bernardo Alvarez. The full Senate did not act on Palmer’s nomination by the end of the 111<sup>th</sup> Congress, so the nomination was sent back to the President in December 2010. No further action has been taken to restore ambassadors.

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<sup>60</sup> U.S. Department of State, U.S. Secretary of State Hillary Rodham Clinton, “Interview with Leopoldo Castillo of Globovisión,” July 7, 2009.

<sup>61</sup> U.S. Department of State, Secretary of State Hillary Rodham Clinton, “Remarks with Uruguayan President Tabare Vazquez After Their Meeting,” September 15, 2009.

<sup>62</sup> U.S. Senate Select Committee on Intelligence, “Annual Threat Assessment of the US Intelligence Community,” prepared testimony by Dennis C. Blair, Director of National Intelligence, February 2, 2009, p. 32, available at <http://intelligence.senate.gov/100202/blair.pdf>.

<sup>63</sup> See the full text of the questions for the record submitted by Senator Richard G. Lugar, Senate Foreign Relations Committee, July 27, 2010, available at <http://lugar.senate.gov/issues/foreign/lac/venezuela/pdf/LugarPalmerQFR.pdf>.

**Developments in 2011.** In February 2011, Director of National Intelligence (DNI) James Clapper testified about President Chávez's waning influence in Latin America. According to Clapper, "deteriorating economic conditions in Venezuela and Chávez's declining popularity at home and abroad have limited his ability to exert influence beyond his core group of allies."<sup>64</sup>

Also in February 2011 congressional testimony, then Assistant Secretary of State Arturo Valenzuela criticized the December 2010 action of Venezuela's outgoing National Assembly for its approval of a law that delegated legislative authority to the executive for 18 months. Valenzuela maintained that the action undermined the authority of the incoming National Assembly and circumscribed its popular will. He maintained that the action "violates the doctrine of the separation of powers and therefore contravenes the Inter-American Democratic Charter."<sup>65</sup>

On May 11, 2011, the Department of State determined for the sixth consecutive year that Venezuela was not cooperating fully with U.S. antiterrorism efforts. This determination was made pursuant to Section 40A of the Arms Export Control Act (P.L. 90-629) and allowed for the continuation of the U.S. arms embargo on Venezuela since 2006.

On May 24, 2011, the State Department also sanctioned the Venezuelan oil company, *Petróleos de Venezuela* (PdVSA), pursuant to the Comprehensive Iran Sanctions, Accountability, and Disinvestment Act of 2010 (P.L. 111-195) for providing two shipments of reformate, an additive used in gasoline, to Iran, between December 2010 and March 2011. The shipments were valued at around \$50 million. Under the sanctions, PdVSA is prohibited from competing for U.S. government procurement contracts, securing financing from the Export-Import Bank, and obtaining U.S. export licenses. The sanctions specifically exclude PdVSA subsidiaries (Citgo) and do not prohibit the export of oil to the United States.

In September 2011, as part of the annual narcotics certification process, President Obama again determined that Venezuela had "failed demonstrably" to meet its obligations under international counternarcotics measures. This marked the seventh consecutive annual designation of Venezuela in this category. The justification accompanying the determination maintained that "individual "members of the government and security forces security forces were credibly reported to have engaged in or facilitated drug trafficking activities."<sup>66</sup> The justification noted some positive steps taken by the Venezuelan government in the past year, including the transfer of several major drug traffickers to the United States and other drug traffickers to third countries and a bilateral counternarcotics agreement with Colombia.

**Developments in 2012.** On January 8, 2012, the Department of State declared as *persona non grata* the Venezuelan Consul General in Miami, Livia Acosta, and asked her to leave the United States. In December 2011, a documentary featured on the Spanish-language network *Univisión* had alleged that Iranian and Venezuelan diplomats in Mexico tried to recruit Mexican students for

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<sup>64</sup> U.S. Senate Select Committee on Intelligence, "Worldwide Threat Assessment of the U.S. Intelligence Community," prepared testimony by James R. Clapper, Director of National Intelligence, February 16, 2011, available at <http://intelligence.senate.gov/110216/dni.pdf>

<sup>65</sup> U.S. Department of State, Testimony of Arturo Valenzuela, Assistant Secretary of State for Western Hemisphere Affairs, before the House Foreign Affairs Committee, Subcommittee on the Western Hemisphere, February 15, 2011, available at <http://www.state.gov/p/wha/rls/rm/2011/156598.htm>

<sup>66</sup> White House, "Presidential Determination No. 2011-16, Presidential Determination on Major Illicit Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2012," September 15, 2011.

plotting possible cyberattacks against the United States. Acosta, a Venezuelan diplomat who had been based in Mexico, was recorded participating in the discussion with the Mexican students.

The State Department issued the 2012 *International Narcotics Control Strategy Report* on March 7, 2012, which stated, as in previous reports, that Venezuela was one of the preferred trafficking routes for the transit of cocaine out of South America. The State Department also reiterated that the United States remained prepared to deepen anti-drug cooperation with Venezuela beyond the currently limited case-by-case level of cooperation.

In a July 2012 press interview, President Obama maintained that his main concern about Venezuela “is having the Venezuelan people have a voice in their affairs” and “having fair and free elections.” With regard to Iran’s relations with Venezuela, the President maintained overall concern about “Iran engaging in destabilizing activity around the globe,” but indicated that his “sense is that what Mr. Chávez has done over the past several years has not had a serious national security impact on us.”<sup>67</sup> This was subsequently reiterated by the head of the U.S. Southern Command, General Douglas Fraser, who maintained that he does not see Venezuela as a “national security threat,” and that Iran’s connection with Venezuela is primarily diplomatic and economic.<sup>68</sup>

## U.S. Foreign Aid to Venezuela

Because of Venezuela’s oil wealth and relatively high per capita income level, the United States has traditionally only provided small amounts of foreign assistance to Venezuela. In recent years, assistance has focused on counternarcotics and support for democracy programs. **Table 2** below shows U.S. assistance level to Venezuela since FY2006.

From FY2002 to FY2007, Venezuela received small amounts of U.S. assistance under the State Department’s Andean Counterdrug Initiative (ACI) focusing on counternarcotics cooperation and judicial reform support. Since FY2008, no counternarcotics assistance has been requested for Venezuela, although in FY2009, the United States provided \$0.5 million in International Narcotics Control and Law Enforcement (INCLE) assistance.

For a number of years, the United States has provided democracy-related assistance to Venezuela through the U.S. Agency for International Development. In **Table 2**, all funding for the Development Assistance (DA), Economic Support Funds (ESF), and Transition Initiatives (TI) foreign aid accounts are for democracy-related funding. In addition, the United States has supported democracy assistance in Venezuela through the U.S. government-funded National Endowment for Democracy (NED), but this type of support has not been typically reflected in U.S. foreign assistance funding statistics.

From 2002 through December 2010, USAID supported democracy projects in Venezuela through its Office of Transition Initiatives (OTI) to provide assistance to monitor democratic stability and strengthen the country’s democratic institutions. According to USAID, more than 600 small-grant and technical assistance activities were funded by OTI from 2002 through 2010. The objectives of the assistance, according to USAID, were to enhance access to objective information and

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<sup>67</sup> Patricia Massei and Erika Bolstad, “Mitt Romney, GOP Howl Over President Barack Obama’s Remark About Hugo Chávez,” *Miami Herald*, July 11, 2012.

<sup>68</sup> Frank Bajak, “Top U.S. General: Venezuela Not a National Security Threat,” *AP Newswire*, July 31, 2012.

peaceful debate on key issues, and to promote citizen participation and democratic leadership.<sup>69</sup> At the end of December 2010, USAID's support for such activities for Venezuela was transferred from OTI to USAID's Latin America and Caribbean Bureau.

**Table 2. U.S. Foreign Aid to Venezuela by Account, FY2008-FY2013**

U.S. \$ millions

	FY2008	FY2009	FY2010	FY2011	FY2012 (est.)	FY2013 (request)
ACI/INCLE	0.000	0.500	0.000	0.000	0.000	0.000
DA	6.519	0.000	0.000	0.000	0.000	0.000
ESF	2.976	5.000	6.000	5.000	5.000	3.000
TI	3.649	2.450	1.208	0.000	0.000	0.000
<b>Total</b>	<b>13.144</b>	<b>7.950</b>	<b>7.208</b>	<b>5.000</b>	<b>5.000</b>	<b>3.000</b>

**Notes:** ACI=Andean Counterdrug Initiative; DA=Development Assistance; ESF=Economic Support Funds; INCLE = International Narcotics Control and Law Enforcement; TI=Transition Initiatives.

**Sources:** U.S. Department of State, FY2010-FY2013 Congressional Budget Justifications for Foreign Operations.

In FY2011 and FY2012, Congress appropriated \$5 million in ESF each year in democracy assistance for Venezuela, while for FY2013 the Obama Administration has requested \$3 million in such assistance. According to the State Department's FY2013 Congressional Budget Justification, the assistance seeks to promote broad participation in the democratic process by promoting good governance, raising awareness about social issues, increasing confidence in the democratic process, and encouraging citizen participation.

In terms of congressional action on FY2013 foreign aid appropriations, the report to the House Appropriations Committee bill, H.R. 5857 (H.Rept. 112-494), directs that \$5 million in ESF be provided for democracy programs in Venezuela, the same amount appropriated in FY2012, and \$2 million more than the Administration's request for \$3 million. In contrast, the report to the Senate Appropriations Committee bill, S. 3241 (S.Rept. 112-172), recommends \$3 million for democracy programs in Venezuela to be administered by the National Endowment for Democracy (NED) instead of USAID or the Department of State.

NED has funded democracy projects in Venezuela since 1992, but the level of funding increased under the Chávez government. The FY2006 Foreign Operations appropriations measure (P.L. 109-102) provided \$2 million in Democracy Funds for NED for democracy programs in Venezuela. In subsequent years, NED's funding amounted to more than \$800,000 in FY2007 for 17 projects; over \$1 million in FY2008 for 18 projects; and \$1.4 million in FY2009 for 14 projects, and almost \$1.6 million in FY2010 for 21 projects.<sup>70</sup>

<sup>69</sup> U.S. Agency for International Development, USAID/OTI Venezuela Annual Summary Report, October 2009-September 2010.

<sup>70</sup> See NED's website for a description of Venezuelan projects in FY2010, available at <http://www.ned.org/where-we-work/latin-america-and-caribbean/venezuela>.

The Venezuelan government and Chávez supporters have strongly criticized U.S. government funding for democracy projects in Venezuela.<sup>71</sup> They maintain that NED-funded groups were 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 2004 recall referendum campaign. Critics of the USAID and NED democracy programs maintain that they meddle in Venezuelan domestic politics. They argue that the United States should get out of the business of democracy-promotion in Venezuela, maintaining that such activity lends credence to claims by Chávez and others that the U.S. government is pursuing a policy of regime change.<sup>72</sup>

U.S. officials strongly defend U.S. democracy promotion activities in Venezuela, and Congress has continued to fund such activities. In particular, U.S. officials 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>73</sup> According to 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." NED asserts that all of the Venezuelan programs that it funds operate on a non-partisan basis.<sup>74</sup> As a result of issues raised regarding NED's programs in Venezuela, in late 2004 Congress reaffirmed NED's duty to ensure that all sponsored activities adhere to core NED principles and required a comprehensive report on NED's activities in Venezuela since FY2001 (Division B of P.L. 108-447, H.Rept. 108-792).

In December 2010, Venezuela's outgoing National Assembly approved a measure that could make it difficult for the U.S. government or other foreign donors to assist civil society groups in Venezuela. The legislation prohibits civil society organizations involved in defending political rights or monitoring the performance of government bodies from receiving international funds and would impose stiff fines on those that do. As discussed below, human rights organizations have expressed concern about the effect of the legislation.

## Human Rights Concerns

Human rights organizations and U.S. officials have expressed concerns for several years about the deterioration of democratic institutions and threats to freedom of speech and press in Venezuela under the Chávez government. According to Human Rights Watch's *World Report 2012*, "the weakening of Venezuela's democratic system of checks and balances under President Hugo Chávez has contributed to a precarious human rights situation." It maintained that "without judicial checks on its actions, the government has systematically undermined the right to free expression, workers' freedom of association, and the ability of human rights groups to protect rights."<sup>75</sup>

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<sup>71</sup> For example, see 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>72</sup> Tom Barry, "The New Politics of Political Aid in Venezuela," *Venezuelanalysis.com*, July 25, 2007 (updated and corrected on August 25, 2007).

<sup>73</sup> "United States Rejects Venezuelan Decision to Try Civic Group," Department of State, *Washington File*, July 8, 2005.

<sup>74</sup> National Endowment for Democracy, "NED Venezuela Programs FAQ," available online at <http://www.ned.org/where-we-work/latin-america-and-caribbean/venezuela>.

<sup>75</sup> Human Rights Watch, *World Report 2012: Venezuela*, available at [http://www.hrw.org/world-report-2012/world-\(continued...\)](http://www.hrw.org/world-report-2012/world-(continued...))

An extensive Human Rights Watch report on Venezuela issued in July 2012 maintains that the human rights situation in the country has become even more precarious in recent years.<sup>76</sup> It noted that the pro-Chávez majority in the National Assembly approved legislation in 2010 expanding the government's powers to limit free speech and punish its critics. It asserts that the Supreme Court "has explicitly rejected the principle that the judiciary should serve as a check on presidential power, while joining with the president in dismissing the authority of the Inter-American system of human rights." For almost a decade, President Chávez has not allowed the Inter-American Commission on Human Rights to visit the country, while in July 2012 he announced that Venezuela would withdraw from the jurisdiction of the Inter-American Court of Human Rights. The report contends that "the accumulation of power in the executive, the removal of institutional safeguards, and the erosion of human rights guarantees have given the Chávez government free reign to intimidate, censor, and prosecute Venezuelans who criticize the president or thwart his political agenda."

The State Department's 2011 human rights report (issued in May 2012) maintains that the "principal human rights abuses reported during the year included government actions to impede freedom of expression and criminalize dissent."<sup>77</sup> According to the State Department, the Venezuelan government harassed and intimidated privately owned television stations, other media outlets, and journalists. The government was reported to have thwarted judicial independence, and to have used the judiciary to intimidate and selectively prosecute political, union, business, and civil society leaders critical of the government. The State Department report also cites other human rights problems such as unlawful killings; torture and degrading treatment; prison violence and harsh prison conditions; inadequate juvenile detention centers; arbitrary arrests and detentions; police corruption and impunity; interference with property rights; and threats against domestic nongovernmental organizations. The significant problem of prison violence was highlighted once again on August 19, 2012, when a clash between gangs at a prison in Miranda state resulted in at least 25 deaths.

In terms of political prisoners, the State Department human rights report cites a Venezuelan NGO, the Venezuelan Awareness Foundation, which listed 12 political prisoners in Venezuela at the end of 2011—as of August 2012, the organization listed a total of 13 political prisoners.<sup>78</sup> Numerous other political prisoners have been released after being detained from a few days to several years.

In a prominent human rights case that captured world-wide attention, Judge María Lourdes Afiuni was arrested and imprisoned on charges of corruption in December 2009 just hours after she had ordered the release of businessman Eligio Cedeño (who subsequently fled to the United States), who had been imprisoned since February 2007 in pretrial detention on charges of corruption and embezzlement.<sup>79</sup> President Chávez urged that the judge receive the maximum sentence of 30

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<sup>76</sup> Human Rights Watch, *Tightening the Grip, Concentration and Abuse of Power in Chávez's Venezuela*, July 17, 2012, available at <http://www.hrw.org/reports/2012/07/17/tightening-grip-0>.

<sup>77</sup> See the full report at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?dliid=186550#wrapper>.

<sup>78</sup> Venezuela Awareness Foundation, "Lista de ciudadanos Venezolanos que son prisioneros políticos del Gobierno de Hugo Chávez," available at <http://www.venezuelaawareness.com/Presos/indexpresos.asp>.

<sup>79</sup> For example, see the following white paper prepared by lawyers defending Eligio Cedeño, "Bolivarian Rule of Lawlessness, The Eligio Cedeño Case: The Erosion of Judicial Autonomy under Hugo Chávez," by Robert Amsterdam, Gonzalo Himiob Santomé, and Antonio Rosich, June 2009, available at [http://www.robertamsterdam.com/venezuela/2009/06/new\\_white\\_paper\\_on\\_venezuelas\\_political\\_prisoners.htm](http://www.robertamsterdam.com/venezuela/2009/06/new_white_paper_on_venezuelas_political_prisoners.htm).

years. U.N. human rights experts criticized the judge's arrest, maintaining that Venezuela's reprisal against the judge created a climate of fear that undermines the rule of law and obstructs justice.<sup>80</sup> According to Human Rights Watch, Judge Afiuni was held in deplorable conditions for over a year, where she was repeatedly insulted and threatened by other inmates. She reportedly received inadequate health treatment during her detention until she was released from prison and placed under house arrest on February 2, 2011. International human rights groups, such as Amnesty International and Human Rights Watch, have called for the charges to be dropped completely.<sup>81</sup> In early March 2012, the United Nations Working Group on Arbitrary Detention asked Venezuela to release Judge Afiuni, maintaining that her detention was an act of retaliation for her release of an individual whom the Working Group had asked to be released.<sup>82</sup>

In another high-profile case, retired General Raúl Baduel, a former defense minister in the Chávez government, was sentenced to 7 years and 11 months in prison in May 2010 on corruption-related charges. Baduel, who was first arrested and imprisoned in April 2009, was a strong critic of President Chávez during the 2007 constitutional reform.

Venezuelans at times have turned to using hunger strikes as a form of protest against the government. On August 30, 2010, hunger striker Franklin Brito died at a Venezuelan military hospital. Brito had been engaged in a battle with the Venezuelan government beginning in 2004 over the seizure of a portion of his farm by squatting farmers who were given permission by Venezuela's National Land Institute (INTI). On February 22, 2011, more than 80 students ended a 23-day hunger strike after the government agreed to review cases of alleged political prisoners and to establish a committee to discuss the students' grievances. The government conditionally released several of those detained, including jailed opposition legislator Biagio Pilieri.<sup>83</sup> In May 2011, a former PdVSA employee who had been fired (along with some 19,000 oil workers during and after the 2002-2003 opposition strike) died of respiratory failure after a five-month hunger strike to protest the firings.<sup>84</sup> In November 2011, a jailed newspaper editor, Leocenis Garcia, imprisoned for insulting public officials and inciting hatred, was released after an almost two-week hunger strike.<sup>85</sup>

NGOs in Venezuela and human rights organizations abroad have expressed concern about legislation approved in December 2010, the Law for the Defense of Political Sovereignty and National Self-Determination, that prohibits civil society organizations that "defend political rights" or "monitor the performance of government bodies" from receiving international funds and would impose stiff fines on those that do. According to Human Rights Watch, the measure would make it very difficult for Venezuelan human rights to secure sustainable financing.<sup>86</sup>

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<sup>80</sup> U.N. Experts Say Venezuela's Chávez Creating Fear," *Reuters*, December 16, 2009.

<sup>81</sup> "Venezuela: Judge Afiuni Before the United Nations Human Rights Council," *Human Rights Watch*, March 8, 2011; and "Venezuela: Amnesty International Welcomes the Granting of House Arrest to Judge Afiuni," Amnesty International, Public Statement, February 4, 2011.

<sup>82</sup> "UN Working Group Calls for Judge Afiuni's Release," *El Universal* (Venezuela), March 7, 2012.

<sup>83</sup> "Chávez and the Students," *Latin American Andean Group Report*, March 2011; "Venezuela's Student Hunger Strikes Claim a Deal," *LatinNews Daily*, February 23, 2011; and "Venezuela: Chávez Plays Defence," *EIU, Business Latin America*, April 11, 2011.

<sup>84</sup> U.S. Department of State, *Country Report on Human Rights Practices 2011, Venezuela*, May 24, 2012.

<sup>85</sup> Christopher Toothaker, "Anti-Chávez Newspaper Editor Released in Venezuela, Hospitalized Following Hunger Strike," *Associated Press*, November 21, 2011.

<sup>86</sup> "Venezuela: Legislative Assault on Free Speech, Civil Society," Human Rights Watch, December 22, 2010; "Severe (continued...)"

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**Amnesty International**, Human Rights in Bolivarian Republic of Venezuela, <http://www.amnesty.org/en/region/venezuela>

**Committee to Protect Journalists**, <http://www.cpj.org/americas/venezuela/>; *Venezuela's Private Media Wither Under Chávez Assault*, August 2012, available at <http://www.cpj.org/reports/venezuela2012-english.pdf>

**Human Rights Watch**, <http://www.hrw.org/en/americas/venezuela/>; *Tightening the Grip, Concentration and Abuse of Power in Chávez's Venezuela*, July 17, 2012, available at <http://www.hrw.org/reports/2012/07/17/tightening-grip-0>

**Inter-American Commission on Human Rights (IACHR)**, <http://www.cidh.oas.org/DefaultE.htm>; Annual Report of the IACHR 2011, April 2012, chapter IV includes an extensive section on Venezuela, available at <http://www.oas.org/en/iachr/docs/annual/2011/TOC.asp>; Democracy and Human Rights in Venezuela, December 30, 2009, available at <http://www.cidh.org/countryrep/Venezuela2009eng/VE09.TOC.eng.htm>

**Programa Venezolano de Educación-Acción en Derechos Humanos (PROVEA)**, <http://www.derechos.org/ve/>

**Reporters without Borders**, <http://en.rsf.org/venezuela.html>

**U.S. State Department**, Country Report on Human Rights Practices 2011, May 24, 2012, Venezuela, <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?dld=186550#wrapper>

### Threats to Freedom of Expression

As noted above, the Chávez government has taken actions in recent years that have undermined the right to free expression. While there is vibrant political debate in Venezuela reflected in the print and broadcast media, the government has discriminated against media that offer views of political opponents, and has used laws and regulations regarding libel and media content as well as legal harassment and physical intimidation that, according to human rights groups, have effectively limited freedom of speech and the press in some cases. The Chávez government has also expanded state-owned media, including radio and television stations, newspapers, and websites in order to counter what it viewed as imbalance in the media environment. In August 2012, the Committee to Protect Journalists issued a special report documenting the Chávez government's attacks on private media and its establishment of a large state media that disseminates government propaganda and often is used to launch smear campaigns against critics.<sup>87</sup>

**RCTV Case.** As noted above, President Chávez's May 2007 closure of RCTV sparked significant protests and worldwide condemnation. The Venezuelan government maintained that it did not renew RCTV's broadcast license because of the station's actions in support of the April 2002 coup that temporarily removed Chávez from power. The 2007 closure shut down RCTV's general broadcast station that was available nationwide, but allowed RCTV to operate with a more limited audience as a subscription-based cable station known as *RCTV-Internacional*.

In January 2010, however, the Venezuelan government took *RCTV-Internacional* off the air (along with five other stations that were subsequently allowed to resume broadcasting). Many

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Setbacks to Democratic Governance and Human Rights Guarantees in Venezuela," Washington Office on Latin America, January 19, 2011; and Ian James, "Ban On Foreign Funding Leave Venezuelan Activists in Limbo About Whether They Are Targets," *Associated Press*, January 30, 2011.

<sup>87</sup> Joel Simon, "Chávez's Decade of Media Repression," *Miami Herald*, August 28, 2012; Committee to Protect Journalists, *Venezuela's Private Media Wither Under Chávez Assault*, August 2012, available at <http://cpj.org/reports/venezuela2012-english.pdf>.



observers believe that the government's actions were taken to silence *RCTV-Internacional*, which had continued to broadcast criticism of the Chávez government. The government maintains that the stations violated the Law of Television and Radio Social Responsibility by not complying with a requirement to broadcast government announcements and presidential speeches (which have been numerous under President Chávez's rule). International cable stations are not required to comply with this broadcast requirement, but in December 2009, a decree by the National Telecommunications Commission (CONATEL) maintained that cable stations would only be considered international if 70% or more of their programming is foreign. This ultimately led to the government taking *RCTV-Internacional* and the other five stations off the air on January 24, 2010.

There was widespread Venezuelan domestic and international criticism of the government's shutdown of the cable stations. OAS Special Rapporteur for Freedom of Expression Catalina Botero and the Inter-American Commission on Human Rights' Commissioner for Venezuelan Affairs Paulo Sérgio Pinheiro expressed their strong opposition and requested that guarantees of freedom of expression and due process be reestablished.<sup>88</sup> Human rights organizations, including Human Rights Watch, the Committee to Protect Journalists, Reporters without Borders, and the Washington Office on Latin America, also strongly criticized Venezuela's action.

**Globovisión Case.** The Venezuelan government also began targeting the operation of *Globovisión* in 2009, a Caracas-area television news station that has often been critical of the government, and has used administrative and criminal investigations against the station. In March 2010, the president of *Globovisión*, Guillermo Zuloaga, was arrested for making remarks deemed offensive to President Chávez at a meeting in Aruba of the Inter-American Press Association. After strong domestic and international criticism, Zuloaga was released, but in June 2010, he fled the country after another arrest warrant charged him with hoarding cars in an effort to capitalize on future price increases at his car dealership. In October 2011, the Venezuelan government fined *Globovisión* about \$2.1 million for extensive coverage of a month-long standoff between prisoners and government troops at a large prison outside Caracas. The government claimed that the coverage had stirred public anxiety and included false accusations against the government. In early March 2012, the Committee to Protect Journalists condemned an attack on *Globovisión* journalists covering an opposition rally. The attack was allegedly conducted by members of the ruling PSUV.<sup>89</sup> In June 2012, *Globovisión* agreed to pay the \$2.1 million fine cited above after Venezuela's Supreme Court ordered that its assets be frozen.

**Radio Broadcasting.** With regard to radio broadcasting, the Chávez government announced in 2009 that it would open administrative proceedings against 240 radio stations (reportedly more than a third of all stations) to revoke their licenses because they failed to update their registration papers. Subsequently, 32 stations were shut down. Press rights groups such as the Committee to Protect Journalists maintain that the action was another attempt by the Venezuelan government to expand pro-government media, control the flow of information, and suppress dissent.<sup>90</sup>

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<sup>88</sup> Inter-American Commission on Human Rights, "Commissioner for Venezuelan Affairs and IACHR's Special Rapporteur for Freedom of Expression Reject the Closing of Cable Television Channels in Venezuela," Press Release, R05-10, January 24, 2010.

<sup>89</sup> "Globovisión Journalists Attacked in Venezuela," Committee to Protect Journalists, March 6, 2012.

<sup>90</sup> Committee to Protect Journalists, "Venezuela Moves to Silence Hundreds of Broadcasters," July 22, 2009.

**Print Media.** In terms of print media, there is a wide variety of privately owned newspapers in Venezuela that often take a strong editorial stand against the Venezuelan government. Nevertheless, according to some observers, there has been an increase of self-censorship since privately owned newspapers are strongly dependent on government advertising and owners do not want to jeopardize their companies. Press rights groups criticized the prosecution of a journalist in June 2010 for reporting on a case of nepotism in local government. Press rights groups also criticized a Venezuelan court's decision in August 2010 to ban print media from publishing images of violence in the lead-up to the September 2010 legislative elections. They characterized the ban as an attempt to censor news coverage of crime and violence before the elections.

In January 2009, Orel Sambrano, the director of a political weekly magazine, was murdered after covering several drug trafficking cases. A former police officer was convicted for the murder in May 2010, while in August 2010, a member of a powerful Venezuelan business family, Walid Makled Garcia, the presumed instigator of the murder, was arrested in Colombia. Makled is wanted in the United States on drug trafficking charges, but on November 16, 2010, Colombian President Juan Manuel Santos announced that Makled would be extradited to Venezuela. This ultimately occurred on May 9, 2011. (Also see "Extradition of Walid Makled from Colombia" below.)

In May 2011, Venezuelan newspaper columnist Wilfred Iván Ojeda was shot and killed in the state of Aragua. Press rights groups called on Venezuela authorities to fully investigate the murder and bring those responsible to justice.

In August 2011, the Venezuelan government temporarily closed a Venezuelan newspaper, *6to Poder* (Sixth Power), and charged two of its executives with inciting hatred and insulting public officials after the paper published a satirical article on several high-ranking female government officials. One of the executives, newspaper editor Leocenis Garcia, was imprisoned for nearly three months, but released in November 2011 after an almost two-week hunger strike.

## **Anti-Semitism**

Venezuela, which has a Jewish community of about 9,000,<sup>91</sup> has witnessed a rise in anti-Semitic acts over the past several years under the government of President Chávez. In the past, anti-Semitism appeared to be rare in Venezuela, but has grown in recent years as Venezuela has moved toward closer relations with Iran and as it has criticized Israel for its actions in Lebanon against Hezbollah and for its actions in Gaza.<sup>92</sup> According to the State Department's 2009 human rights report, there was an increase in anti-Semitic vandalism, caricatures, and expression at rallies and in newspapers. Government-affiliated media outlets broadcast or printed numerous anti-Semitic comments. The State Department report noted that the government did not officially condone anti-Semitism, but maintained that it orchestrated several anti-Israel demonstrations and that President Chávez called on the Jewish community to denounce Israel's actions. These activities were accompanied by an increase in anti-Semitic rhetoric and graffiti, and vandalism of property owned by Jews.

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<sup>91</sup> U.S. Department of State, *Country Report on Human Rights Practices 2011, Venezuela*, May 24, 2012.

<sup>92</sup> Roth Institute, *Anti-Semitism Worldwide 2008/9*.

In late January 2009, a Caracas synagogue was vandalized. Criminal charges were filed against 11 people for the attack, including 8 police officers (A Venezuelan court sentenced six of the 11 defendants to 10 years in prison in July 2011, while the remaining five defendants remain on trial.) According to the State Department's 2009 international religious freedom report, Venezuelan government officials publicly condemned the synagogue attack, including President Chávez, who phoned the president of the Confederation of Jewish Associations in Venezuela (CAIV) and promised to guarantee the safety of the Jewish community. A State Department official at the OAS condemned the incident, maintaining that it served "as a warning of what can happen in a highly politicized environment when intolerance is left to simmer."<sup>93</sup> In February 2009, 16 Members of Congress spoke out against the synagogue attack in a letter to President Chávez. They stated in the letter that they believed that the attack was "a direct result of the dangerous environment of fear and intimidation against the Jewish community which your government has fostered." The Members called on Chávez "to end the bullying and harassment of the Jewish community" and "to extend the community the robust protection it deserves in light of the threats it faces."<sup>94</sup>

In the aftermath of Israel's Gaza flotilla incident in late May 2010, the Venezuelan government's strong anti-Israeli rhetoric and conspiracy theories about the state of Israel contributed to continued anti-Semitic language in Venezuelan media.<sup>95</sup> In a September 2010 meeting with President Chávez, Jewish leaders raised the problem of anti-Semitism in the state-owned media.

In May 2011, CAIV and U.S.-based Jewish organizations denounced a state-owned radio station that featured a reading of selections from the anti-Semitic tract known as the "Protocols of the Elders of Zion," with the radio host suggesting that listeners read it.

In February 2012, U.S. Jewish groups criticized attacks in the Venezuelan media against opposition presidential candidate Henrique Capriles Radonski that portrayed his Jewish heritage negatively. Capriles is a practicing Catholic, but is the grandson of Polish Jewish immigrants who survived the Holocaust.

## Energy Issues

Since Venezuela is a major supplier of foreign oil to the United States, providing 9.7% of U.S. crude oil imports in 2011 (and 8.3% of total crude oil and petroleum products imports), a key U.S. interest has been ensuring the continued flow of oil exports. Venezuela was the fourth-largest foreign supplier of crude oil and products to the United States in 2011 (after Canada, Mexico, and Saudi Arabia), exporting 944,000 barrels per day to the United States.<sup>96</sup> Venezuela's oil exports to the United States amounted to about \$42 billion in 2011, accounting for 97% of Venezuela's total exports to the United States.<sup>97</sup>

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<sup>93</sup> U.S. Department of State, "U.S. Delegation Condemns Anti-Semitic Attack Against Caracas Synagogue," February 4, 2009.

<sup>94</sup> House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, "Engel Condemns Attack on Synagogue in Venezuela," February 2, 2009.

<sup>95</sup> See, for example, the following report by the Anti-Defamation League, "Anti-Semitism in Venezuela in the Wake of the Gaza Flotilla," July 6, 2010.

<sup>96</sup> U.S. Energy Information Administration, "Petroleum: U.S. Imports by Country of Origin," July 30, 2012.

<sup>97</sup> Department of Commerce statistics, as presented by Global Trade Atlas.

According to the U.S. Energy Information Administration (EIA), Venezuela sends a large share of its crude oil exports to the United States, about 43% in 2010. 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. Venezuela, according to EAI, is attempting to diversify its export destinations away from the United States. One of the fastest growing destinations for Venezuelan crude oil exports has been China, which imported almost 126,000 barrels per day, about 6% of Venezuela's crude oil in 2010.<sup>98</sup>

Venezuela's proven oil reserves are estimated to be 211 billion barrels of oil, up from 99 billion barrels in 2010 because of the inclusion of heavy Orinoco Belt oil in the estimate. This makes Venezuela the country with the largest reserves in the hemisphere. Venezuela's proven natural gas reserves are estimated to be 195 trillion cubic feet (the second largest in the hemisphere after the United States).<sup>99</sup> Most of Venezuela's proven natural gas reserves are associated gas linked to its oil production, but in September 2009, the Spanish energy company Repsol YPF announced a major offshore gas find in the Gulf of Venezuela involving gas that reportedly could amount to 7 trillion-8 trillion cubic feet.<sup>100</sup>

Under President Chávez, the Venezuelan government has asserted greater control over the country's oil reserves. By March 2006, it had completed the conversion of its 32 operating agreements with foreign oil companies to joint ventures, with the Venezuelan government now holding a majority share of between 60% and 80% in the ventures. In 2007, the government completed the conversion of four strategic associations involving extra-heavy oil Orinoco River Basin projects. Six foreign companies had been involved in the projects—U.S.-based ConocoPhillips, Chevron, and ExxonMobil; Norway's Statoil-Hydro; Britain's BP; and France's Total. In the conversion to Venezuelan government majority ownership, Chevron and BP maintained their previous investments, Total and Statoil-Hydro reduced their holdings, and ConocoPhillips and ExxonMobil chose to leave the projects. Subsequent bilateral agreements for the development of additional Orinoco Belt resources have involved PdVSA partnering with a number of foreign oil companies, including Chevron, PetroVietnam, the China National Petroleum Corporation (CNPC), Italy's Eni, Malaysia's Petronas, and Spain's Repsol as well as Indian, Japanese, and Russian consortiums.<sup>101</sup>

According to the EIA, Venezuela's total oil production has been falling in recent years and was estimated at around 2.36 million barrels per day (mbd) in 2010, with crude oil accounting for 2.09 mbd. This compares to total oil production of 2.47 mbd in 2009 and 2.64 mbd in 2008. The decline in production, according to EIA, stems from natural decline at older fields, maintenance issues, and compliance with OPEC production cuts.<sup>102</sup> Total oil production in 2011, however, is estimated to have increased to 2.47 mbd, with crude oil accounting for 2.24 mbd.

Despite notable frictions in bilateral relations, Venezuela has continued to be a major supplier of oil to the United States. On numerous past occasions, however, Chávez threatened to stop selling oil to the United States, although Venezuelan officials maintained that Venezuela would only stop sending oil to the United States if attacked by the United States. Because of Chávez's strong

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<sup>98</sup> U.S. Energy Information Administration, "Country Analysis Briefs, Venezuela," March 2011.

<sup>99</sup> "Worldwide Look at Reserves and Production," *Oil & Gas Journal*, December 5, 2011.

<sup>100</sup> "Repsol YPF Confirms Large Gas Find Off Venezuela," *Oil & Gas Journal*, September 28, 2009.

<sup>101</sup> U.S. Energy Information Administration, "Country Analysis Briefs, Venezuela," March 2011.

<sup>102</sup> *Ibid.*, and U.S. Energy Information Administration, "Venezuela Energy Profile," information updated July 14, 2010.

rhetoric, however, some observers raised questions about the security of Venezuela as a major supplier of foreign oil. In June 2006, the Government Accountability Office (GAO) issued a report, requested by then-Senate Foreign Relations Committee Chairman Richard Lugar, on the issue of potential Venezuelan oil supply disruption. At the time, 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.<sup>103</sup>

On August 25, 2012, an explosion at a Venezuelan oil refinery killed more than 40 people, and raised questions about whether the government has neglected maintenance and safety in its management of PdVSA. Venezuela's largest oil union has called for the resignation of the head of PdVSA, Rafael Ramirez, who also serves as minister of oil and mining. The issue reportedly has become a campaign issue, with critics of President Chávez maintaining that his government has used PdVSA to fund social programs, with not enough slated for maintenance and investment for the oil company's infrastructure.<sup>104</sup>

## Counternarcotics Issues

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. Venezuela suspended its cooperation with the U.S. Drug Enforcement Administration (DEA) in August 2005 because it alleged that DEA agents were spying on Venezuela. U.S. officials maintained that the charges were baseless. From 2005 to 2008, President Bush annually 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 had failed demonstrably to adhere to its obligations under international narcotics agreements. At the same time, the President waived economic sanctions that would have curtailed U.S. assistance for democracy programs in Venezuela. President Obama has taken the same action over the past three years, most recently in September 2011, marking the seventh consecutive year for Venezuela's designation as a country not adhering to its anti-drug obligations.<sup>105</sup>

The United States and Venezuela were on the verge of signing an anti-drug cooperation agreement in 2006 that had been negotiated in 2005 (an addendum to the 1978 Bilateral Counternarcotics Memorandum of Understanding or MOU), but Venezuelan approval of the agreement has still not taken place. The issue has been repeatedly raised by the United States as a way to improve bilateral antidrug cooperation.

The Treasury Department has imposed sanctions on at least 14 Venezuelans for narcotics trafficking, freezing the assets of these individuals subject to U.S. jurisdiction and blocking U.S. persons from engaging in any transactions with these individuals. These include seven current or former Venezuelan officials. In September 2008, the Treasury Department froze the assets of two senior Venezuelan intelligence officials—General Hugo Carvajal and General Henry Rangel—

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<sup>103</sup> U.S. Government Accountability Office, "Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production," GAO-06-668, June 2006.

<sup>104</sup> Ezequiel Minaya, "World News: Deadly Blast in Venezuela Marks Failing Infrastructure," *Wall Street Journal*, August 29, 2012; William Neuman, "Venezuelan Government Criticized in Deadly Refinery Blast," *New York Times*, August 28, 2012.

<sup>105</sup> White House, "Presidential Determination No. 2011-16, Presidential Determination on Major Illicit Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2012," September 15, 2011.

and the former interior minister, Ramón Rodríguez Chacín, for allegedly helping the Revolutionary Armed Forces of Colombia (FARC) with drug and weapons trafficking.<sup>106</sup> General Rangel was subsequently appointed Venezuela's defense minister in January 2012. In September 2011, the Treasury sanctioned four more Venezuelan officials for supporting the weapons and drug-trafficking activities of the FARC. These included Major General Cliver Antonio Alcalá Cordones; Freddy Alirio Bernal Rosales, a PSUV representative to Venezuela's National Assembly; Amilcar Jesús Figueroa Salazar, a former alternative president of the Latin American Parliament; and Ramon Isidro Madriz Moreno, an officer with the Venezuelan Intelligence Service (SEBIN, *Servicio Bolivariano de Inteligencia*).<sup>107</sup>

Some press reports have cited concerns that elements of the Venezuelan military are becoming increasingly involved in drug trafficking, moving from simply facilitating the transit of drugs to taking direct control of shipments and routes.<sup>108</sup> As noted above, General Henry Rangel—added to the U.S. Treasury Department drug trafficking sanctions list in 2008—was elevated to minister of defense in 2011 while another military official, General Cliver Alcalá Cordones, was added to the list in September 2011. Some reports allege that Venezuela's military leaders involved in drug trafficking pressed President Chávez to negotiate with Colombia for the extradition of Walid Makled, a Venezuelan drug trafficker who alleged that he had paid off numerous Venezuelan military officials.<sup>109</sup> (Also see “Extradition of Walid Makled from Colombia” below.)

### September 2011 Presidential Determination

On September 15, 2011, President Obama issued the seventh annual determination (as part of the annual narcotics certification process) that Venezuela had “failed demonstrably” to meet its obligations under international counternarcotics measures. According to a memorandum of justification accompanying the determination, while as a matter of state policy the Venezuelan government does not encourage, support, or facilitate illegal activity associated with drug trafficking, “individual members of the government and security forces were credibly reported to have engaged in or facilitated drug trafficking activities.”<sup>110</sup> The justification maintained that since Venezuela ceased formal cooperation with the DEA in 2005, bilateral counternarcotics cooperation has been inadequate and conducted on a limited case-by-case basis, consisting “mainly of informal information exchanges with remaining DEA representatives in Caracas, coordination of fugitive deportations from Venezuela to the United States, and maritime interdiction activities carried out by the U.S. Coast Guard.” While Venezuela continued to grant the U.S. Coast Guard to board Venezuelan-flagged vessels suspected of narcotics trafficking, it also required the return of confiscated vessels, suspects, and contraband to Venezuela with no follow up information provided to U.S. officials.

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<sup>106</sup> Phil Gunson, “U.S. Slams Venezuelan Hugo Chávez Top Intelligence Men,” *Miami Herald*, September 13, 2008; *Federal Register*, September 19, 2008, pp. 54453-54454.

<sup>107</sup> U.S. Department of the Treasury, Office of Foreign Assets Control, “Recent OFAC Actions, Specially Designated Nationals Update,” September 8, 2011; and Fabiola Sanchez, “U.S. Accuses 4 Chávez Allies of Aiding Leftist Rebels,” *Washington Post*, September 9, 2011.

<sup>108</sup> Jeremy McDermott and Geoffrey Ramsey, “Is Venezuelan Military Stepping up Role in Drug Trafficking?” *InSight, Organized Crime in the Americas*, January 30, 2012.

<sup>109</sup> Antonio Maria Delgado, “Cables: Chávez Betrayed the FARC to Appease Generals,” *Miami Herald*, March 9, 2012.

<sup>110</sup> White House, “Presidential Determination No. 2011-16, Presidential Determination on Major Illicit Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2012,” September 15, 2011.

The justification noted some positive steps take by the Venezuelan government in the past year. These included the transfer of three major drug traffickers to the United States and the transfer of nine other fugitives to third countries; a bilateral counternarcotics agreement with Colombia; and the capture and transfer to Colombia of seven members of the FARC and National Liberation Army (ELN) guerrilla groups (which rely heavily on drug trafficking to fund their operations).

### **State Department 2012 INCSR Report**

In its March 2012 *International Narcotics Control Strategy Report* (INCSR), the State Department contended that Venezuela was one of the preferred trafficking routes for the transit of cocaine out of South America because of a porous border with Colombia, a weak judicial system, inconsistent international counternarcotics cooperation, generally permissive law enforcement, and a corrupt political environment. The illicit drugs transiting Venezuela are destined for the Eastern Caribbean, Central America, United States, Western Africa, and Europe. The report maintained that U.S. government estimates of cocaine transiting through Venezuela were 161-212 metric tons (compared to 250 metric tons noted in the 2011 INCSR).

According to the 2012 INCSR, Venezuela's National Anti-Drug Office (ONA), Venezuela seized 42 metric tons in 2011 (down from 63 metric tons in 2010), with 62% cocaine and 37% marijuana. In 2011, Venezuela also deported three fugitives wanted on drug charges to the United States: in March, Gloria Rojas Valencia, allegedly working for Los Zetas (a violent Mexican drug trafficking organization) in Venezuela; in September, Lionel Scott Harris, a U.S. citizen; and in December, Maximiliano Bonilla Orozco, also known as "Valenciano," one of Colombia's top drug traffickers.

The State Department maintained in the INCSR that that "the United States remains prepared to deepen cooperation with Venezuela to help counter the increasing flow of cocaine and other illegal drugs." As in the past, the State Department reiterated that cooperation could be improved through formal reengagement between Venezuelan and U.S. law enforcement agencies and the signing of the outstanding addendum to the 1978 Bilateral Counternarcotics MOU that was negotiated in 2005, which would provide funds for joint counternarcotics projects and demand reduction programs. The INCSR proffered that bilateral cooperation could also include counternarcotics and anti-money laundering training programs for law enforcement and other officials; Venezuelan participation in the U.S. Coast Guard's International Port Security Program; and activation of the Container Inspection Facility at Puerto Cabello that was partially funded by the United States in 2004. According to the INCSR, "these cooperative activities would increase the exchange of information that could lead to arrests, help dismantle organized criminal networks, aid in the prosecution of criminals engaged in narcotrafficking, and stem the flow of illicit drugs transiting Venezuelan airspace, land, and sea."

### **Venezuela's Views of Its Anti-Drug Efforts**

Venezuelan officials maintain that, contrary to U.S. government claims, their government has been taking significant antidrug measures, including 52 international anti-drug cooperation agreements and participation in the OAS's Inter-American Drug Abuse Control of Drug Commission (CICAD). The government maintains that the annual U.S. anti-drug determination is designed to serve political ends and is an inaccurate portrayal of Venezuela's actions. According to Venezuelan government statistics, Venezuela seized 63 metric tons of illicit drugs in 2010, 36% more than in 2004, the last year of cooperation between Venezuela and the DEA. The government

maintains that it has a zero policy toward drug trafficking, with more than 13,000 drug-related arrests in 2010, and more than 9,000 arrests in the first six months of 2011. According to the government, in recent years it has stepped up patrols along the border with Colombia and acquired new radar stations to intercept planes and special incinerators to dispose of seized drugs. The government also maintains that it takes a comprehensive approach to combating drugs, including a national anti-drug plan under the government has supervised hundreds of educational workshops and aims to train 5 million Venezuelans as prevention advisers.<sup>111</sup>

### **Extradition of Walid Makled from Colombia**

On November 16, 2010, Colombian President Juan Manuel Santos said that his government would extradite a Venezuelan businessman and alleged narcotics trafficker, Walid Makled Garcia, to Venezuela. Makled was arrested in Colombia in August 2010. In addition to narcotics trafficking, Makled is wanted in Venezuela for several killings, including the 2008 killing of a suspected Colombian drug trafficker in Venezuela and for the murder of journalist Orel Sambrano in January 2009. After his arrest, Makled gave media interviews alleging that he had close links with high-level Venezuelan officials and that he paid millions of dollars for favors and protection. Venezuelan officials refute the claims, and President Chávez has alleged that the United States would try to use the fabricated allegations in order to justify an attack against his government similar to the 1989 U.S. invasion of Panama that removed General Manuel Noriega from power.<sup>112</sup>

Makled is also wanted in the United States on drug trafficking charges. In May 2009, President Obama identified Makled as a significant foreign narcotics trafficker under the Foreign Narcotics Kingpin Designation Act (which targets the financial assets of traffickers), while in early November 2010, Makled was indicted by a federal court in New York for trafficking tons of cocaine into the United States.<sup>113</sup> While the United States wanted Makled extradited to the United States, the Administration maintained that it respected Colombia's extradition processes. Some Members of Congress called on President Santos to reconsider extraditing Makled to Venezuela and to instead extradite him to the United States.

President Santos maintained that Venezuela's extradition request came before that of the United States, and that he gave his word to President Chávez that Makled would be handed over once the judicial process in Colombia was completed.<sup>114</sup> This ultimately occurred on May 9, 2011, reflecting continued warming relations with Colombia. In a media interview before his extradition, Makled maintained that 5 current Venezuelan legislators and 40 generals had been on his payroll, including General Hugo Carvajal, the director of Military Intelligence. Makled also reportedly was questioned by U.S. officials before his extradition.<sup>115</sup>

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<sup>111</sup> Embassy of the Bolivarian Republic of Venezuela to the U.S., "Fact Sheet: Venezuela's Fight Against Drugs," September 16, 2011.

<sup>112</sup> Luis Jaime Acosta, "Colombia to Extradite Accused Venezuelan Drug Lord," *Reuters*, November 16, 2010.

<sup>113</sup> "Manhattan U.S. Attorney Announces Indictment of One of the World's Most Significant Narcotics Kingpins," *Targeted News Service*, November 4, 2010.

<sup>114</sup> Luis Jaime Acosta, "Colombia to Extradite Accused Venezuelan Drug Lord," *Reuters*, November 16, 2010.

<sup>115</sup> Jim Wyss, "Alleged Venezuelan Kingpin Raises Stakes for U.S. Prosecutors," *Miami Herald*, April 4, 2011.



## Venezuela's Military Purchases

For several years, U.S. officials have expressed concerns about Venezuela's purchases of military equipment. In January 2006, the State Department reported 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 at the time, the proposed sale could have contributed to destabilization 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>116</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 interest in purchasing at least a dozen light-attack aircraft, manufactured by Embraer (*Empresa Brasileira de Aeronáutica, SA*), that contain U.S. technology.<sup>117</sup>

In May 2006, the State Department determined (pursuant to Section 40A of the Arms Export Control Act) that Venezuela was not fully cooperating with U.S. antiterrorism efforts, an action that triggered a prohibition on the sale or license of defense articles and services to Venezuela. Since then, the State Department has made the same annual determination each year, most recently in May 2012.

Venezuela has bought significant amounts of military equipment from Russia, more than \$6 billion from 2005 through 2009. This included 24 Sukhoi Su-30 fighter jets, helicopters, armored personnel carriers, air defenses missiles, and small arms.<sup>118</sup> The Venezuelan government maintains that it purchased 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. After visiting Russia in September 2009, President Chávez announced that Russia would grant Venezuela a \$2.2 billion credit line to purchase military equipment. At the end of 2011, Venezuela and Russia reportedly signed another \$4 billion Russian credit deal to fund additional military equipment, including additional fighter aircraft.<sup>119</sup>

Over the past several years, several Directors of National Intelligence (DNI) have expressed concerns about Venezuela's military purchases. In January 11, 2007, testimony before the Senate Select Committee on Intelligence, then-DNI John Negroponte expressed concern that President Chávez's military purchases and moves toward developing his own weapons production capability were increasingly worrisome to his neighbors, and could fuel an arms race in the region. In February 5, 2008, testimony before the same committee, then-DNI Michael McConnell again noted growing anxiety among Venezuela's neighbors because of this arms build-up. McConnell also testified at a February 27, 2008, Senate Armed Services Committee hearing that

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<sup>116</sup> Renwick McLean, “U.S. Objections Lead Spain to End Venezuela Deal,” *New York Times*, October 19, 2006.

<sup>117</sup> U.S. Department of State, Daily Press Briefing, January 13, 2006; Phil Gunson and Pablo Bachelet, “Spain's Planes for Chávez Can't Use U.S. Components,” *Miami Herald*, January 14, 2006; Leslie Crawford and Andy Webb-Vidal, “Spain to Defy U.S. over Military Sale to Venezuela,” *Financial Times*, January 14, 2006.

<sup>118</sup> U.S. Senate Select Committee on Intelligence, “Annual Threat Assessment of the US Intelligence Community,” prepared testimony by Dennis C. Blair, Director of National Intelligence, February 2, 2010, p. 33.

<sup>119</sup> “Details of Russian Arms Sales to Venezuela; Arms Trade with China Said Stable,” *BBC Monitoring Former Soviet Union*, January 15, 2012.

Venezuela's military build-up is probably three to four times what would be needed for external defense. With regard to rifles from Venezuela potentially ending up in the hands of the FARC, DIA Director Maples maintained at the hearing that he had not seen that, and that the likely purpose was "using asymmetric capabilities and tactics and empowering the population in some way, in a home guard sense."

Under the Obama Administration, then-DNI Dennis Blair testified before the Senate Select Committee on Intelligence on February 12, 2009, that while the Chávez government's military purchases from Russia have been significant, Venezuela's overall military capabilities remain plagued by logistic, maintenance, and transportation shortfalls.<sup>120</sup> In September 2009, Secretary of State Clinton noted U.S. concern about Venezuela's arms purchases, which she maintained raised questions about a potential arms race in the region. The Secretary urged Venezuela to be transparent in its purchases and clear about the purposes of the purchases. She maintained that Venezuela "should be putting in place procedures and practices to ensure that the weapons that they buy are not diverted to insurgent groups or illegal organizations, like drug trafficking gangs and other criminal cartels."<sup>121</sup> On February 2, 2010, then-DNI Blair again testified before the Senate Select Committee on Intelligence that while Venezuela's military acquisitions from Russia are significant, more than \$6 billion since 2005, "their armed forces lack the training and logistics capacity to use these to their full capacity."<sup>122</sup>

In response to U.S. criticism, President Chávez has vowed to continue with his nation's military purchases, asserting that he is acquiring the minimum equipment for Venezuela to defend itself from the United States. Venezuelan Foreign Minister Nicolás Maduro maintains that the purchases are a sovereign decision and that U.S. criticisms have "no political or moral weight."<sup>123</sup>

## Venezuela's Activities in Latin America

For a number of years, the Chávez government has focused its relations with Latin America and its activities in the region in part as a means of countering the United States and U.S. interests and influence in the hemisphere, but Venezuela's influence in the region appears to have waned. In February 2011, Director of National Intelligence (DNI) James Clapper testified that "deteriorating economic conditions in Venezuela and Chávez's declining popularity at home and abroad have limited his ability to exert influence beyond his core group of allies."<sup>124</sup>

Over the years, there had been concerns about President Chávez's attempts to export his brand of populism to other Latin American countries. He strongly supported Bolivia's President Evo Morales, and offered assistance to help Bolivia re-write its constitution and implement radical

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<sup>120</sup> U.S. Senate Select Committee on Intelligence, "Annual Threat Assessment of the Intelligence Community," prepared testimony by Dennis C. Blair, Director of National Intelligence, February 12, 2009, p. 32.

<sup>121</sup> U.S. Department of State, Secretary of State Hillary Rodham Clinton, "Remarks with Uruguayan President Tabare Vazquez After Their Meeting," September 15, 2009.

<sup>122</sup> U.S. Senate Select Committee on Intelligence, "Annual Threat Assessment of the US Intelligence Community," prepared testimony by Dennis C. Blair, Director of National Intelligence, February 2, 2009, p. 33.

<sup>123</sup> James Suggett, "Venezuela: U.S. Criticisms of Venezuelan Arms Purchases Lack 'Moral Weight,'" *Venezuelanalysis.com*, September 16, 2009.

<sup>124</sup> U.S. Senate Select Committee on Intelligence, "Worldwide Threat Assessment of the U.S. Intelligence Community," prepared testimony by James R. Clapper, Director of National Intelligence, February 16, 2011, available at <http://intelligence.senate.gov/110216/dni.pdf>.

reforms to the economy. Venezuela also has had close relations with Nicaragua under the presidency of Daniel Ortega, providing substantial assistance, and with Ecuador under the presidency of Rafael Correa.

President Chávez launched a Bolivarian Alternative for the Americas (ALBA) in 2004 as an alternative to the Free Trade Area of the Americas. ALBA advocates a socially oriented trade block that includes mechanisms for poverty reduction, and cooperation in a range of areas including health, education, culture, investment, and finance. Currently, eight countries in the region have joined ALBA. Venezuela and Cuba were the first countries to launch ALBA in 2004, while Bolivia joined in 2006, and Nicaragua in 2007. In 2008, the Caribbean nation of Dominica joined in January, while Honduras joined in August, but subsequently withdrew in January 2010 under the de facto government of Roberto Micheletti. In June 2009, three additional countries joined—Ecuador, St. Vincent and the Grenadines, and Antigua and Barbuda,<sup>125</sup> while in February 2012, both Suriname and St. Lucia expressed interest in joining ALBA. Despite the increase in its membership, DNI James Clapper testified before Congress in late January 2012 that “ALBA was created in part to spread Chávez’s influence in the region,” but “is only muddling through.”<sup>126</sup>

Over the past decade, Venezuela has provided Cuba with substantial assistance. Cuba benefits from a preferential oil agreement with Venezuela signed in 2000, which provides Cuba with more than 90,000 barrels of oil per day. In payment for the oil, Cuba has provided extensive services to Venezuela, including thousands of medical personnel and advisers in a number of other areas, including sports, education, agriculture, communications, and even security programs involving the military. In addition to the substantial oil provided to Cuba, Venezuela has made significant investments in Cuba. PdVSA Cuba upgrade an oil refinery in Cienfuegos, which was inaugurated in 2007, and reportedly will help boost refining at the plant from 65,000 barrels per day to 150,000 barrels per day. It also reportedly will help upgrade another current refinery in Santiago, and has plans to build a joint oil refinery in Mantanzas province. In June 2010, construction of a joint Cuban-Venezuelan nickel plant began in western Cuba. PdVSA also has signed an oil exploration and production agreement with Cupet, Cuba’s state-oil company. Because of Venezuela’s oil assistance, the country is very much an economic lifeline for Cuba. There would be significant economic disruption in Cuba if the flow of Venezuelan oil were curtailed.

Since 2005, President Chávez has used so-called “oil diplomacy” to provide oil to other Caribbean Basin nations on preferential terms in a program known as PetroCaribe, prompting some concern that Venezuela is using these programs to increase its influence in the region. Under the program, Venezuela initially offered to supply oil to the region on preferential terms with 50% of the oil financed over 25 years at an annual interest rate of 1%. At a July 2008 PetroCaribe summit, President Chávez announced that up to 60% of the oil could be financed while oil prices remained over \$100 a barrel, and this would rise to 70% financed if oil prices rise to over \$150 a barrel. Most Caribbean nations are members of PetroCaribe, with the exception of Barbados and Trinidad and Tobago. In Central America, Nicaragua and Honduras joined PetroCaribe in 2007 and Guatemala joined in July 2008. Venezuela stopped exporting preferential oil to Honduras under PetroCaribe in 2009 after the ouster of Honduran President Zelaya, but the new Honduran government of President Porfirio Lobo rejoined the program in January 2012.

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<sup>125</sup> For additional background, see the web portal of ALBA, available at <http://www.alianzabolivariana.org/>.

<sup>126</sup> U.S. Senate Select Committee on Intelligence, “Worldwide Threat Assessment of the U.S. Intelligence Community,” prepared testimony by James R. Clapper, Director of National Intelligence, January 31, 2012, available at <http://intelligence.senate.gov/120131/clapper.pdf>.

PetroCaribe also has 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.

Favorable opinions of President Chávez in Latin America are weak. As reflected in the annual *Latinobarómetro* public opinion survey of Latin American countries, President Chávez has been one of the least favorite leaders in the Americas over the past several years. His rating improved in the 2011 survey, likely because of sympathy because of his illness, but he still ranked among the least favorite leaders in the region. In contrast, favorable ratings for President Barack Obama have remained high since he took office and have made him the most popular leader in the Americas.<sup>127</sup>

## Terrorism Issues

U.S. officials have expressed concerns over the past several years about Venezuela's lack of cooperation on antiterrorism efforts, President Chávez's sympathetic statements for Colombian terrorist groups (the FARC and ELN), and Venezuela's relations with Cuba and Iran. Since May 2006, the Secretary of State has made an annual determination that Venezuela has not been "cooperating fully with United States antiterrorism efforts" pursuant to Section 40A of the Arms Export Control Act (P.L. 90-629).<sup>128</sup> As a result, the United States has imposed an arms embargo on Venezuela since 2006, which prohibits all U.S. commercial arms sales and re-transfers to Venezuela. For several years, U.S. officials also expressed concern that Venezuelan citizenship, identity, and travel documents were easy to obtain, making the country a potentially attractive way-station for terrorists. In June 2011 congressional testimony, State Department officials again expressed concern about "Venezuela's relations with Iran, its support for the FARC, [and] its lackluster cooperation on counterterrorism."<sup>129</sup>

## Colombian Terrorist Groups<sup>130</sup>

To date, the United States has imposed financial sanctions against seven current or former Venezuelan government and military officials for providing support to the FARC. As note above, in September 2008, the Treasury Department froze the assets of two senior intelligence officials—General Hugo Carvajal and General Henry Rangel—and the former interior minister, Ramón Rodríguez Chacín, for allegedly helping the FARC with weapons and drug trafficking.<sup>131</sup> General Rangel was appointed by President Chávez as defense minister in January 2012, an

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<sup>127</sup> Corporación Latinobarómetro, *2011 Report*, Santiago, Chile, October 2011.

<sup>128</sup> For the most recent determination, see: Department of State, "Determination and Certification Under the Arms Export Control Act," *77 Federal Register* 31909, May 30, 2012.

<sup>129</sup> Joint Hearing on "Venezuela's Sanctionable Activities," House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere and Subcommittee on the Middle East and South Asia, and House Committee on Oversight and Government Reform, Subcommittee on National Security, Homeland Defense and Foreign Operations. State Department testimony of Ambassador Daniel Benjamin, Coordinator for Counterterrorism; Kevin Whitaker, Acting Deputy Assistant Secretary for Western Hemisphere Affairs; and Thomas Delare, Director of the Terrorist Finance and Economic Sanctions Policy, Bureau of Economic, Energy, and Business Affairs, June 24, 2011, available at <http://foreignaffairs.house.gov/112/ben062411.pdf>.

<sup>130</sup> For additional information, see CRS Report RL32250, *Colombia: Background, U.S. Relations, and Congressional Interest*, by June S. Beittel.

<sup>131</sup> Phil Gunson, op. cit., September 13, 2008; *Federal Register*, September 19, 2008, pp. 54453-54454.

action that raised concern among U.S. policymakers. In September 2011, the Treasury Department imposed financial sanctions on four more Venezuelan officials for acting for or on behalf of the FARC, often in direct support of its narcotics and arms trafficking activities. (Also see “Counternarcotics Issues” above.)

According to June 2011, State Department congressional testimony, “Colombian-Venezuelan cooperation on terrorism and security matters is clearly increasing and being systematized, yielding notable results.” The State Department noted Venezuela’s deportation of several FARC and ELN members to Colombia, including key operatives and high-profile political actors. It said that President Chávez has “called on the FARC to join a political reconciliation process and has claimed that any discussion between Venezuelan government officials and the FARC about establishing bases in Venezuela took place without his authorization.”<sup>132</sup> In October 2011 congressional testimony, a U.S. official maintained that there continues to be evidence that the FARC are sheltering in Venezuela, but not as close to the border as before.<sup>133</sup> The State Department’s *Country Reports on Terrorism 2011* (issued in July 2012) maintained that Venezuela and Colombia continued the dialogue begun in 2010 on security and border issues, and noted that on several occasions during the year, President Chávez, in referring to the FARC and ELN terrorist groups, stated that his government would not permit the presence of illegal armed groups in Venezuelan territory.

### **Deepening Relations with Iran<sup>134</sup>**

Over the past several years, there has been concern among policymakers about Iran’s growing interest and activities in Latin America, particularly its relations with Venezuela under President Chávez, although there has been disagreement over the extent and significance of Iran’s relations with the region. The January 2012 visit by Iranian President Mahmoud Ahmadinejad on a four-nation tour to Cuba, Ecuador, Nicaragua, and Venezuela increased concerns of some policymakers about Iran’s efforts to deepen ties with Latin America. On March 7, 2012, the House Committee on Foreign Affairs reported out a measure, H.R. 3783, which would require the Administration to develop a “a strategy to address Iran’s growing hostile presence and activity in the Western Hemisphere.”

Iran’s ties to the region predate its recent increased attention. Venezuela’s relations with Iran have been long-standing because they were both founding members of OPEC in 1960. Under the government of President Mohammed Khatami (1997-2005), Iran made efforts to increase its trade with Latin America, particularly Brazil, and there were also efforts to increase cooperation with Venezuela. Not until President Ahmadinejad’s rule began in 2005, however, did Iran aggressively work to increase its diplomatic and economic linkages with Latin American countries. A major rationale for this increased focus on Latin America has been Iran’s efforts to overcome its international isolation.

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<sup>132</sup> Joint Hearing on “Venezuela’s Sanctionable Activities,” op. cit., June 24, 2011, available at <http://foreignaffairs.house.gov/112/ben062411.pdf>

<sup>133</sup> See testimony of Kevin Whitaker, Deputy Assistant Secretary of State for Western Hemisphere Affairs in “The Senate Caucus on International Narcotics Control Holds a Hearing on ‘U.S.-Andean Security Cooperation,’ – News Event,” *Political Transcripts by CQ Transcriptions*, October 19, 2011.

<sup>134</sup> For further background on Iran’s expanded relations with Latin America, see CRS Report RS21049, *Latin America: Terrorism Issues*, by Mark P. Sullivan, and CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

The personal relationship between Ahmadinejad and Chávez also has driven the strengthening of bilateral ties. Venezuela and Iran reportedly have signed numerous accords over the past decade, including agreements on construction projects (including housing, agricultural and food plants, and corn processing plants), car and tractor factories, energy initiatives (including petrochemicals and oil exploration in the Orinoco region of Venezuela), and banking programs.<sup>135</sup> During an April 2009 trip to Tehran, Chávez and Ahmadinejad inaugurated a new development bank for economic projects in both countries, with each country reportedly providing \$100 million in initial capital. Weekly flights between the two countries began in 2007, but were curtailed in September 2010.<sup>136</sup> The State Department had expressed concern about these flights, maintaining that they were only subject to cursory immigration and customs controls.

An April 2010 unclassified Department of Defense report to Congress on Iran's military power (required by Section 1245 of the National Defense Authorization Act for FY2010, P.L. 111-84) maintained that Iran's Qods Force, which maintains operational capabilities around the world, has increased its presence in Latin America in recent years, particularly in Venezuela.<sup>137</sup> Despite the report, the commander of the U.S. Southern Command, General Douglas Fraser, subsequently maintained that the focus of Iran in the region has been diplomatic and commercial, and that he has not seen an increase in Iran's military presence in the region.<sup>138</sup>

In November 2010 and again in May 2011, an online German publication, *Die Welt*, alleged that Venezuela and Iran had signed an agreement in October 2010 for a jointly operated missile base in Venezuela.<sup>139</sup> The Department of State, however, maintains that there is no evidence to support such claims, and that there is no reason to believe that the assertions are credible.<sup>140</sup> Venezuela's foreign minister called the reports by the German newspaper "an extravagant lie."<sup>141</sup>

In December 2011, a documentary featured on the Spanish-language network *Univisión* alleged that Iranian and Venezuelan diplomats in Mexico tried to recruit Mexican students for plotting possible cyberattacks against the United States. There is no indication that U.S. officials have been able to corroborate the allegations in the documentary. Subsequently, a Venezuelan diplomat based in Mexico at the time, Livia Acosta, who was recorded participating in the discussion with the Mexican students, was declared persona non grata by the State Department on January 8,

<sup>135</sup> "Ahmadinejad, Chávez Reiterate Efforts to Enhance World Peace," *FARS News Agency*, January 13, 2012.

<sup>136</sup> "House Foreign Affairs, Subcommittee on Middle East and South Asia, and Subcommittee on Western Hemisphere, and House Oversight and Government Reform, Subcommittee on National Security, Homeland Defense and Foreign Operations Hold Joint Hearing on Venezuela's Sanctionable Activity," *CQ Congressional Transcripts*, June 24, 2011; and "House Foreign Affairs Committee Holds Hearing on Threats and Security in the Western Hemisphere," *CQ Congressional Transcripts*, October 13, 2011.

<sup>137</sup> Department of Defense, "Unclassified Report on Military Power of Iran," April 2010. For the full text of the report, see [http://www.politico.com/static/PPM145\\_link\\_042010.html](http://www.politico.com/static/PPM145_link_042010.html). For background on the Qods Force, see CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

<sup>138</sup> Anne Flaherty, "Pentagon Says Iran's Reach in Latin America Doesn't Pose Military Threat," *AP Newswire*, April 27, 2010. General Fraser reiterated that Iran's focus in Latin America has been "primarily diplomatic and commercial," in March 30, 2011, testimony before the House Armed Services Committee. See: "Hearing of the House Armed Services Committee; Subject FY2012 National Defense Authorization Budget Requests for the U.S. Southern Command, U.S. Northern Command, and U.S. European Command," *Federal News Service*, March 30, 2011.

<sup>139</sup> "Iran Planning to Build Missile Base in Venezuela," November 25, 2010, and "Venezuela, Iran Press Ahead with Missile Base," May 13, 2011, website of *Die Welt* online (as translated by Open Source Center).

<sup>140</sup> CRS correspondence with Department of State, January 5, 2011, and May 23, 2011; "Chávez Mocks Missile Base Reports," *CNN Wire*, June 1, 2011.

<sup>141</sup> "Chávez Mocks Missile Base Reports," *CNN Wire*, June 1, 2011.

2012, and asked to leave the United States from her position as Venezuelan Consul General in Miami.

President Ahmadinejad began his fifth official visit to Latin America on January 8, 2012, first stopping in Venezuela. During the trip, Iran and Venezuela signed cooperation agreements in industry, science and technology, and politics. The agreements reportedly included training, studies, workshops, and professional exchanges in nanotechnology; the creation of bi-national groups on development needs and complementary productive activities; and technology transfer in areas of agriculture, food industry, mining, and construction. During the visit, President Chávez maintained that Venezuela was showing its solidarity with Iran since it is “one of the targets that Yankee imperialism has in its sights.”<sup>142</sup>

Venezuela also has played a key role in the development of Iran’s expanding relations with other countries in the region. This outreach has largely focused on leftist governments—Bolivia, Ecuador, and Nicaragua—that share the goal of reducing U.S. influence in the region. While Iran has promised significant assistance and investment to these countries, observers maintain that there is little evidence that such promises have been fulfilled.<sup>143</sup> Iranian President Ahmadinejad also visited Cuba, Nicaragua, and Ecuador in January 2012. Although he signed a number of agreements during his tour, it is doubtful that this will lead to significant Iranian investment or financial support. Analysts point out that leaders’ statements during these trips are largely propaganda, with the official Iranian press trumpeting relations with these countries in order to show that Iran is not isolated internationally and that it has good relations with countries geographically close to the United States.<sup>144</sup> Some press accounts characterized Ahmadinejad’s tour of the region as “lackluster” and a mere diplomatic show attempting to remind the world that Iran continues to have relations with countries in Latin America.<sup>145</sup> Director of National Intelligence James Clapper testified before Congress in late January 2012 that while the U.S. intelligence community remains concerned about Iran’s connection with Venezuela, Ahmadinejad’s recent trip to Latin America “was not all that successful.”<sup>146</sup>

The State Department’s *Country Reports on Terrorism 2011* (issued in July 2012) maintained that “Venezuela maintained its economic, financial, and diplomatic cooperation with Iran as well as limited military related agreements.” In a July 2012 press interview, President Obama expressed general concern about “Iran engaging in destabilizing activity around the globe,” but indicated that his “sense is that what Mr. Chávez has done over the past several years has not had a serious national security impact on us.”<sup>147</sup> This was reiterated by the head of the U.S. Southern Command, General Douglas Fraser, who maintained that he does not see Venezuela as a “national

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<sup>142</sup> “Chávez and Ahmadinejad Taunt U.S. Over ‘Big Atomic Bomb,’” *The Times* (London), January 10, 2012.

<sup>143</sup> For example, see Kavon “Hak” Hakimzadeh, “Iran & Venezuela: The Axis of Annoyance,” *Military Review*, May 1, 2009; and Anne-Marie O’Connor and Mary Beth Sheridan, “Iran’s Invisible Nicaragua Embassy; Feared Stronghold Never Materialized,” *Washington Post*, July 13, 2009. Also see “House Foreign Affairs Committee Holds Hearing on Democracy in Nicaragua,” *CQ Congressional Transcripts*, December 1, 2011.

<sup>144</sup> Comments by Stephen Johnson, Center for Strategic and International Studies, and Afshin Molavi, New America Foundation, at a January 19, 2012, event sponsored by the Council of the Americas (Washington, D.C.) on “Iran in the Americas: A Readout of the Visit.”

<sup>145</sup> Brian Ellsworth, “Iranian Leader Ends Lackluster Latin America Tour,” *Reuters News*, January 13, 2012.

<sup>146</sup> “Senate Select Intelligence Committee Holds Hearing on Worldwide Threats,” *CQ Congressional Transcripts*, January 31, 2012.

<sup>147</sup> “The Situation Room,” Transcript, *CNN*, July 11, 2012; and Patricia Massei and Erika Bolstad, “Mitt Romney, GOP Howl Over President Barack Obama’s Remark About Hugo Chávez,” *Miami Herald*, July 11, 2012.

security threat,” and that Iran’s connection with Venezuela is primarily diplomatic and economic.<sup>148</sup>

### *Venezuela and Iran-Related Sanctions*

The United States has imposed sanctions on Venezuelan companies because of their alleged support for Iran, and also has imposed sanctions on Venezuelan individuals because of their support for Hezbollah, the radical Lebanon-based Islamic Shiite group supported by Iran.

To date, the United States has imposed sanctions on two companies in Venezuela because of connections to Iran’s proliferation activities. In August 2008, the State Department imposed sanctions on the Venezuelan Military Industries Company (CAVIM) pursuant to the Iran, North Korea, and Syria Nonproliferation Act (P.L. 109-353) for allegedly violating a ban on technology that could assist Iran in the development of weapons systems.<sup>149</sup> The sanctions prohibited any U.S. government procurement or assistance to the company. While these sanctions expired in 2010, they were imposed once again on May 23, 2011, for a two-year period.<sup>150</sup> In October 2008, the U.S. Treasury Department imposed sanctions on an Iranian-owned bank based in Caracas, the *Banco Internacional de Desarrollo, C.A.*, under Executive Order 13382 that allows the President to block the assets of proliferators of weapons of mass destruction and their supporters. The bank is linked to the Export Development Bank of Iran (EDBI), which the Treasury Department asserts has provided or attempted to provide services to Iran’s Ministry of Defense and Armed Forces Logistics.<sup>151</sup>

In May 2011, the United States imposed sanctions on Venezuela’s state oil company, *Petróleos de Venezuela S.A.* (PdVSA), pursuant to the Comprehensive Iran Sanctions, Accountability, and Disinvestment Act of 2010 (P.L. 111-195) because the company provided \$50 million worth of reformate, an additive used in gasoline, to Iran between December 2010 and March 2011. Specifically, the State Department imposed three sanctions on PdVSA to prohibit it from competing for U.S. government procurement contracts, securing financing from the Export-Import Bank, and obtaining U.S. export licenses. The sanctions specifically exclude PdVSA subsidiaries (Citgo) and do not prohibit the export of oil to the United States.<sup>152</sup>

Past Venezuelan comments about potential Iranian support for the development of nuclear energy in Venezuela raised concerns among U.S. officials and other observers. In September 2009, President Chávez announced during a visit to Iran that Venezuela was working on a preliminary plan for the construction of a “nuclear village” in Venezuela with Iranian assistance so that “the Venezuelan people can count in the future on this marvelous resource for peaceful purposes.”<sup>153</sup> The transfer of Iranian nuclear technology from Iran would be a violation of U.N. Security

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<sup>148</sup> Frank Bajak, “Top U.S. General: Venezuela Not a National Security Threat,” *AP Newswire*, July 31, 2012.

<sup>149</sup> Although the sanction became effective in August 2008, it was not published in the *Federal Register* until October 2008. See *Federal Register*, pp. 63226-63227, October 23, 2008.

<sup>150</sup> U.S. Department of State, “Iran, North Korea and Syria Nonproliferation Act (INKSNA),” Fact Sheet, May 24, 2011.

<sup>151</sup> U.S. Department of the Treasury, Press Release, “Export Development Bank of Iran Designated as a Proliferator,” October 22, 2008.

<sup>152</sup> U.S. Department of State, “Seven Companies Sanctioned Under the Amended Iran Sanctions Act,” Fact Sheet, May 24, 2011.

<sup>153</sup> “Iran Will Not Back Down on Nuclear Energy: Hugo Chávez” *Agence France Presse*, September 4, 2009.



Council Resolutions—1737 (2006), 1747 (2007), and 1803 (2008)—that imposed restrictions on Iran’s nuclear technology transfers. In September 2010, President Chávez maintained that his government was carrying out initial studies into starting a nuclear energy program. In October 2010, Russia agreed to help Venezuela build its first nuclear power plant, but in March 2011, in the aftermath of Japan’s nuclear plant disaster, President Chávez said that he was freezing plans for a nuclear power program.<sup>154</sup>

In September 2009, comments by Venezuelan officials offered conflicting information about Iran’s support for Venezuela’s search for uranium deposits. Venezuelan Minister of Basic Industry and Mining Rodolfo Sanz said that Iran was assisting Venezuela in detecting uranium reserves in the west and southwest of Venezuela.<sup>155</sup> Subsequently, however, Venezuela’s Minister of Science, Technology, and Intermediary Industry Jesse Chacon denied that Iran was helping Venezuela seek uranium, while Venezuela’s Minister of Energy Rafael Ramirez maintained that Venezuela has yet to develop a plan to explore or exploit its uranium deposits.<sup>156</sup> Observers point out that Venezuela does not currently mine uranium. U.N. Security Council Resolution 1929 (June 9, 2010) bars Iranian investment in uranium mining projects abroad.

Another reason for U.S. concerns about Iran’s deepening relations with Latin America is its ties to Hezbollah, a State Department-designated Foreign Terrorist Organization. Hezbollah, along with Iran, is reported to have been linked to two bombings against Jewish targets in Argentina in the early 1990s: the 1992 bombing of the Israeli Embassy in Buenos Aires that killed 30 people and the 1994 bombing of the Argentine-Israeli Mutual Association (AMIA) in Buenos Aires that killed 85 people. The United States has imposed sanctions on individuals and companies in Latin America for providing support to Hezbollah. Specifically as it relates to Venezuela, in June 2008, the Treasury Department imposed sanctions on two Venezuelans—Ghazi Nasr al Din (a Venezuelan diplomat serving in Lebanon) and Fawzi Kan’an—for providing financial and other support to Hezbollah. U.S. citizens are prohibited from engaging in any transactions with the two Venezuelans, including any business with two travel agencies in Caracas owned by Kan’an.<sup>157</sup> The State Department’s *Country Reports on Terrorism 2011* (issued in July 2012) maintained that “there were credible reports that Hizballah sympathizers and supporters engaged in fundraising and support activity in Venezuela.”

## Legislative Initiatives in the 112<sup>th</sup> Congress

**H.Res. 247 (Mack).** Introduced May 4, 2011; referred to House Committee on Foreign Affairs. The resolution calls on the Secretary of State to designate Venezuela as a state sponsor of terrorism and urges increased and sustained cooperation on counter-terrorism initiatives between the United States and allies in the region.

<sup>154</sup> “Hugo Chávez Says Venezuela Is Studying Idea of Starting Peaceful Nuclear Energy Program,” *AP Newswire*, September 28, 2010; “Russia to Build Nuclear Power Plant in Venezuela,” *Reuters News*, October 15, 2010; Diego Ore, “Venezuela Halts Nuclear Program After Japan Disaster,” *Reuters News*, March 15, 2011.

<sup>155</sup> See the following press reports: “Iran Helps Venezuela Find Uranium Deposits,” *BBC Monitoring Caucasus*, September 26, 2009; and “Iran Helps Venezuela Find Uranium Deposits,” *Tehran Press TV Online*, September 26, 2009.

<sup>156</sup> “Venezuela Denies Iran is Helping It,” *New York Times*, September 27, 2009; and Fabian Cambero, “Interview: Venezuela Says No Plans Yet on Exploring Uranium,” *Reuters*, September 27, 2009.

<sup>157</sup> “Treasury Targets Hizballah in Venezuela,” *States News Service*, June 18, 2008.

**H.R. 2542 (Mack).** Introduced July 14, 2011; referred to the House Committee on Foreign Affairs; ordered reported (amended) by the House Subcommittee on the Western Hemisphere December 15, 2011. As introduced, the bill would withhold 20% of U.S. assessed and voluntary contributions to the OAS for every Permanent Council meeting that takes place in which Article 20 of the Inter-American Democratic Charter is not invoked with regard to Venezuela's violation of the Charter. (Note—Article 20 of the Charter may be invoked by the Secretary General or any OAS member “in the event of an unconstitutional alteration of the constitutional regime that seriously impairs the democratic order in a member state.”)

**H.R. 2583 (Ros-Lehtinen).** Foreign Relations Authorization Act, Fiscal Year 2012. Introduced July 19, 2011. Reported, amended, by the House Committee on Foreign Affairs September 23, 2011 (H.Rept. 112-223). As reported, Section 931 of the bill provides that no funds authorized under the Act may be made available to the governments of Argentina, Venezuela, Nicaragua, Ecuador, or Bolivia.

**H.R. 3783 (Duncan).** Countering Iran in the Western Hemisphere Act. Introduced January 18, 2012; referred to the House Committee on Foreign Affairs. On March 1, 2012, the House Foreign Affairs Committee's Subcommittee on Terrorism, Nonproliferation, and Trade approved the measure after it initially approved an amendment in the nature of a substitute offered by Representative Duncan, the bill's sponsor.<sup>158</sup> As amended by the subcommittee, the bill would state that it shall be U.S. policy “to use appropriate elements of national power to counter Iran's growing hostile presence and activity in the Western Hemisphere by working together with United States allies and partners in the region to mutually deter threats to our interests by the Government of Iran.” As approved by the subcommittee, the bill would also require the Secretary of State to conduct an assessment within 180 days of the threats to the United States posed by “Iran's growing hostile presence and activity in the Western Hemisphere” and a strategy to address these threats. On March 7, 2012, the full House Committee on Foreign Affairs approved the measure by voice vote and ordered the bill to be reported.

**H.R. 5857 (Granger)/S. 3241(Leahy).** FY2013 State Department, Foreign Operations, and Related Programs Appropriations Act, 2013. H.R. 5857 introduced and reported (H.Rept. 112-494) May 25 by the House Committee on Appropriations. S. 3241 introduced and reported (S.Rept. 112-172) by the Senate Committee on Appropriations May 24, 2012. The report to the House bill directs that \$5 million in ESF be provided for democracy programs in Venezuela, the same amount appropriated in FY2012, and \$2 million more than the Administration's request. In contrast, the report to the Senate bill recommends \$3 million for democracy programs in Venezuela to be administered by the National Endowment for Democracy (NED) instead of USAID or the Department of State; this is the same amount requested by the Administration, but would be for NED.

**H.R. 6067 (Ros-Lehtinen).** Western Hemisphere Security Cooperation Act of 2012. Introduced June 29, 2012; referred to the Committees on Foreign Affairs, Judiciary, Financial Services, and Oversight and Government Reform. Section 210 of the bill would impose restrictions on U.S. nuclear cooperation with any country assisting the nuclear program of Venezuela or Cuba or transferring advanced conventional weapons or missiles to Venezuela or Cuba.

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<sup>158</sup> See the amended language of H.R. 3783, available from the House Committee on Foreign Affairs at [http://foreignaffairs.house.gov/112/ANS%20DUNCSC\\_040\\_xml%20%2029%2012.pdf](http://foreignaffairs.house.gov/112/ANS%20DUNCSC_040_xml%20%2029%2012.pdf)

## Legislative Initiatives in the 111<sup>th</sup> Congress

Several initiatives were enacted, considered, or introduced in the 111<sup>th</sup> Congress regarding Venezuela and proliferation, terrorism, and human rights concerns.

### Enacted and Considered Measures

**P.L. 111-195 (H.R. 2194)**, Comprehensive Iran Sanctions, Accountability, and Disinvestment Act of 2010, signed into law July 1, 2010. The law amended the Iran Sanctions Act of 1996 to make gasoline sales to Iran subject to U.S. sanctions. The House approved the measure on December 15, 2009, while the Senate passed it on March 11, 2010. A conference report (H.Rept. 111-512) was filed on June 23, 2010, which was approved by both houses on June 24, 2010.

On June 4, 2010, the Senate Committee on Armed Services reported **S. 3454** (Levin), the National Defense Authorization Act for FY2011 (S.Rept. 111-201), with a provision in Section 1237 that would have required a report on Venezuela related to terrorism issues within 180 days of enactment. The report was to contain a description of any activities by the government of Venezuela to supply any terrorist organization with planning, training, logistics, and lethal material support; activities to provide direct or indirect support to any terrorist organization; activities to provide other types of assistance that could provide material support for the activities of any terrorist organization; activities or assistance to governments currently on the U.S. list of state sponsors of terrorism; and activities by the government of Venezuela in the Western Hemisphere that undermine the national interest of the United States. The report was to focus primarily, but not be limited to, Hamas, Hezbollah, the National Liberation Army (ELN, of Colombia), and the FARC. The House version of the defense authorization bill, H.R. 5136, did not have a similar provision, and Senate action was not completed on S. 3454.

On July 22, 2009, the Senate approved **S.Amdt. 1536** (Martinez) to the Senate version of the National Defense Authorization Act for FY2010, **S. 1390**, that would have required the Director of National Intelligence to provide a report within 180 days on issues relating to Venezuelan military and intelligence activities. The Senate subsequently approved S. 1390 on July 23, 2009, and then approved the language of S. 1390 as an amendment to **H.R. 2647**, the House legislative vehicle for the defense authorization measure. The House bill did not include a similar Venezuela report requirement, and the October 7, 2009, conference report to the measure did not include the Senate provision (H.Rept. 111-288).

On June 10, 2009, the House approved its version of the Foreign Relations Authorization Act for FY2010 and FY2011, **H.R. 2410**, with a provision in Section 1011 that would have required a report within 90 days after enactment of the act on Iran's and Hezbollah's actions in the Western Hemisphere. The provision cited the State Department's 2008 terrorism report noting passengers on the weekly flights connecting Tehran and Damascus with Caracas were reportedly subject to only cursory immigration and customs controls in Caracas. The provision also noted that Iran had sought to strengthen ties with several Western Hemisphere countries in order to undermine U.S. foreign policy. The Senate did not consider the measure.

## Other Introduced Measures

**H.R. 375** (Ros-Lehtinen), introduced January 9, 2009, as the Western Hemisphere Counterterrorism and Nonproliferation Act of 2009, would, among its provisions, have placed restrictions on nuclear cooperation with countries assisting the nuclear programs of Venezuela or Cuba (section 209). The bill would also have authorized the President to impose foreign aid and export controls on countries that the President determined was engaged in military cooperation or nonmarket-based trade with a state sponsor of terrorism, was carrying out policies that threaten U.S. national security interests, or was not fully cooperating with U.S. counterterrorism or nonproliferation efforts (section 106). It would also have amended annual international drug control certification procedures to include progress in adhering to obligations under international counterterrorism agreements and the implementation of effective counterterrorism measures (section 104).

**H.R. 2475** (Ros-Lehtinen), the Foreign Relations Authorization and Reform Act for FY2010 and FY2011 introduced on May 19, 2009, included a provision (section 728) identical to that in H.R. 375 described above that would have placed restrictions on nuclear cooperation with countries assisting the nuclear programs of Venezuela or Cuba.

Also related to proliferation concerns, **H.R. 4436** (Ros-Lehtinen), introduced January 13, 2010, would have expressed the sense of Congress that any use by Iran of nuclear cooperation agreements with other countries as a means to proliferate weapons technology and expertise to countries such as Venezuela, either directly or by means of arrangements with Belarus or other countries, would not be in the interest of the United States. The bill also would have required an annual report from the Secretary of State (1) regarding a determination as to whether nuclear cooperation agreements and activities involving Iran, Belarus, or Venezuela were being used as means to proliferate nuclear arms technology and expertise and (2) on the sale or delivery of weapons or related technologies from Belarus to any country designated as a state sponsor of terrorism or not fully cooperation with U.S. antiterrorism efforts, including Venezuela.

Before Venezuela's February 2009 constitutional referendum was held, **H.Res. 161** (Mack) was introduced on February 11. The resolution would have expressed the sense of the House regarding the need for free, democratic, transparent, and fair elections in Venezuela without threats or intimidation.

Also related to the state of democracy in Venezuela is a resolution introduced on March 1, 2010, **S.Res. 428** (LeMieux), that would have expressed concerns about violations of civil liberties taking place in Venezuela.

Before Venezuela's September 26, 2010, legislative elections, **S.Res. 645** (Ensign) was introduced on September 24, 2010; it would have expressed the sense of the Senate supporting the right of the people of Venezuela to free and fair elections and to freedoms of speech and assembly and rejecting any effort by President Chávez to intimidate or punish Venezuelans who exercise these rights.

Two introduced resolutions would have expressed concerns about anti-Semitism in Venezuela. **H.Res. 174** (Hastings), introduced February 13, 2009, would have expressed concern about "the growing threat of anti-Semitism throughout South America, namely in Venezuela, Bolivia, and Argentina." **H.Con.Res. 124** (Mack), introduced May 12, 2009, would have expressed the support of Congress for the Jewish community in Venezuela. Among its provisions, the resolution

would have condemned anti-Semitic acts in Venezuela and urged the government of Venezuela to take verifiable steps to ensure the safety of the Jewish community in the country. The resolution also would have expressed grave concern regarding the increased collaboration between Iran, Hezbollah, and the Venezuelan government, and the ramifications of such collaboration on the Jewish community in Venezuela.

**H.Res. 872** (Mack), introduced October 27, 2009, would have condemned the Venezuelan government “for its state-sponsored support of international terrorist groups”; called on the Secretary of State to designate Venezuela as a state sponsor of terrorism; and urged increased and sustained cooperation on counterterrorism initiatives between the government of the United States and allies in Latin America.

## Appendix A. Links to U.S. Government Reports

### **Background Note, Venezuela, State Department**

*Date:* April 6, 2012

*Full Text:* <http://www.state.gov/r/pa/ei/bgn/35766.htm>

### **Congressional Budget Justification for Foreign Operations FY2013, Annex: Regional Perspectives (pp. 849-850 of pdf), State Department**

*Date:* April 3, 2012

*Full Text:* <http://www.state.gov/documents/organization/185015.pdf>

### **Country Reports on Human Rights Practices 2011, Venezuela, State Department**

*Date:* May 24, 2012

*Full Text:* <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?dlid=186550#wrapper>

### **Country Reports on Terrorism 2011 (Western Hemisphere Overview), State Department**

*Date:* July 31, 2012

*Full Text:* <http://www.state.gov/j/ct/rls/crt/2011/195546.htm>

### **Doing Business in Venezuela: 2011 Country Commercial Guide for U.S. Companies, Commerce Department**

*Date:* 2011

*Full Text:* [http://www.buyusainfo.net/docs/x\\_9727130.pdf](http://www.buyusainfo.net/docs/x_9727130.pdf)

### **International Religious Freedom Report for 2011, Venezuela, State Department**

*Date:* July 30, 2012

*Full Text:* <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?dlid=193009#wrapper>

### **International Narcotics Control Strategy Report 2012, Vol. I (Venezuela, pp. 465-470 of pdf), State Department**

*Date:* March 2012

*Full Text:* <http://www.state.gov/documents/organization/184314.pdf>

### **International Narcotics Control Strategy Report 2012, Vol. II (Venezuela, pp. 190-191 of pdf), State Department**

*Date:* March 2012

*Full Text:* <http://www.state.gov/documents/organization/184329.pdf>

### **National Trade Estimate Report on Foreign Trade Barriers 2012 (Venezuela, pp. 393-400 of pdf), Office of the United States Trade Representative**

*Date:* March 2012

*Full Text:* [http://www.ustr.gov/sites/default/files/NTE%20Final%20Printed\\_0.pdf](http://www.ustr.gov/sites/default/files/NTE%20Final%20Printed_0.pdf)

**Trafficking in Persons Report 2012 (Venezuela, pp. 369-370 of pdf)**, State Department

*Date:* June 19, 2012

*Full Text:* <http://www.state.gov/documents/organization/192598.pdf>

## Appendix B. Earlier Key Developments in 2009-2012

On February 28, 2012, President Chávez underwent surgery in Cuba to remove a pelvic lesion that turned out to be malignant. Chávez had two previous cancer surgeries and chemotherapy treatment in Cuba in 2011, but has not revealed the type of cancer he is battling. The president returned to Venezuela on March 16, but returned again to Cuba multiple times over the next three months for radiation treatment. In early July 2012, however, Chávez once again maintained that he was “cancer free,” and ready to take on a tough re-election campaign.

On February 12, 2012, Venezuela’s opposition parties held a unified presidential primary under the banner of the Democratic Unity Roundtable (MUD). Henrique Capriles Radonski, governor of Miranda state, won the primary with 62% of the vote.

On January 8, 2012, the Department of State declared as persona non grata the Venezuelan Consul General in Miami, Livia Acosta, and asked her to leave the United States. In December 2011, a documentary featured on the Spanish-language network *Univisión* had alleged that Iranian and Venezuelan diplomats in Mexico tried to recruit Mexican students for plotting possible cyberattacks against the United States. Acosta, a Venezuelan diplomat who had been based in Mexico, was recorded participating in the discussion with the Mexican students.

On January 6, 2012, President Chávez appointed General Henry Rangel as defense minister. In September 2008, the Treasury Department imposed financial sanctions on Rangel for allegedly helping the Revolutionary Armed Forces of Colombia (FARC) with drug and weapons trafficking.

On June 24, 2011, three House subcommittees (House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere and Subcommittee on the Middle East and South Asia; House Committee on Oversight and Government Reform, Subcommittee on National Security, Homeland Defense and Foreign Operations) held a joint hearing on “Venezuela’s Sanctionable Activities” featuring State Department and Treasury Department witnesses.

On June 10, 2011, while visiting Cuba, President Hugo Chávez underwent emergency surgery for a “pelvic abscess.” Rumors abounded about the president’s health.

On May 24, 2011, pursuant to the Comprehensive Iran Sanctions, Accountability, and Disinvestment Act of 2010 (P.L. 111-195), the State Department imposed sanctions on *Petróleos de Venezuela* (PdVSA) for providing cargoes of reformate, an additive used in gasoline, to Iran between December 2010 and March 2011 valued at around \$50 million. The State Department prohibited PdVSA from competing for U.S. government procurement contracts, securing financing from the Export-Import Bank, and obtaining U.S. export licenses. The sanctions specifically exclude PdVSA subsidiaries (like Citgo) and do not prohibit the export of oil to the United States.

On May 11, 2011, for the sixth consecutive year, the Department of State made a determination pursuant to Section 40A of the Arms Export Control Act that Venezuela has not been cooperating fully with the United States on antiterrorism efforts.



On May 9, 2011, Colombia extradited to Venezuela alleged Venezuelan trafficker and murderer Walid Makled Garcia. Makled is also wanted in the United States on drug trafficking charges, and several Members of Congress had wanted Colombia to extradite Makled to the United States.

On April 8, 2011, the State Department issued its 2010 human rights report detailing numerous human rights problems in Venezuela. (See the full text of the report at <http://www.state.gov/g/drl/rls/hrrpt/2010/wha/154523.htm>.)

On March 1, 2011, the State Department issued its 2011 *International Narcotics Control Strategy Report*, which maintained that Venezuela was one of the preferred trafficking routes for the transit of cocaine out of South America because of a porous border with Colombia, a weak judicial system, inconsistent international counternarcotics cooperation, and a generally permissive and corrupt environment.

On February 22, 2011, more than 80 students ended a 23-day hunger strike after the government agreed to review cases of some 27 alleged political prisoners.

On February 2, 2011, Judge María Lourdes Afiuni was released from prison and placed under house arrest. The judge has been held since December 2009 after she had ordered the release of a prominent businessman. Human rights groups called for the corruption charges against her to be dropped completely, and view her imprisonment as creating a climate of fear that undermines the rule of law.

On December 20, 2010, the Venezuelan government revoked its agreement for the appointment of Larry Palmer, nominated to be U.S. Ambassador to Venezuela. The United States responded by revoking the diplomatic visa of Venezuelan Ambassador Bernardo Alvarez.

On December 17, 2010, Venezuela's outgoing National Assembly approved an enabling law granting President Chávez far-reaching decree powers for 18 months.

On November 16, 2010, Colombian President Juan Manuel Santos said that his government would extradite a Venezuelan businessman and alleged narcotics trafficker, Walid Makled, to Venezuela. While the United States also wanted Makled extradited to the United States on drug trafficking charges, the Administration maintained that it respected Colombia's extradition processes.

On September 26, 2010, Venezuela held elections for its 165-member unicameral National Assembly, in which pro-Chávez supporters won 98 seats while opposition parties won 67 seats. Even though the ruling party won a majority of seats, the result was viewed as a significant defeat for President Chávez because it denied his government the three-fifths and two-thirds majorities needed for a variety of actions to ensure the enactment of the government's agenda.

On September 15, 2010, President Obama issued the sixth annual determination that Venezuela had "failed demonstrably" to meet its obligations under international counternarcotics measures. The justification accompanying the determination maintained that Venezuela has not responded to U.S. government offers to work in a consistent, rigorous, and effective way towards greater cooperation on counternarcotics.

On August 30, 2010, hunger striker Franklin Brito died. He had been protesting the seizure of a portion of his farm in 2004.

On August 5, 2010, the State Department released its 2009 *Country Reports on Terrorism*, which maintained that Venezuela's cooperation with the United States on counterterrorism was reduced to an "absolute minimum" after the United States and Colombia signed a defense cooperation agreement in 2009.

On July 22, 2010, Venezuela suspended diplomatic relations with Colombia after the government of outgoing Colombian President Álvaro Uribe asserted at the Organization of American States that Venezuela was harboring Colombian guerrillas. Less than three weeks later, on August 10, 2010, bilateral tensions eased when new Colombian President Juan Manuel Santos met with President Chávez and the two leaders agreed to reestablish diplomatic relations.

On July 1, 2010, President Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Disinvestment Act of 2010 (P.L. 111-195, H.R. 2194), which amended the Iran Sanctions Act of 1996 to make gasoline sales to Iran subject to U.S. sanctions. In September 2009, Venezuela and Iran signed an agreement for Venezuela to supply Iran with some gasoline in the case of U.N. or U.S. sanctions against Iran's gasoline imports.

On June 16, 2010, the House Subcommittee on the Western Hemisphere held a hearing on "Press Freedom in the Americas" that focused in part on threats to freedom of expression in Venezuela. (A transcript of the hearing is available from the subcommittee's website at <http://foreignaffairs.house.gov/111/56996.pdf>.)

On June 4, 2010, the Senate Committee on Armed Services reported S. 3454 (Levin), the National Defense Authorization Act for FY2011 (S.Rept. 111-201), with a provision in Section 1237 that would have required a report on Venezuela related to terrorism issues within 180 days of enactment. The Senate did not complete action on the measure.

On March 11, 2010, the State Department released its annual human report for 2009. The section on Venezuela maintained that "politicization of the judiciary and official harassment and intimidation of the political opposition and the media intensified during the year." (See the full text of the report at <http://www.state.gov/g/drl/rls/hrrpt/2009/wha/136130.htm>.)

On March 1, 2010, the State Department released its 2010 *International Narcotics Control Strategy Report* (INCSR), in which it maintained that Venezuela continued to suffer from high levels of corruption, a weak judicial system, and inconsistent counternarcotics cooperation that have enabled a growing illicit drug transshipment industry. The State Department also asserted that the United States was prepared to deepen anti-drug cooperation beyond the minimal cooperation that now exists.

On February 2, 2010, Director of National Intelligence Dennis Blair testified before the Senate Select Committee on Intelligence that President "Chávez continues to impose an authoritarian populist political model in Venezuela that undermines democratic institutions." Blair maintained that Chávez "and his allies are likely to oppose nearly every U.S. policy initiative in the region, including the expansion of free trade, counter drug and counterterrorism cooperation, military training, and security initiatives, and even U.S. assistance programs." Venezuela's Ambassador to the United States strongly criticized Blair's statement, maintaining the assessment was full of politically motivated and cynical accusations against Venezuela.

On February 2, 2010, Venezuelan officials announced the deportation of suspected Colombian drug trafficker Salomon Camacho Mora to the United States. The officials also announced the deportation of two other drug traffickers to France and Colombia.

On January 25, 2010, two students were killed during demonstrations between pro- and anti-government supporters. Venezuelan human rights groups called for the government to guarantee the right to peaceful protest.

On January 24, 2010, the Venezuelan government took six cable channels off the air, including *RCTV Internacional*, which had broadcast programs critical of the government. The government's action prompted widespread domestic and international criticism, including by the Inter-American Commission on Human Rights.

On January 8, 2010, President Chávez announced a devaluation of the *bolivar fuerte* and the creation of a two-tiered exchange rate system. The action will likely help shore up the government's fiscal situation, but could lead to a surge in inflation.

On December 15, 2009, the House approved H.R. 2194 (Berman), the Iran Refined Petroleum Sanctions Act of 2009 on December 15, 2009, which would amend the Iran Sanctions Act of 1996 to make gasoline sales to Iran subject to U.S. sanctions. (The Senate subsequently approved the measure, amended, on March 11, 2010, and a conference report (H.Rept. 111-512) was approved by both houses on June 24, 2010.)

On December 10, 2009, a Venezuelan judge released prominent business leader Eligio Cedeño from prison. Cedeño had been held in pretrial detention in 2007, and some human rights activists considered him a political prisoner. After his release, Cedeño traveled to the United States and is awaiting an immigration hearing; Venezuela has asked for his extradition. The judge who released Cedeño, María Lourdes Afiuni, was arrested just hours after his release on allegations of corruption. U.N. human rights experts criticized the judge's arrest as undermining the rule of law.

On October 27, 2009, the House Subcommittee on the Western Hemisphere held a hearing on "Iran in the Western Hemisphere" that focused extensively on Venezuela's deepening relations with Iran.

On September 15, 2009, President Obama made a determination pursuant to the annual narcotics certification process that Venezuela had "failed demonstrably" during the last 12 months to adhere to international counternarcotics agreements. This marked the fifth consecutive annual designation of Venezuela in this category. At the same time, President Obama waived economic sanctions that would have cut U.S. funding for democracy programs in Venezuela.

On July 27, 2009, the government of Sweden asked for an explanation from Venezuela of how the Revolutionary Armed Forces of Colombia (FARC) obtained Swedish-made anti-tank rocket launchers that had been sold to Venezuela in the 1980s. President Chávez asserted that the missiles were stolen in a robbery in 1995, and that Colombia made the claims to divert attention from the plan to open seven of its military bases to the United States.

On July 22, 2009, the Senate approved an amendment to the Senate version of the National Defense Authorization Act for FY2010, S. 1390/H.R. 2647 that would have required the Director of National Intelligence to provide a report within 180 days on issues relating to Venezuelan military and intelligence activities. The House version of the bill did not include a similar

provision, and it was stripped from the conference report on the measure (H.Rept. 111-288 filed October 7, 2009).

On July 20, 2009, the U.S. Government Accountability Office issued a report on the status of drug trafficking through Venezuela and the status of U.S.-Venezuelan counternarcotics cooperation. The report concluded that the lack of Venezuelan counternarcotics cooperation is a significant impediment to the U.S. capacity to interdict drugs en route to the United States. According to the report, U.S. and Colombian officials assert that Venezuela has extended a lifeline to illegally armed Colombian groups by providing significant support and safe haven along the border.

On June 25, 2009, the State Department announced that the United States and Venezuela agreed to return respective ambassadors. This led to U.S. Ambassador to Venezuela Patrick Duddy resuming his post in Caracas, and to the return of Venezuelan Ambassador Bernardo Alvarez to Washington.

On February 15, 2009, Venezuelans voted in a national referendum to approve a constitutional amendment abolishing term limits for elected local, state, and national officials, including president. The amendment was approved with almost 55% voting for it and 45% voting against it. President Chávez proclaimed that the vote was a victory for the Bolivarian Revolution, and virtually promised that he would run for reelection in 2012.

On January 30, 2009, an unidentified group of assailants vandalized a synagogue in Caracas. President Chávez and other Venezuelan officials strongly condemned the attack. Subsequently, on February 2, 2009, 16 Members of Congress spoke out against the attack in a letter to President Chávez. The Members called on Chávez “to end the bullying and harassment of the Jewish community” and “to extend the community the robust protection it deserves in light of the threats it faces.”

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