



# Venezuela: Background and U.S. Relations

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## Summary

While historically the United States has had close relations with Venezuela, a major oil supplier, friction in bilateral relations rose over the past decade under the leftist populist government of President Hugo Chávez, who died in March 2013 after battling cancer for almost two years. First elected in 1998, Chávez had won reelection to another six-year term in October 2012, capturing about 55% of the vote compared to 44% for opposition candidate Henrique Capriles. After Chávez's death, Venezuela held presidential elections in April 2013 in which acting President Nicolás Maduro, who had been serving as Chávez's vice president, received 50.61% of the vote, compared to 49.12% for Capriles (a margin of 1.49%). In both of those presidential elections, the incumbent candidate benefited from the use of state resources and media for his campaign. The opposition filed challenges to the 2013 election results that were ultimately rejected by Venezuela's Supreme Court. Venezuela's upcoming municipal elections, scheduled for December 8, 2013, will be an important test of strength for the ruling United Socialist Party of Venezuela (PSUV) and the opposition Democratic Unity Roundtable (MUD). The Maduro government faces significant challenges, including deteriorating economic conditions and high rates of crime and violence.

### U.S. Policy

In recent years, U.S. policy makers and Members of Congress have been concerned about the deterioration of human rights and democratic conditions in Venezuela as well as the Venezuelan government's lack of bilateral cooperation on anti-drug and counterterrorism efforts and its relations with Iran. In September 2013, President Obama issued the ninth annual determination that Venezuela had "failed demonstrably" to meet its international counternarcotics obligations. The State Department maintains that individual members of the Chávez government and security forces were credibly reported to have engaged in or facilitated drug trafficking activities. The United States has imposed financial sanctions on eight current or former Venezuelan officials for allegedly helping the Revolutionary Armed Forces of Colombia with drug and weapons trafficking. The United States has also imposed sanctions on three Venezuelan companies for support to Iran and on several Venezuelan individuals for providing support to Hezbollah.

Despite these tensions, the Obama Administration has maintained that the United States remains committed to seeking constructive engagement with Venezuela. In June 2013, after a meeting with Venezuelan Foreign Minister Elías Jaua in Guatemala, Secretary of State John Kerry expressed hope that the two countries could move quickly to the appointment of ambassadors, and said that the two countries had agreed to continue high-level dialogue. Efforts to engage with Venezuela, however, have been complicated by the Maduro government's strong rhetoric and actions, including the offer of asylum to Edward Snowden, accused of leaking U.S. classified information.

### Legislative Initiatives

Over the past decade, developments in Venezuela and U.S. relations with the country have largely been oversight issues for Congress, with various hearings held and resolutions approved or introduced in each chamber. Congress has also appropriated funding over the years for democracy-related projects in Venezuela through the annual foreign aid appropriations measure. To date in the 113<sup>th</sup> Congress, two legislative initiatives have been introduced related to Venezuela: S.Res. 213 would express support for the free and peaceful exercise of representative

democracy in Venezuela and condemn violence and intimidation against the country's political opposition; and H.R. 1687 would, among other provisions, provide for the imposition of visa and financial sanctions against certain listed officials of four governments belonging to the Bolivarian Alliance for the Americas (ALBA)—Bolivia, Ecuador, Nicaragua, and Venezuela. Congress also faces consideration of the FY2014 foreign aid appropriations measure (H.R. 2855, S. 1372); the Administration's request includes \$5 million to support civil society efforts to build and protect democratic freedoms and protect human rights in Venezuela.

This report, which will be updated periodically, analyzes the political and economic situation in Venezuela and the country's foreign policy orientation. It then examines U.S. relations and policy toward Venezuela and several key issues that have been at the forefront of congressional interest: democracy and human rights; energy, including U.S.-Venezuelan energy linkages; drug trafficking; and terrorism issues, including Venezuela's relations with Iran. An appendix provides links to selected executive branch reports on Venezuela.

For additional information see CRS Report RS21049, *Latin America: Terrorism Issues*, which examines Iran's relations with Latin America.

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## Recent Developments

On September 13, 2013, President Obama issued the ninth annual U.S. determination that Venezuela had “failed demonstrably” to meet its obligations under international counternarcotics agreements. (See “Counternarcotics Issues” below.)

On September 13, 2013, Amnesty International (AI) issued an urgent action appeal for human rights activist Luis Rafael Escobar Ugas, detained since March 2001, who reportedly has been tortured and threatened. (See “Democracy and Human Rights Concerns” below.)

On September 10, 2013, Venezuela’s withdrawal from the American Convention on Human Rights and the Inter-American Court of Human Rights became official. The action was criticized by Venezuelan and international human rights groups and the United Nations. (See “Democracy and Human Rights Concerns” below.)

On September 3, 2013, an electricity outage left almost 70% of Venezuela without power for several hours. President Maduro blamed the outage on sabotage while opposition leader Henrique Capriles maintained that the government’s incompetence was to blame. (See “Challenges in the Post-Chávez Era” below.)

On August 21, 2013, the U.S. Treasury Department sanctioned a former captain in Venezuela’s National Guard, Vassily Kotosky Villarroel Ramirez, for his role in international narcotics trafficking in both Colombia and Venezuela. (See “Counternarcotics Issues” below.)

On August 2, 2013, Venezuela’s Supreme Court rejected two legal challenges to the April 2013 presidential elections alleging irregularities and calling for the election to be nullified. (See “April 2013 Presidential Election” below.)

On August 1, 2013, S.Res. 213 (Menendez) was introduced and referred to the Senate Foreign Relations Committee. The resolution expresses support for the free and peaceful exercise of representative democracy in Venezuela and condemns violence and intimidation against the country’s political opposition.

On July 19, 2013, Venezuela announced that it was halting efforts to improve relations in response to comments by the Obama Administration’s nominee for U.N. Ambassador, Samantha Power, that she would contest the “crackdown on civil society being carried out in countries like Cuba, Russia, Iran, and Venezuela.” (See “Obama Administration Policy” below.)

On July 6, 2013, President Maduro publicly offered political asylum to Edward Snowden, accused of leaking classified information regarding National Security Agency programs. (See “Obama Administration Policy” below.)

On June 27, 2013, the State Department submitted a required report to Congress pursuant to the Countering Iran in the Western Hemisphere Act of 2012 (P.L. 112-220). The State Department maintained in the report that “Iranian influence in Latin America and the Caribbean is waning.” There have been concerns in Congress for several years about Venezuela’s increasing relations with Iran. (See “Relations with Iran” below.)

Figure I. Map of Venezuela



Source: Map Resources. Adapted by CRS.

## Political and Economic Situation

### Background: Chávez's Rule, 1999-2013<sup>1</sup>

For 14 years, Venezuela experienced enormous political and economic changes under the leftist populist rule of President Hugo Chávez. Under Chávez, Venezuela adopted a new constitution and a new unicameral legislature and even a new name for the country, the Bolivarian Republic of Venezuela, named after the 19<sup>th</sup> century South American liberator Simon Bolivar, whom Chávez often invoked. Buoyed by windfall profits from increases in the price of oil, the Chávez government expanded the state's role in the economy by asserting majority state control over foreign investments in the oil sector and nationalizing numerous enterprises. The government also funded numerous social programs with oil proceeds that helped reduce poverty. At the same time, democratic institutions deteriorated, threats to freedom of expression increased, and political polarization in the country also grew between Chávez supporters and opponents. Relations with the United States also deteriorated considerably as the Chávez government often resorted to strong anti-American rhetoric.

In his first election as president in December 1998, Chávez received 56% of the vote (16% more than his closest rival), an illustration of 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 previous 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, *Petróleos 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. 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 economy began to improve in 1997, a rapid decline in the price of oil brought about a deep recession beginning in 1998, which contributed to Chávez's landslide election.

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<sup>1</sup> For additional background, including past U.S. congressional action, see the following archived reports: CRS Report R42989, *Hugo Chávez's Death: Implications for Venezuela and U.S. Relations*; CRS Report R40938, *Venezuela: Issues for Congress, 2009-2012*; and CRS Report RL32488, *Venezuela: Political Conditions and U.S. Policy, 2003-2009*.

In the first several years of President Chávez's rule, Venezuela underwent huge political changes. 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 constitution 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. Chávez's Patriotic Pole coalition also captured 14 of 23 governorships and a majority of seats in the National Assembly.

**Temporary Ouster in 2002.** Although President Chávez remained widely popular until mid-2001, his standing eroded after that amid growing concerns by some sectors 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 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.

**Reelection in 2006.** A rise in world oil prices that began in 2004 fueled the rebound of the Venezuelan economy and helped President Chávez establish an array of social programs and services known as "missions" that helped reduce poverty by some 20%.<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 in a landslide, with almost 63% of the vote compared to almost 37% for opposition candidate Manuel Rosales.<sup>3</sup> The election was characterized as free and fair by international observers with some irregularities.

After he was reelected in 2006, 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 "21<sup>st</sup> century socialism," but this was defeated by a close margin

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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.

<sup>3</sup> See the official results reported by Venezuela's National Electoral Commission (CNE) at [http://www.cne.gob.ve/divulgacionPresidencial/resultado\\_nacional.php](http://www.cne.gob.ve/divulgacionPresidencial/resultado_nacional.php).

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.

The Venezuelan government also moved 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.

**2008 State and Municipal Elections.** State and local elections held in November 2008 revealed a mixed picture of support for the government and the opposition. Earlier in the year, President Chávez united his supporters into a single political party—the United Socialist Party of Venezuela (PSUV). In the elections, pro-Chávez candidates won 17 of the 22 governors' races, while opposition parties<sup>4</sup> won five governorships, including in three of the country's most populous states, Zulia, Miranda, and Carabobo. At the municipal level, pro-Chávez candidates won over 80% of the more than 300 mayoral races, with the opposition winning the balance, including Caracas and the country's second-largest city, Maracaibo. One of the major problems for the opposition was that the Venezuelan government's comptroller general disqualified almost 300 individuals from running for office, including several high-profile opposition candidates, purportedly for cases involving the misuse of government funds.<sup>5</sup>

**2009 Lifting of Term Limits.** In 2009, President Chávez moved ahead with plans for a constitutional change that would lift the two-term limit for the office of the presidency, and allow him to run for reelection in 2012 and beyond. In a February 2009 referendum, Venezuelans approved the constitutional change with almost 55% support.<sup>6</sup> President Chávez proclaimed that the vote was a victory for the Bolivarian Revolution, and virtually promised that he would run for reelection.<sup>7</sup> Chávez had 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 had benefited from increased social spending and programs was an important factor in the vote.

**2010 Legislative Elections.** In Venezuela's September 2010 elections for the 165-member National Assembly, pro-Chávez supporters won 98 seats, including 94 for the PSUV, while opposition parties won 67 seats, including 65 for the 10-party opposition coalition known as the Democratic Unity Roundtable (*Mesa de la Unidad Democrática*, MUD). Even though pro-Chávez supporters won a majority of seats, the result was viewed as a significant defeat for the president because it denied his government the three-fifths majority (99 seats) needed to enact enabling laws granting him decree powers. It also denied the government the two-thirds majority (110 seats) needed for a variety of actions to ensure the enactment of its agenda, such as

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<sup>4</sup> The opposition included newer parties such as *Primero Justicia* (PJ, Justice First), *Proyecto Venezuela* (Project Venezuela), and *Un Nuevo Tiempo* (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> "Inhabilitaciones a Políticos en Venezuela Se Reducen de 400 a 272," *Agence France-Presse*, July 11, 2008.

<sup>6</sup> See the results on the website of the CNE, available at [http://www.cne.gov.ve/divulgacion\\_referendo\\_enmienda\\_2009/](http://www.cne.gov.ve/divulgacion_referendo_enmienda_2009/).

<sup>7</sup> Juan Forero, "Chávez Wins Removal of Term Limits," *Washington Post*, February 16, 2009.

introducing or amending organic laws, approving constitutional reforms, and making certain government appointments.<sup>8</sup>

In December 2010, Venezuela's outgoing National Assembly approved several laws that were criticized by the United States and human rights organizations as threats to free speech, civil society, and democratic governance. The laws were approved ahead of the inauguration of Venezuela's new National Assembly to a five-year term in early January 2011, in which opposition deputies would have had 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. 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>9</sup>

**2012 Presidential Election.** With a record turnout of 80.7% of voters, President Chávez won his fourth presidential race (and his third six-year term) in the October 7, 2012, presidential election, capturing about 55% of the vote, compared to 44% for opposition candidate Henrique Capriles.<sup>10</sup> Chávez won all but two of Venezuela's 23 states (with the exception of Táchira and Mérida states), including a very narrow win in Miranda, Capriles's home state. Unlike the last presidential election in 2006, Venezuela did not host international observer missions. Instead, two domestic Venezuelan observer groups monitored the vote. Most reports indicate that election day was peaceful with only minor irregularities.

Venezuela's opposition had held a unified primary in February 2012, under the banner of the Democratic Unity Roundtable (MUD) and chose Capriles in a landslide with about 62% of the vote in a five-candidate race. A member of the Justice First (*Primero Justicia*, PJ) party, Capriles had been governor of Miranda, Venezuela's second-most populous state, since 2008. During the primary election, Capriles promoted reconciliation and national unity. He pledged not to dismantle Chávez's social programs, but rather to improve them.<sup>11</sup> Capriles ran an energetic campaign traveling throughout the country with multiple campaign rallies each day, while the Chávez campaign reportedly was somewhat disorganized and limited in terms of campaign rallies because of Chávez's health. Capriles's campaign also increased the strength of a unified opposition. The opposition received about 2.2 million more votes than in the last presidential election in 2006, and its share of the vote grew from almost 37% in 2006 to 44%.

Nevertheless, Chávez had several distinct advantages in the election. The Venezuelan economy was growing strongly in 2012 (over 5%) fueled by government spending made possible by high oil prices. Numerous social programs or "missions" of the government helped forge an emotional loyalty among Chávez supporters. This included a well-publicized public housing program. In another significant advantage, the Chávez campaign used state resources and state-controlled media for campaign purposes. This included the use of broadcast networks, which were required to air the president's frequent and lengthy political speeches. Observers maintain that the

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<sup>8</sup> "Venezuela Country Report," *Economist Intelligence Unit (EIU)* November 2010.

<sup>9</sup> Ezequiel Minaya, "Chávez's Decree Powers Expire, but Not Before Heavy Use," *Dow Jones Newswires*, June 18, 2012.

<sup>10</sup> See the CNE's official results at [http://www.cne.gob.ve/resultado\\_presidencial\\_2012/r/1/reg\\_000000.html](http://www.cne.gob.ve/resultado_presidencial_2012/r/1/reg_000000.html)

<sup>11</sup> Michael Shifter, "Henrique Capriles' Moment," *El Colombiano*, February 15, 2012.

government's predominance in television media was overwhelming.<sup>12</sup> There were several areas of vulnerability for Chávez, including high crime rates (including murder and kidnapping) and an economic situation characterized by high inflation and economic mismanagement that had led to periodic shortages of some food and consumer products and electricity outages. Earlier in 2012, a wildcard in the presidential race was Chávez's health, but in July 2012 Chávez claimed to have bounced back from his second bout of an undisclosed form of cancer since mid-2011.

For President Chávez, the election affirmed his long-standing popular support as well as support for his government's array of social programs that have helped raise living standards for many Venezuelans. In his victory speech, President Chávez congratulated the opposition for their participation and civic spirit and pledged to work with them. At the same time, however, the president vowed that Venezuela would "continue its march toward the democratic socialism of the 21<sup>st</sup> century."<sup>13</sup>

**December 2012 State Elections.** Voters delivered a resounding victory to President Chávez and the PSUV in Venezuela's December 16, 2012, state elections by winning 20 out of 23 governorships that were at stake. Prior to the elections, the PSUV had held 15 state governorships with the balance held by opposition parties or former Chávez supporters. The state elections took place with political uncertainty at the national level as President Chávez was in Cuba recuperating from his fourth cancer surgery (see below). The opposition won just three states: Amazonas; Lara; and Miranda, where former MUD presidential candidate Henrique Capriles Radonski was reelected, defeating former Vice President Eliás Jaua. While the opposition suffered a significant defeat, Capriles's win solidified his status as the country's major opposition figure.

**Chávez's Declining Health and Death.** Dating back to mid-2011, President Chávez's precarious health raised questions about Venezuela's political future. Chávez had been battling an undisclosed form of cancer since June 2011 when he underwent emergency surgery in Cuba for a "pelvic abscess" followed by a second operation to remove a cancerous tumor. After several rounds of chemotherapy, Chávez declared in October 2011 that he had beaten cancer. In February 2012, however, Chávez traveled to Cuba for surgery to treat a new lesion and confirmed in early March that his cancer had returned. After multiple rounds of radiation treatment, Chávez once again announced in July 2012 that he was "cancer free." After winning reelection to another six-year term in October 2012, Chávez returned to Cuba the following month for medical treatment. Once back in Venezuela, Chávez announced on December 8, 2012, that his cancer had returned and that he would undergo a fourth cancer surgery in Cuba.

Most significantly, Chávez announced at the same time his support for Vice President Nicolás Maduro if anything were to happen to him. Maduro had been sworn into office on October 13, 2012. Under Venezuela's Constitution, the president has the power to appoint and remove the vice president; it is not an elected position. According to Chávez: "If something happens that sidelines me, which under the Constitution requires a new presidential election, you should elect Nicolás Maduro."<sup>14</sup> Chávez faced complications during and after his December 11, 2012, surgery, and

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<sup>12</sup> "Venezuela Politics: Quick View—Mr. Chávez Maintains Lead Ahead of October Election," *EIU ViewsWire*, July 27, 2012; Genaro Arriagada and José Woldenberg, "The Elections in Venezuela, October 7, 2012, Executive Summary," Wilson Center, September 2012.

<sup>13</sup> Laurent Thomet, "Chávez Reaches Out to Opposition After Victory," *Agence France Presse*, October 8, 2012.

<sup>14</sup> Juan Forero, "Chávez Heads to Cuba for 4<sup>th</sup> Surgery," *Washington Post*, December 10, 2012.

while there were some indications of improvement by Christmas 2012, the president faced new respiratory complications by year's end.

After considerable public speculation about the presidential inauguration scheduled for January 10, 2013, Vice President Maduro announced on January 8 that Chávez would not be sworn in on that day. Instead, the vice president invoked Article 231 of the Constitution, maintaining that the provision allows the president to take the oath of office before the Supreme Court at a later date.<sup>15</sup> A day later, Venezuela's Supreme Court upheld this interpretation of the Constitution, maintaining that Chávez did not need to take the oath of office to remain president. According to the court's president, Chávez could take the oath of office before the Supreme Court at a later date when his health improved.<sup>16</sup> Some opposition leaders, as well as some Venezuelan legal scholars, had argued that the January 10 inauguration date was fixed by Article 231, and that since Chávez could not be sworn in on that date, then the president of the National Assembly, Diosdado Cabello, should have been sworn in as interim or caretaker president until either a new election was held or Chávez recovered pursuant to Article 234 of the Constitution.<sup>17</sup>

President Chávez ultimately returned to Venezuela from Cuba on February 18, 2013, but was never seen publicly because of his poor health. A Venezuelan government official announced on March 4 that the President had taken a turn for the worse as he was battling a new lung infection. He died the following day.

The political empowerment of the poor under President Chávez will likely be an enduring aspect of his legacy in Venezuelan politics for years to come. Any future successful presidential candidate will likely need to take into account how his or her policies would affect working class and poor Venezuelans. On the other hand, President Chávez also left a large negative legacy, including the deterioration of democratic institutions and practices, threats to freedom of expression, high rates of crime and murder (the highest in South America), and an economic situation characterized by high inflation, crumbling infrastructure, and shortages of consumer goods. Ironically, while Chávez championed the poor, his government's economic mismanagement wasted billions that potentially could have established a more sustainable social welfare system benefiting poor Venezuelans.

## Political Situation in the Post-Chávez Era

### April 2013 Presidential Election

In the aftermath of President Chávez's death, Vice President Maduro became interim or acting president, and took the oath of office on March 8, 2013. A new presidential election, required by Venezuela's Constitution (Article 233), was held on April 14 in which Maduro, the PSU candidate, narrowly defeated opposition candidate Henrique Capriles by 1.49% of the vote. In the

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<sup>15</sup> "Presidente Chávez Formalizará Juramentación Después el 10-E ante el TSJ," *Agencia Venezolana de Noticias*, January 8, 2013.

<sup>16</sup> "TSJ: Presidente Chávez se Juramentará Cuando Cese la Causa Sobvenida," *Agencia Venezolana de Noticias*, January 9, 2013; Jim Mannion, "Venezuela Top Court Upholds Delay of Chávez Swearing-in," *Agence France Presse*, January 9, 2013.

<sup>17</sup> Juan Forero, "Chávez Will Not Return for Oath," *Washington Post*, January 9, 2013; "Los Académicos Venezolanos Advierten: 'El Aplazamiento que Quiere el Chavismo Es Inconstitucional,'" *ABC* (Madrid), January 9, 2013, available at <http://www.abc.es/internacional/20130109/abci-profesores-venezuela-comparencia-chavez-201301092040.html>.

lead-up to the elections, polling consistently showed Maduro to be a strong favorite to win the election by a significant margin, so the close race took many observers by surprise.

Before the election campaign began, many observers had stressed the importance of leveling the playing field in terms of fairness. However, just as in the 2012 presidential race between Chávez and Capriles, the 2013 presidential election was characterized by the PSUV's abundant use of state resources and state-controlled media. In particular, the mandate for broadcast networks to cover the president's speeches was a boon to Maduro.

In the aftermath of the election, polarization increased with street violence (nine people were killed in riots) and there were calls for an audit of the results. The National Electoral Commission (CNE) announced that they would conduct an audit of the remaining 46% of ballot boxes that had not been audited on election day, while the opposition called for a complete recount and for reviewing the electoral registry. In early June, the CNE announced that it had completed its audit of the remaining 46% of votes and maintained that it found no evidence of fraud and that audited votes were 99.98% accurate compared with the original registered totals. Maduro received 50.61% of the vote to 49.12% of the vote for Capriles—just 223,599 votes separated the two candidates out of almost 15 million votes.<sup>18</sup>

There were six domestic Venezuelan observer groups in the April election.<sup>19</sup> This included the Venezuelan Electoral Observatory (OVE), which issued an extensive report in May 2013 that, among other issues, expressed concern over the incumbent president's advantages in the use of public funds and resources. The OVE also made recommendations for improving future elections, which included changing the composition of the CNE to guarantee and demonstrate neutrality and making improvements in legal norms related to incumbency advantage and the use of public resources, among other measures.<sup>20</sup>

Venezuela does not allow official international electoral monitoring groups, but the CNE invited several international groups to provide “accompaniment” to the electoral process. These included delegations from the Union of South American Nations (Unasur); the Institute for Higher European Studies (IAEE, *Instituto de Altos Estudios Europeos*), a Spanish nongovernmental organization; and the Carter Center. The Unasur electoral mission supported the CNE's decision to conduct a full audit, and Unasur heads of state subsequently met on April 19 to voice their support for Maduro's election. The IAEE report issued a critical report in June 2013 calling for the elections to be voided.<sup>21</sup>

The Carter Center issued a preliminary report on the election in July 2013, and concluded that the close election results caused an electoral and political conflict not seen since Venezuela's 2004

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<sup>18</sup> The CNE's results are available at [http://www.cne.gob.ve/resultado\\_presidencial\\_2013/r/1/reg\\_000000.html](http://www.cne.gob.ve/resultado_presidencial_2013/r/1/reg_000000.html).

<sup>19</sup> For background, see Dan Hellinger, “Caracas Connect: July Report,” Center for Democracy in the Americas, July 18, 2013, available at <http://www.democracyinamericas.org/blog-post/caracas-connect-july-report/>; and Hugo Pérez Hernáiz, “Domestic and International Observation Reports on the April 14<sup>th</sup> Elections,” Venezuela Blog, Washington Office on Latin America, August 12, 2013, available at: <http://venezuelablog.tumblr.com/post/58055388244/domestic-and-international-observation-reports-on-the>.

<sup>20</sup> *Informe Final, Observación Elecciones Presidenciales, 14 de Abril de 2013*, Observatorio Electoral Venezolano, May 2013, at: <http://www.oeventolano.org/images/OEV%20PRESIDENCIALES%202013%20INFORME.pdf>.

<sup>21</sup> *Misión de Apoyo Internacional a la Observación de las Elecciones Presidenciales in Venezuela 14 de abril 2013*, Instituto de Altos Estudios Europeos, June 2013, available at [http://www.iaee.eu/material/Informe\\_Final\\_Observacion\\_Electoral\\_Venezuela\\_14\\_abril\\_2013.pdf](http://www.iaee.eu/material/Informe_Final_Observacion_Electoral_Venezuela_14_abril_2013.pdf).

recall election. The group also concluded that confidence in the electoral system diminished in the election, with concerns about voting conditions, including inequities in access to financial resources and the media. In light of these concerns, the Carter Center made several recommendations to improve the electoral process. These included clarifying the participation of public officials and civil servants in campaign activities; ensuring campaign equity (especially with regard to media); enforcing the regulation of the use of state resources for political purposes; auditing and updating the electoral registry; and ensuring an independent and impartial CNE.<sup>22</sup>

In early May 2013, the opposition filed two legal challenges before the Supreme Court, alleging irregularities in the elections, including the intimidation of voters by government officials and problems with the electoral registry being inflated because it had not been purged of deceased people. The first challenge, filed May 2 by Henrique Capriles, called for nullifying the entire election, while the second challenge, filed May 7 by the MUD, requested nullification of certain election tables and tally sheets.<sup>23</sup> The Supreme Court rejected the opposition challenges on August 7, and criticized them for being “insulting” and “disrespectful” of the court and other institutions.<sup>24</sup> While the Supreme Court action was not unexpected, it has contributed to increased political tensions in the country in the lead-up to the December 2013 municipal elections.

### Challenges in the Post-Chávez Era

When the gravity of President Chávez’s health status became apparent in early 2013, many analysts had posed the question as to whether the leftist populism of “Chavismo” would endure without Chávez. Now with the election over, it is likely that “Chavismo” will survive at least in the medium term, not only because of the election of Nicolás Maduro, but because Chávez supporters also control the Supreme Court, the National Assembly, the military leadership, and the state oil company—PdVSA. Nevertheless, without the charismatic Chávez at the helm holding his supporters together, it is likely that over time factions within Chavismo could fracture the unity of the political movement.

While Chávez concentrated political power in his presidency and used his charisma to advance his populist “Bolivarian revolution,” most observers contend that few Venezuelan politicians, including President Maduro, have the charisma and popularity that Chávez enjoyed. During the presidential campaign, there was speculation about a rivalry between Vice President Maduro and National Assembly President Cabello, who has strong ties to the Venezuelan military, although some observers contend that Chávez’s endorsement of Maduro in December 2012 stifled any potential rift between the two in the immediate post-Chávez era. In May 2013, however, Venezuela’s opposition released a taped telephone conversation between a leading state television commentator, Mario Silva, reportedly a close friend of Chávez, and a Cuban intelligence official in which Silva allegedly strongly criticizes Cabello and other officials for involvement in corruption and emphasizes the power struggle between Maduro and Cabello.<sup>25</sup>

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<sup>22</sup> *Preliminary Report, Study Mission of The Carter Center, Presidential Elections in Venezuela April 14, 2013*, The Carter Center, July 2, 2013, pp. 73-77, available at [http://www.cartercenter.org/resources/pdfs/news/peace\\_publications/election\\_reports/venezuela-pre-election-rpt-2013.pdf](http://www.cartercenter.org/resources/pdfs/news/peace_publications/election_reports/venezuela-pre-election-rpt-2013.pdf).

<sup>23</sup> *Ibid.*

<sup>24</sup> William Neuman, “Court Rejects Vote Challenge in Venezuela,” *New York Times*, August 8, 2013.

<sup>25</sup> Jim Wyss, “Chávez Ally Paints Picture of Power Struggle,” *Miami Herald*, May 20, 2013; Brain Ellsworth, “Leaked Recording Stirs Political Furor in Venezuela,” *Reuters News*, May 21, 2013.

President Maduro faces a host of significant economic, political, and social challenges. Perhaps the most significant challenges are in the economic arena, with economic growth contracting this year, ongoing shortages of some goods and electricity outages (including a major outage on September 3, 2013), high rates of inflation, an overvalued currency, and declining international reserves (see “Economic Background and Current Conditions” below). While the country has vast oil reserves, energy production and exports have been declining in recent years because of underinvestment and mismanagement of the state oil company (see “Energy Issues” below).

### Nicolás Maduro

A former trade unionist who served in Venezuela’s legislature from 1998 until 2006, Nicolás Maduro held the position of National Assembly president in 2005-2006 until he was selected by President Chávez to serve as foreign minister. He retained that position until mid-January 2013, concurrently serving as vice president beginning in October 2012 when President Chávez tapped him to serve in that position following his re-election. He has often been described as a staunch Chávez loyalist. Maduro’s partner since 1992 is well-known Chávez supporter Cilia Flores, who served as the president of the National Assembly from 2006 to 2011; the two were married in July 2013.

The Maduro government began a crackdown against corruption in May 2013 that has targeted a number of mid-level officials in government. Some observers maintain that the campaign is aimed at improving public opinion about the government’s efforts to combat corruption. Critics maintain that the campaign is selective, and is not going after high-level government officials involved in corruption. The campaign has also targeted an opposition member of the National Assembly, Ricardo Mardo, who was stripped of his legislative immunity so that he can be prosecuted for tax fraud and illicit enrichment. Mardo denies the charges, and opposition leaders maintain that President Maduro is using a campaign against corruption to attack his political opponents. The ruling party reportedly has even resorted to gay slurs and bizarre claims of a gay and transvestite ring run by the chief of staff to Capriles in the Miranda state governor’s office.<sup>26</sup>

President Maduro is working to secure one more National Assembly vote to give the PSUV the 99 votes (three-fifths of the National Assembly) needed to approve an enabling law to give him decree powers that he would ostensibly use to enact corruption-fighting legislation. Chávez had been granted such powers for several extended periods and used it to enact far-reaching laws without the approval of Congress. Opposition leaders fear that Maduro would do the same if granted decree powers.

The government also faces high levels of crime and violence. The Venezuelan Violence Observatory, a nongovernmental organization, maintains that there were 21,692 murders in 2012, a rate of 73 per 100,000 inhabitants, one of the highest in the world. Caracas had an even higher rate of 122 per 100,000, with well-armed criminal gangs operating widely in the city. The number of murders has been increasing each year since 2005, when there were around 10,000 murders in the country. There has also been an increase in kidnapping in recent years. Venezuelan government statistics show there were 583 reported kidnappings in 2012, but the actual number is believed to be much higher since some 80% of kidnappings go unreported.<sup>27</sup> President Maduro unveiled a new homeland security plan in May 2013 to deploy military troops to patrol the country’s largest cities with the local police. Some human rights activists fear that getting the

<sup>26</sup> Daniel Wallis, “Venezuela Politics Soiled by Sordid Claims, Gay Slurs,” *Reuters News*, August 15, 2013.

<sup>27</sup> Murder and kidnapping statistics were cited in the U.S. Department of State, “Venezuela, Country Specific Information,” August 20, 2013, 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).

military involved in policing missions could make the situation worse, but the measure appears to be popular among Venezuelans concerned about increasing crime.<sup>28</sup>

Venezuela's upcoming municipal elections, scheduled for December 8, 2013, will be an important test of support for the ruling PSUV and the opposition MUD. Some 335 mayoral offices and hundreds of other local legislative councilor seats will be at stake in the elections; currently the PSUV and its allies control 267 municipalities. President Maduro has been tapping television personalities and sports figures as candidates in some cities. The opposition is looking at the elections as a referendum on Maduro's rule. De facto opposition leader Henrique Capriles maintains that the number of votes for MUD candidates has to be greater than the number of pro-Maduro votes. Given that Capriles and the opposition challenged the conduct and results of the presidential race, it could be difficult for them to convince their supporters to turn out at the polls for municipal elections that usually have a low turnout rate anyway. Access to television media remains a problem for the opposition, but Capriles has been turning increasingly to the Internet and social media to get his message across.

## Economic Background and Current Conditions

With an estimated 297 billion barrels of proven oil reserves in 2013 (the largest in the world, up from the previously reported 211 billion barrels in proven reserves in 2012), Venezuela's major economic sector is petroleum, which accounts for over 95% of exports and half of the government's fiscal revenue.<sup>29</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 \$12,470 (2012).<sup>30</sup>

In the 1990s, despite Venezuela's oil wealth, economic conditions in the country deteriorated. 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>31</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). The national economy contracted by almost 9% in 2002 and 7.8% in 2003.<sup>32</sup>

From 2004 to 2008, however, Venezuela benefitted from the rise in world oil prices. 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

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<sup>28</sup> Karl Ritter, "Venezuela's Military Enters High-Crime Slums as Rights Activists Warn of Potential for Abuses," *Associated Press*, May 17, 2013; David Smilde and Hugo Pérez Hernáiz, "The Venezuelan Military and Citizen Insecurity," *Venezuelan Blog*, Washington Office on Latin America, September 6, 2013.

<sup>29</sup> Worldwide Look at Reserves and Production," *Oil & Gas Journal*, December 3, 2012; and World Bank, "Venezuela Overview," available at <http://www.worldbank.org/en/country/venezuela/overview>.

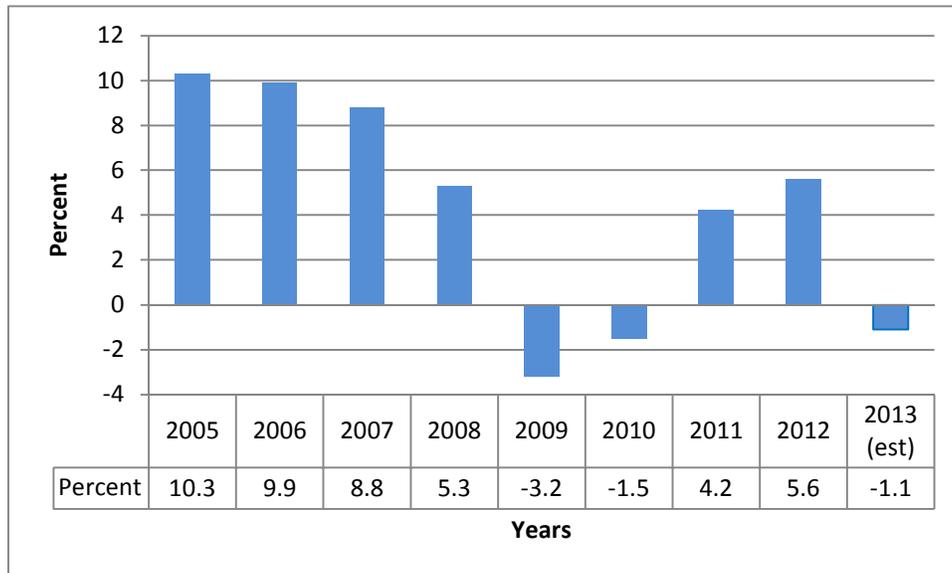
<sup>30</sup> World Bank, *Data by Country, Venezuela, RB*, available at <http://data.worldbank.org/country/venezuela-rb>.

<sup>31</sup> World Bank, "Venezuela: Interim Country Assistance Strategy," November 18, 2002, Report No. 25125-VE.

<sup>32</sup> Economist Intelligence Unit, *Country Data Tool*.

government control, the restructuring of operations at the state oil company, and the nationalization of numerous private companies.

**Figure 2. Venezuela: GDP Growth (%), 2005-2013**



**Source:** Economist Intelligence Unit, Country Data Tool, 2013

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 known as *misiones* or missions offering 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. As a result of the flourishing 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>33</sup>

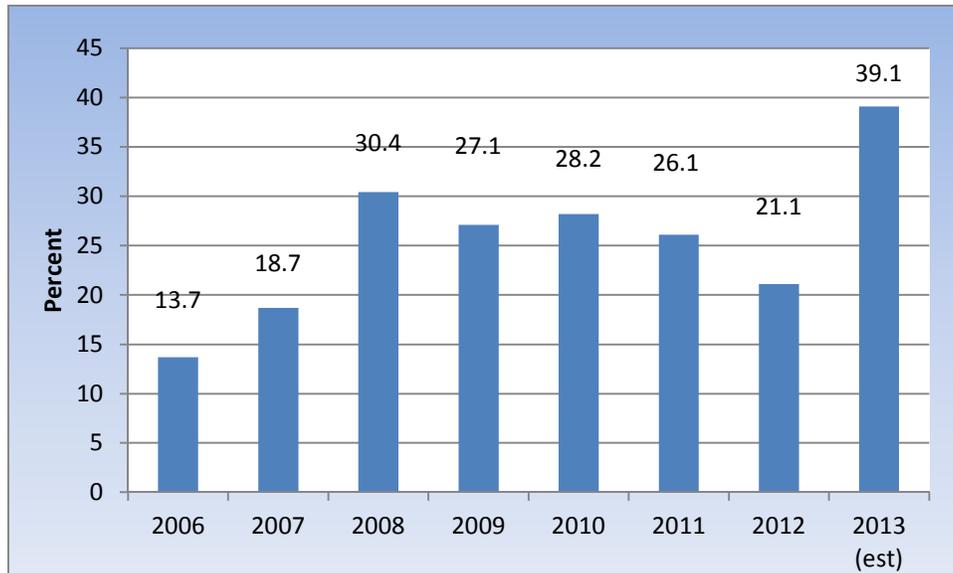
The global financial crisis and associated drop in the price of oil had significant negative effects on the Venezuelan economy, which contracted 3.2% in 2009 and 1.5% in 2010. This made Venezuela the only country in South America, and one of the few in the region, to continue to decline economically in 2010. 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 expenditure. In anticipation of the October 2012 presidential election, the government increased spending further. With this spending and high oil prices, growth increased to 5.6%. In 2013, however, the Venezuelan economy is forecast to contract by 1.1%.

The Venezuelan government continues to face significant economic challenges. From 2008 to 2011, high levels of inflation averaging almost 28% annually eroded purchasing power. In 2012, inflation decreased to 21% for the year, but increased significantly in 2013, with a forecast of 39% for the year (see **Figure 3**). In addition to inflation, there have been periodic shortages of

<sup>33</sup> U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2010, Briefing Paper*, November 2010, p. 13.

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 %), 2005-2013**



**Source:** Economist Intelligence Unit, Country Data Tool, 2013.

Since 2002, hundreds of companies, both domestic and foreign, have been nationalized in a variety of economic sectors, including energy, food and agriculture, finance, heavy industry, gold, steel, telecommunications, electricity, transportation, and tourism. Venezuela's private sector has described 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.

While the government maintains that it will provide compensation for the nationalizations, foreign companies are often forced to seek settlement through international arbitration.<sup>34</sup> There are some 27 pending cases against Venezuela at the International Centre for Settlement of Investment Disputes (ICSID) affiliated with the World Bank.<sup>35</sup> In January 2012, Venezuela began procedures to withdraw from ICSID and its withdrawal became effective in July 2012. While no new disputes against Venezuela may be brought before the ICSID, withdrawal does not affect pending cases. In 2012, ExxonMobil won a settlement of some \$900 million and ConocoPhillips was awarded a settlement of almost \$67 million by the International Chamber of Commerce's arbitration tribunal. ConocoPhillips also won a ruling at the ICSID in early September 2013, although the final award amount could take more than a year to be determined. ExxonMobil also has a pending case against Venezuela at the ICSID.<sup>36</sup>

<sup>34</sup> U.S. Department of Commerce, "Doing Business in Venezuela: 2011 Country Commercial Guide for U.S. Companies."

<sup>35</sup> See the ICSID's website at <http://icsid.worldbank.org/ICSID/Index.jsp>.

<sup>36</sup> U.S. Department of State, "2013 Investment Climate Statement," Venezuela, March 2013, available at <http://www.state.gov/e/eb/rls/othr/ics/2013/204759.htm>; "ConocoPhillips Says Wins Arbitration Ruling after (continued...)"

Given Venezuela's poor investment climate, capital flight has been a problem that has contributed to a weakening of Venezuela's currency, the *bolívar fuerte*, and to a decline of Venezuela's international reserves. The Maduro government devalued the currency in February 2013 by 32%, with the official rate of BsF6.3/U.S.\$1, but the currency remains significantly overvalued with the black market rate of BsF37/U.S.\$1 as of mid-August 2013. Venezuela's international reserves have continued to decline—in January 2013, they were \$29.9 billion while at the beginning of August they were down to \$22.9 billion.<sup>37</sup>

## Foreign Policy Orientation

Under President Chávez, Venezuela often utilized its foreign relations as means of countering U.S. interests and influence. Particularly in the aftermath of his temporary ouster from power in 2002, in which Venezuela was convinced that the United States had a hand, President Chávez moved Venezuela's foreign and economic relations away from the United States, which he often referred to as "the empire," through intense engagement abroad. Under his presidency, Chávez developed closer relations with China, highlighted by increased oil trade and Chinese investment in Venezuela's energy sector; Russia, characterized by billions of dollars of military purchases, including fighter jets; and Iran, where Chávez developed a personal relationship with then President Mahmoud Ahmadinejad and both leaders reveled in spouting anti-American rhetoric and opposing U.S. foreign policy (see "Relations with Iran" below).

In Latin America, Chávez—buoyed by windfall oil profits because of rising oil prices—moved to export his brand of populism and state-based economic development to other Latin American countries. He strongly supported Bolivia's President Evo Morales, and offered assistance to help Bolivia rewrite its constitution and implement radical reforms to the economy. Under Chávez, Venezuela had close relations with Nicaragua under the presidency of Daniel Ortega, providing substantial assistance, and with Ecuador under the presidency of populist President Rafael Correa, first elected in 2006. Chávez also developed a strong bond with Fidel Castro. As a result, Venezuela became one of Cuba's main sources of outside support by providing it with a majority of its oil needs while in return receiving thousands of Cuban medical personnel and other advisers for Venezuela's social programs. Venezuela also established a program for Caribbean and Central American nations dubbed PetroCaribe that provides oil at low interest rates (see "Energy Issues" below).

Chávez launched the Bolivarian Alliance of the Americas (ALBA, originally established as the Bolivarian Alternative for the Americas) in 2004 with the goals of promoting regional integration, socioeconomic reform, and poverty alleviation. In addition to Venezuela, this nine-member group includes Bolivia, Cuba, Ecuador, and Nicaragua as well as the Caribbean island nations of Dominica, Antigua and Barbuda, St. Vincent and the Grenadines, and most recently St. Lucia, which became a member in July 2013. Many observers maintain, however, that the Venezuelan-led ALBA began to lose energy as oil prices fluctuated and Venezuela's domestic economic problems began to mount. Director of National Intelligence James Clapper maintained in January 2012 congressional testimony that ALBA was "created in part to spread Chávez's influence in the

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(...continued)

Venezuela Assets Seized," *Reuters*, September 4, 2013.

<sup>37</sup> Venezuela Country Report," *EIU*, August 2013; Chris Kraul and Mery Mogollon, "Venezuela's Woes Knock Currency to Its Knees," *Los Angeles Times*, August 16, 2013; "Venezuela's International Reserves Fall to USD 22.9," *El Universal* (Venezuela), August 7, 2013.

region” but “is only muddling through.”<sup>38</sup> In the aftermath of President Chávez’s death in March 2013, some observers question the future of the Venezuelan-founded alliance.

Beyond ALBA, Venezuela played an important role in the December 2011 establishment of the Community of Latin American and Caribbean States (CELAC), a hemispheric forum that excludes the United States and Canada with the goal of boosting regional integration and cooperation. Venezuela was also one of the founding members of the Union of South American Nations (Unasur), established in 2008, and in 2012, it became a member of the Brazil-led Common Market of the South (Mercosur) once Paraguay (which had opposed Venezuela’s membership) was suspended from the organization because of the ouster of President Fernando Lugo by impeachment. While Venezuela remains an active member of the Organization of American States, on September 10, 2013, it withdrew from the Inter-American Court of Human Rights one year after it had denounced the American Convention on Human Rights (also see “Democracy and Human Rights Concerns” below).

Venezuela had difficult relations with Colombia during the administration of Colombian President Álvaro Uribe (2002-2010), with tensions over Venezuela’s support for leftist Colombian guerrilla groups. Relations have improved markedly, however, under the Colombian government of President Juan Manuel Santos. President Chávez played an important role in encouraging the Revolutionary Armed Forces of Colombia (FARC) to participate in peace talks with the Colombian government to resolve the conflict (see “Colombian Terrorist Groups” below).

Under President Maduro, there will likely be significant continuity in Venezuela’s foreign policy, especially since Maduro had served as foreign minister under President Chávez from 2006 until early 2013. Maduro is expected to continue to maintain close relations with like-minded leftist populist governments in Latin America and to continue engagement with other Latin American countries through such organizations as CELAC and Mercosur. Close relations with China and Russia are expected to continue as Venezuela seeks continued trade and investment. The intensity of relations with Iran could begin to wane in the post-Chávez/Ahmadinejad era since relations were driven by that personal relationship. Moreover, some observers believe that Venezuela’s foreign policy under Maduro is likely to take a back seat to domestic issues as the president confronts the ailing economy and internal political challenges. As have a number of Latin American leaders, President Maduro has been a critic of a potential U.S. military strike against Syria.

## **U.S. Relations and Policy**

While the United States traditionally has had close relations with Venezuela, a major oil supplier to the United States, there was significant friction with the Chávez government and this largely has continued under the Maduro government. Over the course of Chávez’s tenure, U.S. officials 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.

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<sup>38</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>.

Declining Venezuelan cooperation on antidrug and antiterrorism efforts also became a major U.S. concern. Since 2005, Venezuela has been designated annually (by President George W. Bush and President Obama, as part of the annual narcotics certification process) as a country that has failed to adhere to its international anti-drug obligations. Since 2006, the Department of State has made an annual determination that Venezuela has not been cooperating fully with U.S. antiterrorism efforts, and as a result has imposed an embargo on arms sales to Venezuela. The United States has also imposed financial sanctions on several current or former Venezuelan officials for providing support to the FARC; on several Venezuelan companies for their support of Iran; and on several Venezuelan individuals and companies for their support of the radical Lebanon-based Islamic Shiite group Hezbollah.

Tensions in bilateral relations with Venezuela under the Bush Administration 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. Nevertheless, strong U.S. statements critical of Chávez upon his return to power set the stages for continued deterioration in U.S.-Venezuelan relations and strong rhetoric on both sides. In 2006, however, the tenor of U.S. political rhetoric changed in the second half of the year with U.S. officials refraining from responding to Venezuela's rhetorical attacks. By 2008, U.S. policy had shifted to focusing on advancing a positive U.S. agenda for the hemisphere and refraining from getting into any unneeded conflicts or spats with President Chávez. Nevertheless, U.S. relations took a turn for the worse in September 2008 when Venezuela expelled the U.S. Ambassador 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 the Venezuelan Ambassador to the United States.

## Obama Administration Policy

During the 2008 U.S. presidential campaign, Barack Obama maintained that his Administration would use diplomacy to engage with such adversaries in the region as Venezuela under populist President Hugo Chávez. In June 2009, the United States and Venezuela announced that they had agreed to the return of respective ambassadors, which raised hopes for an overall improvement in bilateral relations. Despite the return of ambassadors, such an improvement did not occur, and tensions continued. U.S. officials continued to speak out about the deterioration of democratic institutions and threats to freedom of expression in Venezuela and other concerns. As described by the State Department in 2013, President Chávez "defined himself in opposition to the United States, criticizing the U.S. government and U.S. relations with Latin America."<sup>39</sup>

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. In January 2012, the Department of State declared as *persona non grata* the Venezuelan Consul General in Miami, Livia Acosta. A documentary featured on the Spanish-language network *Univisión* in December 2011 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 reportedly recorded participating in the discussion with the Mexican students.

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<sup>39</sup> U.S. Department of State, "U.S. Relations with Venezuela," August 22, 2013.

In the aftermath of President Chávez's 2012 reelection, the Obama Administration, while acknowledging differences with Chávez, congratulated "the Venezuelan people on the high level of participation, as well as on what was a relatively peaceful process."<sup>40</sup> A State Department official added, however, that "the views of the more than 6 million people who voted for the opposition should be taken into account going forward."<sup>41</sup>

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 counterterrorism efforts. In November 2012, the State Department's Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson, engaged in a conversation with then-Vice President Maduro about improving bilateral relations, including greater cooperation on counternarcotics issues. In early January 2013, the State Department reiterated that the United States remains open to dialogue with Venezuela on a range of issues of mutual interest. As President Chávez's health deteriorated, a State Department spokesman maintained on January 9 that "regardless of what happens politically in Venezuela, if the Venezuelan government and if the Venezuelan people want to move forward with us, we think there is a path that's possible. It's just going to take two to tango."<sup>42</sup>

In response to President Chávez's death in March 2013, President Obama issued a statement reaffirming U.S. "support for the Venezuelan people" and "interest in developing a constructive relationship with the Venezuelan government." At the same time, the President maintained that "as Venezuela begins a new chapter in its history, the United States remains committed to policies that promote democratic principles, the rule of law, and respect for human rights."<sup>43</sup> A number of statements by Members of Congress also expressed hope for a new era in U.S.-Venezuelan relations.

In early June 2013, it appeared that bilateral relations were on a track to improve when Secretary of State John Kerry met with Venezuelan Vice President Elías Jaua in Guatemala on the sideline of an OAS General Assembly meeting. Secretary Kerry expressed hope that the two countries could move quickly to the appointment of ambassadors, and said that the two countries had agreed to continue high-level dialogue.

Efforts to engage with Venezuela, however, were complicated by the Maduro government's strong rhetoric and actions. In early July 2013, President Maduro publicly offered political asylum to Edward Snowden, accused of leaking classified information regarding National Security Agency programs. The offer put a damper on prospects for improving bilateral relations, and if followed through on, would likely have damaged relations. Subsequently, Venezuela announced on July 19, 2013, that it was halting efforts to improve relations in response to comments by the Obama Administration's nominee for U.N. Ambassador, Samantha Power, that she would contest the "crackdown on civil society being carried out in countries like Cuba, Russia, Iran, and Venezuela."<sup>44</sup> The State Department indicated that it would be willing to

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<sup>40</sup> White House, Office of the Press Secretary, "Press Gaggle by Press Secretary Jay Carney En Route Bakersfield, CA," October 8, 2012.

<sup>41</sup> "U.S.: Venezuelan Opposition Views Should be Considered," *Agence France Presse*, October 8, 2012.

<sup>42</sup> U.S. Department of State, Daily Press Briefing, January 3 and 9, 2013.

<sup>43</sup> White House, Office of the Press Secretary, Statement of President Obama on the Death of Venezuelan President Hugo Chávez, March 5, 2013.

<sup>44</sup> "U.S.-Venezuela Talks Scotched Again by Maduro," *LatinNews Daily Report*, July 25, 2013.

resume talks as soon as possible, but expressed support for Power's statement. President Maduro subsequently indicated on July 23 that he would be willing to resume dialogue with the United States if it changed its "imperialist attitude toward Latin America" and "its permanent aggression toward Venezuela."<sup>45</sup>

## Democracy and 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, Chávez's presidency was "characterized by a dramatic concentration of power and open disregard for basic human rights guarantees." The human rights group maintains that in the aftermath of his short-lived ouster from power in 2002, "Chávez and his followers seized control of the Supreme Court and undercut the ability of journalists, human rights defenders, and other Venezuelans to exercise fundamental rights." By Chávez's second full term in office (2007-2012), Human Rights Watch maintains that "the concentration of power and erosion of human rights protections had given the government free reign to intimidate, censor, and prosecute Venezuelans who criticized the president or thwarted his political agenda."<sup>46</sup>

Some academics see the growth of leftist populism in Venezuela and other countries in the region such as Ecuador, Bolivia, and Nicaragua as a threat to democracy because of the tough treatment of political opponents and the dismantling of institutional checks and balances. They contend that a type of competitive or electoral authoritarianism is taking hold in these countries, in which democratic institutions exist but abuse by the incumbent skews the playing field against opponents.<sup>47</sup> This growing authoritarianism of populist regimes in Latin America, while not characterized by the massive human rights violations of past decades under military regimes, nevertheless is viewed as undermining liberal democracy in the name of satisfying popular aspirations.<sup>48</sup>

The State Department's 2012 human rights report for Venezuela (issued in April 2013) maintained that the "principal human rights abuses reported during the year included corruption, inefficiency, and politicization in the judicial system; government actions to impede freedom of expression; and harsh and life-threatening prison conditions."<sup>49</sup> According to the State Department report, the Venezuelan government "did not respect judicial independence" and "used the judiciary to intimidate and selectively prosecute political, union, business, and civil society leaders who were critical of the government policies or actions." In terms of political prisoners, the State Department reported that nongovernmental organizations (NGOs) and analysts listed between 11 and 18 individuals as political prisoners, with most either convicted for their alleged actions

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<sup>45</sup> "Update, U.S. Senate Panel Oks Samantha Power as U.N. Ambassador," *Reuters News*, July 23, 2013.

<sup>46</sup> Human Rights Watch, "Venezuela: Chávez's Authoritarian Legacy," March 5, 2013, available at <https://www.hrw.org/news/2013/03/05/venezuela-chavez-s-authoritarian-legacy>.

<sup>47</sup> See Kurt Weyland, "Latin America's Authoritarian Drift, The Threat from the Populist Left," *Journal of Democracy*, July 2013. Also see Sebastián Mazzuca, "The Rise of Rentier Populism," *Journal of Democracy*, April 2013; Steven Levitsky and James Loxton, "Populism and Competitive Authoritarianism in the Andes," *Democratization*, January 2013.

<sup>48</sup> *Latin American Populism in the Twenty-First Century*, ed. Carlos de la Torre and Cynthia J. Arnson (Washington, D.C.: Woodrow Wilson Center Press, Baltimore: The Johns Hopkins University Press 2013), pp. 362-363.

<sup>49</sup> See the full report at <http://www.state.gov/documents/organization/204696.pdf>.

during the 2002 coup or charged for alleged financial crimes. One Venezuelan NGO, the Venezuelan Awareness Foundation, listed 12 political prisoners as of August 2013.<sup>50</sup> Numerous other political prisoners cited by the NGO have been released after being detained from a few days to several years. Venezuelans at times have turned to using hunger strikes as a form of protest against the government.

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 after she had ordered the release of businessman Eligio Cedeño, who had been imprisoned without trial since February 2007 on charges of corruption. Afiuni reportedly was held in deplorable conditions and received inadequate health treatment until she was released from prison and placed under house arrest in February 2011. She subsequently said that she had been raped while in prison and then had an abortion after becoming pregnant.<sup>51</sup> International human rights groups continued to call for the charges to be dropped, and the United Nations Working Group on Arbitrary Detention asked Venezuela to release Afiuni from house arrest.<sup>52</sup> In June 2013, a Venezuelan court ordered Afiuni to be freed, but also required her to report to court every 15 days.

In another high-profile case, retired General Raúl Baduel, a former defense minister in the Chávez government, was sentenced to almost 8 years 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.

Amnesty International (AI) issued an urgent action appeal on September 13, 2013, for human rights activist Luis Rafael Escobar Ugas, who has been detained since March 2013 for participating in a protest. According to AI, Escobar Ugas has been tortured and threatened, and is not receiving the urgent medical care he needs for illnesses.<sup>53</sup>

In July 2012, President Chávez announced that Venezuela would withdraw from the jurisdiction of the Inter-American Court of Human Rights. Chávez made the decision because the court had ruled in favor of a Venezuelan citizen, Raúl Díaz Peña, who was found to have been subjected to “inhumane and degrading treatment” while imprisoned for six years. Both the court and the Inter-American Commission on Human Rights (which has not been allowed to visit the country since 2002) were established pursuant to the American Convention on Human Rights and comprise the OAS human rights protection system. Individuals who have exhausted legal avenues in their countries may petition the commission, which then may refer cases to the court. The Venezuelan government officially denounced the convention in September 2012, and on September 10, 2013, it formally withdrew from it. As a result, the court will no longer be able to hear cases involving Venezuela, although Venezuelan citizens will still be able to bring complaints to the commission. Venezuela’s withdrawal from the treaty and the court have been strongly criticized by the United Nations, international human rights groups, and domestic Venezuelan human rights organizations, all whom have urged the Venezuelan government to reconsider its decision.<sup>54</sup> President Maduro

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<sup>50</sup> Venezuela Awareness Foundation, “Lista de Presos Políticos Venezolanos,” available at <http://www.venezuelaawareness.com/lista-de-prisioneros-politicos/>.

<sup>51</sup> María Eugenia Díaz and William Neuman, “Venezuelan Judge who Angered Chávez Says She Was Raped While in Prison,” *New York Times*, November 27, 2012.

<sup>52</sup> “UN Working Group Calls for Judge Afiuni’s Release,” *El Universal* (Venezuela), March 7, 2012.

<sup>53</sup> Amnesty International, “Urgent Action Appeal, Venezuela, Activist Tortured in Police Cell,” September 13, 2013.

<sup>54</sup> Timothy Gill, “Venezuela Exits the Inter-American Court of Human Rights Amidst Criticism,” *Venezuela Blog*, Washington Office on Latin America, September 10, 2013; Geoffrey Ramsey, “Venezuela Withdraws from American (continued...)”

maintained that the court had become an “instrument for the protection of U.S. geopolitical interests in Latin America and to persecute progressive governments.”<sup>55</sup>

## Threats to Freedom of Expression

The Venezuelan 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 print media, the government has discriminated against media that offer views of political opponents. It 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 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>56</sup> With regard to television broadcasting, the government targeted two prominent stations—RCTV and *Globovisión*—that had been strongly critical of the government and its policies.

**RCTV Case.** 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 observers believe that the government’s actions were taken to silence *RCTV-Internacional*, which had continued to broadcast criticism of the Chávez government.

**Globovisión Case.** In 2009, the Venezuelan government also began targeting the operation of *Globovisión*, a Caracas-area television news station that was often critical of the government in a combative style. 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

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(...continued)

Convention on Human Rights,” The Pan-American Post (blog), September 10, 2013,

<sup>55</sup> “Venezuela Quits Regional Human Rights Court,” *Agence France Presse*, September 10, 2013.

<sup>56</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>.

accusations against the government. Mounting fines and harassment by the government ultimately led *Globovisión*'s owners to sell the station in May 2013. The station immediately took a new editorial line and promised "impartial coverage." A number of high-profile journalists and shows critical of the government were taken off the air, leading media rights observers to lament the loss of independent critical television media in the country.<sup>57</sup>

### Human Rights Reporting on Venezuela

**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/>

**Human Rights Watch**, <http://www.hrw.org/en/americas/venezuela>

**Inter-American Commission on Human Rights (IACHR)**, <http://www.cidh.oas.org/DefaultE.htm>; Annual Report of the IACHR 2012, March 2013, chapter IV includes an extensive section on Venezuela, <http://www.oas.org/en/iachr/docs/annual/2012/TOC.asp>

**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 2012, April 19, 2013, Venezuela, <http://www.state.gov/documents/organization/204696.pdf>

**Venezuelan Politics and Human Rights**, blog hosted by the Washington Office on Latin America, <http://venezuelablog.tumblr.com/>

## U.S. Funding to Support Democracy

For a number of years, the United States has provided democracy-related assistance to Venezuela through the U.S. Agency for International Development (USAID) and the National Endowment for Democracy.

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. 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 peaceful debate on key issues, and to promote citizen participation and democratic leadership.<sup>58</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.

In recent years, U.S. democracy assistance to Venezuela implemented by USAID amounted to \$5 million in FY2011 and \$6 million in FY2012 provided through the Economic Support Fund (ESF) foreign aid funding account. For FY2013, the Obama Administration requested \$3 million in ESF, but country-level funding estimates are not yet available because of the delay in final legislative action until March 2013 (P.L. 113-6) and because of budget sequestration cuts.

<sup>57</sup> Maria Isabel Sanchez and Valeria Pacheco, "Voice of Venezuelan Anti-Government TV Station Down to a Whimper," *Agence France Presse*, August 20, 2013.

<sup>58</sup> U.S. Agency for International Development, USAID/OTI Venezuela Annual Summary Report, October 2009-September 2010.

For FY2014, the Administration has requested \$5 million in ESF to provide support to Venezuela's civil society. According to the budget request, U.S. activities will seek to expand space for public participation to promote the basic values of representative democracy and to support the promotion of universal principles of human rights. Congress faces action on the FY2014 State Department and Foreign Operations appropriations measure; neither the House Appropriations Committee-reported bill, H.R. 2855 (H.Rept. 113-185), nor the Senate Appropriations Committee-reported bill, S. 1372 (S.Rept. 113-81), have any provisions or language on the Venezuela request.

NED has funded democracy projects in Venezuela since 1992, but the level of funding increased under the Chávez government. In recent years, NED funding for Venezuela amounted to \$1.53 million in FY2011 for 27 projects and \$1.34 million in FY2012 for 27 projects.<sup>59</sup> U.S. funding for the NED is provided in the annual State Department and Foreign Operations appropriation measure. For FY2014, the Senate Appropriation Committee report to the Senate version of the bill (S.Rept. 113-81 to S. 1372) would recommend \$3 million in NED funding for Venezuela, Bolivia, and Ecuador combined.

## Energy Issues

Venezuela has proven reserves of 297 billion barrels of oil in 2013, the largest in the world, according to the *Oil and Gas Journal*. This is up from previously reported figures of 211 billion barrels in proven reserves in 2012, and 99.4 billion barrels in 2009. The increase results from including the extra-heavy oil in Venezuela's Orinoco belt region. 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>60</sup> Most of Venezuela's proven natural gas reserves are associated gas linked to its oil production. Moreover, the petroleum industry consumes the majority of Venezuela's natural gas production to aid crude oil extraction. As a result, Venezuela actually imports gas to meet its demand.

Despite its vast oil reserves, production in Venezuela has been declining in recent years. According to the U.S. Energy Information Administration (EIA), Venezuela's total oil production fell from 2.87 million barrels per day (bbl/d) in 2005 to 2.49 million bbl/d in 2012 (its peak was 3.06 million bbl/d in 1997).<sup>61</sup> Reasons for the decline, according to the EIA, include the natural decline of older fields, maintenance issues, and the need for increased foreign investment.<sup>62</sup> Energy analysts maintain that the government's hostility toward foreign investment and mismanagement of PdVSA have been the main reasons for production decline.<sup>63</sup>

As noted above, the Venezuelan economy remains highly dependent on oil, which accounts for some 95% of its exports. Yet like its production, Venezuela's net oil exports have declined in recent years. According to the EIA, Venezuela was the ninth-largest net exporter of oil in 2012,

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<sup>59</sup> See NED's website for a description of Venezuelan projects in FY2012, available at <http://www.ned.org/where-we-work/latin-america-and-caribbean/venezuela>.

<sup>60</sup> "Worldwide Look at Reserves and Production," *Oil & Gas Journal*, December 3, 2012.

<sup>61</sup> U.S. Energy Information Administration (EIA), International Energy Statistics, "Petroleum Production, Total Oil Supply," statistics available at <http://www.eia.gov/countries/data.cfm>.

<sup>62</sup> EIA, "Country Analysis Brief, Venezuela," October 3, 2012.

<sup>63</sup> Clifford Krauss, "Dwindling Production Has Led to Lesser Role for Venezuela as Major Oil Power," *New York Times*, March 8, 2013.

with 1.7 million bbl/d. This compares to 2005 when Venezuela's net oil exports were almost 2.3 million bbl/d of oil and the country was the fifth-largest net oil exporter worldwide. Venezuela's net oil exports have not only declined because of production, but because of rising domestic oil consumption, which increased some 33% between 2005 and 2012, according to the EIA.<sup>64</sup>

A domestic subsidy makes gasoline almost free for Venezuelans; at the official exchange rate, gasoline cost almost six U.S. cents per gallon, and it is even cheaper at the black market exchange rate. The subsidy has increased consumption, spurred smuggling operations at the border with Colombia, and reduced government revenue that could be used toward building infrastructure or providing services.<sup>65</sup> Raising the price of gasoline, however, is sensitive politically in Venezuela; in 1989, austerity measures that included gas price increases led to riots in which several hundred people were killed.

Venezuela remains a major oil supplier to the United States, even though the amounts and share of U.S. oil imports from the country have been declining because of Venezuela's decreasing production and the overall decline in U.S. oil imports worldwide. In 2012, Venezuela provided the United States with about 952,000 barrels of total crude oil and products, almost 9% of total U.S. imports, making Venezuela the fourth-largest foreign supplier of crude oil and products to the United States in 2011 (after Canada, Mexico, and Saudi Arabia). This is down from 2005, when the United States imported 1.53 million bbl/d of total crude oil and products from Venezuela, accounting for 11% of total U.S. imports.<sup>66</sup> According to U.S. trade statistics, Venezuela's oil exports to the United States were valued at almost \$38 billion in 2012, accounting for 97% of Venezuela's exports to the United States.<sup>67</sup>

Venezuela remains dependent on the United States as an export market. In 2011, according to the EIA, 40% of Venezuela's crude oil exports were destined for the United States, although this was down from 43% in 2010. U.S. Gulf coast refineries are specifically designed to handle heavy Venezuelan crude oil. Venezuela's state-run oil company, PdVSA, owns CITGO, which operates three crude oil refineries in the United States and a network of thousands of retail gasoline stations in the United States. Nevertheless, Venezuela 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; in 2005, China imported 19,000 bbl/day of oil from Venezuela, while that rose to 230,000 bbl/d from Venezuela in 2011 and an estimated 306,000 bbl/d in 2012.<sup>68</sup> Some analysts point out, however, that a large portion of Venezuela's oil exports are tied to the repayment of loans provided by China to Venezuela.<sup>69</sup>

The Venezuela government also provides a significant amount of oil—reportedly up to 400,000 bbl/day—under favorable terms to Cuba and other Caribbean Basin nations. Venezuela signed an agreement with Cuba in 2000 that currently provides the island nation with some 100,000 barrels of oil per day. In payment for the oil, Cuba has provided extensive services to Venezuela,

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<sup>64</sup> See the EIA's country page on Venezuela at <http://www.eia.gov/countries/country-data.cfm?fips=VE>.

<sup>65</sup> Angel Gonzalez, "In Venezuela, Almost-Free Gas Comes at a High Cost," *Wall Street Journal*, April 12, 2013.

<sup>66</sup> Oil statistics are from the U.S. Energy Information Administration.

<sup>67</sup> Global Trade Atlas, which uses Department of Commerce statistics.

<sup>68</sup> EIA, "Country Analysis Brief, Venezuela," October 3, 2012; Takeo Kumagai, "Venezuela Maps Ambitious Production Plan," *Platts Oilgram News*, June 7, 2013.

<sup>69</sup> Diego Moya-Ocampos, "New Loan Negotiations Underline Increased Venezuelan Dependency on China," *IHS Global Insight*, July 24, 2013.

including thousands of medical personnel and advisers in a number of other areas. Since 2005, Venezuela has provided oil to other Caribbean Basin nations with preferential financing terms in a program known as PetroCaribe. Most Caribbean nations are members of PetroCaribe, with the exception of Barbados and Trinidad and Tobago. In Central America, Belize, Guatemala, and Honduras<sup>70</sup> have participated in the program. In early August 2013, some press reports maintained that the Venezuelan government was going to increase the financing terms for the PetroCaribe program. Some analysts have expressed concern about the increasing debt owed to Venezuela by Caribbean nations, many of which are already saddled with high levels of public debt. Others maintain that Cuba, which is dependent on Venezuela's preferential oil program, and some other Caribbean nations would face difficult economic situations without the Venezuelan program.

Under President Chávez, the Venezuelan government asserted greater control over the country's oil reserves. By 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>71</sup> In early September 2013, however, Petronas announced that it would withdraw from its oil investment project in Venezuela, reportedly because of disagreements with the Venezuelan government.

Under President Maduro, PdVSA Venezuela has been active in seeking foreign loans to boost production levels. Reportedly, the country has secured some \$11 billion in loans in recent months from Chinese, Russian, U.S. (Chevron), and other companies to help support the goal of increasing the country's oil production levels. Some energy analysts, however, point out the risk that the funding could be directed toward funding populist social programs instead of investment in the oil industry. The oil sector faces significant challenges because of years of underinvestment and alleged mismanagement at PdVSA, highlighted by significant ongoing problems with domestic refineries. An August 2012 explosion at the country's largest refinery complex killed 41 people and caused almost \$2 billion in damages. The Maduro government claims that there is a strong chance that the blast was caused by sabotage, but critics maintain that it was caused by poor maintenance.<sup>72</sup>

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<sup>70</sup> Honduras left PetroCaribe in the aftermath of the ouster of Honduras President Manuel Zelaya in 2009. While Honduras rejoined PetroCaribe under the government of President Porfirio Lobo in 2012, the country has not yet received oil shipments under the program. See "In Brief, Guatemala & Honduras, Economy, Still No PetroCaribe," *LatinNews Daily Report*, September 13, 2013.

<sup>71</sup> *Ibid.*

<sup>72</sup> "Market Overview, Venezuela, Energy Market Overview Q4 2013," *BMI Industry Insights – Oil & Gas, Americas*, August 14, 2013; Marianna Parraga, "Chronology, Pump Collapse, Leak Caused Venezuela Refinery Blast," *Reuters*, September 9, 2013.

## 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 the Venezuelan government. U.S. officials maintained that the charges were baseless. From 2005 to 2008, President Bush annually made a determination that Venezuela, pursuant to international drug control certification procedures set forth in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228), 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 several years, most recently in September 2013, marking the ninth consecutive year for Venezuela's designation as a country not adhering to its anti-drug obligations.<sup>73</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 15 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 eight 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—and the former interior minister, Ramón Rodríguez Chacín, for allegedly helping the FARC with drug and weapons trafficking.<sup>74</sup> General Rangel was subsequently appointed Venezuela's defense minister in January 2012. He stepped down in October 2012, and went on to win the governorship of the Venezuelan state of Trujillo in December 2012 elections. Rodríguez Chacín also was elected as governor of the state of Guárico in December.
- In September 2011, the Treasury Department sanctioned four 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>75</sup>

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<sup>73</sup> White House, "Presidential Determination No. 2013-14, Presidential Determination on Major Illicit Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2014," September 13, 2013. Also see the State Department's website on Narcotics Legislation and the "Majors" List, available at <http://www.state.gov/j/inl/rls/rpt/c11766.htm>.

<sup>74</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>75</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," (continued...)

- In August 2013, the Treasury Department sanctioned a former captain in Venezuela's National Guard, Vassyly Kotosky Villarroel Ramirez, for his role in international narcotics trafficking in both Colombia and Venezuela. Villarroel Ramirez had been indicted in U.S. federal court in New York on multiple cocaine trafficking charges.<sup>76</sup>

The FARC and the Venezuelan military are reported to have a major role in the use of Venezuela as a drug transit country.<sup>77</sup> Some reports allege that Venezuela's military leaders involved in drug trafficking pressed President Chávez in 2010 to negotiate with Colombia for the extradition of Walid Makled García, a Venezuelan drug trafficker who alleged that he had paid off numerous Venezuelan military and government officials.<sup>78</sup> Colombia extradited him to Venezuela in May 2011 on charges of murder and drug trafficking. In a media interview before his extradition, Makled maintained that five current Venezuelan legislators and 40 generals had been on his payroll, including General Hugo Carvajal, the director of Military Intelligence. The United States had wanted Makled to be extradited to the United States, but the Administration maintained that it respected Colombia's extradition process. Before his extradition, however, Makled reportedly was questioned by U.S. officials.<sup>79</sup>

On a positive note, there has been increased counternarcotics cooperation between Venezuela and Colombia since 2010 under the government of Colombian President Juan Manuel Santos, with several top Colombian drug traffickers arrested in Venezuela. For example, in July 2012, Venezuela deported to Colombia Diego Pérez Henao, the alleged leader of a Colombian paramilitary group involved in cocaine trafficking known as "Los Rastrojos." In November 2012, Venezuela deported alleged drug traffickers Jorge Milton Cifuentes Villa, Eduardo Acosta Mejia, and most significantly, Daniel Barrera (also known as "El Loco"). Barrera, who had been captured in September, reportedly was based in Venezuela since 2008 overseeing the flow of drugs from Colombia through Venezuela to outside markets; he had been on the U.S. Treasury Department's drug kingpin list (Specially Designated Narcotics Trafficker) since March 2010, and was indicted in September 2011 for cocaine trafficking to the United States.<sup>80</sup> The arrest of Barrera, who ultimately was extradited to the United States from Colombia in July 2013, reportedly resulted from cooperation among law enforcement and intelligence officials from Colombia, Venezuela, Britain, and the United States.<sup>81</sup> In another case in May 2013, Venezuela deported to Colombia three alleged drug traffickers that were part of the criminal group known as "Los Urabeños" involved in drug trafficking and kidnapping.

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*Washington Post*, September 9, 2011.

<sup>76</sup> U.S. Department of the Treasury, "Treasury Targets Venezuelan Narcotics Trafficker," Press Release, August 21, 2013; *Federal Register*, p. 53007, August 27, 2013.

<sup>77</sup> Jeremy McDermott and Geoffrey Ramsey, "Is Venezuelan Military Stepping up Role in Drug Trafficking?" *InSight, Organized Crime in the Americas*, January 30, 2012; "Cocaine Flow Is Unchecked in Venezuela," *New York Times*, July 27, 2012.

<sup>78</sup> Antonio Maria Delgado, "Cables: Chávez Betrayed the FARC to Appease Generals," *Miami Herald*, March 9, 2012.

<sup>79</sup> Jim Wyss, "Alleged Venezuelan Kingpin Raises Stakes for U.S. Prosecutors," *Miami Herald*, April 4, 2011.

<sup>80</sup> U.S. Drug Enforcement Administration, "Three High-Level Colombian Narcotics Traffickers Indicted," September 12, 2011, available at <http://www.justice.gov/dea/divisions/mia/2011/mia091211.shtml>.

<sup>81</sup> William Neuman and Jenny Carolina Gonzalez, "Unlikely Joint Effort by U.S. and Venezuela Leads to a Drug Lord's Arrest," *New York Times*, September 23, 2012.

## State Department 2013 INCSR Report

In its March 2013 *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 its porous border with Colombia, weak judicial system, sporadic international counternarcotics cooperation, generally permissive law enforcement, and corrupt political environment. The State Department maintained that bilateral counternarcotics cooperation was limited, and that “Venezuelan law enforcement lacks the equipment, training, and reach to match the resources and scope of major drug trafficking operations.”

The vast majority of the illicit drugs transiting Venezuela were reported to be destined for the Eastern Caribbean, Central America, United States, Western Africa, and Europe. The INCSR maintained that U.S. government estimates of cocaine transiting through Venezuela were 161-212 metric tons (mt), the same amount reported in the 2012 INCSR, but less than the 250 mt noted in the 2011 INCSR. Venezuela also reportedly seized 45mt of illegal drugs in 2012 (similar to the 42 mt in 2011, but down from 63 mt in 2010), with about 60% cocaine and 40% marijuana.

The 2013 INCSR also noted that Venezuela extradited wanted drug trafficker Oscar Martínez Hernández to Puerto Rico in January 2012 and that Venezuela had deported to Colombia several Colombian citizens wanted by the United States (see above). Last year, the 2012 INCSR had noted that Venezuela had deported three fugitives wanted on drug charges to the United States: Gloria Rojas Valencia, allegedly working for Los Zetas (a violent Mexican drug trafficking organization) in Venezuela; 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 2013 INCSR, as it did in prior years, that “the United States remains prepared to deepen cooperation with Venezuela to help counter the increasing flow of cocaine and other illegal drugs transiting Venezuelan territory.” 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; and that port security programs could help Venezuela assess security at its major seaports and develop best practices for enhanced maritime security. According to the INCSR, “these cooperative activities would increase the exchange of information that could lead to more drug-related 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<sup>82</sup>

Venezuelan officials reject U.S. criticism of their anti-drug efforts, and maintain that their government has been taking significant antidrug measures, including 54 international anti-drug cooperation agreements with 39 countries and participation in the OAS's Inter-American Drug Abuse Control Commission (CICAD). In the past, the government has maintained 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, the country seized almost 672 mt of illicit drugs between 1999 and 2012, arrested more than 100 major traffickers since 2006 (with 75 handed over to other countries, including the United States), destroyed dozens of illegal airstrips, and seized millions of dollars in assets of drug traffickers. The government maintains that the declining level of Venezuelan drug seizures in recent years, from 63 mt in 2010 to 45 mt in 2012, shows that its anti-drug efforts have been working. In 2012 alone, Venezuelan authorities maintain that they arrested 21 major drug traffickers, including, as noted above, Daniel "El Loco" Barrera.

## Terrorism Issues

U.S. officials have expressed concerns over the past several years about Venezuela's lack of cooperation on antiterrorism efforts, President Hugo Chávez's past sympathetic statements for Colombian terrorist groups, and Venezuela's relations with 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 (AECA). The most recent determination was made in May 2013.<sup>83</sup> As a result, the United States imposed an arms embargo on Venezuela in 2006, which ended all U.S. commercial arms sales and retransfers to Venezuela. (Other countries currently on the Section 40A list include Cuba, Eritrea, Iran, North Korea, and Syria, not to be confused with the "state sponsors of terrorism" list under Section 6(j) of the Export Administration Act of 1979.) The United States also has imposed various sanctions on Venezuelan individuals and companies for supporting the FARC, Iran, and Hezbollah.

## Colombian Terrorist Groups<sup>84</sup>

Two leftist Colombian guerrilla groups—the FARC and the National Liberation Army (ELN)—have long been reported to have a presence in Venezuelan territory. The United States has imposed sanctions on several current and former Venezuelan government and military officials for providing support to the FARC with weapons and drug trafficking (see "Counternarcotics

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<sup>82</sup> This section draws from two Venezuelan government sources: Embassy of the Bolivarian Republic of Venezuela to the United States, "Venezuela's Anti-Drug Efforts," May 2013, available at <http://venezuela-us.org/live/wp-content/uploads/2009/08/05-24-2013-Venezuelas-Anti-drug-Efforts.pdf>; Oficina Nacional Antidroga, *Revista: Balance de la Lucha Antidroga en Venezuela*, 2012, available at [http://www.ona.gob.ve/RevistasBalance/Balance\\_2012.pdf](http://www.ona.gob.ve/RevistasBalance/Balance_2012.pdf). Also see Daniel Wallis, "Venezuela Rejects U.S. Criticism of Its Anti-Drug Efforts," *Reuters News*, September 15, 2013.

<sup>83</sup> *Federal Register*, pp. 32000-32001, May 28, 2013.

<sup>84</sup> For additional information, see CRS Report R42982, *Peace Talks in Colombia* and CRS Report RL32250, *Colombia: Background, U.S. Relations, and Congressional Interest*, both by June S. Beittel.

Issues”). As described in the State Department’s 2010 *Country Reports on Terrorism*, the previous Colombian government of President Alvaro Uribe publicly accused the Venezuelan government several times of harboring members of the FARC and ELN in its territory.<sup>85</sup> In July 2010, the Uribe government presented evidence at the OAS of FARC training camps in Venezuela. In response, Venezuela suspended diplomatic relations on July 22, 2010. Yet less than three weeks later, new Colombian President Juan Manuel Santos met with Venezuelan President Chávez and the two leaders agreed to reestablish diplomatic relations and to improve military patrols along their common border.

Since then, Venezuelan-Colombian relations on border security have improved. Venezuela has captured and returned to Colombia several members of the FARC and ELN. The State Department’s 2012 terrorism report maintained that the FARC used Colombia’s border areas with Venezuela for incursions into Colombia, and also used Venezuelan territory for safe haven, but it noted that several times during the year, President Chávez said that the Venezuelan government would not permit the presence of illegal armed groups in its territory. Colombian peace talks with the FARC officially began in October 2012 in Norway and then moved to Cuba in November where they are ongoing. President Chávez had been highly supportive of the peace talks, and President Maduro has pledged his full support (despite a threat in May 2013 to withdraw such support because of President Santos’s meeting with Venezuelan opposition leader Henrique Capriles).

### **Relations with Iran<sup>86</sup>**

Over the past several years, there has been concern among policy makers about Iran’s growing interest and activities in Latin America, particularly its relations with Venezuela, although there has been disagreement over the extent and significance of Iran’s relations with the region. The 112<sup>th</sup> Congress approved the Countering Iran in the Western Hemisphere Act of 2012 (P.L. 112-220, H.R. 3783) in December 2012 that required the Secretary of State to conduct an assessment within 180 days of the “threats posed to the United States by Iran’s growing presence and activity in the Western Hemisphere” and a strategy to address these threats.

The personal relationship between Chávez and Iranian President Mahmoud Ahmadinejad drove the strengthening of bilateral ties in recent years although Iran’s ties to the region predate that relationship. Venezuela and Iran 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), banking programs, and nanotechnology. A major rationale for this increased focus on Latin America has been Iran’s efforts to overcome its international isolation and to circumvent international sanctions.

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

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<sup>85</sup> U.S. Department of State, *Country Reports on Terrorism 2010*, August 18, 2011, available at <http://www.state.gov/j/ct/rls/crt/2010/index.htm>.

<sup>86</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 June S. Beittel.

there is little evidence that such promises have been fulfilled. 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>87</sup> This was reiterated by the then head of the U.S. Southern Command (SOUTHCOM), 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>88</sup>

In March 2013, the current SOUTHCOM head, General John Kelly, testified before the House and Senate Armed Services Committees that “Iran is struggling to maintain influence in the region,” and that “its efforts to cooperate with a small set of countries with interests that are inimical to the United States are waning.” According to General Kelly, while “the Iranian regime has increased its diplomatic and economic outreach across the region with nations like Venezuela, Bolivia, Ecuador, and Argentina,” the “outreach has only been marginally successful ... and the region as a whole has not been receptive to Iranian efforts.”<sup>89</sup>

On June 27, 2013, the State Department submitted its required report to Congress pursuant to the Countering Iran in the Western Hemisphere Act of 2012 (P.L. 112-220). The State Department maintained in the unclassified portion of the report that “Iranian influence in Latin America and the Caribbean is waning” because of U.S. diplomatic outreach, the strengthening of allies’ capacity to disrupt illicit Iranian activity, international nonproliferation efforts, a strong sanctions policy, and Iran’s poor management of its foreign relations. The report also stated that current U.S., European Union, and U.N. Security Council sanctions have limited the economic relationship between the region and Iran.

Critics maintain that the State Department is playing down the threat posed by Iran in the region, while others contend that although Iran’s involvement in the region is a concern, its level and significance are being exaggerated. In the aftermath of President Chávez’s death, some observers contend that Venezuela’s relations with Iran could begin to wane. Still, some contend that Iran has increased its diplomatic and cultural presence in the region to an extent that it could stay active there. While President Maduro maintains that “Venezuela is committed to continue strategic unity with Iran,” it is unclear whether the high level of relations with Iran will continue as under President Chávez.<sup>90</sup> In the April 2013 presidential race, Henrique Capriles had vowed to cool ties with Iran and other Chávez-era allies. Looking ahead, a future opposition victory would likely result in changed Venezuelan policy toward Iran. Moreover, according to some analysts, newly elected Iranian President Hassan Rouhani, inaugurated in early August 2013, has not expressed significant interest in expanding ties with Latin America, and his policies are likely to differ substantially from those of Ahmadinejad, who took a special interest in the region.<sup>91</sup>

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<sup>87</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.

<sup>88</sup> Frank Bajak, “Top U.S. General: Venezuela Not a National Security Threat,” *AP Newswire*, July 31, 2012.

<sup>89</sup> General John F. Kelly, Commander, United States Southern Command, Posture Statement, Senate Armed Services Committee, March 19, 2013, available at <http://www.armed-services.senate.gov/statemnt/2013/03%20March/Kelly%2003-19-13.pdf>.

<sup>90</sup> “Venezuelan President to Visit Iran Soon,” *BBC Monitoring Middle East*, June 19, 2013; “Venezuelan President Calls for Enhancement of Tehran-Caracas Ties,” *FARS News Agency*, June 17, 2013.

<sup>91</sup> See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

### *Venezuela Sanctions Related to Iran*

The United States has imposed sanctions on three Venezuelan companies because of their alleged support for Iran, and also has imposed sanctions on Venezuelan individuals because of their support for Hezbollah, which is supported by Iran.

- 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. The sanctions, which prohibit any U.S. government procurement or assistance to the company, were renewed in May 2011 and in February 2013.<sup>92</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>93</sup>
- In May 2011, the United States imposed sanctions on Venezuela's state oil company, 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>94</sup>
- With regard to Hezbollah, 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 the radical group. 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>95</sup> More recently, in June 2012, the Treasury Department sanctioned three dual Lebanese-Venezuelan citizens and a Venezuelan company for involvement in the Lebanese Ayman Joumaa drug money laundering network that has links to Hezbollah.

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<sup>92</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, pp. 30986-30987, May 27, 2011, and pp. 9768-9769, February 11, 2013.

<sup>93</sup> U.S. Department of the Treasury, Press Release, "Export Development Bank of Iran Designated as a Proliferator," October 22, 2008.

<sup>94</sup> U.S. Department of State, "Seven Companies Sanctioned Under the Amended Iran Sanctions Act," Fact Sheet, May 24, 2011.

<sup>95</sup> "Treasury Targets Hizballah in Venezuela," *States News Service*, June 18, 2008.

## Outlook

Looking ahead, Venezuela faces a difficult economic and political situation with continued polarization between government and opposition supporters. The government of Nicolás Maduro faces a contracting economy, shortage of some consumer goods, high inflation, and an oil sector that has been in decline because of underinvestment and mismanagement. High levels of crime and corruption are significant challenges that have eroded government support. A key test for the political opposition and the ruling PSUV will be the upcoming December 2013 municipal elections. At this juncture, there has been significant continuity in Venezuela's foreign policy under the Maduro government compared to under President Chávez, although given Venezuela's domestic problems, foreign policy could receive less attention compared to the Chávez era. Relations with the United States still remain strained while at the same time Venezuela continues to be a major supplier of oil to the United States. The Obama Administration remains open to constructive engagement with Venezuela, focusing on such areas as anti-drug and counterterrorism efforts, but the Maduro government appears to have backed away from getting relations back on track.

## Legislative Initiatives in the 113<sup>th</sup> Congress

**S.Res. 213 (Menendez).** Would express support for the free and peaceful exercise of representative democracy in Venezuela and condemn violence and intimidation against the country's political opposition. Introduced August 1, 2013, referred to the Committee on Foreign Relations.

**H.R. 1687 (Ros-Lehtinen).** Countering ALBA Act of 2013. Would, among other provisions, provide for the imposition of visa and financial sanctions against certain listed officials of four governments belonging to the Bolivarian Alliance for the Americas (ALBA)—Bolivia, Ecuador, Nicaragua, and Venezuela. Introduced April 23, 2013; referred to the Committee on Foreign Affairs, and in addition to the Committees on Financial Services, Ways and Means, and the Judiciary.

Congress also faces consideration of the FY2014 foreign aid appropriations measure, **H.R. 2855** (H.Rept. 113-185) and **S. 1372** (S.Rept. 113-81). The Administration's request includes \$5 million to support civil society efforts in Venezuela to build and protect democratic freedoms and protect human rights. In addition, the report to the Senate version would recommend \$3 million in funding for the National Endowment for Democracy for projects in Venezuela, Bolivia, and Ecuador combined.

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

### **U.S. Relations with Venezuela, Fact Sheet**, State Department

*Date:* August 22, 2013

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

### **Congressional Budget Justification for Foreign Operations FY2014, Annex: Regional Perspectives (p. 709)**, State Department

*Date:* May 17, 2013

*Full Text:* <http://www.state.gov/documents/organization/208291.pdf>

### **Country Reports on Human Rights Practices 2012, Venezuela**, State Department

*Date:* April 19, 2013

*Full Text:* <http://www.state.gov/documents/organization/204696.pdf>

### **Country Reports on Terrorism 2012 (Western Hemisphere Overview)**, State Department

*Date:* May 30, 2013

*Full Text:* <http://www.state.gov/j/ct/rls/crt/2012/209984.htm>

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

*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 2012, Venezuela**, State Department

*Date:* May 20, 2013

*Full Text:* <http://www.state.gov/documents/organization/204696.pdf>

### **International Narcotics Control Strategy Report 2013, Vol. I (Venezuela, pp. 313-317)**, State Department

*Date:* March 2013

*Full Text:* <http://www.state.gov/documents/organization/204265.pdf>

### **International Narcotics Control Strategy Report 2013, Vol. II (Venezuela, pp. 211-213)**, State Department

*Date:* March 2013

*Full Text:* <http://www.state.gov/documents/organization/204280.pdf>

### **Investment Climate Statement, 2013, Venezuela**, State Department

*Date:* March 2013

*Full Text:* <http://www.state.gov/e/eb/rls/othr/ics/2013/204759.htm>

**National Trade Estimate Report on Foreign Trade Barriers 2013 (Venezuela, pp. 375-380),**  
Office of the United States Trade Representative

*Date:* March 2013

*Full Text:* <http://www.ustr.gov/sites/default/files/2013%20NTE.pdf>

**Trafficking in Persons Report 2013 (Venezuela, pp. 391-392),** State Department

*Date:* June 19, 2013

*Full Text:* <http://www.state.gov/documents/organization/210742.pdf>

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