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Venezuela: Political Conditions and U.S. Policy

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Summary

After months of OAS-facilitated negotiations, the government of Hugo Chavez and the opposition signed an agreement in May 2003 to resolve the political crisis that has plagued Venezuela for over a year. Implementation of the accord could lead to a recall referendum for President Chavez in March or April 2004. Some observers emphasize that the accord is an important step for achieving political stability, while others are skeptical that it will resolve political conflict in the country. Since Chavez's 1998 election, Venezuela has undergone enormous political changes, with a new constitution and revamped political institutions. Chavez remained widely popular until mid-2001, but his popularity eroded significantly after that amid his ineffectiveness in improving living conditions and concerns that he has been imposing a leftist agenda on the country. The United States has traditionally had close relations with Venezuela, but there has been friction in relations with the Chavez government. The Bush Administration has expressed strong support for the work of the OAS in resolving the crisis and welcomed the May 2003 political accord. This report will be updated periodically.

Political and Economic Situation

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

Most observers agree that Chavez's rise to power can be explained by 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; Chavez asserted that the system in place allowed a

small elite class to dominate Congress and that revenues from the state-run oil company, Petroleos de Venezuela (PdVSA), had been wasted.

Although Venezuela had one of the most stable political systems in Latin America from 1958 until 1989, after that period the country became plagued by numerous economic and political challenges and the power of the two traditional parties began to erode. When former President Carlos Andres Perez was inaugurated to a 5-year term in February 1989, he 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 of which was led by Chavez himself, who at the time was a lieutenant colonel railing against corruption and poverty. Ultimately President Perez was dismissed from office by the legislature in May 1993 on charges of misusing public funds, although some observers assert that his 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 macro-economy began to improve in 1997, a rapid decline in the price of oil brought about a deep recession beginning in 1998.

Under President Chavez, Venezuela has undergone enormous political changes, with a new constitution in place and even a new name for the country, the Bolivarian Republic of Venezuela, named after the 19th century South American liberator Simon Bolivar, whom Chavez often invokes. In 1999, Venezuelans went to the polls on three occasions — to establish a constituent assembly that would draft a new constitution, to elect the membership of the 165-member assembly, and to approve the new constitution — and each time delivered victory to President Chavez. The new document revamped Venezuelan political institutions, eliminating the Senate and establishing a unicameral National Assembly, and expanded the presidential term of office from 5 to 6 years. 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 Chavez easily won election to a new six-year term, capturing about 60% of the vote while his opponent, fellow former coup leader Francisco Arias, received 38%; Chavez's term will expire in January 2007. Chavez's Patriotic Pole coalition also captured 14 of 23 governorships and a majority of seats in the National Assembly.

From the outset, critics and other observers raised concerns about Chavez and his government. They fear that he is moving toward authoritarian rule and point to his domination of most government institutions. Some argue that Chavez has replaced the country's multiparty democracy with a political system that revolves around himself, in essence a cult of personality; others point to Chavez's open admiration of Fidel Castro and close relations with Cuba as a disturbing warning sign. Other observers express concern about the increased role of the military in the government, with Chavez appointing dozens of retired and active duty officers to key positions, as well as the mobilization of thousands of army reservists for social projects. Still other critics of Chavez believe that he is trying to politicize the educational system by making changes to school curriculums. They fear Chavez's call for his followers to form political cells in schools, hospitals, and businesses in order to support his revolution and believe that such groups, known as Bolivarian circles, could mirror Cuba's notorious neighborhood committees.

Chavez's Brief Ouster in April 2002. Although President Chavez remained widely popular until mid-2001, his popularity eroded considerably after that, amid concerns that he was imposing a leftist agenda on the country and that his government was ineffective in improving living conditions in Venezuela — where about 80% live at or below the poverty line. In late 2001 and early 2002, opposition to Chavez's rule grew into a broad coalition of political parties, unions, and business leaders. Trade union opposition became stronger amid the President's attempt to replace the Venezuelan Workers Confederation (CTV) with a pro-government union. President Chavez's own Fifth Republic Movement also became plagued with internal dissent.

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

Continued Opposition and Strike. Upon Chavez's return to power, he appealed for reconciliation and promised new lines of communication with the opposition, yet his government also purged the military of officers who had supported his ouster. After his return, some 40 disparate opposition groups united in a coalition known as the Democratic Coordinator in an effort to remove Chavez from office, focusing on efforts to hold him accountable for the death of civilian protestors in April 2002 and to push for a national referendum on his presidency. The opposition demanded a non-binding referendum on Chavez's rule in early February 2003, which they believed would force the President to resign, but Venezuela's Supreme Court ruled against holding such a referendum. President Chavez maintained that, according to the constitution (Article 72), a binding referendum on his rule could take place after the halfway point of his term, which would occur in August 2003.

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

and contributed to a sharp contraction of the national economy by almost 9% in 2002 while a contraction of 12.4% is forecast for 2003.¹

May 2003 Political Agreement. In October 2002, the Organization of American States (OAS) Secretary General, César Gaviria, began to facilitate negotiations between the government and the opposition in order to resolve the crisis through democratic mechanisms under the Constitution. After months of negotiations, the Chavez government and the opposition ultimately signed an agreement on May 29, 2003. While implementation of the accord will not be easy, some observers believe that it could ultimately help achieve political stability. Others believe that it is unlikely that the referendum will resolve political conflict in the country. In the accord, the parties agreed to resolve the political crisis through application of Article 72 of the Constitution, which provides for potential recall referenda on officials holding elected positions. For such a referendum to take place, the Constitution requires a petition with 20% of registered voters (which means 2.4 million voters out of a registry of 12 million). For the official to be recalled, the number of voters must be equal to or greater than the number of votes that the official received when elected. This means that for Chavez to lose the presidency, more than 3.75 million votes (the number that Chavez received in the July 2000 election) would have to be cast against him in the referendum. Observers point out that while Chavez received almost 60% of the vote in 2000, some 43% of Venezuela's registered voters abstained.² The abstention rate for a recall referendum would likely be much lower, raising the odds that Chavez might be recalled.

There are numerous steps for a recall referendum to be held. The first was the selection of a five-member National Electoral Council (CNE) that would oversee the referendum process. Venezuela's National Assembly, in which Chavez supporters now maintain a slim majority, was unable to select the CNE members, so the Supreme Court intervened and selected the members on August 25, 2003. The next major step is for the CNE to validate the signatures on a recall referendum petition. Venezuela's opposition presented more than 3 million signatures on August 20 for a recall referendum, but on September 12, the new CNE rejected the recall petition. The CNE rejected it because the signatures had been collected months before the midpoint of President Chavez's term of office (August 19, 2003) and because of other procedural errors. The opposition vowed to collect new signatures according to the procedures set forth by the CNE.

Signatures for recall petitions were collected nationwide from November 28 - December 1, 2003, a period set aside by the CNE. Opposition-supported petitions would recall President Chavez and 33 pro-government deputies in the National Assembly, while pro-Chavez petitions would recall 37 opposition deputies. As noted above, 2.4 million signatures are needed to hold a referendum to recall President Chavez. The opposition maintains that they collected 3.6 million signatures to recall President Chavez, while President Chavez maintains that they only collected 1.9 million. President Chavez has alleged there was widespread fraud, and has said that he will not allow the referendum unless he is convinced that the signatures are legitimate. OAS Secretary General Gaviria

¹ "Venezuela Country Report." *Economist Intelligence Unit*, Nov. 2003.

² Mike Ceaser, "Some in Opposition Unhappy with Success; Chavez Recall Vote Too Weak," *Washington Times*, June 1, 2003.

maintained that he and other international observers saw no evidence of fraud.³ The CNE has 30 days to verify the signatures on the petitions, and CNE officials have said that both the government and the opposition must accept the electoral body's decision.

Once a recall petition is deemed valid, a referendum could be held within 97 days. If the opposition succeeds in recalling President Chavez in a referendum, the next step would be for new elections to be held. One of the problems that has plagued the opposition is that it has not had a well organized or coherent political coalition. As a result, it could be difficult for the opposition to present a single candidate that could defeat Chavez in new elections, assuming that Chavez is permitted to run. Moreover, polls indicate that Chavez retains core support of about 30%-36% of Venezuelans who are loyal and generally from the poorer classes. If for some reason a recall referendum is delayed until after August 2004, then the country's Vice President would serve out the remainder of the Chavez's term through 2006.

U.S. Policy

Although the United States has traditionally had close relations with Venezuela, characterized by an important trade and investment relationship and cooperation in combating the production and transit of illegal narcotics, there has been friction and tension in relations with the Chavez government. In the aftermath of the September 11 terrorist attacks, U.S. officials became far less tolerant of President Chavez's anti-American rhetoric. In testimony before the Senate Foreign Relations Committee on February 5, 2002, Secretary of State Colin Powell raised questions about Chavez's actions and the countries that he had visited (Cuba, Iran, and Iraq).

After Chavez's brief ouster in April 2002, the United States expressed solidarity with the Venezuelan people, commended the Venezuelan military for refusing to fire on peaceful demonstrators, and maintained that undemocratic actions committed or encouraged by the Chavez administration provoked the political crisis.⁴ With Chavez's return to power, the United States called on President Chavez to heed the message sent by the Venezuelan people by correcting the course of his administration and "governing in a fully democratic manner."⁵ In contrast, many Latin American nations condemned the overthrow of Chavez, labeling it a coup. However, the United States did support a resolution in OAS that condemned the "alteration of constitutional order in Venezuela." Amid subsequent opposition protests to Chavez's rule in June 2002, the State Department stressed that the United States "does not and will not condone an unconstitutional, undemocratic interruption in the democratic order by any party in Venezuela."⁶

³ "Venezuela: Election Council Stresses Recall Ruling Will be Final," *Miami Herald*, Dec. 9, 2003, p. 13A

⁴ U.S. Department of State, "Venezuela: Change of Government," Press Statement, Apr. 12, 2002.

⁵ U.S. Department of State, International Information Programs, "White House Calls on Venezuela's Chavez to Preserve Peace, Democracy," Washington File, Apr. 14, 2002.

⁶ U.S. Department of State, "Venezuela: June 15 Demonstrations," Press Statement, June 13, 2002.

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

Tensions increased in U.S.-Venezuelan relations in September 2003 when Venezuelan officials alleged U.S. involvement in the April 2002 attempt to oust President Chavez; U.S. officials denied any involvement. In mid-September 2003, President Chavez canceled a U.S. visit because of alleged security concerns and he accused the United States of harboring “terrorists ... being trained to act against Venezuela.”⁷

Since Venezuela has been a major supplier of foreign oil to the United States, a key U.S. interest has been ensuring the continued flow of oil exports at a reasonable and stable price. In 2001, the United States imported 1.54 million barrels per day (bpd) of crude oil and petroleum products daily from Venezuela, which accounted for 14.1% of total U.S. net oil imports, just behind Canada and Saudi Arabia.⁸ The December 2002 general strike orchestrated by the opposition reduced Venezuela’s oil exports, but by May 2003, Venezuelan officials maintained that overall oil production had returned to the pre-strike level. Despite the friction in U.S.-Venezuelan relations and Venezuela’s opposition to the U.S. war in Iraq, the Chavez government announced before the military conflict that it would be a reliable wartime supplier of oil to the United States.

There have been concerns about the guerrilla conflict in neighboring Colombia spreading to Venezuela, and there also have been long-held suspicions that Chavez has supported the Colombian guerrillas, although Chavez denies such support. A provision in the Senate version of the FY2004 foreign operations appropriations bill, H.R. 2800 (section 687), would have prohibited U.S. assistance to Venezuela (except for democracy and rule of law assistance) if the Secretary of State certified that the Venezuelan was assisting, harboring, or providing sanctuary for Colombian terrorist organizations. While the provision ultimately was dropped in the FY2004 Consolidated Appropriations Act, H.R. 2673, the conference report (H.Rept. 108-401) requested the Secretary of State to provide (within 90 days of enactment and in a classified form if necessary) a description of specific actions taken by Venezuela to cooperate with Colombia on counter-drug matters and a description of the extent to which, if at all, Venezuela has supported or assisted terrorist organizations in Colombia.

⁷ James Anderson, “Chavez Demands U.S. Action on ‘Plotters,’” *Miami Herald*, Sept. 25, 2003.

⁸ U.S. Energy Information Administration. “Petroleum Supply Annual 2001, Volume 1,” p. 70.