

# CRS Report for Congress

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

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## Summary

Under the populist rule of President Hugo Chávez, first elected in 1998 and most recently reelected to a six-year term in December 2006, Venezuela has undergone enormous political changes, with a new constitution and unicameral legislature, and even a new name for the country, the Bolivarian Republic of Venezuela. U.S. officials and human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of expression under President Chávez, who has survived several attempts to oust him from power. The government has benefitted from the rise in world oil prices, which has sparked an economic boom and allowed Chávez to increase expenditures on social programs associated with his populist agenda. Since he was reelected, President Chávez has announced new measures to move the country toward socialism. Chávez's closure of a popular Venezuelan television station (RCTV) that was critical of the government in late May 2007 sparked student-led protests and international condemnation. In August 2007, President Chávez announced a series of proposed constitutional changes that many observers believe is an attempt to further concentrate power.

The United States traditionally has had close relations with Venezuela, the fourth major supplier of foreign oil to the United States, but there has been friction in relations with the Chávez government. U.S. officials have expressed concerns about President Chávez's military arms purchases, his relations with such countries as Cuba and Iran, his efforts to export his brand of populism to other Latin American countries, and concerns about the state of democracy. Declining cooperation on anti-drug and anti-terrorism efforts has also been a U.S. concern. In 2005 and 2006, President Bush designated Venezuela as a country that has failed demonstrably to adhere to its obligations under international narcotics agreements, and in 2006, the Department of State prohibited the sale of defense articles and services to Venezuela because of its lack of cooperation on anti-terrorism efforts.

Congressional concerns regarding Venezuela focus on human rights, energy issues, and the overall status of bilateral relations and U.S. policy. On May 24, 2007, the Senate approved S.Res. 211, expressing profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV. On June 22, 2007, the House approved H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill, with a provision that would direct \$10 million of international broadcasting operations funding for targeted broadcasting to Venezuela. Additional legislative initiatives in the House include two human rights resolutions, H.Con.Res. 50 and H.Con.Res. 77; H.Res. 435, which would express concern about the relationships between the leaders of Iran and Western Hemisphere countries such as Venezuela; and H.Res. 560, which would express concern about Venezuela's recent actions in the oil sector. Two Senate bills, S. 193, the Energy Diplomacy and Security Act of 2007, and S. 1007, the United States-Brazil Energy Cooperation Pact of 2007, would increase hemispheric cooperation on energy issues.

For additional information on Venezuela, see CRS Report RL33693, *Latin America: Energy Supply, Political Developments, and U.S. Policy Approaches*.

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# Venezuela: Political Conditions and U.S. Policy

## Recent Developments

On August 15, 2007, President Chávez announced a series of proposed constitutional changes, including the elimination of presidential term limits, which many observers view as an attempt to concentrate power. Other proposed changes include an extension of the presidential term from six to seven years; the removal of Central Bank autonomy; changes in the administrative division of Venezuela and the structure of local government; the strengthening of communal councils; the promotion and development of cooperatives and communal property; the nationalization of the energy sector; the reduction of the workday to six hours; and the creation of a popular militia as the fifth component of the armed forces.

On June 26, 2007, Venezuela announced that two U.S. oil companies, ConocoPhillips and Exxon Mobil, would be leaving their Orinoco belt oil projects after not being able to negotiate new terms for their minority partnership with the Venezuelan government. Venezuela's state-owned oil company, Petroleos de Venezuela (PdVSA) announced the signing of new Orinoco partnership agreements with four other foreign oil companies — BP, Total, Statoil, and U.S.-owned Chevron.

On June 21, 2007, the House approved by voice vote H.Amdt. 358 (Mack) to H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill, which would direct \$10 million in international broadcasting operations for targeted broadcasting for Venezuela. The House subsequently approved H.R. 2764 on June 22, 2007.

On June 12, 2007, the State Department issued its annual *Trafficking in Persons Report*, which again categorized Venezuela as a Tier 3 country that has not made adequate efforts to combat trafficking in persons. (See the report at [<http://www.state.gov/g/tip/rls/tiprpt/2007/>].)

On May 27, 2007, the Chávez government refused to renew the broadcast license of Radio Caracas Television (RCTV), which frequently carried programming critical of the government, and the station went off the air. The government's action prompted international condemnation and sparked extensive student-led protests in Venezuela. (See "RCTV Closure and Public Reaction" below.)

On May 24, 2007, the Senate approved S.Res. 211 (Lugar) by unanimous consent, expressing profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV.

On May 14, 2007, for the second year in a row, the State Department determined, pursuant to Section 40A of the Arms Export Control Act, that Venezuela was not cooperating fully with U.S. antiterrorism efforts. Other countries on the list are Cuba, Iran, North Korea, and Syria.

On April 30, 2007, the State Department issued its annual *Country Reports on Terrorism*, which asserted that President Chávez “persisted in public criticism of U.S. counterterrorism efforts, deepened Venezuelan relationships with Iran and Cuba, and was unwilling to prevent Venezuelan territory from being used as a safe haven” by Colombian terrorist groups.

On March 9, 2007, the Inter-American Commission on Human Rights (IACHR) issued a statement expressing concern about the human rights situation in Venezuela and appealing to the government to allow an IACHR representative to visit the country.

On March 6, 2007, the State Department released its annual human rights report, which stated that Venezuela’s human rights situation was characterized by “politicization of the judiciary, harassment of the media, and harassment of the political opposition.” (See the full report at [<http://www.state.gov/g/drl/rls/hrrpt/2006/78909.htm>].)

On March 1, 2007, the Department of State released its 2007 *International Narcotics Control Strategy Report* (INCSR), which maintained that Venezuela is one of the principal drug-transit countries in the hemisphere because of its geography, rampant high-level corruption, weak judicial system, and lack of international counternarcotics cooperation.

In February 7, 2007, testimony before the House Foreign Affairs Committee, Secretary of State Condoleezza Rice stated that she believes “there’s an assault on democracy in Venezuela” and that “the president of Venezuela is really destroying his own country economically, politically.” Venezuelan Foreign Minister Nicolas Maduro responded by saying that “no U.S. official has the morality to qualify Venezuelan democracy or the democratic leadership of President Chávez.”

In January 11, 2007, testimony before the Senate Select Committee on Intelligence, Director of National Intelligence John Negroponte stated that President Chávez “is among the most stridently anti-American leaders anywhere in the world, and will continue to try to undercut U.S. influence in Venezuela, in the rest of Latin America, and elsewhere internationally.” Negroponte also expressed concern that the Venezuelan leader’s military purchases and moves toward developing his own weapons production capability are increasingly worrisome to his neighbors, and could fuel an arms race in the region.

On January 10, 2007, President Chávez was sworn in to another six-year term, pledging to move Venezuela toward socialism and proposing changes to the Constitution that would allow the president to be reelected indefinitely instead of the current two-term limit.

On January 8, 2007, President Chávez announced plans to nationalize the country's largest telecommunications company, CANTV, which is partly owned by Verizon Communications, and electricity companies, which would include EdC (Electricidad de Caracas), which is majority-owned by the U.S.-based AES Corporation. In February, the Venezuelan government negotiated agreements for the purchase of the majority stake of AES in EdC and for Verizon's stake in CANTV, with officials from both AES and Verizon describing the agreements as fair.

On January 5, 2007, Secretary General of the Organization of American States José Miguel Insulza issued a statement expressing concern that Venezuela's decision not to renew the license of RCTV gave the appearance of censorship.

On December 28, 2006, President Chávez announced that his government would not renew the broadcast license for RCTV, which frequently carried programming critical of the Chávez government. Human rights organizations denounced the action.

## Political Situation

### Background

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

Most observers attribute Chávez's rise to power to Venezuelans' disillusionment with politicians whom they judge to have squandered the country's oil wealth through poor management and endemic corruption. A central theme of his campaign was constitutional reform; Chávez asserted that the system in place allowed a small elite class to dominate Congress and that revenues from the state-run oil company, Petroleos de Venezuela (PdVSA), had been wasted.

#### Chávez Biography

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

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

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

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

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

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

in schools, hospitals, and businesses in order to support his revolution and believe that such groups, known as Bolivarian circles, could mirror Cuba's controversial neighborhood committees.<sup>2</sup>

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

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

**Continued Opposition and Strike in 2002 and 2003.** After Chávez's return to power, some 40 disparate opposition groups united in a coalition known as the Democratic Coordinator (CD) in an effort to remove Chávez from office, focusing on efforts to hold him accountable for the death of civilian protestors in April 2002 and to push for a national referendum on his presidency. The CD demanded a non-binding referendum on Chávez's rule in early February 2003, which they believed would force the President to resign, but Venezuela's Supreme Court ruled against holding such a referendum. President Chávez maintained that, according to the constitution (Article 72), a binding referendum on his rule could take place after the halfway point of his term, which would occur in August 2003.

From early December 2002 until early February 2003, the CD orchestrated a general strike that severely curtailed Venezuela's oil exports and disrupted the economy but was unsuccessful in getting President Chávez to agree to an early non-

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



binding referendum on his rule or new elections. At various junctures, there were violent clashes between Chávez supporters and the opposition, resulting in several deaths. The Chávez government responded to the oil sector strike by firing 13,000-16,000 PdVSA employees.

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

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

On June 3, 2004, the CNE announced that enough signatures had been secured for a recall referendum, and subsequently scheduled the referendum for August 15. The date of the referendum was significant because under the constitution, if it were held after August 19 (one year after the half-way point of Chávez's term) and Chávez lost the referendum, then Vice President Jose Vicente Rangel (a Chávez ally) would serve the remainder of the President's term until January 2007.

In order for President Chávez to be recalled, the majority of voters needed to vote "yes" and the number of votes to recall him needed to exceed the number that he received when last elected in July 2000 (3.75 million). If Chávez had been recalled, new presidential elections would have been held within 30 days. It was

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

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

unclear whether President Chávez would have been allowed to run for reelection, but most observers believed that the Supreme Court would have ruled that he was eligible to run. One of the problems that plagued the opposition was that it did not have a well-organized or coherent political coalition. As a result, it could have been difficult for the opposition to present a single candidate who could have defeated Chávez in new elections, assuming that he was permitted to run.

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

**Referendum Results.** With a turnout of about 70% of registered voters, President Chávez won the recall referendum convincingly with 5.80 million people voting “no” to reject his recall, or 59.25% of the vote, and 3.989 million people, or 40.74%, voting “yes” in favor of his recall.<sup>10</sup> Observers from the OAS and the Carter Center maintained that these results were compatible with their own quick count results. The opposition claimed that massive fraud had taken place and cited their exit polls showing that 59% had voted to recall President Chávez.<sup>11</sup> The Carter Center and the OAS conducted a second audit of the vote on August 19-21 and concluded that the vote results announced by the CNE reflect the will of the Venezuelan people.<sup>12</sup>

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

<sup>6</sup> “Venezuela’s Recall Referendum,” *BBC Worldwide Monitoring*, July 8, 2004.

<sup>7</sup> “A Poll of Polls,” *Miami Herald*, August 11, 2004.

<sup>8</sup> “Chávez on Course for Victory,” *Latinnews Daily*, August 9, 2004.

<sup>9</sup> Steven Dudley, “Chávez Recall Vote Confounds Pollsters,” *Miami Herald*, August 11, 2004.

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

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

<sup>12</sup> *Last Phase of the Venezuelan Recall Referendum: Carter Center Report* (English and (continued...))

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

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

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

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

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

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<sup>12</sup> (...continued)

Spanish), Carter Center, August 21, 2004.

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

were unhappy that the opposition had reneged on a commitment to participate in the elections if the digital fingerprint machines were not used.<sup>14</sup>

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

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

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

The EU observer group maintained that wide sectors of Venezuelan society do not have trust in the electoral process and in the independence of the electoral authority. It found that the electoral campaign focused almost exclusively on the issue of distrust in the electoral process and the lack of independence of the CNE. Overall, the EU concluded that the elections represented a lost opportunity and did not contribute to the reduction of the fracture in Venezuelan society. Nevertheless, the EU lauded the steps taken by the CNE to open the automated voting system to external scrutiny and to modify various aspects that were questioned by the opposition. In particular, the EU stated the CNE's decision to eliminate the digital fingerprint devices from the voting process was timely, effective, and constructive,

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

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

and noted with surprise the opposition's withdrawal just four days before the election.<sup>16</sup>

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

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

**December 2006 Presidential Election.** In Venezuela's December 3, 2006, presidential election, President Chávez was resoundingly elected to another six-year term in an election that international observers judged to be satisfactory. In the lead up to the vote, polls showed Chávez with a lead of more than 20% over opposition candidate Manuel Rosales in an election with 22 candidates on the ballot. The final result showed Chávez with 62.87% and Rosales with 36.88%.

The government benefitted from the rise in world oil prices, which increased government revenues and sparked an economic boom. As a result, Chávez was able to increase government expenditures on anti-poverty and other social programs associated with the populist agenda of his Bolivarian revolution. His reelection demonstrated strong and widespread support for his social policy of redistributing the

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

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

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

country's oil wealth. Most observers credit the government's numerous *misiones* or social programs as the key to the government's support and do not believe that Venezuelans' support for President Chávez is ideologically based.

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

Although Rosales trailed in the polls, most observers credit him with running a strong campaign that resonated with many Venezuelans. He ran a populist campaign that emphasized social justice and an alliance between lower income sectors and the middle class. He criticized the Chávez government for not doing enough to reduce poverty and called for a program to transfer oil revenues directly to the poor via a debit card, controversially named "Mi Negra," that would provide payments to poor families ranging from \$280 to \$460 monthly. He supported efforts to bolster the private sector and a strategy to increase both domestic and foreign investment. Rosales also called for efficiency and transparency in the judicial system and has pledged to crack down on soaring crime. He vowed to call new legislative elections with a system of proportional representation and supported a reduction in the presidential term of office from six to four years. He criticized President Chávez for providing so much assistance to foreign countries while there is extensive poverty in Venezuela, and he criticized the government's alliances with countries like Cuba and Iran.<sup>19</sup>

Opposition supporters and other observers had complained that President Chávez had used state resources for his reelection, with government expenditures for advertising and access to television. They argued that the Chávez government had distributed Christmas bonuses for public-sector employees earlier than normal in order to gain favor in the presidential vote. Observers also asserted that the government was using political coercion to ensure support among public sector employees and pointed to a video of Venezuela's Minister of Energy and Petroleum urging PdVSA workers to support Chávez's reelection.<sup>20</sup>

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<sup>19</sup> "Can Rosales Win?," *Andean Group Report*, November 7, 2006; "Venezuela: Opposition Candidate Proposes Building New Social Democracy," *Open Source Center* (Caracas Globovision Television) November 7, 2006; Simon Romero, "Venezuelans Square Off Over Race, Oil and a Populist Political Slogan," *New York Times*, November 12, 2006.

<sup>20</sup> Steven Dudley, "Government Power Give Chávez Campaign Edge," *Miami Herald*, November 11, 2006; Elizabeth M. Nunez, "Opponents of Chávez Release Video," (continued...)

Both the Organization of American States and the European Union sent delegations to observe the elections and, despite various problems, judged the elections to have been held in a satisfactory manner. According to a preliminary statement by the EU, “the high turnout, peaceful nature, and general acceptance of results of the presidential elections in Venezuela open the way forward to substantial improvements in the quality and public confidence in electoral processes.”<sup>21</sup> The OAS congratulated “the Venezuelan people, its government, and its political parties and democratic institutions for the civic behavior that prevailed during the electoral process.”<sup>22</sup>

## Political Developments in 2007

As President Chávez was inaugurated to another six-year term in January 2007, he announced a number of measures to further strengthen his power and move Venezuela toward his vision of 21<sup>st</sup> century socialism. He called for the National Assembly to approve a new law that would enable him to pass laws by decree. Subsequently, on January 31, the Assembly approved a law giving Chávez broad powers, for a period of 18 months, to enact measures by decree in a number of economic, social, and military areas. Critics fear that the move will further undermine democratic institutions and lead to authoritarianism, while supporters maintain that the measure will help the President move ahead more quickly to enact a new economic and social model in Venezuela.

Among other proposals announced by the President in January were plans to eliminate the autonomy of the central bank; to make PdVSA a majority shareholder of current Orinoco Belt oil projects with foreign companies; to change the constitution to allow the president to be reelected indefinitely instead of the current two-term limit; to launch a new drive for “Bolivarian popular education” that would deepen Venezuela’s new social values; to create federations of communal councils (thousands of local communal councils were established in 2006) that could eventually replace state government institutions; and to nationalize the country’s largest telecommunications company, CANTV, and electricity companies, including EdC (Electricidad de Caracas).<sup>23</sup>

CANTV is partly owned by Verizon Communications, while EdC is majority-owned by the U.S.-based AES Corporation. When the nationalizations of CANTV and EdC were announced, there was considerable concern that the companies would not receive adequate compensation. In February 2007, the Venezuelan government

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<sup>20</sup> (...continued)

*Associated Press*, November 3, 2006.

<sup>21</sup> European Union Election Observation Mission, Presidential Elections Venezuela 2006, Preliminary Statement, December 5, 2006.

<sup>22</sup> “OAS Hears Reports on Elections in Ecuador and Venezuela,” Organization of American States, Press Release, December 13, 2006.

<sup>23</sup> “21<sup>st</sup> Century Socialism,” *Latin American Regional Report*, Andean Group, January 2007; Gregory Wilpert, “Chávez Sworn in to Second Full Term as Venezuela’s President,” *Venezuelanalysis.com*, January 10, 2007.

ultimately negotiated agreements for the purchase of the majority stake of AES in EdC and for Verizon's stake in CANTV. Officials of both AES and Verizon described the agreements as fair.<sup>24</sup> Foreign investors will likely be wary of investing in Venezuela giving the recent nationalizations and the government's increasing role in the economy.

**RCTV Closure and Public Reaction.** On December 28, 2006, President Chávez announced that his government would not renew the broadcast license for RCTV, Venezuela's oldest television station, which frequently carried programming critical of the Chávez government. Venezuelan officials maintained that the non-renewal of RCTV's license was for its actions in support of the April 2002 coup against President Chávez. Because of this, they assert that it was within the government's rights not to renew RCTV's public broadcasting license, but that RCTV could continue to broadcast on private cable or satellite stations. RCTV maintains that its broadcast license is valid until 2022, not May 27, 2007, as claimed by the Venezuelan government, and that the action by the government is part of an effort to silence public opinion.

The OAS Office of the Special Rapporteur for Freedom of Expression expressed concern in late December 2006 about Venezuela's decision and its effect on freedom of expression. OAS Secretary General José Miguel Insulza issued a statement on January 5, 2007, expressing concern that Venezuela's decision not to renew the license of Radio Caracas Television (RCTV) gave the appearance of censorship. He expressed hope that the action would be reversed by the Venezuelan government.<sup>25</sup> The Inter-American Commission on Human Rights expressed concern about freedom of expression in Venezuela and called on the Venezuelan government to protect pluralism in the media.<sup>26</sup>

Numerous human rights also organizations denounced Venezuela's decision not to renew RCTV's license as a violation of freedom of speech. These included the Inter-American Press Association, Reporters Without Borders, the Committee to Protect Journalists, the *Instituto Prensa y Sociedad*, and Human Rights Watch, which maintained that the government's decision was politically motivated and was a serious setback for freedom of expression.<sup>27</sup>

Thousands of protestors marched in Caracas at events in April and May 2007 denouncing the government decision, but the government followed through with its

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<sup>24</sup> "AES to Sell Utility Stake to Venezuela," *Washington Post*, February 9, 2007; "Venezuela: Government Buys Verizon's Stake in CANTV," *Latinnews Daily*, February 13, 2007.

<sup>25</sup> Organization of American States, "OAS Secretary General Expresses Concern Over Decision Not to Review Broadcasting License of Venezuelan Television Station," Press Release, January 5, 2007.

<sup>26</sup> Inter-American Commission on Human Rights, "IACHR Concerned About Freedom of Expression in Venezuela," Press Release, May 25, 2007.

<sup>27</sup> "Venezuela: Shutdown Harms Free Expression," Press Release, Human Rights Watch, May 25, 2007.



decision and RCTV ceased its public broadcasting on May 27. The closure of RCTV prompted protests, primarily by students who oppose the government's action as a violation of freedom of their civil rights. The strength and endurance of the student-led protests appear to have taken the government by surprise. Polls reportedly show that more than 70% of Venezuelans disagree with President Chávez's decision to close RCTV.<sup>28</sup> Nevertheless, the government has threatened legal action against another private television station, Globovisión, accusing it of inciting assassination attempts against President Chávez. Venezuelan Foreign Minister Nicolas Maduro has asserted that the United States is behind plans to destabilize Venezuela.

Several countries, including the United States, have spoken out against Venezuela's action. The U.S. Senate approved S.Res. 211 (Lugar) on May 24, 2007 by unanimous consent expressing profound concerns regarding freedom of expression in Venezuela and the government's decision not to renew the license of RCTV. In the aftermath of RCTV's closure, the State Department issued a statement calling on Venezuela to reverse its policies that limit freedom of expression.<sup>29</sup> The European Parliament adopted a resolution on May 24, 2007, expressing concern about Venezuela's action, and calling for the government to ensure equal treatment under the law for all media. On May 31, 2007, the Brazilian Senate issued a strong statement calling for President Chávez to review his decision. The Chilean Senate also supported a resolution against the closure of RCTV. At the OAS General Assembly meeting held in Panama June 3-5, 2007, several nations, such as Canada, Chile, El Salvador, Guatemala, and Peru, in addition to the United States, spoke out for freedom of the press. Ultimately, however, the OAS did not approve a resolution specifically criticizing Venezuela for its actions, but adopted a resolution reaffirming the right to freedom of expression and calling upon member states to respect and ensure respect for this right.<sup>30</sup>

In July 2007, RCTV resumed broadcasting through cable and satellite, as RCTV International (a subsidiary of RCTV). Only about a third of Venezuelan households, however, have access to cable or satellite television.<sup>31</sup> The government responded to the broadcaster's return to the airwaves by ordering RCTV International to register as a Venezuelan broadcaster in order to be subject to local regulations. Otherwise, it would face losing its licence to broadcast via cable. Since RCTV International is based in Miami, it claims that it is not a national broadcaster and therefore exempt from registration and local regulations. The Venezuelan National Telecommunications Commission rejected this argument and threatened cable

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<sup>28</sup> Richard Lapper, "TV Channel Axed in Latest Chávez Drama," *Financial Times*, May 26, 2007.

<sup>29</sup> U.S. Department of State, "Statement on Closing of Venezuela's Only Independent Television Network with Nationwide Broadcast Coverage," *Daily Press Briefing*, May 29, 2007.

<sup>30</sup> Organization of American States, Declaration and Resolutions Adopted by the General Assembly, June 5, 2007, pp. 100-103, AG/RES. 2287, Right to Freedom of Thought and Expression and the Importance of the Media.

<sup>31</sup> Benedict Mander, "Television Channel Critical of Chavez Returns," *Financial Times*, July 16, 2007.

companies with fines if they continued to carry RCTV International. On August 2, 2007, the Venezuelan Supreme Court ruled that cable companies could continue to carry RCTV International without fear of government retaliation, since no clear regulation exists defining what constitutes a national broadcaster.<sup>32</sup> Venezuela's telecommunications minister, Jesse Chacon, responded to the Supreme Court's decision by stating that norms that clearly define a national broadcaster would be elaborated in order to compel RCTV International to submit to government regulation.

**Proposed Constitutional Changes.** On August 15, 2007, in an address to the National Assembly, President Chávez announced his proposals for constitutional reform, which would alter 33 of the 350 articles of the existing Venezuelan constitution, which was drafted during the first Chávez government in 1999. The proposed reforms include extending the president's term from six to seven years and abolishing the presidential two-term limits by allowing indefinite reelection, a reform that would allow President Chávez to run for reelection in 2012. State governors and mayors, however, would still be subject to term limits.

The proposed reforms would also allow for changes in the administrative division of Venezuelan territory and the structure of local government, which according to President Chávez, would represent "a new geometry of power." New federal districts with economic and political autonomy would be created and communal councils would be given legal status and empowered. As a result of this change, the government could channel funds and resources directly to the federal districts and communal councils, bypassing local government officials. The communal councils represent the concept of "popular power" that President Chávez seeks to incorporate into article 70 of the constitution, which emphasizes the decentralization and transfer of power to organized communities, as well as the recourse to forms of direct sovereignty. President Chávez also proposed incorporating the social programs that the government has established, known as social missions, into the constitution. The social missions would function as alternative mechanisms to traditional government institutions and provide health and social services.

Other proposed reforms include the promotion and development of social production and social property, such as communal and state-managed property. According to President Chávez, these reforms, along with the political reforms that strengthen popular power, are necessary for the establishment of a socialist state. The constitution would call for a mixed-economy and would still continue to recognize private property. The government, however, would have greater power to expropriate private property before getting a court approval, in order to remove obstacles to the redistribution of unproductive farming lands and to allow failing factories to be run by cooperatives.<sup>33</sup> Large land holdings and private monopolies would be banned but the proposed reforms include state control over the oil industry

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<sup>32</sup> "RCTV Allowed to Broadcast Despite Misgivings," *Latin American Andean Group Report*, August 2007.

<sup>33</sup> Fabiola Sanchez, "Chavez Foes Rally Against Reform," *Associated Press*, August 16, 2007.

and the nationalization of coal and gas reserves. The Central Bank would lose its autonomy, which would allow the President to have direct control over foreign reserves. President Chávez also proposed guaranteeing the right to work and the promotion of policies to generate productive employment, along with reducing the workday from eight to six hours and establishing a maximum 36 hour workweek. An additional proposal calls for the recognition of Venezuela as a product of a diverse confluence of cultures, and the implementation of programs that promote equality for Venezuelans of African and indigenous descent.

The proposed constitutional reforms also would include changes to the structure of the military. The military would be defined as a patriotic, popular and anti-imperialist body with the objective of guaranteeing Venezuela's sovereignty and independence. The Reserves would be transformed into the "Popular Bolivarian Militia," which would constitute the fifth official component of the armed forces. Another proposed reform would be to allow the President to declare any area of Venezuelan territory a special military zone for strategic defense purposes.

On August 22, 2007, the Venezuelan National Assembly, which is made up entirely of Chávez loyalists, approved the proposed reforms as a package. The proposed amendments will go through two more votes in the National Assembly and if they are approved, a national referendum will be held in December 2007. The constitutional reforms will be voted on in its entirety rather than having each reform voted on separately. Observers remain divided over the prospects of the reforms being approved in a referendum. While President Chávez still enjoys high approval ratings, recent polls indicate that a majority of Venezuelans are opposed to many of the proposed reforms, particularly the extension of the presidential term.

Some Venezuelan constitutional experts claim that the proposed reforms are too significant to simply be approved by congress as constitutional amendments and should instead go through a constituent assembly.<sup>34</sup> The constitutional reform project was drawn up by an advisory committee made up of lawyers and journalists sympathetic to the administration.<sup>35</sup>

The political opposition has strongly criticized the proposed constitutional changes, claiming that these reforms are a means for President Chávez to extend his power and remain in office indefinitely, while steering Venezuela towards Cuban-style communism. Opposition leader, and former presidential candidate, Manuel Rosales called the proposed changes a "constitutional coup" and vowed to mount a nationwide campaign against the reforms. Also, Luis Miquilena, a former advisor and mentor to President Chávez, who has since become critical of the government, urged Venezuelans to reject the proposed constitutional changes, claiming that President Chávez would use them to govern indefinitely.<sup>36</sup>

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<sup>34</sup> "Venezuelan Congress Endorses Chávez," *LatinNews Daily*, August 22, 2007.

<sup>35</sup> "Venezuela: Constitutional Reform Faces Uphill Struggle." *Oxford Analytica*, August 17, 2007.

<sup>36</sup> "Ex-Chavez Aide: Venezuelans Should Reject Constitution Changes," *Dow Jones* (continued...)

## Human Rights Concerns

U.S. officials and human rights organizations have expressed concerns about the deterioration of democratic institutions and threats to freedom of speech and press in Venezuela under the Chávez government. The State Department's March 2007 human rights report stated that Venezuela's human rights situation was characterized by "politicization of the judiciary, harassment of the media, and harassment of the political opposition."<sup>37</sup> At the same time, however, a majority of Venezuelans (57%) have expressed satisfaction with how democracy in their country is working, according to a 2006 poll by Latinobarómetro, a far greater percentage than in most Latin American countries.<sup>38</sup>

The Inter-American Commission on Human Rights (IACHR) issued a report in 2004 expressing concerns about the Chávez government's tendency to militarize public administration. The Commission expressed extreme concern about reports of "undue influence of the armed forces in the country's political affairs" and "excessive involvement by the armed forces in political decision-making."<sup>39</sup> Under President Chávez, the military has also become involved in numerous public service and development projects. This coincides with Chávez's view of the "military as an instrument of social transformation," part of his so-called Bolivarian revolution.<sup>40</sup>

On March 9, 2007, the IACHR issued a statement expressing concern about the human rights situation in Venezuela and appealing to the government to allow an IACHR representative to visit the country. The Commission stated that in the last years it "has observed a gradual deterioration of the constitutional order that has compromised the full enjoyment of human rights" and expressed concern about freedom of expression in the country.<sup>41</sup>

Some observers are concerned that Chávez is using his political strength to push toward authoritarian rule. Human Rights Watch maintains that the Chávez government dealt a severe blow to judicial independence by packing the Supreme Court with his supporters under a new law that expanded the court from 20 to 32 justices. The Chávez government enacted a broadcast media law in December 2004 that could allow the government to restrict news coverage that is critical of the government, while in March 2005 it amended Venezuela's criminal code to broaden laws that punish "disrespect for government authorities." The IACHR and human rights groups such as the Committee to Protect Journalists, Reporters Without

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<sup>36</sup> (...continued)

*International News*, August 21, 2007.

<sup>37</sup> See the full report at [<http://www.state.gov/g/drl/rls/hrrpt/2006/78909.htm>].

<sup>38</sup> Corporación Latinobarómetro, "Latinobarómetro Report 2006," December 8, 2006.

<sup>39</sup> Inter-American Commission on Human Rights, "Report on the Situation of Human Rights in Venezuela," December 29, 2003 (original in Spanish); released in March 2004.

<sup>40</sup> Michael Shifter, "Chávez Should Not Steer U.S. Policy," *Financial Times*, April 7, 2005.

<sup>41</sup> Inter-American Commission on Human Rights, "The Inter-American Commission on Human Rights Appeals To Be Allowed To Visit Venezuela," Press Release, March 9, 2007.

Borders, and the Inter-American Press Association maintain that these measures have restricted freedom of expression, with newspapers and broadcasters practicing self-censorship. (Also see “RCTV Closure and Public Reaction” above.)

Human rights groups and the Bush Administration have criticized Venezuela’s charges against four leaders of the Venezuelan civic group *Súmate* (Join Up) for accepting U.S. foreign assistance for a program to encourage citizen participation in the presidential recall referendum. The four, including María Corina Machado who met with President Bush in May 2005, are charged with conspiracy and treason. The State Department’s March 2007 human rights report noted that the trial of leaders has been indefinitely postponed.

**Trafficking in Persons.** Venezuela has been on the State Department’s Tier 3 list for trafficking in persons since 2004, which means that the government is categorized as one that has failed to make significant efforts to bring itself into compliance with the minimum standards for the elimination of trafficking in persons. The State Department’s June 2007 Trafficking in Persons (TIP) Report maintains that Venezuela is a source, transit, and destination country for women and children trafficked for sexual exploitation and forced labor. The report asserted that although the Venezuelan government has made efforts to train public officials and has undertaken public awareness efforts, it should amend its laws to prohibit all forms of trafficking in persons and show credible efforts to investigate and prosecute trafficking offenses.<sup>42</sup> The Venezuelan government rejected the findings of the TIP report and accused the United States of trying to damage the image of the Chávez government.<sup>43</sup> (Also see CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by Clare M. Ribando.)

## Economic Conditions

Venezuela’s major economic sector is petroleum, which accounts for one-third of its gross domestic product and 80% of exports. The country is classified by the World Bank as an upper middle income developing country because of its relatively high per capita income of \$4,810 (2005).

Despite the country’s oil wealth, economic conditions in the country deteriorated in the 1990s. The percentage of Venezuelans living in poverty (income of less than \$2 a day) increased from 32.2% to 48.5% of the population between 1991 and 2000, while the percentage of the population in extreme poverty (income of less than \$1 a day) increased from 11.8% in 1990 to 23.5% in 2000.<sup>44</sup> In 2002-2003, the country’s political instability and polarization between the government and the opposition contributed to a poor investment climate, capital flight, and declines in

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<sup>42</sup> U.S. Department of State, “Trafficking in Persons Report,” June 12, 2007, p. 207. See the report at [<http://www.state.gov/g/tip/rls/tiprpt/2007/>].

<sup>43</sup> “Venezuela Denounces U.S. Report on Human Trafficking,” *Venezuelanalysis.com*, June 14, 2007.

<sup>44</sup> World Bank, “Venezuela Country Brief,” August 2004.

GDP. The national strike orchestrated by the opposition from late 2002 to early 2003 contributed to a contraction of the national economy by almost 9% in 2002 and 7.7% in 2003.

Since 2004, however, the economy has rebounded, with a growth rate over 18% in 2004 and 10.3% in 2005 and 2006, fueled by the windfall in international oil prices. The forecast for 2007 is for 5.8% growth.<sup>45</sup> The growth has allowed the Chávez government to move ahead with economic goals that fit into his “Bolivarian revolution.” These include the expansion of a state-led development model, land reform, renegotiation of contracts with large foreign investors (especially in the petroleum sector), the restructuring of operations at the state oil company, and diversification of trade and investment partners.

## Venezuela’s Social Missions

Venezuela is using windfall oil profits to boost social spending and programs to fight poverty. Beginning in 2003, the Chávez government began implementing an array of social programs and services known as *misiones*, or missions. As a result of the booming economy and increased social spending, poverty rates in Venezuela have declined. The U.N. Economic Commission for Latin America and the Caribbean reports that poverty fell from 49.4% in 1999 to 37.1% in 2005, with extreme poverty falling from 21.7% to 15.9% over the same period.<sup>46</sup> The Venezuela government maintains that poverty continued to fall in the first half of 2006 to 33.9%, with extreme poverty declining to 10.6%.<sup>47</sup>

The popularity of the missions was instrumental to President Chávez’s reelection in December 2006 and has been a major factor in the President’s support among the poor. A key characteristic of the missions is that they are generally deinstitutionalized, functioning primarily through a parallel system that is not a part of the bureaucratic apparatus of the state. The missions have been funded through the government’s central budget and allocations by PdVSA. Some observers contend that the work of the missions should be integrated into existing ministries and institutions of the Venezuelan government in order to improve administration and oversight.<sup>48</sup>

There are currently some 20 social missions in Venezuela, covering a wide array of services in the fields of education, health, nutrition, the environment, sports, culture, housing, and targeted programs for indigenous rights and services for street children and adolescents.<sup>49</sup>

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<sup>45</sup> “Venezuela Country Report,” *Economist Intelligence Unit*, August 2007.

<sup>46</sup> U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America, 2006*, preliminary version, December 2006.

<sup>47</sup> Instituto Nacional de Estadística (INE), República Bolivariana de Venezuela, “Línea de Pobreza,” Septiembre 2006.

<sup>48</sup> “Venezuela Country Profile 2007,” *Economist Intelligence Unit*, p. 18.

<sup>49</sup> For background on the various missions, see the Venezuelan government’s website at (continued...)

In the education field, the *Misión Robinson* constitutes a national literacy campaign, with the government reporting that over 1.5 million Venezuelans have learned to read and write since the program began in 2003.<sup>50</sup> The *Misión Robinson 2* focuses on adults in need of primary school education, particularly those who have just learned how to read and write through the *Misión Robinson*. According to government figures, between 2003 and 2006, over 1.2 million people were enrolled in the mission's primary school education program.<sup>51</sup> The *Misión Ribas* provides adult Venezuelans who never finished high school the opportunity to obtain a secondary education. The *Misión Sucre* has established state-run university villages in order to provide opportunities to attend university to those who were previously excluded from the higher educational system. These universities are especially geared to those students who completed their secondary education through the *Misión Ribas*.

In the health field, the *Misión Barrio Adentro* (Inside the Neighborhood Mission) consists of free health care clinics in historically marginalized areas throughout the country that are staffed primarily by Cuban medical personnel. The medical personnel live in the barrios and make home visits to those who are too ill to visit the community health clinics. The government intends to gradually replace many of the Cuban doctors with Venezuelan doctors. Although there were more than 20,000 Cuban medical personnel serving in Venezuela supporting the mission, over the past year thousands reportedly have left, leaving about 15,000; as a result, a number of the clinics reportedly have closed.<sup>52</sup> A July 2006 report published by the Pan American Health Organization showed that the mission has had a positive impact on the health of Venezuela's poor. The report maintains that there has been a reduction in child mortality from diarrhea and pneumonia since the mission began operating and that medical consultations performed by the mission in 2004 and 2005 saved over 18,000 lives.<sup>53</sup> A related health mission, the *Misión Milagro* (Miracle Mission), provides free eye care clinics and eye surgery.

In the area of nutrition, *Misión Mercal* attempts to ensure that poor Venezuelans obtain staple foodstuffs. The key component of the mission is the state-run Mercal supermarket and grocery store chain, where prices are subsidized by the government up to 40% less expensive than elsewhere.<sup>54</sup> This mission also includes soup kitchens that provide daily free meals and a service by which foodstuffs and meals are delivered to the homes of those living in extreme poverty. The government claims

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<sup>49</sup> (...continued)

[<http://www.misionesbolivarianas.gob.ve/>].

<sup>50</sup> See the government's website on the *Misión Robinson* at [<http://www.misionesbolivarianas.gob.ve/misiones/mision-robinson.html>].

<sup>51</sup> See the government's website on the *Misión Robinson 2* at [<http://www.misionesbolivarianas.gob.ve/misiones/mision-robinson-2.html>].

<sup>52</sup> Phil Gunson, "Venezuela Struggles with Doctor Shortage," *Miami Herald*, February 12, 2007.

<sup>53</sup> "Mission Barrio Adentro: The Right to Health and Social Inclusion in Venezuela," Pan American Health Organization, July 2006, pp. 82 and 107-112.

<sup>54</sup> Indira A.R. Lakshmanan, "Critics Slam Venezuelan Oil Windfall Spending," *Boston Globe*, August 13, 2006.

that the mission has been successful by pointing to the fact that over 47% of Venezuelans shop at Mercal<sup>55</sup> and that over nine and a half million people have benefitted from the Mercal Mission in some way.<sup>56</sup>

Some observers have praised the missions for constituting an integrated package of poverty-reduction measures that address the various conditions associated with poverty, representing a holistic approach to poverty-reduction. The missions are viewed by some as a potentially more effective alternative to simple cash transfers, which have been the primary basis for poverty-alleviation programs in Latin America. Some critics of the missions, however, maintain that they focus on alleviating the harsh conditions associated with poverty rather than addressing the structural roots of the problem. They maintain that the missions are paternalistic and create a dependency on the state among the poor, without providing solutions to lift people out of poverty permanently. Some critics question the sustainability of the missions since they are funded primarily from oil revenues. They argue that the missions will likely disappear or be cut back significantly if oil revenue declined.<sup>57</sup>

## U.S. Policy

### Background and Overview of U.S.-Venezuelan Relations

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

After Chávez's brief ouster in April 2002, the United States expressed solidarity with the Venezuelan people, commended the Venezuelan military for refusing to fire on peaceful demonstrators, and maintained that undemocratic actions committed or encouraged by the Chávez administration provoked the political crisis.<sup>58</sup> With Chávez's return to power, the United States called on President Chávez to heed the message sent by the Venezuelan people by correcting the course of his administration and "governing in a fully democratic manner."<sup>59</sup> In contrast, many Latin American nations condemned the overthrow of Chávez, labeling it a coup. Venezuelan

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<sup>55</sup> "Chávez Reaches Out with Bolivarian Missions," *NPR, Weekend Edition*, December 3, 2006.

<sup>56</sup> See the government's website on the *Misión Mercal* at [<http://www.misionesbolivarianas.gob.ve/misiones/mision-alimentacion.html>]

<sup>57</sup> Indira A.R. Lakshmanan "Critics Slam Venezuelan Oil Windfall Spending," *Boston Globe*, August 13, 2006; José Orozco, "With 'Misiones,' Chávez Builds Support Among Venezuela's Poor," *WorldPoliticsWatch*, December 10, 2006.

<sup>58</sup> U.S. Dept. of State, "Venezuela: Change of Government," Press Statement, April 12, 2002.

<sup>59</sup> U.S. Dept. of State, International Information Programs, "White House Calls on Venezuela's Chávez to Preserve Peace, Democracy," *Washington File*, April 14, 2002.



allegations of U.S. involvement in the attempted overthrow of President Chávez have contributed to strained relations. U.S. officials have repeatedly rejected the charges that the United States was involved.<sup>60</sup> In the aftermath of Chávez's temporary ouster, the Department of State's Office of the Inspector General undertook a review of U.S. policy toward Venezuela and concluded that the Department of State had not played any role in President Chávez's overthrow.<sup>61</sup>

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

Comments by Venezuelan and some U.S. officials at times exacerbated tensions in the bilateral relationship. In the lead-up to the "repair" period held in late May 2004, then Assistant Secretary of State for Western Hemisphere Affairs Roger Noriega maintained that it was already clear that "the requisite number of people supported the [recall] petition."<sup>62</sup> Venezuelan Vice President Jose Vicente Rangel strongly criticized Noriega's statement as prejudging the outcome of the "repair" period. President Chávez, who has often used anti-American rhetoric to shore up his domestic support, maintained that President Bush would be his greatest rival in the recall referendum, and that the United States would "govern" in Venezuela if the opposition wins the recall referendum and subsequent election.<sup>63</sup>

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

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<sup>60</sup> U.S. Dept. of State, International Information Programs, *Washington File*, "U.S. Again Rejects Charges of Meddling in Venezuelan Affairs," April 19, 2004.

<sup>61</sup> U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General, "A Review of U.S. Policy Toward Venezuela November 2001 — April 2002," Report Number 02-OIG-003, July 2002.

<sup>62</sup> David R. Sands, "U.S. Casts Wary Eye on Venezuela Vote; Action Promised if Vote is Rigged," *Washington Times*, May 26, 2004.

<sup>63</sup> Alice M. Chacon, "Venezuelan President Says His Greatest Rival is George W. Bush," Associated Press, June 12, 2004.

**Tensions Increase in 2005.** Administration officials voiced increasing concern about President Chávez in 2005, and tensions increased in U.S.-Venezuelan relations, with elevated rhetoric on both sides. In both March and September 2005, State Department officials testified to Congress that President Chávez’s “efforts to concentrate power at home, his suspect relationship with destabilizing forces in the region, and his plans for arms purchases are causes of major concern.” They asserted that the United States “will support democratic elements in Venezuela so they can fill the political space to which they are entitled.”<sup>64</sup> Then Secretary of Defense Donald Rumsfeld expressed concerns in March about Venezuela’s plan to buy 10 military helicopters and 100,000 AK-47 rifles from Russia and questioned why Venezuela needs the weapons.<sup>65</sup> U.S. officials have also expressed concerns about Venezuela’s plans to buy patrol boats and military transport aircraft from Spain as well as a decision by Venezuela in April 2005 to cancel a U.S.-Venezuelan bilateral military exchange program.

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

In early August 2005, Venezuela suspended its cooperation with the U.S. Drug Enforcement Administration (DEA) because it alleged that DEA agents were spying on Venezuela. U.S. officials asserted that the accusations were “baseless and outrageous” but also indicated that the United States would like to improve U.S. relations with Venezuela and reverse the negative trend in relations over the past few months.<sup>66</sup>

While traveling in South America in August 2005, then Secretary of State Donald Rumsfeld asserted that “there certainly is evidence that both Cuba and Venezuela have been involved in the situation in Bolivia in unhelpful ways.”<sup>67</sup> Some

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<sup>64</sup> House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on “The State of Democracy in Latin America,” Testimony of Roger F. Noriega, Assistant Secretary of State for Western Hemisphere Affairs, March 9, 2005; Hearing on “Keeping Democracy on Track: Hotspots in Latin America,” Testimony of Charles A. Shapiro, Principal Deputy Assistant Secretary of State, September 28, 2005.

<sup>65</sup> Todd Benson, “Rumsfeld in Brazil, Criticizes Venezuela on Assault Rifles,” *New York Times*, March 24, 2005.

<sup>66</sup> Lauren Monsen, “United States Hopes for Improved Cooperation,” Washington File, U.S. Department of State, August 19, 2005.

<sup>67</sup> Josh White, “Rumsfeld in Latin America, Voices Democracy Concerns,” *Washington Post*, August 17, 2005.

Members of Congress, such as Senator Arlen Specter, reportedly called for the Secretary to tone down his rhetoric.<sup>68</sup> Specter met with President Chávez and Venezuelan ministers in mid-August 2005 to discuss cooperation on drug interdiction. Subsequently, on September 15, 2005, President Bush designated Venezuela as a country that has “failed demonstrably during the previous 12 months to adhere to their obligations under international counternarcotics agreements.” At the same time, the President waived economic sanctions that would have curtailed U.S. assistance for democracy programs in Venezuela. (Also see *Counternarcotics Cooperation* below.)

On August 22, 2005, the comments of TV evangelist Pat Robertson that the United States should “assassinate” Chávez evoked a strong response from Venezuelan officials and from many U.S. policymakers. The State Department responded by labeling Robertson’s comments as “inappropriate.”<sup>69</sup> (For further information on the U.S. prohibition against assassination, see CRS Report RS21037, *Assassination Ban and E.O. 12333: A Brief Summary*, by Elizabeth B. Bazan.)

In testifying to Congress on November 17, 2005, the new Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon asserted that there is “a growing hemispheric and international consensus that democracy in Venezuela is in grave peril.” He stated that the United States was working multilaterally and bilaterally with Latin American and European nations to support Venezuelan civil society, speak out against abuses of democracy, and hold Venezuela accountable to its commitments under the Inter-American Democratic Charter. He described U.S. funding for democracy projects in Venezuela as “working to preserve political and civic space for increasingly at-risk groups.”<sup>70</sup> Reflecting an escalation of the Venezuelan President’s harsh rhetoric, Chávez responded to Shannon’s comments by calling President Bush a “crazy, genocidal killer.”<sup>71</sup>

U.S. reaction to the Venezuelan elections on December 5, 2005, was restrained, with a State Department spokesman indicating that United States would wait until the OAS and EU observers make their reports. Nevertheless, the State Department did point to the high voter abstention rate in the election and maintained that it reflected “a broad lack of confidence in the impartiality and transparency of the electoral process.”<sup>72</sup> (There was a 75% abstention rate in the December legislative election, compared to an abstention rate of 44% in the last legislative election in July

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<sup>68</sup> Holly Yeager, “Senator Takes Rumsfeld to Task Over Chávez Criticism,” *Financial Times*, August 20, 2005.

<sup>69</sup> U.S. Department of State, Daily Press Briefing, August 23, 2005.

<sup>70</sup> House International Relations Committee, Subcommittee on the Western Hemisphere, Hearing on Democracy in Venezuela, Statement by Asst. Sec. of State Thomas A. Shannon, November 17, 2005.

<sup>71</sup> “Venezuela: Chávez Responds to Shannon’s Criticism,” *Latinnews Daily*, November 18, 2005.

<sup>72</sup> U.S. Department of State, Daily Press Briefing, December 5, 2005.

2000, which occurred at the same time that voters elected a president and state and local officials.<sup>73)</sup>

**Developments in 2006.** U.S.-Venezuelan relations continued to be tense in 2006, with several incidents and rhetoric exacerbating the poor state of relations. On February 2, 2006, then Secretary of Defense Donald Rumsfeld compared President Chávez to Adolf Hitler in terms of someone who was elected legally and then consolidated power.<sup>74</sup> Chávez responded by referring to President Bush as Hitler and as a madman, with plans to invade Venezuela. On February 2, 2006, President Chávez announced that his government would expel a U.S. naval attache for spying, which U.S. officials strongly denied. In response, the United States expelled a Venezuelan diplomat based in Washington.

Administration testimony before Congress in February 2006 highlighted U.S. concern about Venezuela's foreign relations. In February 16, 2006 congressional testimony, Secretary of State Condoleezza Rice stated that one of the biggest problems for the United States in Latin America was Venezuela, which she characterized as "attempting to influence its neighbors away from democratic processes." Secretary Rice also expressed concerns about Venezuela's relationship with Cuba, describing it as "a particular danger to the region," and also referred to both countries as Iran's "sidekicks" in reference to those countries' votes in the International Atomic Energy Agency against reporting Iran to the U.N. Security Council over its uranium enrichment program.<sup>75</sup> Also in February 2006 congressional testimony, Director of National Intelligence John Negroponte expressed concern that President Chávez "is seeking closer economic, military, and diplomatic ties with Iran and North Korea."<sup>76</sup>

In April 2006, the State Department issued its annual *Country Reports on Terrorism*, which asserted that "Venezuela virtually ceased its cooperation in the global war on terror, tolerating terrorists in its territory and seeking closer relations with Cuba and Iran, both state sponsors of terrorism." This was followed up in mid-May 2006, with a State Department announcement that, pursuant to Section 40A of the Arms Export Control Act, it was prohibiting the sale or license of defense articles and services to Venezuela because of its lack of cooperation on antiterrorism efforts. The State Department asserted that the determination was based on Venezuela's near lack of antiterrorism cooperation over the last year, citing its support for Iraqi insurgents and Iran's development of nuclear capabilities, the country's status as a safe haven for Colombian and Basque terrorist groups, and its effort to derail hemispheric efforts to advance counter-terrorism policies in the OAS. In July 13, 2006, congressional testimony, the State Department's Principal Deputy Coordinator

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<sup>73</sup> "State Department Holds Fire on Election Result," *Latinnews Daily*, December 6, 2005.

<sup>74</sup> "Donald H. Rumsfeld Delivers Remarks at the National Press Club," *CQ Transcriptions*, February 2, 2006.

<sup>75</sup> House International Relations Committee, Hearing on the Fiscal Year 2007 International Affairs Budget, Testimony of Secretary of State Condoleezza Rice, February 16, 2006.

<sup>76</sup> Senate Select Intelligence Committee, Hearing on World Wide Threats, Testimony of Director of National Intelligence John Negroponte, February 2, 2006.

for Counterterrorism, Frank Urbancic, asserted that Venezuelan travel and identification documents are easy to obtain for persons not entitled to them, including non-Venezuelans, and maintained that the United States was detaining increasing numbers of third-country aliens at its borders carrying falsified or fraudulently issued Venezuelan documents.<sup>77</sup>

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

In speaking before the U.N. General Assembly on September 20, 2006, President Chávez strongly criticized U.S. foreign policy and spoke pejoratively of President Bush. President Chávez repeatedly referred to President Bush as the “Devil” and asserted that “the hegemonic pretension of U.S. imperialism ... puts at risk the very survival of the human species.”<sup>78</sup>

In response to President Chávez’s comments, Secretary of State Condoleezza Rice maintained his remarks “were not becoming of a head of state,” while then U.S. Ambassador to the United Nations John Bolton said that the Administration would “not address this sort of comic-strip approach to international affairs.”<sup>79</sup> State Department spokesman Tony Casey said that he would “leave it to the Venezuelan people to determine whether President Chávez represented them and presented them in a way they would have liked to have seen.”<sup>80</sup> President Chávez’s remarks at the U.N. were not the first time that the Venezuelan president has spoken disparagingly of President Bush or other U.S. officials or criticized U.S. policy. He routinely refers to President Bush as a “donkey,” “Mr. Danger,” or other pejorative terms.<sup>81</sup> U.S. officials appear largely to have refrained from responding to such personal charges

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<sup>77</sup> House International Relations Committee, Subcommittee on International Terrorism and Nonproliferation, Hearing on “Venezuela: Terrorism Hub of South America?,” July 13, 2006.

<sup>78</sup> “Venezuela’s Chávez Says World Faces Choice Between U.S. Hegemony and Survival,” *Venezuelanalysis.com*, September 20, 2006 [includes transcript of President Chávez’s speech before the U.N. General Assembly].

<sup>79</sup> U.S. Department of State, Secretary of State Condoleezza Rice, “Remarks After the United Nations Security Council Meeting on the Middle East Process,” September 21, 2006; Pablo Bachelet, “Chávez Bashes Bush on U.N. Stage,” *Miami Herald*, September 21, 2006.

<sup>80</sup> U.S. Department of State, Daily Press Briefing, September 20, 2006.

<sup>81</sup> For example, see “President Hugo Chávez Travels the World,” *Voice of America News*, September 15, 2006; “Danger, Danger George Bush,” *Washington Post*, August 6, 2006; Christopher Toothaker, “U.S. Ambassador Urges Venezuela to Consider Dialogue, Leave Insults Aside,” Associated Press, March 30, 2006; “Venezuela’s Chávez Calls Bush ‘Coward’ Over Iraq,” *BBC Worldwide Monitoring*, March 20, 2006; “Hugo Chávez to Condi Rice: Don’t Mess with Me, Girl,” *Agence France Presse*, February 19, 2006.

or criticisms leveled by President Chávez and instead have focused on the negative aspects of his policies, such as the status of democracy and human rights under his government, the extent of Venezuela's military purchases, or President Chávez's efforts to influence political events in other Latin American countries. Several Members of Congress criticized President Chávez for his anti-American rhetoric and introduced resolutions condemning his statements, including S.Res. 607 approved by the Senate on December 6, 2006.

In response to President Chávez's reelection on December 3, 2006, State Department officials initially emphasized that the United States was looking forward to working with the Venezuelan government on issues of mutual concern.<sup>82</sup> Subsequently, Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon stated that the election was positive in that there was a clear winner and that the opposition accepted the results.<sup>83</sup>

**Developments in 2007.** U.S. officials have continued to speak out about threats to democracy in Venezuela, its military buildup, and other concerns in 2007. In January 11, 2007, testimony before the Senate Select Committee on Intelligence, then Director of National Intelligence John Negroponte stated that President Chávez "is among the most stridently anti-American leaders anywhere in the world, and will continue to try to undercut U.S. influence in Venezuela, in the rest of Latin America, and elsewhere internationally." Negroponte also expressed concern that the Venezuelan leader's military purchases and moves toward developing his own weapons production capability are increasingly worrisome to his neighbors and could fuel an arms race in the region.

In February 7, 2007, testimony before the House Foreign Affairs Committee, Secretary of State Condoleezza Rice stated that she believes "there's an assault on democracy in Venezuela" and that "the president of Venezuela is really destroying his own country economically, politically." Venezuelan Foreign Minister Nicolas Maduro responded by saying that "no U.S. official has the morality to qualify Venezuelan democracy or the democratic leadership of President Chávez."<sup>84</sup>

President Chávez has continued his tough rhetoric against the United States and President Bush. During the U.S. President's visit to Latin America in March 2007, Chávez led a rally in Argentina in which he denounced President Bush and U.S. policy in Latin America. U.S. officials maintain that they do not want to get into a rhetorical contest with Chávez, but want to focus on a positive agenda of U.S. engagement in Latin America. Many observers contend that President Bush's March trip to the region was at least in part an attempt to counter the growing influence of President Chávez in Latin America.

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<sup>82</sup> "U.S. Gives Tepid Response to Reelection of Chávez," *Miami Herald*, December 5, 2006.

<sup>83</sup> "Election Result in Venezuela Positive," *Agence France Presse*, December 14, 2006; State Department Briefing, Press Roundtable with Thomas Shannon, December 13, 2006.

<sup>84</sup> Liza Figueroa-Clark, "Venezuelan Foreign Minister, Bishop, Slam Rice over Comments on Venezuela." *Venezuelanalysis.com*, February 10, 2007.

As noted above, in the aftermath of the closing of the Venezuelan government's closing of RCTV in late May 2007, the State Department issued a statement calling on Venezuela to reverse its policies that limit freedom of expression.<sup>85</sup> Secretary of State Condoleezza Rice raised the issue on June 4, 2007, at the OAS General Assembly Meeting in Panama, and called on the OAS to address the issue. Ultimately, the OAS did not specifically criticize Venezuela for its action, but adopted a resolution calling upon members states to respect freedom of expression.

## General Policy Approaches

A dilemma for U.S. policymakers has been how to press the Chávez government to adhere to democratic principles without appearing to interfere in Venezuelan domestic affairs or taking sides in the country's polarized political conflict. In the lead up to the recall referendum, the Chávez government portrayed the opposition as supported by the U.S. government and the United States as Venezuela's main adversary. As noted above, for the most part, the Bush Administration worked through the OAS and the Carter Center from 2002-2004 to help resolve the country's political crisis. At the same time, U.S. officials have not refrained from criticizing the Chávez government on various occasions for its anti-democratic actions. Elevated rhetoric, however, on both sides has at times exacerbated tensions in bilateral relations.

According to press reports, the Administration was involved in a major reassessment of policy toward Venezuela in the spring of 2005, with the policy review resulting in a two-prong strategy to increase support to civil groups in Venezuela and to convince other countries that Chávez should be viewed as a troublesome meddler in other countries' affairs.<sup>86</sup> Some observers expressed concerns that a more aggressive approach would create further estrangement and tension in the bilateral relationship.

There have been other schools of thought about the appropriate U.S. policy toward Venezuela. Some maintain that the United States should work to normalize relations with the Chávez government and attempt to work cooperatively on issues of mutual concern, such as drug trafficking, terrorism, and energy. Some also maintain that United States should ensure that no U.S. funding goes to any groups headed by individuals who participated in the April 2002 ouster of President Chávez or to any partisan groups.<sup>87</sup> Another longer-term policy approach advocated by some is that the United States should work to address the circumstances that led to the rise

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<sup>85</sup> U.S. Department of State, "Statement on Closing of Venezuela's Only Independent Television Network with Nationwide Broadcast Coverage," *Daily Press Briefing*, May 29, 2007.

<sup>86</sup> Pablo Bachelet, "U.S. Tries Everything, But Can't Slow Chávez," *Miami Herald*, September 7, 2005; Pablo Bachelet, "U.S. Exploring Taming Chávez," *Miami Herald*, March 18, 2005; Juan Forero "U.S. Considers Toughening Stance Toward Venezuela," *New York Times*, April 26, 2005.

<sup>87</sup> Testimony of Mark Weisbrot, Center for Economic and Policy Research, at a hearing of the Senate Foreign Relations Committee on "The State of Democracy in Venezuela," June 24, 2004.

to power of Chávez. This policy approach pertains not just to Venezuela, but to other countries in Latin America struggling with high levels of unemployment, crime, and political corruption.<sup>88</sup> Another policy approach advocated by some observers is for the United States to take a more proactive approach to address the deterioration of democracy in Venezuela and the Chávez government's actions in the hemisphere. This approach emphasizes the threat that Chávez poses not only to Venezuela but to other countries in the region. It calls for increased support for democratic groups in Venezuela and efforts to counter Venezuela's military build-up.

A November 2006 report published by the Council on Foreign Relations proposed that, in the short term, the United States should ignore President Chávez's political theatrics and seek to work pragmatically on issues of bilateral and regional concern, such as energy security, terrorism, poverty reduction, and the environment. Over the longer term, the report suggested that the United States needs to address the underlying challenges of inequality and poverty that have helped feed Chávez's popularity.<sup>89</sup>

In March 2007, the Inter-American Dialogue issued a report on U.S. policy toward Venezuela, that recommended, among other measures, that the United States work through multilateral organizations like the OAS to identify violations of democratic norms and practice. At the same time, it recommended that U.S. officials exercise restraint in issuing highly public denunciations. The report also suggested that the Administration needs to develop a thorough inventory of diplomatic levers to respond to anti-U.S. actions taken by the Chávez government, but also recommended that U.S. officials make every effort to initiate discussions, either formally or informally, in order to build mutual trust and bridge the sharp divide between the two governments. It also called for the Administration to drop its efforts for a united front against Chávez among friendly Latin American governments, maintaining that such efforts can distance the United States from friendly governments in the region.<sup>90</sup>

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

The United States has funded democracy-related projects in Venezuela for a number of years through a variety of programs funded by the State Department, the U.S. Agency for International Development (USAID), and the National Endowment for Democracy (NED).

USAID, through its Office of Transition Initiatives, has funded democracy projects in Venezuela since 2002, with the goals of strengthening democratic

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<sup>88</sup> Testimony of Miguel Diaz, Center for Strategic and International Studies, at a hearing of the Senate Foreign Relations Committee on the "The State of Democracy in Venezuela," June 24, 2004.

<sup>89</sup> Richard Lapper, "Living with Hugo, U.S. Policy Toward Hugo Chávez's Venezuela," Council on Foreign Relations, The Center for Preventive Action, November 2006.

<sup>90</sup> Michael Shifter, "Hugo Chávez: A Test for U.S. Policy," Inter-American Dialogue, March 2007.



institutions, promoting space for dialogue, and encouraging citizens' participation in democratic processes. Transitions Initiatives (TI) funding in recent years was \$5 million in FY2005, \$3.7 million in FY2006, and is projected to be \$1.7 million in FY2007. According to USAID, the funding supports projects implemented by five U.S. organizations: Development Alternatives Inc, which focuses on dialogue, public debate, citizen participation and leadership training; the International Republican Institute and the National Democratic Institute, which offer technical assistance for political parties; Freedom House, which provides technical support to human rights groups; and the Pan-American Development Foundation, which provides support to civil society.<sup>91</sup>

The State Department has supported democracy projects in Venezuela through Economic Support Funds (ESF). In FY2004, \$1.497 million was provided (including \$1 million in reprogrammed funds to support political reconciliation), and in FY2005, \$2.4 million in ESF was provided. For FY2006, although the Administration requested \$500,000 in ESF for such projects, it did not allocate any ESF for Venezuela. For FY2007, the Administration allocated \$1.6 million in ESF for Venezuela democracy initiatives. The Administration did not request any ESF for Venezuela for FY2008, but it has requested \$3 million Development Assistance "to help ensure civil society groups continued serving as one of the last checks on an increasingly authoritarian Venezuelan government."<sup>92</sup>

NED has funded democracy projects in Venezuela since 1992, but the level of funding has increased under the Chávez government. In FY2003, NED funded 15 Venezuela projects with \$1.05 million. In FY2004, it funded 13 projects with about \$874,000. In FY2005, NED funded 16 democracy projects with \$902,000. For FY2006, the FY2006 Foreign Operations appropriations measure (P.L. 109-102) provided \$2 million in Democracy Funds for NED for democracy programs in Venezuela. During FY2006, NED funded 18 democracy projects in Venezuela and 5 regional democracy projects that included components in Venezuela.

The Venezuelan government and some other critics have criticized NED's funding of opposition groups.<sup>93</sup> They maintain that the NED has funded groups headed by people involved in the overthrow of Chávez in April 2002 as well as a group, Súmate, involved in the signature collecting process for the recall referendum campaign. Critics argue that Súmate led the signature drive for the recall referendum, and question whether the NED should have funded such a group.

U.S. officials and some Members of Congress strongly defended the NED's activities in Venezuela and have criticized the Venezuelan government's efforts to intimidate the leaders of Súmate by charging them with conspiring against the

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<sup>91</sup> U.S. Agency for International Development, USAID/OTI Venezuela Field Report, April-June 2006.

<sup>92</sup> U.S. Department of State, FY2008 Congressional Budget Justification for Foreign Operations, p. 1204.

<sup>93</sup> Testimony of Mark Weisbrot, Center for Economic and Policy Research, at a hearing of the Senate Foreign Relations Committee on "The State of Democracy in Venezuela," June 24, 2004.

government. The State Department asserts that the charges are without merit, and constitute an attempt “to intimidate members of civil society for exercising their democratic rights.”<sup>94</sup>

According to the NED, its program in Venezuela “focuses on promoting citizen participation in the political process, civil and political rights, freedom of expression and professional journalism, and conflict mediation.” The NED asserts that all of the Venezuelan programs that it funds operate on a non-partisan basis. It maintains that Súmate, which received a grant of \$53,400 in September 2003, mobilized a citizen campaign to monitor the signature collection process and that the money was used “in developing materials to educate citizens about the constitutional referendum process and to encourage citizens to participate.”<sup>95</sup> NED officials also assert that they did not fund the Democratic Coordinator for the development of its July 2004 consensus platform. The NED points out that it did fund a consensus building project in 2002 for one of the NED’s core institutions, the Center for International Private Enterprise (CIPE). For the project, CIPE partnered with a Venezuelan group, the Center for the Dissemination of Economic Information (CEDICE) to work with several Venezuelan nongovernmental organizations and the business sector for the development of a broad-based consensus.<sup>96</sup> In early September 2005, the board of the NED approved a new \$107,000 grant to Súmate for a program to train thousands of people on their electoral rights.<sup>97</sup>

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

## Oil Issues

Since Venezuela is a major supplier of foreign oil to the United States (the fourth major foreign supplier in 2005, after Canada, Mexico, and Saudi Arabia), providing about 12% of U.S. crude oil imports, a key U.S. interest has been ensuring the continued flow of oil exports. Some 68% of Venezuela’s oil exports are destined for the United States, highlighting the dependency of Venezuela on the U.S. market, and oil exports account for the overwhelming majority of Venezuela’s exports to the United States. In 2006, Venezuela’s total exports destined for the United States amounted to \$37.2 billion, with oil products accounting for \$35.1 billion, or 94% of

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<sup>94</sup> “United States Rejects Venezuelan Decision to Try Civic Group,” Department of State, Washington File, July 8, 2005.

<sup>95</sup> National Endowment for Democracy, “NED Venezuela Programs FAQ,” available online at [<http://www.ned.org/grants/venezuelaFacts.html>].

<sup>96</sup> Telephone conversation with NED official July 15, 2004; also see Andres Oppenheimer, U.S. Group’s Funds Aid Democracy, *Miami Herald*, July 15, 2004.

<sup>97</sup> Pablo Bachelet, “Citizens Group to Get U.S. Funds,” *Miami Herald*, September 13, 2005.

the total.<sup>98</sup> The December 2002 strike orchestrated by the opposition reduced Venezuela's oil exports, but by May 2003, Venezuelan officials maintained that overall oil production returned to the pre-strike level. Venezuela's state-run oil company, PdVSA, owns CITGO, which operates three crude oil refineries and a network of some 14,000 retail gasoline stations in the United States.

The Chávez government has benefitted from the rise in world oil prices, which has increased government revenues and sparked an economic boom. As a result, Chávez has been able to increase government expenditures on anti-poverty and other social programs associated with his populist agenda.

By March 2006, the Venezuelan government had completed the conversion of its operating agreements with foreign oil companies to joint ventures, with the Venezuelan government now holding a majority share of between 60-70% in the ventures. PdVSA also has been a minority owner in four extra-heavy oil Orinoco River Basin projects involving six foreign companies — U.S.-based ConocoPhillips, Chevron, and Exxon Mobil, Norway's Statoil, Britain's BP, and France's Total — but the Venezuelan government is bringing these projects under its majority control.

President Chávez set a deadline of May 1, 2007, and on that date formally announced the government's control of the projects. Nevertheless, the Venezuelan government gave companies until June 26 to negotiate the terms of their conversion to minority partners. On that date, PdVSA signed new partnership agreements giving it majority control in Orinoco ventures with BP, Total, Statoil, and Chevron. At the same time, the Venezuelan government announced that ConocoPhillips and Exxon Mobil would be leaving their Orinoco projects after not being able to negotiate new terms. The two U.S. companies were negotiating the compensation to be paid by Venezuela for their existing Orinoco investments. According to a lawyer with PdVSA, ConocoPhillips and Exxon Mobil were demanding a combined \$5 billion from Venezuela for their Orinoco Belt heavy oil assets.<sup>99</sup> On August 29, 2007, Venezuela's energy minister, Rafael Ramirez, submitted a new law in the National Assembly that would transfer the assets owned by ExxonMobil and ConocoPhillips to state hands and stated that the Venezuelan government was negotiating with the companies that refused to come under state control in order to finalize their departure, but that no compensation would be offered.<sup>100</sup>

Majority state ownership in the oil sector fulfills a policy goal of the Chávez government to assert greater control over the country's oil reserves, but has reportedly slowed the rate of foreign investment. Production also has reportedly not been able to recover from the firing of some 18,000 PdVSA employees in early 2003

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<sup>98</sup> Department of Commerce statistics, as presented by World Trade Atlas.

<sup>99</sup> "Exxon, COP Seek \$5 Billion in Orinoco Compensation: PdVSA Lawyer", *Platts Commodity News*, August 14, 2007

<sup>100</sup> "Venezuela Wants Two U.S. Oil Firms to Leave", *Agence France Presse*, August 30, 2007

and from continued underinvestment in maintenance and repairs.<sup>101</sup> Some oil analysts question whether PdVSA is prepared to take over operation of the heavy oil fields in the Orinoco.<sup>102</sup>

Despite notable frictions in bilateral relations, Venezuela continues to be a major supplier of oil to the United States. Even though Venezuela opposed the U.S. war in Iraq, the Chávez government announced before the military conflict that it would be a reliable wartime supplier of oil to the United States. At various junctures, however, Chávez has threatened to stop selling oil to the United States. In February 2006, he asserted that the “U.S. government should know that, if it crosses the line, it will not get Venezuelan oil.”<sup>103</sup> In April 2006, he warned that his government would blow up its oil fields if the United States ever were to attack.<sup>104</sup> On November 4, 2006 (amid Venezuela’s presidential election campaign), President Chávez asserted that Venezuela would “not send one more drop of oil to the U.S.” if the United States or its “lackeys” in Venezuela try a “new coup,” fail to recognize the elections, or try to overthrow the oil industry. Venezuela’s Ambassador to the United States asserted in late July 2006 that oil-cutoff comments by Venezuelan officials, including President Chávez, only reflect what would be Venezuela’s response against aggression initiated by the U.S. government.<sup>105</sup> Many observers believe Chávez’s threats have been merely part of his rhetoric that is designed to bolster his domestic political support.

Some observers, however, have raised questions about the security of Venezuela as a major supplier of foreign oil. There are also concerns that Venezuela is looking to develop China as a replacement market, although Venezuelan officials maintain that they are only attempting to diversify Venezuela’s oil markets. In June 2006, the Government Accountability Office (GAO) issued a report, requested by Senate Foreign Relations Committee Chairman Richard Lugar, on the issue of potential Venezuelan oil supply disruption. The GAO report concluded that a sudden loss of all or most Venezuelan oil from the world market could raise world prices up to \$11 per barrel and decrease U.S. gross domestic product by about \$23 billion. It also concluded that if Venezuela does not maintain or expand its current level of oil production, then the world oil market may become even tighter than it is now, putting pressures on both the level and volatility of energy prices.<sup>106</sup>

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<sup>101</sup> Danna Harman, “Venezuela’s Oil Model: Is Production Rising or Falling?,” *Christian Science Monitor*, May 31, 2006.

<sup>102</sup> Juan Forero, “Venezuela Set to Assume Control of Its Oil Fields,” *Washington Post*, May 1, 2007.

<sup>103</sup> “U.S. Warned to Back off or Risk Losing Oil Supply,” *Miami Herald*, February 18, 2006; “Chávez Threatens To Cut Oil in Case U.S. ‘Crosses Line,’” Open Source Center, Foreign Broadcast Information Service, February 18, 2006.

<sup>104</sup> “Chávez Says He’ll Blow up Oil Fields If U.S. Attacks,” *Miami Herald*, April 20, 2006.

<sup>105</sup> Andy Webb-Vidal, “Venezuela Will Not Cut Off Oil Despite Hostile U.S. Attitude,” *Financial Times*, August 1, 2006.

<sup>106</sup> U.S. Government Accountability Office, “Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production,” GAO-06-668, June 2006.

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

## Counternarcotics Cooperation

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

Press reports in late June and July 2006 indicated that the United States and Venezuela were on the verge of signing an anti-drug cooperation agreement that would allow the DEA to continue working with the Venezuelan government, but approval of the agreement has still not taken place.<sup>108</sup> In August 2006, Venezuelan officials said that they were reconsidering signing the agreement in response to the announcement by U.S. Director of National Intelligence John Negroponte on the establishment of a new position of Mission Manager for Cuba and Venezuela. According to the Bush Administration's September 2006 justification for determining that Venezuela had "failed demonstrably" to adhere to counternarcotics obligations, "the role and status of the DEA in Venezuela remains in limbo since the host country refuses to sign a memorandum of understanding authorizing" a DEA presence "even after successfully concluding a lengthy process of negotiation with U.S. officials."<sup>109</sup> On July 26, 2006, the House approved H.Con.Res. 400 (Burton), which, among other provisions, condemns Venezuela's failures to stem the flow of narcotics through its territory and calls for, among other measures, steps to restore cooperation between Venezuela and the DEA.

According to the President's September 2006 determination on Venezuela, the country's "importance as a transshipment point for drugs bound for the United States

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<sup>107</sup> Ian James, "Venezuela Says U.S. Move to Call Country Uncooperative on Drugs is Pure Politics," *Associated Press*, September 16, 2005.

<sup>108</sup> "DEA to Continue Working with Venezuela," *Latin American Regional Report, Andean Group*, July 2006; "Venezuela, U.S. to Sign Anti-drug Agreement," *Miami Herald*, June 27, 2006.

<sup>109</sup> U.S. Department of State, "Memorandum of the Secretary of State: Presidential Determination on Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2007," Presidential Determination No. 2006-24, White House Press Release, September 15, 2006.

and Europe has continued to increase in the past 12 months, a situation both enabled and exploited by corrupt Venezuelan officials.” The determination also maintained that, according to DEA, seizures of illegal drugs transiting Venezuela have fallen. It also asserted that the number of suspected drug flights departing Venezuela and going to the Caribbean more than doubled in 2005 and continued to rise in 2006. According to the determination, Venezuela was designated as having “failed demonstrably” in counternarcotics cooperation in part “because it ended most air interdiction cooperation, refused to grant U.S. counternarcotics overflights of Venezuela, curtailed most military and law enforcement counternarcotics cooperation, replaced its most effective counternarcotics officials, and failed to effectively implement its own money laundering and organized crime legislation.”<sup>110</sup>

The Department of State, in its March 2007 *International Narcotics Control Strategy Report* (INCSR), maintained that Venezuela is one of the principal drug-transit countries in the hemisphere because of its geography, rampant high-level corruption, weak judicial system, and lack of international counternarcotics cooperation.<sup>111</sup> According to the report, “despite the Venezuelan government’s refusal to cooperate, the DEA has continued working with its law enforcement contacts, developing information and leads that resulted in several multi-ton seizures in 2006 outside Venezuela.” The report asserted that drug seizures within Venezuela dropped sharply, from 35-40 metric tons in 2005 to 20-25 metric tons in 2006, while seizures by other countries of drugs coming out of Venezuela have more than tripled. The Venezuelan government maintains that it has continued its strong record of drug interdiction since it suspended its cooperation with the DEA, with 77 tons interdicted in 2005 and 60 tons indicted in 2006.<sup>112</sup> The State Department report stated that the U.S. government “remains prepared to renew cooperation with Venezuelan counterparts to fight drugs.” The report also stated that the United States would try to work with Venezuela to make the Container Inspection Facility (CIF) at Puerto Cabello operational.

Over the past several years, Venezuela has received small amounts of U.S. assistance under the Administration’s Andean Counterdrug Initiative: \$5 million in FY2002; \$2.075 million in FY2003; \$5 million in FY2004; almost \$3 million in FY2005; \$2.229 million in FY2006, and \$1 million in FY2007. For FY2008, the Administration did not request any ACI funding for Venezuela. ACI programs in Venezuela focus on counternarcotics cooperation and judicial reform support. (For further information, see CRS Report RL33370, *Andean Counterdrug Initiative (ACI) and Related Funding Programs: FY2007 Assistance*, by Connie Veillette.)

## Concerns about Venezuela’s Military Purchases

As noted above, the Bush Administration has expressed concerns about Venezuela’s purchases of military equipment. Defense Intelligence Agency Director

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<sup>110</sup> Ibid.

<sup>111</sup> See the report at [<http://www.state.gov/p/inl/rls/nrcrpt/2007/vol1/html/80855.htm>].

<sup>112</sup> Chris Carlson, “U.S. Drug Report Criticizes Venezuela and Bolivia,” *Venezuelanalysis.com*, March 4, 2007.

Lt. Gen. Michael Maples expressed concern in February 2006 congressional testimony about Venezuela's arms purchases, maintaining that Venezuela was seeking to increase their capability for their own defense and to operate elsewhere in Latin America and the Gulf area.<sup>113</sup> State Department officials maintain that Venezuela's military purchases from Russia go far beyond what the country needs for self-defense. Secretary of State Donald Rumsfeld cited concerns among neighboring Latin American countries about Venezuela's military purchases and also a concern that the assault rifles could end up in the hands of terrorist groups like the Revolutionary Armed Forces of Colombia.<sup>114</sup> President Chávez criticized Secretary Rumsfeld for suggesting that countries such as Colombia are concerned about Venezuela's military purchases. In January 11, 2007 testimony before the Senate Select Committee on Intelligence, Director of National Intelligence John Negroponte expressed concern that the President Chávez's military purchases and moves toward developing his own weapons production capability are increasingly worrisome to his neighbors, and could fuel an arms race in the region.

In January 2006, the State Department indicated that the United States had denied licenses — required by the Arms Export Control Act — to transfer U.S. technology for use in 12 military transport planes that Spanish companies had contracted to sell to Venezuela. According to a State Department spokesman, the proposed sale could contribute to de-stabilization in Latin America. Spain initially responded by indicating that it would go ahead with the sale of the airplanes utilizing non-U.S. technology, but in mid-October 2006, Spain's Foreign Minister announced that such an alternative was not economically feasible and the deal was cancelled.<sup>115</sup> Venezuela responded to the U.S. action by labeling it as "imperialist." The State Department official also indicated that the United States had expressed similar concerns to Brazil about military sales to Venezuela. Venezuela expressed interest in purchasing at least a dozen light-attack aircraft, manufactured by Embraer, that contain U.S. technology.<sup>116</sup>

In May 2006, as discussed below ("Terrorism Issues"), the State Department determined (pursuant to Section 40A of the Arms Export Control Act) that Venezuela was not fully cooperating with U.S. antiterrorism efforts, an action that triggered a prohibition on the sale or license of defense articles and services to Venezuela.

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<sup>113</sup> Senate Armed Services Committee, Hearing on Worldwide Threats to U.S. National Security, Testimony of Lt. Gen. Michael D. Maples, Direction, DIA, February 28, 2008.

<sup>114</sup> U.S. Department of Defense, "Media Availability with Secretary of Defense Donald Rumsfeld After the First Day of Meetings with Western Hemisphere Defense Ministers from Managua, Nicaragua," October 2, 2006.

<sup>115</sup> Renwick McLean, "U.S. Objections Lead Spain to End Venezuela Deal," *New York Times*, October 19, 2006.

<sup>116</sup> U.S. Department of State, Daily Press Briefing, January 13, 2006; Phil Gunson and Pablo Bachelet, "Spain's Planes for Chávez Can't Use U.S. Components," *Miami Herald*, January 14, 2006; Leslie Crawford and Andy Webb-Vidal, "Spain to Defy U.S. over Military Sale to Venezuela," *Financial Times*, January 14, 2006.

President Chávez has vowed to continue with his nation's military purchases, asserting that he was acquiring the minimum equipment for Venezuela to defend itself from the United States. Venezuela is buying significant amounts of military equipment from Russia. This includes contracts to buy 24 Sukhoi Su-30 fighter jets, 50 military helicopters, 100,000 Kalashnikov assault rifles, a license to build a factory to produce Kalashnikov rifles in Venezuela, and several submarines.<sup>117</sup> In a visit to Russia in late June 2007, President Chávez said that he was negotiating the purchase of five submarines in order to defend Venezuela's revolution. The Venezuelan government maintains that it is buying the Russian fighter jets because the United States is refusing to sell the country spare parts for its aging fleet of F-16 fighters that it purchased in the 1980s. Defense analysts predict that Venezuela will speed up its arms procurement plans from Russia and China in light of U.S. efforts to block countries like Spain from selling its military equipment.<sup>118</sup>

## Concerns About Venezuela's Activities in Latin America

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

Venezuela joined the Southern Common Market (Mercosur) in 2006, but its application for full membership has run into problems because of President Chávez's decision not to renew the broadcast license of RCTV. In late June 2007, Chávez said that Venezuela would withdraw its Mercosur application if member nations were unwilling to break with U.S.-style capitalism.<sup>119</sup>

President Chávez is providing oil to Latin American and Caribbean nations on preferential terms, and there has been some U.S. concern that these programs could increase Venezuela's influence in the region. In the Caribbean, Venezuela is offering oil on preferential terms in a new program known as PetroCaribe. Since 1980,

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<sup>117</sup> Neil Buckley and Andy Webb-Vidal, "Chávez Seeks to Link Putin with Anti-U.S. Alliance," *Financial Times*, July 26, 2006; Simon Romero, "Venezuela Spending on Arms Soars to World's Top Ranks," *New York Times*, February 25, 2007.

<sup>118</sup> Andy Webb-Vidal, "Caracas Eyes Arms from China, Russia," *Financial Times*, October 19, 2006.

<sup>119</sup> "Chávez Says If Mercosur Won't Change, Venezuela Not Interested in Joining," *Associated Press Newswires*, June 30, 2007.



Caribbean nations have benefitted from preferential oil imports from Venezuela and Mexico under the San José Pact, and since 2001, Venezuela has provided additional support for Caribbean oil imports under the Caracas Energy Accord. PetroCaribe, however, goes further with the goal of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program.

Under the program, Venezuela is offering to supply 190,000 barrels per day of oil to the region on preferential terms. When oil prices are over \$50 a barrel, 40% of the volume is financed over 25 years at an annual interest rate of 1%. Fourteen Caribbean nations are signatories of PetroCaribe. In Central America, Venezuela reportedly will supply 10,000 bpd of oil to Nicaragua based on agreements signed with the new government of Daniel Ortega in January 2007. Moreover, Venezuela is expected to begin the construction of a 150,000 bpd refinery in Nicaragua in June 2007.<sup>120</sup>

In addition to these preferential oil arrangements, Venezuela is investing in energy sectors in several Latin American countries. Chávez has pledged to invest \$1.5 billion in Bolivia's gas industry. Ecuador and Venezuela have signed agreements for joint development in oil, gas, refining, and petrochemical sectors. In 2005, PdVSA signed an agreement to build an oil refinery in northeastern Brazil. Construction on the 200,000 bpd refinery is expected to start in 2007, and is to be supplied with oil from both Brazil and Venezuela. Colombia and Venezuela signed an agreement in July 2006 initiating a gas pipeline project that would initially supply gas to Venezuela from northern Colombia, and then reverse the flow once Venezuela develops its own natural gas reserves. Argentina and Venezuela also announced an alliance in July 2006 involving cooperation on hydrocarbon exploration and development in both countries. In Cuba, PdVSA is involved in refurbishing an unfinished oil refinery in Cienfuegos, and recently signed an exploration and production agreement with Cupet, Cuba's state-oil company.<sup>121</sup>

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

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<sup>120</sup> "Nicaragua: Venezuelan Commission Presses for Energy Accords," *LatinNews Daily*, March 5, 2007; "Venezuela to Start Construction of Nicaraguan Refinery in June," *Global Insight Daily Analysis*, April 17, 2007.

<sup>121</sup> "Venezuela: Oil Revenues Boost International Influence," *Oxford Analytica*, July 19, 2006.

election, while in Ecuador, there were concerns about Chávez's support for Rafael Correa, who was elected president in late November 2006.

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

## **Terrorism Issues**

In May 2006, the State Department determined that, pursuant to Section 40A of the Arms Export Control Act, Venezuela was not fully cooperating with U.S. antiterrorism efforts. This triggered a prohibition on the sale or license of defense articles and services to Venezuela. Other countries on the Section 40A list include Cuba, Iran, North Korea, and Syria, not to be confused with the "state sponsors of terrorism" list under Section 6(j) of the Export Administration Act of 1979, which currently includes Cuba, Iran, North Korea, Sudan, and Syria. The State Department asserted that the Section 40A determination was based on Venezuela's near lack of antiterrorism cooperation over the last year, citing its support for Iraqi insurgents and Iran's development of nuclear capabilities, the country's status as a safe haven for Colombian and Basque terrorist groups, and its effort to derail hemispheric efforts to advance counter-terrorism policies in the OAS. In May 2007, the State Department again included Venezuela in its annual Section 40A determination that it was not cooperating fully with U.S. antiterrorism efforts.

In late April 2007, the State Department issued its annual *Country Reports on Terrorism*, which asserted that President Chávez "persisted in public criticism of U.S. counterterrorism efforts, deepened Venezuelan relationships with Iran and Cuba, and was unwilling to prevent Venezuelan territory from being used as a safe haven" by Colombian terrorist groups.

There have been long-held suspicions that Chávez has supported leftist Colombian guerrillas, although Chávez denies such support. The State Department's terrorism report maintains that units of Colombia's two leftist terrorist groups — the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) — often crossed into Venezuela "to rest and regroup with relative impunity." In addition, according to the report, splinter groups of the FARC and a rightist terrorist group, the United Self-Defense Forces of Colombia (AUC) reportedly operate in various parts of the country and are involved in drug trafficking. The report maintained, however, that "it remained unclear to what extent the Venezuelan Government provided material support to Colombian terrorists."

In addition, according to the report, Venezuelan citizenship, identity, and travel documents remained easy to obtain, making the country a potentially attractive way-station for terrorists. In July 13, 2006, congressional testimony, the State

Department's Principal Deputy Coordinator for Counterterrorism, Frank Urbancic, asserted that the United States was detaining increasing numbers of third-country aliens at its borders carrying falsified or fraudulently issued Venezuelan documents.

U.S. officials also have expressed concerns about President Chávez's close relationship with Cuba's Fidel Castro, but Chávez defends his relationship with Cuba. Overall Venezuelan support to Cuba is estimated to be more than \$2 billion a year.<sup>122</sup> Venezuela supplies some 90,000 barrels of oil per day to Cuba on a concessionary basis under PetroCaribe. In return, Venezuela has received support from thousands of Cuban health care workers and sports instructors in the country. During an April 2005 trip to Cuba, Presidents Chávez and Castro announced commercial deals worth over \$400 million, including a joint shipyard to build small navy ships and a joint housing construction company. In January 2007, a delegation of Cuban officials visited Caracas and signed a number of agreements to increase economic linkages, including an agreement for joint oil exploration in both countries. PdVSA is also involved in refurbishing an unfinished oil refinery in Cienfuegos, Cuba.

Beyond Latin America, the Bush Administration has expressed concerns with Venezuela's growing relations with Iran. In February 2006, Secretary of State Rice referred to Venezuela, along with Cuba, as "sidekicks" of Iran in reference to those countries' votes in the International Atomic Energy Agency against reporting Iran to the U.N. Security Council over its uranium enrichment program.<sup>123</sup> In testimony before the Senate Select Intelligence Committee in February 2006, Director of National Intelligence John Negroponte expressed concern that President Chávez "is seeking closer economic, military, and diplomatic ties with Iran and North Korea."<sup>124</sup> Iran and Venezuela signed an agreement for a \$200 million fund to finance joint investment and social projects, and commercial agreements in the early stages include plans for a cement factory, oil exploration in the Orinoco River belt, and a joint operation to build oil and liquid natural gas tankers.<sup>125</sup> During a visit by Iranian President Mahmoud Ahmadinejad to Venezuela in mid-January 2007, the two countries announced they would use a \$2 billion investment fund to finance projects in both countries and other countries as well.<sup>126</sup>

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<sup>122</sup> Frances Robles and Phil Gunson, "Cuba Spotlights Chávez Friendship," *Miami Herald*, January 26, 2007.

<sup>123</sup> Pablo Bachelet, "Rice Bashes Venezuelan Leader, Politics," *Miami Herald*, February 17, 2006; House International Relations Committee, Hearing on the Fiscal Year 2007 International Affairs Budget, Testimony of Secretary of State Condoleezza Rice, February 16, 2006.

<sup>124</sup> Senate Select Intelligence Committee, Hearing on World Wide Threats, Testimony of Director of National Intelligence John Negroponte, February 2, 2006.

<sup>125</sup> Steven Dudley, "Chávez's Wooing of Iran Called Troubling," *Miami Herald*, March 2, 2006.

<sup>126</sup> Simon Romero, "Iranian President Visits Venezuela to Strengthen Ties," *New York Times*, January 14, 2007.

Some Members of Congress have expressed concerns about relations between Venezuela and Iran. In the 110<sup>th</sup> Congress, H.Res. 435 (Klein) would, among its provisions, express concern over national security implications of the relationship between the leaders of Iran and Venezuela.

## Venezuela's Extradition Requests

Venezuela requested the extradition of three of its citizens from the United States in two controversial terrorism cases. In early 2004, the Chávez government requested the extradition of two former Venezuelan National Guard lieutenants, José Antonio Colina and German Rodolfo Varela, charged with the February 2003 bombings of the Spanish Embassy and the Colombian Consulate in Caracas. Both applied for political asylum because they claimed that they would be executed or tortured if returned to Venezuela. They were held from December 2003 until April 2006 by U.S. Immigration and Customs Enforcement (ICE). In February 2005, a U.S. immigration judge denied them asylum because of “serious reasons for believing” that they were involved in the bombings but prohibited the United States from deporting them to Venezuela because of the likelihood of being tortured.<sup>127</sup> The Department of Homeland Security (DHS) asked an immigration appeals court to deport the two Venezuelans, arguing that they would not be tortured if returned home. As evidence, they cite the treatment of a former general arrested in Venezuela for the same case.<sup>128</sup>

In late December 2005, Colina and Varela — on a hunger strike for a month in protest of being held by U.S. immigration — were transferred from Florida to Houston for medical treatment. They ended their 33-day hunger strike in early January 2006. In April 2006, ICE reversed its stance on the deportation case and joined with the attorneys for Colina and Varela in filing a joint motion asking the immigration appeals court to dismiss the case, whereupon they were released. Lawyers for the two former officers maintain that the State Department’s March 2006 human rights report on Venezuela played a role in ICE’s decision to abandon its efforts to deport Colina and Varela.<sup>129</sup> The report cited accusations that a military general imprisoned in Venezuela for alleged involvement in the bombings had been subject to sensory deprivation and psychological torture. The Venezuelan government condemned the release of Colina and Varela, maintaining that the United States had become a “sanctuary for terrorists.”<sup>130</sup>

In another controversial case, Venezuela has requested the extradition of anti-Castro activist Luis Posada Carriles for his alleged role in the 1976 bombing of a

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<sup>127</sup> Gerardo Reyes and Alfonso Chardy, “Wanted Chávez Foes Flee to South Florida,” *Miami Herald*, April 5, 2005.

<sup>128</sup> Alfonso Chardy, “Deport Venezuelan Bombing Suspects, U.S. Urges Court,” *Miami Herald*, March 25, 2005.

<sup>129</sup> Alfonso Chardy, “2 Officers Won’t Be Sent Home,” *Miami Herald*, April 12, 2006.

<sup>130</sup> Christopher Toothaker, “Venezuela’s Chávez Says Bush ‘Demolishing’ U.S. Democracy, Threatening Peace,” *Associated Press*, May 24, 2006.

Cuban airliner that killed 73 people.<sup>131</sup> In April 2005, Posada's lawyer announced that Posada had entered the United States illegally from Mexico and would apply for asylum because he has a "well-founded fear of persecution" for his opposition to Fidel Castro.<sup>132</sup> Posada had been imprisoned in Venezuela for the bombing of the Cuban airliner but reportedly was allowed to "escape" from prison in 1985 after his supporters paid a bribe to the prison warden.<sup>133</sup> He had been acquitted for the bombing but remained in prison pending a prosecutorial appeal. Posada also reportedly admitted, but later denied, involvement in a string of bombings in Havana in 1997, one of which killed an Italian tourist.<sup>134</sup> More recently, Posada was imprisoned for several years in Panama for his involvement in an alleged plot in November 2000 to kill Fidel Castro. He was convicted on weapons charges in the case and sentenced to eight years in prison, but ultimately was pardoned by outgoing President Mireya Moscoso in August 2004.

ICE arrested Posada on May 17, 2005, and subsequently charged him with illegally entering the United States. A DHS press release indicated that ICE does not generally deport people to Cuba or countries believed to be acting on Cuba's behalf.<sup>135</sup> Venezuela has pledged that it would not hand Posada over to Cuba, but on September 26, 2005, a U.S. immigration judge ruled that Posada could not be deported to Venezuela because he could be tortured.<sup>136</sup> ICE reviewed the case and determined on March 22, 2006, that Posada would not be freed from a federal immigration facility in El Paso, Texas.<sup>137</sup>

In November 2006, however, a U.S. federal judge, who was considering Posada's plea that he be released, ordered the government to supply evidence, by February 1, 2007, justifying his continued detention. On January 11, 2007, a federal grand jury in Texas indicted Posada on seven counts for lying about how he entered the United States illegally in March 2005, whereupon he was transferred from immigration detention in El Paso to a country jail in New Mexico near the Texas border.

Posada was released from jail in New Mexico on April 19, 2007, and allowed to return to Miami under house arrest to await an upcoming trial on immigration

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<sup>131</sup> Also see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark P. Sullivan.

<sup>132</sup> Alfonso Chardy and Nancy San Martin, "Lawyer Expects Posada to Show Soon," *Miami Herald*, April 14, 2005.

<sup>133</sup> Ann Louise Bardach, "Our Man's in Miami. Patriot or Terrorist?," *Washington Post*, April 17, 2005.

<sup>134</sup> Oscar Corral and Alfonso Chardy, "Victim's Kin Oppose Posada Bid for Asylum," *Miami Herald*, May 7, 2005.

<sup>135</sup> Department of Homeland Security, Office of Public Affairs, Statement, May 17, 2005.

<sup>136</sup> Alicia Caldwell, "Judge Says Cuban Militant Can't Be Deported to Venezuela," *Associated Press*, September 28, 2005.

<sup>137</sup> Oscar Corral, "Cuban Exile Militant Luis Posada Denied Release," *Miami Herald*, March 22, 2006.

fraud charges, but on May 9, 2007 a federal judge in Texas dismissed the charges. The judge maintained that the U.S. government mistranslated testimony from Posada and manipulated evidence.<sup>138</sup> On June 5, 2007, Justice Department prosecutors filed an appeal with the 5<sup>th</sup> U.S. Circuit Court of Appeals in New Orleans to the judge's dismissal of the case. Both Venezuela and Cuba strongly denounced Posada's release, contending that he is a terrorist. Venezuela maintains that the State Department has ignored its request to extradite Posada. Another grand jury in New Jersey is reportedly examining Posada's alleged role in the 1997 bombings in Cuba.<sup>139</sup>

## Legislative Initiatives

**110<sup>th</sup> Congress.** In the 110<sup>th</sup> Congress, congressional concerns regarding Venezuela focus on human rights and political conditions in the country, energy issues, and the overall status of bilateral relations and U.S. policy. On May 24, 2007, the Senate approved S.Res. 211 (Lugar) expressing profound concerns regarding freedom of expression and Venezuela's decision not to renew the license of RCTV.

On June 21, 2007, the House approved by voice vote H.Amdt. 358 (Mack) to H.R. 2764, the FY2008 State Department and Foreign Operations appropriations bill, which would direct \$10 million in international broadcasting operations funding for targeted broadcasting for Venezuela. The House subsequently approved H.R. 2764 on June 22, 2007. The Administration's FY2008 foreign aid budget request includes \$3 million in Development Assistance for support to Venezuelan civil society and \$50,000 in International Military Education and Training.

Also in the House, two Venezuela human rights resolutions have been introduced: H.Con.Res. 50 (Fortuño) would call on the Venezuelan government to uphold the human rights and civil liberties of its people; and H.Con.Res. 77 (Weller) would call on the Venezuelan government to respect a free and independent media and to avoid all acts of censorship against the media and free expression.

Another House resolution, H.Res. 435 (Klein), would express concern about the relationships between the leaders of Iran and Western Hemisphere countries such as Venezuela. The resolution also would express continued support "for the people of Iran and Venezuela as they strive for freedom, respect for human rights and civil liberties, democratic self-governance, and the establishment of the rule of law."

H.Res. 560 (Barton) would express concern about the Venezuelan government taking control of the majority stakes of the operations of six major oil companies and stripping these companies of all operational control of their energy development projects in Venezuela.

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<sup>138</sup> Carol J. Williams, "Pressure Grows to Prosecute Cuban Exile," *Los Angeles Times*, May 10, 2007.

<sup>139</sup> Alfonso Chardy and Jay Weaver, "Posada a Target of New Federal Probes," *Miami Herald*, November 12, 2006, and "Grand Jury Indicts Cuban Exile Militant Luis Posada Carriles," *Miami Herald*, January 12, 2007.

Two Senate bills, S. 193 (Lugar), the Energy Diplomacy and Security Act of 2007, and S. 1007 (Lugar), the United States-Brazil Energy Cooperation Pact of 2007, would increase hemispheric cooperation on energy issues.

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

For FY2007, the Administration requested \$1 million in ACI funding, \$1.5 million in ESF for democracy initiatives, and \$45,000 for International Military Education and Training (IMET). The House-passed version of the FY2007 foreign operations appropriation bill, H.R. 5522, would have provided no ACI funding for Venezuela. The Senate Appropriations Committee report to the bill recommended fully funding the Administration's \$1 million ACI and ESF requests for Venezuela. Final action on FY2007 foreign aid appropriations was not completed by the end of the year, leaving the 110<sup>th</sup> Congress to complete action in 2007.

Two resolutions on Venezuela were also approved in the 109<sup>th</sup> Congress. With regard to counternarcotics cooperation, the House approved H.Con.Res. 400 (Burton), by voice vote on July 26, 2006, which expressed the sense of Congress that Venezuela should actively support strategies for ensuring secure airport facilities that meet international certifications to prevent trafficking of controlled substances, narcotics, and laundered money. The resolution also condemned Venezuela's failures to stem the flow of narcotics through its territory and called for, among other measures, steps to restore cooperation between Venezuela and the DEA. S.Res. 607 (Bunning), approved by unanimous consent on December 6, 2006, condemned President Chávez's anti-American rhetoric during his September 20, 2006, speech before the U.N. General Assembly and "the undemocratic actions of President Chávez."

In other action, the House-passed version of H.R. 2601 (H.Rept. 109-168), the FY2006 and FY2007 Foreign Relations Authorization Act, had a provision (Section 1025) that would have authorized \$9 million in Economic Support Funds for each of FY2006 and FY2007 "to fund activities which support political parties, the rule of law, civil society, an independent media, and otherwise promote democratic, accountable governance in Venezuela." H.R. 2601 also had a provision, in Section 106(5), that would have authorized funds for the "Broadcasting Board of Governors to carry out broadcasting to Venezuela for at least 30 minutes per day of balanced, objective, and comprehensive television news programming, radio news programming, or both." Final action on H.R. 2601 was not completed by the end of the 109<sup>th</sup> Congress.

Other legislative initiatives not completed before the end of the 109<sup>th</sup> Congress included H.Con.Res. 224 (Fortuño), which would have called on the Venezuelan government to uphold human rights and civil liberties; H.Con.Res. 328 (Mack), which would have condemned President Chávez's anti-democratic actions; S. 2435 (Lugar), which would have increased hemispheric cooperation on energy issues, including cooperation among the governments of Brazil, Canada, Mexico, the United States, and Venezuela; H.Res. 1033 (Graves), which would have condemned President Chávez's anti-American rhetoric at the United Nations; and S.Res. 587 (Santorum), which would have condemned the anti-democratic actions and statements of the leaders of Iran, Cuba, and Venezuela and expressed concern about the national security implications of the relationships between those leaders.

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

**108<sup>th</sup> Congress.** In the 108<sup>th</sup> Congress, Members of Congress had expressed concerns about the political situation in Venezuela. The Senate Foreign Relations Committee held hearing in June 2004 on the status of democracy in Venezuela and the August recall referendum.<sup>140</sup> As noted above (U.S. Funding for Democracy Projects), the conference report to the FY2005 Consolidated Appropriations Act (Division B of P.L. 108-447, H.Rept. 108-792) required a comprehensive report on NED's activities in Venezuela since FY2001 and reaffirmed NED's duty to ensure that all sponsored activities adhere to core NED principles.

Also in the 108<sup>th</sup> Congress, two resolutions were introduced in the House, but no action was taken on these measures. H.Res. 716, introduced by Representative Elton Gallegly on July 14, 2004, would, among other provisions, have encouraged Venezuelans to participate in a constitutional, peaceful, democratic, and electoral solution to the political crisis in Venezuela, and appealed to the Venezuelan government and the opposition to support a free, fair, and transparent recall referendum in accordance with the Venezuelan Constitution. H.Res. 867, introduced by Representative Tom Lantos on November 20, 2004, would have expressed support for the National Endowment for Democracy in Venezuela. The resolution would have expressed the view that charges against Súmate were politically motivated. As

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<sup>140</sup> Senate Foreign Relations Committee, Subcommittee on Western Hemisphere, Peace Corps, and Narcotics Affairs, "The State of Democracy in Venezuela," Hearing, June 24, 2004.



noted above, Súmate is a Venezuelan civic organization involved in voter education and electoral observation that received funding from the National Endowment of Democracy. The resolution also would have welcomed the dropping of charges by the Venezuelan government against Súmate. Earlier in the year, in a July 12, 2004, letter to President Chávez, the House International Relations Committee expressed serious concern about the treatment of the leaders of Súmate.

Figure 1. Map of Venezuela



Source: Map Resources. Adapted by CRS.