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I would like to begin my testimony by pointing out that President Hugo Chávez came to power on a tide of rejection that overwhelmed the liberal democratic regime, known as Punto Fijo. Venezuela was governed under the rules of this regime (known as Ppunto Fijo) between 1958 and 1998. Its leaders were noted for establishing Venezuela’s first successful democracy and for cooperation with the United States. Two political parties, Democratic Action (Acción Democrática - AD) and the Social Christians (Partido Social-Cristiano-COPEI), dominated the Punto Fijo years. In December 1998 Hugo Chavez mounted a presidential election campaign in which he attacked the Punto Fijo regime for its corruption, economic ineptitude and failure to look out for the interest of most Venezuelans. He received almost 60% of the popular vote. Subsequently, in the presidential elections of 2000 and 2006 President Chávez retained this level of support. As of June, 2008, after more than nine years in power, President Chavez’s approval ratings hovered around 50% and his *Chavista* movement was more popular than all of the opposition political parties combined. These facts confirm ongoing support among most Venezuelans for Hugo Chávez as a leader and for his government.

### **The current political situation inside Venezuela:**

Freedom of speech is a high priority for democrats. President Hugo Chávez of Venezuela has been the subject of many controversies revolving about freedom of speech. His critics accuse him of laying the groundwork for dictatorship, despite the democratic credentials of his government. Since President Chávez’s inauguration in February 1999 opponents have warned that authoritarianism was just around the corner. In early 2007 the Chavez government refused to renew the broadcast license of a major television channel that had criticized the President intensely. Opponents proclaimed that authoritarianism had arrived. Their free speech concerns were echoed by Human Rights Watch, Reporters Without Borders, and the Committee to Protect Journalists.

President Chávez claims that the decision not to renew the broadcast license of the channel, Rádio Caracas Televisión (RTC) has nothing to do with free speech or human rights. He points out that the channel has openly opposed the government, including by supporting the military coup that briefly ousted Chávez in 2002. In addition, during the petroleum strike of 2002-2003 the station repeatedly called upon its viewers to come out into the street and help topple the government. As part of its continuing political campaign against the government, the station has also used false allegations, sometimes with gruesome and violent imagery, to convince its viewers that the government was responsible for such crimes as murders where there was no evidence of government involvement.

Based on legislation passed in 1987, the licenses given to RCTV and other stations to use the public airwaves expired on May 27, 2007. President Chávez declined to renew RCTV’s license, citing its involvement in the coup. The right to use the airwaves previously allocated too RCTV was transferred to communal channels whose mission was to increase popular participation in the President’s “Bolivarian Revolution.” President Chávez seems to have made this decision without any administrative or judicial hearing. While the law does not require such hearings, the arbitrary manner in which the President acted

led to protests. Opposition was especially intense among intellectuals and students. In the wake of these protests President Chavez allowed the station to continue sending its signal out over cable, satellite and the internet, although more than 70% of the population lacked the capabilities to receive RCTV through these mediums.

The case of RCTV illustrates the general state of freedom of speech in Chavez's Venezuela. Powerful media institutions which criticize the government may be silenced in an arbitrary manner. President Chávez, however, is not inclined to silence the opposition completely. Public debate among groups supportive of the government will be encouraged as long as that debate is perceived by the national government as empowering supporters of the Bolivarian Revolution.

Freedom of to organize is a second dimension of democratic life that has come under scrutiny since Hugo Chavez came to power. The critical institutions here are interest groups, political parties and neighborhood organizations. Organized interest groups such as labor unions, peasant leagues and professional associations were tied to the ruling political parties during the Punto Fijo regime. Soon after coming to power President Chavez attempted to take control of these organized. By and large these efforts were unsuccessful and for a brief period they were a countervailing force to President Chavez. Organized labor lost most of its power and influence after the president of the Venezuelan Confederation of Labor (Confederación de Trabajadores Venezolanos – CTV), Carlos Ortega, organized strikes that paralyzed the country in December 2002/January 2003, but failed to oust President Chávez. The government subsequently attempted to organize its own “Bolivarian” labor unions, but they attracted few workers. After the failed strikes some leaders of the opposition interest groups went into exile, and those that remain in the country were marginalized.

Political parties, often described as the strongest and best organized in Latin America, ruled Venezuelan between 1958 and 1998. In the final decade of these years the two dominant political parties, AD and COPEI, lost support. President Chavez crippled them financially after coming to office and identification with them currently is below 3%. Several new opposition political parties have emerged since President Chávez won the presidential election of 1998. The most important are Justice First (*Primero Justicia*) and A New Time (*Un Tiempo Nuevo*). A regional grouping, Project Venezuela (*Proyecto Venezuela*) has significant strength in the industrial state of Carabobo. As a unified force, working with the remnants of AD and COPEI, these opposition political parties might be able to capture half of the thirteen governorships and a number of important mayoralties in the state and regional elections scheduled for November 23, 2008. If the opposition political parties choose to compete individually they will have difficulty in winning half of that number. As of the present (July, 2008), efforts to create unified opposition electoral slates have been unsuccessful in most states. There is a good chance, however, that as the date for the November 23 elections draw near opposition party leaders will withdraw their weaker candidates in a number of contests and coalesce behind the strongest.

President Chavez and his supporters ran in the 1998 presidential election as opponents of political parties. This is understandable given the disrepute into which AD and COPEI had fallen. Antipathy toward the traditional political parties was so deep that the Chavistas were able to run against political parties in

the subsequent national, state and local elections. President Chavez's political party, the Fifth Republic Movement (Movimiento Quinto República) was hardly a party at all. It depended on the President's appeal, and after he gained power, on resources provided by the government. Following his reelection in December 2006, President Chavez initiated an effort to create Twenty-First Century Socialism in Venezuela. An important facet of this effort involved creating a political party that would recruit loyal revolutionaries, control national, regional and local political institutions, and link neighborhoods to the national government.

The political party that President Chavez created, the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela – PSUV) will present its first candidates in the state and local elections of November 23, 2008. President Chavez personally has taken a hand in selecting these candidates. The Venezuelan state has provided resources to organize the new political party and will surely finance its campaign. The playing field for these elections is hardly level, but the PSUV is not without its problems. Several minor parties that have supported President Chavez in the past, including the Communists, have resisted incorporation into the PSUV and will likely run candidates for a number of offices in November. Hard core support for President Chávez remains at roughly 40% of the electorate, a grouping only slightly larger than the one that opposes the government. More than 20% of the electorate prefers neither. The potential for the PSUV to lose a number of important races is real. However, the opposition's lack of unity suggests that supporters of President Chávez will win a large majority of mayoralties and governorships.

The Venezuelan government's blacklisting of 371 opposition leaders is a final reason to anticipate victory for the PSUV in most contests of the November 23 elections. The ban affects some of the opposition's most prominent leaders. Many had anticipated success given that President Chávez had suffered a setback at the ballot box (his first) in the referendum of December 2007 that would have ended presidential term limits. The government's blacklist was drawn up by its top anti-graft official Comptroller General Clodosbaldo Russian. None of those whose name appeared on the list has been formally charged with a crime, but Russian says the law bars people from seeking office while facing corruption probes. The National Electoral Tribunal, which is under the control of government supporters, has refused challenge the ruling by Russian.

### **The Unique Case of Venezuela's Jewish Community**

The position of Venezuela's Jewish community is a special human rights concern. The Community's population continues to decline as a result of severe political and economic instability in the country. This has led to some hostility being directed at Venezuelan Jews, of which there are probably no more than 15,000 remaining out of a total population of close to 26 million. More than half of the Jewish population of Venezuela lives in Caracas. The other large community is in the oil center of Maracaibo. At its peak, in the late 1980's, Venezuela's Jewish community numbered 30,000.

Relations between the Jewish community and the government of President Chávez were strained from the start. Few businesspersons from the Community supported Chavez in the 1998 presidential election campaign and early in his government President Chávez cultivated a friendship with Norberto Ceresolei,

an Argentine sociologist with anti-Semitic leanings. The situation worsened after the United States invasions of Afghanistan and Iraq, both of which President Chávez denounced. His opposition to the Bush Administration's policies led him to seek out special relationships with states hostile to the United States. Close ties with Iran developed, and these ties led to increasing criticism of Israel and her supporters in Venezuela. It was not long before President Chavez was echoing the Iranian line that Jews were likely to blame for the 9/11 bombings in the United States.

In November of 2004, the Venezuelan Investigative Police searched the Jewish Day School in Caracas, claiming to have reports of weapons cached on the school grounds. According to media reports, rumors of an Israeli connection to the assassination of a Venezuelan federal prosecutor prompted the search. (The federal judge who issued the search warrant was also leading the investigation into the prosecutor's death.) The police found nothing. However, their 3-hour search disrupted the school day and alarmed parents. Leaders of the Jewish community protested to President Chávez following the incident. The government's anti-Semitic orientation intensified following Israel's incursion into Lebanon in 2006. An outstanding feature of this discourse was the blending of old and new anti-Semitic stereotypes using religious themes (Judas, deicide, usurers, etc.), as well as modern ones (Jews as capitalists, Zionist racists, etc.). Anti-Semitic leaflets also appeared in the waiting room of the Interior and Justice Ministries. Nevertheless, President Chávez maintains that he has nothing against Jews as a group. His concern is with Zionist Jews who support Israeli imperialism.

### **The current economic situation inside Venezuela:**

This year, Venezuela's government says, oil will contribute \$75 billion to state revenues, up from \$43.5 billion last year and only around \$7 billion when he came to power in 1999. Nevertheless, the economy slowed sharply in the first quarter of 2008. That came as a surprise to the planning ministry, which had forecast growth of 6.7%. To make matters worse, the government's inflation forecast of 12% for this year has proved even more wildly optimistic. This is bad news for the urban poor, President Chávez's main constituency. The price of food is rising faster than the overall index. The cost of feeding a family of five rose by 2.4% in May and stands some 60% higher than the minimum wage, even though this was increased in March. For the first time in the past three years, the living standards of ordinary Venezuelans are declining.

Venezuela's economy is becoming anarchic, which makes it difficult for the government to implement policies intended to limit inflation and ensure a fairer distribution of wealth. The state limits the price for some 400 goods -- everything from the cost of milk to paying for parking to buying chicken. It has also stimulated demand, setting an interest rate of 14 percent for bank deposits. This means that savers would lose ground by keeping money in the bank since Venezuela's inflation rate is running at 26 percent (over the past 12 months) the highest in Latin America. The government also has set the value of the bolívar, the Venezuelan currency, at 2.15 per \$1, but the black-market rate is now about 3.2 bolívares. The gap adds to the economy's distortions.

Venezuela's economy, fueled by surging petroleum income, has grown at an annual rate of 8 to 10 percent over the past four years. This rate of growth is the envy of Latin America. However, the government has channeled much of its oil wealth into handouts and subsidies, and its socialist policies have provided little incentive to increase production. Overall production of goods in Venezuela is growing only 8 to 9 percent per year. Personal consumption is rising nearly 20 percent annually. To fill

the supply gap imports are rising at a rate of 35 to 40 percent per year. Normally this condition would stimulate private investment, but not in this case. Expropriations, verbal attacks against the private sector and land invasions have frightened off investors. Consequently, Venezuela's economy is more dependent than ever on state income derived from the sale of petroleum.

### **Venezuelan policy toward Latin America**

*Under President Chavez Venezuela has developed close relations with Cuba, Nicaragua and Bolivia.* His goal is to use an alliance between these states to undermine United States influence in Latin America, advance support for socialism and establish himself as a major regional leader. Ties between Fidel Castro and Hugo Chavez date back to the early 1990's, when Chavez was planning the unsuccessful military coup against the government of Carlos Andres Perez. After his inauguration as president in February 1999 President Chavez expanded bilateral relations to include payment in Venezuelan oil for Cuban doctors and teachers, who provided assistance to the urban poor of Venezuela. Not only did Venezuelan oil provided much needed energy for Cuba, Fidel Castro used sold some of it on the international market and used income derived from those sales to grow the Cuban economy.

On October 15, 2007 Cuba and Venezuela once again strengthened regional integration by signing 14 new cooperative economic agreements. In his speech praising these agreements President Chávez reiterated his admiration for Cuba and referred to Fidel Castro as a father for the Venezuelan people. On June 10, 2008 Cuba and Venezuela signed an agreement to install an undersea optical fiber cable connecting the two countries with the aim of countering the U.S. embargo of Cuba. This project is also intended to demonstrate the benefits to be derived by working with the Bolivarian Alternative for America (ALBA) a regional integration initiative championed by Venezuela which includes Bolivia, Cuba, The Dominican Republic and Nicaragua. President Chavez portrays ALBA as an alternative to the US-sponsored Free Trade Area of the Americas.

*Brazilian power and influence is among the most important limitations on President Chavez's designs to lead in South America.* He has courted Brazilian president Luiz Inácio Lula da Silva and the Brazilian left while portraying the Brazilian right and its supporters as the same kind of oligarchs that he overcame when he marginalized the AD and COPEI political parties. This approach led to accusations that President Chavez was meddling in domestic Brazilian politics, and the Brazilian senate delayed approval of legislation that would have made Venezuela a full member of the Southern Common Market (Mercosur). Also, Brazil and Mercosur's other members (Argentina, Paraguay and Uruguay) expressed concerns over what they feared was President Chavez's intention to transform the Southern Common Market into a force that is actively hostile to the United States. President Chavez responded to this setback by ceasing to comment in public on domestic Brazilian politics and by negotiating arrangements that demonstrate Venezuela's utility as a partner for developing South America. Venezuela's leverage is considerable given that it is Brazil's third largest trading partner (after Argentina and the United States).

Venezuela is encouraging Brazil to join in creating a Latin American version of NATO. This initiative adds force President Luiz Ignacio Lula da Silva's call for establishment of a regional integrated defense council, an initiative Brazil floated following Colombia's incursion on March 1 (2008) into Ecuador to wipe out a camp of Colombia's FARC insurgents. The Brazilians, however suspect that President Chavez would have difficulty in curbing his preference for personal diplomacy and unilateral initiatives in favor of working through a multilateral institution. They also view the Venezuelan president's support for Bolivia's nationalization of its gas fields, most of which were being developed by Brazilian companies, as a challenge to Brazilian interests in South America. In spite of these problems, there is a strong possibility

that increased cooperation on issues of mutual concern will usher in a new cooperative era in Venezuela – Brazil relations, but one in which Brazil holds the upper hand.

### **Venezuelan relations with Iran**

Venezuela's special relationship with Iran is long-standing given that both countries were founding members of the Organization of petroleum Exporting Countries (OPEC). President Chavez's efforts to energize OPEC during his first term in office brought him into sustained contact with Iran's political elite. Following the United States invasion of Iraq, which President Chavez opposed, he broadened relations with Iran beyond issues related to the sale and pricing of petroleum. Issues of culture and information technology received special attention. Venezuela's regional television channel, Tele-Sur, has made extensive use of Iranian documentaries that present the slant of the ruling Mullahs on issues ranging from the United States "imperialism" to the corrupting role of Western consumerism. On July 6, 2008, Iranian Deputy Minister of Culture Guidance for press affairs, Reza Malekian, and Venezuelan Minister of information, Hector Soto, agreed to a Memorandum of Understanding that was intended to further cultural relations between the two countries.

No issue of Venezuelan – Iranian relations has caused more alarm than the specter of cooperation between the two countries in the nuclear arena. President Chavez is a strong supporter of the right of all countries to develop peaceful nuclear technology. This makes the Venezuelan president very popular within Iran's ruling elite. On more than one occasion Venezuela's president has stated that he wants to initiate nuclear research and will ask for help from countries like Iran. He adds that Latin America must prepare for the eventuality of oil running out. The transfers of nuclear technology from Iran to Venezuela, however, appear to be minimal. On the other hand, in the past year Iran and Venezuela have signed 14 new Memoranda of Understanding, bringing the total number of such agreements inked by the two countries to 181. The most recent Memoranda of Understanding are in the fields of oil, petrochemicals, housing construction, banking and finance, heavy industries, mines and eology, small and medium-sized enterprises, transportation and health.

### **Venezuela and Terrorism**

President Chavez has denied repeatedly that his government sponsors terrorism. He describes his contacts with terrorist leaders and insurgents as attempts to convince them to look for less violent and democratic paths to challenge the governments they oppose, many of which he concedes are repressive and brutal. President Chavez also argues that humanitarian concerns play an important role in his dealings with insurgents, especially his recent efforts to gain the release of prisoners held by the FARC in Colombia. He was highly critical of the operation by the Colombian military that raided a FARC training facility on the Ecuadorian-Colombian border on March 1, 2008. This raid killed the FARC commander, disrupted training and captured numerous computer files. Colombian President Alvaro Uribe released transcripts of these files that supported long held suspicions that the Venezuelan government was providing financial support and sanctuary to the guerrillas. President Chavez claimed that the files were forgeries even though an extensive examination of the files by Interpol failed to turn up any evidence of tampering by the Colombian government.

When the dust occasioned by this operation settled President Chavez surprised by announcing that the time for attempting to impose socialism through insurgency had passed. He called upon insurgents to look for other strategies to achieve their aims. This change of position should not be interpreted as an

abandonment of President Chavez's determination to impose socialism, undermine traditional values and reduce the influence of the United States. Rather, it appears as recognition that insurgency and terrorism, especially in Latin America, have become counterproductive, at least for the time being. This suggests that President Chavez and his allies will be experimenting with new strategies and tactics to further their agenda in Latin America and elsewhere.

### **Effectiveness of United States policy toward the Chavez government**

Relations between Hugo Chavez Frias and the United States government were strained as early as 1998, when Chavez ran for the first time as a presidential candidate. He resented the refusal by the United States government to grant him the entry visa that would have allowed him to speak at several gatherings to which he was invited. Two years into his government President Chavez came away from the Quebec summit in April 2001 angered by President George W. Bush's refusal to consider his proposals to soften the impact of neoliberal reforms as a condition for participating in the Free Trade for the Americas initiative. President Chavez also believed the President Bush's insistence on liberal democracy as the only acceptable form of democracy was a smokescreen to allow corporations and traditional elites to use checks and balances in the political system to block efforts to make policy making more responsive to the poor. President Chavez, as suggested earlier, viewed the invasions of Afghanistan and Iran as exercises in imperial power, and thus unjustified and immoral. Finally President Chavez came to view the ambivalent attitude of the United States government toward the military coup that removed him briefly, on April 11, 2002, as proof that President Bush opposed his government and was willing to use force to destroy it. This is why President Chavez has stated that any improvement in Venezuelan – United States relations will have to await the assumption of power by a new administration, in January 2009.

Whether more skillful and flexible diplomacy by the United States government would have prevented deterioration in its relations with President Chavez is a question on which there is little agreement. Greater sensitivity to the Venezuelan president's concern at the Quebec summit might have defused the residual anger he felt at being denied an entry visa during the 1998 presidential campaign. It also might have prevented the intense personal dislike that President Chavez developed for President George W. Bush. On the other hand, given President Chavez's socialist orientation, the clashes that developed quickly with Venezuelan oligarchs (most of whom had long-standing ties with multinational corporations) and his determination to reenergize OPEC, it is difficult to imagine that Venezuelan-United States would not have deteriorated precipitously once the Venezuelan president began to implement his announced priorities.

The barely concealed gloating by some Bush administration officials in the wake of President Chavez's removal from office by the military in April 2002 damaged the credibility of the United States government almost beyond repair. From that moment on President Chavez and his inner circle viewed the United States government as imperialistic and evil. The decision to invade Iraq by President Bush a year later only confirmed that assessment. After that there was little that even the most skillful diplomacy could do to build any meaningful level of trust between the governments of the United States and Venezuela. Benefiting from unprecedented petroleum income, and secure in their knowledge of the importance of Venezuelan petroleum for the United States economy, President Chavez concluded that he had little reason to accommodate to the United States.

Over the past year the Chavez government has experienced difficulties in retaining popular support. Its poorly implemented socialist schemes have led to food shortages, declines in medical care and physical

infrastructure deterioration. The United States possesses the technical capability to assist the government of Venezuela in resolving these problems. President Chavez is more inclined than any time since the April 2002 coup to seek accommodations with the United States government and American business interests. This presents a good opportunity for the administration that takes office in January 2009 to reassess relations with Venezuela and advance in directions that will be of benefit to both countries.