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DECADE OF VENEZUELA'S PRESIDENT HUGO CHAVEZ,  
POR AHORA

by

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## *Preface*

This report provides a review of the events surrounding the last ten years under the presidency of Venezuela's Hugo Chavez. Following ten friction-filled years, leading an anti-American, pro-socialist charter, what is the security impact and potential threat to the United States?

This paper adopts an expository methodology to examine key events and challenges in during Hugo Chavez's ten years as president, which have contributed to the US having concerns over the potential threat posed by Venezuela. This paper details security relationship between Venezuela and the US, presents a diagnosis of key events and decisions in terms of the threats they pose to the US, and concludes with recommendations for potential planning and actions that could shape future relations. While this paper attempts to explore these issues in as much depth as possible there are clearly limitations relating to time and the paper length.

I would like to acknowledge the following who contributed to my research. Thank you to my Latin America Security Studies research instructors, Lt Col Charles Elvis Davis and Major Todd Butler for providing outstanding assistance and guidance that substantially contributed to my education and research. Additionally, I wish to thank the Air University library staff for their assistance facilitating the research process.

### *Abstract*

This research paper uses an expository methodology to examine the last ten years of Venezuela's Hugo Chavez presidency and the significant aspects in terms of US security. The paper contents highlight some of Chavez's notable changes, impacts on relations with the United States (US) and offers some suggestions for future strategies. The research focused on trying to understand Chavez's background, intentions and relevance through a relatively neutral lens.

Despite President Hugo Chavez's anti-American rhetoric, the US has withstood the last ten years without significant security issues or real threats resulting from this ongoing tension. An analysis of Chavez's presidency reveals that Venezuela poses an ongoing challenge that warrants close attention but does not constitute a significant security threat to the United States. This paper addresses the significant aspects of Chavez and the US/Venezuela relationship up to this point in time (March 2009.) The majority of research reflects back over the past decade since December 1998.

## **Introduction**

Much of Latin America and Venezuela's history has been filled with struggling governments, corruption and poverty. Caudillos, or strong authoritarian leadership, has been part of the history and more widely accepted versus the US brand of liberal democracy. It is important to recognize this past in order to view the present situation with a more appropriate lens. Recently, democracy in Latin America has seen a shift to the left due to many struggling economies and a desire for change. Leading the charge to the left and providing controversial leadership is Venezuela's Hugo Chavez.

## **Who is Hugo Chavez?**

Hugo Chavez Frias was born July 28, 1954 in Sabaneta, Barinas.<sup>1</sup> He was the second son of two school teachers. Chavez lived with his grandmother from an early age due to his parents' impoverished living conditions.<sup>2</sup> Chavez enrolled in the Venezuelan Academy of Military Sciences at age seventeen.<sup>3</sup> Graduating in 1975 with a Military Arts and Science degree, Chavez entered service for a few months before starting a political science graduate degree program at Caracas' Simon Bolivar University from which he did not graduate.<sup>4</sup>

During graduate studies Chavez's interests in the Pan-American efforts of Simon Bolivar's revolution intensified. Along with fellow students, Chavez developed left-wing nationalist ideals under the political doctrine known as "Bolivarianism."<sup>5</sup> This socialist approach combined with dissatisfaction of the Venezuelan government and prospering elites permeated

and influenced Chavez's seventeen-year military career.<sup>6</sup> The time to present his socialist construct in Venezuela seemed ripe, particularly with the mass populous poor. In 1992, at the rank of Lt Col, Chavez and followers, sought to oust President Carlos Andres Perez – under the developing movement of a small group of devoted military members going by the name 'Bolivarian Revolutionary Movement-200.'<sup>7</sup> Despite Chavez's imprisonment because of this attempted coup, he appeared on national television to quell remaining rebel factions and this brief media engagement allowed him to gain notoriety through his charismatic nature.<sup>8</sup> Before Chavez's two-year imprisonment, he proclaimed that the failed uprising was only temporary, or "por ahora" (for now) – this later became the rallying cry for hope as well as a slogan of defiance against the apparently corrupt Venezuelan government.<sup>9</sup>

Although the Revolutionary Movement failed to overturn the president, Chavez gained much notoriety and public demand eventually led to his release in 1994, in addition to a pardon from the new President Rafael Caldera. Following Chavez's release, he developed political aspirations through the creation of a new party, the 'Fifth Republic Movement'.<sup>10</sup> Chavez ran for, and won, office with 56% of the votes in the 1998 presidential elections.<sup>11</sup> The party garnered support mainly from the poor and working-class who were tired of corruption and power captured by the elites and wanted change.<sup>12</sup> Today Chavez has a high approval rating among the country's population, currently 61% - which represents the second highest, behind Uruguay, in Latin America.<sup>13</sup>

An important and significant policy, introduced early on in Chavez's presidency, was 'Plan Bolivar 2000.' This policy gathered support from the poor by improvements and investments in key areas such as health, education, food, security and infrastructure.<sup>14</sup> Simultaneously, the Chavez policies targeted reductions in power and wealth of elites along with



land transfers to the government for utilization for the poor. During the following years, Chavez made constitutional reforms and vigorously pursued his adaptation of “Bolivarian Revolution” aspirations with popular democratic support. Although some improved living standards and conditions of the poor have taken place, Chavez and his government have continually used that platform to grow his government and the government’s pool of resources. The most valuable and controversial expansion of control was seen with Venezuela’s state-owned oil company Petroleos de Venezuela S.A. (PDVSA), which, to this day has been identified as the most critical aspect of Venezuela’s economic development and influence.<sup>15</sup>

As time progressed during Chavez’s presidency, opposition grew in response corruption reports related to the siphoning off money from PDVSA. In 2002, pro-Hugo Chavez groups, ‘*Chavistas*,’ engaged in violent clashes and protests with opposition supporters. This was followed by a brief coup and the temporary resignation of Chavez and the appointment of interim President Pedro Carmona. The US acknowledged the new leadership quickly, which later became the source of anger, suspicion, and resentment towards the US from Chavez and his supporters. In response to the coup, the *Chavistas* and Chavez-loyal soldiers answered in their own uprising and protest.<sup>16</sup> Within a few days, the counter-coup facilitated Chavez’s return to power but problems remained. PDVSA witnessed a devastating strike, which resulted in fuel shortages throughout Venezuela and an economic downturn. In turn, Chavez fired a large percentage of the management and staff and blamed the US for his attempted overthrow. This represented an important stage in Chavez’s anti-American propaganda and rhetoric.

Over the next few years, Hugo Chavez continued to aggressively pursue his socialist agenda. Using the state owned oil company PDVSA, to fund social projects – ‘PDVSA must spend at least 10% of its annual investment budget on social programs’ which equated to

US\$13.3 billion last year.<sup>17</sup> Controversially however, this money is channeled through the National Development Fund, which is not incorporated into the government's budget – this is therefore a huge source of financing for Chavez to pursue his own political and economic ambitions.<sup>18</sup> Thus while Chavez has made significant improvements to health care, education and social programs many contend his government's inefficiencies as characterized by poor transparency and corruption – notably the country is extremely low in Transparency International's corruption index, ranking 158 out of 180.<sup>19</sup>

Regardless of opposition, Chavez remains a popular President, winning his second term in December 2006 with 63% of the vote for a six-year term.<sup>20</sup> Other Venezuelan elections in late 2008 saw opposition gain some renewed support, which prompted Chavez to pledge to drive harder towards socialist ideologies and increasingly nationalize privately owned sectors such as communications, banking and construction.<sup>21</sup>

Chavez has been a controversial figure in Venezuela's past ten plus years. He is an influential regional leader, exporting his ideology to nearby neighbors and throughout Latin America. Interestingly, Chavez is supported by independently monitored democratic elections, deemed free and fair by the Organization of American States. Therefore, Chavez and the "Bolivarian Revolution" may be around for many years to come.<sup>22</sup>

## **The significance of Venezuela to the US**

Primarily Venezuela has a wealth of oil and gas ranking fifth in the world, and number one in the Western Hemisphere, in terms of oil producers.<sup>23</sup> Venezuela's export economy is heavily reliant upon petroleum, representing 93% of all exports.<sup>24</sup> The US currently imports approximately 15% of its oil from Venezuela, which constitutes an important source of leverage and revenue, particularly compared to its regional neighbors.<sup>25</sup>

Venezuela's geographical and strategic location, in terms of the production and distribution of narcotics, is of importance to the US. Despite improved efforts to eliminate traffic from Colombia, diversion through Venezuela has taken place at an increasing rate – facilitated by the expulsion of the US's Drug and Enforcement Agency (DEA) in 2005.

The Colombia-Venezuela border region also remains an area of concern and conflict. The Colombian government remains committed to eradicating the Revolutionary Armed Forces of Colombia (FARC). However, in 2008 Chavez publicly recognized FARC as a legitimate political actor and reportedly supported them with weapons, money and safe-haven.<sup>26 27</sup> This represents a clear example of how Venezuela has the potential to harbor terrorists, particularly narco-terrorists.

Geo-politically Venezuela's foreign policy is, in many ways, directly at odds with the US, continually positions itself with US adversaries such as Iraq, Iran and Cuba.<sup>28</sup> Furthermore, military alliances with China and Russia formed in balance against the US are worrisome.<sup>29</sup> Additionally, the strengthening Iran-Venezuela axis is of particular concern to US policymakers.<sup>30</sup> The mutual anti-US agenda and oil alliance between these countries combined with Chavez's regional influence provides ample cause for the US to be concerned.

Ultimately, the challenge comes in determining where Chavez falls along a spectrum of threat - running from a leader attempting to balance power to an actual state enemy seeking to inflict harm on the US - the remainder of the paper seeks to identify and analyze this.

## **Analysis**

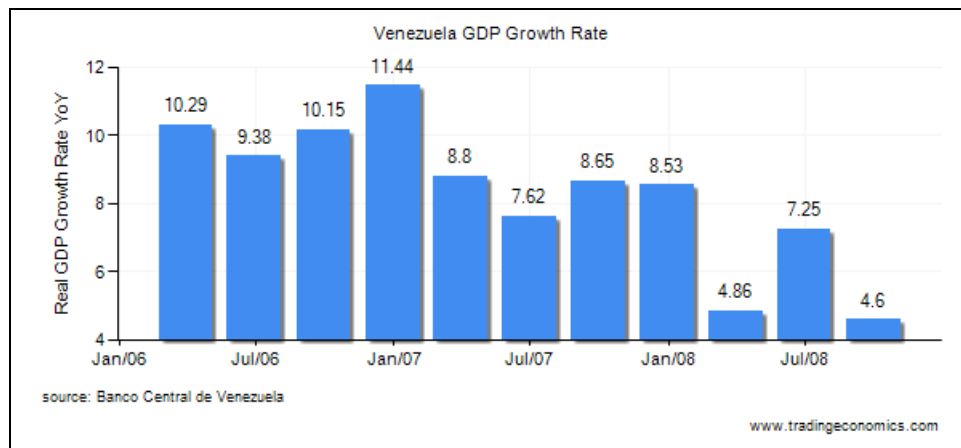
Despite traditionally close ties between the US and Venezuela in the past, since the election of Chavez and Bush the relationship between the two countries has been tension filled. The US's recognition of the interim government of Pedro Carmona in 2002 marked a significant moment, arguably the beginning, of tensions between the two countries with Venezuela alleging US involvement in the coup. The US officially took a position of recognizing Chavez's resignation rather than supporting a coup. Carmona presented an image of a leader touting more freedoms, democracy and respect for established law than Chavez. Carmona also appeared less problematic to the US than Chavez on the world stage. These factors show the benefits toward US interests but leave many questioning the sincerity toward democracy. In hindsight, this proved to be viewed as an example of US inconsistency by choosing interests first and not truly practicing what the US preaches.

In President Bush's March 2006 National Security Strategy, Chavez is characterized as a regional challenge demanding the world's attention. The document stated 'In Venezuela, a demagogue awash in oil money is undermining democracy and seeking to destabilize the region.'<sup>31</sup> It also addresses issues and goals in the Western Hemisphere, which appear indicative of Chavez in the statement: "The deceptive appeal of anti-free market populism must not be allowed to erode political freedoms and trap the Hemisphere's poorest in cycles of poverty."<sup>32</sup> Clearly this depicts the poor state of diplomatic relations between the US and Venezuela.

Since this time anti-US propaganda and rhetoric has continually been generated by Chavez, in addition to various threats and controversial decisions, which have made it increasingly difficult for the two countries to cooperate beyond its commercial and economic associations. Venezuela’s fragile economy, its questionable decisions in regards to terrorism, growing regional and anti-American affiliations, weakening of civil society and advancement of its socialist agenda means that it remains a cause for concern to the US.

### US-Venezuela economic ties

Venezuela has witnessed rapid economic growth since the peak of its recession in 2003 – the country has continued to grow, although at a decreasing rate, witnessing an average growth of 5.6% last year.<sup>33</sup>



**Figure 1.** Venezuela’s GDP Growth Rate from January 2006 – July 2008<sup>34</sup>

The previous oil price rise has clearly fuelled the country’s economic growth but it is a widely held view that as oil prices continue to decline and inflation rises the ‘oil boom’ growth

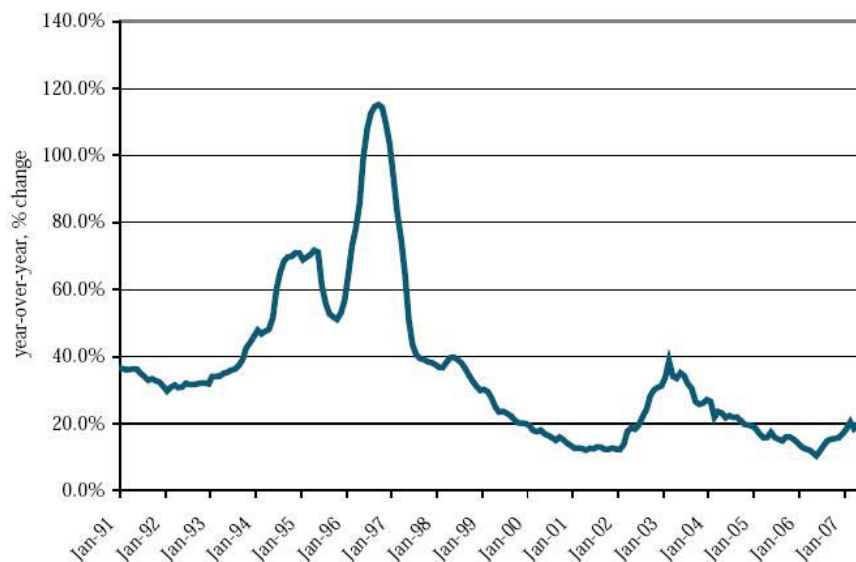
will transform into a 'bust'. This draws into question whether the country's sustained growth can be maintained in the coming years as well as how the government will cope.<sup>35</sup>

The International Monetary Fund classed the Venezuelan economy as 'fragile' while the Public Policy Centre in Caracas emphasized that the Venezuelan economy is threatened by three key weaknesses, namely 'burgeoning fiscal deficit, high inflation, and balance of payments problems.'<sup>36</sup>

Expansionary fiscal policy notes continual investment in social programs for the poor as a result the country's poverty rate has reportedly declined (31% drop compared to the pre-Chavez poverty rate) in addition to improvements to health, education and food security.<sup>37</sup> Chavez's populist agenda and associated improvements in social life are testament to why Chavez continually receives voter support and therefore remains in power. However, the social programs have not lowered the high infant mortality or literacy rates and income inequality has increased – the future sustainability of these programs and the Chavez leadership is therefore questionable, particularly in the face of declining oil prices.<sup>38</sup> The potential for internal instability and disruption may increase as time progresses, especially if Chavez has a diminished asset base from which to exploit his plan. A volatile situation in Venezuela might destabilize oil prices further or create a violent scene in the Western Hemisphere – neither of which would benefit US interests. The director of the CIA said 'the massive decline in oil prices could mean 'real trouble' for Chavez'.<sup>39</sup> Based on these concerns, Chavez warrants the US's attention and should be must monitored and shaped to avoid greater problems in Venezuela or the region.

A past indication of Venezuelan internal instability was witnessed at the end of 2003 when an oil strike took place. This led to a rapid decline in GDP due to a reduction in oil production and exports - ultimately this resulted in an oil price rise for the US. Despite the strike

being over, today Venezuela still faces a bottleneck in its production system – currently only producing 600,000 barrels per day. Production has the potential to rise, but a processing plant would cost US \$32 billion and five years to build.<sup>40</sup> Clearly the oil industry in Venezuela is central to its economic, political and social development and the US is Venezuela's primary customer as well as being home PDVSA's subsidiary refinery 'Citgo'.<sup>41</sup> Despite a mutually beneficial trade relationship between the two countries, Chavez continually makes threats to cut supply to the US. Since Chavez came into power, tensions have intensified between Venezuela and the US. Chavez has continually made inflammatory remarks, directed personally at Bush and his administration, and has actively led anti-American rallies. In 2008, Chavez ordered the expulsion of the U.S. ambassador. The opposing positions on many issues between the US and Venezuela appeared to reach a boiling point. Chavez claimed the expulsion was due to US undermining of his government and plots to overthrow or assassinate him. These accusations came at a time, which the US was mounting pressure, and complaints that Venezuela had not assisted in stemming the flow of illegal drugs. In response, the US expelled the Venezuelan ambassador from Washington DC. Despite numerous taunts on the part of Chavez, the US has generally chosen to ignore them and downplay his sometimes-caustic rhetoric. Overall, the Bush Administration has appeared to have had adopted a strategy of avoidance and containment toward Chavez.



**Figure 2.** *Venezuela's Inflation Rate from January 1991 – January 2007*<sup>42</sup>

Adding to Venezuela's financial instability is high inflation rates. Venezuela has the highest inflation rates in Latin America – 36% average between October 2007-2008.<sup>43</sup> The economic outlook for Venezuela looks gloomy and threatens its stability as a nation. Recently the Venezuelan government had to seize approximately 28% (US\$12 billion) of the central banks' international reserves in order to deal with the economic slump.<sup>44</sup> Venezuela's over reliance upon oil has come at the expense of poor diversification in other sectors of the economy. While this has the potential to hurt the US economy, it has been considered as potentially good news for policy makers and democratic officials in Latin America as, this 'reduces Chavez's ability to provoke political strife abroad and undermine regional democracies'.<sup>45</sup>

### **The weakening of civil society**

During Chavez's presidency, the political architecture of Venezuela has altered dramatically serving to limit free speech among its citizens. Chavez revamped political



institutions, eliminated the Senate, established a unicameral National Assembly and increased the presidential term from five to six years (with the possibility of immediate re-election for a second term).<sup>46</sup> Added to these changes, a draft bill was proposed in 2006 making it illegal for civil society to receive funding from foreign governments (including the US) - which was considered a move that would allow the government to interfere considerably with funding, objectives and activities.<sup>47</sup> Chavez stands accused of using intimidation tactics to curb criticism of his government, citing threats to close down one of Venezuela's television channels, while the government is also holding events in Caracas to clamp down on what is regarded as 'media terrorism'.<sup>48</sup> Heavy-handed responses towards anti-Chavez protesters have also sparked internal tensions and the press voice that freedom of speech is limited.<sup>49</sup> If oil revenue continues to decline and economic challenges saddle Chavez, there is a strong belief his support will diminish accordingly. If that happens, a concern of regional security experts is that it is possible Chavez could resort to even more extreme methods to retain his power or that someone even worse takes his place.

Critics have raised concerns about Chavez and his government in regards to the move towards an authoritarian rule given his apparent domination of most government institutions. The replacement of the country's multiparty democracy seems to have been altered to a system, which revolves primarily around itself with primarily a facade of democracy. Other Venezuela experts express concerns about the military's involvement in government positions as well as mass involvement in the mobilization of the military in the country's social programs. According to Jose Miguel Vivanco, director of Human Rights Watch, Chavez had the opportunity to improve human rights "but rather than advancing rights protections, his

government has since moved in the opposite direction, sacrificing basic guarantees in pursuit of its own political agenda.”<sup>50</sup>

This type of democratic erosion and civil rights degradation would be at the core of US concerns. The problem for US security strategy lies with any regional trend toward accepting, adopting, or expanding these activities. Lack of containment is an ominous direction that calls for greater attention and resources.

### **Venezuela as a terror threat**

The US State Department, since 2006, has certified Venezuela as not cooperating fully with anti-terror efforts.<sup>51</sup> Venezuela’s alignment and increasing international relations with the likes of Iran have contributed to it as being classed as a terror threat to the US.<sup>52</sup> Contentiously, Chavez has also reached out to nations such as North Korea, Syria and Belarus.<sup>53</sup> The US State Department remains concerned that Venezuelans have increased their presence in embassies in Africa and Asia, while strengthening military, political and economic ties with Russia and China. Chavez’s continual alignment and allegiances with states at odds with the US is worrying. It is unclear as to how much Venezuela supports terrorist groups, however of particular concern is Venezuela’s harboring and support of Columbian terrorists – notably Venezuelan weapons have been found in FARC’s possession.<sup>54</sup> More recently, concerns have been raised over Venezuela’s growing relationship with Hezbollah and its harboring of related members and terrorists.<sup>55</sup>

Venezuela has a notoriously weak passport and border control at international airports which further raises concerns – particularly in light of direct flights between the nation’s capital and Iran, regarded as the ‘most active state sponsor of terrorism’.<sup>56</sup> These types of situations are

potential breeding grounds for security problems in the region. Furthermore, this may serve as a conduit to future attack upon the US for use by enemies.

These developments come at a time when Chavez is also launching an overhaul of the country's armed forces and purchasing new advanced weaponry. Among other recent purchases, Venezuela has purchased '100,000 AK-103 rifles and transport helicopters from Russia, Mi-28 Havok attack helicopters, IL-76 heavy lift aircraft, an integrated air defense missile systems from Belarus and four KILO class diesel submarines, and Chinese K-8 jet trainers'.<sup>57</sup> Recent reports document Venezuela purchasing US \$4 billion worth of military equipment from Russia.<sup>58</sup> Venezuela continually denies claims of terrorist links and any use for the arms other than peaceful defense. Nonetheless, the US should engage in ongoing monitoring.

On the surface, events such as the rapid economic and military expansion of Communist China into Latin America, and more specifically Venezuela, may be dismissed as normal trade. However, coupled with rising anti-Americanism in the region there could be cause for concern.<sup>59</sup>

Further cause for concern within the US, is in regards to narco-terrorism. Although only a minor production source of opium and cocoa, Venezuela is important in the transit of narcotics between Columbia and the US.<sup>60 61</sup> Mindful of this, a number of provocative moves from Venezuela have increased tensions with the US. Namely, the Venezuelan's National Guard removing its highly experienced members from the US supported prosecutors' drugs task force and the termination of cooperation with the DEA, added to its ongoing failure to sign a cooperation agreement.<sup>62</sup> Chavez has also banned overflights by US planes participating in anti-narcotics operations in Columbia, making narcotic surveillance increasingly difficult - these moves have benefited the FARC and other traffickers considerably.<sup>63</sup> From the Venezuelan

perspective, these changes were only made in response to unsubstantiated claims that the US have been engaging in espionage and surveillance of Venezuela.

Clearly, Chavez has made life easier for those opposing US interests and creates reason for concern to US leaders. Despite these challenges, Venezuela does not constitute a significant immediate security threat to the US based on these indicators. Ideally, a new administration and approach may offer an opportunity to sway Venezuela's activity to a more positive and cooperative direction in terms of regional security.

### **Chavez's influence and interaction with the surrounding region**

Regionally, Hugo Chavez has committed to an aggressive "petro-diplomacy" campaign in attempts to build the network of support and trade through Latin America.<sup>64</sup> With many Latin American countries suffering economically and political leaders looking to emulate Chavez's appeal to the populist poor, Chavez has gained political and economic influence with regional countries like Bolivia, Ecuador, Nicaragua, and Cuba.<sup>65</sup>

Being South America's third largest market, economic integration with the surrounding region is of importance.<sup>66</sup> Venezuela recently joined the likes of Brazil and Argentina in becoming a member of the South American trade group, additionally Chavez was a key in the encouragement of creating a regional development bank (*Banco del Sur*).<sup>67</sup>

The Council on Foreign Relations, a US focused policy think tank, highlights the following regional relationship that Venezuela has developed over recent years<sup>68</sup>:

**Argentina** - Venezuela purchased \$3.5 billion worth of bonds to help relieve Argentina's debt in Hydrocarbon exploration.<sup>69</sup>

**Brazil** - Petrobras and PDVSA agreed to jointly build an oil refinery in NE Brazil, with a forecasted production of 200,000 barrels per day.<sup>70</sup>

**Colombia** – Promoted the opening of a natural gas pipeline spanning the two countries, although unlikely since relations are currently strained.<sup>71</sup>

**Bolivia** - Venezuela to supply preferentially priced diesel and invest \$1.5 billion in the Bolivian oil and gas sector in exchange for Bolivian goods and services.<sup>72</sup>

**Ecuador** - Collaboration on an Ecuador based oil refinery, estimated to cost \$5.5 billion – with a forecasted production of 100,000 discounted barrels per day.<sup>73</sup>

**Cuba** – According to the Cuban government, trade valued at \$7 billion in 2007 took place. Venezuela is supplying up to 100,000 barrels, discounted by up to 40%, to Cuba.<sup>74</sup>

Given the above and growing relationships it seems that Chavez is trading oil for influence and this is particularly the case when it is sold at subsidized or below market prices. The influence that this affords Chavez is critical and is regarded as problematic for the US – particularly given the building of an anti-US coalition.<sup>75</sup>

### **Advancement of the socialist agenda**

Chavez's pursuance of an increasingly socialist agenda has simultaneously advocated an anti-American agenda. Often Chavez has been known to rant about evil neo-liberalism and the negative effects of capitalism and globalization. However, it is ironic that it is through this same globalization that Chavez is able to build upon his anti-US alliance and asserts influence through the Organization of Petroleum Exporting Companies (OPEC).<sup>76</sup>

The primary aims of Venezuela's foreign policy are to promote the 'Bolivarian Revolution' in Latin America and amass more influence abroad. In October 2000, Chavez stated that Venezuela's foreign policy aimed to promote a new centre of political power – one which counter-balanced the US's influence in the western hemisphere and in turn boosted Venezuela's standing as a powerful global leader. According to Jennifer McCoy, a Venezuelan expert and political science professor at Georgia State University, Chavez's "overall aim is to create a multi-polar world that can provide a greater balance to US hegemony."<sup>77</sup> Despite a barrage of anti-US rhetoric, the US has done well to not retaliate, but instead continually maintain commercial interests – perhaps this is representative of the co-dependence between the economies as much as a willingness to simply keep the peace.

The future of relationships between the two countries is particularly important in light of the new US president and the overlapping of their presidencies by four years. With President Obama being reportedly more left wing in his approach than President Bush, Chavez will potentially have less credibility in his notoriously socialist anti-US rhetoric. Reports from Chavez regarding the new president are (for now) optimistic. A recent statement congratulating the new US president declared that 'We [Venezuela] are convinced that the time has come to establish new relations between our two countries and in our region, based on the principles of respect for sovereignty, equity and true co-operation' – this paints a positive picture for an improvement in the US-Venezuelan relationship.<sup>78</sup>

Chavez's term runs out at the end of 2012, however in February 2009 a constitutional amendment was passed that removes term limits and allows Chavez to be elected again. This was a position Chavez had been battling for and is an example of his focus to stay in power. Meanwhile political opposition appears to have been significantly squelched. Chavez claims it is

the will of the Venezuelan people however many foreign reporters and regional experts are highlighting authoritative tactics and erosion on democracy. Indisputable is the desire and focus of Chavez to retain power of Venezuela for the near future.

Inevitably, the US and Venezuela have strong economic ties which are mutually interlaced. Neither country appears to be in a position to afford to cut ties in bi-lateral trade worth US\$50 billion annually – particularly given the current economic climate.<sup>79</sup> Therefore, it is unlikely the political ideological differences will over ride the near term economic partnership. With Chavez and his anti-US platforms in charge, the longer-term relationship appears riddled with challenges and few answers.

## **Diagnosis**

The Brookings Institute places ‘Revitalizing Ties to Latin America’ among the “Top 10 Global Economic Challenges Facing America's 44<sup>th</sup> President” for the next year.<sup>80</sup> According to their global economy and development outlook, the situation has been woefully neglected for the past few years.<sup>81</sup> Curbing the spread of Chavez and others like him is an issue of growing importance and difficulty. The US will need to consider the long-term strategic outlook of the Chavez regime and its impact on regional security.

Over the last decade, higher priorities elsewhere and a resistant Hugo Chavez have hamstrung any goals for the US to improve relations with Venezuela. At the same time, Chavez has been more than happy to capitalize on a low Bush administration approval rating by throwing more anti-American rhetoric and maintaining the divisive stance. Whether it is a strategic move to shift attention away from his activities or an attempt to gain favors or backing for an alliance countering the US, it has seemed to work for Hugo Chavez, for now. The

political success of Chavez is more attributed to manipulation and luck in his timing of economic growth and not from the accomplishments of his programs or any prowess at redistributing wealth effectively.<sup>82</sup>

It is possible that the 2009 change in power of US political leadership has potentially opened doors for a renewed set of international relations policies and engagements. Relations between the US Bush Administration and Venezuela's Hugo Chavez have sunk to a very low point. Since the end of the 2008 US elections, both countries appear to avoid making any harsh statements bringing a new sense of diplomatic opportunity for the US. Time will tell, but the atmosphere is ripe for change. After ten years, Hugo Chavez's "Bolivarian Revolution" has failed to produce significant improvements and his popularity may drift lower along with fallen oil prices. In the US, President Obama is brand new and entering office with a fresh air of support and hope that may be capitalized upon for improved relations with Latin America. President Obama recently stated, "We are convinced that the time has come to establish new relations between our two countries and in our region, based on the principles of respect for sovereignty, equality and true co-operation."<sup>83</sup>

On an interesting note, based on the 2007 Latino-barometro poll, Venezuelans clearly indicated they prefer democracy to any other political system.<sup>84</sup> "The poll also revealed that Hugo Chavez has a very low approval rating through Latin America."<sup>85</sup>

Despite a solid opposition party to Chavez, the larger majority of poor appear to continue to support Chavez's small improvements. He is their voice and as such, he is able to maintain his power base. The poor have not had a leader look and relate as convincingly as Hugo Chavez has done. It is quite a dilemma. Historically, poor Venezuelans have endured years of corruption and no recognition or assistance by elites. Now, at least some feel Chavez makes an



effort in their name. Ultimately though, the diagnosis is not optimistic, the situation for Venezuela seems destined for many more years of economic challenges and corruption under Chavez's leadership. Many economic reports state that socialism is not the answer and strong oil revenue has merely delayed the harsh realities of socialism in Venezuela. The US must hope and encourage Venezuela and other Latin American countries to embrace democratic institutions, civil rights, and respect the rule of law as a starting point for growth out of poverty and promotion of human well-being.<sup>86</sup> Furthermore, not much seems likely to change for the better and the US will need to manage the security fallout carefully. For now, the security concern from Chavez specifically is likely to remain minimal and easily managed by waiting him out.<sup>87</sup>

An important question remaining is whether Chavez can maintain his large spending habits in the face of plummeting oil prices.<sup>88</sup> It is expected that foreign aid, arms purchases and nationalization of businesses will likely be cut before the social "missions" to the impoverished regions where Chavez secures the majority of his party's votes.<sup>89</sup> Without the vast oil resources, he has relied upon; the Venezuelan economy will deteriorate and rapidly become problematic.<sup>90</sup> It is reminiscent of the economic outlook a decade ago when Chavez took over.<sup>91</sup> To highlight the significance of oil to Venezuela, in 2006, oil represented 91% of its exports compared to 80% five years earlier.<sup>92</sup> This reinforces the reliance of Venezuela on oil. Furthermore, having alienated many foreign investment companies, Venezuela will likely have difficulty inspiring new industrial growth, meaning Venezuela's ability to stabilize oil prices or increase output will likely determine Chavez's hold on power.<sup>93</sup>

Another longer-term concern is that he wears a "democratic" label yet all indications are that he embraces a more autocratic style. There is little transparency in his government and the

opposition voice is being stifled. The path Chavez has led Venezuela on is more like the past dictatorships that waste public resources and promote greater corruption in their quest to cling to power. It is reported that the rampant corruption in the Chavez government has seen billions of dollars stolen or unaccounted for, and serves mainly to enrich high-level officials and their cronies.<sup>94</sup>

Ironically, the main problems for the continued poor conditions in Venezuela are attributed to a failure to modernize the economy, which is attributable to Chavez's policies.<sup>95</sup> Again, the problem is tied to a deep reliance of oil wealth redistribution and a lack of robust private investment and growth.<sup>96</sup> Sadly, through his hybrid semi-autocratic control, Chavez has led Venezuela further down a desperate path toward economic ruin and creates more challenges for a real and lasting economic recovery beyond simply oil revenues.<sup>97</sup>

## **Action Plan**

Based on the problematic relationship and situation between the US and Venezuela discussed. What can be done?

With the change in US administration comes new opportunity to make international relationship changes. Much of the world is anxiously awaiting what new directions and policies are made. For Venezuela and the Latin American region, there are a number of options that experts suggest for President Obama.

A few basic ideas from Andres Oppenheimer of the Miami Herald's article, "To Mr. Obama: Great Opportunities Await" provide a basic start to action planning for Latin America.<sup>98</sup> Renewing US leadership in the Americas should be initiated through enhanced 'soft power' and efforts to reduce the strong anti-Americanism sentiment in the region.<sup>99</sup> More attention to Latin

America by increasing the Summit of Americas frequency would serve the hemisphere goals well.<sup>100</sup> Perhaps adding a high-profile person into a past special envoy to the Americas position would help matters.<sup>101</sup> Additionally, dedicating effort toward a new immigration policy, which offers a new earned path to legalization, would gain regional popularity.<sup>102</sup> Also, consider a hemispheric healthcare alternative for some Americans interested in such medical tourism and which could serve as a boom to some Latin American economies.<sup>103</sup> Finally, simply ignore Chavez and his antics, as he will only waste precious energies best used in the rest of Latin America.<sup>104</sup>

Some opportunities for the next US president for improving the Latin America relationship in general is to start fresh by re-launching relations via speeches and visits, diversify the regional agenda beyond the standard counternarcotics, immigration, and trade topics, address US fears and concerns namely on trade and immigration issues, strengthen regional institutions such as the Organization of American States (OAS) and finally, identify and contribute to the region's social agenda.<sup>105</sup>

According to a Cato Institute coordinator, President Obama's Latin America Agenda should end the embargo and travel ban on Cuba as a means to accelerate reforms, create immigration reform allowing illegal aliens the chance to become legal and ample visas for guest workers, reassess the war on drugs and consider alternatives (i.e. some legalization), avoid rearranging trade agreements, and avoid confrontation with Hugo Chavez.<sup>106</sup>

Overall, Chavez appears to be a persistent nuisance to the US and teasing with the potential of becoming a serious security threat. While many regional experts are reluctant to label him as such, few would dispute that Chavez warrants the US's close attention to minimize the potential for greater problems down the road. The US and democratic successes in the region

can deflate the impact of antagonists like Chavez. For this reason among others, a thorough Latin American action plan should be among the top international priorities for the new administration. There may be more Latin American leaders like Chavez to come, so the US should have a plan to sway those toward democratic practices and ideals.<sup>107</sup>

## **Conclusion**

In summary, Hugo Chavez has proven to be a unique and charismatic figure in Latin America and to a small extent the global scene. He brings an informal and confusing personality to the traditional stage of ideologies and international relations. He appears to desire some genuine improvements for the poor and Venezuelan people with his “21<sup>st</sup> Century Socialism” but his methods are proving poor results and may eventually show his negatives far outweigh his positives. Generally, his efforts and changes are deemed by most to be inconsistent and ineffective which could lead him to place blame elsewhere or worse possibly create greater distractions away from his government’s incompetence. On the counter-position, Chavez has managed some basic redistribution of resources and provided “visibility and dignity to a previously marginalized class of citizens.”<sup>108</sup> Yet even this point is debatable, since Chavez’s trend appears more focused on power control over the importance of Venezuelan’s basic civil rights and freedoms in the progression of his ‘revolution.’

Internationally, his rhetoric is boisterous and focused and when armed with oil coffers, it is possible he can maintain his agenda and power for the rest of his term to December 2012. However, Hugo Chavez does remain unpredictable and if faced with threats to his power, it is uncertain what actions he ultimately might be capable of taking. A regional expert position believes it is likely that Chavez will discredit himself, prove his government’s failure and ultimately be ousted by those supporting him.<sup>109</sup> Venezuelan history supports this stance as

being repeated by many other corrupt authoritarian type leaders of the past. Despite Chavez's turbulent effect, there is reason for renewed hope with the new Obama Administration that tensions may recede, and diplomatic cooperation could increase and improve relations. In the long term, Venezuela will need to diversify its economy and regain international trust and transparency in order to generate growth and a better economy for its citizens. Ultimately, a strengthened security in the Western Hemisphere is achievable and is in both countries' interests. For now, the US must keep a watchful eye on the actions of Hugo Chavez, support successful democratic institutions throughout Latin America and hope for Venezuelans to embrace improved democracy and capitalism sooner than later.<sup>110</sup> Until then, Chavez is a challenge warranting close attention, but does not present a significant immediate security threat to the US.

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