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In this essay, COL Hobbs has provided a probing overview of the historic, political, economic, social and psychological factors which have exerted significant influence on Venezuela as it has rapidly developed into a 20th century nation of vast economical power (oil). The culmination of the essay is a discussion of the strategic importance of Venezuela to the United States, an assessment of its military power and a prognosis of what the future may hold for this nation as it experiences the turbulence of modernization.		

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U.S. ARMY WAR COLLEGE

VENEZUELA,
A COUNTRY STUDY

by
Colonel Dale G. Hobbs

Submitted in Fulfillment of
U.S. Army War College
Research Requirement

Faculty Advisor
Colonel Evelyn P. Foote

16 April 1982



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INTRODUCTION

Venezuela possesses unbelievable natural wealth. With her mineral base of oil, manganese, iron ore, bauxite, copper, diamonds, coal, mercury, lead, nickel and sulphur, as well as her vast agriculture capability she has the potential of establishing a powerful economy and developing an extremely high standard of living. Further exploitation of her industrial potential and the possibility of mineral wealth still not discovered, makes her one of the richest countries in the world. But, creation of a modern society requires more. First, she must solve her political and social problems. Once the political problems are solved through stability and maturity, the gradual resolution of the other problems will occur and then she could emerge as a great society.¹

Venezuela has embarked on a modernization trend designed to enhance opportunities for her people to enjoy a higher standard of living while gaining more involvement in the political system and governmental process. Because of the discovery and exploitation of oil in the early 1900s combined with revolutionary government policies, Venezuela has been able to modernize at an unusual rate compared with other less economically developed nations of the world.²

Before the discovery of oil, only thirty percent of Venezuela's mostly rural population could read. However, significant changes took place beginning in the 1920s, the impact was felt on all aspects of the country's economy, politics and society. People moved in great numbers from the rural to the urban areas to work in the oil fields and refineries, and other related industries. This massive migration resulted in rapid urbanization to a point where now nearly 70 percent of the population is concentrated in the cities. Amongst this urban society Venezuela must come to grips with expectations for more and better social welfare programs, education, health facilities and jobs. The pressures are the

greatest in the cities for social and political reforms, and for economic changes to reduce dependency on oil by further diversifying the economy and spreading both industry and people into other regional areas. But, it is the same government policies which caused rapid advancement that have in fact stifled the economy by moving too fast.³

Venezuela has shown many of the same historical, political, economic and social phenomena and problems common to other developed and developing nations. Whether she can develop into a modern nation and in fact, whether democracy will survive are the questions; as we objectively look into those phenomena and problems.

Many of the problems facing Venezuela such as extremes of poverty and wealth, social unrest, political dissatisfaction, economic mismanagement, general disillusionment, and the ever present threat of a military takeover, are rooted in her earliest history and traditions.⁴

HISTORICAL BACKGROUND

Discovery and Colonization

Venezuela was discovered by Christopher Columbus during his third voyage to the new world in 1498. Intrigued by pearl ornaments worn by the coastal Indians and Venezuela's natural beauty, his descriptive reports enticed further Spanish explorations. First, among the searchers for great wealth were Alfonso de Ojeda and Amerigo Vespucci, who explored the vast coast line and waterways to include the mouth of the Orinoco River. They were the first Europeans to sail into Lake Maracaibo in 1499.⁵

Between 1518 and 1520, Bartholomé de las Casas arrived on the mainland and attempted to civilize the local Indians and teach them better farming methods and skilled crafts. The Indians resisted his advanced ideas, especially the

abolition of Indian slavery, and he was forced to give up and leave. His unfulfilled desire to see free Indian and Spanish farmers working side-by-side can be seen today in Venezuela's socioagrarian aims.⁶

The conquistadors, priests and settlers who followed were not as easily discouraged. In 1520 Nuevo Toledo was established on the present site of Cumana, abandoned due to Indian hostility, and reestablished to become the first permanent settlement in South America. Santa Anna de Coro became the colonial capital in 1527. Fifty years later it was moved further up the coast to Caracas. Within the next twenty-five years twenty strong settlements had grown up along the coast and in the Andes.⁷

Much of the credit for colonizing Venezuela must be given to the Germans. In 1528, Charles V of Spain gave the German banking House of Welzers rights to develop the Western regions to satisfy a debt. The agreement stipulated the founding of two cities and three coastal forts. Instead, not knowing how long their lease would last, the Welzers exploited the Indians by taking their property and selling them into slavery. Charles V revoked the grant in 1546.⁸

Since Venezuela was not blessed with gold or silver, which could be found in Peru and Mexico, Spain tended to ignore the colony. However, to maintain control, trade with other countries was forbidden. Since Spanish ships made only infrequent visits to Venezuela, the colony was isolated for most of its early existence. News of the new world's wealth, however, attracted other European nations. Privateers and smugglers roamed the Caribbean Sea from the mid 16th Century to the mid 18th Century pillaging and massacring colonial cities at will.⁹

A significant event took place in 1728 when Spain tried to regain its authority over the Venezuelan colony. Wanting to monopolize trade, Spain created

the Caracas Company. Under that Company agriculture was developed, exports of manufactured goods increased, new schools were opened, and cultural advancements were encouraged. Foreign trade was curtailed and the company by virtue of its control reaped huge profits at the expense of the low paid Venezuelans. Due to this exploitation, combined with the company's inability to satisfy demands for imported goods and their disregard for local government policies, dissatisfaction with the Caracas Company became strong and there was open revolt. Even though the company eventually relaxed some of the trade restrictions, lowered prices, and withdrew some of its political involvement, it was forced to close in 1784. Economic development and success in eliminating the Caracas Company caused a sense of self-reliance and spirit of revolt among the wealthy Creoles whose sons had been educated in Europe and returned with ideas of revolutionary successes in North America and France. Armed uprising occurred following the demise of the Caracas Company and with the return of Francisco de Miranda in 1806 the revolution was on.¹⁰

With some exceptions, a look at a map of Venezuela today reveals that locations of cities, towns and villages appear much as they were in the last half of the eighteenth century. There are a few more places on the modern map with many more inhabitants, and the locations of oil fields dictated some urban development in unlikely remote areas. But, when considering this phenomena in terms of nationalism, power, wealth, and commercial lines of communication it is much the same as it was during the colonial period. The effect of this pattern was the evolution of a geographical framework that facilitated the centralizing of political and economic control from Caracas causing regional independency to be degraded. Regional control was effected through a bureaucratic and military structure known as the Captaincy-General of Venezuela. Located in major population centers the Captaincy-General governmental scheme unified administrative, fiscal, economic,

and trade matters under the primacy of Caracas. Though resisted by the Creole white elite in the private cities of the regions, regional identity and autonomy were lost as was any control over their own destiny. All power flowed from Caracas and so it remains today.¹¹

Contemporary social stratifications are also rooted in the patterns which emerged during the colonial period. Merging of races and cultures was not uncommon during Latin American colonization. Where the Indians did not prove satisfactory as slaves, black slaves were imported in large numbers from Africa to fill the labor shortage. By the late 1700s, on the eve of independence, Venezuela's population was about 700-800 thousand. The Creole (white native born and Spanish born) elite comprised about 20 percent of the population and were concentrated in the urban centers of power. Forty percent of the population consisted of Spanish, Indians and black ancestry - the mestizos or mulattos - and freed blacks. This group was spreading through the country. They became a significant ethnic culture in Venezuela. The other forty percent were equally divided between black slaves and the pure Indians who were protected by the church and royal dictum. The end result was a very definite racially defined caste with the minority whites at the top in positions of political, social and economic power. The mestizos were next and the Indians and pure blacks on the bottom. Unlike the North American British colonies, where blacks remained in slavery well past their revolution thereby maintaining racial segregation, Venezuela was racially integrated but politically and socially segregated.¹²

Fight for Independence

Conflicts between the Creoles and Spanish authorities over economic and authority issues continued after the Caracas Company was disbanded. Economically self reliant the Creoles became disgruntled by new taxes, which were imposed by the

crown, and increases in the existing taxes to support the adverse economic conditions in Spain created serious unrest. But they could do little about it since only native-born Spaniards could hold high office in the government. The Spaniards sponsored social advancement of the increasingly more capable mestizos, who made up the artisan, mechanic and merchant class, created a challenge to the established caste system. Despite Spain's regional control exercised through the Captaincy-General, the political and economic influence of the Creoles cannot be underestimated. They dominated the local municipal cabildos or town councils and were the major landholders. First signs of revolt against Spanish authority appeared as early as 1750 and continued sporadically through 1809.¹³

On April 19, 1810 the cabildo in Caracas, with popular support, threw out the Spanish governor and formed a supreme junta to take over the government. The takeover was only effective in Caracas and the junta took immediate steps to consolidate their position by gaining support of the cabildos in the other provinces. The first Congress of the United Provinces of Venezuela, formed by representatives of the original seven provinces, met in Caracas on March 11, 1811. Miranda, who had gone to England after an unsuccessful invasion attempt in 1806, had returned in January. Induced by Simon Bolivar, a reluctant junta appointed him lieutenant-general. The congress abolished sales and poll taxes, freed prisoners jailed by the Spaniards on minor political charges, and abolished all slave trade. On July 5, 1811 independence from Spain was declared and by December the first constitution was approved. Following a disastrous earthquake in March 1812, congress proclaimed Miranda dictator giving him the title of Generalissimo in order to quell religious disention created by the belief that the phenomena was an "act of God" directed at the new patriots and their revolutionary government. The aftermath was a weakened military which was quickly exploited by the Spanish General Monteverde and Miranda was defeated and arrested in the first action of the war.¹⁴

Bolivar and other young patriots escaped to Columbia. Monteverde reestablished complete dictatorial control. The Caracas and local cabildos once again sided with the royalists and a reign of terror ensued. Bolivar had been put in command of revolutionary forces in Columbia, and in 1813 he returned to Venezuela defeating the Spanish and the Second Republic was established. The remaining Spanish forces were soon reinforced from Spain and by loyalist Venezuelan plainsmen under Spanish leadership. Monteverde was able to get both free and slaves mestizos to rise up against Bolivar and the combination overwhelmed the revolutionists. The Second Republic was dissolved in July 1814 and Bolivar was forced to flee the country.¹⁵

In 1817 Bolivar returned and seized Angostura (now Ciudad Bolivar) and two years later he convinced the Congress of Angostura to write a new constitution giving the country definite political organization and direction. At his suggestion the new congress created the Republic of Columbia uniting Columbia, Ecuador and Venezuela. He then left Venezuela in the hands of the Vice President and the Congress to undertake the final campaign of the war. Having regained the loyalty of the cavalrymen from the plains, Bolivar crossed the Andes and destroyed the Spanish army in Columbia. Upon his return to Venezuela he defeated the Spanish forces at Carabobo. Internal problems at home left Spain no alternative but to capitulate bringing an end to Spanish rule in Colombia and Venezuela.¹⁶

Caudillism and Oligarchy

The war for independence left Venezuela exhausted, her economy ruined, her civil leaders gone, and over 300,000 of the flower of her manhood killed in battle. Following the destruction of the colonial system, Venezuela entered an era of government by force which lasted over a century. Jose Antonio Paez, a patriotic mestizo military leader from the plains rose to power in the wake

of Bolivar, to become Venezuela's first caudillo president in 1830. Because of his ability to relate to the educated and landowner class, his political friendships, revolutionary fame, and the strength of his charismatic personality he was able to gain control of the powerful oligarchy of related families. He drew his support from conservatives. The new constitution in 1830 attempted to introduce a federal system of government. Governors of each of the thirteen provinces were locally nominated, but final appointment rested with the president. This second level of government was complimented by a third level consisting of local town and city governments. Centralism was not politically popular and the regional caudillos had in effect established complete control in the provinces. It was regional-federalism at its worst, a state of near anarchy. Thus, with token federalism resting on a provincial base with most of the power centralized at the federal level in the hands of the executive, the Paez era established a trend that has endured throughout Venezuela's later history.¹⁷ For nearly a decade Paez dominated Venezuela's politics as either president or as a dominant political force behind the scenes. The 1830 constitution centralized power through stringent landowning and literacy requirements for holding political office and the right to vote. Indirect elections were provided for and slavery was permitted to continue as an institution. The sixteen years of Paez leadership was characterized by a period of peace, rebuilding, and economic prosperity. Mestizo and mulatto caudillos gained social position and economic power in return for their contributions during the war and used their new positions for personal advancement. But the caudillos and their loyal followers gave an order and stability to Venezuelan society during a period which otherwise would have been chaotic. Two loosely structured political parties soon emerged in the form of a conservative coalition of the military, church and landowners and an urban centered liberal party made up of professionals and businessmen.

The two parties functioned as a political structure from which regional caudillos competed for national power as the liberals tried to challenge the conservative political monopoly. In both cases party power depended on the social position of its leadership and members. Even then the party could not gain stature or power unless it came under the umbrella of a strong cadillo. The liberals found their strength in Jose Tades Monagas who after being elected by congress in 1846 acquired a political base, including the military, and established a liberal oligachy. Paez and his conservative followers were forced into exile.¹⁸

Monazas' dictator government is remembered for abolishing slavery in 1854, but other than that his reign is known for economic stagnation and suspension of social and economic reforms. The period after Monazas was forced out of office consisted of civil strife and internal instability. For a decade the so called Federal Wars and Blue Revolution saw Venezuela once again ravaged as regional caudillos, supported by one party or another, attempted to gain control resulting in anarchy and economic ruin. The Federal War historically ended in 1864, but the struggle went on. In 1870 Antonio Guzman Blanco, whose father had founded the liberal party, emerged as a one-caudillo dictator. Blanco's rule lasted until 1888. During his tenure he destroyed the regional caudillo political opposition, and stripped the Catholic church of its wealth and influence. Under his administration, free education for all was established; railroads and roads were built; public administration was reorganized; the economic structure was improved; and, a massive public works program was initiated.¹⁹

Four other presidents followed Blanco for another decade of anarchy until 1899 where General Cipriano Castro gained control by force to become the first of the next four military dictators to emerge from the Andes region. Castro was possibly the worst of the dictator predecessors. He bankrupted the country through his corruption and nearly led the nation into an armed confrontation

with England, Germany and Italy for refusal to honor the national debt to those countries. The tripartite group blockaded Venezuela in 1902 and only through United States intervention was the situation resolved. The power behind Castro was Juan Vincente Gomez, his chief lieutenant. Gomez had engineered Castro into power in 1898 and it was Gomez who, by keeping the regional caudillos under control, kept Castro in office until failing health caused him to step down. Gomez immediately stepped in and took over the presidency in 1908. He maintained his dictatorship for the next twenty-seven years.²⁰

Gomez was a mestizo. Before his death in 1935 he completed full nationalization of Venezuelan politics by suppressing his political opponents, jailing some and forcing others into exile. He filled key government positions with his influential relatives and political supporters. To gain revenue while consolidating his political power, and not wanting to alienate plantation owners and businessmen by raising taxes, he granted oil prospecting rights to several foreign investors. This money allowed him to modernize the army which he then used to crush the remaining caudillo resistance. More importantly, however, was that in 1913 oil was discovered in commercial quantities and Venezuela's economy was transformed from primarily agrarian to one of the richest oil producing countries of the world.²¹

Oil discovery was the turning point for Venezuela. Her rural populace migrated to oil production centers and to the cities for high paying jobs. Agriculture production stagnated and it became necessary to import food. Gomez found himself at the right place at the right time. He may not have survived politically without the oil boom. It permitted him to accumulate great wealth and play dictatorial politics with virtually no challenge. Oil profits perpetuated his control as well as substantially increasing his own and the national wealth. He paid Venezuela's large foreign debt in full, restored economic prosperity and enticed foreign immigration and investment. Those who supported Gomez prospered.

Those who did not were ruthlessly done away with. None of this vast wealth was channeled to evaluate poverty, illiteracy, sickness, slums, or immorality. No advocate of basic human rights and civil liberties could stand out in the open against police brutality, torture, rigid censorship and well organized intelligence network. His rule remained unchallenged until his death in December 1935.²² Gomez's reign of terror was unable to completely beat down a deep spirit of freedom and democracy among a hardy group of intellectuals who during his tenure were persecuted, imprisoned and exiled.²³

Upon Gomez's death these men re-emerged marking the beginning of Venezuela's contemporary political history. During the years that followed there was a political, economic and social transformation that took place paving the way for a democratic government and opening opportunities for developmental advancement.

POLITICAL PERSPECTIVE

Gomez had effectively consolidated the military and state oligarchy, wiped out the traditional political party structure, and eroded the social structure, particularly in rural regions, upon his death the political environment quickly changed. Politically oriented groups came into the open. Activist student organizations came out of hiding, and movements were initiated to release political prisoners from jail, return exiles, and restore civil and political liberties. Though started by student organizations it was the returning exiles that gave impetus to establishing political parties and trade unions, as well as other civic oriented groups. One of the first returning exiles was Romula Betancourt. He organized Venezuela's first political party, the leftist Venezuelan Organization (ORVE) which soon gave way to the National Democratic Party (PDN) also led by Betancourt. President Lopez Contreras, Gomez's successor, countered the PDN and the newly formed Venezuelan Communist Party (PCV) by creating the conservative

Bolivarian Civic Association (ACB). Contreras effectively suppressed those upstart organizations by invalidating election results in 1937, and by declaring any communistic organization unconstitutional. During these elections the PDN, despite limited suffrage and indirect election practices, successfully placed into office several *deputies and senators*. In March 1937, a presidential decree forced party leaders into exile making the party organizations go underground. Even though the new organizations suffered a crushing defeat, the events of the immediate post-Gomez era laid the groundwork for active political organizations. For the first time Venezuela had experienced formations of mass political organizations with popular support and the creation of other allied industrial and rural trade organizations.²⁴

Under Contreras there was general prosperity, but he did not hesitate to resort to dictatorial methods when confronted by left wing activists and labor organizations. By the 1940 elections only the conservative ACB party was active and it elected Contreras' hand picked successor, General Medina. Medina expanded the reforms of the previous administration once again releasing political prisoners, political exiles were allowed to return, and political parties were permitted to form. Betancourt returned to form the Democratic Action Party (AD), which had formerly been the PDN. Medina's government took advantage of the liberal political climate to enact some moderate economic and social reform. A four year economic plan was developed in 1942 and a newly adopted oil law guaranteed the government thirty percent of the oil profits. The first income tax laws were passed and social security legislation was adopted. In 1945, agrarian reforms were legislated. Medina's liberal reforms met resistance across the political spectrum. AD opposed them on the basis of not enough, especially in the rural areas. The traditional conservative right felt threatened.

Both groups fell in behind former President Contreras, who was seeking re-election in 1946. Medina established his own political party, the Venezuelan Democratic Party (PDV) in 1944. The PDV, allied with the PCV, had strong state and local level support and won the 1944 congressional elections giving Medina control of the 1945 Congress thereby assuring the election of his chosen successor. With no other alternative the dissatisfied young military officers collaborated with Betancourt's AD party and a military coup in October 1945 established a provisional government with Betancourt at the head of a seven man junta. Under the AD Party tutelage all political parties were allowed to organize and become active, universal suffrage and popular elections was provisioned for in the 1947 constitution, to include proportional representation in the legislature. With restrictions lifted on the political process, the door was opened for the formation of a major opposition party. Appealing to the moderates close to the church and the professions, the conservative Social Christian Party (COPEI) lacked the strength to oppose the established AD and Romula Gallegos was elected president in December 1947 in the country's first free, universal, popular election.²⁵ The free elections represented a significant departure from tradition which prevented popular suffrage from influencing the transfer process.

The ill fated Gallegos was to serve only nine months. The same military officers that had cooperated with AD believed that the reform movement was too rapid and they felt threatened by proposals to reduce the army's size and influence and replace it with a worker/peasant militia. The military had been the power behind AD and now they were demanding that they be given several cabinet positions, that COPEI be integrated into a coalition government and that Betancourt be exiled. Gallegos' refusal resulted in his being ousted in a bloodless coup in November. Colonel Carlos Delgado Chalbaud, who had been minister of war, led

the coup which had been planned by Colonel Perez Jimenez. When in 1950 Chalbaud was mysteriously assassinated, Jimenez brought Venezuela once again under a dictatorship for eight years. His corrupt government raped the economy while ignoring economic and social needs. The economic crisis which followed combined with a growing national mood for social, economic and political development caused the armed forces and business and church leaders to revolt. A violent general strike ensued and Jimenez fled into exile in January 23, 1958. The fourth junta to gain control of the government since 1945 understood the popular climate and immediately set into motion procedures for a democratic election. On December 7, 1958, Betancourt was duly elected by a democratic process and was the first democratically elected president to serve a full term. This was a major milestone for Venezuela.²⁶

Government and the Political System

Until 1958, Venezuela had not been under civilian-led governments except for nine and one half years of its 132 year history of independence. Why the military in 1958 allowed a popularly elected civilian government was a product of Venezuela's changing times. The AD had always recognized the importance of the military as an institution and accordingly rewarded them generously. More importantly there were changed attitudes at the senior officer level which recognized that the needs of the country and the military itself could not be best served by continued military rule. Despite the traditional military legacy, the brief democratic experience during 1945-1948 and the events leading up to the overthrow of Jimenez in 1958, the military finally acknowledged the changed circumstances.²⁷

The emergence of the democratic era contrasts sharply with a political past characterized by authoritarian military dictatorships, limited pluralism,

revolts and drastic changes in government. Significant to the transition was the Pact of Punto Fijo in 1958. Signed by three dominant parties - AD, COPEI and the Democratic Republican Union (URD) - who agreed to a coalition government of national unity. The coalition was to remain in tact regardless of the outcome of the upcoming December elections. Each party was permitted to run their candidate, but under the pact the winner would assure political stability by forming a coalition government. The AD won by a wide margin and Betancourt's government was formed with members from COPEI and URD. Communists were excluded and some of the more AD radical leftist left the party. Party cooperation was the foundation and strength of the democratic government and it provided the stability to survive a crisis period in the early 1960's. Cuban sponsored leftist guerilla operations, assassination attempts, and economic problems left their mark but the government was able to hold on. In spite of the problems, Betancourt considerably reduced corruption, directed oil profits into agriculture and education programs (the policy of "sowing the petroleum"), and developed a modern and diverse economic system. In 1960, the Venezuela Petroleum Corporation was established to monitor and supervise the oil industry and Venezuela took the lead in establishing the Organization of Petroleum Exporting Countries (OPEC).²⁸

In 1961, Venezuela's twenty-sixth constitution was adopted. Under its provisions the Federal Republic of Venezuela is made up of twenty states, one Federal District containing Caracas, two Federal Territories and seventy-two Federal Dependencies.²⁹

The 1961 Constitution is similar to its predecessors in its broadness of scope, idealism and basis for existence, that being creating legitimacy for a specific government. It guarantees freedom of religion, speech, and assembly, and assigns substantial responsibility to the federal government for economic

development. The constitution gives the president extensive powers to include authority to appoint his cabinet without congressional approval, appointment of governors to declare a state of emergency, and to restrict or suspend constitution rights during a state of emergency. Even though the executive, legislature, and judicial are separate, the president's power of appointment at all levels of government gives him absolute control internally throughout government and the bureaucracy, which in Venezuela is extensive and powerful. In addition, he has extensive legislative powers and directs all international affairs to include treaty and international agreement ratification. He maintains complete control of the military. The Venezuelan executive is as powerful as the president wants to make it and the fact that a democratic structure has been maintained is directly attributable to the commitment to democracy of the four men who have held office since 1959.³⁰

In 1964 Raul Leoni, Bentancourt's AD successor won the presidency. This was the first peaceful transfer of government in the nation's history. Leoni advocated reform and attempted to carry on Bentancourt's policies. Rejecting COPEI's coalition and conditions, his government was formed with AD and the National Democratic Front (FND), a new pro-business party. A variety of economic programs furthered economic development and in 1967 Venezuela joined the Latin American Free Trade Association committing itself to international economic integration. Rafael Caldera was the successful 1968 Presidential candidate and when he was inaugurated in March, 1969 it marked the country's first peaceful transfer of government to a president from another political party. Since the difference between COPEI and AD political philosophy was small Caldera's minority government had little trouble functioning. Foreign policy relations were established with Russia and her satellites, Venezuela improved relations with all

western hemisphere nations including Cuba, and joined the Adecan Common Market. Internally Caldera permitted communist and other leftist organizations to become politically active. In 1973, AD's Carlos Andres Perez was elected to succeed Caldera winning a landslide victory in a field of twelve candidates. Using the country's vast petroleum revenues Perez initiated a program of industrial expansion, and in 1976 the petroleum industry was nationalized and Venezuela became a Third World Leader.³¹

In December 1978 the nation chose its fifth popularly elected president, Luis Herrera Campins. But Herrera Campins had been forced to operate with a congress almost evenly split between the COPEI and AD parties. Generally, he had continued with the Perez government's policies.³²

ECONOMIC SYSTEM

Venezuela has a far more diversified economy than most South American countries, however, petroleum unquestionably dominates the economy and provides the bulk of the governments' income.³³ In 1979, petroleum exports amounted to 95 percent of the export income of the nation and approximately 25 percent of the Gross National Product.³⁴ The following table shows the extent of Petroleum's contribution to the Venezuelan economy. (See following page)

The rise to an almost 40 percent share of the GNP in 1974 was due to the increased price of petroleum brought about by the Organization of Petroleum Export Country's (OPEC) actions. Since the dramatic rise in 1974, the share of the GNP has gradually dropped to about 25 percent. This drop is due to a reduction in oil production and growth in other sectors of the economy.³⁶

Nationalization of the Petroleum Industry

Prior to January 1976, Venezuela's petroleum industry was operated by foreign investment companies through concessions granted by the Venezuelan

Table 1 ³⁵

Oil Contribution to Gross National Product
(current prices: millions of bolivares)*

<u>Year</u>	<u>Gross National Petroleum Product</u>	<u>GNP</u>	<u>Percentage Contribution From Petroleum</u>
1968	8.015	41.284	19.4
1969	6.970	42.746	16.3
1970	8.787	48.402	18.2
1971	9.752	53.051	18.4
1972	10.816	58.472	18.5
1973	15.748	69.377	22.7
1974	42.486	108.442	39.2
1975	33.446	116.955	28.6
1976	35.933	113.447	26.9
1977	38.094	153.750	24.8

*Monetary conversion rate 4.2925 bolivares - US \$1 (January 1979)

Government. One of the many problems that this arrangement caused was the operating companies tendency to produce as much oil as possible, as cheaply as possible, and their disregard of conservation measures designed to maximize long term production for existing producing oil wells. On 30 July 1971, Venezuela passed the Hydrocarbons Reversion Law which awarded the state ownership of all the companies properties in 1983, required government approval for any changes in industry operations and gave the state power to decide when, where and how to explore for and drill new wells. The oil companies were displeased with the development but were powerless to oppose it. The oil companies cut back their production and were reluctant to invest large amounts of capital to maintain their physical equipment. The cutbacks caused a loss of revenue for the state and concern that the equipment would not be operable when turned over to the government in the 1983 time frame stipulated in the Reversion Act.³⁷ President Perez hastened the Nationalization by signing the Organic Law in August 1975 to be effective on 1 January 1976.

This action hastened the process of nationalization of the oil industry by seven years over the original plan.

Considerable technical assistance is still required from the various foreign oil companies, however, the government has taken steps to reduce that dependence. The government has established agencies which are charged with the responsibility of increasing the technical expertise, training of employees, and research capabilities to gain a degree of technological independence. It will probably take until 1985 to significantly reduce the dependence on foreign expertise in these areas.³⁸

Economic Diversification

Petroleum revenue has provided Venezuela the kind of investment capital few developing countries can rely on, and the government is intent upon using

these funds to expand the overall economy. Industrial diversification is a high government priority. The largest part of the public investment will be for industry, especially electricity, steel, aluminum and petrochemicals. The emphasis on industrialization reflects the desire to overcome the fact that the industrial sector of Venezuela is far less developed than it should be based upon the nation's income. It plans to invest 12 billion dollars during the next ten years.³⁹

Agriculture

Agriculture has not kept pace with the growing population and cannot provide sufficient food to meet the nation's needs. In 1960, the Agrarian Reform Law was enacted. The law was intended to provide land for the peasants and thus stimulate agricultural growth. There were many problems associated with the implementation of the law with various results of its success being reported. Between 1960 and 1973 some 139,770 families were settled on 38.5 million acres of land. Criticism of the law centered around the fact that much of the land had been illegally occupied, that only about one-fifth of the peasants had obtained titles to the land, and that only a small portion had been given assistance in the way of credit, seeds, equipment, or instructions for better farming of the land. An additional frustration with the reform program was the fact that it was instituted at the very time that a massive urban migration was in progress and that many of the recipients of the program left their holdings and moved to urban areas for higher paying jobs.⁴⁰

Agriculture employs about 18.5 percent of the labor force with only about 5 percent of the arable land in use, and three quarters of that is devoted to pasture.⁴¹ Farm labor shortages and an inadequate infrastructure present problems in the agricultural field. Even with favorable credit terms, tax

incentives, price supports and large investments from the petroleum revenues, progress in expansion has been slower than expected or desired.⁴²

Economic Distribution

Although Venezuela has the highest per capita income in Latin America (\$3,370 in 1979) it exhibits a pattern of personal income distribution that is more characteristic of countries with lower per capita income. The lowest 20 percent of the income groups receive only about 3 percent of the total income, whereas, the high-income 10 percent derive 40 percent of the benefit from the economy.⁴³ A related problem is the ability to generate sufficient employment opportunities for the labor force. The unemployment rate in 1974 was 6 percent and increasing by an annual rate of about 4.3 percent. Industrial factory employment is on the rise and showing an annual increase of 6.5 percent for the past several years.⁴⁴ The level of skills in the Venezuelan labor force is well above the average in Latin American countries, but the demand for unskilled and marginally skilled labor decreased in the decade of the 1970's and the demand for highly skilled labor increased at a rate which outstripped the ability of the educational system to meet it.⁴⁵

Recent trends in the economy give warnings of serious trouble ahead if action is not taken to reverse the adverse impacts. A disturbing trend is the growth of a national debt. The 1978 import bill grew more than 25 percent while exports decreased by 7.5 percent for a trade deficit of nearly \$3 billion. This is not all discouraging news, however, as most of the import bill can be accounted for by the expanding requirements of the development program, since 80 percent of the total imports were goods which will be used to produce domestically what once was being imported.⁴⁶ The problem arises in the nation's ability to effectively coordinate the diverse and possibly over optimistic progress for economic development.

Economic Planning

The Venezuelan government plays a central role in planning, controlling, and in certain cases, the ownership of production. This is not to say that she completely dominates planning since private enterprise is encouraged and assisted. Since 1959, the government has exercised planning and control of the economy through the National Economic Plans. These are a series of development plans prepared by the various government agencies and coordinated through CORDIPLAN (Oficina Central de Coordinacion y Planificacian), the central planning agency. CORDIPLAN is more a planning and coordinating agency than a controlling agency. It has a great influence in the economic arena and all plans for economic investment made by the various governmental departments must be coordinated with CORDIPLAN. The President exercises direct control over CORDIPLAN, and it is considered as one of the best national planning agencies in Latin America.⁴⁷

The procedure under which CORDIPLAN operates is basically to divide the economy into twelve separate sectors (petroleum, manufacturing, mining, steel and petrochemical, agriculture, transportation, commerce, construction, electric power, housing, other private services and government) to project their growth rates and make recommendations for changes based upon the governmental policy contained in the particular plan. The amount of investment required to meet the growth rate is calculated and becomes the separate sectors goal for total growth and investment for the period of the plan. Once these plans are approved by CORDIPLAN they become binding in the public sector but only guides for the private sector, since government does not exercise restraint over the private sector. Government does, however, control tax and credit policies which impact on the way the private sector does business. CORDIPLAN has created a number of

excellent plans for national development, but often its recommendations founder at various levels of the bureaucracy because of the resentment over CORDIPLAN's power over budget matters.⁴⁸

Economic Outlook

The foregoing portrayal of the economic setting appears to paint a fairly rosy picture for the future of Venezuela. That is not quite the way it is turning out in the real world. Venezuela has the natural resources to emerge as a fully developed nation in the future. However, there are many obstacles in her way, not the least of which is her inability to properly utilize her assets to develop the administrative capability to make her plans successful.⁴⁹

Venezuela initiated big programs, under the leadership of President Carlos Andres Perez, to invest the huge profits from the oil boom in the early and mid 1970's. These programs were designed to stimulate farming, small enterprises, large enterprises, and state enterprises. Massive public works were started to build new parks, housing, schools, ports, shipyards and expansion of electrical service, sewer and water systems. The human resources were not up to the task and the country could not provide enough skilled personnel to carry out the ostentatious plans. As industry expanded, supervisors moved up to head new operations and the young people coming in to replace them couldn't do the job. Steel production decreased a whopping 29%. Companies who imported new equipment to help their operations found that they couldn't keep the equipment operational because of untrained personnel. Poor management was found in almost all areas, and, as is understandable, the new found wealth brought corruption.⁵⁰ The plans for economic development may well have been sound in principle, but the means do not seem to be available to carry them out. Venezuela must come to grips with this

problem before the majority of the people decide that a change in the form of government is required before the next elections in 1983.

SOCIAL SYSTEM

The Venezuelan society is an amalgam of three races, Caucasian, Negro and Indian.⁵¹ Venezuelas' population of 15,284,000 is relatively small for a country of its geographic size, but it is growing at one of the highest growth rates in the world, about 3.3 percent annually.⁵²

Traditionally, national power has been controlled mainly by the very small upper class consisting of relatively wealthy landowners with white skin, Hispanic heritage. However, this class has failed to achieve a cohesive and dominant role as similar groups have done in other Latin American Countries. The small, educated middle class has managed to make inroads into the political arena and exert more influence in the affairs of the country than is normal for an emerging nation.⁵³

The Venezuelan social structure has many advantages over many other developing countries in the world. The common language (Spanish) and common religion (96 percent of the population are Roman Catholic) provide a unifying bond. In addition, a cultural phenomenon of racial integration but political segregation carried over from the Spanish colonialization has tended to lessen the racial differences within the country. Although social status tends to descend in relation to skin color and cultural background, it is not nearly as acute as in the United States or even some other Latin American countries.⁵⁴

Social Stratification

Contemporary social stratifications consist of five classifications; upper class, middle class, lower class (urban and rural) and Indian. The upper class has expanded from a small agrarian elite into an urban-based power group whose wealth and position allow them to exercise great influence

throughout the economic sector of the country. Venezuelan values are changing and with the modern values and the importance being placed upon money, the most important determinant of social status is wealth. Although cultural purity, ethnic heritage, and membership in a prominent family predominate, members of the middle class or people of modest origins may move into the upper class through the accumulation of wealth.⁵⁵

The middle class consists of small businessmen, industrialists, teachers, government workers, professional personnel, and managerial and technical personnel. They are the chief beneficiaries of the economic development of the country. The majority of the middle class feel no commitment to the old social order and are increasingly becoming involved in the political arena. They are ardent nationalists and are developing a sense of national pride, especially concerning the nationalization of the oil industry⁵⁶ and the independent course chartered by the democratic government.⁵⁷

The lower class consists of two separate segments, urban and rural. The urban lower class actually exhibit a wide variance in economic status among its members. They consist of the manual laborers within the cities and the unemployed and underemployed inhabitants of the Barrios (neighborhood). There is a striking difference among this class in terms of skills, jobs, education and life styles. Members of the working class have gained a measure of security, while the unemployed and underemployed merely exist. The unions are active among the urban poor (approximately 45% are union members)⁵⁸ but they are only effective in the higher skilled and better educated population within the lower class; the small trades and other lower class elements are not well organized and can, therefore, exert only minimal influence on the political scene.⁵⁹

The rural lower class, or peasants, are mainly wage laborers, sharecroppers, or squatters on private or public-owned land.⁶⁰ The "Campesino" makes up about

one-third of the population of Venezuela and although he is poor and uneducated, his political influence is relatively high. Because of the fragmentation of urban votes among the political parties, the two main parties rely on the rural vote for political control. The consequence for the "Campesino" is that the party in power has a vested interest in moving the rural peasant into modernity. This has not always been done efficiently or effectively, but efforts have been and continue to be made to assist the rural poor.⁶¹

The Indian population is small and continues to decrease. They generally live outside the population centers in remote areas along the borders of the country. There are numerous tribal groups and they speak various languages and dialects. They are protected by a variety of legal and constitutional provisions and the official government position is to integrate them into the national social and economic structure. Missionaries are active among most tribes and have converted many to Christianity. Some tribes resist association with the mainstream of Venezuelan life, but the majority are anxious to participate and take advantage of the material goods that civilization has to offer. Intermarriage is becoming more frequent and many Indians are finding work in industry or manufacturing to allow them to more fully take advantage of the material goods available. A significant number of Indians are establishing residences in Spanish-speaking communities and are being assimilated into the lower class.⁶²

Education

The Venezuelan government has recognized the important role of education in their development phase and has taken steps to greatly expand the school system. This expansionist education policy has achieved dramatic results in the size of the school system and the number of students in each category of education, but until recently this change failed to make corresponding changes and improvements to the curriculum. The school system favored the urban population

with the rural sectors being relatively neglected. The establishment of a decentralized educational system in 1969, which allows regional educational commissions to make decisions on budget, personnel and curriculum has produced a significant change for the better. Local educators are able to determine their own needs without the over-riding influence of non local - usually urban - authorities. The educational system is still unable to produce the vast numbers of skilled, semi-skilled, and managerial type personnel required for the expanding economy but improvements are being made and with continued planning and aggressive execution the expanded opportunities for school and improved curriculums will meet the challenge.⁶³

Religion

The Constitution of 1961 guaranteed religious freedom, but this had little impact since it had been allowed since 1836. The vast majority of Venezuelans are Roman Catholic (sources list between 90-96 percent) with about 2 percent of the population Protestant and the number is growing slowly. A small number of the Indians still practice their traditional religions, but are being converted slowly through the work of the missionaries. There is official separation between Church and State. However, close ties are maintained and the Catholic Church functions as the National Church and it is represented at most official functions. The Church plays a major role in the education area through private schools, many of which are aimed at serving the children of the working class. Venezuelans practice a loose form of Catholicism, meaning they are lax in practicing the tenets of the Church and know little of the basic tenets. Women, as in many other countries, are more religious than the men and are relied upon to educate the children concerning religious and moral aspects. There does not appear to be any disruptive influence in the country between the various religions or between the state and religions.⁶⁴

MILITARY

Prior to the overthrow of dictator Marcos Perez Jimenez through joint civilian and military efforts in 1958, the Venezuelan military and the political history could scarcely be separated. Practically speaking every political leader from General Paez, the country's first president, through President Perez Jimenez, the last military dictator, had either gained power or maintained power through the military.⁶⁵ Venezuela, however, has developed into one of the most stable democracies in Latin America largely due to the support of the military for civilian rule. Romula Betancourt marshalled the military forces behind the legitimate head of state and each succeeding leader has enjoyed their loyal support. This loyalty proved necessary to preserve the hard earned democracy during the first few years of its existence, 1959-1963. The legitimate government was assailed from right and left-wing coups mounted from within the country and by communist supported (Cuba) small units conducting guerrilla activities with the intent of producing a military counter-coup. Betancourt's policy of publicly flattering the military and emphasizing its dominant role, of sustaining warm and cordial relations with the military leaders, and fostering the material welfare of the armed forces solidified their support and has been pursued by his successors, with highly beneficial results.⁶⁶

Defense Structure

The President is the Commander-in-Chief of the National Armed Forces and administers this responsibility through the Minister of Defense. The National Armed Forces consist of four independent services: army, navy, air force, and national guard. The President is advised by a Supreme Council of National Defense consisting of the Council of Ministers, the Chief of Joint Staff (normally the Minister of Defense), the commanders of the four services, and other officials whom the President desires to include.⁶⁷

The Army has about 28,000 personnel and is organized into:

- 1 armored brigade
- 1 cavalry regiment (horse)
- 12 infantry battalions (mechanized)
- 2 tank squadrons (medium, light)
- 6 artillery groups (18 battalions)
- 5 engineer and antiaircraft battalions.

The Navy has 7500 personnel (including 4000 marines) with four submarines, four destroyers, five frigates and a number of smaller patrol boats and supporting craft. The Air Force has 8,000 personnel organized into a Combat Command, a training command and a logistical command. It has about 106 combat aircraft, consisting of F-86, F-5, Mirage, Canberra Bombers and OV-10 counterinsurgency aircraft, and 250 trainer, transport or support aircraft. There are nine operational air bases located throughout the country. The National Guard has about 10,000 personnel and is used primarily for internal security, customs and forestry.⁶⁸

Employment and Role

The Army's role is clearly defined by the constitution. It has no external role of immediary or importance since Venezuela faces no known threat from outside powers. The most recent employment has been protecting the democratic government from overthrow by guerrillos organized by the splinter group of the Accion Democratica, the Communist Party of Venezuela. This movement was for all intents and purposes, concluded in 1965; however, sporadic guerrilla activity still continues and although the level is low it requires the attention of the military forces to keep it contained.⁶⁹ The government must also contend with a minority of officers in the Armed Forces who have radical views or left-wing sentiments. The loyalty of the military establishment is for more conditional than that seen in other democratic societies and, therefore, the political leaders must

deal moderately and intelligently with the military.

STRATEGIC IMPORTANCE

The United States and Venezuela have mutual objectives in: strengthening democratic institutions; furthering human rights; accelerating sound economic, social and cultural development through orderly and progressive changes within the framework of a free society; and, the cooperating in the defense and security of the Western Hemisphere against aggression and subversion.⁷⁰

Venezuela has cooperated with us to promote democratic government and human rights throughout the hemisphere. She has adopted the American Convention on Human Rights and has supported the Inter-American Commission on Human Rights. Venezuela has also supported US goals of nuclear nonproliferation in the hemisphere, conventional arms restraint, antiterrorism, and the promotion of economic development throughout Latin America.⁷¹

Venezuela occupies a strategic position along the US commercial and military sea lines of communications in the Caribbean area and Panama Canal access from that region. In the event of conflict in that area, her support and assistance will be vital.

Finally, Venezuela continues to be an important trading partner and a major supplier of petroleum and petroleum products to the United States.⁷²

CONCLUSIONS

On the surface the prospects for Venezuela's future look bright. Her generally successful development to date is to a very large degree due to her wealth of natural resources, especially oil, her favorable climate and relatively productive land, and a reasonably stable political situation for the past twenty years.

However, Venezuela faces a multitude of problems which cross political, economical and social lines. The grandiose programs initiated in the 1970s have, for all practical purposes, failed to achieve the goals established for them. The large investments in industrial expansions have been slowed because of a lack of skilled and semi-skilled workers. The land reforms designed to distribute private and public land to the rural lower class has been far less effective than hoped for due to poor management, corruption and the great migration of the rural population to the cities and lack of education in better farming methods. Although Venezuelas' system of centralized planning and direction is a noteworthy endeavor, the inability and unwillingness of all agencies to pursue these plans for the common good of all Venezuelans has caused hard feelings among bureaucratic agencies and unrest among the people who should have benefited from these programs. There has been little effect to redistribute the nations wealth for the good of the lower class and they have received little from the wealth generated by oil profits. The far reaching and omni-directional programs have caused double digit inflation for the first time in Venezuela's history and brought about out-of-control spending by the government, corruption, unchecked imports of capital goods and consumer luxuries, and the first foreign trade deficit in fifty years. The present executive has promised to correct these deficiencies, but two years into his term of office he has failed to correct any. His attempt to cool the economy with a tight money policy has caused stagnated economic growth, numerous business bankruptcies and driven the unemployment rate to an estimated 10 percent of the work force.⁷³

Venezuela's economic wealth, social stratification and political growth have been impacted by outside influences and compounded by her internal inability to take advantage of her abundant opportunities. As opposed to many Third World

countries that have a scarcity of natural resources and arable land, Venezuela has an abundance of natural resources. Whereas many underdeveloped countries have a relatively high level of illiteracy Venezuela has a high rate of literacy. Comparatively, Venezuela's per capital income, though unevenly distributed, ranks high among Third World nations. She enjoys relatively good health programs which has resulted in one of the highest population growth rates in Latin America. However, her educational system has failed to keep pace with the need for skilled people at all levels of her society. Socially, it is possible for upward mobility through personal achievement, this is not possible in many other developing countries.

There is a severe lack of confidence in the government and the political system to correct these problems and the current environment could result in a military takeover. The democratic system is open to serious challenge and given the right circumstances could be overthrown.

Documents received from the Venezuelan Embassy do not portray such a bleak picture. However, a recent (February, 1981) letter from the U.S. Military Group Venezuela depicts the seriousness of Venezuelas internal problems. This document is attached for your information.

ENDNOTES

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⁴Harry Bernstein, Venezuela and Colombia (New Jersey: Prentice-Hall, 1964), p. 3.

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⁶Bernstein, op. cit., p. 11.

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⁸Bernstein, op. cit., pp. 13-14.

⁹Blutstein, op. cit., pp. 30-31.

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¹¹John D. Martz and David J. Myers, Venezuela, The Democratic Experience (New York: Praeger, 1977), pp. 6-9.

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¹⁷Blutstein, op. cit., pp. 34-35.

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- ²⁵Blutstein, op.cit., pp. 39-41.
- ²⁶Ibid. pp. 41-44.
- ²⁷Philip B. Taylor, Jr., The Venezuelan Golpe de Estado of 1958: The Fall of Marcos Perez Jimenez, (Washington: Institute for the Comparative Study of Political Systems, 1968), pp. 68-69.
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- ²⁹Ibid. pp. 184-185.
- ³⁰Ibid. pp. 176-182.
- ³¹Ibid. pp. 186-187.
- ³²U.S. State Department, Background Notes: Venezuela, (Washington: Government Printing Office, August 1979), pp. 4-5.
- ³³"Venezuela, Introductory Survey," The Europa Yearbook, A World Survey, Vol. II, 1980, p. 1714.
- ³⁴"Venezuela," National Basic Intelligence Factbook, January 1980, Central Intelligence Agency (Washington: Government Printing Office), p. 209.
- ³⁵Erik Swesind, "Outlook on Venezuela's Petroleum Policy," A Study Prepared for the Use of the Subcommittee on Energy of the Joint Economic Committee, Congress of the United States, Feb., 1980, (Washington: Government Printing Office, 1980).
- ³⁶Ibid. pp. 37-38.
- ³⁷Ibid. pp. 15-20.

³⁸Ibid, pp. 22-27.

³⁹Pedro-Pable Kuczynski, "The Economic Development of Venezuela: A Summary View as of 1975-76," Contemporary Venezuela and Its Role In International Affairs, ed. Robert D. Bond (New York: New York University Press, 1977), pp. 72-73.

⁴⁰Blutstein, op.cit., pp. 170-172.

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⁴³"Venezuela" National Basic Intelligence Factbook, July 1980, Central Intelligence Agency (Washington: Government Printing Office), p. 213.

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⁴⁵Blutstein, op.cit., p. 129.

⁴⁶Sivesind, op.cit., p. 32.

⁴⁷Blutstein, op.cit., p. 183.

⁴⁸Ibid.

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⁵¹Blutstein, op.cit., p. 50.

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⁵³Blutstein, op.cit. pp.49-61.

⁵⁴Crist, op.cit., pp. 30-46.

⁵⁵Blutstein, op.cit., p. 60.

⁵⁶Sivesind, op.cit., p. 3.

⁵⁷Blutstein, op.cit., pp. 60-61.

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⁵⁹Blutstein, op.cit., pp.62-63.

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⁶¹John R. Mathiason, "The Venezuelan Compesino: Perspectives on Change," A Strategy for Research on Social Policy, ed. Frank Bonilla and Jose A. Silva Michelena, (Cambridge: The Massachusetts Institute of Technology Press, 1967), pp. 120-126.

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⁶³Gordon C. Ruscoe, "Education Policy in Venezuela," Venezuela, The Democratic Experience, ed. John D. Martz and Daniel J. Myers, (New York: Praeger Publishers, 1977) pp. 255-281.

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⁶⁵John Keegan, World Armies (New York: Facts on File, Inc., 1979), pp. 787-789.

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⁶⁹Keegan, op. cit., p. 790.

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APPENDIX

SCRM-MPP (24 Feb 81) 1st Ind
SUBJECT: Request for Reduction in Military Tour Length

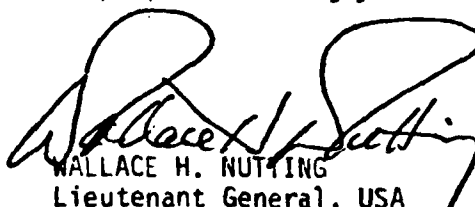
CPT Stafford/mr/82-3491

HQ USSOUTHCOM, APO Miami 34003 31 MAY 1981

TO: HQDA, ATTN: DAPE, Washington DC 20310

1. Recommend the tour length for Venezuela be reduced to 24 months accompanied and 18 months for all other tours.
2. The justification outlined in the basic correspondence accurately portrays the situation in Venezuela. Environmental factors seriously detract from the quality of this tour and make life unreasonably difficult for military members and their families.
3. The 1976 MAAG/Mission/MILGP/Defense Attache System Tour Enhancement Effort (JCS 2478/830, 29 October 1976) has made very little difference in dealing with the environmental factors which detract from Security Assistance assignments. Such cosmetic items as TV tape systems have minimal impact on improving the quality of these vital tours. It is now time to recognize the importance served by our military presence overseas, as provided by our Security Assistance and Attache personnel, and to support our people accordingly. This request is a step in that direction.

13 Incl
nc


WALLACE H. NUTTING
Lieutenant General, USA
Commander in Chief

*12-1
2 June 1981*



DEPARTMENT OF DEFENSE
USMILGP VENEZUELA
APO MIAMI 34037

SCVE-CO

24 February 1981

SUBJECT: Request for Reduction in Military Tour Length

Commander-in-Chief
United States Southern Command
ATTN: SCRM-MPP
APO Miami 34003

1. Request that the tour length for military personnel of all services assigned to United States Military Group, Venezuela, be reduced from 36 months to 24 months and from 24 months to 18 months for accompanied and unaccompanied personnel, respectively. Approval will bring the tour length into synchronization with that already established for State Department and DOD civilian employees. The current strength of the Military Group is five officers with 12 dependents on station.
2. Factors bearing upon, and providing justification for, this request are set forth below. Illustrative supporting documentation gleaned from American Embassy publications, previous correspondence on the subject, and various local and international news sources is attached as inclosures.

a. Environment.

(1) General. Caracas is a high-stress, rapidly-expanding metropolitan area where some three-million people live and work in a narrow valley that by reasonable urban-planning guidelines would, perhaps, comfortably accommodate one-third that number. Recent and continuing expansion has, by necessity, been primarily vertical, resulting in innumerable high-rise office and apartment buildings. A constant influx of people from the interior of the country and from abroad and the concentration of working and residential sites have produced extreme overcrowding. This is particularly evident in the extensive pedestrian and vehicular congestion, the difficulty in finding suitable quarters, the recurring shortages of basic foodstuffs, and the inadequacies of public services and utilities. The inherent lack of space imposed by Caracas' configuration is aggravated by an overabundance of vehicles - approximately one per seven inhabitants and increasing at an estimated rate of 40,000 per year, countrywide. Add to this situation, the Venezuelan's penchant to define democracy as the freedom to do whatever one pleases without regard to laws or regulations, or other people's rights. This means deafening parties till dawn, inconsiderate drivers, littering, disregard for traffic lights and signs, and malicious destruction of property and personal belongings. Even to the big-city bred "gringo," Caracas is a definite culture shock, one that seldom, if ever, is mitigated. (Incl 1) -

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(2) Traffic. The street and highway nets in and around Caracas are inadequate from both a size and quality viewpoint. Narrow, twisting, potholed, unnamed, one-way streets abound and the established traffic patterns often create hair-raising vehicular confrontations: Six lanes (all full of speeding cars and trucks) converge into a two-lane tunnel; a two-lane, one-way street suddenly and without notice becomes a two-way street; or you turn left at a corner to find that the lanes have been reversed and you are head-on into approaching traffic. Maintenance of streets is poor and the heavy traffic rapidly erodes minor holes into impassable craters, closing thoroughfares. In many sectors, drain water from the hills or broken water- and sewer mains have washed out the subsurface causing cave-ins that effectively block normal usage of the street, often for several weeks. The Venezuelan, typically, to the hazard of the pedestrians, then drives on the sidewalks - where they exist. Sidewalks, also, are habitually used as parking areas, since there is no adequate off-street parking in most of the city. Double- and triple-parking is common practice, turning two or three lane streets into narrow alleys of crawling vehicles. Under these conditions, a car with a flat tire can stall movement through a street for a half-hour. A wreck can tie up traffic for hours, since the cars involved cannot be moved until the transit police complete their accident investigation. It is frustratingly impossible to predict how long it will take to travel from Point A to Point B. As an example, in no-traffic conditions, it is a 20- to 30-minute drive from the Military Group Headquarters to the airport at Maiquetia; the trip can easily take, and has taken, four hours. The 20-minute drive to the American Embassy has taken half the morning. Compounding the problem is the total incompetence and uselessness of the transit police, who, generally, present more of an impediment to vehicular flow than they do to relieving the congestion. (Incl 2)

(3) Pollution. It is a moot question as to which is the worst: Air or noise pollution. The published maximum tolerable level of carbon-monoxide contamination in open air is nine parts per million. Caracas seldom has less than 12 parts per million and normally reports 13-14. In peak traffic periods, it goes up to 15. As a corollary, Caracas, reportedly, has the highest incidence of respiratory disease of any of the world's major cities, except Yokahoma. During the physical training test, several Marine Guards were almost overcome while running a few blocks from the American Embassy. Joggers can be seen running in surgical masks. The maximum acceptable pollution level in tunnels is reported to be 35 parts per million (assuming one is just transiting the area). A level of 600 parts per million has been measured in the Caracas-area tunnels; i.e., 17 times the endurable maximum. If one is detained in a tunnel by a traffic block, the chance of suffering severe carbon-monoxide poisoning is very real. Noise, although not as physically dangerous, is as psychologically damaging. Caracas is almost never quiet. Blast-horns, sirens, straight pipes, exhaust whistles, hooters, and just about any other noise-maker that can be affixed to a vehicle create an unbelievable din, day and night. There is a strict law against excessive noise, but everyone (including the police) ignores it - uproarious parties last long into the night; prohibited fireworks can be bought alongside a police post within a block of the American Embassy and exploding aerial salutes boom across the city, nightly, adding to the clamorous tumult. An uninterrupted night's sleep is rare. (Incl 3)

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(4) Public utilities/services. Water, electricity, telephones, and sanitary services are erratic and undependable. Water shortages are chronic and there are daily electricity outages. Telephone service, especially in the few new direct-dial areas, is better between Caracas and the United States than between the Military Group Headquarters and the American Embassy. Telephones are cut off for no apparent reason and take several days to several weeks to be restored to operation. The Military Group Commander's office telephone was just put back in service after a five-week's interruption; no one knows why it was out. Garbage is stacked on the streets and sidewalks where it sits for days at a time, while dogs scatter it. Open garbage trucks, dripping putrescent liquids, traverse the streets spreading a miasma of nauseous gases. Storm drains and sewers are undersized and poorly maintained. In the flash-flooding encountered in the Caracas valley, water backs up and inundates streets and buildings, causing extensive property damage and bringing travel in many sectors to a halt for hours. One day last fall, the staff of the Military Group was trapped in the Venezuelan Air Force Headquarters until about 2000 hours. In the access roads and part of the parking lot, water was over the hoods of the cars and the entire basement of the Headquarters was flooded. This problem has existed every since the building was constructed, but nothing has been done to correct it. Police protection is poor to non-existent. Their reaction to emergency calls may take up to three to four hours, if they come at all. One Military Group family in Maracay called the police to report a break-in and burglary; the police did not investigate it until the following day. Lieutenant Colonel Stephen Laidlaw's stepson was assaulted by "security police" outside a theater where he was waiting for his parents to pick him up. They ignored his American Embassy identity card and almost deafened him by firing a pistol beside his ear. The incident occurred in May 1979, and a formal diplomatic protest from the American Embassy to the Foreign Ministry was acknowledged - no further action has been taken. The youngster had to be evacuated to Panama to readjust from the trauma. (Incl 4)

(5) Health problems. Caracas is host to such tropical diseases as parasites (amoebas, liver flukes, fungi) and dengue and typhoid fevers. Tuberculosis and almost epidemic venereal disorders are becoming increasingly greater problems with the, until recently, almost uncontrolled illegal immigration of people from the Andean countries. An inherent dirtiness exists not only in the air, but also in the streets, buildings - both public and private - stores, and markets. Open sewage conduits, poor standards of food handling, and other sanitary deficiencies contribute to a higher degree of debilitating gastrointestinal disorders than would be expected in an apparently modernized city. The English-language newspaper, The Daily Journal, urges that all tap water used for drinking be boiled to overcome the potential for disease created by the antiquated water-pipeline system. The nerve-wracking traffic conditions which are magnified by "macho" driving habits and the general lack of orderliness in traffic flow, intensified by the other frustrations, leads to an above normal incidence of high blood pressure. Also apparent is the very real mental strain resulting from the effort to cope with the total situation. This is noted by military and diplomatic personnel with previous experience in Latin America. The State Department Regional Medical Advisor attests to the high degree of emotional strain induced in many people by driving and living in Caracas. The MEDDAC-Panama

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Team trip reports substantiate that finding.

b. Personal services.

(1) Medical facilities. Military Group personnel have access to the military hospital for emergency treatment and routine medical care within the capabilities of the facility. A number of the military doctors are US-educated and the treatment is generally good. Routine dental care is also available, but crowns, bridgework, braces, etc. must be obtained from private sources. The same situation exists for eye care. Also, within the limitations of time and facilities, excellent medical and dental care is available, annually, from the MEDDAC-Panama Team. Any care from private physicians and dentists is expensive and must be paid in cash. CHAMPUS reimbursement is a lengthy, normally unsatisfactory, process. Private hospitals and clinics are, in the majority, substandard to those in the United States. (Incl 5)

(2) Schools. Children must leave home as much as 1-1/4 to 1-1/2 hours before school starts and return an equal time after classes are over because of school bus schedules. This, plus the restrictions on their activities due to security and cost, tends to affect their happiness and behavior. The greatest potential problem came into being in July 1980, when the new Education Law of Venezuela (Inclosure 6) went into effect. This legislation may effectively close English-language schools in Venezuela.

(3) Recreational facility shortage. There are virtually no usable public recreational facilities in Caracas. Acceptable facilities are limited to members of private clubs. Membership in these clubs must be arranged and is then obtained either by purchasing a regular share (at \$3,000-\$100,000 per share), by renting a share (at \$75-\$525 per month), or by obtaining a diplomatic membership. (It should be noted that the above prices are exclusive of monthly dues and other possible assessments and that rental shares are not generally available.) Diplomatic memberships are so restricted among the entire diplomatic corps in Caracas that Military Group members are effectively excluded from use of that method - even if they were considered members of the diplomatic corps and could personally afford the monthly dues. Some other commercial facilities exist, such as the Hotel Tamanaco Intercontinental; it will admit all personnel assigned to the American Embassy to its swimming pool on week days at a cost of \$7-\$8 per person per day. The beaches, which appear so close to Caracas on the map, are disappointing. They are crowded, dirty, frequently polluted and, on weekends, the round-trip drive takes from three to five hours, depending on the traffic. To reach the more distant, less crowded and overall better beaches takes five to eight hours of driving, round trip. Any recreational pleasure is dissipated by the struggle in traffic, the distance, and poor/rundown facilities, so most Military Group personnel make the trip only infrequently. The lack of appropriate recreational facilities and the poor personal-security situation makes it particularly difficult for children, especially teenagers. Movies are available, at a cost of \$1.20-\$2.40, but security, time of day, crowds, traffic, picture quality,

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and location must be weighed; grade school children are not admitted to evening movies. Other recreational activities are available near Caracas or in other parts of Venezuela, but their use is limited by expense, travel time involved, and the facilities available. Rarely can any of these be put to advantage on other than a special occasion or vacation basis. (Incl 7)

c. Personal security. Caracas is rated as a moderate-risk terrorist area, not so much on the basis of political activists - although in the past year there have been assaults on public figures and on the Generalissimo Francisco de Miranda Air Base near the center of Caracas - as from the high incidence of seemingly uncontrollable crimes against persons and property. The newspapers carry full-page accounts, daily, of assaults, hijackings, armed robberies, murders, and the like. In one 15-month period, 27 members of the American Embassy were the subject to some sort of crime. The widow of a former United States Ambassador, resident in Caracas, was kicked to death on the street outside her apartment building in an assault/robbery in November 1978. The danger of such criminal activities restricts free movement, requires continuous occupancy of homes (by family members or maid) and engenders a general feeling of uneasiness and insecurity. This is compounded by the fact that none of these crimes have been solved. (Incl 8)

d. Miscellaneous difficulties.

(1) Local Venezuelan attitude. Individually, Venezuelans can be very polite, helpful and quite friendly. Collectively, however, such as in public places, supermarkets and on the streets or highways, they project an undisciplined, "me first," self-serving attitude (among themselves, also, not just with foreigners). The latter aspect is, unfortunately, the one in which the Venezuelan is most frequently encountered (daily, in everything done) and to which it is extremely difficult to adjust. Cultivation of a group of close Venezuelan friends does not solve this problem, as the "one-on-one" struggle is a constant daily fact, even, for example, in such a minor activity as buying fresh bread. The aggressiveness displayed in a bakery by those wanting to be served next can be frightening for the uninitiated.

(2) Importation of POV. The Venezuelan government restricts POV importation by non-diplomatic status personnel to a make and model which conforms to the exact specifications of the motor vehicles assembled here. Further, they publish this list annually. The 1979 list was published Jan 19, 1979; however, the 1980 list was not published until June of that year, which seriously affected the car selection of newcomers arriving during this "unannounced" period. This requirement almost invariably forces the new member to dispose of the vehicle he has at his last assignment and purchase a new one, subjecting him, usually, to an unexpected financial loss. Import privileges are withdrawn six months after the member arrives in Venezuela. Liability insurance, at outrageous rates, must be purchased here (liability insurance issued outside the country is valueless), so the member takes another loss on his canceled policy. Also, insurance companies

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in Venezuela are in business to sell insurance, not to pay claims. One member of the American Embassy staff had his car stripped while it was parked in a "secure" private parking area in the basement of his apartment building. When he tried to collect on his claim, he was told that the insurance did not cover theft of accessories; i.e., battery, carburetor, bumpers, wheels, etc. It takes an average of from three to four months to clear a POV through customs and obtain license plates; meanwhile, it is subject to abuse, damage, and theft. The Venezuelan National Guardsmen who were on guard at the customs impoundment lot where Captain Richard O'Connor's new Ford was being held took it for a joy ride and wrecked it in December 1978. The repairs would have cost more than he paid for it, so the United States Air Force paid him replacement value of the car. Several diplomatic protests and a visit of the General Services Officer to the Foreign Ministry have not even elicited an acknowledgment that the incident occurred. The American Embassy has ceased to pursue the matter. The financial burden and the bitter ache of frustration often persist throughout the member's tour in Venezuela. (Incl 9)

(3) Post exchange and commissary shipments. Equally aggravating is the inability to obtain many post exchange and commissary items, particularly things that are just not available in Venezuela, are prohibitively expensive, or are of such low quality as to be a total waste of money. Commissary shipments must be approved by the Ministry of Defense, the Ministry for Development, and the Bureau of Customs. Preparation of the order, advance importation approval, and advance customs clearance take from three to six months. The Military Group currently gets about two shipments a year, which means that the member must make an outlay of a sizeable amount of money to stock up for six months. He must also invest in a freezer or two if he plans to buy frozen foods. Many things that people want from the various catalogs are "Restriction S" and cannot be mailed through the APO. To have it shipped to the Panama Area Exchange and transshipped on the mission support C-130 is a long and involved process which many abandon after one or two attempts. Passing the item through Venezuelan customs requires a customs-duty payment or exemption certificate and the payment of a minimum of \$58 in customs-brokerage fees. Entitlement to duty-free importation expires after six months and/or four shipments (regardless of size, content, or value) into Venezuela. Household goods, unaccompanied baggage, etc. are charged against the four shipments. This means that after the member has been here six months or has used his four import quotas, he must spend the remainder of his tour shopping on the economy, doing without things he needs or wants, getting someone with diplomatic privilege to make the imports for him or pay the high (up to 350-percent on some items) import duties. None of the foregoing are desirable.

(4) Local products. Quality control is lacking here and rotation of stock is usually ignored. Perishable foods are often allowed to sit on display until they literally rot in place. The odor of putrid meat and vegetables is nearly overwhelming even in some of the larger, highly advertized supermarkets, because meat and vegetable counters are almost never emptied and cleaned. There is little evidence that they are ever inspected by health authorities. Last summer, the Ministry of Health did fine a number of major milk distributors for selling contaminated and

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adulterated milk. The Minister of Health was quoted in a newspaper interview as saying that the milk was so diluted with water that its distribution should be controlled by INOS (the department that is responsible for water resources). In a dozen cans of insect spray purchased for the Military Group, three leaked so badly around the spray head that they had to be thrown away and two were empty of propellant. Mechanics advise one not to purchase nationally-made auto parts: Spark plugs, shock absorbers, batteries, tires, mufflers, etc. If a "national" part fails, the invariable answer from the repair shop is that you should not have bought it to begin with, because everyone knows that such parts are not dependable. To enforce a guarantee or get a refund in Venezuela is not common. It is often inordinately difficult to find a simple item that can be obtained in almost any supermarket in the United States. Recently, it took some three hours and visits to four different shops to obtain a small fluorescent bulb for a bathroom cabinet. Staple foods; e.g., fresh or powdered milk, eggs, corn meal, potatoes, tomatoes, onions, green peppers, chicken, pork chops, sugar, and coffee (all produced here) are constantly in short supply - usually because the dealers are trying to force prices up or there is some sort of strike in progress. (Incl 10)

e. Cost of living. According to a recent study published in the U.S. News and World Report, Caracas is the second most expensive major city in the Western Hemisphere, approximately 22-percent above New York City and 40-percent above Washington, D.C. Some average prices: Eggs, \$1.50/dozen; boiled ham, \$3.55/pound; insect spray, \$3.00/6-oz can; Pioneer SA-880 stereo-amplifier (\$240 from AAFES), \$970; General Electric upright, two-door freezer-refrigerator with ice and water dispenser (\$1,000 in Panama Area Exchange), \$4,675; 3-bedroom, 2 bath, unfurnished apartment in middle-class neighborhood, \$1,400-\$1,600/month for rent. The annual inflation rate for 1980 was 18.3-percent; however, food prices rose almost 28-percent. Note: Rate of exchange is Bs. 4.28 per \$1.00. (Incl 11)

f. Inequalities in tours and benefits. The American Embassy tour, with a 2-weeks Rest and Recuperation (R&R) leave to the Bahamas (transportation paid for member and dependents), is two years. The Marine Guard tour is 14 months, unaccompanied, and two years for the NCOIC, accompanied. Tour length for Department of Defense civilian employees was reduced to two years, without R&R, effective March 1980. All Department of Defense personnel are authorized two Environmental and Morale Leave (EML) per year, traveling on a space-available basis; however, the difficulty in getting seats in and out of Caracas, Panama, or Charleston AFB, S.C., on a space-available basis during desirable travel times makes this a hollow benefit. Curiously, other more attractive places to live and work, are only two-year accompanied tours for military and civilian employees. (Incl 12)

g. Personnel utilization and tour enhancement. In the light of other countries being two-year tours, it is inconsistent and fallacious to argue that a two-year tour in Venezuela would constitute improper utilization of manpower. If it is not improper personnel utilization for other persons assigned to Venezuela or for military and civilian personnel assigned to other countries, why is it improper for members of

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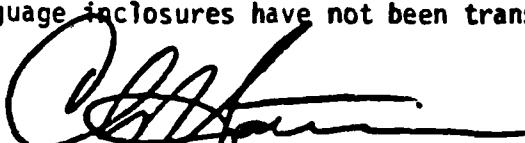
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this Military Group? The Department of Army/Joint Chiefs of Staff tour enhancement proposal (Incl 13) that goes back to mid-1976, not only had little or no application to Venezuela, but was allowed to die and was never revived, except for the mini-TV scheme (which has created a bigger administrative headache than it is worth, since the MILGP owns no central viewing location). The most career-enhancing, exciting, challenging assignment imaginable will not clear the air, lighten the traffic, quiet the noise, relieve the frustration, reduce the prices, clean the streets and parks, remove the threat to life and limb, or change the Venezuelan's attitude. The solution is to take the member out of the Venezuelan environment in two years. The improvement in morale will tend to make the member more satisfied and more productive, thereby compensating for any loss of utilization.

3. The U.S. Ambassador strongly supports a tour reduction for military personnel here, thereby making those tours equivalent to that of the remainder of the U.S. community.

4. Per your instructions, Spanish-language inclosures have not been translated.

13 Incl
as



CHARLES R. KOTTICH
Colonel, GS
Commanding