

US POLICY OPTIONS MITIGATING VENEZUELAN SPONSORED SECURITY CHALLENGES

BY

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USAWC STRATEGY RESEARCH PROJECT

**US POLICY OPTIONS MITIGATING VENEZUELAN SPONSORED SECURITY
CHALLENGES**

by

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ABSTRACT

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Chavez's Bolivarian foreign policy seeks to establish Venezuela as an international heavyweight through a strategy designed to thwart US influence in the global arena, particularly in the Western Hemisphere. Accordingly, Chavez is attempting to establish or renew relationships with China, Iran, and Russia and to expand oil markets and trade, to include nuclear technology. Venezuela has also entered into contentious relations with neighboring countries. These actions and policies may destabilize South and Central America. This SRP reviews Venezuelan policies that threaten regional stability and assess their potential. It analyzes Venezuelan linkages and strategies with regional and international players. Finally, it proposes US policy options for mitigating Venezuelan security challenges.

US POLICY OPTIONS MITIGATING VENEZUELAN SPONSORED SECURITY CHALLENGES

Venezuelan President Hugo Chavez's Bolivarian Revolution is steeped in anti-US posturing and foreign policy. Because both nations share significant national interests, this is paradoxical. The US imports 11-14% of its oil requirements from Venezuela, which sells 55% of its production exports to US markets¹. Chavez seeks to unify South American nations in an attempt to check regional US hegemony. Equally unsettling is Chavez's resistance to US efforts in counternarcotics, free trade, and support for democracy. Leaders in the Chavez administration perceive US opposition to the Bolivarian Revolution and thus resist US policy. Escalation in tension could destabilize the region and substantially increase Venezuelan power to threaten US interests. The recent change in US administrations provides a superb context for the US to modify its policy towards Venezuela. Improved relations would strengthen US influence in South America, promote regional democracies, and assure continued oil deliveries to US refineries. A policy of increased engagement can achieve these goals.

Demographics, Natural Resources and Historical Background

Located in northern South America, Venezuela shares common borders with Guyana to the east, Brazil to the south, and Colombia to the west. The Caribbean Sea is the northern boundary of Colombia². It occupies an area of 912,050 square miles and is roughly twice as large as California³.

Venezuela's population hovers at over 27 million with an annual growth rate of 1.6%⁴. Its population is expected to reach 35 million in 2025 and exceed 41 million by 2050⁵. Its population density is low with 25.5 people per square kilometer; the majority

of Venezuelans reside in urban concentrations, while 7 % live in rural areas⁶. Thirty percent of the population is under fifteen years of age. Those aged from 15-64 comprise almost 65% and those older than 65 consist of the remaining 5%. Life expectancy is 73.38 years and the infant mortality rate is 22.02 deaths per 1000 live births. Clearly Venezuela has a young population with a median age of 25.2 years⁷. This demographic is important because Chavez currently invests significantly in social programs. As time progresses, he will have to adjust his social programs to provide for an aging population covering the spectrum from health care to retirement benefits.

Venezuela possesses significant natural resources. Its oil preserves, the nation's primary commodity, are the sixth largest proven reserves in the world; extra heavy crude reserves are estimated at approximately 100-270 billion barrels. Venezuela has the second largest natural gas reserves in the Western Hemisphere - over 148 trillion cubic feet⁸. Its mineral wealth is also substantial: vast deposits of bauxite, coal, diamonds, gold, and iron ore⁹. Finally, the harnessing of many of its 1000 rivers provides Venezuela with more hydroelectric power than any other nation in South America¹⁰.

Oil dominates Venezuela's government-controlled economy¹¹. The state oil company runs its oil industry while other government agencies control energy, telecommunications and media sectors. In 2008, the government nationalized the cement and steel industries¹². Chavez believes nationalization can reduce costs for his social construction projects by lowering prices of specialized steel products. In 2005, oil sales comprised of 25% of the GDP, providing 90% of the total export earnings and over half of government profits¹³. Clearly, Venezuela's economy depends upon the price

of oil. For example, Venezuela had a GDP of US\$95.4 billion in 2002 compared to US\$126.2 billion in 2001, when oil was more expensive on world markets¹⁴. Since 2005, the economy substantially recovered, when oil windfalls produced annual growth in GDP. Agriculture accounts for around 5% of the GDP and 10% of employment. Venezuela imports most of its food from Colombia and the United States¹⁵. Fishing, mining, manufacturing, and energy also play noteworthy economic roles. Most significant is the mining industry since Venezuela is a major exporter of minerals. Finally, service industries accounted for 45% of the GDP and 64% of the labor in 2004¹⁶. During periods of economic prosperity, these resources enable Venezuela to generate considerable national wealth and yield significant power to the government.

Venezuelan government and politics has been tumultuous in the past 100 years. The nation achieved independence in 1811 from Spain under the leadership of the iconic Simon Bolivar.¹⁷ Until 1958, a series of Caudillos ("strong men"¹⁸), essentially military dictatorships, led the Government of Venezuela (GOV)¹⁹. Venezuela enjoyed a brief period of democracy from 1945 to 1948 under the democratically elected President Romulo Gallegos Freire. But in 1948, a coup led by General Marcos Perez Jimenez ousted President Freire. In 1958, a coalition of disenchanted political groups ousted President Jimenez to restore democracy, then Venezuelans elected President Romulo Betancourt²⁰. For the following 30 years, corruption and bureaucracy characterized the GOV. The Democratic Action Party (AD) and the Christian Democrats (COPEI) retained oil profits and deliberately refused to invest in improving conditions of the disenfranchised poor. By the 1990s, this eventually undermined the Betancourt regime and paved the way for Chavez's rise to power.

The US and Venezuela share economic and political interests. Economically they need each other's markets. Politically, they share the same hemisphere in which the US exerts considerable influence. The US has been a trading partner with Venezuela for well over 100 years. This relationship intensified in 1914 upon the discovery of oil in Venezuela. Subsequently, American oil companies, such as the Standard Oil Company and the Royal Dutch Shell Corporation, developed Venezuelan oil infrastructure. Venezuela then became the largest oil exporter in the hemisphere²¹. Currently, the US is the primary market for Venezuela's heavy crude. It receives 60% of Venezuela's exports, making Venezuela the fourth largest supplier to the US²². Additionally, Venezuelan oil possesses a heavy viscosity, and the US possesses the majority of the world's refineries that process heavy oil into gasoline and other fuels. Thus, the US is almost the only market for Venezuelan oil. Although Chavez hopes to open up new markets in China, currently China imports only 3.1% of Venezuela's oil and lacks the capacity to refine heavy Venezuelan oil²³. Total Venezuelan imports come from the US. Reciprocally, Venezuela exports 42.4% of its goods and commodities to US markets²⁴. So without a doubt the US and Venezuela are very active trading partners, bound by strong economic ties.

Chavez's Rise to Power

In the late 1950s, two political parties became the dominant governmental power brokers for Venezuela and essentially alternated administrations: The Democratic Action Party (*Accion, Democratica* - AD) and the Social Christian Party (*Comite de Organizacion Politica Electoral Independiente*-COPEI), eliminated all external political competition. Bilateral agreements between the two led to the establishment of the

state-operated oil industry. In order to stabilize oil prices and maximize profits, Venezuela co-founded the Organization of the Petroleum Exporting Countries (OPEC)²⁵.

Venezuelans tolerated government corruption until oil prices plummeted worldwide in 1988, forcing government reductions in social programs and “patronage programs”. These programs held Venezuelan society together.²⁶ Then the Venezuelan Current Account Deficit rose to 9.9% of the GDP, inflation reached 30 %, and the majority of Venezuelan citizens resided in poverty²⁷. Violent public riots provided the impetus for popular support of left-wing political groups.

Lieutenant Colonel Hugo Chavez formed the nationalistic political group *Movimiento Bolivariano Revolucionario (MBR 200)*, within the Venezuelan armed forces, planning to seize control of the government. In 1992, he attempted a coup that failed and he was imprisoned for two years. Upon his release, he pursued his political ambitions within the framework of Venezuela’s democratic system. In December 1998, the political parties Patriotic Pole (*Pole Patriotico*-PP), the Fifth Republic Movement (*Movimiento Quinta Republica*-MVR), Homeland for All (*Patria Para Todos*-PPT), and Movement Towards Socialism (*Movimiento al Socialismo*-MAS) combined to field Chavez as their candidate in the presidential election²⁸. Hugo Chavez won by a landslide from a platform that promised to eliminate corruption, change the constitution, and increase anti-poverty social programs²⁹. Chavez then created the National Constituent Assembly (ANC) to craft the new constitution. He felt the current governing document did not serve the people because it did not represent the interests of the poor. Venezuelans approved the ANC’s new constitution in December 1999. The 1999

Constitution authorized the president to serve for six years (original term was five years) with eligibility for reelection in a second consecutive term. In addition to the National Assembly, it established three branches to the federal government - the judicial, citizen, and electoral branches. The Supreme Tribunal of Justice was composed of 20 judges to head the judicial branch. The citizen's branch consists of the attorney general, an ombudsman, and the comptroller general. This prosecutorial branch brings violations of national laws before the Supreme Tribunal of Justice. The electoral branch organizes elections³⁰.

The new constitution expanded domestic social programs, raised the standard of living, and focused power within the presidency. It expanded rights of minorities, women, and indigenous peoples. It reduced civilian control of the Army and reversed the ban on soldiers' right to vote. The government then controlled the Army and used it for a variety of purposes, such as state security or as a labor force for social programs. Finally, the charter reduced the power of states and municipalities and required the state to guarantee social security benefits to workers³¹. Chavez subsequently directed re-elections for state and national officials. The election results put pro-Chavez officials into the majority of seats of government³².

In July 2000, the public reelected Chavez in elections held under the auspices of the new constitution. This mandate motivated him to expand social and community assistance programs. But the Venezuelan elite and middle classes regarded these programs as a threat to the status quo³³. Subsequently in April 2002, they revolted and demanded that Chavez abdicate. He did so at the request of military leadership. Pedro Carmona accepted a military invitation to serve as the interim president. He dissolved

the Supreme Court and closed the National Assembly, angering those who supported him. So Chavez was restored to power after only four days of arrest³⁴. The coup galvanized Chavez's anti-US sentiments because the Bush administration had immediately welcomed the new government of Venezuela. This confirmed Chavez's suspicion that the US had orchestrated the coup to remove him from power.

The economic situation continued to deteriorate. In December 2002, oil industry workers staged a walkout that threatened to cripple Venezuela's oil industry. Chavez responded by enlisting workers from Iran, China, and Libya to break the strike. Oil production resumed after two months. In August 2004, after continued unrest and pressure from the Organization of American States (OAS), Chavez won a recall referendum, capturing 59% of the vote³⁵. Despite accusations of intimidation, observers from the OAS and the Carter Center ruled that Chavez had won legitimately³⁶.

Notwithstanding his autocratic tendencies and significant civil dissatisfaction with his administration, Chavez has won between 56% and 63% of the popular vote in every election since 1998 (total of six, the last held in 2006)³⁷. Observers note that despite Chavez's proclamations of providing for his citizens, he clearly intends to monopolize decision-making authority. Chavez has marginalized his opponents and dismantled long-standing democratic institutions by weakening forums designed to achieve consensus via democratic checks and balances³⁸.

The Bolivarian Revolution

Chavez has disguised his 21st century socialism under the moniker of the Bolivarian Revolution. Named after Venezuela's founder, Simon Bolivar, the revolution has three dimensions. First, Chavez has greatly expanded domestic social programs

designed to improve the quality of life for Venezuelans. Second, he has fostered cozier relations with China, Russia, and Iran influencing Venezuela's neighbors to support his anti-Americanism. Finally, he has sought to strengthen South American economic power while improving Venezuela's economic posture. The Revolution is designed to enhance overall Venezuelan national power. It is also designed to check US influence, both hemispherically and globally.

His domestic program has enjoyed popular support. Chavez's social Plan Bolivar 2000 proposes ambitious programs to build or renovate schools, roads, nurseries, and housing for the poor. Chavez also initiated education and literacy outreach programs and subsidized food programs for the needy.³⁹ Of concern to the US are his cozy relations with Cuba. Chavez has imported 16,000 Cuban doctors to provide health care for Venezuelan poor⁴⁰.

The foreign relations dimension of the Bolivarian Revolution obviously concerns the US Government. Chavez seeks to unify Latin America as a means to negate US regional influence. Chavez seeks to do this diplomatically under the banner of anti-Americanism. He also seeks to destabilize the region by supporting guerrilla, criminal, or political factions seeking regime changes in governments that do not support him. His goal is to create a unified South America with Chavez as its de facto leader. Chavez claims his revolution will enhance the regional power of Venezuela, which in turn provides the underpinnings for a greater Latin American Regional Power Bloc (BRP) consisting of "economic and political integration"⁴¹. Linked to the BRP is the People's Bolivarian Congress (CBP), which is a "grassroots" entity "to fight common problems and at the same time build new thought and identity in Latin America, which will build a

Bolivarian doctrine of liberation and a great movement of emancipation for the Americas".⁴²

Chavez pursues violent and non-violent means to proliferate the BRP and CBP. He has established relationships with Colombia's Revolutionary Armed Forces of Colombia (FARC) and the *picateros* (literally picketers) who advocate revolutionary violence against the Argentinean government. The *picateros* successfully toppled President Fernando De La Rúa in 2001⁴³. Chavez supported the populist Peruvian presidential candidate Ollanta Humalla in his failed bid for power in 2006. Since then, Humalla has received \$600,000 monthly from Chavez to organize violence against Peru's President Alan García⁴⁴. Finally, Chavez allegedly maintains ties with Hezbollah and radical Islamic factions. For example, while there is no concrete evidence, Hezbollah Venezuela is allegedly a pro-Chavez group composed of Wayuu Indians who converted to Islam⁴⁵. Their agenda is uncertain; they may find Hezbollah practices useful for furthering their political objectives. While direct linkage between Chavez and Hezbollah is insinuated, it is not certain. However, Congressional testimony reveals that the US is concerned of such relationships⁴⁶.

Chavez continuously engages those countries supporting his Bolivarian Revolution, particularly Bolivia and Ecuador. Brazil defies Chavez's aspirations as it operates as a mature and responsible nation-state.

Chavez harbors a general distrust of the US. This anti-American sentiment is common in many Latin American countries which regard the US as a unilateral bully always trying to impose its will within the hemisphere. The US certainly committed a

diplomatic faux pas by quickly recognizing the new Venezuelan government during the 2002 coup attempt.

The primary goal of Chavez's anti-US policies is simple: He seeks to reduce US influence worldwide, particularly in the Western Hemisphere. As means to this end, Chavez has adopted several policies. First, he is engaging traditional US adversaries Russia, China, and Iran, and inviting them to increase their presence in the hemisphere. These nations provide military hardware to Venezuela as well as markets for Venezuelan exports, particularly oil.

He also is working to amalgamate Latin American states into an economic bloc to counter the US - sponsored Free Trade Area of the Americas (FTAA). This initiative has been solidified in his alliance *Alternativa Bolivarian par alas Americas* (The Bolivarian Alternative for Latin America and the Caribbean-ALBA). Finally, Chavez seeks to exclude the US from its alliances; he foiled a US attempt to create an integrated Latin American defense structure at a hemispheric defense venue in 2000.⁴⁷ Chavez has also suspended military-to-military relationships with the US.

There is a significant political-economic paradox in the relationship between Chavez and the US. Chavez's efforts to sever ties with the US violate his economic policies because Venezuela remains bound to US markets for its exports. 42.7% of Venezuelan exports, to include oil, go to US markets⁴⁸. 80% of Venezuelan export earnings come from oil profits⁴⁹. US refineries provide almost the only means to refine Venezuela's heavy crude. In the near term, Venezuela's economy, currently under duress, remains dependent upon the US to finance Chavez's political objectives.

Chavez seems to seek to reconcile this paradox by embracing three US adversaries: China, Russia, and Iran.

China, Russia, and Iran offer opportunities for Chavez to reduce his reliance on US markets and to deny perceived US hegemony. China is certainly a potential market, but currently only 3.1% of Venezuelan exports go to China.⁵⁰ There are two challenges to the possibility of China usurping the US as the primary marketplace for oil. First, China must develop the infrastructure needed to refine heavy crude in order to compete with US markets. Second, the long distances between China and Venezuela make such trade inefficient and expensive. Shipping oil to China will create lulls in oil production until tankers complete their delivery cycle. China is allocating \$1.3 billion to build 18 tankers to mitigate the current shipping shortfall.⁵¹ A Chinese presence in the hemisphere is the “perfect ideological, developmental counterbalance to the United States”⁵². China is interested in Venezuela primarily for its oil. While Chavez seeks an aggressive Chinese posture in the hemisphere, the Chinese prefer Chavez to soften his posturing regarding the US. China does not want to become embroiled in a Chavez-facilitated dispute with the US that would surely complicate US-Chinese relations.⁵³ Finally, US Army Southern Command categorizes Chinese military engagement in the hemisphere as minimal by US military standards.⁵⁴

Iran is a different issue. Venezuela began its relationship with Iran in 1974 when it co-founded OPEC. There are several disconcerting facts about the two nation’s current relations. Chavez has welcomed the spread of radical Islam within his own nation. As a result, Islam has taken root in other South American nations. Bolivia welcomed an Iranian-sponsored Islamic radio station into its country, where it serves as

a medium to broadcast radical Islamic fundamentalism in the region⁵⁵. Chavez is an ardent supporter of Iran's nuclear program. The two nations signed an agreement in March 2006 whereby Venezuela provides Iran with uranium⁵⁶. The Israeli Mossad confirmed details of this arrangement when its operatives located Venezuelan uranium in Iranian nuclear facilities.⁵⁷ US Southern Command has issued disturbing reports that Margarita Island off the north coast of Venezuela is a possible terrorist and criminal hub for Hamas and Hezbollah. Intelligence indicates that Venezuela liberally provides passports to individuals from "Iran, Syria, Pakistan, Egypt and Lebanon".⁵⁸ These facts signal a possible Iranian-Venezuelan terrorist launch pad from which to attack the US.⁵⁹

Venezuela's relations with Russia have two facets. First, Russia is providing a means for Venezuela to acquire modern weaponry. Second, the Russians gain another presence into the hemisphere from its Venezuelan host. Unlike China, the Russians openly desire to check US worldwide influence. Venezuela's shopping list from Russia contains arrangements for 100,000 AK-47 rifles, fourteen SU-30 jet fighters, 53 helicopters, and other military hardware – along with planned factories to manufacture AK-47 rifles. Total arms sales are \$5 Billion⁶⁰. Russia has recently completed both combined naval and air force maneuvers with the Venezuelan armed forces. US Congressional testimony explored why Venezuela required such quantities of military hardware when its armed forces are around 90,000 strong and it is adequately capable of defending its borders. Chavez has reported organizing a citizen's militia that would report directly to him⁶¹. Such a force could possibly be comparable to Adolf Hitler's SS in Nazi Germany or Saddam Hussein's Fedayeen or Republican Guards. Congress speculates that these weapons or the weapons they replace, could end up in the hands

of the FARC in Colombia.⁶² The inconsistency is noteworthy. On one hand, Chavez speaks of Latin America solidarity. On the other, he buys weapons which could clearly upset the regional balance of power. One possible conclusion is that Chavez plans to use these weapons for violent programs against regimes not aligned with the People's Bolivarian Congress (CBP) and Latin American Regional Power Bloc (BRP) programs.

The final component of the Bolivarian Revolution is ALBA⁶³, which is Chavez's counter to the US sponsored Free Trade Area of the Americas (FTAA). ALBA "pushes for solidarity with the economically weakest countries, with the aim of achieving a free trade area in which all of its members benefit"⁶⁴. The FTAA has not reached its full potential. Created in 1994 at the Summit of the Americas, 34 South American nations signed an agreement to remove trade barriers. However US protectionist tendencies and farm subsidies supported the perception of US duplicity regarding its free trade intentions throughout the hemisphere⁶⁵. Accordingly, Brazil, Argentina, Paraguay, Uruguay, and Venezuela refused to specify deadlines for continued FTAA negotiations, thereby neutering the agreement.⁶⁶

Despite the shortfalls of the FTAA, Chavez vilified it as a means favoring US hegemony. ALBA (Spanish for 'dawn') is a "publicity tool" designed to foster the political, social, and economic integration of Latin American nations. However, he previously discussed the symbiotic relationship of reciprocating trade ensures Venezuela and the US will not let political disputes "trump" the realities of the marketplace.⁶⁷

Past/Present US Policy Towards Venezuela and Security Concerns

Because of long standing intimate market place relationships as well as a close political relationship recognizing Venezuela's long-standing status as a democracy, the

US has historically enjoyed close relations with Venezuela. Observers see the coup attempt of 2002 as significantly fomenting recent hostile relations because Chavez remains convinced the Bush Administration instigated the coup.

Broadly speaking, past administrations formulated US policy towards Venezuela within the broad contexts of national security, support of democracies, and economic prosperity. Currently, the US is seeking to maintain US exports and to protect its investment in the petroleum infrastructure. US strategy calls for uninterrupted oil imports, preservation of Venezuelan democracy, and assistance in counterterrorism/counternarcotics activities.⁶⁸ As we have noted, trade relations remain strong despite Chavez's anti-US rhetoric. During the recall referendums of 2004, Secretary of State Colin Powell reiterated US support for democratic solutions to Venezuela's political problems "in accordance with the Venezuelan constitution". He also advocated oversight of the referendum by the OAS and Carter Center.⁶⁹

Chavez discontinued military-to-military relationships with the US in 2001, stifling a key engagement vehicle to develop the military dimension of regional security. So the US has lost these venues that promoted interoperability and provided an example of the proper military role in a democratic society. In May 2006, the State Department declared Venezuela was "not cooperating fully" with US counterterrorism and counternarcotics efforts. By law, this designation prohibits the sale of military hardware to Venezuela, further alienating the two nation's armed forces.⁷⁰

US policy today avoids personalizing tensions between the nations by trading insults with Chavez. The policy focuses on cooperation and positively pursuing mutual

interests to the benefit of both nations. Despite the recent positive stance of the Bush Administration, Chavez poses real problems for the US.

The possibility of a perfect storm created by the confluence of related and unrelated events is real. South and Central America are beset with “haves” and “have nots”. This inequality, coupled with the people’s perceptions that their governments are inattentive to their needs, is a recipe for civil unrest. Governmental legitimacy is essential for a viable international system. Illegitimate or dysfunctional governments often spawn narcotics trafficking, guerrilla movements, and anti-government elements as the “have-nots” attempt to better their quality of life by whatever means available. Illegitimacy also either motivates the disenfranchised to persuade government to attend to their needs or is the impetus to replace government.

Chavez is clearly attempting to galvanize South America into a collective anti-US confederation, with him assuming a leadership role. Nations supporting Chavez (Cuba, Nicaragua, and Bolivia) are not inclined to endorse US influence within the region. Chavez has links to anti-government or guerrilla forces in Argentina, Peru, and Colombia – all planning to overthrow the current governments. The linkage of covert subterfuge and overt ALBA, BRP, and CBP initiatives with narcotics trafficking, possible sponsorship of terrorism, and importation of Radical Islam, amounts to a quagmire of challenges to US security interests.

The State Department ranks Venezuela as only one tier below designation as a state sponsor of terrorism. Congressman Edward R. Royce, Chairman of the House Subcommittee on International Terrorism, testified that Venezuela is on the razors edge between not fully cooperating and being a state sponsor of terrorism. He bases this

judgment on intelligence that Venezuelan weapons and munitions have ended up with the FARC in Colombia.⁷¹

The US Department of Homeland Security is apprehending increasing numbers of third-country nationals (TCN) with fraudulent Venezuelan passports and travel papers. There is a valid security concern that Venezuela is facilitating international movement of terrorists (specifically, al Qaeda, Hamas, and Hezbollah) by means of state-sponsored fraudulent documentation that obscures national origin, essential information in combating terrorism.⁷²

Chavez seeks to employ asymmetrical warfare against neighboring states and to defend against his perceived eventual attack by the US. He realizes his military cannot deter a US attack, which accounts for the \$5billion in arms purchases from Russia. He admires Spanish politician and academic Jorge Verstrynge, who is a theoretical advocate of asymmetrical warfare. Verstrynge, a political science professor at the Complutense University in Madrid (*Universidad Complutense de Madrid-UCM*), wrote *Peripheral Warfare and Revolutionary Islam*. He contends that revolutionary Islam and US religious extremism are “moral equivalents”⁷³. He advocates that the Islamists launch a protracted war of the people waged in-depth using terrorist techniques, ala Islamic terrorism. He calls this “the most effective warfare method as it involves fighters willing to sacrifice their lives to kill the enemy”.⁷⁴ Venezuelan Army Chief of Staff Raul Baduel directed distribution of Verstrynge’s book to his formations⁷⁵.

Max Manwaring posits that Chavez is clearly waging asymmetrical warfare within South America via subversion and insurgency in order to align neighboring countries with his government. He believes that Chavez “will not even attempt to defeat

enemies on their own terms....and will turn to nontraditional forms of assault on a nation's stability and integrity.⁷⁶

Finally, Chavez's gradual elimination of democracy by concentrating decision-making authority upon himself, sows the seeds of dictatorship. This agenda, of course, is not congruent with the US national interest of supporting democracies. His referenda seek to gradually lengthen presidential terms of office and eliminate the power of government institutions. Fortunately, the referendums of 2007 failed: They would have granted Chavez special constitutional powers to rule by decree over a "broad range of society" while making him eligible for indefinite presidential re-election.⁷⁷ Defeat of this ominous referendum demonstrates that the Venezuelan people are politically aware of their government and can work within the framework of their constitution to effect, or block, changes eroding their democracy.

Analysis

What are the impacts of the Bolivarian Revolution? What does the future hold for Venezuela and South America? Answers to these critical questions can be found within the context of regional stability; economic health; relations with China, Iran, Russia, and Cuba; and the regional balance of power on the continent.

Chavez is capable of destabilizing much of Latin America. He intends to align regional governments with his Bolivarian Revolution via formal economic means or by asymmetrical "super insurgency".⁷⁸ Manwaring believes destabilization would have the political aim of replacing established governance with a system or regime aligned with the Bolivarian ideology.⁷⁹ The means are simple: Provide funding and weapons to groups sympathetic to Chavez. This is consistent with asymmetrical warfare, which

avoids frontal confrontations of state-on-state war and leaves the hard work to proxy elements. Chavez is currently applying this technique against the governments of Peru, Colombia, and Argentina. Manwaring warns that the US must acknowledge Chavez's strategic ends and act accordingly- or risk the dissolution of hemispheric democracy, free market economies, and the "prosperity" they engender.⁸⁰ The formation of a coherent anti-US bloc would probably facilitate increased narcotics trafficking and serve as a terrorist conduit into the US through porous borders.

But Venezuela depends economically upon the US. So Chavez is wisely included an economic component to his Bolivarian Revolution. ALBA, is designed to create economic solidarity among underdeveloped countries in the western hemisphere and to make them competitive with developed nations. ALBA also seeks to create new markets not only among Latin American nations but also with China, Russia, Iran, Cuba, Vietnam, North Korea, etc. If the Bolivarian Revolution comes to fruition, Chavez will eventually sever ties with US markets simply because they are the Achilles heel for his strategic political aims. Oil revenues, mostly from the US, drive the Venezuelan economy.

Profits generated from other secure markets will determine the extent that Chavez is able to wean Venezuela off US oil dollars. History clearly reveals that Venezuela's economy waxes and wanes with the price of oil in the global marketplace. It is unlikely Chavez will be able to fully replace US and European markets. So it is likely Chavez will continue publicly vilifying the US while privately ensuring Venezuela's economic relationships with the US remain strong. The US will endure the anti-US rhetoric so long as oil deliveries arrive and US exports Venezuela continue.

Petrodiplomacy, or “oil diplomacy”, is a soft power tool used to solidify the global market. Javier Corrales calls this “social power”. He is referring to wealthy nations that fund social programs under the guise of improving social programs for the poor, but with the intent of gaining allies and generating a positive world image.⁸¹ This tool is often successful and may be used with great effect, because it is difficult to criticize a country perceived as doing good.

Corrales states that social power removes grounds for criticism and the “scrutiny from other nations.” He claims that it is “impossible to launch any type of multilateral initiatives to contain this social regime”.⁸² In 2006, Venezuela spent \$2.1 billion abroad on aid programs made possible from robust oil revenues. In 2007, Chavez spent \$17 billion on “social investments” or subsidies for development projects in Cuba, Bolivia, and Argentina.⁸³ Chavez has made social power his primary means of foreign policy; it has been well received and yielded new friends on the international stage. It has won Chavez allies who refuse to criticize his regime. But in reality petrodiplomacy is a “publicity stunt meant to camouflage serious domestic abuses and dubious international pretensions”.⁸⁴ Chavez’s social programs will obviously dissipate when oil prices fall and Chavez can fund only key domestic programs and services. Until this occurs, it is wise for the US to either praise his apparent magnanimity or to remain silent regarding perceived motives of petrodiplomacy.

The crisis of governance among South American nations lies among weak states that fail to provide the fruits of democratic government to their people. Gabriel Marcella writes of a dualism pervading countries with formal state “haves” and informal state “have-nots”, who are poor and often indigenous. Being poor and indigenous are not

necessarily synonymous; however, these two characteristics often coincide among the “have-nots”. The marginalized “have-nots” make up 40% of the population in Venezuela, Ecuador, Colombia, Bolivia, and Peru. Half of these peoples survive in extreme poverty⁸⁵. Indigenous peoples compose over 50% of the population in Ecuador, Bolivia, and Peru. Notably, these countries have higher percentages of “have-nots” than other South American countries.⁸⁶ These countries must integrate their “have-nots” into the formal state for legitimacy and ultimately for survival of the regime.⁸⁷ Failure to do so risks the possibility of the disenfranchised gravitating towards Chavez-sponsored socialism.

Venezuela enjoys close relations with Bolivia and Ecuador. It is attempting to destabilize Colombia, Argentina, and Peru by means of asymmetrical warfare. Chavez’s 21st Century Socialist Revolution is appealing to the informal “have-nots”, who see his brand of socialism as a vehicle to a better life. The majority of currently sitting Latin American governments disapprove of Chavez’s initiatives but they do not want to be forced into siding with either the US or Chavez. They feel pressured by several actors: the US, the disenchanted “have-nots,” and Chavez to act politically and economically in the best interests of the hemisphere, or even the, continent.

Militarily, Latin American nations focus externally. Since the 1990s, Latin American militaries have adopted offensive capabilities to project power beyond their borders. Interestingly, Chavez has reoriented his military to focus inward on state security. The armed forces, along with police, and “Bolivarian Circles” (a grassroots organization protecting the principles of the Bolivarian Revolution at the community level) safeguard the power and assure the survival of the Chavez administration. This

changed recently when Chavez purchased Russian weapons with significant offensive capability. Subsequently, Venezuela and Russia conducted combined air and sea maneuvers designed to increase interoperability between the nations. These joint exercises sent a signal to Washington that Venezuela, with the help of its new friends, is willing to challenge US power in the region.

It is doubtful that Chavez will destabilize the region via direct military action because Latin American countries have a “low tolerance” for war. Also, the Venezuelan military is perceived as politicized and incapable of sustained offensive action.⁸⁸ Undoubtedly, the purchase of Russian AK-47s and the capacity to manufacture more, if they are used asymmetrically in guerrilla operations, will destabilize the region. These efforts can succeed only if they enjoy the popular support of the disenfranchised. The result could be nations with pro-Chavez governments aligned to counter US influence in the region.

The regime’s future lies in the sentiments and hands of Marcella’s informal “have-nots”. If they buy into Chavez’s brand of socialism and collectively organize, they quite possibly could force their governments to align with Chavez. Or they could violently change the regime and install a pro-Chavez puppet. This is a potent recipe for regional destabilization. US policy could play a critical role in this regional drama. The US has strong allies among Brazil, Argentina, Paraguay, Columbia, and El Salvador. In Latin America, the US military is not the ideal element of national power to engage local governments. Regional stability depends greatly on the judicious implementation of diplomatic, economic, and informational elements of power in accord with policies that

strengthen democratic states and include the disenfranchised as economically valuable and politically relevant members of their nations.

Significant Developments During The Last Two Years

Chavez won re-election in 2006. Under provisions of the current constitution, he will remain in office until 2013. In the meantime, popular support for Chavez has eroded. In his testimony to the House Committee on Foreign Affairs, Javier Corrales cited six critical errors in Chavez's domestic policy.

- Hindering private sector investment in both the oil and non-oil sectors, thereby depressing oil productivity and job generation
- Fomenting labor conflicts between "*Chavista*" (pro-Chavez) labor unions and private firms, triggering work stoppages
- Irresponsible fiscal policies that fueled high inflation
- Price controls which, coupled with inflation, created scarcities of consumer goods and commodities
- Cessation of social programs that no longer alleviated policy, but invited corruption
- Poor management of service programs for trash collection, crime prevention, housing shortages, and social welfare infrastructure⁸⁹

These shortfalls have led to an approval rating 20 points lower (around 41%) than those Chavez enjoyed in 2006.⁹⁰

Chavez changed the constitution to erode the separation of powers and traditional checks and balances of the Venezuelan government, giving himself a virtual monopoly of power. Until the November 2008 gubernatorial elections, Chavez enjoyed

“pro-Chavez” governors in 20 of 23 states.⁹¹ However, since then, Chavez has lost three states, yet retains party control in 17 of 23 states.⁹²

In 2007, the popular vote narrowly defeated his referendum for constitutional change by margins of 51% to 49%. Analysts feel the referendum would have “deepened executive control of the political system, concentrating power to an extraordinary degree”.⁹³ Specifically, the referendum authorized indefinite reelection of the president with terms increased from six to seven years; it lowered the voting age from eighteen to sixteen; it expanded social security benefits; it cut the working day from eight to six hours.⁹⁴ It appears doubtful that Chavez can successfully repeat another constitutional referendum strengthening his power.⁹⁵ However, he currently is pushing another referendum that removes presidential term limits by February 2009.⁹⁶ Although he enjoys an approval rating hovering around 55% and 60%, the same polls show the public opposes removal of term limits.⁹⁷

Chavez faces an economic dilemma. This 2009 budget projects public spending at \$78 billion. But his budgetary solvency requires oil to sell at \$60 a barrel. Also that budget requires production of 3.4 million barrels per day, but current output is around 2.4 million.⁹⁸ This vulnerability exposes weaknesses in an economy in which oil generated 92% of “export revenues in the first nine months of 2008”.⁹⁹ If oil prices do not rebound, Chavez will mostly likely cut social programs, which are the hallmarks of his Revolution.

US Policy Alternatives

The US could adopt three potential options for future relations with Venezuela: Use restraint, patience, and persistence, to pursue the current policy. Adopt as new

policy to increase engagement with Venezuela. Finally adopt a new policy to isolate Venezuela.

The current policy could be pursued with restraint, patience and persistence (RP2). It rests upon ongoing trade and refusal to exchange barbs with Chavez. Assistant Secretary of State for Western Affairs Tom Shannon has recently declared, “we remain committed to a positive relationship with the people of Venezuela and have the patience and the persistence necessary to manage our challenging relationship”.¹⁰⁰

Maintaining the RP2 policy is understandable, perhaps viewed favorably among other nations. But it is not in the best interests of the US, Venezuela, or other American states. This option is feasible from the perspective of vision and value because it seeks to continue a positive relationship with the Venezuelan people indefinitely while awaiting the collapse of the Chavez administration. It suggests that the US Government is committed to promoting Venezuelan democracy yet does not support the autocratic pursuits of Chavez. It is also feasible to implement, since it is standing policy, so it requires no adjustments to programs or resources. Confidence levels for success are high: the US will ultimately outlast Chavez. However, the US must assure the Venezuelan people it does not seek to destabilize an administration they have democratically elected.

RP2’s acceptability resonates, as it is the status quo. It does not signal a major change in relationships. As long as there is no disruption in oil deliveries to US refineries along the Gulf Coast, the status quo suffices. Once oil deliveries are threatened, there will be a demand for a new policy. RP2’s suitability is questionable because of concerns regarding the effectiveness of the counterterrorism and

counternarcotics cooperation by the Chavez administration. Some US officials believe the Chavez administration is not cooperating or is hindering these efforts. The ideal policy option would bring Chavez “into the fold” and assure his support for US counterterrorism and counternarcotics programs.

The risks of RP2 are numerous. If the status quo fails to deter Chavez’s goals, there could be serious implications for US interests. First, there is the possibility of regional destabilization created by a powerful Venezuela disrupting the regional balance of power. Such an event could spawn an arms race among Venezuela’s neighbors. An increased presence of China, Russia, or Iran in the Western Hemisphere could ensue. This poses a direct threat to US interests in the hemisphere. If Chavez opens up new markets for Venezuelan oil, the US risks losing oil imports from its fourth largest supplier. If Iran is exporting terrorism to the Western Hemisphere, Venezuela offers increased terrorist access through porous US borders.¹⁰¹ The same applies for narcotics. Chavez can play a significant role in controlling the flow of narcotics north through the Isthmus of Panama and Central America towards the US. Finally, increasingly hostile relations between the two countries could exacerbate Chavez’s anxieties regarding a US military invasion. Greater hostility could also lead to further revisions of the constitution concentrating power with the President. What the US does not desire is an autocracy, or worse, a dictatorship in Venezuela.

Chavez may react indifferently to RP2 because it is not a significant change in US policy. The status quo enables him to continue his Bolivarian Revolution and anti-American foreign policies and continue to portray the US as an evil hegemonic bully.

Thus a US status quo invites a Venezuelan status quo, which is most convenient for Chavez as he doesn't have to publically modify his philosophies and policies.

Increased engagement is the second policy option. An engagement policy seeks a cooperative relationship with Venezuela that achieve interests vital to both nations. Its hallmark would be communication. The central themes would be to reassure Venezuela that the US is not contemplating the assassination of Chavez. This assurance encourages the respect to the Venezuelan people because it affirms US approval of their democratic process, to include their choice of President. Ideally, this message would soften the perception of Venezuelans that the US is a bullying nation whose dominant behavior on the international arena is unilateral. Finally, engagement would include reestablishment of economic programs and military relationships.

The recent change in US administrations makes engagement highly feasible. A new administration provides a logical juncture to usher in a new era of cooperation. President Obama has stated that the US will operate from a multilateral platform in the international system. This sends a clear message to hemispheric countries that the US will abandon from unilateral methods. This validates visions and values that promote security, economic growth, and democratic processes. Implementation will require increased resources and commitments across the spectrum of national power because there will be heightened activity between the US and Venezuela, as well as other Latin American nations. The confidence levels of both nations would be high as engagement builds on rekindled relationships established long ago.

Acceptability and suitability are as alluring as feasibility. Healthy relations with Venezuela are desirable for US businesses, particularly energy companies with their

large investments in Venezuela. Economic growth would benefit the entire hemisphere. Engagement supports our interests as the prevailing nation in the Western Hemisphere. It is doubtful that an engaged Chavez Administration will as aggressively court our competitors such as China, Russia, and Iran. He also will probably abandon foreign policies designed to block or diminish US influence in the region. Finally, the suitability of engagement improves our counter-terrorism and illegal drug programs.

Engagement is a low-risk policy option. Reaching out and entering into dialogue with the Chavez administration may alter the perception of a future US-led regime change. Much of Chavez's posturing seeks to increase his power and to generate solidarity among South American states to resist US influence. As these efforts subside, there is a substantial reduction in risk for conflict and an increase in the possibility for economic growth. Engagement promotes regional harmony and guarantees US influence.

It is difficult to predict Chavez's reaction to a policy of engagement. Ideally, he would embrace the new policy and herald it as a new era of friendship and co-prosperity of the two nations. It is doubtful that such change in attitude would occur because Chavez has been vehemently anti-American. At the other end of the spectrum, Chavez could use an engagement policy as a propaganda tool touting the successes of his Bolivarian Revolution, petrodiplomacy, and his relations with Russia, China, and Iran. Chavez may sell these "successes" as mechanisms to force the US to adjust its policies. He would proclaim that Venezuela has become a formidable world player, which the US needs. The middling possibility is that Chavez would temper his public anti-US rhetoric and opening up improved backchannel diplomatic relations. Finally,

Chavez may publically continue his anti-US rhetoric, but privately open up improved diplomatic relations. Whatever the case, Chavez would shrewdly devise his response and not damage economic relations with the US.

The final policy option is to isolate Venezuela. This policy attempts to sequester Venezuela, particularly Chavez, from the rest of the world. It would be applied at both the global and regional levels. Regional leaders would be encouraged to cease or minimize relations with Chavez. At the global level, the US would mount diplomatic efforts to influence China and Russia - and as much as possible, Iran - to curb relations with Chavez. A “carrot and stick” approach would be necessary to offer economic or other incentives to curtail trade relations with Venezuela. Regime change is not the end state of this policy. The US is a signatory of the 2001 Lima Treaty that defends and promotes democracies in the Western Hemisphere. Since Venezuela is a democracy with a popularly elected president, the US must endure the Chavez’s bellicosity and behave in accordance with the treaty.

This option’s feasibility is limited. The overt act of isolating Venezuela affirms the US image as an international bully. This most likely would concern other hemispheric governments who may worry that the US could adopt similar policies towards their governments. This region is historically “suspicious of American power...with skepticism of US foreign policy”.¹⁰² Isolation could backfire if Chavez successfully opens markets in China and Russia, thus affording an increased presence of these nations in South America. This could stymie US influence. It could also provide Chavez with badly needed international legitimacy as he faces US pressure.

Isolation is not acceptable on the world stage, especially in this era of diminished US moral authority. The world looks to the US to provide leadership. Advocating or creating exclusion and inequality in the international system are negative, divisive policy options. International opinion towards the US would worsen. US public opinion (as well as international public opinion) could perceive such a policy as harmful towards the Venezuelan people, the majority of whom already live in poverty. Such responses would possibly fuel hemispheric or even global anti-American sentiment, thereby fostering terrorism and proliferation of narcotics trafficking to capture the rich US market for illegal drugs.

Suitability is equally as problematic: A policy of isolation would cost considerable US diplomatic capital in the international arena. World opinion would not support isolation and enhance the perception of US imperialism. Low marks in feasibility, acceptability, and suitability confirm that isolation is a risky policy. The possible costs in increased regional destabilization would hinder our counterterrorism and anti-drug efforts. Isolation, like status quo, fosters the suspicions of regime change and US regional hegemony. Our interest of spreading democracy would appear duplicitous or insincere to the international community. The US needs regain its status as a world leader working to create a better world order, rather than a nation selfishly pursuing its own interests.

Chavez would probably welcome isolation because it best suits his propaganda needs in portraying the US as an international villain. He could easily plead Venezuela's case in international forums with some degree of success. If he could successfully galvanize international sympathies, he may be able to open up markets for his heavy oil

and other exports, eventually weaning Venezuela off US markets. Then Chavez would have no reason to temper his policies that maintain economic relations with the US.

Recommendation

The policy of increased engagement best serves the interests of the US, the region, and the world. Engagement fully meets the criteria of feasibility, acceptability, and suitability while presenting the least risk. Both Venezuela and the US would benefit from increased economic growth through their energy and other commercial markets. Engagement enhances regional stability and security through renewal of military and diplomatic relations. This improves US counterterrorism and anti-drug programs. The Venezuelan people will benefit from the increased prosperity generated by engagement. Finally, engagement solidifies US regional influence by keeping our competitors' hemispheric presence to a manageable level.

Chavez would cunningly develop his response to engagement to retain or increase his power and to reap maximum benefits for Venezuela. He may embrace engagement as a new era of friendship and co-prosperity, while touting the successes of his Bolivarian Revolution. He may portray Venezuelan resolve as successfully weakening the US so the US had to seek friendship as a peer nation. It is probable he would improve backchannel diplomatic relations and cooperate on issues in ways favorable to both nations while remaining publicly critical of the US. After all, critical components to the Bolivarian Revolution are anti-US policies and rhetoric. The strength of the Chavez government resides in a healthy Venezuelan economy that continues to fund social programs. This is where the people see legitimacy in their government. These programs are significant to Chavez' power base. Chavez may respond

encouragingly to engagement, because he does not want to risk loss of US markets unless he has a viable substitute.

Conclusion

President Hugo Chavez has used Venezuela's oil-powered economy to drive his Bolivarian Revolution. The revolution seeks to strengthen Venezuela via prolific social programs, to unify Latin America, and to counterbalance US influence not only in the hemisphere, but also worldwide. Chavez embraced US adversaries - specifically Russia, China, and Iran - while continuing his anti-US rhetoric and policies. The glue bonding the components of Chavez's Bolivarian Revolution is oil revenue. The recent drop in oil prices from \$147 to \$40 per barrel threatens Venezuelan domestic stability. Chavez launched his pursuit of power twenty years ago, during a similar reduction in oil prices. If current cheap oil forces Chavez to curtail social spending, his popular support will inevitably dwindle. So too will Venezuela's stability. The US should engage Venezuela in the international arena despite Chavez' anti-US bellicosity and policies. Engagement will ultimately foster regional economic stability and security. Venezuela and the US share a rich history of friendly relations that should continue despite Chavez' posturing. He will ultimately lose power. Engagement bridges the differences of the two nations and ultimately strengthens the Western Hemisphere.

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