

## VENEZUELA: A threat to the region and United States interests – Risk Analysis

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### Venezuela: Deep political turmoil – Effects on regional security and US interests:

The Venezuelan political landscape has been in turmoil since February 1989, shortly after Carlos Andres Perez became President, for the second time, following a landslide vote. Since then, the country's politics have moved towards the far left and then, back towards the center-left. For further details, please see Appendix 1 - Background: Venezuela's political situation.

Today, under the autocratic rule of President Hugo Chavez and the constant guidance of Fidel Castro, Venezuela is fast becoming a country where a minority (<30%) is imposing upon a majority (>70%), a social and economic system fashioned along the lines of Cuba's. Chavez calls this his "Bolivarian Revolution".

- Chavez has no clearly defined ideology other than power for the sake of power.
- Although he has done away with the checks and balances of democracy and personally concentrated almost unlimited power, he is careful to maintain an appearance of democracy and institutionalism.
- His role models and closest allies are Fidel Castro, Muammar Gaddafi, Abdelaziz Boutefilka, Robert Mugabe, Mohammad Khatami and Saddam Hussein, whom he calls his "Brothers".
- He is sympathetic to their regimes and maintains close ties with international drug trafficking and guerrilla terrorist organizations; he publicly equated the United States invasion of Afghanistan to the September 11, 2001 terrorist attacks which took place in the US. Rather than condemning terrorism, he promotes it.
- He is the only western head of state that traveled to Iraq after the first Gulf War and has also traveled to Libya and Iran.

### An International Anti-US front – Chavez spreads his / Cuba's Revolution:

Chavez makes frequent trips to Cuba and also, to other countries in the sub-continent, where he invariably meets with groups belonging to the far left, radical labor unions, coca growers and indigenous groups, all of which represent a threat to the social, economic and political stability of those countries. His objective is to bring them together under the umbrella of his "Bolivarian Revolution", establishing in these countries a political, social and economic system fashioned along the lines of Cuba's, and uniting them in an anti-US front. All this is occurring in the US's back yard, and affects the security, strategic and economic interests of the United States:

- **Security threats to the United States and the Region – this situation....:**
  - Poses a significant threat to regional security and political stability.
  - Increases the flow of illegal weapons to the region and consequently, the levels of political and social violence.
  - Increases the potential for terrorist activities against United States corporations and citizens in the region.
  - Increases the potential for the flow of larger amounts of illegal drugs to the United States.
  - Increases the potential for drug-related crimes in the United States.
  - Increases the potential for drug-related money laundering activities through the United States' financial system.
  - Increases the threat of terrorist violence against the United States homeland.
- **Strategic implications - Petroleum:**
  - Venezuela's role as a reliable supplier of strategically vital petroleum crude and refined products to the United States will be compromised as Venezuelan state-owned Petroleos de Venezuela - PDVSA's production capacity continues to decline as a result of Chavez' virtual destruction of the company, much along the lines of what happened in Iran after the fall of the Shah.
- **Economic implications:**
  - Venezuela's current situation compromises the possibility of any meaningful economic integration between the United States and an impoverished rest of the continent, which would disappear as a market for US products as the purchasing power of its inhabitants is further reduced from present levels.

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### **Venezuelan society today:**

Venezuelan society is deeply polarized with more than 70% of the population opposing the Chavez regime. Government and opposition have agreed to hold a Presidential Recall Referendum, which is contemplated in the Constitution, as the way out of the present crisis. For further details, please see Appendices below.

### **The United States sees the threat for what it is:**

For many months, General James Hill, Commander of the United States' Southern Command, and his predecessor, have been making public statements about the presence of Arab militant terrorist groups in Venezuela, their training camps, money-laundering activities and their ties to certain government officials and to narco-trafficking guerrilla terrorist organizations in neighboring Colombia. It is believed that Washington started paying attention to these warnings when it was getting ready to invade Iraq; what was happening in Venezuela could affect the way General Tommy Franks, Commander of the United States' Central Command would have to fight his war against Saddam Hussein. It has been widely reported that members of Spain's Basque separatist and terrorist organization ETA move about freely in Venezuela. Also, that three members of Ireland's IRA entered Colombia through Venezuela with the help of government officials; they are presently standing trial in Colombia, accused of training Colombian guerrillas in the use of explosives and other terrorist activities. Colombia's terrorist guerrilla and drug trafficking organizations FARC-EP and ELN have training and camps in Venezuela, launch terrorist attacks against Colombia from Venezuela, and retreat to safety in Venezuela, where they have Rest & Relaxation facilities. Also they are active in the very lucrative activities of kidnap-for-ransom and extortion of "protection" money from ranchers in the border areas; according to the Colombian government there are 46 Venezuelans, mostly farmers, ranchers and businessmen, presently being held captive by Colombian guerrilla organizations (unofficial figures place the actual number at 76). More recently, they have been recruiting and training Venezuelans, and helping them organize rural guerrilla movements in Venezuela (Fuerzas Bolivarianas de Liberacion – FBL), who operate in Venezuela, along the border with Colombia. The Venezuelan military have been instructed to turn a blind eye towards these activities and have only been known to engage in combat the right-wing paramilitary Autodefensas Unidas de Colombia AUC, who are the arch-enemies of Chavez' allies FARC-EP and ELN.

### **Positive Developments:**

In what can only be described as a very positive development, the Administration of President George W. Bush has realized that the Venezuelan situation can snowball out of control into a regional problem and how it can have a negative impact on United States' interests. Washington (White House, Department of State, National Security Agency, Department of Defense, and Pentagon) is reading off the same page and speaking with a single voice. Very recently, over a period of three consecutive days, General Richard B. Myers, Chairman of the Joint Chiefs of Staff, while on a visit to neighboring Colombia, made a clear reference to Venezuela's role as a safe haven for terrorists and compared it to Syria's role in relation to the war in Iraq. Secretary of State Colin Powell and Special Advisor to President Bush on Latin America, Ambassador Otto Juan Reich made clear statements in relation to the Presidential Recall Referendum as "the" solution to Venezuela's current political crisis. US Embassy in Caracas' very able and professional Deputy Chief of Mission Stephen McFarland addressed the issue of the referendum and stated that the views expressed by General Myers, Secretary Powell and Ambassador Reich were not their personal views, but rather, the official position of the United States government. A few days later, Secretary of Defense Donald Rumsfeld drove the point home with his visit to Colombia. More recently, State Department spokesman Richard Boucher and National Security Agency spokesman Sean McCormack expressed support for the Referendum and on September 8, 2003, one day after Chavez warned the United States not to meddle in Venezuela's internal affairs and complained about Ambassador Charles Shapiro's visit to the Electoral Board for the purpose of offering technical assistance if requested by the Electoral Board, Assistant Secretary of State for Western Hemisphere Affairs, Roger F. Noriega said the following: "And we are working with our neighbors to help the people of Haiti, Venezuela, and Cuba claim and exercise

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fully their political liberties...We also continue to work with our neighbors to help Venezuelans find a constitutional, democratic, peaceful, and electoral solution to their crisis. The referendum is a very important tool, and Venezuelans have the task of making it work....The United States refuses to meddle in Venezuela's internal affairs, but we are not disinterested spectators. Any actions that undermine democratic order or that threaten the security and well being of the region are of legitimate concern to all of Venezuela's neighbors."

### **Unstable situation, polarized society, destruction of institutions, absence of governance, threat of violence:**

In its most recent rating assessment (July 30, 2003) Standard & Poor's said the following about Venezuela: "Despite improved oil production and economic growth prospects, serious political and economic challenges remain. The country remains politically polarized and there is a significant threat of increased social unrest that could undermine the fragile economic recovery. Furthermore, capital and price controls place significant constraints on the private sector."

Further compounding this situation, Venezuela's private and public governance are severely compromised. In a recent research paper dated June 23, 2003 called "Public Sector Governance's Impact on Sovereign Creditworthiness", Standard & Poor's said the following: "Venezuela, under the administration of Hugo Chavez, is an example of a country whose weakening standards of governance increased its political risk and, in turn, impaired creditworthiness. With the passage of a new constitution in December 1999, President Chavez concentrated decision-making in the executive branch. Checks and balances between branches of government and autonomous agencies were eviscerated--especially with the national oil company Petroleos de Venezuela S.A., which until then had been a model of good corporate management of a public enterprise. The population's ability to express its views through public institutions was reduced. The result was an estrangement of a majority of the population, debilitating general strikes, urban violence, and a sharp economic contraction despite very positive terms of trade."

### **Chavez' rise, decline and radicalization:**

Chavez was a lieutenant colonel who attempted to overthrow democratically-elected Carlos Andres Perez in 1992. He led two bloody military insurrections which left hundreds of dead and wounded. He was briefly jailed and set free when charges against him and his co-conspirators were dropped by President Rafael Caldera, in exchange for their resignation from the military.

He ran for office and was democratically elected President in December 1998, after a highly populist and socially divisive campaign. President Chavez initially enjoyed as much as 91% support. He and his followers blamed Venezuela's ills on past administrations who were labeled as corrupt, elitist, exploitative, insensitive to the needs of the poor, had sold out to local and foreign private interests and had to be replaced by a progressive, revolutionary government. At first, they proclaimed that this would be achieved through peaceful means.

However, his popularity has eroded to less than 30% as social and economic conditions have deteriorated, his campaign promises have not materialized, corruption has become endemic and political institutions, the military and the economy have been virtually destroyed.

Venezuelan society has become deeply polarized. These opposing forces came to a head in April 2002, when Chavez was briefly ousted from power and in December 2002 – February 2003, when a two-month strike had a devastating effect on the economy (losses are estimated at US\$ 10 billion), further compounding its mismanagement by the Chavez administration.

Since then, Chavez has become more autocratic and openly sympathetic to Cuba's communist model. Now he proclaims that his "Bolivarian Revolution" must be defended with weapons and bloodshed if necessary; he promotes terrorism and violence.

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Ironically, cynically, Chavez, the coupster, calls himself a democrat and describes the opposition as being a gang of undemocratic, fascist, corrupt, elitist, racist, violent, terrorists, saboteurs, assassins, conspirators and coupsters, who wish to bring down his government by undemocratic, violent means. He blames the opposition for all the social and economic problems that have been exacerbated during his administration. Quite the opposite is true.

**Venezuelans want a peaceful, democratic, constitutional and electoral solution to the crisis, pursuant to OAS Permanent Council Resolution CP/RES. 833 (1349/02) dated December 16, 2002 and in accordance to President James Carter's stipulation that it be "without tricks":**

Despite their differences (>70% against Chavez vs. <30% in favor of Chavez), more than 85% of Venezuelans want Venezuela's political crisis to be resolved through peaceful, democratic, constitutional and electoral means. They also want the reconciliation of society and political stability going forward. However, Chavez tries to hang on to power (and the money that goes along with it) by all means.

After very lengthy and acrimonious negotiations under the auspices of the OAS, the UNDP, the Carter Center and the Group of Nation Friends of Venezuela (Brazil, Chile, Mexico, Portugal, Spain and the United States), some progress has been made: government (reluctantly) and opposition, succeeded in reaching and documenting a formal agreement (May 29, 2003) for the purpose of holding in 2003, a Presidential Recall Referendum to be followed by presidential elections if Chavez is voted out of office, as provided for in the Venezuelan Constitution.

On August 25 2003, after the National Assembly failed to reach an agreement, the Supreme Court ("TSJ") appointed a new Electoral Board ("CNE") that will be charged with organizing and carrying out the Presidential Recall Referendum and subsequent presidential elections. Its first tasks should be to: (i) verify the more than 3 million signatures petitioning for the referendum which were delivered by the opposition to the previous Electoral Board on August 20, 2003, (ii) decide on their validity and (iii) convene the referendum.

### **The Presidential Recall Referendum – Chavez' worst nightmare:**

Given the erosion of Chavez' popularity, it is certain that he would lose a referendum where he doesn't face any other candidate but himself in a yea or nay vote on his performance. He will therefore try to derail it by all means and will use every trick in the book, fair and foul to do so.

However, it is still too early to tell whether the Presidential Recall Referendum and subsequent presidential elections will be held in 2003, as hoped for by the opposition, or whether Chavez will succeed in delaying the referendum past August 19, 2004, at which time it becomes an exercise in futility, given that a Chavez-appointed Vice-President would no longer have to call for Presidential elections and would serve as President during the remainder of the presidential term (which ends January 10, 2007).

### **Delaying tactics, legal challenges and other tricks, including terrorism:**

Some of the delaying tactics that Chavez is using or is expected to use are in violation of the May 29, 2003 Agreement and President James Carter's stipulation that the Recall Referendum be carried out in accordance with the Constitution and "without tricks".

For further details please see Appendix 2 - Delaying tactics, legal challenges and other tricks, including terrorism.

### **The challenges that lie ahead:**

Simply voting Chavez out of office is not the solution to Venezuela's situation, although it is a necessary prerequisite. Significant challenges lie ahead. The next governments must do away with the political practices of the past, which benefited those in power and neglected the people; solutions must be implemented in order to address the problems affecting the vast majority of the

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population: Future governments must improve sanitation, reduce poverty, unemployment and inflation, reactivate the economy, attract foreign investment, balance the fiscal accounts, eradicate corruption and last, but not least, rebuild all the institutions that Chavez has systematically destroyed. Democratic checks and balances must be reestablished with special emphasis on a fair, credible, reliable and honest legal system that provides for stable and predictable rules for society and business, and the imposition of the rule of law.

To this end, the opposition must set aside individual, self-serving agendas and come up with a clear plan, based on a broad-based political consensus and backed up with the unwavering resolve to move forward and improve Venezuela's social and economic conditions, without repeating the mistakes of the past; a plan, which results in economic prosperity, better living conditions, and regional security. Much progress has been made in this regard, but the task is far from complete and time is of the essence. If this is not achieved, Venezuelans will once again be inclined to place their bets on a demagogue who will promise them the impossible.

### **Risk Analysis:**

Presently, the country is facing a deep crisis which includes political, social, economic and military risks, all intertwined, but mainly dependent on political issues and their solutions:

- Assuming Chavez is voted out of office, an opposition candidate wins the elections for the purpose of completing his term and Chavez goes underground. He activates the FBL and other Chavez-sponsored guerrilla / terrorist movements, joins forces with Colombia's narco-guerrilla, terrorist organizations and engulfs Venezuela in urban and rural guerrilla activity. The government would be forced to confront and defeat these guerrilla movements militarily as it did in the 1960's. Given the deterioration that military institutions have experienced under Chavez, this will be an especially challenging task. (Very High).
- Assuming Chavez is voted out of office, an opposition candidate wins the elections for the purpose of completing his term. Institutions are not rebuilt with emphasis on a credible, honest, predictable judiciary and legal system, impunity prevails and corruption and crimes against humanity remain unpunished; the new President fails to turn the economy around and improve social conditions. Chavez runs for President in 2006 and is elected (Very High).
- Breakdown of the agreements between opposition and government (High).
- Government attempts to delay / avoid the Presidential Recall Referendum through foul play, causing social violence (High).
- Increase in the levels of political / social violence (initiated by the government) in order to create conditions for the establishment of a State of Exception (martial law) and thus cancel all electoral processes (High).
- Social violence as the economy deteriorates further and the population becomes impatient with the government (Medium).
- Armed confrontation between Chavez supporters and an unarmed civilian population (Medium).
- Armed confrontation among the military if Chavez is perceived as having stepped outside of the Constitution (Medium).
- Armed confrontation between the military and the parallel militia that is being created by Chavez (Medium).
- Assuming that Chavez is voted out of office in the referendum, the opposition does not unite around a single candidate and a Chavez-supported candidate is elected as President for the remainder of Chavez' term. Chavez finishes taking full control of all branches of government, runs for President and is reelected in 2006 (rigged elections). Venezuela becomes progressively poorer under a Cuban-style model – see below (Medium).
- Chavez manages to remain in office until 2006; he finishes taking full control of all branches of government and is reelected (rigged elections). Venezuela becomes progressively poorer under a Cuban-style model – see below (Medium).

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- Cuban model: Local economic agents are asphyxiated; Chavez opens up the economy (oil, gas, tourism, mining, steel, aluminum) to foreign investors who do not meddle in local politics (Medium).

If Chavez prevails, he will perpetuate himself in power, like Fidel Castro; he will become a real threat to the security of the region, the United States and to its strategic and economic interests.

## **APPENDIX 1 - Background: Venezuela's political situation:**

### **Carlos Andres Perez:**

- When he became president for the second time, in February 1989, Carlos Andres Perez recognized the need to move away from populism and state interventionism, and turn towards modernization and free markets; thus, he broke with Venezuela's traditional populist practices and campaign's promises. Without consulting his party (Accion Democratica), he immediately started implementing an economically sound, IMF-sponsored, free-market oriented package of economic reforms that contemplated privatizations, breaking down the state's control on all aspects of the economy, reducing import duties in order to force local companies to compete internationally and actually reversed the negative trends in the economy. However, he failed to secure the political support that was needed in order to ensure the long-term success of these economic reforms.
- On February 27, 1989, two weeks after his inauguration, the announcement of an increase in gasoline prices as part of this package triggered riots and caused his own party to turn against him.
- Some old-guard members of his party felt ideologically betrayed and that the reforms would do away with the opportunities for personal gain which existed in the government-owned corporations and in controlling every aspect of economic activity.
- On February 4, 1992, Marxist-in-hiding Lieutenant Colonel Hugo Chavez Frias led an unsuccessful bloody coup and tried to overthrow Carlos Andres Perez. Chavez charged Perez' government with acts of corruption and failing to solve the problems of the poor.
- Opposition leader (COPEI) and former President Rafael Caldera, who viscerally hated Carlos Andres Perez, defended the coupsters actions as being morally justified.
- In the days immediately following these events, polls indicated a support level of 65% for Chavez and his actions (Venezuelans, who were accustomed to a paternalistic state rejected free-market reforms that would dismantle the traditional model).
- On November 27, 1992 a second, equally bloody coup, tied to Chavez' followers in the military, tried unsuccessfully to overthrow Carlos Andres Perez' government.
- Despite the successful performance of the economy, some old-guard members of the two major political parties, Accion Democratica and COPEI joined forces for the purpose of having President Carlos Andres Perez impeached on corruption charges.
- In late 1993, shortly before his term was to end, Carlos Andres Perez was removed from office by Congress when the Supreme Court decided that there were sufficient grounds for impeachment proceedings. He was subsequently convicted in a trial that would not stand serious legal scrutiny.
- Ramon J. Velasquez became Interim President and concluded Carlos Andres Perez' term.
- Rafael Caldera then nearly 80 years old, failed to secure COPEI's presidential nomination and ran for President with the backing of a coalition of Venezuela's extreme left. He viciously attacked his former party and accused it of being corrupt and insensitive to the people's needs.
- Using a platform of populism (no more privatizations, elimination of the Value Added Tax - VAT, support for Chavez and his allegations that the Venezuelan political system was corrupt) and attacking the traditional political parties, Rafael Caldera became President in February 1994.
- Shortly before becoming President, Rafael Caldera convinced Ramon J. Velasquez to intervene Banco Latino in retaliation to that bank's support of COPEI Presidential candidate Oswaldo Alvarez Paz.
- This intervention had a domino effect on the entire banking system in 1994. The ensuing bailout made matters worse and was riddled with corruption, as was Caldera's administration in general.
- Rafael Caldera then dropped all charges against the military conspirators and set them free in exchange for their resignation from the military. In so doing, he made it possible for them to become eligible for political office. Had he convicted them and pardoned them subsequently, they would have been ineligible to run for office.

## **APPENDIX 1 - Background: Venezuela's political situation:**

### **The Stage is set:**

- By now the stage was set: traditional political parties were discredited, accused of being corrupt and self-serving and in need of being destroyed / renewed. Chavez and his co-conspirators stood ready to take advantage of this political opportunity.

### **Enter Chavez - Democratic Legitimacy – Gained through Elections:**

- Presidential Candidate Chavez was first elected in December 1998 by a significant majority (56%) of the population, because:
  - He promised to change inefficiencies, mismanagement and corruption which had plagued past governments and contributed to exacerbate the great divide which existed between the haves and have-nots.
  - He spoke to the poor, more effectively than any other candidate, in a way that made them feel that their needs were going to be addressed.
  - He embodied the messianic figure that Venezuelans have always looked for; the miracle-maker who would single-handedly and magically, provide them with an instantaneous solution to their plight.
  - He campaigned vigorously and effectively on a platform of populism and social divisiveness and hatred.
  - Once he became President, true to his word, he broke with the tradition that would have governments cool down their pre-electoral rhetoric in order to get on with the business of governing the country.
  - Instead, he embarked on implementing his radical views with zeal, ineptitude and corruption, the likes of which Venezuela has never experienced before.
- He won such overwhelming popular support that he:
  - Rewrote the Constitution in 1999 which extended the Presidential period from five to six years and allowed for one immediate re-election.
  - Used a series of referenda, elections and other democratic mechanisms to overhaul all branches of government, effectively eliminate the checks and balances that normally exist in democratic societies and, personally concentrate almost unlimited political power.
  - Was ratified as President for six years in elections which were held in mid 2000 and initiated his new term on August 19, 2000 (his current term ends January 10, 2007, eight years after he was first elected; if re-elected he remains in power through January 10, 2013 – a total of fourteen years).
  - Practically made himself immune from prosecution.
  - Obtained from the National Assembly “Enabling Legislation” (fast-track) authority that would allow him to decree a wide range of laws.
  - Gave the military the right to vote.
  - Politicized the armed forces, publicly and repeatedly encouraged officers to speak their minds.....until their voices were no longer singing the praises of President Chavez and his “Revolution”, at which point he initiated disciplinary and administrative proceedings against them; proceedings which are blatantly unconstitutional and illegal.

### **Democratic Legitimacy – Lost over time:**

- From the very day Hugo Chavez took his oath of office, he started violating the Constitution and other laws and defied court decisions.
- Nonetheless, he has made significant efforts to maintain certain democratic appearances in order to ingratiate himself with the international community.
- Today, his government is clearly autocratic, violates human rights, persecutes the media, the church and the opposition, and has lost all democratic legitimacy.
- His government has ties to international terrorist, guerrilla, drug dealing and money laundering organizations and is actively engaged in the exercise of state-sponsored terrorism and violence.



## **APPENDIX 1 - Background: Venezuela's political situation:**

- A large number of Cuban political activists, sports trainers, military officers, experts in security, medical personnel and educators have been infiltrated in many governmental institutions for the purpose of establishing a Cuban-style social, political and economic system in Venezuela.
- Many of these are training Venezuelans in subversive activities and promoting rural guerrilla organizations (Fuerzas Bolivarianas de Liberacion – FBL) that work hand in hand with those of neighboring Colombia (FARC-EP, ELN) and local urban guerrilla movements (Tupamaros, Carapaicas, Guerreros de La Vega and some of the Circulos Bolivarianos).

### **The Destruction of Venezuela and its institutions:**

In order to carry out his plan and inspiring himself in Karl Marx's Communist Manifesto (written in 1847), Chavez has systematically attempted to destroy all existing institutions, with varying levels of success, and rebuilding them according to his designs:

- Chavez was successful in taking over the legislative branch, the judiciary, the offices of the Comptroller General, the Attorney General, the Ombudsman and most political and societal checks and balances.
- Chavez has tried unsuccessfully to destroy and take over organized labor and education.
- Chavez has systematically destroyed the military, he has:
  - Changed its objectives away from national defense and created a military structure that resembled a parallel government, which took over the functions of governors and mayors at the regional levels and was charged with carrying out social programs.
  - Diverted public funds towards this parallel governmental structure and in so doing created immense opportunities for corruption which benefited the Chavez loyalists who were put in charge.
  - Destroyed its value system and shifted its loyalties away from the Constitution to his "Revolutionary Project".
  - Consistently reduced its budget.
  - Compromised its operational capabilities and infiltrated it with Cubans.
  - Promoted the creation of a parallel militia made of up "Reservists", who include among their ranks, members of the Cuban military and of Colombia's FARC-EP and ELN narco-terrorist guerrilla movements.
- Chavez has systematically destroyed Venezuela's economy. During the nearly five years he has been in office:
  - GDP has decreased 28% (mostly during the past 12 months)
  - More than 60% of all commercial and industrial enterprises have gone bankrupt.
  - Unemployment has more than doubled from 11% to 23%, underemployment (informal economy) is at 52%, only 25% of the workforce is formally employed, split 50/50 between government and private sector. Most salaries are at the minimum wage level and 70% of the population lives below the poverty line.
  - The currency has been devalued to date by more than 183% (if we use the current official rate) or 387% (if we use the current black market rate)
  - Foreign exchange controls have been imposed, despite the increase in international reserves.
  - These FX controls have been used as a political weapon in order to strangle the private sector that is sympathetic to the opposition.
  - The government has imposed price controls for many products at levels which are below their local production costs.
  - The government is importing food and selling it through state-sponsored enterprises, below their cost, in competition with the private sector in order to force privately-owned companies to incur losses and close down their operations.
- Previously a world-class petroleum corporation with an estimated market value of US\$ 250 billion, state-owned Petroleos de Venezuela - PDVSA has been pretty much destroyed:

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- 18,000 employees (nearly 50% of its work force and almost all of its top and middle-management, and senior technical personnel) were fired after taking part in a two month general strike (December 2, 2002 – February 2, 2003).
- Today, PDVSA has no market value.
- Its policy of meritocracy has been replaced by political cronyism and infighting.
- Its accounting, financial and internal control systems have been dismantled.
- Its production capacity has declined considerably and continues to do so.
- Capital expenditures have been slashed.
- A significant portion of its operations are being handed over to foreign private sector companies (who do not meddle in local politics and who are principally focused on their bottom line and maximizing their shareholder value, as they should).
- This turn of events is in complete contradiction with Chavez' declared nationalism and his campaign charges that PDVSA was being privatized.
- Health care has collapsed as public hospitals have been denied the funds they need in order to operate. Diseases (malaria, yellow-fever, pulmonary tuberculosis, measles) which had been eradicated many years ago are reappearing and reaching endemic proportions.
- Public accountability and transparency have practically disappeared and corruption has reached unprecedented levels. Reliable sources indicate that he and his associates have diverted several billion dollars of public funds to offshore accounts.

### **Coupsters – the real story:**

- Contrary to his claims, on April 11, 2002, his government was not the victim of a fascist military coup.
  - Whatever coup took place was perpetrated by a handful of civilians who hijacked the power void that resulted from Chavez' resignation.
  - The same military, who demanded his resignation when loyal sharpshooters and government officials killed 19 people during a peaceful demonstration, put Chavez back in power, with the reluctant support of the vast majority of the population, when it became evident that this handful of civilians, had attempted to do away with democracy.
  - To this day, Chavez and his followers have impeded the creation of a truth commission that would be charged with investigating these deaths and establishing criminal responsibilities accordingly.
- Since April 11, 2002, he has unleashed an international Goebbelian propaganda blitz that unfairly and inaccurately portrays the opposition as a gang of undemocratic, fascist, corrupt, elitist, racist, violent, terrorists, saboteurs, assassins, conspirators and coupsters, who wish to bring down his government by undemocratic, violent means.
- The only people who can rightfully be accused of being coupsters are Chavez and his fellow officers, who in 1992 betrayed their military oath and carried out two bloody coups which left hundreds of dead and wounded.
- Chavez has consistently used inflammatory rhetoric in order to promote social division and hatred within Venezuelan society:
  - Ever since he first started campaigning for the Presidency he openly encourages social violence.
  - He constantly reminds the population that his revolution has tanks, guns and other weapons to defend itself.

### **The Myth of Racism:**

- Chavez' claims that the opposition is racist are completely false. In fact, a preponderance of his government's highest ranking officials are white and a significant number of opposition, labor and business leaders and high ranking military officers are black or of mixed race (black, white and native Indian); as is 97% of Venezuela's population.

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- Chavez' claims about racism are in open contradiction with the true nature of Venezuelan society. The Venezuelan business community is color-blind and race-indifferent. Institutions such as the military and the much maligned PDVSA have always provided opportunity for people of humble origins to rise through their ranks. Were it not for this social mobility, Chavez himself would have never been admitted into the Military Academy, become a lieutenant colonel nor become President of Venezuela.

### **Impunity:**

- Presently it is virtually impossible to make Chavez answer for his crimes:
  - The Attorney General, is the only person who can initiate legal proceedings to prosecute the President
  - The Attorney General, a former Vice President and current party leader is unconditionally loyal to him.
  - The Attorney General is presently sitting on 75 lawsuits that have been brought against President Chavez, on charges which range from crimes against humanity for his responsibility in relation to the April 11, 2002 killing of 19 peaceful demonstrators, to misuse of the Macroeconomic Stabilization Investment Fund ("FIEM"), the illegal acceptance of campaign contributions from BBVA and BSCH, embezzlement, illegal use of public funds and properties to further the aims of his political project, other corruption charges, constant violations of the Constitution, Public Credit laws, the Military Code of Justice, etc, etc, etc.).

### **To the Rescue of Democracy:**

- The opposition is trying to rescue true democratic values for Venezuela and has been actively trying to reach a peaceful, democratic, constitutional and electoral solution to Venezuela's deep political and economic crisis.
- In this regard some progress has been made as government (reluctantly) and opposition, under the auspices of the OAS, the UNDP, the Carter Center and the Group of Nation Friends of Venezuela (Brazil, Chile, Mexico, Portugal, Spain and the United States) succeeded in reaching and documenting a formal agreement (May 29, 2003) for the purpose of holding in 2003, a Presidential Recall Referendum to be followed by presidential elections if Chavez is voted out of office, as provided for in the Venezuelan Constitution.
- On August 25 2003, after the National Assembly failed to reach an agreement, the Supreme Court appointed a new Electoral Board that will be charged with organizing and carrying out the Presidential Recall Referendum and subsequent presidential elections.

### **Chavez fights back:**

- Because his popularity has eroded from 91%, shortly after first becoming President, to a present level of less than 30% Chavez is doing everything he can in order to avoid any electoral process that would certainly vote him out of office.
  - Part of this strategy rests upon delaying tactics through legal maneuverings.
  - Another of his anti-electoral strategy rests upon the promotion of state-sponsored terrorism and violence.
- It is still too early to tell whether the Presidential Recall Referendum and subsequent presidential elections will be before August 19, 2004, at which time it becomes an exercise in futility.
- If Chavez remains in power through the end of his term, he will likely attempt to perpetuate himself as President for many years to come and spread his "Bolivarian Revolution" to the rest of the continent. Although the Constitution would only allow him to remain in power, if reelected, for one more six year term (through January 10, 2013), on numerous occasions, he has publicly stated that he intends to remain in power through 2021 and more recently, 2030 and beyond.

### APPENDIX 3 - Delaying tactics, legal challenges and other tricks, including terrorism

- **Legal maneuverings and other tricks:**
  - Taking 180 days (pursuant to the Electoral Law) to reorganize the recently appointed Electoral Board before considering issues having to do with the Presidential Recall Referendum.
  - Discrediting the Supreme Court and the Electoral Board (already in process).
  - Attempting to discourage, confuse and divide the opposition regarding the Presidential Recall Referendum (already in process).
  - Challenging the validity of the signatures of those who petitioned the referendum and charging that they are fraudulent (already in process).
  - Demanding that all the signatures be examined for validity as opposed to taking a statistically representative sample (already in process).
  - Failing to purge the electoral registry of voters of deceased persons and issuing false National Identity Cards in the names of the deceased, so that pro-Chavez sympathizers can vote in his favor (already in process).
  - Failing to include new voters in the electoral registry (both in Venezuela and at the Venezuelan Consulates abroad) in order to make it impossible for them to vote (already in process).
  - Challenging the validity of the signatures of those who petitioned the referendum and charging that they were gathered extemporaneously (already in process).
  - Challenging the validity of the petition on grounds that it does not contain the date on which President Chavez started his mandate (already in process).
  - Challenging the validity of the petition on grounds that the petitioners state therein that they are convening the Referendum, instead of petitioning the Electoral Board to convene the Referendum (already in process).
  - Challenging the validity of the petition on grounds that the referendum question is defective and ruling that it should be rewritten and its terms inverted. This would create confusion among voters: voting “Yes” would no longer be interpreted as voting for the ouster of Chavez; instead, it would be interpreted as favoring that he remain in office (already in process).
  - Initiating a criminal investigation against the NGO “Sumate” who organized the drives for the collection of signatures petitioning for the February 2, 2003 Consultative Referendum (which was aborted by the Supreme Court in late January 2003) and the recently petitioned Presidential Recall Referendum. This would make it difficult for Sumate to participate in any future signature-gathering drives (already in process).
  - Denying the opposition’s right to “request” a Recall referendum, pursuant to an extreme interpretation of Article 72 of the Constitution, if the current request is ruled to be invalid (proposed by government’s private legal counsel).
  - Challenging the electoral registry (already in process).
  - Challenging the base of eligible voters (already in process).
  - Claiming that only those who voted in the July 2000 presidential elections can vote in the Presidential Recall Referendum (announced by Chavez).
  - Withholding the delivery of National Identity Cards to Venezuelans who need them in order to vote and who have been identified by the government as opposition members because they signed the petitions for Presidential referenda (already in process).
  - Illegally granting citizenship and issuing Venezuelan National Identity Cards to large numbers of Cubans, Chinese and Arab citizens in exchange for pro-Chavez votes (already in process).
  - Including these Cubans, Chinese and Arabs in the electoral registry (already in process).
  - Intimidating government employees, government contractors and suppliers and their employees, their family members, friends and related parties, under threat of dismissal / contract rescission in order to discourage them from signing a new petition for a Presidential Recall Referendum in the event that the Electoral Board rules that the current petition is not valid (already in process).

### **APPENDIX 3 - Delaying tactics, legal challenges and other tricks, including terrorism**

- Intimidating the members of the Electoral Board and coercing them into making decisions which are favorable to the government (although the Electoral Board is already perceived as being skewed in favor of the government).
- Intimidating the members of the Supreme Court and coercing them into making decisions on electoral matters which are favorable to the government: On August 28, 2003 the Supreme Court published a decision which determined that Chavez could not run for elections immediately following a Recall Referendum that voted him out of office. However, on September 1, 2003, the Supreme Court recanted its position and issued two statements claiming that the decision which was published was a forgery that did not coincide with the genuine decision. However, the “genuine” decision has not yet been published.
- Clogging the electoral system: there are presently 74 petitions for minor referenda which predate the petition for the Presidential Recall Referendum – however, only 3 of those fulfill all legal requirements (already in process).
- Attempting to delay the Presidential Recall Referendum until after July 2004, when elections for Governors, Mayors and members of the National Assembly are scheduled to take place, thus confusing the electoral scene (already in process).
- Attempting to delay the Presidential Recall Referendum until after August 19, 2004, at which point it becomes meaningless as described above (already in process).
- Promoting a Constitutional Amendment – subject to referendum – that would cut short the current Presidential term and lead to early Presidential elections, with Chavez as a candidate, together with elections at all levels, thus creating confusion and further divisions among the opposition.
- Having the National Assembly approve, without the constitutionally required majority, laws which would overhaul the Judicial System, and add more pro-government justices to the Supreme Court in order to ensure that all legal actions that are brought before the court are resolved in favor of the government (already in process).
- Having the National Assembly approve, without the constitutionally required majority, a gag law that would affect the freedom of expression and freedom of the press in order to muzzle the opposition prior to the Presidential Recall Referendum or elections (already in process).
- Having the National Assembly approve, an Anti-Terrorist law that would be aimed at shutting down the opposition (already in process).
- As most voting centers are located in state-run schools, having the Ministry of Education and the military shut down voting centers on the day of the Presidential Recall Referendum for “safety reasons” (supposed gas leaks, etc.).
- Tampering with electoral results, mainly in remote voting stations.
- Initiating legal investigations leading to trials of opposition members, in order to render them ineligible to run for public office (already in process).
- **The promotion of state-sponsored terrorism and violence, using organized groups of government supporters in order to:**
  - Storm the premises of the Electoral Board and destroy / burn the signatures which are in possession of the Board (there was a fire at the premises of the Electoral Board on September 8, 2003, while Chavez supporters gathered in the surrounding areas)
  - Intimidate the voters and keep them away from the voting centers.
  - Create the conditions under which a state of exception would be imposed (martial law) and all electoral events suspended.
  - Create a civil / military confrontation that would result in his removal from office through a coup, thus allowing him to claim that he was a victim of an unconstitutional conspiracy and that he remains the legitimate President of Venezuela.