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BEFORE  
THE COMMITTEE ON FOREIGN RELATIONS  
SUBCOMMITTEE ON THE WESTERN HEMISPHERE, PEACE CORPS  
AND NARCOTICS AFFAIRS  
UNITED STATES SENATE

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Good afternoon. Mr. Chairman, members of the Committee, allow me first to express the Administration's appreciation for your on-going interest in, and support for, U.S. policy toward Venezuela.

I appear before you today at a critical moment for Venezuela. For years one of Latin America's most stable democracies, Venezuela today is at a crossroads. Deepening polarization over the past three years has placed enormous strains on the country's democratic institutions. Amid these challenges, the Venezuelan people have shown an unshakable commitment to the defense of their constitutional rights and to pursuing a "constitutional, democratic, peaceful and electoral solution" to the current impasse, as called

for in Organization of American States (OAS) Permanent Council  
Resolution 833.

OAS Resolution 833, adopted in December 2002, serves as the anchor of multilateral efforts, in which the United States has played a prominent role, to strengthen Venezuelan democracy and bring a peaceful end to the political conflict. The Administration's policy has been and remains to work with our international partners -- led by the OAS, the Friends of the OAS Secretary General's Mission for Venezuela (comprised of Brazil, Chile, Mexico, Spain, Portugal and the United States) and the Carter Center -- to support Venezuelans' efforts to achieve a peaceful, democratic, constitutional and electoral solution to their political problems. Moreover, we seek a return to the cordial bilateral relationship we have always had with Venezuela.

My colleague, Ambassador John Maisto, will address in greater detail the important role the Organization of American States (OAS) has played, and will continue to play, in facilitating a resolution of the political impasse in Venezuela, as well as the vital role the OAS is playing in promoting democracy throughout the Hemisphere. I would like to offer an update on the current challenges facing Venezuela, and outline our efforts to help

Venezuela and its people strengthen democracy and bring a peaceful end to the political conflict.

Mr. Chairman, after overcoming a number of formidable hurdles, which Ambassador Maisto will very shortly review with you, the Venezuelan people succeeded in advancing an electoral solution that is consistent with Venezuela's constitution and the May 29, 2003 OAS-facilitated agreement between the Government of Venezuela and the democratic opposition. The National Electoral Council (CNE) has scheduled a recall referendum on President Chavez' continued mandate for August 15. This announcement is an important step toward realizing the goals of OAS Res. 833 and a testament to the desire on the part of a majority of Venezuelans to resolve their differences peacefully.

Throughout this process, the Venezuelan people have demonstrated a commendable civic spirit worthy of their rich democratic traditions. Encouragingly, the Venezuelan people have rejected President Chavez' attempts to cast the U.S. as his adversary. As during the recall petition drives and the recent "*reparos*" process, international observation, led by the OAS and Carter Center, will be indispensable to ensuring a credible, fair and transparent recall election. We are working with our international partners to support the efforts of the OAS and Carter Center to increase participation

in the observer missions and to draw international attention to the referendum. Additionally, through the United States Agency for International Development (USAID), we are providing support for programs to strengthen democratic institutions, respect for civil society and to reduce polarization.

Venezuelans today face a difficult economic environment. Continued social and political unrest combined with economic mismanagement have taken a toll on the country's economy. Living standards have fallen sharply, with real per capita income dropping 25 percent between 1998 and 2003. This has occurred despite high international prices for Venezuela's principal export, oil. The plunge in real income has led to an increase in poverty. The proportion of Venezuelans living in extreme poverty surged from 21 percent in 1998 to 33 percent in 2002, exacerbating the plight of Venezuela's most vulnerable.

At the same time, high inflation has steadily eroded purchasing power, while price controls have resulted in shortages and lower quality products. The imposition of strict controls on foreign exchange, beginning in February 2003, has damaged the country's productive base. Erosion of public confidence in the Government's management of the economy has caused the *bolivar* to drop in value from 564 *bolivars* per U.S. dollar at the end of 1998

to approximately 3,000 per dollar on the parallel exchange market today. Falling investment – foreign direct investment fell by almost 65 percent between 1998 and 2003 – and continued Government attempts to politicize institutions, including the Central Bank, have undermined prospects for future economic growth.

Endemic corruption is also a factor undermining Venezuela's economic performance. Venezuela today ranks among the worst offenders in the world on the problem of corruption according to Transparency International's annual rankings (On a scale of 1 to 10, with 10 being "highly clean" and 0 being "highly corrupt," Venezuela received a score of 2.4 in 2003). Corruption not only affects investor confidence. It also breeds financial mismanagement and undermines public trust in institutions. President Chavez was originally elected in 1998 on an anti-corruption platform. Yet under his administration, the problem appears to be worsening.

The world's fifth largest oil producer, oil accounts for about 80 percent of Venezuela's export earnings, 40 percent of government revenues and 25 percent or more of the country's GDP. Venezuela has traditionally been a reliable energy partner, and we value our energy relationship. Despite the strains in our relationship, we maintain a vigorous, candid dialogue on

energy issues with the Government of Venezuela. Still, the political turmoil has undermined Venezuela's reputation as a reliable energy supplier. These concerns about the political conflict's impact on supplier reliability underscore the need to reach a peaceful, democratic resolution to the current impasse.

The economy is obviously only one of many aspects of life in Venezuela to be adversely affected by the political impasse. The importance of a free, open process, whose outcome all Venezuelans can deem credible, thus cannot be overstated. A peaceful, democratic resolution to the Venezuela's political crisis would have a favorable impact in a number of areas vital to the health of any democracy, including the area of human rights, which has witnessed troubling developments over the past year. As noted in our 2003 Country Report on Human Rights Practices in Venezuela, the Government's human rights record has been and remains poor. Security forces in Venezuela have been linked to the mistreatment of prisoners and forced disappearances. Also of great concern is an increased militarization of public administration, including the use of loyalist military officers in key political posts and as political candidates, and the growing and inappropriate involvement of public security forces in partisan political processes.

Public security forces used excessive force during opposition demonstration in late February and early March 2004. The opposition reported 11 deaths, 417 politically motivated arrests and over 1700 injuries. There have been credible reports – amply documented in Human Right’s Watch April 9 letter to President Chavez – of the arbitrary detention and torture of detainees during this period. There have been reported threats and reprisals against witnesses and victims of human rights violations. A failure to maintain impartiality and independence in key protective institutions contributes to the general impunity and lack of respect for the rule of law.

Of grave concern in this respect is legislation recently passed which expands the size of the Supreme Court from 20 to 32, allowing a simple majority of the National Assembly – controlled by the pro-Government party, the Fifth Republican Movement (MVR) – to appoint and suspend judges. The new law allows the “*Fiscal*” or attorney general and other public powers to unilaterally suspend judges. And if public concerns about the impartiality of the government-dominated electoral council in Venezuela today are any indication, then we have ample reason to be concerned about the future independence of the Venezuelan judiciary.

On June 17, Human Rights Watch issued a 24-page report denouncing what it called the Venezuelan government’s “undermining [of] the

independence of the country's judiciary ahead of a presidential recall referendum that may ultimately be decided in the courts..."

The report notes the pro-Government legislative majority's "intention to name 12 new justices by July and remove sitting justices whom they identify with the opposition," concluding that the "government is rigging the justice system to favor its own interests."

Also troubling are what appear to be politically motivated detentions, indictments and orders of arrest. The ongoing detention of Baruta municipality Mayor Henrique Capriles and the recent indictments of Alejandro Plaz and Maria Corina Machado of the electoral NGO Súmate are two recent examples that merit international attention. The Súmate case is especially troubling. The organization's leaders are charged with "conspiring" against the Government for receiving a grant from the National Endowment for Democracy (NED) for electoral observation and voter education activities. NED is an independent, private organization that enjoys wide bipartisan support for its work to help strengthen democratic institutions around the world. NED is not in the business of toppling governments. The Venezuela Government's efforts against Súmate are intended to intimidate and dissuade participation in the referendum process. Such actions are unacceptable in any democratic society.



While Venezuela enjoys a diverse, independent media, freedom of the press faces serious threats, including a rise in physical attacks against journalists and television stations. The Government has intimidated the media through strict defamation laws (including potential prison terms for journalists who show “lack of respect” for government officials); proposals for new legislation which, if enacted, would violate basic press freedoms; and finally by the misuse of legal authorities against the media.

Our bilateral relations in a range of areas have suffered due to unilateral decisions taken by the Venezuelan Government. For four decades, our relationship with Venezuela was anchored by a common commitment to democracy, the rule of law, respect for human rights, and freedom. We were allies in a broader effort to help democratize the hemisphere, and to spread prosperity and economic opportunity. This relationship has suffered over the past four years, largely as a result of President Chavez's opposition to key U.S. security and economic goals, his penchant for associating himself with dictatorial regimes, and his anti-US rhetoric. Our bilateral trade relationship has declined significantly. At the same, joint cooperation on security and counter-terrorism have deteriorated. Given our long-standing, positive bilateral relationship, it would be our clear preference to return to

the cooperative, cordial relations that we have traditionally enjoyed with Venezuela.

Mr. Chairman, mindful of Venezuela's deep polarization, we have consistently urged all parties to act in accordance with the principles enshrined in the Inter-American Democratic Charter, and to honor their commitments under the May 29, 2003 agreement and the February 2003 non-violence pledge to refrain from violence and respect the free expression of different political views. Accordingly, we reject any violent or unconstitutional efforts to depose a democratically elected government – be it in Venezuela or in any other country in the Americas.

The Government of Venezuela has a special responsibility to ensure Venezuelans can express their views free from fear or intimidation. Like democratic governments everywhere, the Government of Venezuela and the keepers of public order have a unique obligation to create the conditions for Venezuelans to exercise their constitutional rights. Our international partners and we are disturbed by reports of intimidation against recall signatories by supporters of the Government, as well as by the dismissal of public employees who signed the recall petition. These actions have no place in a democratic process.

Some in the Venezuelan Government have sought to portray the upcoming referendum as a U.S. – Venezuela confrontation. Nothing could be further from the truth. The referendum is an opportunity -- one provided in the Venezuelan constitution -- for Venezuelans to freely choose, through the ballot box, the course of their country's future. The Inter-American Democratic Charter, to which Venezuela is a signatory, clearly states that "The peoples of the Americas have a right to democracy and their governments have an obligation to promote and defend it." It is crucial that all Venezuelans be allowed to exercise these rights in a free and fair election witnessed by impartial, international observers.

The coming weeks and months will bring defining moments for the future of Venezuela. The ongoing constitutional process -- the degree to which the recall referendum is fair and transparent -- will test the strength of the country's democratic institutions. We all have an interest in seeing Venezuelans succeed. A peaceful, democratic resolution is not just in the interest of the Venezuelan people, but that of the region as a whole. Instability and debilitated democratic governance in Venezuela poses grave dangers to security and stability in neighboring countries. Venezuela can still serve as an example of peaceful conflict resolution in a hemisphere that, in the past, all too often resorted to violence and force to address political

turmoil. Conversely, the failure to achieve a free and fair referendum process would deal a severe blow to the democratic hopes of Venezuelans and their neighbors and present a setback for democracy in the hemisphere.

Finally, a peaceful, democratic outcome will allow Venezuelans to take on the serious social and economic challenges the country faces in ensuring that all citizens – not just a privileged minority -- can benefit from the fruits of democracy, free trade and enterprise. After all, the principal responsibility of any democratic government is ensuring security, well-being and opportunities for its citizens in an environment that guarantees the protection of individual freedoms, human rights and respects the rule of law.

Overcoming the current crisis will empower Venezuelans to focus their energies on the issues that concern average citizens -- national reconciliation, economic recovery and job creation, social inclusion, effective, transparent government, strong democratic institutions, and reintegration in the diplomatic and economic life of the region.

The United States and the international community stand together in support of the democratic aspirations of the Venezuelan people. As Secretary Powell said recently in Quito, “We, the democratic nations of the Americas, must give the peoples of our hemisphere good reason to count on their neighbors when their own democracies suffer setbacks.” We reiterate

our strong support for the important work of the OAS and Carter Center observer missions.

The American and Venezuelan people share a strong, mutual commitment to democracy, and we will continue to draw on our shared values in the challenging days ahead.

