

STATEMENT BY ASSISTANT SECRETARY OF STATE

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COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

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Mr. Chairman, thank you for the opportunity to appear before this Committee today to address the theme: “Venezuela: Looking Ahead.”

My remarks will look at this theme from three vantage points. First, the historic context of our relationship with Venezuela. Second, the current state of our relationship and the challenges it faces. And finally, what we can look forward to in the remaining months of this Administration.

TIES THAT BIND...

Our relationship with Venezuela is longstanding, broad, and deep, encompassing everything from commerce and culture to education and sports. Our histories have been intertwined since our wars of independence. Francisco Miranda, one of Venezuela’s founding fathers, fought in the Continental Army during our revolution and was a colleague and friend of George Washington and Thomas Jefferson. In their turn, Americans fought alongside Miranda and Simon Bolivar during Venezuela’s struggle for

independence. The names of some of these “American heroes” of Venezuelan independence are inscribed at the “Los Próceres” monument in Caracas.

Our economies have also been closely linked. American mining engineers played an important role in the discovery and development of Venezuela’s petroleum wealth. American corporations and investors helped develop Venezuela’s automobile, banking, manufacturing, and agricultural sectors. Venezuela, for its part, has been one of the largest Latin American investors in the United States. Venezuela, through PDVSA and CITGO, owns refineries, asphalt, and petrochemical plants, and one of the largest gasoline distribution networks in our country.

Today, our two countries enjoy a growing economic and commercial relationship. Bilateral trade between the United States and Venezuela exceeded \$50 billion in 2007. The United States exported \$10 billion worth of goods to Venezuela last year, an increase of over 13% from 2006. Venezuela’s exports to the United States of \$40 billion — 95 percent of which is oil — represent a 7% increase over the previous year. We are Venezuela’s largest trading partner by a factor of two. Venezuela is our second largest Latin American trading partner, exceeded only by Mexico. Venezuela is among our top five foreign oil suppliers, and we remain Venezuela’s principal customer and energy partner.

We also enjoy extensive cultural and people-to-people ties with Venezuela. The youngest director ever to lead the Los Angeles Philharmonic — the 27-year-old Gustavo Dudamel, who assumes the role

next year — is Venezuelan. There are 50 Venezuelans playing on major league baseball teams, nearly 800 in the minor leagues, and distinguished Venezuelans in academia, foreign policy circles, and the media. And Americans have played an important role in helping to build Venezuelan universities, political consultancies, and polling institutions.

### ... BUT A CHALLENGING RELATIONSHIP

Such a rich tapestry of human connection would seem to indicate a positive and friendly bilateral relationship. While this was the case for many years, it is regrettably no longer true. Our bilateral relationship today is troubled, characterized by resentment, suspicion, and misunderstanding.

For its part, the Government of Venezuela claims we have practiced interventionism in its political and economic life. It regularly refers to us as an “Empire,” opposes our initiatives in the Americas, and seeks out our adversaries as friends and allies. It has broken off cooperation with us on counter-drug and counter-terrorism activity, ended long-standing intelligence liaison relationships, shut down military cooperation and security assistance programs, and nationalized the holdings of some American corporations.

From our point of view, the Venezuela Government has added a needless and complicating ideological overlay to a relationship that was characterized historically by fluid and productive dialogue. This has made it difficult to address bilaterally our concerns about the Government of Venezuela’s behavior. These concerns are well known, and relate to

authoritarian tendencies and human rights violations domestically; and, internationally, meddling in the affairs of its neighbors and promoting a diplomacy designed to undermine our interests. As a result and over time, we have taken specific actions to make clear our concerns and limit our engagement with Venezuela. These steps are substantive, and not rhetorical. Specifically, we have:

- declared Venezuela to be “not fully cooperating” in the fight against terrorism;
- determined that the Government of Venezuela has “failed demonstrably” in meeting its obligations under international counternarcotics agreements and U.S. domestic counternarcotics requirements.
- rescinded Venezuela’s eligibility to purchase most kinds of U.S. weapons and weapons systems;
- closed Venezuela’s Military Acquisition Office in Florida;
- arrested unauthorized Venezuelan agents;
- denied Venezuela access to Export-Import Bank financing and Overseas Private Insurance Corporation coverage;
- designated several Venezuelan nationals under Executive Order 13224 and the Narcotics Kingpin Act for support provided to Hizballah and for trafficking illicit drugs.

Venezuela’s response to our actions has been to retreat into a distant, sullen relationship. Our occasional efforts to explore the possibility of improved relations focused on areas of clear mutual benefit – such as energy, commercial, and counter-drug cooperation – were rebuffed. The Government of Venezuela’s unrelenting anti-American rhetoric and the

absolute control exercised by President Chávez over all aspects of our relationship have prevented, until recently, even the most tentative exploration of dialogue.

The resulting stand-off has caused great discomfort within the region. Countries with close historic ties to Venezuela and the United States have had to learn how to navigate around our relationship. Most have resisted Venezuela's efforts to enlist them in a larger crusade against us. With only a few exceptions, the Government of Venezuela's anti-American rhetoric has not resonated well. Over time, it has become tired and ritualistic.

## LOOKING AHEAD

This does not mean that Venezuela's aggressive and erratic behavior has not been a cause of concern in the Hemisphere. However, countries around the region have seen the political space open to Venezuela shrinking. There are several reasons for this. To begin with, the re-emergence of countries that have traditionally been regional leaders has constricted Venezuela's diplomatic movements. Second, Venezuelan setbacks in key international arenas – such as losing its bid for a seat on the United Nations Security Council – were seen as clear evidence of overreach. Third, some of Venezuela's closer allies have found themselves bogged down in their own internal difficulties and unable to help. Fourth, the emerging story of Venezuela's illicit relationship with the FARC and Colombia's recent successes has undermined Venezuela's credibility. These factors have contributed to a growing international perception that Venezuela has hit the limits of its international influence.

Venezuela's neighbors have watched with interest the obvious political challenges that President Chávez faces at home today. These include the failure of the December 2007 constitutional referendum, current difficulties in consolidating his single political party, and the upcoming November 2008 gubernatorial and mayoral elections. Also, they have noticed the emergence and initial consolidation of an effective civil society. The student movement has become an important counterpoint to the government on the issue of civil and political rights. Parents have twice defeated government efforts to impose changes in educational curricula. Popular rejection of a harsh Cuba-style intelligence law forced President Chavez to send the law back to the National Assembly for reconsideration. While President Chávez continues to enjoy strong support among important political constituencies, he faces a more complicated internal scenario and must contemplate the possibility of an election in 2012 in which he cannot be a candidate.

In this environment, Venezuela has, for the first time in many years, expressed a willingness to explore improved relations with the United States. President Chávez recently told our Ambassador that he wanted to improve our counter-drug cooperation, and remembered with fondness when he could meet with the U.S. Ambassador to discuss bilateral issues. This comment was repeated through Venezuela's official news agency.

We have told Venezuela that we would like to explore this diplomatic opening. Cooperation in the counter-drug fight would be familiar ground for both governments, and would be well received in the region. It would

resonate especially well in Hispaniola. The Dominican Republic and Haiti have been the recipients of most of the clandestine aircraft departing Venezuela with cocaine headed for the United States and Europe, and especially West Africa where the drug trade is exploding and causing instability to the region.. Ambassador Duddy recently sent Foreign Minister Maduro a letter reiterating our desire to work together to confront this challenge.

Mr. Chairman, as we look forward we operate under no illusions. The rhetoric and reflexive anti-Americanism of the Venezuelan government has damaged the ability of Venezuela to communicate effectively with us and many of its neighbors. However, 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. In so doing, we will remain focused on our larger, positive hemispheric agenda to consolidate democratic institutions and ensure that the benefits of democracy and open markets reach all citizens.