

## **Remarks as prepared for testimony to the Senate Foreign Relations Committee**

### **Ambassador Patrick Duddy**

#### **Former U.S. Ambassador to the Bolivarian Republic of Venezuela, 2007 - 2010**

Chairman Menendez, Ranking Member Corker, members of the committee, thank you for giving me this opportunity to share my observations on the current situation in Venezuela. It is an honor to appear before you today.

Since President Chavez's death in March of last year, circumstances in Venezuela have markedly deteriorated. By the end of 2013, inflation had spiked to over 56%. The Central Bank's own scarcity index confirmed that more than 25% of basic goods, including, importantly, many food items, were not available at any given time. The country with the world's largest conventional oil reserves had proven itself demonstrably incapable of keeping the shelves in the local grocery stores stocked. Hard currency was in short supply and the dollar was trading on the black market at ten times the official rate. Criminal violence was at alarming levels with one major survey ranking Venezuela the second most violent country in the world. Caracas was arguably the world's most dangerous capital city. The economy was in bad shape when Maduro took over; it's in worse shape now. The murder rate in 2012 was startlingly high. By the end of 2013 it was even higher.

In February of this year, popular discontent with the deteriorating conditions in the country boiled over into the most widespread anti-government demonstrations the country has seen in more than a decade. The government of President Nicolas Maduro was clearly alarmed by the scope and intensity of the mass rallies. Maduro, who was sworn in after a disputed special election victory last April following Chavez's death, characterized the demonstrators as "fascists" allied with right-wing elements in exile and encouraged by the United States. The government's response to the demonstrators was not just vilification but bullyboy repression. Since February more than forty people have been killed, hundreds injured and many more arrested. Several important opposition leaders have been jailed. Another has

been expelled from the Chavista controlled legislature and stripped of her parliamentary immunity. Reports of human rights abuses and even torture of demonstrators who were detained by security forces have circulated widely. Video footage of uniformed security forces and armed gangs of government supporters on motorcycles generally called “motorizados” or “colectivos” violently repressing unarmed protestors have alarmed concerned observers in Venezuela and around the world.

Although events in Venezuela have largely been overshadowed by crises elsewhere, calls for restraint have been issued by a number of legislative bodies as well as by a variety of NGOs. In response to the rising level international concern and the determination of the anti-government protestors to continue to demonstrate, the Maduro administration agreed to participate in talks mediated by the Union of South American Nations (UNASUR) and the Vatican. Like most observers I hope that this effort is successful in ending the violence and that it facilitates the development of genuine dialogue.

It is going to be difficult. Not all of the opposition leadership is participating. Leopoldo Lopez is still in jail. The government continues to demonize the opposition and to suggest that the country has been the target of economic warfare. Even since the beginning of the UNASUR sponsored talks, the Chavista-dominated Supreme Court announced a ruling asserting that the right to peacefully protest “without prior permission” is not absolute, notwithstanding the language of Article 68 of the Venezuelan Constitution, a move analysts have characterized as an effort to criminalize dissent.

President Maduro has publically warned that the response of the Chavista base to the defeat or replacement of the Bolivarian Revolution would be a general uprising (“pueblo en armas” El Universal, May 1). Maduro has also repeatedly cited evidence of conspiracy and accused the United States of interfering in Venezuela’s internal affairs and plotting the overthrow of the government and the jettisoning of the Chavez era social programs.

As we consider the current unsustainable situation in Venezuela I think it is important to recognize some of the factors that militate against an early solution. In this context, the dismal state of the economy is critical. Last year, Venezuela grew by an anemic 1.3 percent. Most analysts expect the economy to be worse this year and probably next. Scarcity of

basic goods and the need to stand in long lines to buy consumables -- when they can be found -- has become daily routine for millions of Venezuelans. The latest Central Bank figures for inflation suggest it continues to climb and is likely already running at an annualized rate of 59%. In what will almost certainly prove to be another failed effort to get the unraveling retail sector under control and prevent hoarding, the government has eased some price controls and announced plans to introduce what they are calling a "Secure Food Supply" card, essentially a ration card intended to suppress and control consumption

One might assume that the problems with scarcity, inflation and currency flight would compel the government to walk back from the economic policies that have eviscerated most of the non-petroleum industries and resulted in stagnation even in the vitally important oil sector. While the government has in fact reached out to the private sector and tried to reassure business leaders and enlist them in efforts to reverse the trend lines, there has been no serious reconsideration of the direction in which Maduro and company are taking the country. Arguably this is in part because the direction was set by Chavez and Maduro ran as Chavez's anointed successor. Even if one accepts the official government figures on the April vote count, Maduro barely squeaked out a win despite Chavez's endorsement and the fact that he began the abbreviated campaign with a double digit lead in the polls. Maduro may believe he does not have the political capital within Chavismo to change course. Further to that point, Chavez and Maduro have vastly expanded the number of Venezuelans who depend directly or indirectly on the government. As a consequence, the base would be alarmed if substantial economic or political concessions are made to an opposition that Maduro himself has accused of plotting to dismantle Chavista era social programs in order to restore their own economic fortunes.

Recent polling suggests that the Venezuelan public is overwhelming unhappy with the current state of the country (79.5% according DATANALISIS as cited by El Universal on May 5) and by a large majority (59.2%) blame the Maduro administration for the mess. Interestingly, however, according to most of the polling I've seen, the public's unhappiness has not yet evolved into unambiguous majority support for the opposition. While support for Maduro has fallen, Chavismo retains a strong base, even if it does not now enjoy majority support. Support for the opposition is also solid but not monolithic. Emblematic of their

situation is the fact that some groups are participating in the UNASUR mediated dialogue and some are not. The bottom line, however, is that Venezuela remains both polarized and nearly equally divided. Supporters of the government are not just vested but dependent on the social programs of the government. Supporters of the opposition are united in their belief that the government is taking the country in the wrong direction, that the country's political institutions have been compromised and that the economy is in free fall. They have yet, however, to articulate convincingly an economic alternative that would reassure both the business community and the Chavista base.

The current situation in Venezuela is unsustainable. The opposition and government have settled into a sullen stand-off. The economy is sinking and an economic collapse is not unthinkable. As circumstances get worse on the ground, as people become more and more frustrated with shortages, blackouts and violent crime, further demonstrations demanding a more honest, competent and democratic government are likely if the dialogue now under way fails to deliver results. The prospect of further clashes is alarming, as this government's response to legitimate protest to date does not augur well for the future.

Where does this leave the U.S.? What are our interests? What are our options? We have spent decades trying to restore and consolidate democracy in the region. We have made human rights a cornerstone of our political engagement. The hollowing out of Venezuela's political institutions is cause for deep concern. The government's use of force with the demonstrators, the refusal to disarm the *colectivos*, the increasing hostility toward the independent media should concern all of the democratic governments of the hemisphere, not just us. And, it is also true that the U.S. has promoted the notion of hemispheric cooperation. It remains to be seen if the UNASUR can and will foster a genuine dialogue but it seems to me that we should all hope that effort is successful.

In the meantime, we need to be aware that as the Maduro administration and, indeed Chavez's Bolivarian experiment have foundered, Maduro and company have looked to blame the U.S. Indeed, anti-Americanism has long been a central tenet of the Bolivarian Revolution. In the current circumstance, the Maduro government would clearly love to turn their domestic crisis into a bilateral one. We should not be sucked into that dynamic by taking steps unilaterally at this point

that would validate Maduro's wild accusations. After 15 years in power, the government owns this crisis: they made it; it's theirs. Unilateral action would risk rallying both the Chavista base and much of the region to Maduro's side.

So, should the U.S. consider levying economic sanctions on Venezuela if the current situation doesn't improve? At this point, I don't think so. It is true, of course, the U.S. still has a robust trade relationship with Caracas. In 2013 bilateral trade totaled more than 45 billion dollars and Venezuela remains the fourth largest foreign supplier of oil to the U.S. But total volume of oil sales to the U.S. fell to less than 800,00 barrels per day last year and with increased U.S., production, reduced domestic consumption and increased supplies from Canada and elsewhere, Venezuela's oil exports to the U.S. are substantially less important to us than they used to be. They remain, however, immensely important to Venezuela's economy and the country's very vulnerability is one reason to refrain from what would certainly be seen as a doomsday tactic to coerce change in the Venezuelan government's behavior. We could well collapse what is already an imploding economy and cause great suffering to the Venezuelan people as well as harming many of the small economies of the region which have become Venezuela's Petro Caribe clients. And such a course would not necessarily yield an improved human rights situation, greater respect for the Venezuelan opposition's political rights or restoration of the country's debilitated political institutions.

So, does that mean we can do nothing? No. We can aggressively hold individual political and military figures responsible for promoting violence, condoning or committing human rights violations or, in extremis, attempting to subvert democracy. We can identify key organizations complicit in abuse and hold all of their members responsible; this would put them on notice that even association with certain behaviors will make them into international pariahs. Beyond this we could and should work with the institutions of the Inter American system to bring pressure to bear on the Venezuelan State. At the end of the day, I think collective action has the best chance of success. Thank you.