

Deepening Political and Economic Crisis in Venezuela: Implications for U.S. Interests and the Western Hemisphere

Testimony

to the

United States Senate

Committee on Foreign Relations

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Thank you, Chairman Corker, Ranking Member Menendez, my Florida Senator and Subcommittee Chair Rubio, and my fellow Truman Scholar Senator Coons for inviting my Testimony before you today. It is an honor.

Let me begin on a personal note. I spend my days and nights working with Latin America -- by day working on sustainable private sector financing for countries and companies across Latin America at an investment bank and by night overseeing a staff of some of the best reporters and journalists around the hemisphere at a newspaper. Both are based in Caracas, Venezuela.

I began working with Latin America at the United Nations Association of the U.S.A. under Assistant Secretary of State Toby Gati and United Nations Ambassador William vanden Heuvel after special graduate study under National Security Adviser Zbigniew Brzezinski & international lawyer Louis Henkin at Columbia and Sir Ian Brownlie at Oxford -- and a stint working with this very Senate Foreign Relations Committee as a Harold W. Rosenthal Fellow -- so it is with great pride that I return to testify before you. (Harold Rosenthal, a senior aide to this Committee's Senator Jacob Javits, was killed in a PLO attack in 1976, and the Fellowship that continues to this day was created in his memory).

In 2000, I moved to Venezuela to run the Latin American operations of U.S. investment bank Oppenheimer and three years later bought a newspaper company there -- *The Daily Journal*, a newspaper founded in 1945 which also launched *Diario de Caracas* and *Tal Cual*. In those roles, I have had the satisfaction of helping to finance development not just in Venezuela but all across Latin America as well as overseeing the training of a host of the region's best journalists. Those positions have also given me a well-placed mid-field seat in the battle for Latin America's

heart and soul -- a battle I am sad to report that the forces of freedom and democracy have been losing.

My friends and colleagues Chris Sabatini, Douglas Farah and Santiago Canton will testify to the broader deleterious effects of the Chavez and Maduro administrations. I will focus on a few related issues as to how Venezuela got into this situation and why it will have a hard time getting out of it and what the U.S. can do to assist.

ELECTORAL FRAUD

While U.S. leadership has been occupied by a multitude of other non-Latin America issues, the Castro brothers have been focused on winning Latin America.

As the U.S. test of democracy became the presence of elections, the Castros realized that voting also had a weakness: because the ballot is secret, no one knows how you voted and you don't know how your neighbor voted.

So, to ensure that Chavez stayed in power, his government embarked on a 2 prong strategy of significantly adding millions of names to the voting rolls and paying lots of new pollsters (including some run by Government ministers, best exemplified by Jesse Chacon, who participated with Chavez in his 1992 coup and had no polling experience whatsoever) to give forecasts that could confuse the numbers showing the Government far ahead.

With that confusion among various pollsters showing a disparity of possible outcomes, the Government could pad the votes by using surplus names in the Voter Registry, which the Government and the Cubans controlled. Chavez had given Cuban "companies" the contract in 2002 (in addition to the Mercantile and Commercial Registry, the Notaries, the Land Registry, and Passports) when he eliminated the government's Department of Citizen Identification.

In February of 2003, when the Opposition was first trying to get Chavez's term revoked by a referendum, the Electoral Registry had only 11,966,241 names. While Chavez and the CNE were able to delay the referendum for a year and a half, they used that time to swell the Registry, so that by August of 2004 when the referendum was held, the Government had added over 2 million names in one year and the Registry held 14,037,899 registered voters in a population estimated at 26,178,631. By the time Chavez lost the vote in 2007 to make a number of Constitutional changes -- including giving him the right to run again -- the Registry held 16,109,664 eligible voters. Infuriated after that loss, Chavez again ramped up registration of names, adding almost 3 million! The Registry had 18,903,143 eligible to vote in the 2013 election out of a reported 28,946,101 population. So, the Voting Registry increased by almost 60% in 10 years -- quite the population boom!

Confirming these anomalies, Venezuela's Andrés Bello Catholic University found in 2013 that 14 out of 24 Venezuelan states had more registered voters than people! One of the poorest states, the rural Delta Amacuro, for example, has 122% more registered voters than its estimated population.

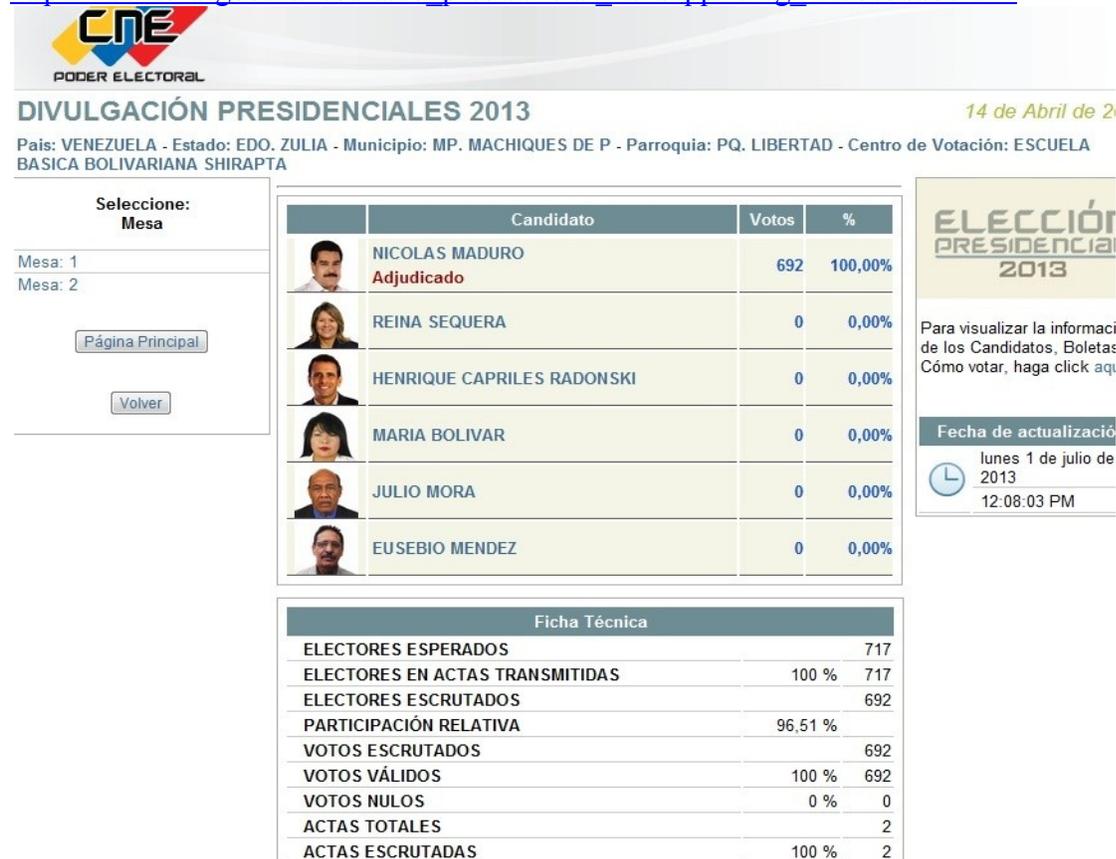
To draw comparisons to Venezuela's 18,903,143 registered voters, Texas -- one of the fastest growing US states and which has a comparable population of approximately 25,674,681 -- had only 13,065,425 registered to vote in the last US Presidential election.

THE VOTING REGISTRY EFFECT

Unlike Venezuela's beleaguered middle class who are captive to mortgages and jobs in a country where the government controls the main industry, main employer and main supplier of money and contracts, the youth of Venezuela have become one of the major driving forces of the Opposition.

As a strategy in the Capriles-Maduro contest of 2013, the Opposition student organizations decided to vote late on April 14 so that the Government would not be able to know the numbers the Government needed to turn out during the day as they had in the October elections with Chavez just 5 months before. The students called it "Operation Avalanche" and the Opposition youth all over the country went to the polls en masse very late on Sunday afternoon and the Government and their Cuban advisors who were watching the numbers went into panic to try to bring Maduro back into the lead, deploying busloads of Cubans and others to go around repeatedly voting at various voting centers. As a result of the Government's forced last minute panic, you got cheating like this one in Zulia, where 692 of the 717 registered voters turned out (97% turn out against the national average under 80%!) and every one of them voted for Maduro:

http://www.cne.gob.ve/resultado_presidencial_2013/pp/2/reg_210803003.html



CNE PODER ELECTORAL

DIVULGACIÓN PRESIDENCIALES 2013 14 de Abril de 2013

Pais: VENEZUELA - Estado: EDO. ZULIA - Municipio: MP. MACHIQUES DE P - Parroquia: PQ. LIBERTAD - Centro de Votación: ESCUELA BASICA BOLIVARIANA SHIRAPTA

Seleccione: Mesa
Mesa: 1
Mesa: 2

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Candidato	Votos	%
 NICOLAS MADURO Adjudicado	692	100,00%
 REINA SEQUERA	0	0,00%
 HENRIQUE CAPRILES RADONSKI	0	0,00%
 MARIA BOLIVAR	0	0,00%
 JULIO MORA	0	0,00%
 EUSEBIO MENDEZ	0	0,00%

Para visualizar la informaci de los Candidatos, Boletas Cómo votar, haga click aquí

Fecha de actualización
lunes 1 de julio de 2013
12:08:03 PM

Ficha Técnica	
ELECTORES ESPERADOS	717
ELECTORES EN ACTAS TRANSMITIDAS	100 % 717
ELECTORES ESCRUTADOS	692
PARTICIPACIÓN RELATIVA	96,51 %
VOTOS ESCRUTADOS	692
VOTOS VÁLIDOS	100 % 692
VOTOS NULOS	0 % 0
ACTAS TOTALES	2
ACTAS ESCRUTADAS	100 % 2

Now as statistically improbable as a 100% vote for Maduro with almost 100% turnout seems, it could happen. But fortunately, we have a baseline in that we can go back and compare it with previous votes from that voting location and see how Capriles did against a much more popular Chavez in that same voting center just 5 months earlier.

http://www.cne.gov.ve/resultado_presidencial_2012/pp/2/reg_210803003.html

CNE
PODER ELECTORAL

DIVULGACIÓN PRESIDENCIALES 2012 07 de Octubre de 2012

Pais: VENEZUELA - Estado: EDO. ZULIA - Municipio: MP. MACHIQUES DE P - Parroquia: PQ. LIBERTAD - Centro de Votación: ESCUELA BASICA BOLIVARIANA SHIRAPTA

Seleccione:
Mesa

Mesa: 1
Mesa: 2

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	Candidato	Votos	%
	HUGO CHAVEZ Adjudicado	560	89,17%
	HENRIQUE CAPRILES RADONSKI	68	10,82%
	REINA SEQUERA	0	0,00%
	LUIS REYES	0	0,00%
	MARIA BOLIVAR	0	0,00%
	ORLANDO CHIRINO	0	0,00%

Ficha Técnica	
ELECTORES ESPERADOS	717
ELECTORES EN ACTAS TRANSMITIDAS	100 % 717
ELECTORES ESCRUTADOS	633
PARTICIPACIÓN RELATIVA	88,28 %
VOTOS ESCRUTADOS	633
VOTOS VÁLIDOS	99,21 % 628
VOTOS NULOS	0,78 % 5
ACTAS TOTALES	2
ACTAS ESCRUTADAS	100 % 2

07 OCT Elección Presidencial

Nacional ELECCIÓN PRESIDENCIAL 2012
Presidente y Presidentas de la República

Fecha de actualización
Viernes 9 de noviembre de 2012
12:39:12 PM

The results from October show that even against Chavez, Capriles got 11% of the vote (with a statistically elevated 88% turnout), but got none against Maduro? This type of cheating happened all over the country in other voting centers in the haste forced upon the government by the opposition's Operation Avalanche, so our team found over 198 voting locations getting almost 100% turnout with 100% for Maduro. In an election where Maduro won by only 220,000 votes with a 19 million voter registry, one can safely conclude that the cheating easily changed the result.

Here, for example, is one in Apure state with 100% for Maduro with 98.35% turnout:

http://www.cne.gov.ve/resultado_presidencial_2013/pp/7/reg_030104005.html

DIVULGACIÓN PRESIDENCIALES 2013 14 de

Pais: VENEZUELA - Estado: EDO. APURE - Municipio: MP. ACHAGUAS - Parroquia: PQ. GUACHARA - Centro de Votación: ESCUELA BOLIVARIANA INDÍGENA SANTA JOSEFINA

Seleccione:
Mesa

Mesa: 1

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	Candidato	Votos	%
	NICOLAS MADURO Adjudicado	179	100,00%
	REINA SEQUERA	0	0,00%
	HENRIQUE CAPRILES RADONSKI	0	0,00%
	MARIA BOLIVAR	0	0,00%
	JULIO MORA	0	0,00%
	EUSEBIO MENDEZ	0	0,00%

Ficha Técnica		
ELECTORES ESPERADOS		182
ELECTORES EN ACTAS TRANSMITIDAS	100 %	182
ELECTORES ESCRUTADOS		179
PARTICIPACIÓN RELATIVA	98,35 %	
VOTOS ESCRUTADOS		179
VOTOS VÁLIDOS	100 %	179
VOTOS NULOS	0 %	0

ELECCIÓN PRESIDENCIAL 2013

Para visualizar de los Candidatos, Boleta y Cómo votar, haga click aquí

Fecha de actualización

lunes
2013
12:14

Or in Yaracuy, 100% for Maduro with 96% turnout:

http://www.cne.gov.ve/resultado_presidencial_2013/pp/11/reg_200201030.html

PODER ELECTORAL

DIVULGACIÓN PRESIDENCIALES 2013 14 de Abril de 2013

Pais: VENEZUELA - Estado: EDO. YARACUY - Municipio: MP. BRUZUAL - Parroquia: CM. CHIVACOA - Centro de Votación: ESCUELA NUDE SANTA LUCIA

Seleccione:
Mesa

Mesa: 1

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	Candidato	Votos	%
	NICOLAS MADURO Adjudicado	121	100,00%
	REINA SEQUERA	0	0,00%
	HENRIQUE CAPRILES RADONSKI	0	0,00%
	MARIA BOLIVAR	0	0,00%
	JULIO MORA	0	0,00%
	EUSEBIO MENDEZ	0	0,00%

Ficha Técnica		
ELECTORES ESPERADOS		126
ELECTORES EN ACTAS TRANSMITIDAS	100 %	126
ELECTORES ESCRUTADOS		121
PARTICIPACIÓN RELATIVA	96,03 %	
VOTOS ESCRUTADOS		121
VOTOS VÁLIDOS	100 %	121
VOTOS NULOS	0 %	0
ACTAS TOTALES		1
ACTAS ESCRUTADAS	100 %	1

ELECCIÓN PRESIDENCIAL 2013

Para visualizar la información de los Candidatos, Boleta y Cómo votar, haga click aquí

Fecha de actualización

lunes 1 de julio de
2013
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Venezuela is supposed to elect a new congress this year – and a recent UNASUR visit revealed that the elections would be in September -- but the government is already stacking the deck and running roughshod over the Constitution and opposition by letting the Chavez-dominated Supreme Court appoint the heads of the Electoral Commission (CNE) in the news blackout over the Christmas break – guaranteeing that the elections will not be fair. The Constitution requires the National Assembly to select the CNE members with a 2/3rds vote, but since the government couldn't get the required absolute majority to impose its candidates and would not negotiate with the opposition to give them representation (a compromise that politics require of real parliaments all over the world), the Government illegally let the stacked Supreme Court do it over the holidays.

POLICY RECOMMENDATIONS

I am a firm believer in the Noah Principle -- there are no prizes for predicting rain; there are only prizes for building arks. So, how do we help Venezuela get out of this mess?

1. Use the Organization of American States

Not harnessing the Organization of American States (OAS) has been one of the biggest failures of the Obama administration.

In a situation where Venezuela, Cuba, Bolivia, Nicaragua, Ecuador and Argentina are throwing around the powerful imperialism label, the U.S. must tread carefully lest it play into that narrative. Developing coalitions and multi-national support in regional bodies – so the U.S. is not acting alone -- is the best way to de-fang the imperialism charge and the Bush administration was able to successfully develop coalitions to contain Venezuela and keep it off the United Nations Security Council, for example.

Yet, in March of 2014, when the U.S. needed the O.A.S. to run point on the growing human rights problems in Venezuela that left 43 dead in protests, Venezuela was able to thwart the U.S. and O.A.S. efforts, using not just its acolyte leftist states, but also a Caribbean block that benefitted from Venezuela's PetroCaribe subsidized oil. While the nation of St Kitts and Nevis has a population of less than 50,000, at the O.A.S. it has the same vote as Brazil, which has a population of over 200 million. Though Venezuela was providing oil on preferential terms to only some of the island nations, the U.S. provides many times more to most of the countries financially in tourism and investment – yet, those issues were never leveraged (nor put into jeopardy) to our Caribbean neighbors. As a result, the OAS voted 22 to 11 to bar the media from the session to prevent Venezuela opposition Congresswoman Maria Corina Machado from being heard by the gathered news organizations, and then once behind closed doors, voted to take the discussion of Venezuela off the agenda.

More worrisome for the future, Uruguay was one of the 22 nations that voted with Venezuela. Its then Foreign Minister, Luis Almagro, is the sole candidate running for Secretary General of the O.A.S. in an ELECTION TO BE HELD TOMORROW. In spite of these setbacks and the importance of the O.A.S. to the future of democracy in the region, the U.S. has not helped push forward a more suitable candidate or even bothered to try shape the future of that organization.

The OAS is even more important given the upcoming elections in Venezuela as a peaceful route out of the current quagmire. The problems pointed out above demonstrate the obvious need for impartial and expert election observers, a task the O.A.S. regularly performs. Almagro has gone so far as to recently suggest that he would defer to regional group UNASUR on Venezuela – the same feckless UNASUR which said that there was “separation of powers” in Venezuela after a visit to Caracas this weekend and failed to force Venezuela to honor its commitment to perform the voter audit that would have uncovered some of the above-mentioned irregularities.

2. Shed Light on the Utter Failures of Chavismo

Chavismo must not be allowed to haunt Venezuela and Venezuela politics in the same way that the legacy of Peronism has crippled Argentina for the last 50 years. While the Venezuela and Cuban governments are great at creating reality distortion fields and creating and pushing bogus statistics that add to the mystique of Chavismo, the reality of the disasters that Chavez and Maduro have brought upon Venezuela and the Venezuelan people must be highlighted continually and loudly.

Just last month, a joint study by the three leading universities of Venezuela – Andres Bello Catholic University, Central University of Venezuela and Simon Bolivar University – revealed that 48.4% of Venezuelan households were below the poverty line in 2014 (before the latest oil price crash), **UP** from 45% when Chavez took office and even after a decade of soaring oil prices. Despite all the BS to the contrary, a non-partial study reveals that poverty increased under Chavez – and is now even much worse since oil have fallen to a 6 year low.

But this information must be shared with the poor where populism has its greatest support, not just with the educated who are mostly aware of the disaster. Getting that message out has become increasingly difficult in Venezuela, however, as the government cements its communicational hegemony on the country. Not only does the government control the most important news on television and where the barrios get most of their information, the Press and Society Institute (YPYS) calculates that more than 25 media have been acquired by the regime in the last five years, through “friendly businessmen.” After the change of ownership, the editorial line of these media has always been sympathetic to the government.

I speak from personal experience on this, having struggled against the regime and market-forces with a money-losing newspaper in Venezuela for many years. In the current environment, those papers that are not friends of the government cannot get paper and/or cannot get it at an affordable price. My colleague Teodoro Petkoff at *Tal Cual*, which *The Daily Journal* helped start, has had to cease daily publication, after already trying to survive by cutting the paper down to just 6 pages. Most remaining papers not allied with the government are faced with the same dilemma.

I propose funding newspaper supplies and encouraging and helping to source advertisers as well as increasing radio and TV broadcasts from Voice of America, Radio Marti and others into Venezuela. The Venezuela government must not be allowed to turn that nation into an isolated Cuban island by financially and informationally cutting off the population from the outside world. The current lack of airline service into and out of the country (American Airlines, which

used to fly 5-7 flights a day to Venezuela, now has just 1-2 flights per day, as the company has \$750 million trapped in worthless local currency) and the inability to purchase dollars at a manageable rate (the minimum monthly salary is now about \$25 a month at the Simadi rate and \$20 a month at the black market rate) are turning the once advanced nation into a financial and information-deprived Cuban replica.

3. Highlight the Corruption, NarcoTrafficking and Profit of the Ruling Boligarchs

I am proud that both the House and the Senate were able to overcome Venezuela's odious financial lobby and pass the Venezuela Defense of Human Rights and Civil Society Act of 2014. And I take further pride that President Obama is using it to sanction Venezuelans guilty of human rights abuse and corruption. Since the Venezuelan institutions and their checks and balances have been hijacked and corrupted, it is up to us to stand for their beleaguered people. Because of the neutering of the domestic press, it is the foreign press and the foreign press reporters in Venezuela that are left to do much of the work getting the word out. Congress, the Administration, Prosecutors and the Courts here must continue to do the heavy-lifting of fighting and prosecuting the corruption and continue to provide evidence of the corruption, so that Venezuelans can see the evidence of the betrayal and deceit of their leaders with their own eyes.

4. Rally Regional Allies, Venezuela's Neighbors and Latin American Countries

The upcoming Summit of the Americas in Panama provides an excellent springboard to twist arms, bend ears and bang heads. The U.S. has strong ties, important trade power and big sticks to help affect change in Latin America, but it has not been harnessing those powers nor using its political capital. That must change. The greatest disappointment in this area has been the failure of the U.S. to push Colombia to take a firmer stand with the abuses of Venezuela. Castro has enjoyed the effect of neutering America's closest ally in South America while Bogota is stuck in never-ending negotiations with the FARC. This must not be allowed to continue. Similarly, Brazil's Rousseff and Chile's Bachelet – both former political prisoners -- must be reminded that they cannot stand by while this cycle repeats itself on others. They have a duty to speak up and they must be encouraged to find their voice.

I am happy to further elaborate on these strategies and others. Thank you for your time, efforts, concern and good offices.