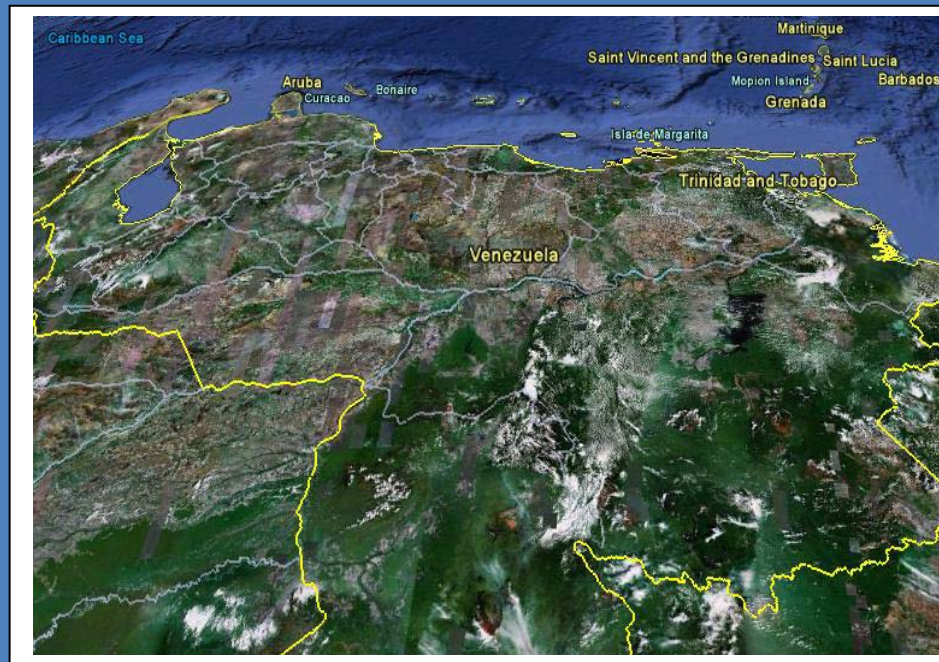


The Hague Strategic Note

Venezuela and its Impact on Regional Stability

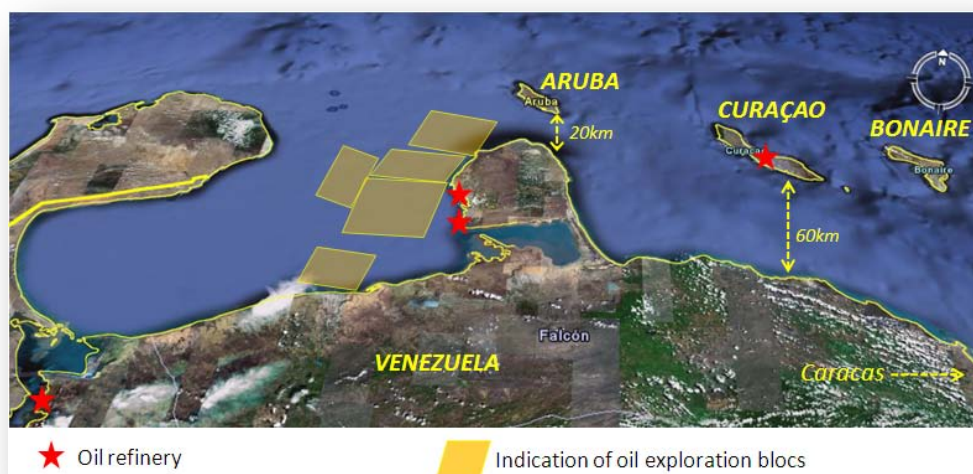


The Hague Strategic Note: Venezuela and its Impact on Regional Stability

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Context

One of the least recognized neighbours of the Kingdom of the Netherlands is the Bolivarian Republic of Venezuela. At little over 20 kilometres off the coast of Venezuela, Aruba and the Dutch Antillean islands of Curaçao and Bonaire lie a short boat-ride from the Venezuelan mainland. Its leader Hugo Chávez has been a source of concern among Western commentators for some time. Citing a combination of military build-ups, tensions with neighbouring Colombia over relations with the FARC, anti-Western rhetoric and authoritarian leadership, Chávez is seen as a risk to regional stability. As Javier Corrales writes:

“Might Venezuela provoke a war against neighboring Colombia, spread weapons among insurgents abroad, disrupt oil sales to the United States, provide financial support to Hezbollah, Al Qaeda or other fundamentalist movement, offer safe havens for drug dealers, invite Russia to open a military base on its territory, or even acquire nuclear weapons?”¹

Not only Venezuelan foreign policy, domestic developments likewise raise eyebrows abroad. These include constitutional amendments to solidify Chávez’ hold on power, militarization of domestic politics and lashing out against the freedom of the press.

Simultaneously, developments in the broader Latin American region are creating an intensification of the security dynamic. Political change and economic revival associated with mineral, oil and gas resources lead Latin American leaders to claim the international limelight. In 2010 the islands of Bonaire, Saba and St. Eustatius will become extraordinary administrative units of the Netherlands while St. Maarten and Curaçao, like Aruba before them, become independent countries within the Kingdom. The Hague however, remains responsible for the

¹ Javier Corrales, “Using Social Power to Balance Soft Power: Venezuela’s Foreign Policy”, *The Washington Quarterly*, October 2009, pg. 97.



security and defence of the islands. Within the domestic, regional and international context, this strategy brief addresses the question:

Are the policies of Hugo Chávez a source of regional instability and do they pose a challenge to Dutch interests?

This strategy brief covers six main issues:

- The Chávez Political Agenda
- Domestic Developments in Venezuela
- Venezuelan Military Developments
- Regional Developments
- International Developments
- Bottom-line for Dutch interests

The Chávez Political Agenda

Hugo Chávez refers to his political program as the Bolivarian Revolution, named after Simón Bolívar, the country's independence hero. The Revolution encompasses Chávez's vision for regional political and economic integration viewing Western presence in the region as inherently exploitative. In a twist of historical irony Bolívar however, was inspired by US independence in his efforts to decouple Latin America from Spanish rule in order to establish 'Gran Colombia'.² The Revolution's ideology is founded on:

- The idea that representative democracy and U.S.-dominated global capitalism are failures.
- These failures must now be replaced by 'participatory democracy,' 'direct democracy,' or what detractors have called radical populism.
- Re-elaborating the concept of democracy and promoting a socialist-economic system as two parts of an overarching political model for the Latin American region.³

2006 marked the end of a transition period for the Bolivarian Revolution. Now Chávez explicitly aims to consolidate the Revolution by implementing 'Socialism of the 21st Century'. What this means exactly remains unclear, but the International Crisis Group identifies that it includes at least three elements:⁴

² The territory of Gran Colombia encompassed present-day Colombia, Venezuela, Ecuador, and Panama, as well as small slices of Costa Rica, Peru, Brazil, and Guyana.

³ Max G. Manwaring, "Venezuela's Hugo Chávez, Bolivarian Socialism, and Asymmetric Warfare.", The US Army War College Strategic Studies Institute, 2005.

⁴ International Crisis Group, "Venezuela: Hugo Chávez's Revolution, Latin America Report." Brussels. 22 February, 2007.



- Nationalisation of key industries as a central pillar of the new socialist agenda, although this is applied differently depending on the economic sectors involved.
- More government control over the media and NGO's.
- Increasing presidential power by consolidating one single Chavista party, the United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela, PSUV), moving the country towards a one-party state.

To implement his social agenda domestically, President Chávez has set up a network of Bolivarian Missions. These missions are the focal point of Venezuela's anti-poverty programme and involve the construction of free medical clinics, educational campaigns and food and housing subsidies. The Missions are funded by the income generated from oil exports. Oil and associated products account for more than 90% of total export income.

Domestic Developments

- In a plebiscite held in February 2009, Hugo Chávez gained approval to permit indefinite re-election of all elected officials. This puts Chávez further on the path to achieving full authoritarian leadership.
- Chávez's hold on power is however challenged by a number of domestic developments. Foremost among them is an inability to cut funding for his Bolivarian Missions against the background of a global recession. While he has been able to reduce poverty in the country in recent years, noticeable food shortages and severe inflation (the highest in Latin America at more than 25% per annum) have arisen. They are by-products of Chávez's inability to wean himself and his people from a centrist economic model.



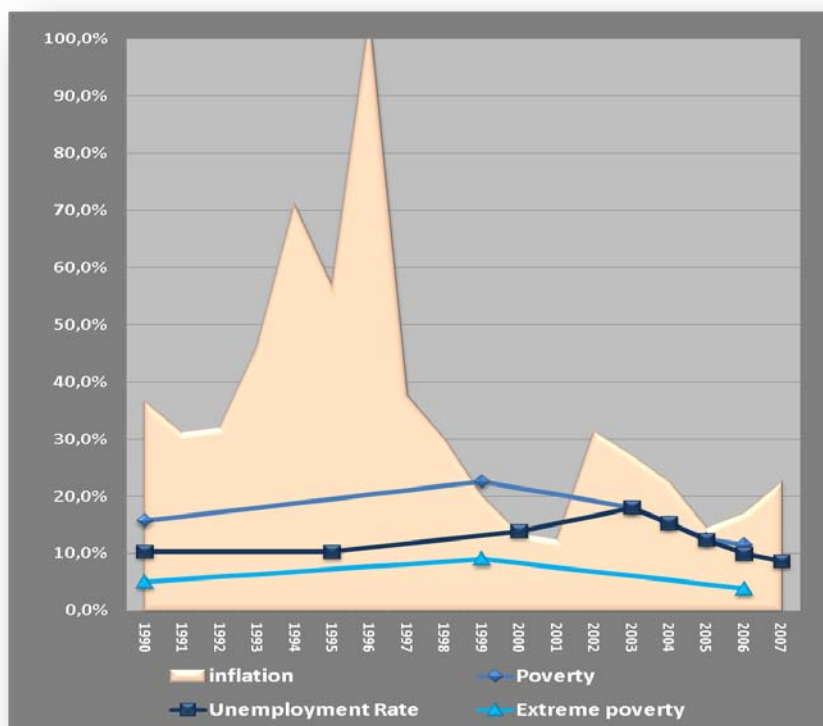


Figure 1: Venezuela, Inflation, Poverty & Unemployment

- Further aggravating the situation are rising crime rates and a failure to attract competent business leaders to effectively manage the state-sponsored cooperatives. These developments are cited as instabilities since they threaten the existence of a regime which is unlikely to allow a transparent, equitable, and peaceful democratic process to supplant it.
- Chávez's dependence on politically intractable, petro-based Bolivarian Missions during a global financial crisis and resulting oil price fluctuations is an unstable model that is exacerbated by a political risk mitigation strategy prone to authoritarianism. Because the Missions are the critical delivery system for his promise of 'Socialism for the 21st Century,' it will be difficult for him to curtail services, even in the face of an economic downturn. This may cause deterioration in the local economy, further inflationary pressure and civil unrest which the regime is apt to react forcefully to at the expense of domestic stability.
- Despite numerous challenges to his authority, Chávez has built a solid power-base and has realigned political, military and economic centres of power to such an extent that the opposition would be hard pressed to unseat him short of a revolution, whether peaceful or not.

However, there are several ameliorating factors:

- Unlike some of its neighbours Venezuela has a history of democratic rule which will serve as a buttress against Chávez's authoritarian manoeuvring. The political opposition is robust and



not inclined to deliver the reigns of power to an authoritarian movement without staunch resistance.

- The booming oil markets of the past decade have funded the Bolivarian Mission programs which have made tremendous strides in poverty reduction, infant mortality rates, and public access to health care.⁵ Lifting large segments of the population out of poverty and away from affronts to the quality of life associated with it, is a stabilizing influence.
- Chávez has demonstrated the ability to conduct rational cost-benefit analysis, thereby maintaining the potential for logical discourse and peaceful conflict resolution. Demonstrations of bellicosity and brinkmanship are often calculated manoeuvres aimed at riling political opponents into disadvantageous confrontations of his choosing.

Military Developments

- Contrary to Western democracies, authoritarian governments tend to use their militaries not only for external power projection, but also for domestic control. Such governments seldom place their militaries under the constraints of a *posse comitatus* (a prohibition against the use of military forces in a domestic law enforcement capacity). Instead they are an instrument for domestic control by the executive branch. Recent developments appear to indicate that Chávez is adhering to such an authoritarian model for military structuring. He has placed the *National Reserve* and the *Territorial Guard* under his sole command, and has appointed active and retired military officers in key cabinet positions. Although the referendum failed, in constitutional reforms in 2007 Chávez proposed removing a prohibition on military participation in politics.
- Russia has become the primary weapons exporter for the Chávez administration. Among recent purchases are Russian air-defense systems, helicopters and Soyuz-30 jet fighters. Venezuela turns to Russia for geostrategic balance and sometimes pragmatic necessity in the wake of the 2006 US arms embargo. The weapons contracts are a source of concern to the US who fear an arms race between Colombia and Venezuela. If Venezuela continues to pursue weapons contracts with Russia, it is conceivable the US may increase its military aid to Colombia in order to preserve Colombia's military advantage. For its part, Colombia is concerned that Russian arms will end up in the hands of FARC (Revolutionary Armed Forces of Colombia) and other armed guerrilla or terrorist groups.⁶

⁵ Mark Weisbrot, Rebecca Ray and Luis Sandoval, "The Chávez Administration at 10 Years: The Economy and Social Indicators," The Center for Economic and Policy Research February, 2009. pg 3.

⁶ Stephen J. Flanagan and Johanna Mendelson Forman, "Russia's Reengagement in the Western Hemisphere: Just Business or a Geopolitical Gambit?," Center for Strategic and International Studies, 25 November, 2008. pg 1.



Regional Developments

- The most tangible and immediate threat that may lead to military conflict in Latin America is Venezuela's historically volatile relationship with Colombia. Animosity towards Colombia, whom it views as a US proxy, disinclines Chávez to move against armed guerrilla movements such as FARC. As Bogota blames Chávez for supporting FARC rebels with sophisticated weapons and valid documentation, Caracas is concerned by Colombia's move to expand US military presence in Colombia, particularly Palenquero. Both states have engaged in significant arms purchases and have engaged in sabre-rattling, most notably in the shape of a military stand-off along their communal border in 2008.



Figure 2: Location of US bases in Colombia & Curaçao

- However, regional defense spending in Latin America has increased over the years in absolute terms leading to concerns over a regional arms race. Venezuela is neither the biggest military spender (which is Brazil), nor does it show the largest increase in spending in recent years (which is Peru) or the highest percentage of GDP (which is Colombia and Peru). Colombia's defense budget should be seen in relation to its efforts to confront a domestic insurgency and a multiplicity of domestic militant actors. Regarding Colombian-Venezuelan defense expenditures, while both countries spend roughly the same amount on defense per inhabitant, Colombia outspends Venezuela nearly two to one in absolute terms, and three to one in terms of percentage of GDP (for figures on regional defense expenditures, turn to end of brief). Venezuelan defense expenditures should therefore also be seen as a response to an increasingly militarized regional environment. This increasing militarization is a source of



regional instability, as is the type of arms that are being procured, including by Venezuela (as detailed in "Military Developments" above.)

- Within continental South America and the Caribbean the most prominent strategic threat to Dutch interests is the emergence of a cohesive 'left-wing bloc' of like-minded and resource rich countries who act in unison, thereby confronting Western interests. Venezuela is actively pursuing its creation as part of a Bolivarian revolution and would claim a prominent position in the emergence of such a constellation of political power. Chávez is courting Cuban, Honduran and Peruvian leaders amongst others. The most overt expression of an emerging proto-bloc is the creation of ALBA (the Bolivarian Alliance for the Americas). This alternative to a US-promoted free-trade area consists of a social, political, financial and economic institutional framework based on socialist principles. Headed by Chávez, it combines several countries with socialist or socialist-inspired political leaders, including Cuba, Bolivia, Ecuador, and Nicaragua.
- Since the Netherlands is closely allied to the United States, the emergence of a cohesive anti-Western bloc would place the Netherlands in an antagonistic position. The development of such a bloc however will not take place overnight since competing interests within and among the different states must be overcome for them to act in unison.⁷



Figure 3: Membership of ALBA

- Because of their geographic proximity, Dutch and Venezuelan interests are at times entangled. The Chávez administration presents a challenge to Dutch interests in the Caribbean under the following conditions:
 - Political-military challenge: Chávez has issued repeated claims that the Antilles are breeding grounds for collusion between the United States and his political opposition,

⁷ Map of 'ALBA' was taken from: <http://www.quezon.ph/2009/07/14/the-bolivarian-temptation-an-illiberal-democracy/>



and they pose a threat to Venezuelan national interests and sovereignty. Chávez' concerns focus on the US Forward Operating Location hosted by the Netherlands at Hato International Airport. This military base is used by US Southern Command to support drug-interdiction efforts. However, Chávez contends that it is used to spy on his territory. These challenges support his political agenda to justify inflammatory rhetoric, creating national unity, increasing defense expenditures, purging the military and the opposition, as well as calling for strong alliances with anti-Western governments.

- Anti-drug policy: By not, or haphazardly cooperating with US-Netherlands anti-drug efforts, a destabilizing activity is given more freedom of manoeuvre in the region. Drug cartels operate from Venezuelan territory, although it is unknown to what extent they receive active or tacit support from elements associated with the Chávez government. The growing influence of drug cartels threatens the stability of vulnerable economies such as those of St Maarten and Aruba.
- Territorial claims & border issues: Territorial disputes pertaining to the demarcation of Venezuela's Exclusive Economic Zone which, in theory, would extend beyond the Antilles. Since the waters between Aruba and Venezuela are some of the world's most promising for oil and gas exploration, territorial claims linger, and controversial exploratory drilling in contested waters increase tensions. Furthermore, Chávez has at times increased tensions by raising lightly-veiled territorial claims over the islands themselves.
- Economic influence: Venezuela has substantial leverage over the local economies on the Antilles. Much of Curaçao's economy is dependent on Venezuelan tourism, investment and in PdVSA, the Venezuelan oil company's lease of the Isla refinery which directly and indirectly employs a sizeable part of the island's workforce.
- Ecological risk: The state-owned oil company operates the 320.000 barrel-per-day PdVSA refinery at la Isla in central Curaçao. Environmental concerns have been expressed over negligence and faulty maintenance. A further source of concern is the possibility of an environmental mishap in the oil-rich Gulf of Venezuela which would affect the ecology of the islands.

International Developments

- Venezuela's political, economic and military alliance with Russia is the most prominent international development that may threaten regional stability. Chávez has termed the relationship a "strategic partnership." Arms deals intended solely to improve offensive capabilities and joint Russian-Venezuelan military exercises in the Gulf of Venezuela to flex its military muscle are cause for concern to the region at large. Chávez has indicated a correlation between the Russian arms deal and what he perceives as an increased US-Colombian threat. While Venezuela's defense expenditures are smaller than those of other regional neighbors' and the military exercises remain ostensibly symbolic, both contribute to the perception of bloc-formation. This is supported by moves on the diplomatic front by Chávez and Russian leaders to strengthen their ties, including in terms of oil and gas exploration.



- In a broader context, Chávez is adhering to a natural inclination of authoritarian commodity exporters to form alliances with nations of a similar stripe, including Iran. As this process continues the chances of reciprocal action by the United States or one of its allies in the region increase. A further militarization of the region may be the result with an increased role for US forces operating from Curaçao at Hato International Airport. Given the Netherlands' close relationship with the United States, it is unlikely that bloc formation in the region will leave the Netherlands unaffected.
- If Venezuela's arms deals become particularly egregious by virtue of sheer size or strategically threatening capability, it may trigger a re-evaluation of the US-Netherlands threshold presence in the Antilles. This presence currently includes a Dutch Navy frigate and a battalion of Dutch marines along with US F16 aircraft. Such a re-evaluation may favour a more robust military posture which would increase the potential for a self-fulfilling prophecy on the basis of a classic security dilemma.
- Chávez is an outspoken critic of Israeli policy in the Palestinian territories and has reportedly supported Hamas. This has turned Chávez into one of the few Latin-American leaders to express substantial interest in the Israel-Palestinian question and is an indication of his willingness to play a prominent role on the international, and not only the regional, stage.

Bottom-line for Dutch interests

Domestic developments: Chávez is underpinning his domestic social welfare and wealth redistribution policies through oil income. A downward trend in the energy market at a time of global financial crisis has put these revenues under pressure. Since the Bolivarian Missions are crucial to his political agenda, Chávez may prioritize funding for these Missions to the deterioration of traditional public services and the exacerbation of domestic destabilizers (inflation and shortages). Although such instabilities work in the opposition's favour to unseat him, Chávez has systematically used his political capital to impose measures that stymie opposition and consolidate his control over the political, economic and military centres of power. A volatile mix of economic pressure and greater centralization of political power in one person could lead the opposition to lose faith in the legitimacy of democratic institutions. The opposition may thereby more frequently turn to escalatory means to show their displeasure, increasing domestic instability with potential spill-over effects for the Kingdom of the Netherlands.

International developments: Chávez is not likely to resort to military force to exert influence over Aruba and the Antilles as he has other means to do so. The emergence of a threat to the Netherlands is apt to take on a composite nature. Given their geographic proximity to Venezuela and Dutch military cooperation with the United States, Aruba and the Antilles are impacted by the policies of the Chávez administration. If relations between the United States and Venezuela sour or if Chávez succeeds in moulding a cohesive anti-American bloc in Latin America it will affect Dutch security interests. Chávez can -and has at times- threatened Dutch interests by claiming the Antilles are breeding grounds for collusion with the US and his political opposition. Furthermore, through uncooperative behaviour with US-Netherlands anti-drug trafficking efforts



Chávez knowingly allows a destabilizing element freedom of manoeuvre in the region. The presence of the cartels weakens the credibility and effectiveness of the Aruban and Antillean government. If allowed to proliferate, this may require some form of intervention (short of military action) from the Netherlands. This is likely to increase tensions in the region. Chávez also has the ability to exert economic influence in the Antilles via control over Venezuelan tourist policy and by the Venezuelan oil company's lease of the Isla oil refinery on Curaçao.

Should Chávez choose to exert his influence over the Antilles and Aruba in an escalatory manner, the composite threat can (and sometimes has) become manifest in a mix of the following scenarios:

- Chávez could continue, or increase the use of, inflammatory rhetoric as an invitation for Western powers to overreact. Any over-reaction would work to Chávez's advantage as the recipients are pulled into manufactured conflicts of his choosing.
- Chávez's history of sporadic cooperation with US-Netherlands anti-drug trafficking efforts is not helpful to deal with the drug cartels' destabilizing influence over the Dutch territories. The Antilles are a shipping lane for drugs en route to North America and to the European Union via West Africa. If the impact of the drug cartels significantly increases, the Netherlands may be required to respond through increasing pressure on Chávez.
- Chávez's support of armed guerrilla groups such as FARC, whether tacit or active, are at best a source of political tension, and at worst a vehicle for proxy war against Colombia. The practice is a cause of concern for Aruba and the Antilles because groups such as FARC operate on the nexus between organized crime and terrorism, funding their operations via drug trafficking.
- Chávez could continue to lay claims of victimization from the coercive behaviour of Western powers –as a precursor to justify expansionist policies. For example, by stating that the Antilles are a staging area for an impending US invasion, and in turn aggressively pursuing a claim to an Exclusive Economic Zone which would infringe on the Antillean economy.
- Chávez could begin maritime resource extraction projects without the consultation of other claimants near disputed boundaries or in areas of unresolved ownership within the vicinity of the Antilles. If left unchecked, these projects can negatively impact sources of revenue that could be used for Antillean economic prosperity.
- Chávez has the potential to exert economic influence over the island of Curaçao by imposing travel sanctions on Venezuelan tourists and by his influence over PdVSA, which could threaten to withdraw from their lease on the Isla oil refinery as a bargaining point in future relations with the Kingdom of the Netherlands.



Figures of Regional Defense Expenditures

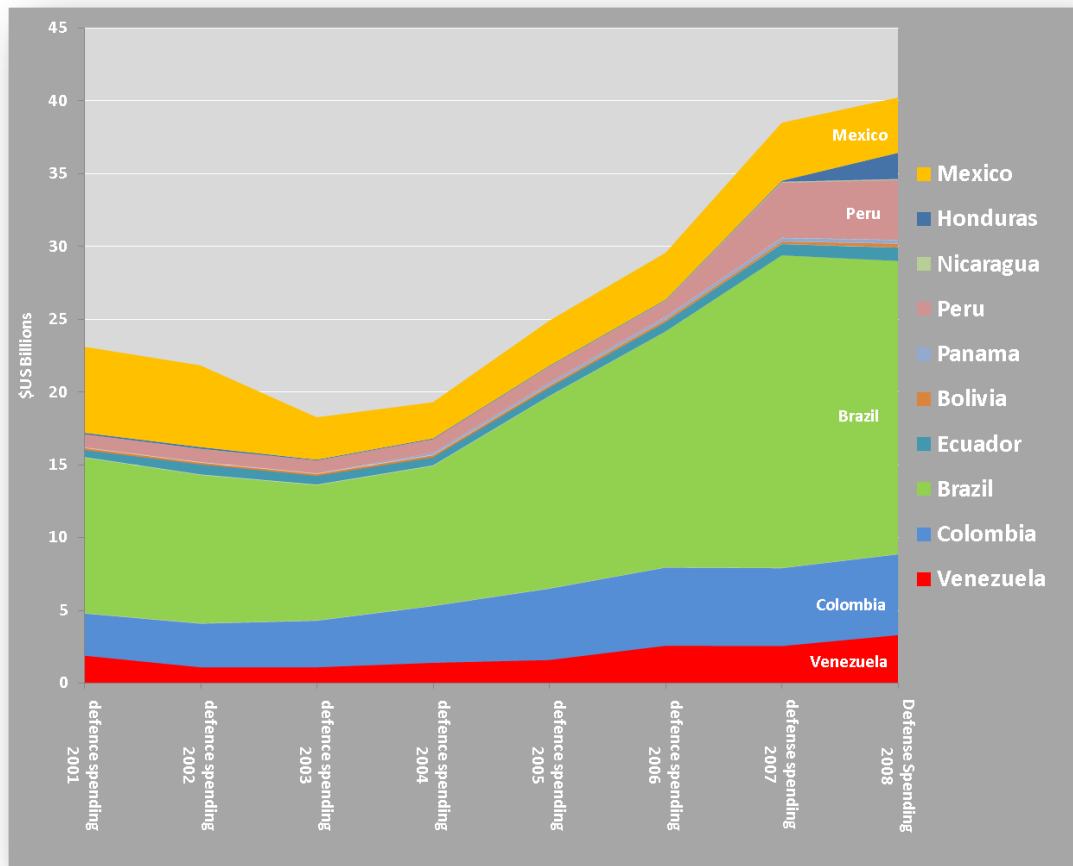


Figure 4: Defense Spending 2001 – 2008 (absolute)

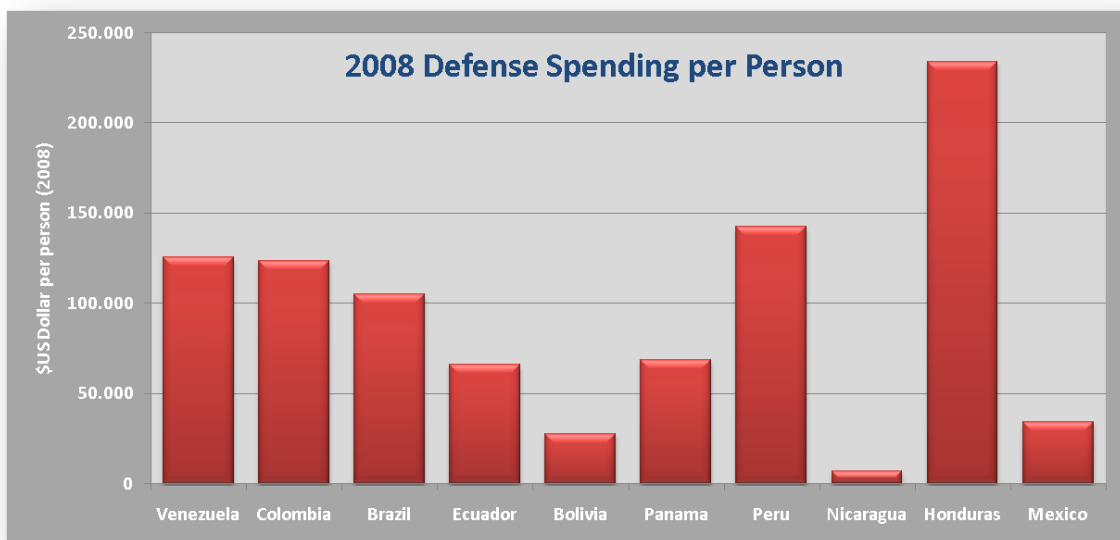


Figure 5: 2008 Defense Spending per Person



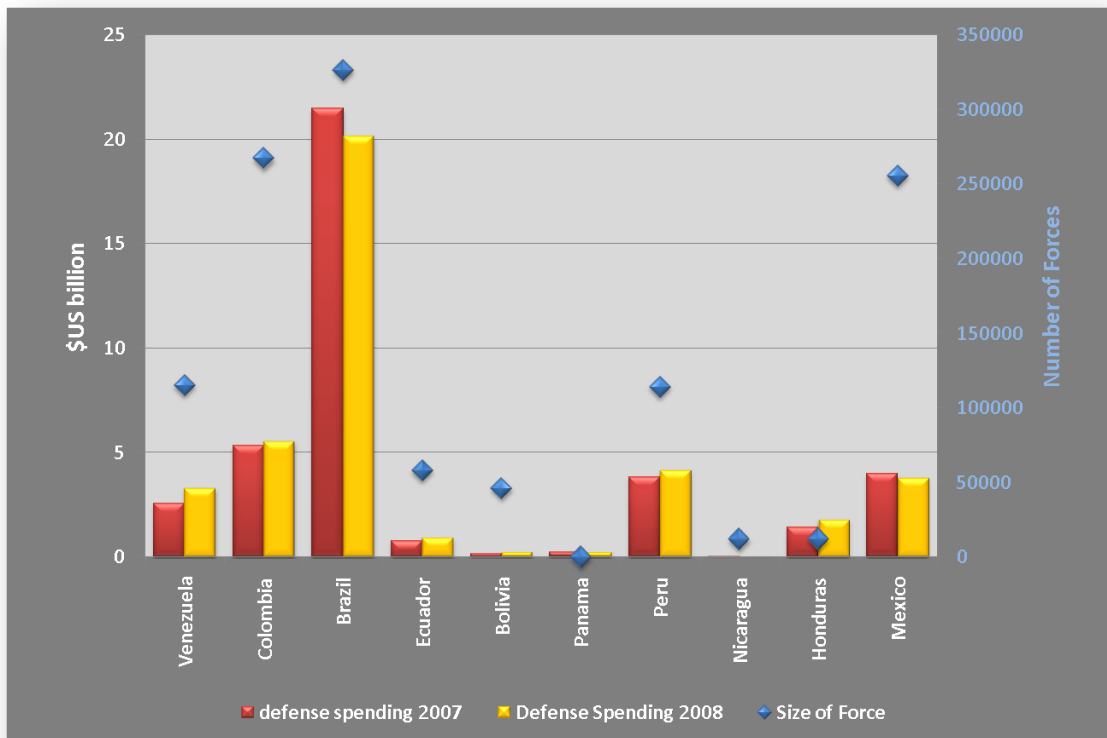


Figure 6: Defense Spending 2007-2008 & Size of Armed Forces

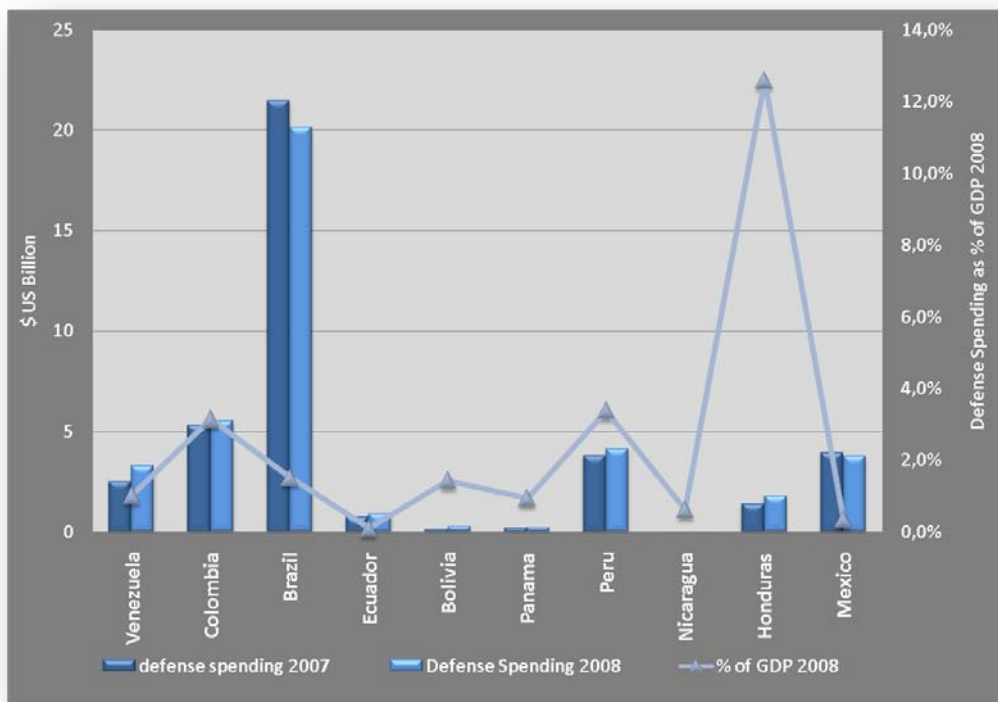


Figure 7: Defense Spending 2007-2008 Absolute & Percentage of GDP

