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Venezuela-US Tensions Rise

by LADB Staff
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Venezuela's relations with the US suffered a new blow when Washington cited inadequate Venezuelan efforts against human trafficking as a reason to withhold support for a US$250 million loan to the South American country.

Caracas officials condemned the move toward a loan sanction, calling it blackmail and saying US-Venezuela relations had reached a new low. Despite the attempted sanction, Venezuela's foreign investment is recovering and, according to the government, has gone up 79% in the past year.

US says Venezuela not doing enough about child trafficking

On Sept. 11, Venezuela's information minister criticized a US plan to withdraw support for US$250 million in loan requests by his country because of its alleged role in the international trafficking of women and children for sexual exploitation. The action announced in a Sept. 10 memo from President George W. Bush to US Secretary of State Colin Powell is backed by legislation calling for sanctions against countries that fail to crack down on international trafficking in persons. The legislation is designed to encourage countries to take decisive action against the practice.

Information Minister Andres Izarra said Venezuela was not concerned about the lack of US support for funding channeled through international organizations. The loans could be approved without US backing if Venezuela secured sufficient support from other governments.

"We don't believe that the US vote is enough to stop the loans," Izarra said.

A July report by the US State Department said Venezuelan women and children are trafficked inside the country and abroad to Spain and to mines in neighboring Guyana. It said Brazilian and Colombian women also are trafficked through the country. "It is a fact, not only that the information is not well-documented but that it doesn't help the bilateral relations to reach the levels that they should be," Izarra said. He said the sanction would hurt already wounded relations between the countries.

Deputy Minister of Foreign Relations Arevalo Mendez called the US opinion on human trafficking in Venezuela "false and injurious." Mendez said of the report, "The US government doesn't exactly have clean hands," if one is discussing human-trafficking figures. Mendez said Bush's order could affect the work of the US's new ambassador to Caracas, William Brownfield, who had yet to present his credentials to the Venezuelan government. "His government is giving him instructions that are contrary to the spirit of what should be a productive and respectful relationship."

Caracas officials allege blackmail, doublespeak "This is an attempt at blackmail," said Mendez after the US announced its withdrawal of support for Venezuela. He described the move as an example
of "feudal imperialist policies." Mendez acknowledged that Venezuela has a human-trafficking problem, but said, "It has neither the magnitude nor the nature that Mr. Bush's government claims."

Izarra, speaking at a press conference at Miraflores presidential palace, said, "We want to call attention to the doublespeak of the US in its relation with Venezuela," a conflictive bilateral relation which the Bush administration's "attitude does not help." Venezuela is the US's fourth-largest supplier of crude petroleum. Allegations that the US funded opposition forces such as the group Sumate during the recently completed recall referendum and supported coup plotters against Chavez in 2002 have aggravated Venezuela-US relations (see NotiSur 2002-04-19).

Some critics allege that the State Department listings on human trafficking play more of a political role than an objective one in evaluating a nation's performance. John R. Miller, director of the Office to Monitor and Combat Trafficking In Persons at the US Department of State, said Venezuela had been placed in Tier 3, the lowest level, of the Trafficking in Persons Report "because of its growing crisis involving the commercial sexual exploitation of children, mostly in the form of underage prostitution.

During the annual reporting period, the government of Venezuela took virtually no action to combat this growing problem. For instance, the government had no proactive law enforcement strategy and virtually no victim protection policy." Miller said governments in Tier 3 "can face non-humanitarian, economic sanctions."

Venezuela's permanent mission to the UN issued a statement accusing the US of "aggression on Venezuelan national sovereignty," and pointing out that Venezuela is "part of the UN Convention against Transnational Organized Crime as well as the Protocol to Prevent and Sanction the Traffic of Persons...especially women and children...treaties that went into effect on Dec. 25, 2003. On the other hand, the USA is not party to the aforementioned international treaties, given that it has not ratified them. It is rather surprising therefore, and unjustified, that the government of said state...in the most hostile and bellicose practice of unilateralism...eight months after the referred international treaties went into effect (without being a part of them), tries to give itself a right that it does not have in international law to evaluate Venezuela's compliance with those international treaties."

At the UN, Foreign Minister Jesus Arnaldo Perez said that, "for some time now, relations with the US couldn't have been worse," and "as of now something will have to change." Chavez had planned to travel to the US to improve relations, telling an early September meeting of 1,300 businesspeople in Caracas that he hoped to increase sales to the northern economic giant, "not just of petroleum, but many other things as well." He had been scheduled to travel to the 59th General Assembly of the UN in New York as many other Latin American and world leaders congregated there, but "technical problems" with the presidential jet prevented the president from making the trip.

Pundits, however, conjectured that it was anger over US actions rather than engine trouble that kept Chavez in South America. Shortly after the announcement that the US would withhold loan support, Chavez said he was unsure whether he would attend the assembly, complaining that the majority of heads of state from the "first world give a speech and leave," without listening to the proposals.
of developing countries. "Four years ago, Venezuela proposed the creation of an international humanitarian fund, but only the delegates from Africa, Asia, and Latin America applauded, while those from the first world? Nothing, those few who remained," said Chavez.

Analysts call US move politically motivated, ineffective In interviews and an editorial in The New York Times, Michael Shifter, vice president at the US-based think tank Inter-American Dialogue, came out strongly against the Bush administration's decision. "There is no convincing evidence Venezuela's record is any more egregious than the records of a number of other countries in the region. The decision appears politically motivated, made perhaps to appease some hard-liners in the Bush administration and silence critics unhappy with the outcome of last month's recall referendum," said Shifter.

The Aug. 15 recall referendum went overwhelmingly in Chavez's favor and received ratification from international monitors like the Organization of American States (OAS) and the Carter Center (see NotiSur, 2004-08-20). The failure to unseat Chavez split opposition groups and led a number of constituents to leave the central opposition force, the Coordinadora Democratica (CD).

Two weeks after the recall vote, Venezuela's Foreign Minister Perez called on the US to recognize the referendum results "publicly" and "without ambiguities." Shifter said that the US action "will amount to no more than a pinprick and will not reduce trafficking. It will succeed only in irritating the Chavez government and inducing other Latin American governments to vote in favor of the loans if only to get back at the United States."

Two weeks after the US made the US$250 million loan sanction, the Corporacion Andina de Fomento (CAF) approved three credits for Venezuela for a total of US$258 million. The money will go to finance energy and transportation infrastructure in the country. The loans will last between eight and 10 years and have grace periods of two to three years. Not long after receiving Bush's memo opposing the loans to Venezuela, the State Department released funds to Colombia, despite denunciations of human rights groups about the Colombian government's involvement in rights abuses there.

Secretary of State Powell concluded that Colombia had met congressional requirements for protection of human rights, thereby freeing US$32.5 million in military-aid funds, the State Department said on Sept. 24. Powell has never found Colombia in violation of the rights requirements.

Rights groups invariably have criticized Powell's findings, contending that he has overlooked serious abuses. The rights evaluation takes into account, among other criteria, whether the Colombian armed forces are taking action against rights abusers within their ranks or have aided and abetted paramilitary organizations. Earlier this year, an imprisoned Colombian general charged that military-to-paramilitary links were extensive. The State Department's announcement said that 75% of the assistance to Colombia's armed forces was not subject to evaluation on human rights grounds. The US$32.5 million Powell released represents 12.5% of the remainder of roughly US$250 million. A second evaluation is required before the rest can be disbursed.
Powell said he told Colombian President Alvaro Uribe during a Sept. 1 meeting in Panama that he "has to keep his eye on human rights and civil rights, to make sure he is cracking down in a way that is consistent with international human rights standards." Powell said he reminded Uribe of the link that Congress has established between rights protection and full funding of US assistance programs. Venezuela recovers 79% of foreign investment Foreign direct investment (FDI) in Venezuela recovered 79% in the past year, moving from US$1.4 billion in 2002 to US$2.5 billion in 2003, according to official figures.

The director of the Consejo Nacional de Promocion de Inversiones (Conapri), Mercedes Briceno, said the increase contrasted with the region's 3% decline, a number put out by the UN Conference on Trade and Development (UNCTAD). Latin America has seen a four-year decline in FDI, particularly in South American nations (see NotiSur, 2004-06-04).

The Venezuelan increase contrasts with dropping FDI worldwide, a drop that takes it to its lowest global level since 1998. Venezuela has been recovering from an oil-industry strike led by opponents to the Chavez administration, a strike that crippled the country's central industry and helped send an impression of an unstable investment climate to the outside world (see NotiSur, 2003-01-31).

Briceno says the majority of FDI in her country comes from the US, followed by France, Germany, Spain, and Colombia, mostly related to petroleum sales, followed by manufacturing and telecommunications. However, says Briceno, "more and more there is investment coming in associated with services, an area that traditionally doesn't receive investments."

The Conapri director said Venezuela should promote investment opportunities in sectors like manufacturing, telecommunications, mining, and electricity to increase the expansion in FDI in 2004. She said exchange controls, in effect since 2003, brought reinvestment into the country's businesses, while international investment trends considered service sectors as the best opportunities. She linked the country's recovery of its international reserves, going from US$14 billion to US$22 billion, to foreign-investment growth. Briceno says this year's outlook for Venezuela is favorable for further recovery, despite decreasing global FDI, with the Latin American and Caribbean region being least favored.

In 2003, Mexico and Brazil suffered the greatest reduction in FDI, even as they maintained their place as the region's leaders, while Venezuela took fourth place. The completion of the recall-referendum process has led many business organizations to declare a return of political stability and an improved business climate in Venezuela. The Chavez government has made various conciliatory gestures to the business community since its mid-August victory, even as it moves forward with the social reforms that are part of its "Bolivarian revolution."