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Petro-Politics in Venezuela

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Petro-Politics In Venezuela

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Business Management

Introduction

The twentieth century gave rise to a competition among countries that is exponentially growing vicious. This competition, sometimes referred to as “petroleum politics,” has engulfed the late twentieth century and all of the twenty-first century in diplomatic chaos. This has not only stirred animosity among national leaders, it has also caused war and bloodshed on an international scale. In a world where money and nuclear weapons once demonstrated power, countries are now fighting for control of this precious, non-renewable resource and the unlimited amount of power that comes with its control.

One man who has strategically used his control of oil and the power that comes with it is the president of Venezuela, Hugo Chavez. This former army paratrooper burst onto the political scene in the early 1990s when he and his former military friends formed the revolutionary group *Bolivarian Revolutionary Army 200*, based on the ideals of the father of South American independence, Simon Bolivar. Bolivar was a former Venezuelan president who led a struggle for independence from Spain in northern South America. Following the ways of Bolivar, Chavez and his associates attempted to overthrow the current president of Venezuela, Carlos Andres Perez. Although the attempted coup ended in complete failure, Chavez was able to reach the hearts of the Venezuelan people, which allowed him to be elected president by his own party, the Fifth Republic Movement in a landslide victory in 1998. After finally gaining power Chavez planned to exert his ideals on Venezuela, and revolutionize the country. These ideals include a push to eliminate inequality in the country by creating programs that appeal to the general or common people of Venezuela, over the “elite” class.

As we will see, global politics have changed such that to be influential over other nations, one does not have to be the biggest and richest country. To exert the most influence around the globe requires only one thing, oil control. The combination of Venezuela's large supply of oil and Chavez' animosity towards the United States and its neoliberal policies, has the potential for many challenges to America. The diplomatic use of this oil by Chavez has and will be a challenge to the United States and to the policies Washington believes so much in.

The Populist ideals of Hugo Chavez, including his push to eliminated inequality among classes within the state, have helped shape his feelings about certain policies that are being promoted internationally, primarily by the United States. These policies, which are being used to promote economic globalization, are promoted by international bodies like the World Trade Organization, the International Monetary Fund, regional trade agreements such as NAFTA (North American Free Trade Agreement), the EU (European Union), GATT (General Agreement on Tariffs and Trade), and the World Bank, just to name a few. These policies, backed by the U.S., all stress liberalized trade and relatively open markets. The theory is that if countries across the globe reduce their trade restrictions and open their markets to everyone, by the law of comparative advantage, all trading partners will receive mutual gains. Hugo Chavez, however, sees this theory differently. Chavez argues that this system only helps those countries that are already developed, such as the U.S., and that these larger countries are using these policies to take advantage of the smaller countries, making money for themselves in the process. This has caused Chavez to despise the United States, believing that it has gained ill-acquired hegemony by taking advantage of the weak.

Literature Review

The scholarship on Hugo Chavez deals with a wide array of topics, but for this thesis there are three areas in which authors' discussions have been organized in order to help understand how Hugo Chavez's use of oil is a potential challenge to the United States. These topics include a background on Chavez's view of the U.S. and globalization, Chavez's utilization of oil, and the consequences of this utilization, which include foreign alliances, the formation of trade organizations, and weapons purchases.

To begin to understand the challenging capabilities of Hugo Chavez, one must first understand a little background information dealing with his feelings toward the United States and its open market policies. Several authors touch on the subject of Chavez' beliefs regarding open market and free trade policies that make up the ideas of the term that opponents to globalization use so often, neoliberalism. Neoliberal ideas of liberalized trade, open markets, and the support for the private activities of business, are the exact ideas that the United States promotes throughout the globe, and are the ideas that Hugo Chavez rejects.

In "Venezuela: Looking Ahead," Jennifer McCoy discusses briefly Hugo Chavez' political ideals and relates them to the United States and its global policies. Before Chavez became president, while he was still serving in the military, Venezuela was controlled by president Carlos Andres Perez. Perez led Venezuela into a state of prosperity thanks to his government's petroleum exports Perez had good relations with the U.S. that even led to his joining the "Washington Consensus," which consisted of becoming a receiver of money from the International Monetary Fund (151).

After Chavez' presidential victory in 1998, he expressed a plan of radical populist change within Venezuela's liberal democratic system. McCoy explains that this change consisted of "elite displacement, major redistribution of economic and political resources, and experimentation with new forms of participatory democracy" (152-153). Dick Parker, in "Chavez and his alternative to Neoliberalism," adds to this list of change Initiatives including Chavez' nationalization of oil, his "use of oil to make local capital instead of foreign capital," and the change of focus from foreign investments to social well-being programs in Venezuela (43). Jennifer McCoy explains that these actions are generally categorized under populism, the political philosophy involving promotion of the well-being of common people at the expense of the elite. Populist nations have a primarily low power distance, meaning that money and power in the country are distributed broadly among the citizens. For example, there is not a large gap of inequality in financial assets. (152).

Chavez' populist ideals are the source of his antipathy toward neoliberalism. In "The Radical Thesis on Globalization and the Case of Venezuela's Hugo Chavez," Steve Ellner explains that "Chavez' discourse with globalization is that he believes it promotes an unequal distribution of wealth" (90), which is the exact opposite of what populism promotes. Ellner, in another article, "Toward a Multipolar world: Using Oil Diplomacy to sever Venezuela's Dependence," also argues that Chavez promotes a multi-polar world. By "multi-polar," he means "the transformation of nations into blocs, bound together geographically or economically, with political and economic clout." Some of these blocs, of which Venezuela is a part, include both the "Hemispheric Common Market of the South (Mercosur), OPEC (Organization of

Petroleum Exporting Countries) and The Community of Latin American Nations” (2007). Ellner believes that these alliances are a way of fighting the “unipolar world” that Chavez believes the U.S. is creating with its free trade policies.

In “The World Is Not Flat: Inequality and Injustice in Our Global Economy,” Nancy Birdsall also discusses the arguments Chavez makes against neoliberal policies. Birdsall argues, just as Chavez has, that the world is too unequal in terms of wealth for global market policies to be effective. The effects of free trade and open markets will funnel all the money to the richest and most resourceful countries, leaving poorer countries, such as those in Latin America, in financial stagnation, creating more and more inequality throughout the globe. Birdsall argues that “concentration of income and assets at the top not only interacts with market failures to reduce growth, but also leads to government failure” (14).

Jennifer McCoy, in her discussions with the U.S. House of Representatives, along with Steve Ellner, relate Chavez’ arguments against neoliberalism back to the United States. Both authors insist that the United States’ strong promotion of neoliberal policies is outright bullying: these policies that reside within the “Washington Consensus” promote a unilateral process of trade reform in which countries lower or even eliminate tariffs on trade imports. By accepting such trade agreements countries will have access to loans from the International Monetary Fund to help them stabilize their economic system. These authors are skeptical of such policies, arguing that the motives of the U.S. are purely selfish in that these policies are set up in such way that allows the wealthier and more resourceful countries, such as the U.S., to receive most of the benefits, while exploiting the resources of poorer countries. McCoy explains that “Chavez’ anti-

Americanism resonates at home and abroad because of general antipathy toward U.S. unilateralness and perceived bullying” (159). Ellner explains in “The Radical Thesis on Globalization and the Case of Venezuela’s Hugo Chavez,” how Chavez believes that the U.S. has unethically received power in the world only because it has taken advantage of the less resourceful countries around the globe. This U.S. hegemony is what Chavez plans to counter by employing his multi-polar initiatives, with oil as his primary weapon. Chavez’ anti-American political feelings can be summed up in his quote: “it’s either Capitalism, which is the road to hell, or socialism, for those who want to build the kingdom of God here on Earth” (88).

Hugo Chavez’ use of oil is key to understanding how challenging he is to the United States. All of the authors who write on this subject explain that Hugo Chavez has been given great power in the form of a relatively large oil supply in Venezuela, and it is clear that he has used, and plans to continue to use, this supply to his advantage. Jennifer McCoy, in her discussion on Venezuela with the U.S. House of Representatives explains that “Venezuela’s oil booms have fueled a paternalistic state by petro-diplomacy in foreign policy” (153); in other words, with the use of his oil Chavez has formed a hierarchic pattern within the governments of the region, putting himself at the top thanks to his control over an important resource . She continues by stating that although past governments have followed this trend, Chavez’ oil programs have been deemed “unsustainable populist giveaways” (153), for he has used his oil quite liberally by freely lending it in such a way that cannot last.

In his book *Hugo Chavez: Oil, Politics, and the Challenges to the U.S.*, Nikolas Kozloff examines Hugo Chavez’ use of oil. Kozloff explains that after an oil

strike in 2002, Chavez took control of the state oil refining company in Venezuela (known as PdVSA), and assigned close friends and former Marxist-rebel, Andres Ali Rodriguez to head the company. His initial move was to raise oil prices by drastically slowing down oil production at a time when the price per barrel was at its lowest. This in turn caused oil prices to rise drastically (25).

Nikolas Kozloff also discusses the diplomatic use of oil by Hugo Chavez. Chavez is currently developing an alliance with the oil producing countries of South America that “would benefit these countries, as well as other countries that will be under preferential financial terms.” The alliance is known as Petrosur, and it has the potential “to become larger than other oil companies such as Mobil, BP, Chevron, and Texaco” (108). Kozloff further explains that Petrosur “is merely a stepping stone that would unite Latin America against U.S. objectives in the Hemisphere” (108,110).

The discussion of Chavez’ diplomatic use of oil also focuses on the alliances he is forming not only in the Latin American region but globally as well. In “Towards a Multipolar World: Using Oil Diplomacy to Sever Venezuela’s Dependence,” Steve Ellner examines Chavez’ oil alliance with Iran. This alliance consists of Iran becoming a receiver of Venezuelan oil, while Iran has invested nearly a billion dollars in industrial development projects within Venezuela. Ellner stresses that this alliance is an “axis of unity” related to Chavez’ fight against free trade and open market policies promoted within U.S. imperialism, and his push for a “multi-polar world” being made realistic by these alliances (2007). Nikolas Kozloff also discusses a Chavez alliance with Brazil. For several years Chavez pushed for an oil alliance with then Brazilian president, Lula De Silva. Chavez, Kozloff explains, is very strategic in this

alliance, for Brazil has become the ninth largest economy in the world, and growing rapidly. By forming this alliance “thanks to the give and take agreement with oil,” Chavez is pulling yet another country away from the free trade agreements promoted by the U.S. (112-113).

A final alliance these authors discuss is the one between Chavez and the Cuban dictator, Fidel Castro. Max Azicri in “The Castro-Chavez Alliance,” discusses the gravity of this alliance, and its repercussions. Azicri explains that these two remarkably similar leaders have grown very close, and with the United States embargo on Cuba, Chavez has reached out, offering “socioeconomic help and development of better living conditions” (108), with oil being the main tool. Azicri continues, explaining that this alliance, with the help of Venezuelan oil, has helped strengthen a greater alliance known as the ALBA (Bolivarian Alliance for the Americas). This is a strategic alliance among the countries of Latin America that promotes socialist programs in an effort to counter such alliances as the FTAA (Free Trade Agreement of the Americas) and the WTO (World Trade Organization). Azicri argues that “thanks to the monetary effects of this alliance, as well as the influence Castro and Chavez are having on the rest of Latin America, Washington’s hegemonic role in the hemisphere can be weakened” (100,108).

The purchasing of weapons in massive quantity thanks to oil revenues is a final topic discussed by some authors within the scholarship of Hugo Chavez. In “Venezuelan Vagaries: Chavez is flush with oil money and eager to spend on weapons,” Peter Brooks discusses some of Chavez’ purchases with his oil money. Brooks explains that “between 2005 and 2007, Venezuela purchased over a billion dollars worth of foreign weapons, making Venezuela the largest arms buyer in the region” (2). Brooks also

explains that Chavez has publicly remarked on these arms purchases and claimed that one reason for them is to thwart a potential American invasion.

A final topic within the literature on Hugo Chavez, pertinent to his threat to the U.S., regards consequences and repercussions of his political actions. Many authors touch on the challenges to the United States as a result of many of Chavez' political moves. Peter Hakim explains in his article, "Is Washington Losing Latin America," the significance of the Fidel Castro-Hugo Chavez alliance, and its repercussions. He explains that due to this increasingly strong alliance, Chavez is in a sense "helping a repressive regime hold on to power" by continuing this alliance through the transition of power currently in Cuba, and continuing the give and take relationship of oil and weapons between the two countries (43). Max Azicri adds to the Castro-Chavez discussion in his article, "The Castro-Chavez Alliance," by explaining that together the two leaders are influential in the rest of Latin America; the leftist movement they promote in Latin America could "weaken Washington's hegemonic role, the FTAA, the Washington Consensus, and other IMF (International Monetary Fund) recommended formulas" (100).

Christopher Clement, in his article "Confronting Hugo Chavez: United States Democracy Promotion in Latin America," discusses the effects Chavez' actions are having on American influence in Latin America. Clement explains that U.S. democracy promotion, including the promotion of their free-trade principles, are not taking hold in Latin America. The U.S. is pushing for governmental changes in the region, but a majority of the countries are strongly resisting, thanks in large part to Chavez' influence. The FTAA countries are becoming limited in number, and the U.S.'s anti-narcotic

campaign in Colombia is struggling due to potential monetary collusion between Chavez and the FARC, (Revolutionary Armed Forces of Colombia), a terrorist organization that has become involved in the illegal drug trade out of Colombia (Hansen 2008). Relations between Chavez and the FARC became public after the Colombian governments seized laptops that revealed e-mails indicating financial as well as military support from Venezuela.

Otto J. Reich adds to this discussion in a speech to the U.S. House of Representatives in 2010. Reich explains that “the main threat to the peace, prosperity and security of the U.S. does not come from military coups, but from a form of creeping totalitarianism self-described as socialism and allied with strong forms of tyranny and anti-western ideology” (152). He is stating that the main threat to the U.S. consists of socialistic leaders within Latin America, such as Chavez, who lead tyrannous regimes that are fueled by a strong hatred toward U.S. policies. Reich explains that democracy in the region is undermined by “autocrats” who are gaining “power through elections and then dismantling democracy from within” (152). These ideas are being promoted by Bolivarian Alternative for the Americas (ALBA), a program founded by Castro and fueled directly by Venezuelan oil money. With the help of Chavez, ALBA “is actually a revival of Fidel Castro’s half century goal of uniting international radical terrorist movements of the developing world under his leadership” (153). As ALBA becomes more influential the beliefs of Fidel Castro and Hugo Chavez will become increasingly influential.

Scott Cole, in his article “Hugo Chavez and Bush’s Credibility Gap: The Struggle against U.S. democracy Promotion,” agrees with Reich, and restates

his argument. Cole explains that the U.S. is pushing democracy onto Latin America primarily in an attempt to boost these poorer countries' economies, which is basically the goal of the free-trade and open market principles that are being promoted through the Washington Consensus. However, due to Chavez and Castro's resistance to these principles, as well as their influence in the region, this U.S. push for democracy and capitalism is failing. Cole also explains that if the U.S. continues to push that could prove problematic, for many of Chavez' allies such as Iran, Russia, and Cuba, are also threatening (493-500).

Findings/Discussion

Although the authors who examine Hugo Chavez give us detailed discussions of his political actions and motives, they fail to address certain subjects within their studies. The limitations within the scholarship that led to the formation of this thesis is primarily a failure to make certain connections regarding the actions of Hugo Chavez. The majority of the authors are spot on in their arguments about Hugo Chavez, but they all fail to make one simple yet significant connection.

The authors begin their arguments by explaining the opinions against neoliberalism that Chavez holds dearly, as well as the political ideals that most of his actions have exemplified since becoming president. They also discuss why Hugo Chavez feels the way he does about the free-market principles that are being spread throughout the globe through the practices of WTO, IMF, and NAFTA, and what he believes is so wrong about these organizations.

But, these authors quit too soon in their discussions of Chavez' antipathy for neoliberalism. They fail to develop their arguments and discuss the potential

hemispheric side effects of Chavez' enmity towards globalization. These authors fail to make the link between Chavez' feelings against neoliberalism and his political/diplomatic actions driven by these feelings. In contrast to other authors, this thesis makes the direct link between these feelings and Chavez' use of oil as a diplomatic tool.

Within the existing scholarship on Hugo Chavez, several authors understood the importance of oil to politics around the globe. They explain the ways in which Chavez has used his abundant Venezuelan oil supply since becoming president, as well as his future plans involving oil. The authors provide detailed information on the political moves Chavez has and will make directly with the help of his oil, building the foundation for the argument that his political use of oil is a challenge to the United States. Such authors include Otto J. Reich, who explains Chavez' formation of the political organization ALBA (152), Nikolas Kozloff, who discusses Chavez' diplomatic use of oil within Latin America (103-118), and Peter Brooks who discusses and analyzes the weapons purchases by Venezuela throughout the past decade (1-2).

Yet these authors also fail to take their evidence to its logical conclusion by forming it into an argument regarding the potential repercussions of Chavez' use of oil in diplomacy. The authors have explained how Chavez has acted, as well as why, but they do not explain what these actions mean for the rest of the world, especially the United States. All actions of course have consequences, but the authors mentioned here do not assert the consequences of Chavez' diplomatic use of oil, and how they will affect certain countries.

After looking at the discussions regarding Hugo Chavez' political ideals, as

well as his political and diplomatic actions, several authors expanded the discussion of him and explained the consequences, repercussions, and potential effects this has on the rest of the world. These authors provide specific explanations of what the result will be of all the national and international relations programs that Chavez has been implementing over the last decade. Otto J. Reich does a good job of this, explaining what is to become of Latin America as Chavez and his alliances take hold in the region. Reich argues in his speech to the U.S. House of Representatives that the socialistic programs enveloping Latin America are pushing totalitarianism, tyranny, and a hatred of the United States (152). Although his argument is rather emotionally charged, he is asserting that such movements will become detrimental to the well being the region, and the hemisphere. The other authors tie most of Chavez' actions to the struggles the U.S. is having within the region, especially regarding democracy promotion, explaining that the ideas of democracy are being crushed in Latin America

Where all the authors have discussed and analyzed Hugo Chavez' political ideals and opinions on the U.S. and its Washington Consensus, and the way he has diplomatically used his oil throughout his presidency, and the potential effects this usage has on the hemisphere, they fail to show that all of his actions can be traced back to his oil control. The large Venezuelan oil supply is the direct source for all that Chavez does and will do politically. Consequently, the majority of Chavez' political actions throughout his presidency, thanks to his oil supply, are a direct challenge to the United States.

So how exactly is Hugo Chavez' control and use of oil a potential challenge to the United States? As discussed by multiple authors, Hugo Chavez' political ideals are

radically different from those of the U.S., as illustrated by many of his social programs at work in Venezuela. Not only does he run a populist regime in Venezuela, but he also has formal ties to the socialist regime in Cuba, as exemplified in his longstanding alliance with former dictator Fidel Castro. While these political ideals have led him to run his country a certain way, they have also led him to hate the free and open market principles promoted by such programs as the WTO, IMF, NAFTA, EU, FTAA, and other programs and organizations that are advancing the idea of globalization and neoliberalism. Not only does Chavez hate these ideas, but he also hates the face that is behind them. Chavez' open remarks of hatred toward U.S. hegemony resonate at home as well as abroad.

Hatred is a powerful emotion that causes one to act in a certain way. One can either choose to act peacefully or with wrath; Hugo Chavez has chosen to act in ways that have exemplified wrath, and he has done so strategically with the help of his oil supply. As discussed and illustrated by several authors, throughout his presidency, Chavez has utilized the Venezuelan oil supply he controls in a large number of ways, including alliances with certain countries and organizations, trading organizations set up throughout Latin America, and large weapons purchases. All of these programs and organizations are being fueled solely by the profits Chavez is earning from his Oil. As discussed by Otto J. Reich, the ALBA (Bolivarian Alternative to the Americas) a program set up by Fidel Castro and Hugo Chavez, is "fueled directly by Venezuelan oil money" (153).

The majority of Chavez' alliances within Latin America, including Brazil, Uruguay, Cuba, Bolivia, Argentina, Peru, and Ecuador, are based upon Chavez helping to boost their economies by sending them oil, in an effort to persuade them away from

joining the “Washington Consensus” being offered by the U.S. For example, Brazil has received large amounts of oil from Venezuela, in an obvious effort to make Brazil realize that they do not need to join the open market standards the U.S. is pushing (Kozloff 105-107). Venezuela has done the same with Uruguay, by radicalizing politics with them, and setting up diplomatic relations by supplying tons of oil to the country while also becoming close allies with senators such as Jose Mujica, a strong critic of the U.S. (Kozloff 26). Finally, in 2005, when Ecuadorian president, Alfredo Palacio was planning to sign free-trade agreements with the U.S., Venezuela offered to send oil, and even buy up the Ecuadorian debt, in a clear effort to drag them away from America’s orbit (Kozloff 110). Along the same lines as Chavez’ oil being the primary weapon of persuasion and influence on other countries, when it comes to the millions of dollars worth of weapons being bought from Russia, there is no other way to afford this than profits from oil refining.

So along with the political ideals and public hatred of the United States’ free-trade and open market policies, Chavez has begun implementing programs, and forming organizations and alliances that counter these policies. These policies, which are direct products of Venezuelan oil profits, are currently threatening the United States politically, economically, and physically. These threats are the consequences of Chavez’ actions, including his control of oil, his foreign alliances, his oil assistant and trade programs, and his international weapons purchases.

Hugo Chavez’ control of oil puts him in a position to hurt the United States by cutting off a major oil supply for it, which reached nearly 15 percent of its oil imports in 2010 (McCoy 154). With CITGO being a major oil subsidiary of

Chavez, having a refinery in Texas, Chavez could easily stop oil production, leaving the U.S. to import oil from another source, which would mean higher prices paid by U.S. consumers. The potential threat of Chavez' control of oil over the U.S. is shown in the strike within the PdVSA "in late 2002 and early 2003 which severely constricted the flow of oil and gasoline for several months" (Billig 2). In the last decade, the U.S. has come to import two-thirds of its oil, a majority of it coming from Venezuela. Once Venezuelan oil supply to the U.S. was stopped owing to the strike, it was clear that the U.S. was not ready such disruption. U.S. oil reserves consisted of only enough oil to provide a buffer of less than two months, and oil imports from Saudi Arabia would take over month to reach it, and would cost significantly more. America's dependence on oil imports quickly became a liability, running on an oil shortage that quickly caused gas prices to rise (Billig 5).

The potential effect of the United States being cutoff from Venezuelan oil is catastrophic. The first major threat of such a cutoff came in 2010, after evidence appeared showing a possible monetary and arms collusion between Venezuela and the FARC. The Huffington Post World News covered the story, explaining that Hugo Chavez threatened "cut off oil sales to the U.S. if Venezuela is attacked by its U.S.-allied neighbor Colombia in a dispute over allegations that Venezuela gives Haven to Colombian rebels" (FARC) (James 2010). According to the Post, Chavez gave a speech in July of 2010 to supporters, explaining that "if there is any armed aggression against Venezuela from Colombian territory or anywhere else supported by the Yankee empire, we would suspend shipments of oil to the United States" (James, 2010)! As this news article shows, as the relationship between Venezuela and the U.S. sours, the threat

of a cutoff is very real.

As Chavez' control of oil is a threat, so are his foreign alliances with other presidents. The most threatening of all is Chavez' close ties and friendship with former Cuban dictator Fidel Castro. Communist Castro has been a major challenge throughout the last four decades of the twentieth century, particularly with his strong resistance to U.S. policy promotion in the region, not to mention his threatening involvement in the Cold War in regard to events like the Cuban Missile Crisis. With the retirement of Castro, the possibility for the rise of democracy in Cuba and Latin America seemed bright. But, since Chavez has formed such a close alliance with Castro, his "repressive regime" is seemingly able to hold on to power. For the most part, the alliance between the two leaders primarily involves Venezuela providing Cuba with a tremendous amount of oil, which is saving a battered Cuban economy and keeping its socialist system alive. With the help of much needed resources from Venezuela, Castro is able to continue his socialist push throughout Latin America. This push includes programs formed by Chavez and him such as, ALBA, a Latin American alliance that promotes the "dismantling of democracy" within one's country (Reich 152).

"The collaborative and solidarity" alliance between Fidel Castro and Hugo Chavez has created a "continent wide opposition to the Free Trade Agreement of the Americas, the Washington Consensus, and neoliberalism" (Max Azicri, 2009), which is proving to be a challenge to the United States by putting an end to their influence in the region, as well as an end to the open market, free trade policies that could benefit the whole hemisphere. On a global scale, Chavez' alliance with Iran could prove to be a major challenge to the U.S. Over the past several years, Iranian president

Mahmoud Ahmadinejad has raised concern among Americans with his openly anti-Western attitude as well as his threat of war with Israel. Since Iran is thought to be building a nuclear weapon, it is a potential threat to the U.S. With its newly found alliance with Venezuela this threat is becoming more real, particularly as oil supplies are also involved. Through the “axis of unity” that Chavez and Ahmadinejad have formed, each country is investing millions of dollars with the other, while also “pledging full military support and cooperation” (Brooks, 2011), all with the same goal in mind: fighting U.S. imperialism. This alliance is particularly disheartening to the U.S. due to Iran’s nuclear capabilities, and Venezuela’s close proximity to the U.S. Iranian weapons could be sold or even given to Venezuela if an extreme situation were to break out (Brooks 2).

As Otto J. Reich explained in his discussion with the U.S. House of Representatives in 2010, “the main threat to peace, prosperity, and security of the U.S. does not come from military coups, but from a form of creeping totalitarianism self-described as socialism and allied with strong forms of tyranny and anti-western ideology” (152). All of this is promoted in the form of programs and organizations Chavez has created with the help of his oil supply. Such organizations include Petrosur, an oil organization that includes all the oil producing countries within Latin America, established to provide trade benefits between the member countries, in an effort to free them from reliance on American oil companies. An other organization is the Bolivarian Alternative to the Americas (ALBA). ALBA attempts to counter the influence of the United States in the Latin American region.

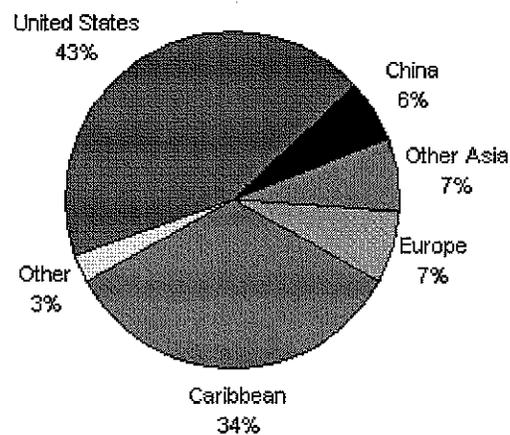
American, as well as democratic influence in Latin America are deteriorating

owing to programs such as the ALBA, which is being promoted by Hugo Chavez' direct oil relationships he is forming with other countries in the region. For example, Brazil, which is the ninth largest economy in the world, would be a tremendous asset to the U.S. in regard to trade agreements within the WTO. These agreements would in fact help both countries financially by making product import and exports less costly and more efficient. But, Chavez is using his oil as influence, offering Brazil oil at discounted prices in order to join ALBA, that will ultimately push Brazil to accept a more socialist approach to the economy, and keep it out of the orbit of the open-market policies promoted by the U.S. Brazil is not Chavez' only target. He is using his oil and its monetary gain as influence on Nicaragua and Ecuador, providing them with a way to boost their economies without having to give in to the programs being advanced by the U.S., that would ultimately boost America's economy, as well as the other countries' economies if such programs were accepted (Kozloff 100-110).

Another threatening alliance that has the potential to have negative economic effects on the United States is the organization that Chavez is creating called Petrosur. Petrosur, as Nikolas Kozloff explains in his book *Hugo Chavez: Oil, Politics, and the Challenge to the U.S.*, is an oil alliance among oil producing countries within Latin America. This organization will not be open to any country other those within Latin America, and under "preferential financial terms" (105). According to Kozloff as well, Petrosur has the potential to become larger than Mobil, BP, Chevron, and Texaco, three of which are American corporations. This organization has the potential to hurt the American economy due to the financial repercussions from it. Such an organization would sever Latin American reliance on American oil companies, especially if Petrosur

provide price cuts to its members. The only way American companies would be able to make up for the lost revenue would be to move all their business overseas, which would be an obviously expensive venture owing to higher import costs (103-118). The following chart shows the extent to which Venezuela supplies crude oil to Latin America. With such large amounts of oil going to countries in the region under preferential supply agreements such as in Petrosur, Latin America dependence on American oil refining companies will diminish.

Venezuelan Crude Oil Exports by Destination, 2010



Source: EIA, APEX Database, FACTS Global Energy

A final threat that is more concrete and obvious is through Hugo Chavez' mass weapons purchases. As discussed by other authors, Chavez has purchased nearly a billion dollars worth of military weapons throughout the past five years. Such weapons include 24 Su-30 fighter jets, 50 helicopters/gunships, and 100,000 AK103 assault rifles. Most of these weapons have all come from Russia, though "Venezuela has also had preliminary discussions with Belarus and Iran about surface-to-air missile systems" (Brooks, 1). But a CNN news article discounts these allegations. The article from

June 1, 2011, has Chavez “mocking reports that his country is building missile launchers in its territory with the help of Iran” (Romo 2011). According to the article, what many officials in Washington believed to be a missile systems base was in fact wind energy turbines, located in an energy park in northern Venezuela (Romo 2011).

Peter Brooks explains that “Chavez of course claims that these arms purchases are to thwart an American invasion. U.S. officials dismiss these claims as preposterous, but Chavez sites U.S. support for a failed 2002 coup d’etat plot by the political opposition as proof” (1-2). The 2002 coup was a failed attempt to overthrow Chavez, and there is speculation that the U.S. was involved. The actual threat that this large arms build up in Venezuela presents to the U.S. is uncertain, due to the unanswered question of Chavez’ reason for the purchases. An issue that could be of concern is his potential to share these weapons with terrorist groups such as the FARC. Evidence was recently found showing collusion between the group and Venezuela. If Chavez keeps such terrorist groups armed, it could seriously undermine the progress that the U.S. and Colombia have achieved in finally generating peace within the Andean nation.

Conclusion

Hugo Chavez has had a tremendous political impact on the globe since becoming president nearly 15 years ago, with nearly the whole western hemisphere feeling the effects of many of his actions. Based on his political ideals that have led him to act the way he has over the last 15 years, as well as his vast supply of oil that fuels everything he does, Chavez is a potential threat to the United States economically, politically, and physically. Because his actions are driven by his oil supply and monetary gain from it, the threat he exerts on the U.S. is due directly to his control of

oil.

Where most of the authors within the existing scholarship of Chavez discuss his views on U.S. policy, his threatening oil alliances, his social programs, and his control of oil, this thesis actually makes the connection between the threats to the U.S., and Chavez' control of oil. By understanding that Chavez' control of oil is the overall challenge to the United States, scholars and politicians will better understand Chavez and his actions, as well as his reasoning behind them. As the United States government understands Chavez' actions and motives better, it can come up with ways to solve the antipathy between the two nations, particularly in a way that benefits both.

Jennifer McCoy explains some ways the U.S. should handle relations with Venezuela to the benefit of both countries. McCoy explains that America should learn to "ignore rather than respond to much of Chavez' inflammatory rhetoric," the U.S. should also not neglect Latin America, leaving governments within the region to create economic alternatives for their countries. Finally, the U.S. and Venezuela should end this "Cold War" they have created, which has included an attempt to divide Latin American countries among each other. This has been "counterproductive," forcing Latin American countries to choose between the U.S. and Venezuela (159). With the 2012 Presidential elections approaching in the United States, the opportunity is present for a new administration to better handling international relations with Venezuela, and with all of Latin America.

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