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PROBABLE DEVELOPMENTS IN VENEZUELA



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The intelligence organizations of the Departments of State, the Army, the Navy, the Air Force, and the Joint Staff participated with the Central Intelligence Agency in the preparation of this estimate. All members of the Intelligence Advisory Committee concurred in this estimate on 24 July 1952.

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PROBABLE DEVELOPMENTS IN VENEZUELA

THE PROBLEM

To estimate the current situation and probable future developments in Venezuela with particular reference to factors affecting the availability of strategic materials.

CONCLUSIONS

1. Venezuela is ruled by a three-man Junta which derives its principal support from the armed forces. The Junta's strongest opponent is Accion Democratica, a leftist but non-Communist party now outlawed and operating underground. Accion Democratica actively seeks to discredit the regime and, given the opportunity, would not scruple to attempt its overthrow by force. Despite this threat, however, the Junta is probably capable of maintaining itself in power.
2. The outlawed Communist Party does not constitute by itself a threat to Venezuelan political stability and has been unable to form any firm alliance with the non-Communist opposition.
3. The Junta wishes to create a legitimate regime through elections and a constituent assembly, but is determined that its opponents shall not take over the government nor the armed forces lose their power to control Venezuela's political course. Hence it is unlikely that elections (if held) will be free, and the opposition may boycott them.
4. The economic condition of Venezuela is good, and is likely to remain so, mainly because of high world demand for oil and iron ore.
5. The oil companies have developed and maintained excellent relations with the government. There is no evidence that the present administration contemplates nationalization of the oil companies. No foreseeable political change in Venezuela would threaten the production and export of petroleum and iron ore.
6. The oil installations are vulnerable to sabotage. Present security measures are probably adequate to deal with sabotage by local elements with limited resources. Additional measures would be required to cope with a large-scale, concerted program of sabotage involving foreign as well as local elements, such as might be expected in the event of war.
7. Venezuela has generally supported US policies in the UN and OAS and has shown willingness to cooperate in Hemisphere defense. The Venezuelans conceive their proper role to be limited to defense of their own territory and strategic industries. They desire to develop military forces adequate for that purpose. They would be unlikely to consent to the stationing of foreign troops on Venezuelan soil.

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DISCUSSION

Political

8. Venezuela is governed by a three-man Junta¹ which overthrew the regime of the Accion Democratica (AD) in November 1948. The Junta has supporters among conservative and wealthy businessmen, industrialists, large landowners, some government employees, and professional men. In general the support of these elements, which tend to place a higher value on order than on civil liberties, reflects satisfaction with a regime to which they have direct access. The Junta's main support, however, is furnished by the armed forces, especially the Army.

9. Upon taking power the Junta outlawed the Accion Democratica. The Junta has abrogated the 1947 constitution, censured political groups for voicing "intemperate" criticism of the Administration, arrested key political figures, and until very recently prevented or impeded opposition political rallies. Its attitude, however, has not been as arbitrary as that of the Gomez dictatorship (1908-1935). The Junta has begun preparations for elections to a constituent assembly, and has insisted, against conservative opposition, on universal suffrage. It has tried to persuade voters that its policies are conceived in the best interests of the nation. But the Junta appears determined that its opponents shall not take over the government nor the armed forces lose their power to control Venezuela's political course.

10. The Junta has continued many of the progressive social and economic policies of preceding governments. These policies reflected the aspirations of the largely illiterate lower classes, especially organized labor, and of the small but expanding groups of businessmen, intellectuals, students, and professional men. The successive administrations between 1935 and 1948 did much to satisfy these groups. Accion Democratica in particular instituted a vigorous pro-labor policy, with

¹The Junta is at present composed of Dr. Germán Suárez Flamerich, Col. Marcos Pérez Jiménez, and Col. Luis Felipe Llovera Páez.

numerous projects for improving health, sanitation, and education. It established direct popular elections and in general showed a respect for human rights unusual in Venezuela's history.

11. The Junta is opposed by most of the social groups which supported the immediately preceding regimes. Accion Democratica, despite its outlawry in 1948 and the imprisonment or exile of some of its most important leaders, is the Junta's most powerful adversary and still the most widely supported political party in the country. Led by an able group, whose members operate from exile and from underground, AD is seeking to create conditions which will lead to the overthrow of the Junta. It carries on an active propaganda campaign, utilizing clandestine newspapers and radio transmitters, and it seeks international political and labor support.

12. The principal representative of international Communism in Venezuela is the regular Communist Party (PCV). Also active are a small dissident Communist party, the PRP (c),² which broke away from the PCV in 1944 in protest against PCV collaboration with non-Communists, and various groups of resident foreign Communists of which the most important is Spanish. Altogether the Communists in Venezuela number less than 20,000. Their capabilities are enhanced, however, by their influence in organized labor. In 1950, among 40,000 petroleum workers, some 6,000 belonged to Communist-led unions and in addition there were significant numbers of Communists in AD-led unions. At present, among organized workers in general, some 22 percent belong to Communist-led unions, as compared with 50 percent in pro-AD unions, 10 percent in minor opposition party unions, and 10 percent in Junta-approved unions.

13. In 1950 the Junta suppressed the PCV and dissolved its affiliated labor unions. The PRP(c), however, has enjoyed relative im-

²Partido Revolucionario del Proletariado (comunista).

munity. Even when, in June 1952, the Junta severed relations with the USSR and cracked down on Communists and Communist-front organizations, the PRP(c) was allowed to retain its status as a legal political party.

14. Before the overthrow of Accion Democratica in 1948 its leaders were becoming increasingly hostile to Communism, although they tolerated Communist activity as a counterbalance to that of right-wing, anti-AD groups. The line of demarcation between AD and Communist units in organized labor was gradually becoming sharper. Since the AD was suppressed local AD units have on occasion collaborated with the PCV in student and labor agitation. The national leadership of the AD, however, still realizes that Communist objectives differ from theirs and that full cooperation with the Communists would jeopardize the future of the AD. They differ sharply with Communist leaders in their views on national policy. For these reasons a united front between AD and the PCV has not developed and is unlikely to do so in the foreseeable future. The AD leaders have been able thus far to maintain a hold on their rank-and-file despite Communist efforts to win over AD adherents.

15. The principal remaining legal opposition to the Junta is COPEI,^a a Christian socialist type party which was the chief (though never formidable) political opponent of the AD before 1948. COPEI has been outspoken in its demand for a return to constitutional government. It has some appeal to both organized labor and conservative elements interested in a restoration of civil liberties, and its strength is said to have grown since 1948. The only other legal opposition party of consequence is URD,^b a secular leftist group which has endeavored, without apparent success, to win over the popular followings of the two suppressed parties, AD and PCV. COPEI and URD are of potential importance, as legitimate, non-Communist means of expressing

opposition to the Junta, but they do not now constitute an opposition strong enough to cause the Junta serious concern.

16. Accion Democratica, though suppressed, retains the largest political following in Venezuela. Future political developments therefore depend to a great extent on its capabilities and intentions. Through agitation, and at times even terrorism, the AD will seek to discredit the Junta or any Junta-created regime, to undermine its stability, and to bring it into conflict with other opposition groups and with liberal opinion at home and abroad. Given the opportunity, the AD would not scruple to overthrow the Junta by force, as it was itself overthrown. The AD, however, now lacks the all-important support of the military and without military support is incapable of organizing a successful revolution.

17. The Junta is capable of preventing an AD revolution and of maintaining itself in power so long as the Army remains united behind it. But it desires to install a regime that will be widely recognized as constitutional and will at the same time protect the special interests of the military and of their civilian allies. It is under mounting pressures from political and labor groups to hold elections. Restoration of full constitutional government will be a complex process, which the Junta can speed up or delay to suit its own political purposes. The Junta may so greatly limit political activity as to cause opposition parties to boycott the election. In such an event, the Junta might fail to gain from an election the prestige it desires at home and abroad. But it is also possible that the Junta might succeed in registering a large favorable vote, since it is the party in power and times are good.

18. The military will continue to be the keystone of government in Venezuela. There are personal rivalries among influential officers of the armed forces, and it is possible that these conflicting ambitions might lead to disturbance of the regime, with shifts of power between military groups and personages. We believe, however, that the Junta will be able to heal such rifts as develop within the armed

^aComité Organización Política Electoral Independiente.

^bUnión Republicana Democrática.

forces, especially if it convinces the military that disunity offers AD new opportunities to undermine the stability of government.

Economic

19. Petroleum accounts for over 95 percent of exports, 97 percent of foreign exchange receipts, and more than 65 percent of government revenue of Venezuela. At the beginning of June output was at the rate of 680 million barrels per annum, which is near maximum capacity without the development of new concessions. The Junta, like the AD before it, has not granted new oil concessions, although recently it has encouraged oil companies to bid for them. It has maintained cordial relations with the companies, which have experienced fewer operational difficulties than at any time since the Gomez regime, perhaps because many of the more serious problems were adjusted during the AD administration.

20. There is no evidence that the present administration is thinking of nationalizing the oil industry. Opposition parties have proposed, from time to time, the eventual nationalization of the industry, presumably after Venezuelans have been adequately trained to take over. Nationalization remains a potential possibility, but is not a present problem. The lack of outcry for nationalization is attributable to the satisfactory arrangements between the government and the oil companies, and to the good public relations established by the companies.

21. Known iron ore reserves in Venezuela are estimated at 2 billion tons, assaying about 60 percent iron. Their development is now in its early stages: exports began in 1951. Current output is at the rate of approximately 2,000,000 tons per annum and is expected to rise to some 13,000,000 tons by 1960. All exports of iron ore go to the United States.

22. Venezuela's general industrial and agricultural development has been slow. Partly because of inadequate internal communications, a large segment of the population lives at a subsistence level. Oil exports provide ample foreign exchange to pay for imports

and until recently there has been little incentive to develop local industries. Venezuelan capitalists tend to invest only in domestic real estate or in enterprises abroad. To redress this situation AD adopted the policy of using the government's oil revenues to build up a more diversified economy. The Junta has maintained this policy: government funds are being used to expand agricultural and industrial production and for extensive public works.

23. The present economic outlook for Venezuela is bright. US demand for low gravity oils, which are in short supply and come chiefly from Venezuela, continues to expand. Venezuela's competitive position has been strengthened by developments which have brought oil production costs in the Middle East more in line with those in Venezuela. The country has virtually no foreign debt, a very small internal debt, no budgetary deficits, and a gold reserve of some \$336 million. The export of iron ore promises well for the future.

Military

24. Apart from their political role, the military forces of Venezuela have chiefly performed the function of maintaining internal order. The Army and the National Guard (a professional security force) have been the most politically powerful elements in Venezuela's military establishment. There is little evidence that either the Navy or the Air Force will challenge their position in the near future. The officer cadre of the Army comes for the most part from the upper classes and is generally conservative. The rank-and-file are short-term conscripts, mostly from the lower strata of society, and are therefore more susceptible to propaganda directed against the present regime. The officers, however, can almost certainly control the rank-and-file.

25. The Venezuelan Army, Navy, and Air Force are small in comparison with those of other South American nations. The combined strength of the armed forces (including 4,000 security troops) totals roughly 18,000 officers and enlisted men. All branches are deficient in logistics and equipment. None

has significant military capabilities, though together they could probably defend Venezuela from attacks by neighboring countries.

26. Venezuela is dependent upon foreign sources for virtually all of its military equipment and the nation's favorable financial position enables it to pay for its requirements. Although a preference exists for US equipment, particularly of the heavier varieties, the military have bought material in Europe when supplies have been unobtainable in the US. Destroyers and jet aircraft have been ordered from the UK and some jets have been received. Semi-automatic rifles have been procured from Belgium and antiaircraft guns from Sweden.

27. Venezuelan military leaders are irritated because the US does not sell them latest models of the best equipment. Nevertheless, they have professed willingness to cooperate in Hemisphere defense arrangements. They insist, however, that Venezuela's role should be limited to the strengthening of its own defenses in order to assure the availability of strategic materials. Military activity in defense, therefore, would probably not extend beyond protection of oil and iron ore installations, coastal defense, and anti-submarine patrols.

Strategic Considerations

28. Venezuelan oil is of prime strategic importance to the Western Powers. Venezuela is second only to the United States in petroleum production and is the world's largest single exporter. In present circumstances Venezuelan oil is in high demand in the United States and Western Europe. In the event of war its continued availability would be essential. The vulnerable location of Middle Eastern oil resources and the relative security of Venezuela serve to increase strategic reliance on this resource.

29. Venezuelan oil exports (including re-exports of refined products from Aruba and Curacao) normally go to Western countries. In 1951 these exports amounted to 588 million barrels, of which about 40 percent went to the United States, 25 percent to Western

Europe, and most of the remainder to Latin America. So far as is known, none was shipped to Soviet Bloc countries.

30. The second strategic commodity supplied by Venezuela is high-grade iron ore, all of which goes to the United States. In 1951 the US received from Venezuela nearly 700,000 metric tons, roughly 6 percent of US iron ore imports. Total shipments are expected to reach at least 2 million tons in 1952, 5 million in 1955, and 13 million in 1960. Iron ore transportation is hampered by the remote location of deposits in the Guayana highlands and by transshipment and dredging problems. From the El Pao (Bethlehem Steel) deposits, ore must be carried out by rail to water transportation, and there is an additional transfer from river to ocean-going bottoms. A rail and water route from the Cerro Bolivar (US Steel) deposits is still under development.

31. The oil industry in Venezuela has many features vulnerable to sabotage. Output must be channelled through a few major outlets and processing points. The Lagunillas dike, the narrow Maracaibo channel, and the Maturin bar in the San Juan River all represent points of vulnerability. Underwater operations, which are required for many wells in the Maracaibo area, and the submarine pipelines, especially those which transport oil and water to the barren Paraguana Peninsula, present special protection problems. The system of power plants is of key significance from a sabotage viewpoint. Pumping stations, refineries, storage facilities, and overland pipelines would also be remunerative targets. The effects of sabotage upon production would be increased by the fact that nearly all equipment must be imported. The danger of sabotage is increased by the presence of Communist workers in the oil fields and tanker fleet.

32. Measures to protect petroleum installations have been taken both by the government and by the companies. The former has supplied armed protection (principally by security troops), but the extent of the oil fields causes such units to be widely dispersed. Some assistance is also rendered by the National Service of Investigation, though this

Service is generally limited to surveillance of subversive activities in the petroleum industry. The companies, individually and collectively, have taken such defensive measures as establishing a photographic-badge identification system of employees, fencing property, and providing lighting installations. Particular attention has been given to the protection of such facilities as power plants, pumping stations, compression plants, and pipeline terminals. The companies, in cooperation with the local authorities, also screen the crews on the Lake tankers operating between Maracaibo, Aruba, and Curacao. The effectiveness of these measures, however, is to some extent reduced by the fact that the petroleum workers, even those who are non-Communist, are generally disaffected toward the Junta regime and therefore tend to regard with indifference or suspicion government and company efforts to enforce security measures.

33. Existing security measures in the petroleum industry, together with the assistance rendered by the armed forces, are probably sufficient to control strikes and local disturbances and to deal with sabotage by local elements with limited resources. Additional measures would be required, however, to cope with a large-scale, concerted program of sabotage involving foreign agents as well as local elements, such as could be expected in the event of war.

34. The nascent iron ore industry is less vulnerable than the petroleum industry. Iron ore is mined from open pits, and equipment is well dispersed. However, transshipment stations could be sabotaged rather easily and the 170-mile, narrow channel being developed in the Orinoco and Macareo Rivers could easily be temporarily blocked.

International Relations

35. The majority of the Venezuelans are not actively interested in world affairs, and like most other Latin Americans shy away from military involvement in areas remote from the Western Hemisphere. Venezuelan-US relations, in which oil plays an important

role, have generally been friendly, but at times delicate because of the nationalistic attitudes of some members of the administration. Some irritation has arisen over trade and tariff policies, the civil aviation agreement, and purchase of military materiel.

36. Venezuela maintains friendly relations with most Latin American states, but its relations with some have varied with the political orientation of the Venezuelan Government. When AD was in power it pursued a policy of close cooperation with the more democratic nations of the Hemisphere. The present government tends to be cool toward those governments with which the AD regime was most friendly, especially when such governments continue to offer refuge to AD exiles. Guatemala is, however, the only Latin American country which has never recognized the Junta.

37. Relations with the USSR, established in 1945, existed merely on a formal level. In breaking off diplomatic relations with the USSR and Czechoslovakia in June 1952, the Junta was no doubt influenced by its long-held view that the Soviet Embassy and Czech Legation were centers for propaganda and subversive activities. It also appears that the Junta expected to reap some domestic political advantage from the act, and possibly also to win favor from the United States.

38. In the Organization of American States and the United Nations Venezuela has generally supported US policies. It has ratified the Rio Treaty and the Charter of the OAS and has expressed willingness to cooperate in Hemisphere defense. Venezuela voted with the US on every important political question at the sixth session of the UN General Assembly. Venezuela has shown reluctance, however, to implement certain UN resolutions for which it has voted. Although it supported the UN action in Korea and the Uniting for Peace resolution, it has not offered military aid to the UN in Korea or promised to set aside armed forces for use by the UN in the event of future aggressions.

39. The Venezuelans conceive their proper role in Hemisphere defense to be the protec-

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tion of their own territory and strategic industries. They desire to render their own armed forces capable of fulfilling this mission.

They would be unlikely to consent to the stationing of any foreign troops on Venezuelan soil.

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