**Venezuela Engagement Affirmative**

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### Summary

This Affirmative argues that the United States should increase economic engagement with Venezuela by investing in their oil industry.

For the past 14 years Venezuela has been run by Hugo Chavez , a leftwing populist prone to bashing the United States, and spending the nation’s oil wealth on the citizens of the country through many social programs. Chavez died in March . His handpicked successor, Nicolas Maduro, was elected President in a Special election in April. Maduro comes to power in a very pivotal time for Venezuela. The country’s economy is in shambles, his election victory is questioned by the opposition party, and his own party is filled with former Chavez supporters who would like his job.

The affirmative case claims one advantage. Instability in Venezuela should be avoided. A new Presidency gives the United States a chance to start working with a new government to help improve the situation in Venezuela. Right now the country is dependent on oil for most of its economic earnings and growth. However, there has been little investment in the infrastructure of the oil industry so production cannot be increased and hard to reach oil cannot be extracted from the ground. The lack of economic growth will doom Maduro’s government and he will turn to drug cartels, Cuba, Iran and other enemies of the United States for support to stay in power. None of these alliances would be beneficial to US security interests. Continued instability would also prevent Venezuela from reforming into a democracy and limit the effectiveness of regional organizations to promote peace in South America. If he is unable to retain power, Venezuela will be swept into a Civil War that could spill over into other parts of South America. US investment in the oil industry would provide the boost Venezuela needs to stabilize their economy and government and survive the transition.

The Oil Shocks Add-On- argues that instability and civil war in Venezuela will cut off the supply of oil to the United States. This will cause a major shock to oil prices by lowering the available supply. These shocks will harm the US and world economy since Venezuela is a major oil producer for the United States.

The Relations Add On argues that the US can reset relations with Venezuela through engagement. Relations with Venezuela are necessary. The economic situation in Venezuela puts the country in a unique situation to be open to restarting relations with the US. Strong relations with Venezuela are key to broader relations and influence with Latin America. Broader Latin America relations are crucial to solving a host of issues .

### Glossary

Black Swan Theory-The black swan theory or theory of black swan events is a metaphor that describes an event that is a surprise (to the observer), has a major effect, and after the fact is often inappropriately rationalized with the benefit of hindsight

Hybrid- A thing made by combining two different elements; a mixture

Nicolas Maduro- newly elected president of Venezuela, former forieign minister, ally of Chavez

Orinoco Belt- large deposit of tar sands in Venezuela that the state oil company does not have the resources to extract crude oil from

### 1AC 1/6

#### Observation 1: Inherency

#### Venezuela’s economy is centered around oil production, but years of poor government planning have left a crumbling infrastructure that cannot increase oil production or oil revenues to pay for social services.

Nagel, blogger for Transitions, 2013.

(Juan, Forgein Policy Transitions is the group blog of the Democracy Lab channel, a collaboration between Foreign Policy and the Legatum Institute. “Is Venezuela becoming a failed state?” Foreign Policy[http://transitions.foreignpolicy.com/posts/2013/05/16/is\_venezuela\_becoming\_a\_failed\_state])

Being an oil producer, Venezuela can earn money in two ways: by sustaining high prices, or by increasing production. (Obviously, if it can do both things, it has hit the jackpot). Fracking threatens the first, and the country has seriously failed on the latter.

Venezuela produces less oil now than it did in 1999, the year Hugo Chávez first came to power. Worryingly, the IEA sees few prospects for increased production. For example, in spite of increasing investment to $22 billion last year, Venezuelan production barely budged. State oil giant PDVSA vows to increase production by 3 million barrels per day in the next six years, but the IEA believes that a combination of the company's inefficiency and its heavy debt burden means the increase will actually be a tenth of that amount.

Two other developments conspire against the future viability of Venezuela's oil industry. The country is increasing sales of crude oil to China, as part of a geo-strategic move the Chávez administration embarked on many years ago. The problem is that the oil being shipped has already been paid for, and the government has also already spent the money.

The other issue is Venezuela's creaking refining infrastructure. Last year, following several accidents at its refineries, Venezuela became a net importer of gasoline and other refined products. In the last part of the year alone, PDVSA bought refined products for $1.5 billion, only to turn around and give it away for practically nothing, thanks to the heavy subsidies that characterize its internal market.

The consensus is that Venezuela needs high oil prices just to stay afloat. But if the fracking oil boom results in low oil prices, what does the future hold for the South American country?

Sadly, Venezuelans have nothing else to fall back on. Its private industry is a shambles, and the country is even importing toilet paper. Years of populism have left the state crippled and heavily in debt. The public deficit reached a whopping 15 percent of GDP last year, even in the context of high oil prices. Most of the spending came in the form of entitlements and subsidies that will not be easily eliminated. Furthermore, the country's current power clique seems particularly inept in dealing with the complicated economic and political conditions it has inherited.

### 1AC 2/6

#### Observation 2: Venezuelan Stability

#### Increased production capacity and oil revenues are necessary for Venezuela to maintain political stability and avoiding a civil war.

Nagel, blogger for Transitions, 2013.

(Juan, Forgein Policy Transitions is the group blog of the Democracy Lab channel, a collaboration between Foreign Policy and the Legatum Institute. “Is Venezuela becoming a failed state?” Foreign Policy[http://transitions.foreignpolicy.com/posts/2013/05/16/is\_venezuela\_becoming\_a\_failed\_state])

A long period of low oil prices spells doom for Venezuela's political sustainability. Without high oil revenues, basic services would practically disappear, and the potential for instability would be enormous. Already the country is stuck in a state of undeclared in civil war, and there are claims that drug smuggling has permeated the higher echelons of the government. Venezuela has so far avoided the fate of its neighbor Colombia, a country still deep in a long civil war with Marxist guerrillas and drug cartels. This is largely due to the deep pockets oil has afforded the government, which allowed for state presence even in the most remote corners of the country. It is hard to see how that presence could be maintained if oil rents were to dry up significantly, and for a prolonged period. This could lead to the type of problems that have bedeviled Colombia, or even poorer neighboring failed states such as Haiti. Even though its problems are of its own making, the thought of a large, failed state in the heart of the Western Hemisphere should trouble the continent's leaders.

### 1AC 3/6

#### Collapse of political stability will force President Maduro to seek assistance from drug cartels, Iran, Cuba and other groups that run counter to American interests to maintain power. These alliances will create uniquely dangerous security issues for the United States.

Shinkman, national security reporter for U.S. News & World Report, 2013.

(Paul D. “Iranian-Sponsored Narco-Terrorism in Venezuela: How Will Maduro Respond?” US News and World Report , 4/23 [http://www.usnews.com/news/articles/2013/04/24/iranian-sponsored-narco-terrorism-in-venezuela-how-will-maduro-respond?page=2])

The situation in the South American nation remains dire amid skyrocketing inflation, largely due to Chavez's efforts to nationalize private industry and increase social benefits. Maduro's immediate attention after claiming victory was drawn to remedying widespread blackouts and food shortages. One expert on the region says the new leader may need to tap into a shadow world of transnational crime to maintain the stability his countrymen expect. "Venezuela is a really nice bar, and anybody can go in there and pick up anybody else," says Doug Farah, an expert on narco-terrorism and Latin American crime. He compares the country to the kind of establishment where nefarious actors can find solutions to a problem. Anti-American groups can find freelance cyber terrorists, for example, or potential drug runners can make connections with the FARC, the Colombian guerilla organization, he says. "Sometimes it creates a long-term relationship, and sometimes it creates a one-night stand," says Farah, a former Washington Post investigative reporter who is now a senior fellow at the Virginia-based International Assessment and Strategy Center. Under Chavez, Venezuela also created strong ties with Cuba, which for decades has navigated treacherous financial waters and desperate economic straits, all while dodging U.S. influence. But the help Venezuela receives is not limited to its own hemisphere. Farah produced a research paper for the U.S. Army War College in August 2012 about the "growing alliance" between state-sponsored Iranian agents and other anti-American groups in Latin America, including the governments of Venezuela and Cuba. This alliance with Iran uses established drug trade routes from countries in South and Central America to penetrate North American borders, all under a banner of mutual malevolence toward the U.S.

### 1AC 4/6

#### Venezuela instability is disastrous for United States interests. It destroys any hope of establishing a democracy in Venezuela, broader Latin American cooperation efforts, and allows drug trafficking to flourish.

Duddy, senior lecturer in international studies at Duke University and former U.S. ambassador to Venezuela, 2012

(Patrick D., “Political Unrest in Venezuela”, Council on Foreign Relations, 09/2012, http://www.cfr.org/venezuela/political-unrest-venezuela/p28936)

Political instability and violence in Venezuela would damage U.S. efforts to promote democracy, increase regional cooperation, combat narcotics, and protect its economic interests in the region. Democracy promotion: The United States has worked for decades to promote democracy in the Western Hemisphere. In recent years, Chavez has become increasingly authoritarian, undermining important political institutions, giving more powers to the presidency, and weakening both civil society and the independent media. The United States should view a suspension or further deterioration in the quality of Venezuela’s democracy as a setback for U.S. policy and for the hemisphere. The emergence of a military junta or a compromised Chavez regime would also likely increase Iranian and Cuban influence in Venezuela. It already has a close relationship with Iran from which it reportedly receives advanced weapon systems and other assistance. Cuba sends thousands of teachers and technical, medical, and security advisers in exchange for an estimated ninety to one hundred thousand barrels of oil per day. Regional cooperation: The United States has an interest in nurturing regional cooperation particularly under the auspices of the Organization of American States (OAS), of which it is a core member. While often disappointing to both the United States and Latin America, the OAS provides the only regional forum in which all of the countries with democratically elected 5 governments participate. A failure by the OAS to play an effective role in Venezuela if it appears democracy is at risk would further undermine support for the organization both in the region and in the United States. How the United States manages its relations with Venezuela if violence does break out would likely affect U.S. relations with others in the hemisphere, especially Brazil, which has cordial relations with Chavez and reacts badly to perceived U.S. efforts to dictate to Latin America. A repetition of the acrimony that characterized the hemisphere’s efforts to resolve the Honduras crisis of 2009 would be corrosive to U.S. relations with the region. Counternarcotics: Venezuela does not cooperate with the United States on counternarcotics, except at the most minimal level. Drug trafficking has, consequently, surged. A number of Venezuelan military officers, including the current minister of defense, have been plausibly accused by the U.S. Treasury of cooperating with the Colombian insurgent group Fuerzas Armadas Revolucionarias de Colombia (FARC) and facilitating drug shipments through Venezuela, especially from Apure State. Venezuelan recalcitrance in counternarcotics clearly undermines other regional efforts to combat the drug trade. Even low levels of violence would create new opportunities for the FARC and other drug traffickers to retrench and extend their reach.

### 1AC 5/6

#### Plan: The United States federal government should increase financial investment toward Venezuelan oil production infrastructure.

#### Observation 3: Solvency

#### New US investment in petroleum infrastructure increases oil production, provides stability and bolsters relations between the US and Venezuela.

Fillingham, Managing Editor and Asia Analyst for Geopolitical Monitor, 2013.

(Zachary, “Post-Chavez US-Venezuelan Relations: Headed for a Thaw?” Geopolitical Monitor, 3-10 [<http://www.geopoliticalmonitor.com/post-chavez-us-venezuelan-relations-headed-for-a-thaw-4790/>])

And by all indications, Venezuela’s finances aren’t going to hold out for very long. The country is currently running a deficit of over 20 percent, and its national inflation rate fluctuates between 20 and 30 percent. Though it presides over one of the world’s largest oil reserves and is a card-carrying member of OPEC, Venezuela’s oil yields have been dropping throughout the Chavez era due to a lack of foreign investment. The same is true of Venezuela’s food industry. A lack of foreign investment, inefficiency, and costly subsidies have stunted overall output, resulting in food shortages that are now showing themselves in the huge lineups spilling out of government food depots nationwide. A reoccurring theme of Chavez’s economic policy was a willful ignorance regarding the creation of infrastructure and social capital that could drive economic growth beyond the era of direct government handouts. Given the structural challenges that the Venezuelan economy now faces, challenges that will preclude the government’s ability to continue Chavez-era patronage ad infinitum, a Maduro government will inevitably be faced with an economic reckoning of sorts. In the aftermath of this economic reckoning, there will be an opportunity for both domestic opposition forces within Venezuela, and American foreign policy to make inroads. Just to recap: what we are likely to see is a Maduro win, followed by a politico-economic crisis that ushers in either a return to credible multi-party democracy or a descent into conspicuous authoritarianism.¶ But how will this impact US-Venezuelan relations?¶ Given its precarious economic situation, Venezuela will need outside assistance in the near future. And while some would say that China is best suited to step up and bail out Caracas, there are a few reasons to question whether this will actually come to pass. First of all, The Chinese Development Bank has already provided a huge amount of money to the Chavez government, about $40 billion between 2008 and 2012 alone. Thus, if Venezuela were to be faced with a default, it would be Chinese investors with their money on the line. Any debt renegotiations would surely include provisions that didn’t sit well with the Venezuelan public. After all, there have already been agreements reached between Venezuela and the Chinese state-owned company Citic Group that have raised populist alarm bells regarding the signing of mineral rights over to foreign companies.¶ In this context, a limited rapprochement makes sense from a Venezuelan point of view, as it would balance against a preponderance of Chinese economic influence. Now that the “Bolivarian Revolution” is all but discredited, and countries like Brazil have proven that it’s possible to alleviate poverty through trade and keep US influence at arm’s length, a US-Venezuelan thaw is theoretically possible. However, authorities in Washington will likely have to endure another round of vitriol and wait until the dust settles in Venezuelan domestic politics before their window of opportunity presents itself.

### 1AC 6/6

#### Foreign investment in oil infrastructure is critical to accessing the largest untapped oil reserve in the world located in the Orinoco belt.

Sanchez, Writer for the Associated Press, 2013

(Fabiola, Associated Press, “Outlook Grim in Venezuela's Essential Oil Industry,” ABC News, <http://abcnews.go.com/International/wireStory/outlook-grim-venezuelas-essential-oil-industry-19108842?singlePage=true#.UY67xKLktX8>)

The oil flowing from the El Palito refinery sells for more than five times what it cost when President Hugo Chavez took office in 1999. Yet when Chavez died in March he left Venezuela's cash cow, its state-run oil company, in such dire straits that analysts say $100-a-barrel oil may no longer be enough to keep the country afloat barring a complete overhaul of a deteriorating petroleum industry.¶ The situation is more urgent than ever, analysts say. The price of crude has slumped in recent weeks and Chavez's heir, Nicolas Maduro, appears to have done little to address declining production, billions in debt and infrastructure deficiencies that have caused major accidents including a blaze that killed at least 42 people at Venezuela's largest refinery last year.¶ Maduro has retained Chavez's oil minister and the head of state oil company Petroleos de Venezuela S.A., Rafael Ramirez. And he appears intent on continuing to send cut-rate oil to members of the 18-nation Petrocaribe alliance, for which Venezuela is hosting a summit on Saturday.¶ Ramirez said Friday that Maduro would use the meeting to propose creating a special economic zone for group members.¶ PDVSA, which accounts for 96 percent of the country's export earnings, no longer "generates enough income to cover all its costs and finance its commitments," said Pedro Luis Rodriguez Sosa, an energy expert at the Institute for Advanced Studies in Administration in Caracas.¶ He said that "you can see PDVSA is in trouble" at the $100-a-barrel level because of the many millions lost to gasoline subsidies and spending on domestic social spending and PDVSA's use as a "geopolitical tool" to maintain regional alliances.¶ Venezuela has the world's largest oil reserves but PDVSA's production, earnings and income all appear to be on a downward slide and its debts to suppliers rose 35 percent. Its debt to the Central Bank of Venezuela reached $26.19 billion last year, a nearly eight-fold increase in two years.¶ The government makes no apologies. It says it is employing the country's most important natural resource for the good of the people and promises increased production and revenues in the immediate future.¶ Ramirez said that PDVSA's efforts remained focused on developing the remote Orinoco belt, site of the world's biggest oil reserves, with the aid of oil firms from China, Russia, the U.S., Italy, Vietnam, Malaysia, Japan and Spain. Venezuela hopes to lift overall production to some 3.32 million barrels a day, 200,000 more than last year.¶ "We're in a process of trying to attract investment in dollars other than ours," Ramirez said, assuring reporters that PDVSA would work with private investors to not take on more debt to make new investment.

### Answers to: Venezuelan Economy Stable

#### [ ]

#### [ ] Venezuelan economy declining due to falling oil production

**O’Neil, Senior Fellow of Latin America Studies at the Council on Foreign Relations, 2013**

(Shannon K., “Venezuela’s Economy and Future”, Council on Foreign Relations, 6/25, http://blogs.cfr.org/oneil/2013/06/25/venezuelas-economy-and-future/)//mm

Many Venezuela watchers have been waiting for the other proverbial economic shoe to drop (see [here](http://www.nytimes.com/roomfordebate/2013/01/03/venezuela-post-chavez/chavez-will-leave-behind-an-economic-crisis), [here](http://transitions.foreignpolicy.com/posts/2013/05/16/is_venezuela_becoming_a_failed_state?wpisrc=obinsite), and[here](http://www.forbes.com/sites/kenrapoza/2013/06/03/post-chavez-venezuela-economy-gets-messier/)), and for the country to fall into serious crisis. Others, such as Mark Weisbrot co-director of the Center for Economic and Policy Research, question this premise, arguing in his Guardian column that Venezuela has and will continue to make progress using its own economic model. So where does the nation stand?

Those supportive of the Chávez and now Maduro government point to Venezuela’s 2012 GDP growth, which topped 5 percent (due largely to government spending). Over the last decade GDP per capita more than doubled and the poverty rate (using the World Bank’s national poverty line measurement) fell from over 60 percent of population in 2003 to some 30 percent in 2011. Inequality declined as well, and the [United Nations publicly recognized the governments’ efforts](http://abcnews.go.com/ABC_Univision/News/congratulates-venezuela-reducing-hunger-widespread-food-shortages/story?id=19421963) in halving the number of citizens suffering from malnourishment. Moreover Venezuelans in general seem quite happy—reporting a [life satisfaction rating of 7.5 (out of 10)](http://www.bloomberg.com/news/2013-03-07/venezuelans-quality-of-life-improved-in-un-index-under-chavez.html), higher than the global average of 5.5. But the underlying fundamentals question how long this can last. Oil production and exports have bankrolled most of these social programs, pumping hundreds of billions of dollars into government coffers over the last twelve years. Having spent all this money (and [even augmented it with billions of dollars of debt](http://www.eluniversal.com/economia/130305/venezuelan-government-and-pdvsas-debt-totals-usd-1448-billion%20)), one can question the efficiency of Venezuela’s social programs. One also should worry about their sustainability, as the institutions to deliver services—from health care to basic electricity—are weak and in some cases deteriorating. And the flows of oil money behind all of it are increasingly fragile. Though Venezuela has almost [300 billion barrels in proven reserves](http://www.pdvsa.com/interface.sp/database/fichero/free/8010/1625.PDF), PDVSA’s own production figures show stagnation. Independent estimates ([such as BP’s](http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2012.pdf)) reveal falling production. Whichever is true, there is a real question as to whether the country can keep supporting the current array of programs. The rest of the economy has been hollowed out over the last decade. While in the 1990s nearly a quarter of exports were non-oil products—foods, agricultural materials, and manufactured goods—today it is less than 5 percent. To put this into perspective, oil makes up 16 percent of Mexico’s total exports, 11 percent of Brazil’s, and some 89 percent of oil giant Saudi Arabia’s—still less than [Venezuela’s 97 percent](http://data.worldbank.org/indicator/TX.VAL.FUEL.ZS.UN). For day to day life, inflation—estimated at between 20 and 35 percent (compared to 3 percent inflation in Colombia, or 6 percent in Brazil)—erodes the purchasing power of average Venezuelans, and hits the poorest the hardest. Fueling this spiral is Venezuela’s penchant to print money to fund its social programs and to pay for its imports—according to Reuters, in 2011 [new currency topped $17 billion](http://www.reuters.com/article/2012/04/16/us-venezuela-inflation-idUSBRE83F16N20120416), more than any other Latin American country. To fight inflation, the government has imposed price caps, leading to shortages of basic goods—from [toilet paper](http://www.theatlantic.com/business/archive/2013/05/so-venezuela-has-a-toilet-paper-shortage-dont-laugh-seriously/275940/) to [milk](http://www.aljazeera.com/indepth/features/2013/02/2013221105648886442.html), [electricity](http://www.upi.com/Business_News/Energy-Resources/2013/04/26/Electricity-blackouts-return-to-haunt-Maduro/UPI-83781367006485/) to [communion wine](http://blogs.reuters.com/faithworld/2013/05/31/catholic-church-wine-supplies-run-low-in-latest-venezuelan-shortage/). In fact, the Venezuelan Central Bank’s scarcity index hit 21 percent, meaning that one out of five basic goods in Venezuela can be considered in short supply

### Answers to: Venezuelan Government Stable

#### [ ]

#### [ ] Investment in oil infrastructure necessary for Maduro to retain power

Goldwyn, former Special Envoy and Coordinator for International Energy Affairs for the State Department, 2013

(David L., “The Impact of the Tight Oil and Gas Boom on Latin America and the Caribbean: Opportunities for Cooperation,” House Committee on Foreign Affairs; Subcommittee on the Western Hemisphere; “Energy Opportunities in Latin America and the Caribbean” 4/11/2013 <http://docs.house.gov/meetings/FA/FA07/20130411/100622/HHRG-113-FA07-Wstate-GoldwynD-20130411.pdf>, JMP)

In the wake of Hugo Chavez’s death, many questions remain about whether political change is possible in Venezuela itself. Indeed, the opposition candidate in the April 14 election to succeed Chavez, Henrique Capriles, is a vocal adherent of the Brazilian model that many say is gaining regional traction. Yet it is widely assumed that Chavez’ handpicked successor, Vice President Nicolas Maduro, will win the election. Several divergent prognostications have been made regarding what a Maduro Presidency would entail for the U.S. While some perceive Maduro as a pragmatist who may be amenable to normalizing bilateral ties, others believe that he will be eager to prove his Bolivarian credentials to Chavez’s constituency and reject any U.S. entreaties to reengage. Still others doubt whether he will be able to retain the Presidency at all should the economic situation deteriorate further. Diosdado Cabello, a fellow Chavez adherent who is President of the National Assembly and is reported to be a popular figure among the Venezuelan Armed Forces, is commonly cited as an individual capable of seizing the Presidency, potentially through forcible means, should an opportunistic situation present itself.

The manner in which the next Venezuelan President manages Venezuela’s oil wealth will have significant implications for international oil markets, which remain fairly tight due to supply disruptions in geopolitical hotspots Iran, South Sudan, Yemen, and Syria. In February 2012, the Economist estimated that international markets have lost 1.25 million barrels per day as a result of these and other recent supply disruptions.28 Venezuela is an even more significant player in international markets; EIA estimates that it exports around 1.7 million barrels of crude per day.29 The impacts on Venezuela’s own economy will also be very profound, as Venezuela’s economy is far from diversified and remains nearly entirely dependent on the oil sector. In recent years, PdVSA’s exploration and production capital expenditures have not been sufficient to reverse production declines in the country’s mature conventional fields or to harness the country’s massive oil sands reserves in the Orinoco Belt. These unconventional resources are thought to account for around 90% of Venezuela’s remaining proven oil reserves. In order to maintain production at a reasonable clip, the next Venezuelan President will have to improve the country’s oil and gas investment regime to attract international firms with expertise in enhanced oil recovery techniques in conventional fields and in the unique, challenging technical requirements for producing the extra heavy crude oil in the Orinoco Belt, and that also have the resources to alleviate massive infrastructure bottlenecks that plague the oil sands production.

### Answers to: Venezuelan Economy – Alternate Causality

#### [ ]

#### Venezuela’s economy is on the brink of collapse due to their declining oil sector.

Naím, former Venezuela minister of Trade, 2013 (

(Moisés, “An Economic Crisis of Historic Proportions,” Jan 8, http://www.nytimes.com/roomfordebate/2013/01/03/venezuela-post-chavez/chavez-will-leave-behind-an-economic-crisis)

Last month, Jorge Botti, the head of Fedecámaras, Venezuela's business federation, explained that unless the government supplies more dollars to pay for imports, shortages -- from food to medicine -- would be inevitable. "What we will give Fedecámaras is not more dollars but more headaches," replied acting president Nicolas Maduro, the heir apparent to the Chavista regime (and Hugo Chávez's vice president). Venezuela is consuming more than it is producing. This is due to enormous government spending, mounting foreign debt and the mismanagement of its oil industry. Maduro is correct. Crushing headaches will soon be inevitable across the country, including within the private sector but especially among the poor. President Chávez has bequeathed the nation an economic crisis of historic proportions. The crisis includes a fiscal deficit approaching 20 percent of the economy (in the cliff-panicking United States it is 7 percent), a black market where a U.S. dollar costs four times more than the government-determined exchange rate, one of the world's highest inflation rates, a swollen number of public sector jobs, debt 10 times larger than it was in 2003, a fragile banking system and the free fall of the state-controlled oil industry, the country's main source of revenue. Oil-exporting countries rarely face hard currency shortages, but the Chávez regime may be the exception. Mismanagement and lack of investment have decreased oil production. Meanwhile oil revenue is compromised partly because of Chávez’s decision to supply Venezuelans with the country's most valuable resource at heavily subsidized prices. Thus a large and growing share of locally produced oil is sold domestically at the lowest prices in the world (in Venezuela it costs 25 cents to fill the tank of a mid-sized car). Another share of the oil output is shipped abroad to Cuba and other Chávez allies, and to China, which bought oil in advance at deeply discounted prices (apparently the revenue from China has already been spent). Most of the crude left to be exported at market prices is sold to Venezuela's best client, and, ironically, Chávez's main foe: the United States. Yet, as a result of America's own oil boom, U.S. imports of Venezuelan oil have recently hit a 30-year low. Moreover, due to an explosion in its main refinery, Venezuela is now forced to import gasoline. The Financial Times reckons that for each 10 barrels of crude it sells to the US, it has to import back (at a higher price) two barrels of oil refined abroad. Meanwhile, the nation's total imports have jumped from $13 billion in 2003 to over $50 billion currently. Paying for those imports and servicing its huge debt requires more hard currency than Venezuela's weakened economy can generate. Yes, huge headaches are looming.

### Answers to: Oil Production Stable

#### [ ]

#### [ ] No improvements coming to Venezuela’s energy sector --- domestic and foreign investment are low

Saefong, MarketWatch reporter based in San Francisco, 2013

(Myra P., “Post-Chavez Venezuela: oil’s next Saudi Arabia?” Market Watch, 3/6/2013 [http://www.marketwatch.com/story/post-chavez-venezuela-oils002Dnext-saudi-arabia-2013-03-06?link=MW\_story\_popular](http://www.marketwatch.com/story/post-chavez-venezuela-oils-next-saudi-arabia-2013-03-06?link=MW_story_popular), JMP)

And it’s well known that the nation’s oil industry suffered under the leadership of Chavez, who died Tuesday after a two-year battle with cancer. Read Commodities Corner from early January: What happens to oil if Chavez goes?

His presidency was built on diverting cash from state-owned oil and natural-gas company Petroleos de Venezuelas, or PDVSA, to social spending, said Clinton Carter, associate vice president for Latin America at Frontier Strategy Group. “Little was invested in expanding production and maintaining output.”

Chavez’s politicization of PDVSA also led to an exodus of talent, and political risk in the nation kept foreign investment in energy low.

Now that the president is gone, big improvements in the energy sector won’t happen any time soon. “Venezuela’s declining output is unlikely to be reversed for years to come,” Carter said.

#### [ ] Oil production will remain a disaster in the near term.

Laskoski, senior petroleum analyst for GasBuddy.com , 2013

(Gregg, “Chavez's Death Presents Venezuela With Oil Boom Opportunity,” US News and World Report, 3/14/2013, <http://www.usnews.com/opinion/blogs/on-energy/2013/03/14/chavezs-death-presents-venezuela-with-oil-boom-opportunity>, JMP)

Many remain uncertain. One oil industry veteran, Terri Ignozzi-Little, of Merlin Petroleum, Westport, Conn., says that "if the government remains the same, it will be as much of a disaster as it has been for the last 16 years. Chavez did his best to undermine the efficiency over the past decades and cause tremendous disruptions in supply." She said Venezuela may not see discernible change until after Castro dies in Cuba. "Remember, Venezuela holds the cards for crude oil which is supplying the rest of Latin America and Argentina, which is getting natural gas supplies from them."

### Answers to: Oil Investment Now

#### [ ]

#### [ ] Venezuela won’t make changes to boost investment or improve oil production

Landers, staff writer Dallas Morning News, 2013

(Jim, “Crumbling Venezuelan oil sector expected to remain hostile to U.S. investment,” 3/7/2013 <http://www.dallasnews.com/business/energy/20130306-crumbling-venezuelan-oil-sector-expected-to-remain-hostile-to-u.s.-investment.ece>, JMP)

HOUSTON — Hugo Chávez is gone, but his political allies and alliances are not expected to make major changes in the weak development of Venezuela’s enormous oil reserves.

Venezuela’s constitution requires presidential elections within 30 days, and the country has been almost evenly divided between Chávez loyalists and opponents. Chávez was re-elected in October although never inaugurated due to illness.

For now, his handpicked vice president, Nicolás Maduro, is acting president and the most likely candidate to lead Chávistas in any election.

Oil analysts here for IHS CERAWeek 2013, the energy industry’s big annual conference, blame Chávez’s socialist policies for a decline in Venezuela’s oil industry over the past 14 years. Despite having more oil reserves than any other country, production peaked in 1997 and is down by a fourth since Chávez took power in 1998.

“Venezuela is one of the countries with the largest hydrocarbon [oil and gas] endowments in the world,” said Enrique Sira, IHS’s director of Latin American energy research.

“Maybe because of that, it is so hard to understand why today there is electric power rationing in some parts of the country, a deficit of natural gas supply across the whole country, and a productive oil capacity that is way below the actual potential that the country has.”

U.S. refiners import more than 1 million barrels a day of Venezuelan oil, which made the country second only to Canada last year among U.S. foreign oil suppliers. Much of that oil went to Citgo Petroleum Corp., which is owned by PDVSA, Venezuela’s national oil company. Citgo has three U.S. refineries, including one in Corpus Christi, and more than 6,100 gas stations across the country.

Copious reserves

Venezuela has more oil reserves than any other country thanks to massive deposits of asphalt-like crude in what’s called the Orinoco oil belt. Development of these deposits is both technology- and capital-intensive.

Chávez’s push for more national control over the oil sector in 2007 led Exxon Mobil Corp. and ConocoPhillips Co. to abandon big Orinoco projects. Other international companies stayed, including firms from Russia, China and Vietnam, and the Orinoco now accounts for about 20 percent of Venezuela’s oil production.

Mark McNabb, director of the Emerging Markets Research Center at UTD’s Naveen Jindal School of Management, said in a phone interview that he expects U.S. firms will remain on the outside looking in.

“We’re kind of frozen out for the next three to five years,” he said.

### Answers to: Latin American Stability Defense

#### [ ]

#### [ ] Instability in Latin America spills over and escalates, past instances prove.

Blanco & Grier, Department of Economics University of Oklahoma , 2009 –

(Luisa & Robin, “Long Live Democracy: The Determinants of Political Instability in Latin America”, 2009, Journal of Development Studies, Vol. 45 Issue 1, http://www.tandfonline.com/doi/abs/10.1080/00220380802264788#.Uc3p\_j7wJa8)//MJ

**Political instability can be contagious since revolutionary groups and ideologies** ¶ **can cross borders. Countries in “bad neighborhoods” might suffer from neighboring** ¶ **instability, especially if that instability causes a flood of refugees into the country or if** ¶ **guerilla armies use a country as a base from which to attack their home country**. ¶ Goldstone et.al. (2004) find that **countries with four or more political unstable neighbors** ¶ **are more likely to experience political instability**, while Schatzman (2005) finds that ¶ **political instability in neighboring countries increases the probability of a country** ¶ **experiencing collective protests**.15 We create a variable that is equal to the number of ¶ neighbor countries that experienced political instability during each five-year period. We ¶ follow Goldstone et.al.’s approach and consider a country as politically unstable if there ¶ was either an ethnic conflict or a revolutionary war during the year, since these are the ¶ types of instability that are most likely to affect neighboring countries. Figure 1 ¶ illustrates the “bad neighborhoods” in Latin America and shows that countries in trouble ¶ tend to be clustered in the same region. There are two main blocs: the first is in Central ¶ America and includes Guatemala, El Salvador, and Nicaragua; the second is in ¶ northwestern South America and includes Colombia and Peru.

### Answers to: Iran Venezuela Alliance is not a threat

#### [ ]

#### [ ] Iran is a threat and expanding their influence in the Western Hemisphere.

Cárdenas associate with the consulting firm VisionAmericas, 2013

(José , “Soft-Pedaling the Iranian Threat in the Americas” – Foreign Policy Magazine’s Blog: Shadow Government – June 28th – http://shadow.foreignpolicy.com/blog/12823)

The State Department's assertions come in a two-page unclassified annex to a long-awaited classified report to Congress mandated by the bipartisan Countering Iran in the Western Hemisphere Act, signed into law by President Barack Obama late last year. It directs the secretary of state to "conduct an assessment of the threats posed to the United States by Iran's growing presence and activity in the Western Hemisphere and submit to the relevant congressional committees the results of the assessment and a strategy to address Iran's growing hostile presence and activity in the Western Hemisphere."¶ Granted, the bulk of the report is classified, but it is not difficult to conclude that its tone is unlikely to diverge much from the unclassified annex -- and that is deeply disturbing.¶ Especially when just last month an Argentine prosecutor added to the growing paper trail on Iran's nefarious activities in the Americas by releasing a 500-page report detailing how Iran has systematically built a clandestine intelligence network throughout the region "designed to sponsor, foster and execute terrorist attacks." ¶ The prosecutor, Alberto Nisman, who investigated the notorious 1994 bombing of the AMIA Jewish community center in Buenos Aires, provides compelling evidence of covert Iranian activity in numerous countries, including Brazil, Paraguay, Uruguay, Chile, Colombia, Guyana, Trinidad and Tobago, and Suriname.¶ Undoubtedly, the Nisman report will be a focus of attention when the House Homeland Security Committee holds a hearing on July 9 on the State Department report. Already, Rep. Jeff Duncan (R-S.C.), who sponsored the Countering Iran in the Western Hemisphere Act and is chairing the hearing, has expressed his displeasure with the unclassified annex. He said in a statement, "I believe that the Administration has failed to consider the seriousness of Iran's presence here at home."¶ Ironically, one of the objectives of Duncan's legislation was to foster better interagency cooperation on addressing the Iranian presence in the hemisphere. I attended the CSIS forum with General Kelly and can unequivocally say he gave no impression that his concerns about Iran in the hemisphere were "waning." He quite rightly pointed out how easy it is for anyone wishing to do the United States harm to meld with the criminal networks that can move anything to the United States' borders within days or hours: drugs, people, contraband, anything....¶ By this time, the penetration of the Western Hemisphere by Iran -- and its proxy, Hezbollah -- should be a subject beyond debate, especially after the assessment by the director of national intelligence, James Clapper, following the 2011 Iranian plot to assassinate the Saudi ambassador in Washington, D.C., "that some Iranian officials -- probably including Supreme Leader Ali Khamenei -- have changed their calculus and are now more willing to conduct an attack in the United States in response to real or perceived U.S. actions that threaten the regime."¶ In this light, there remains no defensible reason for the State Department to continue to soft-pedal the issue, whether the department believes for some reason that it complicates negotiations over Iran's illegal pursuit of nuclear weapons or because it offends the sensitivities of some Latin American governments. Congress is right to demand accountability on the matter. Iran is playing for the highest stakes; it is high time the United States did as well.

### Venezuelan Instability Spills Over

#### [ ]

#### [ ] Instability in Venezuela spills over to rest of the region

Shifter, vice president for policy at the Inter-American Dialogue2003

(7/16/2003, Michael, “Why Venezuela Matters,” <http://nationalinterest.org/article/why-venezuela-matters-2388?page=1>, JMP)

For the United States, Venezuela is not just another Latin American country in turmoil. It is, after all, the fourth largest oil supplier to the United States, accounting for 15 percent of its oil imports. Senior US officials point to oil as the overriding interest in Venezuela. In the wake of US military action in Iraq, and the tremendous uncertainty in the Middle East, one would think that Venezuela would acquire even greater urgency for the United States. Oil works both ways, however. Shrewdly, the Chavez government allows the oil to flow precisely to avoid antagonizing foreign operations and, especially, the United States.

Oil aside, there are other key U.S. interests at play in Venezuela, though these are less widely recognized. Regional stability and security top the list. The five countries that make up the Andean region of South America are particularly convulsed. Continued chaos and escalating violence in Venezuela would not only inflict damage on the country itself, but could well undermine the ability of neighboring countries to achieve and maintain social peace.

In this regard, Colombia deserves special mention. The United States has long sought to bolster the Colombian government's efforts to extend state authority and control. Since 1999, Colombia has received some $2.5 billion in security aid from the United States, making it the largest beneficiary outside of the Middle East. Yet, there has been increasing violence on the Colombia/Venezuela border involving Colombian guerrilla and paramilitary forces - and even Venezuela's armed forces. Should the Venezuelan crisis become a military conflagration, the resulting instability would be detrimental to longstanding US policy objectives. The conditions are combustible, and the risks are growing.

### Oil Shocks Add On 1/1

#### Loss of Venezuelan oil exports cause prices to spike, which triggers an economic recession

GAO, US Government Accountability Office, 2006

(“Issues Related to Potential Reductions in Venezuelan Oil Production,” June 2006, <http://www.gao.gov/new.items/d06668.pdf>)

Political strife within Venezuela and political tension between Venezuela and the United States have caused concern about the stability of Venezuelan oil production and exports to the United States. The election of Hugo Chavez as President of Venezuela in 1998 signaled a major change in how the Venezuelan government views the country’s oil industry. For example, the government took steps to shift managerial authority for Venezuela’s oil resources from PDVSA to the Venezuelan Ministry of Energy and Petroleum. The government also changed the way it deals with foreign companies—it raised the maximum royalty rates paid by foreign oil companies from 16-2/3 to 30 percent, established a new “extraction tax,” raised income taxes for those companies, and instituted provisions requiring joint ownership structures with majority shares for PDVSA. Opposition to the new government culminated in a general strike that lasted from December 2, 2002, until February 2, 2003, and virtually shut down the oil sector of the economy. This strike temporarily decreased world oil supplies by about 2.3 million barrels per day, or about 3.0 percent of total world daily oil supply, and reduced oil exports to the United States by about 1.2 million barrels per day—equivalent to about 11 percent of total U.S. oil imports at the time. More recently, in April 2006, Venezuela seized two oil fields operated by two foreign oil companies because the companies did not comply with new rules unilaterally imposed by the Venezuelan government.

Instability in Venezuela’s oil sector exists in a broader context of a tightening global oil supply and demand balance. Surplus global oil production capacity—the amount by which oil production could be increased immediately without additional investment—was as high as 5.6 million barrels per day in 2002, but has since decreased to only about 1 million barrels a day; Saudi Arabia provides most of this surplus capacity. Meanwhile, demand for crude oil is growing rapidly in China and other countries. Market tightness, along with the fact that much of the world’s supply of oil is in relatively unstable regions, may make the global oil market increasingly susceptible to short-term disruptions and lead to higher and more volatile oil prices. In this context, instability of oil supply from any significant individual oil-producing country can create oil price volatility, which can cause an economic slowdown. Studies of past oil supply disruptions indicate that sudden increases in oil prices can contribute to inflationary pressure and economic slowdowns. In extreme cases, such as the large oil price increases associated with the Arab oil embargo and Iranian revolution in the 1970s, these high prices were associated with severe economic recessions.

### Answers to: Venezuela won’t cut off the US

#### [ ]

#### [ ]Venezuelan oil stability key to global markets

Dutram, Exchange traded fund analyst, 2013

(Eric, “Venezuela: The Next Black Swan for Oil ETFs?,” Jan 4, http://www.zacks.com/stock/news/89708/Venezuela-The-Next-Black-Swan-for-Oil-ETFs)

Still, the country does have one thing going for it; oil. By some estimates, the nation’s Orinoco Belt has more than half a trillion ‘technically recoverable’ barrels of oil, making it one of the largest deposits of fossil fuels in the world (see Crude Oil ETF Investing 101).While the oil isn’t exactly of the highest grade, and much of it is locked away in harder-to-recover shale, it still represents a massive source of wealth for the nation both now and well into the future. This is especially true considering the relatively small population for Venezuela, as just over 28 million people live in the country, suggesting a massive amount of oil per capita.In fact, the country is already exporting over 1.8 million barrels per day, putting it ahead of huge oil producers like Mexico, while its total production hits the 2.3 million barrel mark, leaving it ahead of the entire EU based on this metric.Thi sallows Venezuela, much like many Middle East countries, to play a bigger role on the world stage than it otherwise would if it had not been blessed with such impressive hydrocarbon reserves. Additionally, investors should remember that the oil market is very shaky thanks to a tight supply and demand balance, so any possible disruption in the flow of oil could increase the volatility in global pricesfor the important commodity, so political upheaval in such a key oil producer could roil markets.How to PlayBeyond a few broad Latin America ETFs like (ILF - ETF report), as well as some worried neighbors in Colombia ((GXG - ETF report) and (COLX - ETF report)), investors should probably focus in on the commodity itself over the next few weeks. This can easily be done by looking at any of the many oil ETFs that follow crude futures (read Why Colombia ETFs May Continue to Rise).The PowerShares DB Oil Fund (DBO - ETF report) is easily the most popular, but the iPath S&P GSCI Crude Oil Index ETN (OIL - ETF report), and the United States 12 Month Oil Fund (USL - ETF report) which spreads out exposure across the futures curve are also intriguing options. Beyond that, investors have a number of leveraged ETF plays in the space including (UCO - ETF report) for long exposure and then (SCO - ETF report) for the short side of crude.Bottom LineETF investors who target crude oil may be in for a rough ride over the next few weeks. Venezuela is an important player in the hydrocarbon marketand it is hard to tell what their political situation will be by the end of the month.Multiple reports suggest that Chavez will be unable to continue as president—even if he lives—so there could be a fight for the presidency and a constitutional crisis in short order. This could very easily spook the oil market but as of right now it is hard to say how things will play out (read Time to Buy the Oil Equipment ETFs?).One thing is for certain though; this looks to be a delicate time for Venezuela, and the chance for a ‘black swan’\* event taking place in the market could be higher. Investors saw some serious worries creep up on oil prices thanks to the prospect of a wider Arab Spring last year, so some sort of ‘Venezuelan Spring’ could definitely throw a wrench into oil prices too as we push further into 2013.

### Answers to: Venezuela oil has no effect on US

#### [ ]

####  [ ] A failure to maintain Venezuela’s level of production would threaten energy security around the world

Government Accountability Office (GAO), 2006

(“US Energy Security: Issues Related to Potential Reductions in Venezuelan Oil Production” GAO Draft Report, May 2006http://www.vcrisis.com/index.php?content=letters/200606230333)

In recent years, U.S. oil companies have not sought assistance from the U.S. government with issues in Venezuela because the companies do not believe that federal agency intervention would be helpful at this time. To mitigate short-term oil supply disruptions, the U.S. government could attempt to get oil producing nations to increase their production to the extent possible or could release oil from the U.S. Strategic Petroleum Reserve. While these options can mitigate short-term oil supply disruptions, long-term reductions in Venezuela’s oil production and exports are a concern for U.S. energy security, especially in light of current tight supply and demand conditions in the world oil market. If Venezuela fails to maintain or expand its current level of production, the world oil market may become even tighter than it is now, putting further pressure on both the level and volatility of energy prices.¶ Venezuela is the world's eighth-largest oil exporter and among the top ten countries in total proven oil reserves. Venezuela also supplies about 11 percent of current U.S. imports of crude oil and petroleum products and wholly owns five refineries in the United States. Consequently, Venezuela is a key player in the future energy security of the United States and the world. The current global oil market is tight and may be more susceptible to short-term supply disruptions and higher and more volatile prices. Recently, tension between Venezuela and the United States has caused concern about the stability of Venezuelan oil supplies. On several occasions, Venezuela’s President has threatened to stop exporting oil to the United States or to close Venezuela’s U.S.-based refineries.

### Answers to: Venezuela does not effect economy

#### [ ]

#### [ ] Venezuelan oil key to global economy

Hellinger, Professor of Political Science at Webster University, 2012

(Daniel C., Global Security Watch – Venezuela, August 31, 2012 p. 172)

Despite significant new finds of oil and gas in the hemisphere, Venezuela will remain a key player in the hemispheric and global oil market. Should Venezuelan oil be removed from the world market, the impact will be great on the global, not just the U.S. economy. Conversely, though Venezuela has been diversifying its market and sources of investment in oil, being cut off from the U.S. market would be severely detrimental to its economy. The reality is that the two countries continue to trade with one another. Although Venezuela arguably depends more on the United States than vice versa, access to the Venezuelan subsoil is an important factor in the global and U.S. economy. Venezuela, with or without Chavez, will seek to attract foreign capital to extractive activities in the chain of oil production. The questioin is, under what terms will the extraction take place? Here Venezuelas and U.S. inter-ests are at odds, but just as in any relationship between landed property (here excersized as territorial sovereignty) and capital can be negotiated, so too can this one. As long as Chavez is present, an agreement will have to be negotiated multilaterally, with OPEC involvement, not bilaterally.

#### [ ] Venezuela is a critical oil hub – can trigger industry collapse and take America’s economy down with it

Council on Foreign Relations, 2009

(Cesar J Alvarez and Stephanie Hanson “Venezuela’s Oil-Based Economy” Backgrounder, 2/9/**09** http://www.cfr.org/world/venezuelas-oil-based-economy/p12089)

The World Bank's Frepes-Cibils says “Venezuela will continue to be a key player in the U.S. market.” He argues that in the short term it will be very difficult for Venezuela to make a significant shift in supply from the United States. Nevertheless, Chavez has increasingly made efforts to diversify his oil clients in order to lessen the country’s dependence on the United States. The GAO report says the sudden loss of Venezuelan oil in the world market would raise world oil prices and slow the economic growth of the United States.

### Relations Add-On 1/4

#### [ ] Reforming US policy toward Venezuela is vital.to preventing a collapse of US regional leadership, loss of oil exports, terrorism, and narcotics trafficking. A strategy of economic engagement is vital to usher in an era of healthy relations and avoid these outcomes.

LeMaster, Lieutenant Colonel – US Army, 2009

(Lieutenant Colonel Dennis P., “U.S. Policy Options Mitigating Venezuelan Sponsored Security Challenges,” United States Army War College, <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA497699>)

Increased engagement is the second policy option. An engagement policy seeks a cooperative relationship with Venezuela that achieve interests vital to both nations. Its hallmark would be communication. The central themes would be to reassure Venezuela that the US is not contemplating the assassination of Chavez. This assurance encourages the respect to the Venezuelan people because it affirms US approval of their democratic process, to include their choice of President. Ideally, this message would soften the perception of Venezuelans that the US is a bullying nation whose dominant behavior on the international arena is unilateral. Finally, engagement would include reestablishment of economic programs and military relationships.

The recent change in US administrations makes engagement highly feasible. A new administration provides a logical juncture to usher in a new era of cooperation. President Obama has stated that the US will operate from a multilateral platform in the international system. This sends a clear message to hemispheric countries that the US will abandon from unilateral methods. This validates visions and values that promote security, economic growth, and democratic processes. Implementation will require increased resources and commitments across the spectrum of national power because there will be heightened activity between the US and Venezuela, as well as other Latin American nations. The confidence levels of both nations would be high as engagement builds on rekindled relationships established long ago.

Acceptability and suitability are as alluring as feasibility. Healthy relations with Venezuela are desirable for US businesses, particularly energy companies with their large investments in Venezuela. Economic growth would benefit the entire hemisphere. Engagement supports our interests as the prevailing nation in the Western Hemisphere. It is doubtful that an engaged Chavez Administration will as aggressively court our competitors such as China, Russia, and Iran. He also will probably abandon foreign policies designed to block or diminish US influence in the region. Finally, the suitability of engagement improves our counter-terrorism and illegal drug programs.

Engagement is a low-risk policy option. Reaching out and entering into dialogue with the Chavez administration may alter the perception of a future US-led regime change. Much of Chavez’s posturing seeks to increase his power and to generate solidarity among South American states to resist US influence. As these efforts subside, there is a substantial reduction in risk for conflict and an increase in the possibility for economic growth. Engagement promotes regional harmony and guarantees US influence.

### Relations Add-On 2/4

#### The economic situation in Venezuela creates a critical moment where the United States can jump start relations with oil sector investment.

Inter Press, 2013

(Jared Metzker, staff writer, “Analysts Say Oil Could Help Mend U.S.-Venezuela Relations,” 6/17/2013, <http://www.ipsnews.net/2013/06/analysts-say-oil-could-help-mend-u-s-venezuela-relations/>, JMP)

Maduro’s legitimacy stems largely from his perceived ideological fidelity, the reason for his selection by Chavez to lead in the first place. Shifter said this leads him to “emulate” his predecessor and makes rapprochement with the United States less probable.

Still, ideological concerns may not ultimately decide the issue. Venezuela has inherited from Chavez an economy in difficult straits, which continues to suffer from notorious shortages and high inflation.

Oil economy

Over half of Venezuela’s federal budget revenues come from its oil industry, which also accounts for 95 percent of the country’s exports. Estimated at 77 billion barrels, its proven reserves of black gold are the largest of any nation in the world.

Despite a troubled political relationship, its principal customer is the United States, which imports nearly a million barrels a day from Venezuela.

Venezuela’s oil industry has been officially nationalised since the 1970s, and, as president, Chavez further tightened government control over its production. His government took a greater chunk of revenues and imposed quotas that ensured a certain percentage would always go directly towards aiding Venezuelans via social spending and fuel subsidies.

While these measures may be popular with Venezuelans, who pay the lowest price for gasoline in the world, critics argue such policies hampered growth and led to mismanagement of Petroleos de Venezuela, S.A. (PdVSA), the main state-run oil company.

The same critics also point to increasing debt levels, slowdowns in productions and accidents stemming from faulty infrastructure.

In order to boost production, PdVSA agreed in May to accept a number of major loans. This includes one from Chevron, one of the largest U.S. oil companies, which will work with Venezuelans to develop new extraction sites.

“The oil sector is in deep trouble in Venezuela – production is down and the economic situation is deteriorating,” explained Shifter. “They know they need foreign investment to increase production, and this is in part what has motivated Maduro to reach out.”

If its economy continues to falter, Venezuela may be further tempted to embrace the United States, which has the largest, most sophisticated fossil fuel industry in the world. Kerry’s recent words suggest that the administration of President Barack Obama would be waiting with open arms.

“Venezuela cannot confront its economic crisis and the United States at the same time,” Diana Villiers Negroponte, a senior fellow at the Brookings Institute, a Washington think tank, told IPS, “and we are a pragmatic country which will deal with Maduro if it is in our interests.”

### Relations Add-On 3/4

#### Strong relations with Venezuela are key to broader relations and influence with Latin America

Smilde, senior fellow at the Washington Office at Latin America, 2012

(David, “Obama’s Second Term Provides an Opportunity to Reset Relations with Venezuela,” November 2012, <http://venezuelablog.tumblr.com/post/35618113768/obamas-second-term-provides-an-opportunity-to-reset>)

And on November 6, Barrack Obama was elected to a second term as president. A second term is a time in which U.S. presidents can be bolder in their foreign policy as they think about their legacy rather than reelection. Of course the demands on a recently re-elected president are many, as multiple issue-specific publics demand attention. But there is a good case to be made that reconstructing Latin America policy merits priority.

Latin America as a region is the United States’ second largest trading partner and with Europe in crisis, is more important than ever for U.S. economic recovery. Regional dynamics have changed, with the emergence of Brazil as a major economic player; opposition to U.S.-oriented free trade strategies; the emergence of “post neoliberal” governments; and the creation of alternative multilateral institutions such as the Union of South American Nations (UNASUR) and the Council of Latin American and Caribbean States (CELAC). The United States neither can nor should seek to return to a 20th Century relationship with the region. If the U.S. government wishes to pursue legitimate national interests, it needs to repair relations with the region, and a more functional relationship with Venezuela would be a cornerstone of such an effort. In the region the antagonistic relationship with Venezuela is perceived as symbolic of an overly ideological U.S. posture. Venezuela is also a big exporter of oil and big importer of U.S. goods.

### Relations Add On 4/4

#### Latin American relations key to solve proliferation, climate change, and insure economic growth. Only engagement solves.

Zedillo, et al, Former President of Mexico, 2008

(Ernesto Zedillo, et al, Rethinking U.S.–Latin American Relations A Hemispheric Partnership for a Turbulent World. Report of the Partnership for the Americas Commission, The Brookings Institution, November 2008, <http://www.brookings.edu/~/media/Research/Files/Reports/2008/11/24%20latin%20america%20partnership/1124_latin_america_partnership.PDF>, ENDI File]

If a hemispheric partnership remains elusive, the costs to the United States and its neighbors will be high, in terms of both growing risks and missed opportunities. Without a partnership, the risk that criminal networks pose to the region’s people and institutions will continue to grow. Peaceful nuclear technology may be adopted more widely, but without proper safeguards, the risks of nuclear proliferation will increase. Adaptation to climate change will take place through isolated, improvised measures by individual countries, rather than through more effective efforts based on mutual learning and coordination. Illegal immigration to the United States will continue unabated and unregulated, adding to an ever-larger underclass that lives and works at the margins of the law. Finally, the countries around the hemisphere, including the United States, will lose valuable opportunities to tap new markets, make new investments, and access valuable resources.

It is important to note at the outset that the term “partnership” as used in this report does not mean equal responsibility for all. The asymmetries between the United States and its neighbors are large and will remain so for the foreseeable future. Partnership here means a type of international cooperation whereby a group of countries identifies common interests, objectives, and solutions, and then each partner country undertakes responsibilities according to its own economic and political capacities to generate shared benefits.

Today, four changes in the region have made a hemispheric partnership both possible and necessary. First, the key challenges faced by the United States and the hemisphere’s other countries— such as securing sustainable energy supplies, combating and adapting to climate change, and combating organized crime and drug trafficking—have become so complex and deeply transnational that they cannot be managed or overcome by any single country. Washington needs partners in the LAC region with a shared sense of responsibility and a common stake in the future.

For example, drug trafficking and its associated criminal networks have now spread so widely across the hemisphere that they can no longer be regarded as a “U.S. problem,” a “Colombian problem,” or a “Mexican problem.” The threat posed by these networks can only be countered through coordinated efforts across producing, consuming, and transshipment countries, all of which have a shared interest in controlling the flow of arms, money, vehicles, and drugs. The process of combating and adapting to climate change also exemplifies the need for a hemispheric partnership. All carbon-emitting societies contribute to the problem to different degrees, and all will experience its consequences. The solutions—ranging from developing alternative fuels to adapting to ecological shocks—all require sustained cooperation among the hemisphere’s countries.

### Answers to: Tensions Inevitable

#### [ ]

#### [ ] Tensions are only inevitable in a world where the US refuses to engage with Venezuela, investment in oil infrastructure will fundamentally reset the relationship.

Inter Press, 2013

(Jared Metzker, staff writer, “Analysts Say Oil Could Help Mend U.S.-Venezuela Relations,” 6/17/2013, <http://www.ipsnews.net/2013/06/analysts-say-oil-could-help-mend-u-s-venezuela-relations/>)

Over half of Venezuela’s federal budget revenues come from its oil industry, which also accounts for 95 percent of the country’s exports. Estimated at 77 billion barrels, its proven reserves of black gold are the largest of any nation in the world. Despite a troubled political relationship, its principal customer is the United States, which imports nearly a million barrels a day from Venezuela. Venezuela’s oil industry has been officially nationalised since the 1970s, and, as president, Chavez further tightened government control over its production. His government took a greater chunk of revenues and imposed quotas that ensured a certain percentage would always go directly towards aiding Venezuelans via social spending and fuel subsidies. While these measures may be popular with Venezuelans, who pay the lowest price for gasoline in the world, critics argue such policies hampered growth and led to mismanagement of Petroleos de Venezuela, S.A. (PdVSA), the main state-run oil company. The same critics also point to increasing debt levels, slowdowns in productions and accidents stemming from faulty infrastructure. In order to boost production, PdVSA agreed in May to accept a number of major loans. This includes one from Chevron, one of the largest U.S. oil companies, which will work with Venezuelans to develop new extraction sites. “The oil sector is in deep trouble in Venezuela – production is down and the economic situation is deteriorating,” explained Shifter. “They know they need foreign investment to increase production, and this is in part what has motivated Maduro to reach out.” If its economy continues to falter, Venezuela may be further tempted to embrace the United States, which has the largest, most sophisticated fossil fuel industry in the world. Kerry’s recent words suggest that the administration of President Barack Obama would be waiting with open arms. “Venezuela cannot confront its economic crisis and the United States at the same time,” Diana Villiers Negroponte, a senior fellow at the Brookings Institute, a Washington think tank, told IPS, “and we are a pragmatic country which will deal with Maduro if it is in our interests.” Indeed, Negroponte said she was “optimistic” about the possibility of rapprochement between the two countries within the next six months. She notes a “troika” of issues on which the United States is looking for Venezuelan cooperation: counter-terrorism, counter-narcotics and assistance in ridding Colombia of its FARC rebels.

### Answers to: Relations Resilient

#### [ ]

#### [ ] Relations are delicate—Maintaining economic ties is key to success

O’Neil, Senior Fellow of Latin America Studies at the Council on Foreign Relations, 2013.

(Shannon is, “New era for US-Venezuela relations?” 3/16, [<http://blogs.cfr.org/oneil/2013/03/06/new-era-for-u-s-venezuela-relations/>]

With Chavez’s death, some have hoped for a change in the US-Venezuela relationship. But just because Chavez is gone it doesn’t mean the tensions in bilateral relations will ease. The U.S. is too useful and tempting a foil for papering over internal disagreements in Chavez’s party and for rallying loyal supporters for the upcoming presidential election to expect any abrupt change. Heir apparent and now interim President Nicolas Maduro’s speech right before Chavez’s death shows this. In it he expelled two U.S. diplomats and even accused the U.S. of causing Chavez’s cancer.¶ But in the longer term, trade, commercial relations and personal ties could shift U.S.-Venezuelan relations for the better. First and foremost are the economic ties between the two nations. Despite the rhetorical animosity of the last decade, trade continued. The U.S. remains the largest recipient of Venezuelan oil—some 40 percent percent of Venezuelan oil exports (and oil makes up over 90 percent of the country’s total exports). In turn, the U.S. has continued to send machinery and cars, and even increased exports of natural gas and petroleum products to the South American nation.¶ The hard currency and goods are vital to the functioning of Venezuela’s economy, government and society, and may become even more so through the anticipated tough economic times ahead.¶ Despite the increased government management of the economy through price controls and the nationalization of hundreds of private companies over the last decade, many well- and lesser-known U.S. companies still work in Venezuela, providing not just goods but ongoing links with the United States. In addition to these commercial links, the more than 200,000 Venezuelans living in the U.S. and the hundreds of thousands more that have ties through family, friends and colleagues, could also bring the two countries together.¶ Finally, as subsequent Venezuelan governments look to adjust their economic policies in the coming months and years, the experience of their neighbors provide incentives to forge a more amicable bilateral relationship. Colombia, Brazil, Peru, along with other Latin American nations, have opened up to the U.S. and the world more broadly in recent years and in the process have benefited tremendously.¶ In the last set of hemispheric elections, a “third way” combining open markets, balanced fiscal accounts, and socially inclusive policies—most closely identified with former Brazilian President Luiz Inacio Lula da Silva—became an almost mantra for incumbent and opposition party candidates alike (including Chavez’s 2012 rival, Henrique Capriles Radonski). These nations and leaders illustrate a real and positive path forward, not just economically but also diplomatically.¶ Today Venezuela faces significant political uncertainty, as Mr Maduro works to unite the many factions within Chavez’s party. He does so without Chavez’s charisma nor the deep-seated loyalty he inspired. The next administration also will confront growing economic and fiscal problems, making governing all the harder in the months to come. Still, in most of Latin America anti-U.S. rhetoric is fading, which suggests it can in Venezuela too.

### Answers to: Relations Low Alternate Causality

#### [ ]

**[ ] Expanding U.S. investment and partnership with Venezuela oil industry will revive relations**

Clarke, Associate Editor of America The National Catholic Review, 2013

(3/25/2013, Kevin, “Chavez Death Brings New Chance For U.S.-Venezuela Engagement,” http://americamagazine.org/issue/chavez-death-brings-new-chance-us-venezuela-engagement, JMP)

The passing of President Hugo Chávez of Venezuela unleashed an epic outpouring of grief among his supporters in Venezuela, the likes of which may only be eventually paralleled with the passing of another larger-than-life figure in Latin American socialism, Cuba’s Fidel Castro. Matthew Carnes, S.J., assistant professor of government at Georgetown University, said Chávez will be remembered as a leader who had an “outsized impact in Venezuelan politics.”¶ Father Carnes said Chávez’s passing offers an opportunity for the United States, politically and economically, to revive its relationship with Venezuela. Occasionally “capricious and doctrinaire,” Chávez was “someone the United States had a hard time negotiating with,” according to Father Carnes.¶ Whether his designated political heir, Vice President Nicholas Maduro, or an opposition candidate, most likely Henrique Capriles Radonski, governor of the Venezuelan state of Miranda, is elected to replace Chávez, Father Carnes expects a more pragmatic and less confrontational leadership to emerge. That could mean improved ties not just with Venezuela but throughout the region, he said, and a possible opening for renewed U.S. investment and partnership with the Venezuelan state oil industry. Despite Chávez’s notorious distaste for U.S. political leaders, under his leadership Venezuela remained one of the largest suppliers of oil to the United States. This is likely to continue.

### Answers to: Relations Low Alternate Causality

####  [ ]

#### [ ] Strong relations with Venezuela are key to broader relations and influence with Latin America

Smilde, senior fellow at the Washington Office at Latin America, 2012

(David, “Obama’s Second Term Provides an Opportunity to Reset Relations with Venezuela,” November 2012, <http://venezuelablog.tumblr.com/post/35618113768/obamas-second-term-provides-an-opportunity-to-reset>)

And on November 6, Barrack Obama was elected to a second term as president. A second term is a time in which U.S. presidents can be bolder in their foreign policy as they think about their legacy rather than reelection. Of course the demands on a recently re-elected president are many, as multiple issue-specific publics demand attention. But there is a good case to be made that reconstructing Latin America policy merits priority.

Latin America as a region is the United States’ second largest trading partner and with Europe in crisis, is more important than ever for U.S. economic recovery. Regional dynamics have changed, with the emergence of Brazil as a major economic player; opposition to U.S.-oriented free trade strategies; the emergence of “post neoliberal” governments; and the creation of alternative multilateral institutions such as the Union of South American Nations (UNASUR) and the Council of Latin American and Caribbean States (CELAC). The United States neither can nor should seek to return to a 20th Century relationship with the region. If the U.S. government wishes to pursue legitimate national interests, it needs to repair relations with the region, and a more functional relationship with Venezuela would be a cornerstone of such an effort. In the region the antagonistic relationship with Venezuela is perceived as symbolic of an overly ideological U.S. posture. Venezuela is also a big exporter of oil and big importer of U.S. goods.

### Answers to: Investment hurts relations

#### [ ]

#### [ ] [ ] Status quo is uniquely worse for US interests—Energy engagement is the only hope at mitigating anti-americanism in the region

Fite, Burke Chair at the Center for Strategic and International Studies, 2012.

(Brandon, , “U.S. and Iranian Strategic Competition: “The Impact of Latin America, Africa and Peripheral States,” April 4, <http://csis.org/files/publication/120404_Iran_Chapter_XIII-Peripheral_States-Revised.pdf>]

Iran’s closest relationship is with Venezuela. Although both countries have very different ¶ guiding ideologies and political structures, they are bound by a common rejection of US ¶ leadership in the international system and by their significant petroleum exports, signified by ¶ their dual membership in OPEC. The State Department has determined Venezuela to be “not ¶ cooperating fully United States antiterrorism efforts” since 2006. Distinct from the designation ¶ of “state sponsor of terrorism”, this classification nevertheless resulted in an US arms embargo, ¶ which was extended in May 201118¶ . In the past decade Tehran and Caracas have engaged in a ¶ broad spectrum of commitments ranging from mutual diplomatic support to military exchange. ¶ Venezuelan President Hugo Chavez has shown himself to be committed to Iranian sovereignty—¶ supporting Iran’s nuclear program at the IAEA—and to Iran’s vision of an anti-Western coalition ¶ of developing states.¶ As long as Venezuelan President Hugo Chavez—or some successor with a similar ideology and ¶ hostility to the US—continues to define his role as one of opposition to the US, Washington has little hope of bettering its political position with Caracas or diminishing Iran’s close affiliation. ¶ That being said, US-Venezuelan commercial ties are strong and provide links between both ¶ countries which help maintain an undercurrent of stability in the relationship. At present, the US ¶ need not be too concerned about this Iran-Venezuelan relationship, despite the threatening ¶ language used by both presidents. Mutual US-Venezuelan energy dependence mitigates the possibility of a more serious breach in relations.

### Appeasement Good- Instability

#### [ ]

#### [ ]Any loss of Maduro’s power will result in an unstable government

Renuncio, , senior associate and analyst for RiskAdvisory 2013

(Irenea “Venezuela: Strategic Risk Outlook for 2013” <http://news.riskadvisory.net/index.php/2013/06/venezuela-strategic-risk-outlook-for-2013/> Risk Advisory 6/19/13)

While hardship protests are increasing on the back of inflation and food shortages, Maduro has remained a weakened president since the April election. Aside from his waning popularity and despite being head of state, Maduro lacks full control of the country’s institutions and the ruling PSUV party. The party and the state institutions are loosely divided between Maduro’s supporters and those who support Diosdado Cabello, a former lieutenant who was very close to the late Hugo Chávez and who retains control of the armed forces. Ever since Chávez designated Maduro as his appointed successor, Cabello has sworn loyalty to Maduro, but both men are currently governing in what appears to be an informal power sharing agreement. Rumours of deep divisions between the two men were publicly confirmed for the first time on 20 May, when the opposition leaked a recording of a conversation between influential state TV presenter Mario Silva, a government supporter, and a Cuban military officer working for Maduro’s government in Venezuela. In the audio recording, Silva talks about the split between Maduro and Cabello, saying Cabello wants to remove defence minister Diego Molero ‘to be able to take the armed forces and put pressure on Maduro to behave as they please or to pull a coup d’etat’. Silva has denied the leak, describing it as a plot by the CIA and Mossad, but our local sources tell us the leak does appear to be a real recording of the two alleged participants. Furthermore, a reliable source with links to the government tells us that the fight for power between Maduro and Cabello is widely known within government circles, but that this is the first time that these divisions have spilled over into the public domain. Silva has subsequently resigned on health grounds, with rumours in Venezuela over his possible future arrest or exile. The audio recording seems to support our wider analysis that despite the apparent unity displayed by Maduro and Cabello, the government seems to lack the stability it had under Chávez. In particular, it shows the extent of Cabello’s power within the government, which is independent to that of the president. This has significant implications for policy implementation, as Maduro effectively shares power and decision making with Cabello. According to the audio, Cabello runs a parallel budget through control of CADIVI, the government body that administers legal currency exchange in Venezuela, and SENIAT, the national tax and revenue office, which is led by Cabello’s brother, José David. Meanwhile, Cabello controls the legislature as head of the national assembly and dominates SEBIN, the Bolivarian intelligence agency, and the DIM, the department of military intelligence. Our sources in Venezuela have corroborated this information, which is also supported by independent reports in the usually reliable online news sites TalCualDigital, El Universal and El Nacional.

A

### Appeasement Good- Leverage

#### [ ]

#### [ ] Utilizing energy & economic ties is the only chance at maintaining leverage over Venezuela and getting the country to change policies.

Walser, Senior Policy Analyst specializing in Latin America @ Heritage . 2013.

(Ray “Beware of Venezuela’s Paranoid Anti-Americanism” Heritage Foundation, 3/18 [http://blog.heritage.org/2013/03/18/beware-of-venezuelas-paranoid-anti-americanism/]

Attacks on the U.S. are integral to the strategy of Maduro and the inner Chavista circle. Their current course aims to inflame the nationalistic militancy of Chavez’s followers. It is a calculated effort to distract Venezuelan voters from grave violations of the constitutional order and stark domestic challenges—inflation, fiscal deficits, devaluations, crime, and increasing food shortages—that have worsened since Maduro took de facto control of the government in early December 2012. Governability and stability in Venezuela before and after the elections could become a major challenge. The Miami Herald’s veteran Venezuela watcher Andres Oppenheimer suggests that the April 14 elections will be neither fair nor genuinely free. Maduro’s wild accusations also lower expectations for swift improvement in relations with the U.S. The limited leverage that the U.S. still poses over Venezuela resides in its commercial, financial, and energy links and in the frayed democratic consensus in the inter-American community. Like it or not, the Obama Administration finds itself drawn into Venezuela’s growing crisis of governability caused by the increasingly irresponsible behavior of Chavez knock-offs like Maduro.

### Appeasement Good- Hardliners

#### [ ]

#### [ ] Economic engagement can disempower Venezuelan hardliners by supporting the nation’s citizens – this can promote stability, democracy, and relations

Graves, Major – U.S. Army, 2006

(Gary R., “Venezuela: An Effects-Based Strategy for the 21st Century,” Joint Advanced Warfighting School, April 2006, <http://www.dtic.mil/cgi-bin/GetTRDoc?AD=ADA452240>)

In as much as Dr. Vego has expressed concerns over the aspects of a SoSA, it is

also acknowledged that there may be issues, at the national–strategic level, concerning

the overall strategy proposed for Venezuela. It could be argued that the strategy detailed

here could be seen as a reward or moral victory for President Chávez because of the

amount of proposed monetary investment and recommended fiscal programs, especially

during a time when he has hurt the U.S. economy by contributing to the rise in the price

of petroleum by influencing OPEC. He has also publicly advocated anti–U.S. rhetoric,

and allowed U.S.–Venezuelan relations to deteriorate. Furthermore, some would contend

that because of President Chávez’s affiliation with Cuba’s Fidel Castro and other

countries with questionable affinity towards terrorism and extremism that the solution for

Venezuela lays within the realm of harsh military or economic venue. All of these

opinions may be recognized as having merit, but as seen below, would be ill–advised

based on regional stability, humanitarian assistance, military involvement, economic/financial considerations, and most importantly U.S. policy objectives.

First, this strategy is not an actual fiscal reward for President Chávez, but instead

an assortment of programs designed to assist Venezuela and its populace “in their efforts

to develop, restructure, and reinforce democratic institutions,”ccxlviii while enhancing

Venezuela’s humanitarian and civic action capacities.ccxlix It is clear that Venezuela’s

economic, humanitarian and security problems are inexorably liked and must be

addressed in a proactive manner, an aspect that this strategy accomplishes through its

recommended DIME means. Furthermore, although this strategy could be seen as a

short–term moral victory for President Chávez, the United States must avoid becoming

fixated on this egocentric aspect. It is the long–term desired effects, a safe, secure, stable

and U.S.–friendly Venezuela, on which the United States must focus.

### Appeasement forces Maduro to back down

#### [ ]

#### [ ] Maduro is in NO position to maintain aggression against the US once help is extended

Baverstock, Foreign Correspondent for Christian Science Monitor, 2013.

(Alasdair,“Venezuela's Maduro still waiting on Washington's recognition” Christian Science Monitor, 5-17 [http://www.csmonitor.com/World/Americas/2013/0517/Venezuela-s-Maduro-still-waiting-on-Washington-s-recognition][MG]

Others are less convinced by Maduro’s bluster, seeing a politician weakened by his lack of mandate at home. “He’d definitely like the US to recognize him,” says Gerardo Munck, a professor of international relations at the University of Southern California. “There’s nothing he can do to pressure the US, but to be seen as having been duly elected would put him in a far stronger position both at home and internationally.” With neither side showing any inclination toward compromise, the standoff between the two countries also shows no sign of ending. But Maduro’s long-term challenges are looming. Inflation in the socialist country is nearing 30 percent, there is public anger over the chronic shortages of basic goods, and the ballooning murder rate exceeds Europe and the United States’s combined. “Maduro is going to have to tackle these problems if he’s going to last as president,” says Mr. Munck. “[U]nless there’s some change in the way he handles the situation, the US isn’t going to budge.”

### Appeasement Answers: Instability prevent democracy in Venezuela

#### [ ]

#### [ ] Venezuelan political instability destroys US efforts at democracy.

Duddy, senior lecturer in international studies at Duke University and former U.S. ambassador to Venezuela, 2012

(Patrick D., “Political Unrest in Venezuela”, Council on Foreign Relations, 09/2012, http://www.cfr.org/venezuela/political-unrest-venezuela/p28936)

Political instability and violence in Venezuela would damage U.S. efforts to promote democracy, increase regional cooperation, combat narcotics, and protect its economic interests in the region. Democracy promotion: The United States has worked for decades to promote democracy in the Western Hemisphere. In recent years, Chavez has become increasingly authoritarian, undermining important political institutions, giving more powers to the presidency, and weakening both civil society and the independent media. The United States should view a suspension or further deterioration in the quality of Venezuela’s democracy as a setback for U.S. policy and for the hemisphere. The emergence of a military junta or a compromised Chavez regime would also likely increase Iranian and Cuban influence in Venezuela. It already has a close relationship with Iran from which it reportedly receives advanced weapon systems and other assistance. Cuba sends thousands of teachers and technical, medical, and security advisers in exchange for an estimated ninety to one hundred thousand barrels of oil per day.

### **Appeasement Answers: Oil industry promotes democracy**

#### **[ ]**

#### **[ ]Oil promotes Venezuelan democracy --- encourages competition.**

Hidalgo Professor of Economics, Universidad Carlos III, Madrid, 2007

(Manuel, “A Petro-State: Oil, Politics and Democracy in Venezuela,” Real Insituto Elcano, 6-11-2007, http://www.realinstitutoelcano.org/documentos/WP2007/WP49-2007\_Hidalgo\_Petro-State\_Venezuela.pdf)

Oil was the most important structural factor in promoting democracy. But one must not ignore others such as the role of political leaders, who, with projects aimed at modernisation, gave a central role to the State in economic and social life and in the political realm. It was a centralised State. Once the democratic regime was established, political parties were the main players, not just because of the programmes they pushed, organisational development and establishment of links with the main social organisations, but also because having access to a State with abundant external revenue put them in a privileged position. From that position they controlled a weak civil society that would grow under the protection of the State. The State also relied for many years not only on people’s widespread acceptance of elections as a ‘democratic ritual’ (Maingón & Sonntag, 1991), but also on neo-corporative practices that gave priority to certain interest groups and sectors, facilitating money-seeking behaviour. At the same time, government policy was to hire lots of civil servants, grant heavy subsidies and apply extensive controls and strong protectionist measures.

### Answers to: Venezuela would say no- Political Move

#### [ ]

####  [ ] Maduro will say yes—creating economic zones for foreign investment and modeling Chinese economic liberalization

Mallett-Outtrim , writer for MSNBC International, via VenezuelaAnalysis .2013

(Ryan, “Maduro plans Economic reform, reform of currency exchange, and special economic zones in Venezuela,” nsnbc international, 4/26/13, <http://nsnbc.me/2013/04/26/maduro-plans-economic-reform-reform-of-currency-exchange-and-special-economic-zones-in-venezuela/>)

Ryan Mallett-Outtrim (VA),- The Venezuelan government hopes to encourage more foreign investment and a better relationship with the business community, President Nicolas Maduro stated yesterday. Announcing the creation of a “National Savings Fund for Foreign Exchange”, Maduro said the government hopes to make currency exchange easier not only for businesses, but also “travellers, students” and Venezuelans living abroad.¶ In a meeting with business leaders in Zulia state, Maduro indicated that changes to current currency controls are needed not only to “overcome the parallel dollar”, but also address a backlog of currency exchange applications.¶ According to Maduro, there are pending applications for currency exchanges at the government rate dating back to 2011.¶ He also invited the private sector to work more with the government to contribute to the “development of the productive forces and the country’s economy”, and announced plans to create “Special Economic Zones” in some regions. These zones would be granted special tax conditions, as well as other incentives to encourage foreign investment. Although he gave few details, Maduro indicated that they would be modeled on those that developed during China’s trade liberalisation of the 1980′s.¶ Maduro stated that more details will be announced soon, and Finance Minister Nelson Merentes will hold a series of meetings with business leaders across the country from 2 May. The meetings will focus on issues related to currency exchange, though Maduro also stated that the government will prioritise tackling inflation.¶ “We are in a transition process towards building a socialist economic model that merits the promotion of a special plan of a productive economic revolution, and that includes the participation of different sectors,” he said.¶ Maduro described the private sector as having the financial and political freedom to participate in an “economic revolution” to raise productivity and self sustainability.¶ “We have a strong and powerful domestic market with purchasing capacity, because we have a population with job security, good income and strong wages…Now we need a production system to respond to this,” he said.

### Answers to: Venezuela would say no- Hardliners

#### [ ]

#### [ ] Will empirically yes on oil trade issues --- Maduro willing to compromise

Kapper, wirter for NBC, 2013

(Bradley “US seeking renewed Venezuela ties after Chavez,” NBC, 01-09-13, http://nbclatino.com/2013/01/09/us-seeking-renewed-venezuela-ties-after-chavez/)

With Venezuela, the U.S. is hoping to start with stronger counter-narcotics coordination, a challenge given that the Venezuelan government includes officials subject to U.S. drug “kingpin” sanctions. Other American priorities include energy cooperation and stronger enforcement of sanctions against Iran. The U.S. also fears Iranian efforts to use Venezuela as a base for terrorist or other activity in the Western Hemisphere against American interests. Maduro and other insiders in Chavez’s government also seek rapprochement, but want to start with the first exchange of ambassadors between the two countries since 2010. The U.S. Embassy in Caracas has been without a top envoy since Chavez rejected Obama’s nominee and accused him of making disrespectful remarks about Venezuela’s government. That led Washington to revoke the visa of Venezuela’s ambassador. Speaking last week, Maduro stressed that the U.S. and Venezuela have “great ideological and political differences.” But he held out the possibility of normalized relations based on mutual respect. Despite Chavez’s tirades against the U.S. and what he sees as its attempts to bring down his government, and U.S. criticism of Venezuela’s lax efforts against drug traffickers, the two countries have maintained economic relations. The U.S. gets about 10 percent of its oil from Venezuela and remains the Latin American country’s top purchaser.

### Answers to: Takes too Long

#### [ ]

#### [ ] Must take the long view with Venezuela. US policy should support sustainable economic growth for Venezuela and reducing the nation’s poverty and anti-American sentiment.

Bryant, Management Consultant, 2012

(Dane, “Chávez or Not, It's Time to Rethink the U.S.-Venezuela Relationship,” World Politics Review, September 28, 2012, http://www.worldpoliticsreview.com/articles/12380/chavez-or-not-its-time-to-rethink-the-u-s-venezuela-relationship)

This is why the second plank of Washington’s Venezuela policy must emphasize sustainable economic growth. Regardless of next week’s election outcome, any serious response to the challenges that Venezuela poses to U.S. regional interests must address the country’s socio-economic inequalities, which Chávez has depended upon for popular support throughout his political career. Solving the widespread social exclusion and poverty that fuel the Bolivarian movement, if only incrementally, will be critical if the United States is to make any inroads in what could be a vital partnership.

For the past decade and a half, the U.S.-Venezuela relationship has been singularly defined by the Chávez obsession -- in both Caracas and Washington. After the upcoming election, regardless of whether Chávez wins or loses, it will be time to begin playing a new game in Venezuela