

# MERCOSUR: Los cables utilizados

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TAGS: PGOV PREL KDEM ECON AR BO BR CH PA UY VE  
SUBJECT: COM CONFERENCE: A SOUTHERN CONE PERSPECTIVE ON CHAVEZS INFLUENCE

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1. © SUMMARY: During May 8-9 Southern Cone / Brazil COM Conference in Rio de Janeiro the five Southern Cone Ambassadors discussed aggressive plans of Venezuelas Hugo Chavez to create a unified Bolivarian movement throughout Latin America particularly focusing on activities within their respective countries. This report is the product of observations and analyses provided by all these posts. Venezuelan President Hugo Chavez is aggressively seeking to divide Latin America between those who buy into his populist anti-American policies and authoritarian message and those who seek to establish and strengthen free-market democratic based policies and institutions. In the Southern Cone Chavez is working to win adherents to his camp through what appears to be a multi-faceted plan that relies heavily on his ability to offer energy and grandiose (and graft-inspiring) petrodollar-based projects. Some regional leaders and some of the regions dispossessed may find the rhetoric attractive but many more seem willing to take Chavezs money while paying only lip service to his politics. And still others in the region find him frankly distasteful. In the end however Chavez shouldnt be underestimated. Money talks democratic institutions in the region are still weak and free market economics have yet to provide consistent solutions to the Southern Cones social and political ills. Septel will offer our posts collective views about how to best address the threat this campaign represents to U.S. interests but it is clear we need more (and more flexible) resources and tools to counter Chavezs efforts to assume greater dominion over Latin America at the expense of U.S. leadership and interests. END SUMMARY.

## THE PLAYBOOK

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2. © The Venezuelan Embassy in 2006 outlined in detail its strategy for Paraguay in a document somewhat like our MSP. This playbook articulates the following as Venezuelas principal political and economic goals for the region:

Strengthen Venezuelas Position in the International Economy. While the terms are rather grandiose and nebulous writ large they reinforce Chavez desire to transform the playing field in Latin America positioning Venezuela at the lead.

## POLITICAL EFFORTS TO DISRUPT DEMOCRACY

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3. (S/NF) Chavez has engaged political leaders of countries in the region promoting his vision for the region under the banner of Latin American Solidarity and Integration as part of a campaign that invests a high premium in personal contact. He has also taken pains to engage local populations to foster his image as the standard bearer for the common-person often times extending generous aid for social projects and painting an image of the U.S. as elitist and favoring only big business. Meanwhile clandestinely the Venezuelan Government has provided money and material support to Bolivarian and sympathetic leftist groups through its embassies in the region often as part of a campaign to expand influence including in the results of key elections political leaders and organizations some of which have close ties to President Kirchner. Kirchner presently sees little downside to

maintaining a close relationship with Chavez particularly in an election year since Chavez remains relatively popular in Argentina -- 52 percent of Argentines viewed Chavez favorably in December 2006 -- and the U.S. is not. Kirchner has attempted to distance himself publicly from Chavez's anti-U.S. position and has tried to maintain the perception of a more independent line to meet mainstream voter approval but his economic strategy clearly envisions closer commercial and financial ties with Chavez and positioning himself between Chavez and Lula on the regional political spectrum. At the same time Kirchner seeks to balance his relationship with Chavez. This is evident in the support Kirchner and his wife have shown for Venezuelas Jewish community while he has refrained from any public calls in support of press freedom or RCTV for example present in all of Bolivias nine departments and are active in many if not all sectors of the Bolivian government. The Morales Government frequently consults with Chavez and their relationship runs deep. Venezuelan Ambassador to Bolivia Julio Montes publicly pledged in October 2006 Venezuelan blood will be shed if the Bolivian revolution were threatened course of the past year and Chavez is unpopular in both the political class (politicians journalists) and with the general public. Chavez is increasingly seen here as an emerging rival to Lula for regional leadership and a threat to the kind of integrated progressive and outward-looking South America that successive Brazilian governments have sought to encourage. Against this negative backdrop Lula has performed an awkward balancing act: publicly supporting Chavez's re-election and touting the benefits of economic integration with Venezuela while privately seething with frustration at Chavez's unpredictable behavior and rhetorical grandstanding. It appears Lula will continue in this mode and he seems prepared to let political criticism of his role vis-a-vis Chavez roll off his back. This is because of both traditional Brazilian foreign policy priorities with Venezuela and some residual ideological sympathy among Lula and his inner circle for Chavez's fading socialist-populist image Bolivarian revolution. But Chilean leaders recognize that Chavez is aggressive and that he bears close watch. Chilean Army Intelligence (DINE) reports that the Venezuelan Embassy is funding Bolivarian and leftist groups. While President Bachelet is a socialist with a certain ideological sympathy for Chavez she is also a pragmatist who recognizes that Chiles successful free market economic policies and stable democratic political model is preferable to what Chavez offers. As a result Chile will continue to quietly promote its own model although Bachelet will not likely challenge Chavez openly.

Many Paraguayan leaders (both from the opposition and the ruling Colorado Party) are suspicious of Chavez's motives and voice concern about his interference into internal politics. The Venezuelan agreement with Bolivia to strengthen Bolivias military adds to the concerns. At the same President Duarte has tilted leftward in his rhetoric and applauded Chavez's vision over the last two months. He is seeking to fend off the challenge posed to Colorado control of the government in the 2008 election by leftist priest Fernando Lugo who is leading the polls. While Lugos campaign evinces little evidence of significant funding it has been alleged that he has been offered assistance by the Venezuela Embassy on orders from Chavez and has signaled interest in receiving funds. Several small mostly student or social interest based groups in Paraguay receive financial and material support from Venezuela but presently register little influence on the political scene; local municipal officials have told emboffs that Venezuela has provided peasant leaders training in leading social movements. Venezuela has funded flights for hundreds of poor Paraguayans to fly to Cuba for eye surgery and Venezuela appears to be winning converts at the mass levels while the elites are increasingly nervous.

-In Uruguay Venezuelas influence is growing but is not yet great. Chavez was most active and visible on the eve of Venezuelas entry into Mercosur but soon after his interest seemed to have waned. Some officials privately snicker at his antics behind his back. In public though they are happy to congratulate Chavez and take advantage of any economic benefits (especially oil) that he is willing to bestow. For example Chavez donated USD 20 million for a cancer center at a local public hospital. (President Vazquez is an oncologist so the donation seemed especially aimed at pleasing him.) Chavez has also invested in failing companies and financial institutions.

## ECONOMIC STRATEGIES TO STRANGLE FREE TRADE

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4. (U) Chavez uses his petrodollars to advance economic and political objectives in the region. He has aggressively pursued energy agreements in exchange for support of political objectives including Venezuela's admission into Mercosur and the creation of Bancosur. In the process he has contributed to an increased politicization of Mercosur and shored up resistance to ALCA.

—In Argentina though Kirchner shares some of Chavez's leftist perspective he is primarily a pragmatist; his affable ties with Caracas are driven more by Venezuelas attractive offers of high-profile investments placement of GoA sovereign debt (USD 4.2 billion to date) loans to Argentine national companies and trade deals than by ideological affinity. In return for Chavez's economic largesse Kirchner supported Venezuelas failed bid for a UN Security Council seat its early entry into Mercosur and allowed him to stage an anti-Bush rally on March 9.

—In Bolivia Venezuela spent USD 195 million on Bolivian products mostly soy in 2006. In April 2006 Bolivia signed onto the Bolivarian Alternative for America (ALBA) an agreement with Venezuela Cuba Nicaragua and Ecuador under which Venezuela has pledged at least USD 200 million in support of a national development bank development projects and financial assistance terms. Brazil has been running sustained current account surpluses which have allowed it to pay down external debt and build up foreign reserves. However Venezuela and Bolivias championing of a Bank of the South an idea resisted by Brazil is starting to create demarcations within South America something that will work against Brazilian integration plans. Chavez's obsession with opposing the U.S.-Brazil partnership on biofuels pushed President Lula for the first time to lay down a red line with respect to Chavez. (ref. B)

—Venezuelas direct foreign investment in Chile is tiny little more than USD 100,000 between 1995 and 2000. Chile-Venezuela bilateral trade is also fairly small representing less than 10 percent of Chiles trade with Latin America. There has been discussion in the press of an alliance between the Chilean oil company ENAP and Petrolera Venezolana (PDVSA) but nothing has been finalized. Earlier this year the head of ENP said publicly that Venezuela was not in Chiles plans for 2007. That said many Chileans expect that given Chiles precarious energy situation Chavez could eventually use oil to foster greater sympathy for his political agenda. However opinion polling in January suggested that eight-in-ten Chileans had heard something of what Chavez has been saying and doing vis—vis Chile. Among those 77 percent rejected his conduct and 81 percent believed Chavez's motivation was self promotion 17. Under the agreement which has come under harsh attack by Paraguays conservative business community and which still must be approved by the Congress Venezuelas PDVSA would invest an astounding (for Paraguay) USD 600 million to modernize Petropars oil refinery. The modernization project is expected to bring the refineries capacity up to about 35,000 barrels per day (bpd). This is hardly cost-effective strictly speaking as the smallest refinery in neighboring Argentina has a capacity of approximately 120,000 bpd. But it offers current leaders plenty of grease. Venezuela has offered to help Paraguay prospect for gas in the western part of Paraguay. In addition Paraguay is considering joining the Venezuelan Bancosur project.

Uruguays President Vazquez plays to centrists in his economic policy so Chavez's economic populism will likely not take root in Uruguay. At the same time Uruguay has a heavy debt burden and no known hydrocarbon deposits. As such Venezuelan oil and money could prove tempting as part of

a bid to boost the economy. Venezuelas PDVSA has invited Uruguays state oil company ANCAP to prospect for oil in Uruguay and in Venezuela and to associate itself with ANCAPs refinery through a USD 600 million investment.

## MERCOSUR: THE TAIL WAGGING THE DOG?

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5. © The entry of Venezuela into Mercosur clearly altered the power balance and dynamics of the organization. Mercosur has increasingly devolved from an imperfect customs union into a more restrictive and anti-American political organization. A prime example of Mercosurs unflinching support for Venezuela was demonstrated on the UNSC semi-permanent seat bid. After more than 50 successive votes Mercosur members continued to support Venezuelas candidacy. Mercosur solidarity held fast until Uruguay was mentioned as a possible compromise candidate. Argentina is said to have vetoed the move and Brazil was reportedly not supportive of Uruguay either. On numerous occasions Paraguayan and Uruguayan MFA officials have signaled that they must consult closely with their Mercosur partners on key matters relating to foreign policy.

6. © It is widely believed in Uruguay that the inspiration for Brazils supporting Venezuelas admission to Mercosur was the belief that Chavez could better be controlled from within the organization than if left to his own devices on the outside. It appears in hindsight however that Chavez has proved to be more difficult to contain than originally thought by Mercosur members. Chavez has openly challenged the Brazilians by supporting and allegedly encouraging Evo Morales move to grab Petrobras assets in Bolivia and has frequently stolen the stage at Mercosur gatherings from Brazils President Lula. That friction however provides an opportunity.

## EXPANDING REACH OF DEFENSE CAUSING UNSTABLE CONDITIONS

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7. © Venezuela has expanded its reach into the region using military advisors and intelligence officers to reach out to leftist groups as well as directly engage military counterparts through exchange programs. In some cases this is creating animosity and raising concerns among military personnel and political figures alike affinity for their Venezuelan counterparts it has participated in military exchanges with Venezuela. Argentina has established a one-man liaison office with the Venezuelan Army. Venezuelan officers also have a presence in the Argentine Army and Air War Colleges (equivalent to US Command and General Staff College (CGSC)). In 2006 Venezuelan military officers briefed the Argentine Army War College on the BRVs concept of asymmetric warfare and Venezuelan officers are reportedly attending the Argentine National Defense University. The Venezuelans do not yet appear to have cultivated formal ties with the Argentine Navy. DAO contacts also report a Venezuelan office at the Prefectura although Post is unaware of the persons status or activities. This cooperation does not appear very significant yet. there has been an increased presence of Venezuelan military personnel although the exact number is unknown. Estimates indicate that there are at least one hundred if not several hundred Venezuelan military advisors and intelligence operators scattered throughout Bolivia. Venezuelan military personnel are reportedly conducting intelligence and counterintelligence activities in La Paz and Santa Cruz in coordination with Cuban intelligence agents. In November 2006 the Bolivian Senate approved a Bolivian-Venezuelan military agreement which called for increased military cooperation between the two countries and the construction of two military bases in eastern Bolivia. There are reports of Venezuelan weapons entering Bolivia but these reports have not been corroborated. There are also reports that Venezuela may be helping Bolivia to broker arms deals with Russia and Iran in an effort to help Bolivia move away from U.S. military assistance segments of the Brazilian government of the potential for regional instability caused by Chavez especially in light of the military buildup of the Venezuelan Armed Forces. In addition the developing threats from Bolivia to militarily reoccupy Petrobras refineries in Bolivia and to abrogate a recently concluded contract is creating additional friction between Brazil and Bolivia and by extension between Brazil and Venezuela who is seen as the driving force behind Bolivias extreme actions. Of added concern is Irans interest in capitalizing on the influence of Venezuelan President Chavez to improve Irans relations with certain Latin American countries. (ref. B) significant engagement. However Venezuelan material support for leftist groups along the border with Bolivia raised tensions between Bolivia and Chile military base along the disputed Chaco border region (at Puerto Quijarro) raising tensions between Paraguay and Bolivia in late 2006. President Duarte reportedly confronted Bolivian President Morales at the UN requesting an explanation. Ensuing border crossings by Bolivian military personnel into Paraguay further raised eyebrows. Tensions have since abated but Paraguayan military personnel and many politicians are still suspicious of Bolivian and Venezuelan intentions. DAO reported that there is a Venezuelan student at the Paraguayan War College. It is unclear what his status or activities are at this point. Post has learned that retired Paraguayan military officers have met with Argentine and Venezuelan Bolivarian groups agreements reached or in the works between Venezuela and Uruguay although there are obvious linkages under regional agreements such as the Rio Group and Mercosur. Military cooperation so far is limited to military student exchanges However President Vazquez security detail is run by his brother Jorge a former OPR-33 guerilla. The secret service agents he manages are recruited from the Communist-dominated PIT-CNT umbrella labor union and trained in Caracas or Havana.

## THE POWER OF MASS MEDIA

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8. (U) In various countries aggressive media indoctrination campaigns prompt support for Chavez primarily and his plan for a united Bolivarian South American bloc to challenge the U.S. Venezuelas Telesur is the main source to broadcast anti-U.S. propaganda and targets mostly the poor and rural sections of countries in the region Post suspects the Venezuelan government may be involved in influencing the Argentine press mostly by feeding media outlets anti-American rhetoric. The clear Chavez advocate in Argentine print media is the leftist and pro-government Pagina/12. Pagina/12 has not criticized the closing of RCTV an issue about which other major Argentine print media such as La Nacion and Clarin raised press freedom concerns. The Clarin Group in character with its style of journalism is essentially neutral towards Chavez and avoids both outright criticism and open support of him. Several papers are strongly opposed to Chavez including La Nacion Ambito Financiero and La Prensa.

The GoA owns a 20 percent non-voting share in Telesur and mainly contributes to Telesur via content such as television material. Miami-based Direct TV has a channel dedicated to Telesur but the service reaches only a small percentage of Argentines. Some direct programming of Telesur news shows appears on state-owned Channel 7 but Channel 7 recently moved the Telesur programming to off-peak airtime after midnight. A network of approximately ten independent neighborhood left-leaning radio stations in Argentina have been receptive to Chavez media promotion campaigns and are regularly broadcasting parts of his program Alo Presidente live according to media reports.

—In April 2006 Bolivia bought a five percent stake in Caracas-based Telesur proposed by Chavez as a Latin American alternative to CNN programming. Most of the Telesur broadcasting is out of Venezuela with only 20 hours per month dedicated to Bolivian local broadcasting. In addition the Venezuelan government pledged USD 1.5 million for 30 community radio stations targeting the most rural populations in Bolivia. To date 8 out of the 30 stations have been inaugurated Chavez and his model do not seem to be striking a chord even with the common people. In general much of the general population including even among the working class are cynical about Chavezs motives. Recent polls show that some 77 percent of Chileans arent buying what Chavez is selling with 81 percent ascribing to Chavez motives based solely on his self-aggrandizement. Negative news stories in 2006 noted that Chavezs Miracle Flights taking poor Chileans to Venezuela for eye surgery ended with patients blinded.

—Venezuelas Telesur channel has been running a steady stream of high-quality anti-U.S. propaganda pieces in Uruguay via Direct TV from Argentina. The Injerencia (interference) series about CIA meddling in Latin America is a particularly slick product that incorporates documentary segments present day interviews with witnesses and liberal use of selected declassified FOIA documents. Uruguay has a ten percent stake in Telesur (which it pays by donating content) and the local government-owned channel has increased its broadcasting of conspiratorial anti-U.S. propaganda in recent months. In the print media Chavez gathers serious support only from the one major leftist daily La Republica which boldly supports him in its headlines while the body of the articles is generally more moderate. The centrist papers and mainstream media are generally unsympathetic to Chavez.

**9. (S)** As of early April 2007 Brazil reporting indicates that Venezuela was attempting to discreetly influence Brazilian views in favor of Venezuela in various ways. For example in late 2006 Venezuelan Embassy officers in Brasilia reportedly approached a Brazilian media source and offered monthly payments in exchange for the placement of pro-Chavez articles and anti-U.S. article. (ref. B)

**10. (S)** As of mid-April 2006 the Venezuelan and Cuban Embassies in Paraguay and the Venezuelan Embassy in Argentina were supporting a covert action media campaign in various newspapers and magazines in Paraguay to discredit the U.S. Ambassador to Paraguay and enhance the image of the FARC.

The media campaign used the Paraguayan newspaper Ultima Hora as the principal medium for the campaign. Venezuelan-supported Bolivarian movements have regularly produced disinformation campaigns propagating the myth the U.S. has a military base in northwestern largely uninhabited region of Paraguay contributing to resistance to an agreement for U.S. military exercises in Paraguay. They have effectively used Prensa Latina stories blogs and Clarin to build an artificial ground-swell of opposition.

## COMMENT

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**11. (S/NF)** Chavezs campaign to expand his influence in Southern Cone is multi-faceted relying heavily but not exclusively on generous energy assistance and investment agreements. It is also attractive to many of the regions dispossessed who are still waiting for globalization to bring them the benefits of free trade and truly democratic governance. By integrating Venezuela into existing institutions and creating new region-wide bodies he aims to unite the Southern Cone region behind his vision. The campaign has produced mixed results. Few countries have proven capable of resisting the appeal Venezuelas aid and investment packages inspire. While Chavezs influence within the region has expanded significantly regional leaders are suspicious of his motives and objectives. Many agree with his message that the Southern Cone and indeed South America should establish an identity separate from U.S. hegemony but are uncomfortable with the us or them that defines his message. The U.S. cannot expect the regions leaders to rally to our defense; rather we need to more proactively make the case for and implement our transparent strategy for the region. Our view of an inclusive democratic community of nations that delivers prospects for a more prosperous future for its citizens is the right response to Chavez. Septel will offer the views of the regions posts about how we should respond. It is clear that we need better resources and tools to counter Venezuelas political efforts to disrupt democracy economic strategies to strangle free trade politicization of MERCOSUR expansion of defense ties and mass media campaign.

**12. (U)** Amembassies Asuncion Brasilia Buenos Aires La Paz Montevideo and Santiago contributed to this cable.

CASON