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# VENEZUELA'S SANCTIONABLE ACTIVITY

## JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN OPERATIONS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

AND THE

SUBCOMMITTEE ON THE WESTERN HEMISPHERE

AND THE

SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA

OF THE

COMMITTEE ON FOREIGN AFFAIRS

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# VENEZUELA'S SANCTIONABLE ACTIVITY

**FRIDAY, JUNE 24, 2011**

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND FOREIGN OPERATIONS, COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM, JOINT WITH THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE AND THE SUBCOMMITTEE ON THE MIDDLE EAST AND SOUTH ASIA, COMMITTEE ON FOREIGN AFFAIRS,

*Washington, DC.*

The subcommittees met, pursuant to notice, at 9:02 a.m., in room 2154, Rayburn House Office Building, Hon. Jason Chaffetz (chairman of the Subcommittee on National Security, Homeland Defense, and Foreign Operations) presiding.

Present: Representatives Chaffetz, Labrador, Platts, Tierney, Welch, Quigley, and Cummings.

Present from Foreign Affairs Subcommittee on the Western Hemisphere: Representatives Mack, Schmidt, Rivera, Marino, Sires, and Faleomavaega.

Present from Foreign Affairs Subcommittee on the Middle East and South Asia: Representatives Chabot, Mack, Marino, Ackerman, Connolly, and Deutch.

Staff present: Thomas A. Alexander, senior counsel; Molly Boyl, parliamentarian; Kate Dunbar, staff assistant; Adam P. Fromm, director of Member services and committee operations; Linda Good, chief clerk; Mitchell S. Kominsky, counsel; Cecelia Thomas, minority counsel/deputy clerk; and Carlos Uriarte, minority counsel.

Mr. CHAFFETZ. Good morning. The committee will come to order.

Welcome to today's hearing: Venezuela's Sanctionable Activity. This is a joint hearing between the Oversight Committee's National Security, Homeland Defense and Foreign Operations Subcommittee, the Foreign Affairs Subcommittee on Western Hemisphere, and the Foreign Affairs Subcommittee on the Middle East and South Asia.

We are joined today by the chairmen of those subcommittees, Chairman Connie Mack of Florida and Chairman Steve Chabot of Ohio.

I would also like to welcome Ranking Member Tierney of Massachusetts, Ranking Member Ackerman of New York. Mr. Sires of New Jersey will be sitting in for the Ranking Member Engel today.

Thank you all for being here.

Today we are examining the administration's policies to conduct national security threats abroad through the use of sanctions. For the past decade, the United States has focused much of its atten-

tion on the Middle East. Since the 9/11 attacks, Americans have invested over a trillion dollars fighting the wars in Iraq and Afghanistan. Since 2001, 6,072 Americans have died in Operations Enduring Freedom, Iraqi Freedom, and New Dawn. Another 44,266 have been injured. In Afghanistan alone these numbers have risen dramatically since our current President took office in 2009.

Wednesday evening, President Obama announced the intent to withdraw 33,000 troops from Afghanistan by the fall of 2012. This will leave approximately 67,000 troops behind, which is twice as many when President Obama entered office.

While I support a withdrawal, it must be rooted in prudence, not politics; because it is the right thing to do based on the facts, and not because it is convenient.

While we combat terrorism in the Middle East, we must not neglect threats that we face in our own hemisphere. In recent years, Venezuela has grown significantly closer to regimes that are openly hostile to the United States and its interests. Venezuela has been a willing partner to countries such as Iran, Syria, North Korea, and Cuba.

With the exception of North Korea, each of these countries has been designated as a state sponsor of terrorism by the U.S. Government. Senior officials within the Venezuelan government have also provided material support to Hezbollah, a terrorist organization. They have also maintained ties with the Revolutionary Armed Forces of Colombia, FARC; ELN; and ETA.

President Hugo Chavez has accused the United States of being "the first state sponsor of terrorism." President Chavez has also called sanctions against Iran illegitimate and that the Venezuelan government will "back Iran under any circumstances and without conditions."

There is little question that Venezuela's behavior is sanctionable. The question before us today is how the U.S. Government should respond to these activities in the future. What options are available? Should we continue to impose anemic sanctions that are merely cosmetic or should we impose sanctions that truly impact Venezuela's ability to threaten the United States of America?

Before we begin that analysis, I want to express my deep frustration with the administration. Time and again this administration has frustrated the work of this subcommittee by refusing to provide witnesses it has requested. Instead, it insults this body by sending only witnesses it believes are "appropriate." It does so without any regard to the judgment and prerogative, of elected representatives.

This Congress, and especially the Oversight and Government Reform Committee, has a constitutional obligation to oversee the management, efficiency, and operations of the executive branch. This duty is without question and without exception. At the same time, this administration has a responsibility to provide information the American people seek through their representatives. This critical check and balance is designed to ensure that the Federal Government does not overstep its boundaries and adheres to the will of the people.

When the executive branch does not respond appropriately to congressional inquiries, it breaches the duty of the American people. This is the third time that Congress has attempted to hold this

hearing. On the first two occasions, the administration either refused to provide any witnesses or claimed it had too little time to prepare. It is unacceptable that the administration requires more than 2 weeks to formulate a thought about a matter it studies and briefs to executive branch leaders and policymakers on a regular basis.

It is equally unacceptable that the administration did not submit written testimony for today's hearing until late yesterday. The administration had over 3 weeks to prepare testimony for this hearing and have known about this topic for nearly 3 months. It is unacceptable that the administration was unable to adhere to our simple 48-hour deadline by submitting testimony at the last possible minute. Perhaps this committee should investigate the management and efficiency of the executive branch in this regard.

I look forward to hearing from our panel of witnesses about the success and challenges they face. This subcommittee is ready to work with the Departments in any way possible. We do appreciate your being here today, but understand the frustration of this committee in not being able to do its work because you are unable to do your work in giving us the documents that we deserve and need to have so we can do our job.

I would now like to recognize the distinguished ranking member for the National Security Subcommittee, the gentleman from Massachusetts, Mr. Tierney.

Mr. TIERNEY. Thank you very much, Mr. Chairman. I thank the witnesses for being here today as well.

We all are familiar with the 2010 comprehensive Iran sanctions, the Accountability and Disinvestment Act of 2010, and we also understand the Secretary has made a finding that gasoline sales have been made in contravention of that law. So the question really does come down, as the chairman said, to what are we going to do and what should we do.

I think that we have to have a real clear understanding of the current sanctions regime, which I hope you gentlemen will be able to share with us today; a full appreciation of how much we have discussed these diplomatic priorities for that region; what are our goals; how is it exactly that we think we are going to be able to accomplish them; and what will the current sanctions do to drive us toward those goals and what would any additional sanctions do toward moving in that direction and how should they be structured. And we have to understand the impact of any ramping up of sanctions before we start moving in that direction.

So I think it is a good time for that conversation. I think that, hopefully, between the four of you, you will be able to give us all that information in a form that can benefit us as we move forward.

With that, Mr. Chairman, I just ask unanimous consent that my formal remarks be placed in the record.

Mr. CHAFFETZ. Without objection, so ordered.

I now recognize the chairman of the Foreign Affairs Subcommittee on Western Hemisphere, the gentleman from Florida, Mr. Mack, for his opening statement.

Mr. MACK. Thank you, Mr. Chairman. I want to associate myself with your opening statement and also the statement of the ranking member.

Before I begin my formal opening statement, I just want to say that the frustration runs deep, and I know you guys know this. We first asked for you to come in front of the Subcommittee on the Western Hemisphere and you refused. You put up roadblock after roadblock and just flat out refusal, and I hope this serves as a warning that next time we ask you to come in front of the subcommittee, you will come, because either you will come there, you are going to come here, and if we have to use our subpoena power, we will do it. So let's not go through this circus another time, okay?

Today, in light of the U.S. State Department's recent actions in sanctioning PDVSA, the purpose of this hearing is to review and better understand the role of the State Department and Treasury Department in utilizing sanctions as an instrument of U.S. foreign policy. Specifically, I would like to concentrate on the sanctions available under U.S. law and discuss their potential application in cases where Venezuelan individuals, businesses, and the government are able to be sanctioned.

Venezuela has become the Wild West under thugocrat Hugo Chavez. This is true for the following reasons: first, there is rampant drug trafficking and corruption; second, terrorist organizations like Hezbollah and the FARC are officially linked to government officials; and, third, Venezuela is supporting Iran and Iran's desire for a nuclear weapon.

Under Hugo Chavez, Venezuela has become a hub in our region for money laundering and transshipment of illicit goods. In recent years, the relationship between drug trafficking and terrorist organizations has become closely intertwined.

If you will notice up on the screen we have the definition from the State Department of what a state sponsor of terrorism is, and I will let you read that on your own.

It is widely acknowledged that terrorist groups have turned to drug trafficking as a source of revenue.

And if we can put up the other slide. This slide represents, in 2003, the drug trafficking flight patterns in Latin America.

Then if you will go to the next slide. This is what it looks like in 2007. Unfortunately, we can't show the slides from today because those are still protected and classified. But the difference between 2003 and this map is in 2005 Hugo Chavez kicked out our DEA.

As Chavez has provided Venezuela as a safe haven for these narcoterrorists, the FARC, a drug trafficking and terrorist organization who largely operates in remote sections of Colombia, have long received assistance, relief, and material support from Venezuelan authorities. And I think this is pretty well documented. When Colombia took out Reyes and they took the computers, Interpol was able to review those hard drives and found significant cooperation with officials from Venezuela, the Venezuelan government and the FARC. So clearly, if we go back to the definition of state sponsor of terrorism, you can check that box off, that there is a close tie and relationship between terrorist organizations and the government in Venezuela.

I also want to talk a little bit more about the drug trafficking. Recently, the arrest of a drug kingpin by the United States, Makled, was arrested. Makled was then extradited to Colombia.

Makled has said over and over again, and also talked about payments to government officials in Venezuela. So the drug trafficking organizations know that they have a friend in Hugo Chavez.

We also, as I talked about, know that there is a relationship between the FARC and Hezbollah, and the Treasury has sanctioned members of the Venezuelan government for their relationship in Venezuela.

Last, I want to talk about Venezuela and Iran. After many discussions and not until a hearing when I was able to supply the State Department with specific evidence of the shipment and sale of gasoline, we finally sanctioned Venezuela. Unfortunately, those sanctions have no teeth. The things that you sanctioned we currently aren't engaged in with Venezuela in the first place. So on one hand I am thankful that we actually did put sanctions on Venezuela, it is a good start, but this is a guy who supports terrorist organizations, drug kingpins, narcotrafficking, and Iran.

Hugo Chavez should be, and deserves, labeled a state sponsor of terror, and our Government, the gentlemen in front of us, need to explain to us why he is not on the state sponsor of terrorism.

With that, I yield back.

[The prepared statement of Hon. Connie Mack follows:]

Opening Statement
Chairman Connie Mack
Western Hemisphere Subcommittee
"Venezuela's Sanctionable Activity"
June 24, 2011

I asked you to appear before my subcommittee in March, and you refused to testify. I need you to know that as Chairman of the Western Hemisphere Subcommittee, I take my constitutional responsibility to provide oversight very seriously. Your refusal to appear is a disservice to the American People. And I will not hesitate to utilize my subpoena power in the future if that is the only way to ensure proper oversight.

Today, in light of the U.S. State Department's recent action in sanctioning PDVSA and the Venezuela Military Industries Company (CAVIM), the purpose of this hearing is to review and better understand the role of the State Department and the Treasury Department in utilizing sanctions as an instrument of U.S. foreign policy.

Specifically, I would like to concentrate on the sanctions available under U.S. law and discuss their potential application in cases where Venezuelan individuals, businesses, and the government are demonstrably sanctionable.

Venezuela has become the "Wild West" under thugocrat Hugo Chavez's rule. I believe this to be true for the following reasons:

- There is rampant drug trafficking and corruption;
- Terrorist organizations like Hezbollah and the FARC are officially linked to government officials; and
- Venezuela is supporting Iran.

Under Hugo Chavez Venezuela has become a hub in our region for money laundering and the transshipment of illicit goods. In recent years, the relationship between drug traffickers and terrorist organizations has become closely intertwined. It is widely acknowledged that terrorist groups have turned to drug trafficking as a source of revenue. And Chavez has provided Venezuela as a safe haven for these narco-terrorists. The FARC, a drug trafficking and terrorist organization, who largely operates in remote sections of Colombia, has long received assistance, relief, and material support from the Venezuelan authorities.

In one example, the Treasury Department designated the Venezuelan Military General-and-Chief, a Drug Kingpin for supporting the FARC. Additionally, Treasury has designated a Venezuelan diplomat a Specially Designated Global Terrorist for his relationship and material support of Hezbollah. In April of 2010, a DOD report- citing Iran's overall military strength, influence, and operational capacity- highlighted the fact that the Iranian Revolutionary Guard has increased its presence in Latin America with a particular emphasis in Venezuela.

Further, weekly undocumented flights in and out of Caracas provide access for Hezbollah and the IRGC, and God knows who else, into Venezuela. These flights have been occurring since 2007. General Fraser of SOUTHCOM recently referenced the flights and highlighted the fact that we, the U.S., do not know who or what are on these flights. Meanwhile, the files of FARC commander Raul Reyes referenced the ease in which travel documents can be attained in Venezuela.

My point is that Venezuela has and continues to play a central role in facilitating, developing, and expanding Iran's foreign relations in Latin America while drug traffickers, Hezbollah, the FARC and other terrorist organizations use Venezuela as the front door to operate and move freely within our Hemisphere.

Sanctions can be a valuable tool that, when used appropriately, can have considerable influence over a foreign country or entity. The U.S. Congress, the State Department, and the Treasury Department need to work together to promote and advocate U.S. interests through a carrot and stick approach, deepening our friendships in the Hemisphere, and defending our freedoms.

The U.S. sends approximately 117 million dollars a day to Venezuela's state owned gas company, which uses every single dollar to undermine our security and prosperity. We cannot allow this to continue. We need to look at all available sanctions, including designating Venezuela as a State Sponsor of Terrorism. We need sanctions that restrict the ability of Chavez, and all of his corrupt ministers, from carrying out illegal activity.

We also need to do our diplomatic work to make sure allies know that we stand with them, and that we are not afraid to utilize sanctions for the benefit of the region.

It is imperative that President Obama and his Administration take this growing threat seriously. The most recent sanctions on Venezuelan state-owned companies are a step in the right direction but they are empty and do not enhance U.S. security. More must be done and we need true leadership in this region to accomplish it.

I look forward to discussing additional sanctions that are available under U.S. law that would send not only a clear message to Hugo Chavez in Venezuela but send a reaffirming message to our allies around the world that the United States will not allow such blatant support for illegal drugs, terrorism and Iran's nuclear future.

Mr. CHAFFETZ. Thank you.

The Chair will now recognize the gentleman from New Jersey, Mr. Sires.

Mr. SIRES. Thank you, Chairman Chaffetz, for holding this hearing, and thank you to our witnesses for being here today.

Since leaping to power in 1998, Chavez has cast his revolution as that of the poor majority against the wealthy oligarch. He continues to impose an authoritarian populist political model in Venezuela, undermining democratic institutions and stifling the freedoms of the Venezuelan people. However, the president's once stellar approval ratings have stumbled, and in the most recent legislative election his body's majority shrank below a key threshold, setting the stage for heightened tension with a freshly emboldened opposition. The results of this election show the Venezuelan people desperately want change and that Chavez is losing his grip.

As anti-Chavez sentiment continues to grow in Venezuela, Chavez has further intensified restriction on freedom of speech and press. The government has systematically undermined journalists' freedom of expression, workers' freedom of association, and the ability of human rights groups to promote human rights, completely disenchanting all civic engagement within the country.

Officials harassment and intimidation of the political opposition has grown, including the persecution of elected state and local government officials and media outlets, such as Global Vision and RCTV International, that have been critical of the government.

Internationally, Chavez continues to cultivate relationships with countries that are state sponsors of terrorism like Cuba, Iran, and Syria. I cannot emphasize enough how troubling the relationship between Venezuela and Iran is.

With weekly flights that connect Iran and Syria with Caracas, collaboration between these two countries has hit a new height. I have often discussed before the Western Hemisphere Subcommittee my concerns about these flights, and I hope that representatives from the State Department can elaborate on this topic, as well as acknowledge the threat this poses both to the United States and the free nations.

I commend the State Department for its most recent sanctions on two companies in Venezuela who have been connected to Iran's proliferation activities. Thus far, our strategy has been thoughtful and pragmatically. Hastily attacking Chavez could prove to have a detrimental effect on progress that has been already made and further embolden his populist agenda. We must continue to make smart decisions in regards to U.S. policy toward Venezuela to further disable Chavez's control and to encourage citizens to support democratic institutions and principles.

Recently, Chavez's influence seems to have peaked. But we must remain vigilant, for he is likely to support like-minded political allies and movements in neighboring countries that seek to undermine moderate governments. He continues to oppose nearly every U.S. policy initiative in the region, including the expansion of free trade, counterdrugs, and counterterrorism cooperation in the regional security initiatives.

Venezuela continues to extend a lifeline to Colombian narcotrafficking organizations by providing significant support and

safe haven along the border, and it remains one of the most preferred trafficking routes for the transit of cocaine out of South America. U.S. sanctions have successfully targeted and applied financial measures against narcotic traffickers and their organizations in Venezuela, helping to ensure regional security. Venezuela has proven that it cannot be trusted and the United States should take the necessary measures to stifle its powers and ensure regional security, but we must do so in a tactful manner, as not to further empower Chavez. The national security threats posed by Venezuela are complex. We must implement the appropriate measures to protect the people of Venezuela and promote U.S. interests.

I would like to, again, thank our witnesses and look forward to their testimony.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

We will now recognize the chairman of the Foreign Affairs Subcommittee on the Middle East and South Asia, the gentleman from Ohio, Mr. Chabot.

Mr. CHABOT. Thank you, Mr. Chairman. I want to thank my two fellow chairmen for putting together this important hearing. I know Chairman Mack and the Western Hemisphere staff have been trying to hold this hearing for some time and have met with considerable resistance from the administration, and I commend my colleague for his persistence.

As chairman of the Middle East and South Asia Subcommittee, I and the other folks on the committee frequently confront the threats posed by Iran and global terrorist networks more globally, especially, of course, in the Middle East. The possibility, however, of an Iranian-Venezuelan alliance is particularly concerning.

When not oppressing its own people, the tyrannical regime in Tehran devotes a great deal of its energy to threatening American national security, as well as the security of our allies in the region. The threat posed by Iran takes on a new and more ominous geostrategic significance when coupled with the potential of an Iran base of operations in our own hemisphere. This prospect harkens back to the days of the cold war, when all of a sudden we were no longer separated from our enemies by oceans, but faced threats in our own backyards.

Although the nature of the threat may have changed, such a situation is just as unacceptable today as it was decades ago. I hope that the witnesses today can shed light on the nature of this threat. More importantly, however, I hope they can outline a clear and cogent policy to address it.

One of the most fundamental roles of government is to provide for the security of its citizens. We are having enough trouble combating Iranian meddling and dismantling terrorist safe havens on the other side of the globe. The last thing we need is for threats from bad actors even closer to the American homeland.

Again, I want to thank my fellow chairmen and also the ranking members for holding this hearing today, and I yield back the balance of my time.

Mr. CHAFFETZ. Thank you.

We will now recognize the gentleman from Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman, and I thank the panelists for being here today. I listened with great interest to my friend from Florida berate you for not being here previously. I serve on both the Oversight Government Reform Committee and the Foreign Affairs Committee, and I must say I have not particularly been struck with the reluctance of the administration to acquiesce to hearing appearance requests, but perhaps in the subcommittee there was a problem I don't know. In any event, we are glad you are here.

Each sovereign nation has the right to develop alliances beneficial to its national interests, but not at the expense of its neighbors. That is the point we have reached with Venezuela's relationship with Iran. As a result, the Obama administration, for example, recently sanctioned Venezuela's state-owned oil company, PDVSA, for its business with Iran, several illegal activities in Latin America connected to the government of Iran. Example, Iran-backed Hezbollah has actually undertaken illicit activities in the tri-border area of Argentina, Brazil, and Paraguay.

The terrorist group has profited from film piracy and drug trafficking in that area. The group is also suspected in two bombings in Buenos Aires that killed a total of 115 people, the 1992 bombing of the Israeli embassy, and the 1994 bombing of the Argentine-Israeli Mutual Association. Eight of the nine original arrest warrants issued for that bombing were for Iranian government officials.

Though Iran and Venezuela have been linked since the founding of OPEC in 1960, the two countries recently strengthened that relationship. It is especially troubling because of potentially harmful activity undertaken under the guise of diplomatic relationships. One example is the absence of customs enforcement, for example. On weekly flights from Caracas to Tehran via the Venezuelan airline Conviasa, it is unclear who or what is being transported, but reports indicated that the flights do carry weapons for terrorists.

These developments are troubling enough. They are further complicated by Iran's audacity in the nuclear area, specifically its missile tests and air swell secret enrichment facilities in Kohm. The nuclear issue is pressing and does not exist in a vacuum. In 2009, Venezuelan President Hugo Chavez expressed his support for Iran's nuclear energy development and there have been mixed reports signaling a possible Iranian assistance to Venezuela in its search for uranium deposits.

The Iran-Venezuela relationship is even more troubling because Venezuela serves as a diplomatic conduit for Iran, playing an important part in cultivating a relationship between Iran and the Latin American countries of Bolivia, Ecuador, and Nicaragua. Venezuela's involvement with Iran is a cause for concern and illegal activities in both hemispheres that have been directly linked to the Iranian government, and I welcome today's hearing to explore that further and to look at U.S. diplomatic options with regard to this troubling and growing relationship.

With that, I yield back. Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

We will now recognize the gentlewoman from Ohio, Mrs. Schmidt.

Mrs. SCHMIDT. Thank you, Mr. Chairman, for holding this very important hearing. I don't think it should be any surprise to anyone that there is a special link between Venezuela and Iran, and perhaps it should be no surprise that Hugo Chavez is aggressively working to strengthen his countries ties with Iran.

If you look at just what has occurred in the last 7 years, I think the facts speak for themselves. In 2006, Venezuela integrated itself with Iran by aligning with Cuba and Syria as the only countries to vote against the U.N. Atomic Energy Agency resolution reporting Iran to the Security Council for its failures to comply with U.N. sanctions to terminate its nuclear program.

In April 2008, Iran and Venezuela signed a pact of mutual military support. In April 2009, the two countries inked an agreement that would create a development bank whereby each country would invest $100 million for bilateral economic development projects. In October 2010, the two countries signed 11 mutual cooperation agreements on such issues as trade, energy, shipping, finance, and public housing.

According to an article published in the German newspaper Die Welt, in November 2010 one of the agreements signed between Iran and Venezuela in October 2010 would establish a military base on Venezuelan soil to be jointly operated by both countries on which medium-ranged missiles would be placed. On May 13, 2011, Die Welt further reported that Chavez met with the commander of the Iranian Revolutionary Guard's Air Force in February 2011 to discuss the final details of the construction of the missile base, which now is being built only 75 miles from the Venezuelan-Colombian border.

It is also believed that Iran is pursuing the exploration of uranium in Venezuela, an obvious ingredient necessary for Iran's continued development of nuclear weapons.

Last year, RIA Novosti, the Russian international news agency, reported that Russia, which signed a deal with Iran in 2007 to sell its five battalions of sophisticated air defense systems, would abrogate the agreement due to the new U.N. sanctions that now had been imposed against Iran. It is believed that Russia may now sell the air defense systems to Venezuela—how convenient—who in turn could sell them to Iran.

Just recently, on May 24, 2011, the United States imposed sanctions on Venezuela's state-owned oil company, the PDVSA, for assisting Iran in its production of gasoline and petroleum production. Specifically, the PDVSA was sanctioned for selling $50 million worth of petroleum products to Iran between December 2010 and March 2011, in violation of the 1996 Sanctions Act. According to the State Department's Web site, the sanctions we have imposed on PDVSA prohibit the company from competing for U.S. Government procurement contracts, from securing finance from Export-Import Bank of the United States, and from obtaining U.S. import licenses.

Mr. Chairman, I applaud the Department of State for its decision to impose these sanctions. Unfortunately, it is not enough. We need to do more. Every Venezuelan company doing business with Iran should be investigated and a determination should be made as to whether it is in violation of the 1996 Sanctions Act. In those in-

stances where Venezuelan companies are in violation of the act, sanctions should be imposed immediately.

We need to show Chavez that we are serious and that there will be penalties to pay for assisting and accommodating the terrorist Iranian regime of Mohammed Ahmadinejad.

Thank you and I yield back my time.

Mr. CHAFFETZ. Thank you.

We will now recognize the gentleman from American Samoa, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I do want to commend both you gentlemen for calling this joint committee hearing this morning.

I have listened with interest in terms of this issue of providing sanctions to those countries that violate our laws, as well as international laws. I think we have gotten to the point that we have become sanctionitis. Just about everything we do we put sanctions, we put sanctions, and I have my own serious questions about the consistency of how we apply our foreign policies when we apply sanctions against countries.

I am not suggesting that we don't put sanctions on Venezuela, but there seems to be a whole bunch of contradictions here. We put sanctions and yet I believe Venezuela is one of our biggest suppliers of oil coming to our country, and I am very curious from our witnesses if you can give us more information on the subsidiary of Citgo, I believe, that currently is one of the biggest distributors of oil in our country. It seems to me that every time we put sanctions, but as long as there are holes in between, allowing these countries to obtain whatever their needs are, the sanctions become somewhat useless.

But I am very, very curious and want to hear from our witnesses this morning in terms of how our whole fabric of applying sanctions have really been effective or have they just been another sanction and another thing.

A classic contradiction, as you know, Mr. Chairman, as I indicated, when sometime goes wrong, we put sanctions against Thailand, against Fiji, all these, and yet, at the same time, we waive sanctions when Musharraf, by a military coup, took over Pakistan for some 10 years, despite the promises that he made that we were supposed to have a democracy in that country, and that never happened.

But I am looking forward to hearing from our witnesses in terms of where exactly Venezuela comes in as far as the whole host of sanctions that we put against this country.

I will say, interestingly enough, the close ties of Venezuela and Iran has because of the nuclear issue, I believe that what happened in Japan recently has caused Mr. Chavez to have second thoughts about establishing a nuclear relationship with Iran. But I do look forward to hearing from our witnesses.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

Do any other Members wish to make an opening statement?

[No response.]

Mr. CHAFFETZ. Members may have 7 days to submit opening statements for the record.

We will now recognize our panel. The Honorable Daniel Benjamin is the Coordinator for Counterterrorism at the State Department; Mr. Thomas Delare is the Director for Terrorism Finance and Economic Sanctions Policy at the State Department; Mr. Kevin Whitaker is the Acting Deputy Assistant Secretary for Western Hemisphere Affairs at the State Department; and Mr. Adam Szubin is the Director of the Office of Foreign Assets Control at the Treasury Department.

Pursuant to committee rules, all witnesses will be sworn in before they testify. Please rise and raise your right hands.

[Witnesses sworn.]

Mr. CHAFFETZ. Let the record reflect that all witnesses answered in the affirmative. Thank you. You may be seated.

In order to allow time for discussion, please limit your testimony to 5 minutes. Your entire written statement will be made as part of the record.

We will now go ahead and recognize Mr. Benjamin.

**STATEMENTS OF DANIEL BENJAMIN, AMBASSADOR-AT-LARGE, COORDINATOR FOR COUNTERTERRORISM, U.S. DEPARTMENT OF STATE; KEVIN WHITAKER, ACTING DEPUTY ASSISTANT SECRETARY FOR WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE; THOMAS DELARE, DIRECTOR FOR TERRORISM FINANCE AND ECONOMIC SANCTIONS POLICY, U.S. DEPARTMENT OF STATE; AND ADAM J. SZUBIN, DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF THE TREASURY**

**STATEMENT OF DANIEL BENJAMIN**

Mr. BENJAMIN. Thank you very much, sir. Distinguished members of the committees, thank you for the opportunity to appear before you today to discuss Venezuela's sanctionable activities. I am pleased to be here today with my Treasury colleague, Adam Szubin, and State Department colleagues Tom Delare and Kevin Whitaker.

Mr. Chairman, let me be clear from the outset. With respect to global efforts to counterterrorism, developments in Venezuela over the last decade have been deeply troubling. Instead of meeting his international obligations since coming to power in 1999, Hugo Chavez has chosen to develop close relations with Iran and Syria, both state sponsors of terrorism. Senior members of his government are directly implicated in providing support to U.S. designated foreign terrorist organizations, particularly the FARC and the ELN.

The administration has significant concerns about connections between members of the Venezuelan government and ETA as well. All of these issues have been reported on in the press, and as we have reported in the past, Hezbollah has a presence in Venezuela, and the Department of Treasury has done much to reveal these connections.

I do, however, want to emphasize that the information available to us indicates that Hezbollah activity in Venezuela is limited to fundraising. We remain alert to indications of other activities, particularly operational activity, but to date there is no information to support any such connection.

Venezuela must fulfill its obligations under U.N. Security Council Resolutions 1373 and 1540, which forms part of the legal basis of international counterterrorism efforts. These resolutions, adopted under Chapter VII of the U.N. Charter, require all states, including Venezuela, to take a series of measures to combat terrorism and prevent weapons of mass destruction and their means of delivery from getting into the hands of terrorists. It is our view that Venezuela has not done enough in this regard.

The Obama administration is pursuing a policy to press Venezuela to change its behavior. Our approach is about effectiveness. We are ratcheting up the pressure in a way that our analysis suggests will be most effective. We are increasing the cost on the Chavez government for its actions, including by publicly exposing our conclusions about that government's activities. We are carefully avoiding falling into the trap of providing Chavez with an opening to increase his demagoguery and exploit nationalist sentiment by falsely attempting to turn this into a bilateral issue with the United States rather than what it is, Venezuela's failure to live up to its international obligations with respect to counterterrorism. We believe this approach, combined with regional efforts to moderate Venezuela's behavior, is slowly but surely bringing positive change.

Imaginative and effective Colombian diplomacy has taken advantage of this environment. Since President Santos took office a year ago, we have seen a marginal but significant improvement by Venezuela. Venezuela has arrested and deported to Colombia seven senior members of the FARC and ELN, including members of the FARC headquarters section and the FARC's key European fundraiser. Most recently, Venezuela arrested a member of the FARC, General of Command Jose Conrado, based on a Colombian arrest warrant.

The Venezuelan and Colombian ministers of defense have developed a channeled communication to discuss border security. Chavez has also publicly moved away from the FARC by calling for that organization to join a political reconciliation process and by disavowing as unauthorized any discussions between Venezuelan government officials and the FARC about establishing bases in Venezuela.

Our actions have been targeted, well justified, and well understood in Venezuela. For the last 5 years, pursuant to Section 40(a) of the Arms Export and Control Act, Venezuela has been listed as a not fully cooperating with the United States' antiterrorist and efforts country. Because of its inadequate response to our counterterrorism efforts, the effect of this listing is a prohibition against the sale or licensing for exports to Venezuela, defense articles, or services. This sanction is a useful tool in itself and for signaling that we are not satisfied with Venezuela's counterterrorism cooperation, and it is used when a state may not meet the high threshold for designation as a state sponsor of terrorism.

We have also employed an array of targeted sanctions against elements of Chavez's government. My colleagues from the Department of the Treasury and our Economic and Energy Affairs Bureau will explain the work we have done to target elements of the Venezuelan government via the Drug Kingpin Act, via Executive Order

13224, and the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010.

Much more work remains to be done and we will continue to closely monitor Venezuela's actions. We you know, secretaries of state have used the state sponsor of terrorism action sparingly since its creation in 1979. In fact, it has been more than 18 years since this power has been invoked. But this does not mean that we are unwilling to use this authority. All options are on the table, including designating Venezuela as a state sponsor if the circumstances warrant.

We look forward to working with Congress and with our partners in the region to further encourage Venezuela to behave as a responsible international actor. Thank you very much.

[The prepared statement of Mr. Benjamin follows:]

**Testimony of Ambassador Daniel Benjamin, Coordinator for Counterterrorism; Kevin Whitaker, Acting Deputy Assistant Secretary for Western Hemisphere Affairs; and Thomas Delare, Director of the Office of Terrorist Finance and Economic Sanctions Policy, Bureau of Economic, Energy and Business Affairs**
**Department of State**

**Joint House Oversight and Government Reform Subcommittee on National Security, Homeland Defense and Foreign Operations**
**and**
**House Foreign Affairs Committee Subcommittee on Western Hemisphere and Subcommittee on the Middle East and South Asia**
**hearing on "Venezuela's Sanctionable Activities"**

Chairman Chaffetz, Chairman Mack, Chairman Chabot, Ranking Member Tierney, Ranking Member Engel, Ranking Member Ackerman, distinguished members of the committees, thank you for the opportunity to appear before you today to discuss Venezuela's sanctionable activities.

We want to thank you for the opportunity to appear before you today with Adam Szubin, our colleague from the Department of the Treasury. Allow us to start by saying that the Administration is committed to its duty to protect and advance U.S. interests and national security worldwide. The State Department is concerned about Venezuela's relations with Iran, its support for the FARC, its lackluster cooperation on counterterrorism, and its demonstrable failure to meet its international counternarcotics obligations, and we have taken a series of specific actions over time to address them in a serious way, using the tools provided by Congress, and will outline them in the following statement and in our testimony. These actions are substantial, targeted, and iterative and are well understood in Venezuela and elsewhere.

In our assessments of Venezuela's cooperation with U.S. antiterrorism efforts, we have taken into account reports that the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) have crossed into Venezuelan territory to rest and regroup, to conduct drug trafficking activities, as well as to extort protection money and kidnap Venezuelans to finance their operations. In addition, we have also considered reports that some weapons and ammunition from official Venezuelan stocks and facilities have been found in the hands of these groups. These are matters of significant concern to us and to our

Colombian allies. We do note the recent cooperation between the Government of Colombia and the Government of Venezuela that has led to the arrest of mid-level FARC leaders in Venezuela.

The Administration has significant concerns about connections between members of the Venezuelan government and U.S.-designated terrorist organizations such as the FARC, ELN, and ETA (Basque Fatherland and Liberty), all of which have been reported on in the press. As we have reported in the past, Hizballah has a presence in Venezuela, and the Department of the Treasury has done much to highlight these connections. I do, however, want to emphasize that the information available to us indicates that Hizballah activity in Venezuela is confined to fundraising. We remain alert to indications of other activities, particularly operational activity, but there is no information to support any such contention at this point.

Since coming to power in 1999, Hugo Chavez has chosen to develop close relations with Iran and Syria. Venezuela is Iran's closest political ally in the Western Hemisphere and President Chavez continues to define Iran as a "strategic ally." This close and highly publicized bond has led to public declarations to establish broad economic, military, and political cooperation, although the extent of and accomplishments associated with such cooperation appear much less substantive.

Venezuela is required to fulfill its obligations under UN Security Council Resolutions 1373 and 1540, which form part of the legal basis of international counterterrorism efforts. These resolutions, adopted under Chapter VII of the UN Charter, require all states, including Venezuela, to take a series of measures to combat terrorism and prevent WMD and their means of delivery from getting into the hands of terrorists. It is our view that Venezuela has not done enough in this regard.

We would like to outline the significant and effective steps that the U.S. government has already taken to confront specific actions and activities by Venezuela and by Venezuelan officials. For the last five years, since May 2006, pursuant to section 40A of the Arms Export Control Act, Venezuela has been listed as a "Not Fully Cooperating With U.S. Antiterrorism Efforts" country, because of its inadequate response to our counterterrorism efforts. The effect of this listing is a prohibition against the sale or licensing for export to Venezuela of defense articles or services. The United States has also imposed an arms embargo on Venezuela since 2006, which ended all U.S. commercial arms sales and re-

transfers to Venezuela. This sanction is a useful tool in signaling we are not satisfied with Venezuela's counterterrorism cooperation, and has been used in situations where a state may not meet the high threshold for designation as an SST.

The Department of the Treasury has designated two high level Venezuelan government officials and one former official under the Foreign Narcotics Kingpin Designation Act for materially assisting the narcotics trafficking activities of the FARC, and have sanctioned Venezuelan companies when appropriate.

There are signs that the Venezuelan government is beginning to comprehend the international community's concerns about its behavior, particularly with respect to the FARC. Venezuela has increased its counterterrorism cooperation with Colombia. Since Colombian President Santos took office a year ago, the Venezuelan and Colombian presidents have met three times, most recently on April 9, and have signed numerous agreements on counternarcotics, border development, and security cooperation. In addition, Colombian Defense Minister Rodrigo Rivera met with Venezuelan Defense Minister Carlos Mata during Santos' visit to Venezuela in November 2010. Rivera also signed a counternarcotics agreement with Venezuelan Interior Minister Tarek El-Aissami in January.

Colombian-Venezuelan cooperation on terrorism and security matters is clearly increasing and being systematized, yielding notable results. We see as positive Venezuela's deportation of several members of the FARC and the ELN to Colombia over the past several months. Some are key operatives wanted for specific acts of terrorism; others are high-profile political actors, like Sweden-based FARC International Commission Representative Joaquin Perez Becerra, who served as the FARC public relations coordinator for Europe. Similarly, Venezuela also recently arrested a member of the FARC general staff, Julián Conrado, based on a Colombian arrest warrant. His removal to Colombia is pending. Finally, Chavez has also called on the FARC to join a political reconciliation process and has claimed that any discussions between Venezuelan government officials and the FARC about establishing bases in Venezuela took place without his authorization.

Despite this recent and welcome cooperation with Colombia, we remain concerned about Venezuela's commitment to fighting terrorism, and we continue to consider all options in applying appropriate sanctions. One option available to us is the State Sponsor of Terrorism designation. The Department of State has a rigorous legal threshold in exercising its authority to make State Sponsor of Terrorism designations. Since 1979, the following countries have been placed on the SST list: Cuba, Libya, Iran, Iraq, North Korea, South Yemen, Sudan, and

Syria. Of these, Cuba, Iran, Sudan, and Syria remain on the list today. The last time the Secretary of State used this authority was in 1993 when Sudan was added to the list.

Before designating a country as a State Sponsor of Terrorism, the Secretary must determine that the government of the country has repeatedly provided support for acts of international terrorism. Before making such a determination, information related to a government's possible support towards terrorism is carefully reviewed to ensure that there is both credible and corroborated evidence of a government's repeated support for acts of international terrorism. We believe this is a necessary step before we utilize one of the U.S. government's broadest sanction tools. If we make decisions to designate states based on anything less, we would be setting the bar too low for future additions to the list. A lower threshold could possibly lead to additions to the list but some of these changes would be inimical to our foreign policy, economic, and counterterrorism interests.

When there has been evidence of direct support for Iran, we have acted. Under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA),the State Department is the agency primarily responsible for implementing the provisions which relate to the energy, shipping, and transportation sectors, the export of sensitive telecommunications technology, and non-proliferation. The Department of the Treasury has primary responsibility for implementing the financial sanctions contained in CISADA, and the Department of the Treasury and the State Department work together to implement the human rights provisions of CISADA. In 2008, the Banco Internacional de Desarrollo was put on the Department of the Treasury's list of Specially Designated Nationals and Blocked Persons pursuant to Executive Order 13382, "Blocking Property of Weapons of Mass Destruction Proliferators and their Supporters" as a subsidiary of the Export Development Bank of Iran. The Export Development Bank of Iran was itself designated pursuant to Executive Order 13382 for providing or attempting to provide financial services to Iran's Ministry of Defense and Armed Forces Logistics. Just last month, on May 24, the Secretary imposed sanctions on Petroleos de Venezuela (PDVSA), based on its activities in support of Iran's energy sector. On at least two occasions, PDVSA provided cargoes of reformate, an additive used in gasoline, to the National Iranian Oil Company. These shipments were valued at over $50 million, well above the sanctionable thresholds established in the Iran Sanctions Act (ISA).

Under the ISA, the Secretary has the authority to calibrate sanctions on a case by case basis. Sanctions can range from prohibitions on certain types of

government assistance, to a complete blocking of all property transactions subject to U.S. jurisdiction. In the case of PDVSA, the Secretary chose three sanctions that limit PDVSA's activities in the United States but do not impact its subsidiaries or the export of crude oil from Venezuela.

It is important to note that this calibrated approach was chosen because it is our goal to persuade PDVSA to make the right choice and stop shipments of refined petroleum to Iran. If PDVSA does not stop, and we have made this very clear in our conversations with PDVSA and with the Venezuelan government, the Secretary of State reserves her authority to impose additional, more severe sanctions.

These sanctions were only recently imposed. While we do not know what the ultimate result of these important actions will be, we are confident that they got the attention of Venezuelan government officials, based on subsequent comments from such officials and from PDVSA. They understand the sanctions and our justification for it. The Department of State has a very good record of convincing companies to stop supporting Iran's energy sector. Last fall we secured the formal withdrawal of five large multinational energy companies – Royal Dutch Shell, ENI, INPEX, Statoil, and Total – from projects in Iran. These firms have been joined by scores of other companies working in a variety of sectors that have recognized that the risks of doing business with Iran are just too high. We will continue our dialogue with Venezuela directly and through our other allies.

In addition, on May 23, we imposed sanctions pursuant to the Iran, North Korea, and Syria Nonproliferation Act (INKSNA), against the Venezuela Military Industries Company (CAVIM). INKSNA provides for penalties on entities that engage in the transfer to or acquisition from Iran, Syria, or North Korea of equipment or technology controlled by one of the four multilateral regimes (e.g. the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Wassenaar Arrangement) that regulate the export of advanced conventional weapons, weapons of mass destruction (WMD), and cruise and ballistic missile systems.

Much more work remains to be done, and we will continue to closely monitor Venezuela's actions. All of the broad and targeted actions we've taken against Venezuela should serve as an indicator that we are stepping up the pressure as it is warranted.

The Department has strongly urged Venezuela's leaders to pursue a path of cooperation and responsibility rather than seeking close ties to Iran, supporting illegal armed groups, and risking further isolation. We continue to monitor Venezuela, as well as other countries, for activities that would indicate a pattern of support for acts of international terrorism. No option is ever off the table, and the Department will continue to assess what additional actions might be warranted in the future.

Mr. CHAFFETZ. Thank you. It is my understanding that given that there are three witnesses from the State Department, that there was going to be just one single statement, or are we doing individual statements as well? Did I have that right, there is just the one statement?

Mr. BENJAMIN. No, my colleagues also have brief statements.

Mr. CHAFFETZ. Oh, yes.

Mr. Delare.

**STATEMENT OF THOMAS DELARE**

Mr. DELARE. Thank you, Mr. Chairman. I appreciate the opportunity to appear here today with my colleagues.

In the Bureau of Economic, Energy and Business Affairs at the State Department, we have responsibility for the implementation of sanctions targeting Iran's energy sector. Naturally, we also have very serious concerns about Venezuela's relationship with Iran in this area.

Venezuela is Iran's closest political ally in the western hemisphere, as we have heard this morning. President Chavez continues to define Iran as a strategic ally. The highly publicized bond between Mr. Ahmadinejad and Chavez has led to declarations about broad economic, military, and political cooperation, although the extent of actual cooperation is not clear.

Under the Comprehensive Iran Sanctions and Divestment Act [CISADA], the State Department is the agency primarily responsible for implementing the provisions which relate to the energy, shipping, transportation sectors, and sensitive telecommunications technology non-proliferation and human rights issues. The Department of Treasury has primary responsibility for implementing the financial sanctions contained in CISADA. I know my colleague, Adam Szubin, will discuss Treasury's role in detail. Let me just add that not only at State do we work extensively and collaboratively with Treasury; we do the same with many other agencies in the Government.

On May 24th the Secretary of State imposed sanctions on Petroleos di Venezuela [PDVSA], along with six other companies for their activities in support of Iran's energy sector. We sanctioned PDVSA because on at least two occasions the company provided cargoes of reformate, an additive used in gasoline, to the National Iranian Oil Co. These shipments were valued at over $50 million, well above sanctionable thresholds established in ISA.

Under the Iran Sanctions Act [ISA], the Secretary has the authority to calibrate sanctions on a case-by-case basis, something that many of you have alluded to this morning. Sanctions can range from prohibitions on certain types of U.S. Government assistance to a complete blocking of all property transactions subject to U.S. jurisdiction.

In the case of PDVSA, the Secretary chose three sanctions that limit PDVSA's activities in the United States, but do not impact their subsidiaries or the export of crude oil from Venezuela. It is important to note that this calibrated approach was chosen because it is our goal to persuade PDVSA to make the right choice and stop shipments of refined petroleum to Iran. If PDVSA does not stop, and we have seen no evidence of any further actions since the im-

position of these sanctions, we have made it very clear in our conversations with them that we reserve the right to impose additional and more severe sanctions.

In the case of PDVSA, we do not know what the ultimate result of these important actions will be. We are confident, however, that we have their attention based on comments from PDVSA and Venezuelan government officials.

The Department of State has a very good record of convincing companies to stop supporting Iran's energy sector. Last fall we secured the formal withdrawal from Iran of five large multinational energy companies: Royal Dutch Shell, ME, Impacts, Statoil, and Total. They have all removed themselves from projects in Iran. These firms have since been joined by scores of other companies, both in the energy sector and in other sectors, who have simply recognized that the risks of doing business with Iran are just too high.

We will continue our dialog with Venezuela about this subject and we will continue a very vigorous outreach process that we have engaged in to talk to the business community worldwide about the risks of doing business with Iran.

I should note that also on May 23rd the State Department imposed sanctions pursuant to the Iran, North Korea, and Syria Nonproliferation Act [INKSNA]. This was against the Venezuelan Military Industries Co. [CAVIM]. INKSNA provides for penalties on entities that engage in the transfer to or acquisition from Iran, Syria, or North Korea of equipment or technology controlled by one of the four multilateral regimes, that is, the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group, and the Vasinar Convention. These agreements regulate the export of advanced conventional weapons, weapons of mass destruction, and cruise and ballistic missile technologies.

Let me conclude by stressing that we pay constant attention to the activities of Venezuela with regard to Iran. We work with all the relevant agencies of the U.S. Government to utilize the tools that the Congress has given us, and I can assure you we will react to concrete examples of sanctionable behavior as we see them.

So at the conclusion of statements I would be happy to address any questions you might have. Thank you very much.

Mr. CHAFFETZ. Thank you.

I want to go back to this point, though, for a moment here. The three representatives from the State Department issued one statement. Congress asked that you submit these statements 48 hours in advance. You couldn't do that. And now you each have three statements. We are going to hear from you. We want to hear from you; that is why you are here. Why couldn't you submit your statements in accordance with our rules? What was the hindrance?

Mr. BENJAMIN. Mr. Chairman, I apologize for the lateness of the submission. As you can see from those who are present here, this is an issue that takes very intricate and complex coordination both within the Department and across agencies. There was a great deal of work that needed to be done in preparation for this hearing; we wanted to have the best information available. We will certainly do our best to make sure that we meet your deadlines in the future.

Mr. CHAFFETZ. I would appreciate that. It is unacceptable to do this. You obviously prepared some opening remarks, yet you failed to submit them to this body, and we find that unacceptable.

Mr. Whitaker, you are recognized for 5 minutes.

**STATEMENT OF KEVIN WHITAKER**

Mr. WHITAKER. Thank you. Chairman, ranking members, distinguished Members, thank you for the opportunity to appear here today. Let me make just two points.

First, the Department shares your concerns about Venezuela's relationship with Iran, its support for the FARC, its failure to cooperate on counterterrorism, and its demonstrable failure to meet its international counternarcotics obligations. We have taken a series of steps over time, using tools provided by Congress, to address these failures. We are constantly reviewing all the information pertaining to these matters to determine if the substantial targeted and interactive steps we have taken are appropriate and sufficient in light of the information available to us. Taken collectively, these steps demonstrate our commitment to act responsibly and consistently with legislation and policy to confront specific activities by Venezuela and Venezuelan persons.

Second, let me draw your attention to Colombia's superb diplomacy with Venezuela. The resulting rapprochement between these two nations has resulted in useful and, in context, unusually productive and effective counterterrorism cooperation. Bilateral cooperation on terrorism and security matters is increasing and being systematized, yielding notable results, including the deportation to Colombia of seven senior members of the FARC and the ELN. While we still have serious concerns about Venezuela's overall cooperation on counterterrorism matters, these are steps in the right direction and demonstrate that counterterrorism efforts work best when nations collaborate.

What we seek from Venezuela is its collaboration in confronting narcotics trafficking and terrorism. In the absence of such cooperation, and when possessing evidence that Venezuela or Venezuelan entities are not meeting their international obligations or failing to comply with applicable U.S. laws, we have demonstrated our willingness to act. The Department has strongly urged Venezuela's leaders to pursue a path of cooperation and responsibility, rather than further isolation, and will continue to do so.

We continue to monitor Venezuela, as well as other countries, for activities that indicate a pattern of support for acts of international terrorism. No option is ever off the table and the Department will continue to assess what additional actions may be warranted in the future.

I am happy to be here and I look forward to your questions.

Mr. CHAFFETZ. Thank you.

We will now recognize Mr. Szubin for 5 minutes.

**STATEMENT OF ADAM J. SZUBIN**

Mr. SZUBIN. Thank you, Mr. Chairman. Chairman Chaffetz, Chairman Mack, Chairman Chabot, Ranking Member Tierney, Congressman Sires, and distinguished Members, thank you very much for the opportunity to appear before you today to discuss

Venezuela's sanctionable activities. I am pleased to be testifying alongside my colleagues from the State Department.

We at Treasury have been intently focused on dangerous activities stemming from Venezuela over the last few years. During this period, we have uncovered and acted against a range of illicit actors operating out of Venezuela, including terrorists, narcotics traffickers, and those who have facilitated Iran's pursuit of weapons of mass destruction.

Our concern regarding the activities of terrorist groups in Venezuela is longstanding, particularly Venezuelan links to the Iranian-sponsored Hezbollah. As but one example, I would draw the committees' attention to an action we took in 2008 targeting a Hezbollah facilitator and Venezuelan diplomat, Ghazi Nasr al Din. Nasr al Din was a Venezuelan diplomat who served as their Charge d'Affaires in Damascus, Syria, and utilized his position in the Venezuelan government, and is the president of a Caracas-based Islamic center, to provide financial support to Hezbollah. Among his activities were providing Hezbollah donors with specific information on how to route their contributions such that they would go directly to Hezbollah. Nasr al Din met with senior Hezbollah officials in Lebanon to discuss operational issues and facilitated the travel of Hezbollah members to and from Venezuela.

At the same time as we took action against Nasr al Din, we also exposed and sanctioned another Venezuelan-based Hezbollah supporter, Fawzi Kan'an, and two travel agencies that he operated out of Caracas.

Of course, Venezuela has also been deepening its economic and diplomatic ties with Iran, as the committees' members have noted. The growing ties between Venezuela and Iran are very worrying, especially as they stand in such stark contrast to the global trend in which the world is moving to isolate Iran because of its pursuit of nuclear weapon and other destabilizing activities.

In 2008, the Iranian government established the International Development Bank of Caracas, or Banco Internacional de Desarrollo, in Venezuela. Shortly after its opening, we moved to sanction this bank under our counterproliferation authorities due to the bank's relationship with the Export Development Bank of Iran. We will act firmly and quickly to deny a purchase to any attempted successor.

We have also named under our sanctions authorities the Iranian oil company Petropars and targeted its operations in Venezuela in particular.

Finally, we have been extremely active in the field of combating narcotics trafficking and have sanctioned thousands of entities across Latin America, including in Venezuela. Among those we have sanctioned, high level Venezuelan officials who were involved with the FARC, including the head of Venezuela's military intelligence agency, their chief of state security, and their former interior minister.

The threats posed by Iran, terrorism, and narcotics trafficking are complex and we work closely with our interagency colleagues to bring all of our tools to bear against these threats in Venezuela as elsewhere, and our work can and must continue.

I look forward to your questions. Thank you.

[The prepared statement of Mr. Szubin follows:]

**Written Testimony by the U.S. Department of the Treasury's Director of the Office of Foreign Assets Control Adam J. Szubin Before the Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, the Foreign Affairs Subcommittee on the Western Hemisphere, and the Foreign Affairs Subcommittee on the Middle East and South Asia**

*June 24, 2011*

**Venezuela's Sanctionable Activity**

Chairman Chaffetz, Chairman Mack, Chairman Chabot, Ranking Member Tierney, Ranking Member Engel, Ranking Member Ackerman, distinguished members of the committees, thank you for the opportunity to appear before you today to discuss Venezuela's sanctionable activities. I am pleased to be here with my State Department colleagues, Ambassador Benjamin, Tom Delare, and Kevin Whitaker. Our Departments collaborate closely on the development and implementation of economic sanctions throughout the world. As part of this mission, we have worked diligently with one another to apply sanctions to a range of actors in Venezuela and elsewhere in Latin America – including narcotics traffickers, terrorists and their supporters, and entities aiding Iran's pursuit of nuclear weapons and promotion of international terror.

I would like to use this opportunity to provide the committees a brief overview of the Office of Foreign Assets Control's (OFAC) sanctions related activities regarding Venezuela.

**Narcotics**

The Treasury Department has taken strong action against Latin American narcotics traffickers, including key actions involving Venezuela, Colombia, Mexico, Ecuador, Guatemala, Peru, Panama and Bolivia. Through these efforts, we have targeted some of the largest drug

cartels operating in South America and Mexico, including the Cali, Medellin, Sinaloa, Beltran-Leyva and Juarez cartels. Over the past several years, the United States has sanctioned nearly 3000 entities in Latin America involved in narcotics trafficking – almost 1800 entities have been designated under Executive Order 12978, and nearly 1,000 entities have been sanctioned pursuant to the Foreign Narcotics Kingpin Designation Act (the "Kingpin Act").

These figures include sanctions on two individuals who were high-level Venezuelan officials at the time of designation and one individual who was a former official at the time of designation: Hugo Armando Carvajal Barrios, the former director of Venezuelan military intelligence; Henry de Jesus Rangel Silva, the former director of Venezuelan state security and intelligence; and Ramon Emilio Rodriguez Chacin, Venezuela's former Minister of Interior Justice. All three officials were designated in September 2008 under the Kingpin Act for materially assisting the narcotics trafficking activities of the Revolutionary Armed Forces of Colombia, the narco-terrorist organization better known by its acronym, the "FARC." The FARC has been identified by the President as a significant foreign narcotics trafficker, or drug kingpin, and designated by the State Department as both a specially designated global terrorist and a foreign terrorist organization. The sanctionable activities of the Venezuelan officials included protecting drug shipments from seizure by Venezuelan anti-narcotics authorities, providing weapons to the FARC, providing FARC members with official Venezuelan government identification documents, and pushing for greater cooperation between the Venezuelan government and the FARC, including an attempt to facilitate a loan from the Venezuelan government to the FARC.

Additionally, in September 2008, OFAC designated eight members of the FARC's International Commission for providing support to the organization outside of Colombia; among the persons designated was Orlay Jurado Palomino, the FARC International Commission representative in Venezuela. Further, the United States has had some success in extraditing from Venezuela traffickers designated by the Treasury Department. For example, in July and September 2010, two OFAC-designated traffickers who were arrested in Venezuela – Beto Renteria and Beto Marin – were successfully extradited to the United States to face criminal charges. Renteria and Marin were leaders of the Norte del Valle Cartel, and were involved in substantial drugs shipments into the United States, bribery and assassinations. Marin is incarcerated in Miami awaiting the start of his September trial and faces the potential of a life sentence if convicted. Renteria is the subject of two criminal indictments, one on narcotics trafficking charges and the other on RICO; he too faces the potential of life imprisonment if convicted.

The use of economic sanctions against narcotics traffickers is an important piece of the war the United States is waging on narcotics cartels and those that support them. OFAC will continue our ongoing efforts to target and apply financial measures against narcotics traffickers and their organizations, wherever they are located.

**Terrorism**

My office is also concerned about Venezuelan ties to terrorist groups. Specifically, we have found limited connections between Venezuela and Lebanese Hezbollah with Hezbollah facilitators and fundraisers operating in Venezuela. In this regard, just as in the narco-trafficking

context, OFAC has reacted swiftly when we have come upon actionable information linking Venezuela to terrorism.

For instance, in June 2008 OFAC designated two key Venezuelan supporters of Hezbollah, pursuant to Executive Order 13224, which targets terrorists, those owned or controlled by or acting for or on behalf of terrorists, and those providing financial, material, or technological support to terrorists or acts of terrorism. One of these individuals, Ghazi Nasr al Din, had utilized his position as a senior Venezuelan diplomat and the president of a Caracas-based Shi'a Islamic Center to provide financial support to Hezbollah. Nasr al Din served as Chargé d'Affaires at the Venezuelan Embassy in Damascus, Syria, and was subsequently a principal official at the Venezuelan Embassy in Lebanon. He had counseled Hezbollah donors on fundraising efforts and provided donors with specific information on bank accounts where the donors' deposits would go directly to Hezbollah. Additionally, he met with senior Hezbollah officials to discuss operational matters and even facilitated the travel of Hezbollah members to and from Venezuela, and to attend training courses in Iran.

The second designee was Fawzi Kan'an, also a Venezuela-based Hezbollah supporter and a significant provider of financial support to Hezbollah. Kan'an facilitated travel for Hezbollah members and sent money raised in Venezuela to Hezbollah officials in Lebanon. Further, he had met with senior Hezbollah officials in Lebanon to discuss operational issues, including possible kidnappings and terrorist attacks, and traveled with other Hezbollah members to Iran for training. In light of his role in facilitating transport, we also designated two travel agencies owned and controlled by Kan'an.

**Iran**

The Treasury Department is concerned about the growing ties between Venezuela and Iran, including burgeoning business and trade connections – which, at a time when the private sector around the world is increasingly shunning business with Iran, are especially noteworthy and concerning. We have, and will continue to, follow this situation vigilantly. Even more alarming is a report from the Department of Defense concerning the increasing presence of the Islamic Revolutionary Guard Corps-Quds Force (IRGC-QF) in Latin America, particularly Venezuela. As Treasury officials have noted with regular frequency before Congress, the IRGC-QF, which we sanctioned in October 2007, and the broader IRGC, which was sanctioned by the State Department at the same time, are at the vanguard of promoting the Iranian regime's goals both at home and abroad. To this end, they are active throughout Iranian society and across the full range of the regime's efforts, from working on promoting terrorism and procuring weapons, to controlling key pillars of the Iranian economy.

As former Under Secretary Levey testified last December, Treasury has consistently used its authorities to target the full range of Iran's illicit and deceptive conduct by imposing sanctions on individuals and entities facilitating Iran's illicit behavior, encouraging robust international implementation of UN Security Council resolutions concerning Iran's nuclear program, and educating foreign governments and the private sector about the impact of U.S. measures and the risks of engaging with Iran. Indeed, since the beginning of the year, Treasury has further increased the pressure on Iran, with numerous actions taken against Iranian human rights abusers; entities affiliated with the Islamic Republic of Iran Shipping Lines (IRISL); a multi-million dollar procurement network supporting Iran's missile programs; and Iran's Bank Refah

and Bank of Industry and Mine, the 20th and 21st Iranian-linked financial institutions designated by the United States under proliferation and terrorism authorities, for providing financial services to designated entities.

As a part of this intensive effort, we have already acted against one Venezuelan bank. In January 2008, the Iranian government established the International Development Bank in Caracas (Banco Internacional de Desarrollo C.A.), a subsidiary of the Tehran-based Export Development Bank of Iran (EDBI). Shortly after Banco Desarrollo's opening, we sanctioned the bank under our WMD authorities in E.O. 13382 due to its relationship with EDBI. EDBI had been designated for providing or attempting to provide financial services to Iran's Ministry of Defense for Armed Forces Logistics (MODAFL), itself designated by the State Department in 2007. We also found that since the United States and United Nations designated Bank Sepah in early 2007, EDBI had served as one of the leading intermediaries handling Bank Sepah's financing, including WMD-related payments. In addition to handling business for Bank Sepah, EDBI facilitated financing for other proliferation-related entities sanctioned under U.S. and UN authorities. Given this dossier of troubling activities, we acted quickly against Banco Desarrollo in order to prevent EDBI from being able to leverage any outpost in the Americas to circumvent sanctions and continue these activities in the region.

As you know, the Treasury Department also has authorities under subsection 104(c) of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("CISADA"), which requires Treasury to issue regulations (published on August 16, 2010) to prohibit or impose strict conditions on the opening or maintaining in the United States of correspondent

accounts or payable-through accounts for foreign financial institutions found to knowingly facilitate significant transactions or provide significant financial services for the Islamic Revolutionary Guard Corps (IRGC), for any of the IRGC's designated agents or affiliates, or for a financial institution designated in connection with Iran's proliferation of WMD or delivery systems for WMD or Iran's support for international terrorism.

Since CISADA's enactment, Treasury has been engaged in an aggressive outreach campaign, briefing dozens of foreign countries, including those in Latin America, and scores of financial institutions throughout the world, about the statute and the risks to foreign financial institutions of continued engagement in transactions that could result in the Treasury Department's ordering the closing of such foreign institutions' correspondent or payable-through accounts in the United States. The response to Treasury's outreach has been exceptional; the great majority of financial institutions with which we have engaged have closed their correspondent accounts with U.S.-designated, Iranian-linked financial institutions, thus closing off avenues that Iran's designated banks had relied upon to engage in financial activities. CISADA, in short, has proved to be a very powerful tool to further isolate and pressure Iran.

Concerning Venezuela in particular, we have been looking very carefully at banking ties between Iran and Venezuela. As is clear by our action against Banco Desarrollo, when we have identified sanctionable activity in Venezuela, we have taken action.

**Whole of Government Approach**

The national security threats posed by Iran, terrorism and narcotics trafficking are complex and no single tool or agency in the U.S. Government is sufficient to address the full scope of the threats we face. To that end, my office, and the wider Treasury Department, has worked very closely and consistently with colleagues at the State Department, the Justice Department, in the intelligence community and other agencies across the full spectrum of our sanctions work, including when it involves Venezuela or Latin America more broadly.

**Conclusion**

Our work has had a significant impact. The Venezuelan government's erratic policies, combined with the U.S. Government's work to consistently and publicly expose Venezuelan officials working with terrorists, sanctioned Iranian entities, and narcotics traffickers have made the country a high risk jurisdiction. Our efforts continue, and we shall persist in investigating activities implicating Venezuela. And, as we have done numerous times in the past, when information is found, we will not hesitate to take actions against such individuals and entities, fully leveraging the powerful authorities the Congress and the President have provided to us.

Mr. CHAFFETZ. Thank you. Appreciate that.

I am now going to recognize the chairman of the Foreign Affairs Subcommittee on the Western Hemisphere, Mr. Mack from Florida, for 5 minutes.

Mr. MACK. Thank you, Mr. Chairman.

I want to thank all of you for your testimony here today. I don't think we need to continue to harp on this, but we look forward to more open dialog and cooperation from all of you.

So it sounds to me that we are in agreement that Chavez is sponsoring terrorism, whether through narcotrafficking, through his cooperation with Iran, through support of Hezbollah and the FARC and other terrorist organizations. So it sounds to me that there is agreement. I think where the problem lies is what do we do about it.

So I first want to make this point, and I will say it again. We are happy that there were sanctions placed on Chavez. What we are not happy about is that the three sanctions that were placed on PDVSA, the denial of export-import bank loans, credits, denial of licenses for the U.S. export of military and militarily useful technology, and prohibits on U.S. Government's procurement from entities, these are things that are already not happening. So we can also agree that these are toothless, is that right?

Mr. DELARE. Chairman Mack, I would respectfully disagree with that final evaluation. I wouldn't say they are toothless, because what we have done is warned the international business community that there is a danger of dealing with PDVSA.

Mr. MACK. Okay, so the designation of being sanctioned is important, but the actual sanctions that took place don't have any teeth, because these are things that we are currently not doing with Venezuela.

Mr. DELARE. Chairman Mack, the fact is Congress has given us a calibrated set of tools to use in instances like this, basically implying that we have to make a very complicated calculation as to U.S. interest in each one of these instances. Now, we had to judge whether the sanctions would induce PDVSA to stop its behavior. So far we have——

Mr. MACK. I understand that. I am sorry. So the fact that you made the sanctions is important here. What you sanctioned isn't important because these things are currently not being done with Venezuela in the first place. So that is my take, and I think that is most everybody else's take. There are other tools that are available.

Mr. DELARE. Yes, we do.

Mr. MACK. Restriction of imports, also prohibiting the sanctioned entity from acquiring, holding and trading any U.S.-based property. So there are other sanctions that we can use.

First of all, let me ask you this. Who owns PDVSA?

Mr. DELARE. It is 100 percent owned by the Venezuelan government, sir.

Mr. MACK. So there is no mistake, then, that the actions of PDVSA isn't by some company, it is by the government of Venezuela.

Mr. DELARE. I think we can assume there is an intimate relationship there.

Mr. MACK. I would assume that Chavez has full control over PDVSA.

Mr. DELARE. But, sir, we also make a calculation as to U.S. interest. And if 10 percent of US. Oil imports are coming from Venezuela, with three U.S. refineries dependent on Citgo, 6,000 gas stations, 3,000 other employees, we have to weigh those factors as well, especially, during the period of spiking oil prices.

Mr. MACK. Sir, then I would suggest that the State Department sign off on the Keystone XL pipeline, which will then be able to take over for any oil that we are getting from Venezuela. It seems to me that if you or the State Department, if you are going to continue to say we have a strategic interest in their oil and we have the ability to get oil from somewhere else, then we ought to get it somewhere else. Wouldn't you agree?

Mr. DELARE. I would say generally that is a fair point of view.

Mr. MACK. So we can expect the State Department to sign off on the Keystone XL pipeline?

Mr. DELARE. I can only promise to take your views back, sir.

Mr. MACK. I think they know my views.

So, again, the definition countries determined by the Secretary of State to have repeatedly provided support for acts of terrorism, that is the State Department's definition of a state sponsor of terror, correct?

Mr. BENJAMIN. That is the basis for the designation, yes.

Mr. MACK. But that is the definition, that is what is posted on the Web site, that is what the State Department says. So how can you not designate Chavez as a state sponsor of terror when we know about the narcotrafficking, the support of Hezbollah? Even if it is just fundraising. By the way, I thought that was kind of interesting, I don't remember who said it, that it's only in fundraising. But fundraising is the mechanism that allows Hezbollah to work. So we know drugs, terrorist organizations, support of Iran, all three of these things would be determined by the Secretary of State to repeatedly provide support for terrorist organizations.

Mr. BENJAMIN. Well, the statute, sir, allows the Secretary discretion to decide when repeatedly is sufficient enough to merit the imposition of this designation. And as I said in my oral statement, sir, our approach is very much predicated on effectiveness and what it is that is going to get Venezuela to stop behavior that we believe is unacceptable. That is why we have instituted a calibrated iterative process in which we are escalating pressure, as appropriate, without having follow-on or side effects that we believe would harm our own national security and harm the interests of those who we cooperate with very closely, including to contain Venezuela's behavior.

Mr. CHAFFETZ. Thank you. The gentleman's time has expired. Given the number of Members on this panel, I would ask Members to keep within the 5-minutes, but we will allow our witnesses to answer past that moment.

We will now recognize the ranking member of the committee, Mr. Tierney.

Mr. TIERNEY. Thank you.

Obviously, when you talk about the sanctions, Congress passed a bill that allowed the Secretary some discretion into how she applied those sanctions, am I right, Ambassador?

Mr. BENJAMIN. Absolutely correct.

Mr. TIERNEY. So the task for the Secretary at that point in time is to calibrate, as you say, or to make a determination as to which sanctions to implement at any given time and try to get the response she wants from that, while at the same time taking into other considerations of what may happen to impact our allies or our own interests, is that right?

Mr. BENJAMIN. Correct.

Mr. TIERNEY. So I don't want to get into negotiating here in public with Venezuela or anything of that nature, so can I ask you to give us a broad range of all of the competing interests that we have there? When the balancing is going on, give us a range of what types of things we are balancing, the cooperation with Colombia in terms of drugs and borders, other things like that. Just give us some idea of all the different interests.

Mr. BENJAMIN. Well, I will defer in a moment to my colleagues from the Regional Bureau from Western Hemisphere Affairs, but certainly the diplomacy with Colombia is very important. Colombia would be very, very sharply affected by such a designation. Since Colombia is at this time making significant progress in dealing with Venezuela and in curtailing those activities that we find objectionable, it would seem to be counterproductive to do that at this time.

Additionally, there are such second and third order effects as catching the business dealings of lots of closely allied countries up in the state sponsorship net, if you will, that if other countries that were doing business with Venezuela suddenly found themselves to be in danger of being sanctioned, that would be problematic. I believe Mr. Delare has spoken to the issue of our energy concerns in this regard. So there is a whole array of different interests that need to be taken into effect, and I think Mr. Whitaker may have more to add on that.

Mr. WHITAKER. If I could just add on a couple of points here. U.S. policy in Venezuela is a number of folks want democratic development, supporting U.S. persons, U.S. national security, and then counternarcotics and counterterrorism. All of those are very important to us. We would need to weigh, it seems to me, the effect of any sanction we take on issues like that. Ambassador Benjamin mentioned the effect it would have of a sanction against Venezuela when Venezuela views Colombia as a close ally of the United States. How would Venezuela then react with respect to its diplomatic efforts in Colombia? That is unknown to me, but it is out there.

Venezuela consistently tries to define the democratic opposition in Venezuela as tools of the United States. Again, that might be an avenue or a place where the Venezuelan government would seek to identify that group and take some action in response to an action that we took.

Finally, we have many U.S. companies in Venezuela and it is our goal as the Department of State to understand their interests, defend their interests, and we would need to take into account, as

well, any impact in that regard with respect to those companies that continue to do business in Venezuela.

Mr. TIERNEY. Thank you. If the Secretary has just decided to throw the book at Venezuela and just take the more extreme sanctions on that, what would the anticipated, current anticipated response of the Venezuelan government be?

Mr. WHITAKER. It is hard to say. I have worked on Venezuela since 2005 and Hugo Chavez can be unpredictable. But one of the threads of his policy since taking office in 1999 is consistently to try to turn whatever problem or issue that arises into one of him versus the United States, whether that is accurate or not. I think that he would do this, he would seek to turn this into a matter of a U.S. attack on his government and seek to use it for internal political purposes. How that would manifest itself, whether in diplomatic policy or with respect to democratic opposition in Venezuela or with respect to U.S. companies, is difficult to predict.

Mr. TIERNEY. So in striking this balance so far, and I assume that you recalibrate frequently on this, look on that basis, how would you rate the performance so far? Are you getting the results you want? Are you considering further sanctions? Are you thinking that things are moving along the way you want them to or are you just thinking that we have to do something else, you are just not sure what yet?

Mr. BENJAMIN. I would say that it is early to issue the report card given the recent activities, the recent sanctions that have been imposed. We are, I would say, somewhat optimistic because of the actions that Chavez has taken in terms of extraditing FARC operatives from Venezuela to Colombia, encouraged by his apparent solicitousness of Colombian demands, and encouraged as well by the fact that there haven't been—and I will let Mr. Delare clarify this, if he wants—that there haven't been further shipments of the kinds of petroleum additives, gasoline additives of the kind that were recently sanctioned. So at the moment we are cautiously optimistic.

Mr. CHAFFETZ. Thank you. The gentleman's time has expired.

We now recognize the gentleman from Ohio, Mr. Chabot, for 5 minutes.

Mr. CHABOT. I thank the chairman. Just a couple of questions, maybe an observation first.

Obviously, in our capacity as Middle East and South Asia, that is where we devote most of our energy and time, I happened to be in the region there recently and Saudi Arabia is obviously very concerned at this time about Iran exploiting the so-called Arab Spring, or whatever terminology one prefers, and they seem themselves as being encircled, whether it is Yemen, Egypt has closer relations with Iran than it did before, Bahrain, and we saw the Saudi reaction there.

But certainly Iran is flexing its muscle and I really do welcome and commend my fellow chairs for talking publicly about this, Venezuela in connection with Iran, because it is of great concern; it shows that this Iranian threat is really global in nature. And, obviously, Saudi Arabia, you know, a lot of oil there, but the most known resources in the world at this time, Iran is second or third depending on the study that you see.

But the point I would like to get to at this point is oil is a commodity obviously on the world markets, and what we pay here in the United States is affected by that supply, so our interest here, whereas we do import Iranian oil and it affects the price here, depending on how much we get from there and elsewhere, I think many of us believe that we made really a terrible mistake becoming so dependent upon foreign oil in many ways, and some of that is by restricting access to our own resources, whether it is Anwar or the Outer Continental Shelf or a whole range of other things here.

But relative to Venezuela, and I would invite this from anyone, are we putting ourselves in a much more vulnerable position when essentially we are reliant upon this Venezuelan oil; the money goes down there and they are clearly one of the bad actors in this hemisphere right now, and what they are doing is against our best interest? So this continuing to be so dependent upon foreign sources of energy, our policies in that area have been counterproductive here. Would you agree with that, Mr. Delare? I would ask you if you would like to take that.

Mr. DELARE. Well, I think there is little to argue about in your statement there, sir, because it is a fact that our sanctions policies are often directed at those countries who are oil producers and, of course, we are dependent on that external source of energy. I think we all wish it were true that we had many alternate sources of energy to depend on, but at this historical point in time we have to move very carefully as to how we apply some of the tools that have been provided to us so we can maintain the flow of energy to our market, while still demonstrating a strong political message that certain kinds of behaviors are unacceptable.

Mr. CHABOT. And I think it is clear that Venezuela, and Chavez in particular, has been using American money, essentially, either to bribe or influence other nations in this hemisphere, and the actions that they are encouraging them to take are oftentimes diametrically opposed to what is in the U.S.' best interest. I think we basically have in Venezuela now what we had in Cuba over the last number of decades, the difference being, of course, Cuba didn't really have a resource; they were dependent upon the former Soviet Union. Venezuela has oil, so it is perhaps even more dangerous than Cuba was over these last decades.

I would, at this time, I didn't give them a lot of time there, it wasn't much of a question, but I would like to yield to the gentleman for any time I have remaining.

Mr. MACK. Thank you. And to that point I believe that we are sending basically $117 million a day to Venezuela through PDVSA, so we are funding someone who we have sanctioned. We are funding this activity that supports terrorist organization through this funding. And once again I think the State Department needs to look at alternative ways, instead of continuing to buy oil from Chavez, we need to find alternative ways to get that oil.

Mr. CHAFFETZ. The gentleman's time has expired.

I would like to let Members know we have one vote on the floor. It is the intention of the Chair to recognize Mr. Sires for 5 minutes for his questioning, then stand in recess until 10:30, then we will

resume the remainder of the hearing. So, with that, we will recognize Mr. Sires for 5 minutes.

Mr. SIRES. Thank you, Mr. Chairman.

I want to get back to this question of Iran and the flights into Venezuela and the activity in Venezuela. I had dinner with a group of people and they tell me that the amount of people in the Iranian embassy in Venezuela is one of the largest in the world. I talk to other people; they tell me that that is not true.

In your best estimation, what is the embassy in Venezuela from Iran, the personnel, how many people do they have there? How active are they? How many flights a week do they have? Does it conform with the—I don't want to say conform, but the amount of flights that you have into Venezuela, would eight people be enough? Can anybody respond to that?

Mr. WHITAKER. I can try, Congressman. There was, some months ago, a direct flight initiated between Tehran, Damascus, and Caracas. Our information is that as of September 2010 that flight, the Tehran link was dropped and it is now a Caracas-Madrid-Damascus flight and return. There are continuing rumors, as I think you mentioned in your opening statement, that the individuals who arrive in Venezuela are not subject to customs and immigration controls. We have heard those stories too. We don't have a way of verifying them.

Since 2006 we have attempted to conduct, DHS has attempted to conduct the statutorily required inspections of the airports in Venezuela because they are endpoints for flights to the United States. Because Venezuela refused to permit those inspections, safety inspections, security inspections, in September 2008, DHS issued a public notice on this point informing passengers of our inability to do the inspections.

In an example of I am not going to call it progress, but there has been a change and TSA was able to make a visit to Venezuela last week. They spoke to Venezuelan security officials. This is not the end of a process, but for the first time since 2006 we actually had a meeting on this topic.

Now, in terms of the size of the Iranian embassy in Venezuela, according to the diplomat list, there are 14 diplomats there. There are many embassies in Venezuela, including our own, that are far larger than that. I was DCM in Venezuela. I didn't consider it to be a particularly active embassy in terms of diplomatic activities; showing the face, public diplomacy, etc. What we can't judge, of course, is how active they were within the Venezuela government.

But there is additional information on this and, if appropriate——

Mr. SIRES. So how many flights do you have a week now?

Mr. WHITAKER. It is a weekly flight.

Mr. SIRES. Just one.

Mr. WHITAKER. And it doesn't go to Tehran.

Mr. SIRES. So all these things, all these rumors that there were two or three flights a week, all these crates that are coming in and out, you can't confirm any of that.

Mr. WHITAKER. There previously was a weekly flight; there is no more.

Mr. SIRES. Currently, Chavez is in Cuba. Do you have any information on that? I mean, supposedly he got an operation in Cuba.

Mr. WHITAKER. What we know, what we can talk about here is in early May he had what he defined as a knee operation. In June he came out publicly and said that he had a pelvic abscess drained. He has not appeared in public for some weeks now. He has——

Mr. SIRES. He is convalescing with Castro, maybe.

Mr. WHITAKER. There was a picture of the two of them together, and Castro looked better than Chavez in the picture.

Mr. SIRES. Unfortunately.

Mr. WHITAKER. And he has not tweeted in his Twitter account for some weeks, which sounds jocular, but in fact he is a very active tweeter, and it is interesting that he has gone off line.

Mr. SIRES. I don't know if that is a good idea.

Are we helping the opposition? I know the opposition is growing in Venezuela. Are we assisting the democracy process in Venezuela?

Mr. WHITAKER. Sure. Thank you for the question. Since 2002, the United States, through USAID, has provided support to encourage the development of civil society and democratic practices in Venezuela. Much of what we have done in recent years has focused on get out the vote, defend the vote, protect the vote, and these kinds of activities to ensure that the maximum number of people can vote in free and fair conditions. I think it is important to note that we do this in an ecumenical way; it is not designed to approach any particular political end, but to support democracy as democracy.

Mr. SIRES. Thank you very much.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. The gentleman's time has expired.

We have roughly 8 and a half minutes left in the vote. This committee will stand in recess until, let's call it, 10:35 now, and then we will resume the remainder of the hearing.

[Recess.]

Mr. CHAFFETZ. The subcommittee will now come back to order. We thank you for your patience and understanding as we had a vote on the floor.

We will continue and I am going to recognize myself for 5 minutes and we will go from there.

According to the records, the U.S. Government provides approximately $5 million to Venezuela annually for democracy related assistance. What is happening with that money? Why do we give it and how do we monitor where it goes?

Mr. WHITAKER. Thank you for the question, Chairman. The purpose of our democracy funding is to encourage the development of civil society in order to ensure that Venezuelan democracy be as robust and inclusive as possible. We have used a number of different tactics over time. This program has been in place since 2002 and has averaged about $5 million a year. It has gone up and it has gone down.

Initially, the democracy program was intended to encourage reconciliation in the wake of the 2002 coup. Over time, government-affiliated, Chavez-affiliated actors have refused to participate in these programs, which we regret because they are intended to be

ecumenical in nature, that is, open to all, politically balanced, and in support of the process rather than any particular——

Mr. CHAFFETZ. The details of what is going on in that program and how that money is spent, is that something you can provide to the committee in, say, 30 days? Would that be fair?

Mr. WHITAKER. Absolutely. More than enough time.

Mr. CHAFFETZ. Thank you.

I would like to yield now to the gentleman from Florida, Mr. Mack, for the remainder of my time.

Mr. MACK. Thank you, Mr. Chairman. Just for the committee's knowledge, my recommendation to the full committee is that that budget be zeroed out moving forward.

I want to go back to kind of the sentiment that Chavez will use this kind of struggle between the United States for his own benefit. I have been pretty consistent on the other side of this feeling. So what we have in Hugo Chavez is a classic bully. So he tries to get people to do things based upon fear of what he might do.

And I think this is an important point. Instead of looking at what it is that we are fearful that Chavez might do, we ought to look at what is the right thing to do for national security, what is the right thing to do for the people of this country, and what is the right thing to do for our friends in Latin America and around the world; not because of threats from a bully. So I hope that—I would love to hear, if you want to make comment on that, but let me just add this one other piece to that.

You also talked about that we have had beginnings of some strides where there has been some extraditions from Venezuela to Colombia of some drug kingpins. But the reality is that is not due to the actions of the United States; that is due to the actions of the president of Colombia, Santos. I will remind you of the Makled case where we fell asleep at the switch. He was arrested on a war warrant. When they arrested him, the Colombians asked if we wanted them and we said we are not interested, and then they sent him to Venezuela. That is why the extraditions are happening, not because of some great policy position or foreign policy by the U.S. Government.

If you care to react to those two statements, I would love to hear it.

Mr. WHITAKER. Thank you, Mr. Chairman. On the first point, I think that the reaction or potential reaction of Chavez with respect to the United States and trying to demonize the United States with respect to Colombia, with respect to the democratic opposition in Venezuela are all matters that one can make analysis about. They are factors. I wouldn't say that any one is necessarily the determining factor. What we are looking for is results. In the case of the CISADA sanctions, for examine, there is a very specific result that we want and the sanctions were designed in order to achieve that result.

On the extraditions, actually, and I don't want to overplay this because there is much more that Venezuela could do, but just since July 2010 we have gotten on the order of 10 senior narcos who were deported directly to the United States, removed from Venezuela directly to the United States——

Mr. MACK. I am going to go through, because I just want to hammer this point home that Hugo Chavez—well, my time is running out, so I will thank you and I will apparently have another opportunity to speak with you again. Thank you.

Mr. CHAFFETZ. Thank you.

We now recognize the gentleman from American Samoa, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

I do thank our witnesses for their testimony this morning. I just want to follow up on a couple of issues or questions that were raised, at least I would like to raise at this point.

We do recognize, gentlemen, that you are just simply following what the statute, or at least what we did in the Congress, passed laws and statutes. You are just simply trying to enforce these sanctions, laws, whether it be for economic reasons or whatever. I noted with interest that earlier Chairman Chabot, the subcommittee had asked the question about Venezuela's oil supply, and I am just curious, for the record, what is the total dollar value of oil that we import from Venezuela, say just last year or say in the period of the last 5 years?

Mr. DELARE. Congressman, the figure I used earlier in my testimony, or maybe I didn't, was 900,000 to 1 million barrels per day. I would have to get back to you with a formal response and cost it out for you.

Mr. FALEOMAVAEGA. Yes. I would think it is important that we need to know. My next question for the record, exactly how many sanctions do we have against Venezuela at this point in time? You know, I know there are sanctions against individuals, sanctions against companies, sanctions against officials of the government, sanctions for terrorism, sanctions on nuclear transfer, on nonproliferation. What is the total number of sanctions that we currently have against Venezuela?

Mr. WHITAKER. Well, we can go through them. There is not fully cooperating on counterterrorism matters, which was imposed in May 2006. Every year since 2005 they have been found to have demonstrably failed in their international counternarcotics obligations——

Mr. FALEOMAVAEGA. Well, as I listened to your statements, do I see maybe a count of 9 or 10 different sanctions that we put against Venezuela, small sanctions?

Mr. WHITAKER. And then there are sanctions against individuals. So when you net it all out, there are a number of sanctions that have been applied.

Mr. FALEOMAVAEGA. Yes, at least how many, 9 or 10? Be more specific. I would appreciate it.

Mr. WHITAKER. Some of these are broader sanctions. For example, the not fully cooperating on terrorism implies other actions, for example, a ban on the sale of defense articles. So do you count that as a single sanction? Then that would be one sanction.

Mr. FALEOMAVAEGA. Well, here is my whole point——

Mr. MACK. Would the gentleman yield for just a quick second?

Mr. FALEOMAVAEGA. I would be glad to yield to the chairman.

Mr. MACK. Thank you. On the question that you asked earlier, how much are we sending, it is approximately $117 million a day.

Mr. FALEOMAVAEGA. And that includes Citgo Oil Co.?

Mr. MACK. That is what we are sending PDVSA.

Mr. FALEOMAVAEGA. The money that we are paying, the oil that we are getting from Venezuela?

Mr. MACK. It is $117 million a day.

Mr. FALEOMAVAEGA. Do you gentlemen agree to that figure, $117 million a day that we are paying Venezuela?

Mr. DELARE. Well, sir, it obviously goes up and down depending on the production levels in Venezuela, the consumption levels of energy in Venezuela and the market. As I mentioned, I would be happy to give you a more formal reaction in writing.

Mr. FALEOMAVAEGA. And I thank the chairman for that figure because the point I want to make is that we are putting all these sanctions into one zap, the fact that Venezuela has this whole bunch of oil that it exports to our country, and doesn't it make our sanctions look somewhat a little oblivious to the idea that, so what, you put sanctions but we are still getting your money? Does this make our sanctions laws somewhat a little effective?

Mr. DELARE. If I may. The sanctions we are talking about are the sanctions directed against the government in Tehran. Now, of course, they capture Venezuelan activities in Tehran. I am sorry, in Venezuela because of this active economic partnership. But that is the focus of this particular sanction. So, no, I don't think it looks silly. By the same token, we have just sanctioned an Israeli company, a U.K. company, a Singaporian company.

Mr. FALEOMAVAEGA. I am not trying to say that it makes it silly. My point is the point of being effective. Have they been effective if we really wanted to do as part of our foreign policy toward Hugo Chavez's regime and all that he has done, supposedly, contrary to our basic fundamental principles of democracy and all of this?

Mr. DELARE. Well, sir, I will just speak to the Iran side. We look at——

Mr. FALEOMAVAEGA. No, I am not talking about Iran; I am talking about Venezuela.

Mr. DELARE. Okay. Well, we continue to provide him, obviously, with a flow of revenue. Now, if a decision is taken to somehow create another mechanism that we would want to restrict that, or if PDVSA continues to ship——

Mr. FALEOMAVAEGA. But would you say there is somewhat of a contradiction that we have here? We are putting a whole bunch of sanctions against Venezuela and yet, at the same time, we are paying Venezuela $117 million a day for its oil supply.

And I am sorry, my time is up, Mr. Chairman. Thank you.

Mr. CHAFFETZ. Thank you. The gentleman's time has expired.

We will now recognize the gentleman from Florida, Mr. Rivera, for 5 minutes.

Mr. RIVERA. Thank you very much, Mr. Chairman.

Congressman Sires alluded moments ago to the relationship or that nexus between Venezuela and Cuba. I want to try to drill down a little bit more, and I know we are going to have another round, so if we don't get through it all, I will continue on the next round.

For Mr. Benjamin, you are the coordinator for counterterrorism at the Department of State. How many countries are on the list, the U.S. State Department list of sponsors of state terrorism?

Mr. BENJAMIN. Currently on the list, Iran, Syria, Cuba, and Sudan.

Mr. RIVERA. So four countries. And with respect to Cuba, why is Cuba on that list?

Mr. BENJAMIN. Cuba was put on the list, I believe, in 1982 because of its support, principally for its support of various terrorist and revolutionary movements within the hemisphere. And I think it is important to underscore that Cuba has not met the standard for recision, which is to say that we need to be able to either certify that there has been a fundamental change in leadership and the country has ceased to support international terrorism or that the administration can certify that Cuba has gone 6 months without support to foreign terrorist organizations and has given assurances that it will not support any international terrorism in the future. Because of its continued relationship with the FARC and the ELN, Cuba has failed to meet that standard.

Mr. RIVERA. So Cuba has a relationship with the FARC, the ELN, both terrorist organizations. What about ETA?

Mr. BENJAMIN. It is a good question, sir. I don't recall if there is any continued relationship with ETA, but I can get back to you and confirm that.

Mr. RIVERA. What about any Middle East based terrorist organization, Hamas, Hezbollah?

Mr. BENJAMIN. I am unaware of any fundraising activity or operational activity from either of those groups in Cuba, but I would double check, too, and ensure that is correct.

Mr. RIVERA. Is Cuba harboring any terrorists?

Mr. BENJAMIN. Cuba has, over time, harbored members of the FARC and the ELN, and I believe also ETA, although I don't know if they are currently doing so.

Mr. RIVERA. You don't know if they are currently harboring——

Mr. BENJAMIN. ETA.

Mr. RIVERA [continuing]. ETA. But currently they are harboring FARC and ELN terrorists?

Mr. BENJAMIN. Yes, they have.

Mr. RIVERA. How about members of the FBI Most Wanted list? How many of those do we have in Cuba?

Mr. BENJAMIN. Frankly, sir, that is in the law enforcement channel, and I would have to get back to you on that.

Mr. RIVERA. Well, let me refresh your memory. Does the name Janet Chesimard mean anything to you? Would you consider her a terrorist?

Mr. BENJAMIN. Sir, I would have to get back to you. I am not familiar enough with the case.

Mr. RIVERA. You are not familiar with the Chesimard case?

Mr. BENJAMIN. No, not sufficiently to give you a——

Mr. RIVERA. I am going to yield for a moment to Congressman Sires to perhaps give us a little bit of the background, since this occurred in his home State.

Mr. SIRES. Thank you, Congressman. There is currently a $1 million bounty on Chesimard. She was accused of shooting a State po-

lice officer point blank on the highways in New Jersey, so that is the reason. The State police has put a reward of $1 million. She has been in Cuba now for a number of years.

Thank you, Congressman.

Mr. RIVERA. Thank you, Congressman.

And I believe that that was not just a random robbery against the trooper; it was politically motivated. And I think most people would consider that a terrorist act. So I hope you will become a little more familiar with that case in particular.

What about narcotraffickers in Cuba?

Mr. BENJAMIN. I think some of my colleagues may have more to say on the narcotrafficking issue. Mr. Whitaker.

Mr. WHITAKER. Yes. As Ambassador Benjamin noted, there is evidence in the past of ELN and FARC members having been present in Cuba. There are continuing allegations of Cuban government involvement in narcotrafficking, but nothing that we have been able to act upon. Again, as Ambassador Benjamin noted, much of this is in law enforcement channels. I would note that we have tried to reach out to the Cuban government and we have a Coast Guard attache who tries to work with the Cuban government in order to identify and interdict——

Mr. RIVERA. Before my last few seconds, just let me say that in my next round I want to follow up on this because it seems as though we are placing sanctions on Venezuela, which is not on the terrorist list, but more recently we are lifting sanctions on Cuba, and I will get into that in the next round, which is on the terrorist list and in fact is harboring a cop killer from this country. So I will go into that in the next round.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

I will now recognize the gentleman from Florida, Mr. Deutch, for 5 minutes.

Mr. DEUTCH. Thank you, Mr. Chairman. And I apologize, I was a little late getting back, so let me ask if you have addressed this. Have you spoken about the Venezuela airline Conviasa at this point?

So my question is as follows: The United States announced that it is going to sanction Iran Air for its role in shipping sensitive technology and weapons. Conviasa routinely flies Caracas to Tehran. Can you speak to the possibility of sanctioning that airline? And wouldn't it be possible, as well, to sanction any airline that flies in and out of Tehran if it can be linked to the shipping of sensitive technology and/or weapons?

Mr. BENJAMIN. I will give the preliminary answer, and then my colleagues may want to follow up.

As a practical matter, we do not discuss designations in public because of the possibility of tipping potential designees. Regarding the hypothetical of whether others who are involved in supporting Iranian efforts to advance their nuclear program, it is certainly within the scope of the legislation to do that, and we would certainly look hard at doing that.

But, again, I will let those who deal with sanctions and the Venezuelan case specifically——

Mr. DEUTCH. And before they do, Mr. Benjamin, my point here is I would very much like to tip off, that is the purpose of the question. I would like to tip off any airline that is engaged in transporting this sort of sensitive technology and/or weapons into or out of Tehran that they would be subject to these sanctions. That is what I am trying to confirm.

Mr. BENJAMIN. I think that that is a well known fact, that airlines and other businesses in support of that effort can be sanctioned.

Mr. DEUTCH. Then let me just move on to the sanctions regime.

Mr. Delare, your office commences and conducts all of the investigations of the companies that may be subject to sanctions?

Mr. DELARE. Mr. Deutch, no, we primarily work on the energy side of things.

Mr. DEUTCH. Right.

Mr. DELARE. We work closely, of course, with Mr. Szubin on a variety of other things, but——

Mr. DEUTCH. But under CISADA, the focus on investments in the energy sector, those would be your investigations.

Mr. DELARE. Correct.

Mr. DEUTCH. How many people do you have in your office who are conducting those investigations?

Mr. DELARE. At the present time we have four, plus support from our legal staff and the intelligence and research bureau.

Mr. DEUTCH. Four full-time employees?

Mr. DELARE. Call it three and a half.

Mr. DEUTCH. Three and a half full-time employees who are responsible for conducting the investigations to determine whether a company could be subject to sanctions under CISADA?

Mr. DELARE. That is correct.

Mr. DEUTCH. I won't ask you if whether that is a sufficient number, but I will ask whether it will be possible to—let me do it this way. How many more investigations could be conducted at one time? How many can be conducted by one person? Let me start with that.

Mr. DELARE. That is an interesting question. As it now stands, we have it divided by sectors, and I have, I think, everyone in the office doing a number of things simultaneously because various—let's face it, a lot of media reports come in the door; they have to be evaluated. We then begin checking trade press, embassies, businesses, the intelligence community. So it is a constant pushing things through a process with lots of things at different stages, so it is hard to answer that correctly.

Mr. DEUTCH. Well, let me be a little more direct. For those of us who have expressed frustration that the pace of the investigations—well, it is not even the pace; we are not sure the status of some of these investigations because we are not informed until the end—but the frustration that they don't seem to be moving quickly enough, could that be addressed if you had additional investigators, if you had more than the three and a half people who are responsible for all investigations?

Mr. DELARE. I think that is a fair assessment. But let me also make two points in regard to that. CISADA is a relatively new piece of legislation, even though it dates back to last July. Now, in

the intervening period since then we have set up a procedure that never existed before. We have been exceedingly careful to do due diligence on everything we have done. Hence, we probably have spent a little more time as we get used to this than would be necessary, double checking facts——

Mr. DEUTCH. Mr. Delare, I am sorry, I only have 10 seconds left.

Mr. DELARE. I am sorry.

Mr. DEUTCH. Let me just ask one last question. If companies were required to disclose in their filings made to the SEC, those companies that trade on American stock exchanges, whether they are doing business in Iran, that would be considered credible evidence and should immediately subject them to the possibility of sanctions, correct?

Mr. DELARE. It seems like that may be so. Let me get back to you more formally.

Mr. DEUTCH. I appreciate that.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

We will now start the second round by recognizing the gentleman from Florida, Mr. Mack, for 5 minutes.

Mr. MACK. Thank you, Mr. Chairman.

Mr. Ambassador, could you tell us again why Cuba was put on the state sponsor of terrorism list in 1982?

Mr. BENJAMIN. It was put on the state sponsorship list for supporting foreign terrorist organizations engaged in activities primarily in this hemisphere, but, again, for repeated acts of support of international terror.

Mr. MACK. Okay. And then in answering questions from my colleague, Mr. Rivera, you outlined some of those terrorist activities. Can you tell me what the difference is between Cuba and Venezuela?

Mr. BENJAMIN. I think it is important to underscore that the process of putting a state on the list and the process of taking another state off the list are two very different things. We have a very high bar for taking countries off the list. We want to make sure that when we put countries on the list, that we are not setting such a low threshold that we will both incur, create side effects that will undermine our efforts and our broader national security interest. As a result, one secretary of state after another has looked very carefully at a number of different countries over the years for a possible listing——

Mr. MACK. But you gave us the definition of why Cuba was put on the state sponsor of terrorism list, which is exactly what Chavez is doing in Venezuela. So why is it that we have Cuba as a state sponsor of terror and not Venezuela? And it goes to this point, the inconsistencies that I think another member brought up. On one hand we have restricted visas to people in Honduras who have fought for and defended their constitution, the rule of law, their freedom, and their country.

On the other hand, there are people in Venezuela who are not restricted and they are supporting terrorist organizations. So how can Cuba, under your definition, be put on the state sponsor of terrorism list and then Venezuela, doing the same thing, not be placed on the state sponsor of terrorism list?

Mr. BENJAMIN. First of all, I am not conversant with the Honduran case, but let me just say——

Mr. MACK. Take my word for it.

Mr. BENJAMIN [continuing]. As I said, this is about effectiveness and about using the appropriate tools at the appropriate time to elicit the correct response.

Mr. MACK. When is the appropriate time?

Mr. BENJAMIN. I think that is a matter that we have to evaluate on the basis of the activity going on. And I would say, sir, as we noted earlier, if the indicators are going in the right direction, it would seem not to be the right time to——

Mr. MACK. You mean the indicators that are being brought about because of another country's actions, not ours?

Mr. BENJAMIN. We judge countries by the totality of their activity, and if other countries can elicit good behavior, then we certainly view that as a positive development.

Mr. MACK. Well, I just want to, real quick, if you can put up the first slide.

You are familiar with that, right? If it walks like a duck, quacks like a duck and looks like a duck, then it is a duck, right?

Next slide.

If it walks like a terrorist, talks like a terrorist, and acts like a terrorist, then it is a terrorist. And you recognize Hugo Chavez and Fidel Castro, Raul Reyes, and Ahmadinejad. We can agree with that?

Next slide.

Hugo Chavez, "Enough of the imperialist aggression. We must tell the world down with the U.S. empire. We have to bury imperialism this century."

Isn't Hugo Chavez a sponsor of terror?

Mr. BENJAMIN. As I said before, sir, Venezuela is engaged in activities that we find unacceptable, and we are engaged in a sustained effort to get them to stop those activities, and I think that we are taking the appropriate measured approach to get them to stop those activities in a way that will produce results. We may have differences over the means to do it, but I believe that we are searching for the same goal.

Mr. MACK. Thank you, Mr. Chairman.

Mr. CHAFFETZ. The gentleman's time has expired.

We will now recognize Mr. Sires of New Jersey for 5 minutes.

Mr. SIRES. Can you talk a little bit about the arms build-up in Venezuela? I understand that they have bought a considerable amount of weapons.

Mr. WHITAKER. That is correct, sir. The principle purchases that Venezuela has made over the course of the last several years have been from Russia, and they include high performance jet aircraft Sukhois, which have been delivered; they include T–72 tanks, which have not been delivered; air defense systems; and notably in excess of 100,000 AKM, AK–47 rifles.

So there has been a significant arms purchase program by the Venezuelan government. Some of these purchases could probably be defined as purchases to replace superannuated, old, antiquated equipment. You might, for example, say that with respect to the Sukhois. Venezuela had long been a nation which purchased U.S.

jet aircraft. We sold F–16s to Venezuela in the 1980's. Those aircraft are at the end of their service life and the Venezuelan government chose to replace them with Sukhois. So that is an example of replacing superannuated equipment.

Then you have examples of new capabilities, and the T–72 tanks would be a new capability which traditionally Venezuela has not had.

Mr. SIRES. Isn't there also a factory that was built in Venezuela to make AK–47s or something like that?

Mr. WHITAKER. Venezuela and Russia have signed a contract to build such a factory that would produce AKM assault rifles. That factory is not presently in operation. There is actually more that we can provide to you on this in a different setting.

Mr. SIRES. The reason I ask that is because I had conversation with members of other countries, and one of the countries that I had conversations with was Panama, and they have found that Venezuela has tried to influence the people in the interior of Panama, the farmers, especially, so I am concerned that maybe some of these farmers are going to find their way through different countries in South America. Do you have any concerns about that?

Mr. WHITAKER. It would be a significant concern if Venezuela were to start exporting weapons of war to other nations. I think that what we have seen principally over the course of the last several years is rather than exporting munitions and weapons and things like that, is more trying to buy influence with money. That is the tactic that the Venezuelans have engaged in principally, in Central American, in the Caribbean, in Bolivia, for example. There are limits to Venezuelan largesse. Venezuela, as a matter of policy, has chosen to spread a lot of money into the population, and this has meant less money available to support these foreign activities that they would engage in.

Mr. SIRES. Talking about money, how much do you think Venezuela is sending to Cuba currently?

Mr. WHITAKER. The truth is we don't know the answer to that question. Publicly available information indicates that 50,000 barrels of oil a day go to Cuba, and that would be free or virtually free. In addition, Venezuela has agreed to re-engineer, rebuild a refinery in Cuba; that activity has not been completed.

And then, finally, Cuba apparently charges for the doctors and other experts that it provides who work in Venezuela, the numbers of which, I mean, they are estimates and we don't have precise figures, but the estimates are 30, 40,000 individuals, and there is a fee that the Cuban government charges per person to the Venezuelan government.

Mr. FALEOMAVAEGA. Would the gentleman yield?

Mr. SIRES. Yes.

Mr. FALEOMAVAEGA. I just wanted to know, from Chairman Mack's statement, that we buy $117 million worth of oil a day from Cuba. By my limited knowledge——

Mr. SIRES. From Venezuela, you mean.

Mr. FALEOMAVAEGA. From Venezuela. I am sorry. It is $42.7 billion worth of oil that we buy from Venezuela each year. That is my limited knowledge of mathematics. But that is not peanuts, in my humble opinion.

I thank the gentleman for yielding.

Mr. SIRES. Now that I lost my train of thought.

I just want to add, following up on my friend, Congressman Rivera, there are more than just one felon in Cuba that are currently, it is not just Chesimard. There are close to 100 that have escaped the United States and are in Cuba, basically, with sanction, living there, enjoying the beach, and everything else. Thank you.

You have any comment about that?

Mr. WHITAKER. All I can tell you, sir, is, actually, in the past I worked on Cuba and I can tell you this is a regular topic of conversation we have with the Cubans, including with respect to Joanne Chesimard and other fugitives from U.S. justice.

Mr. SIRES. I can tell you that New Jersey State troopers are not going to ever give up the request to have Chesimard be expelled out of Cuba so she can be brought here to trial again.

Mr. WHITAKER. And we join them in that.

Mr. SIRES. Okay. Thank you.

Mr. CHAFFETZ. The chairman yields back.

I will now recognize myself for 5 minutes.

Mr. Whitaker, isn't the only reason we haven't put Venezuela on the state sponsor of terrorism list, isn't the only reason because we consume a lot of their oil? Is that fair to say?

Mr. WHITAKER. Chairman, I would associate myself with what Ambassador Benjamin said. We are trying to engage in substantial iterative sanctions designed to accomplish different ends, and there are a number of factors that go into this process, including the economic effects we talked about, including the effects on democratic development.

Mr. CHAFFETZ. So what other major economic effect is there other than oil? I mean, oil is a big one; we cited the number several times. That is the administration's concern, right? We consume a lot of their oil. That is the only thing that is holding us back, isn't it?

Mr. WHITAKER. Again, Mr. Chairman, I think that it is broader than that. I think that that is a factor. I think that the economic relationship, broadly stated, there are dozens and dozens of U.S. companies that do business in Venezuela today, some of which are intimately involved in the oil industry, provide oil support, oil services, some of which are international oil companies like Chevron, some of which are like Xerox, American Airlines. So these kinds of factors need to be taken into account as well, in addition to the effect on democratic development within Venezuela, the diplomatic outreach that our neighbors have engaged in.

Mr. CHAFFETZ. Let me go to Mr. Szubin there. Let's talk about all this money that does flow in. Where does that money go once it gets to—do we have any idea or sense of where these oil profits go once they get to Venezuela? Does Treasury not track that at all? I mean, we send them over $100 million a day, so what is happening with that money?

Mr. SZUBIN. I can't speak to Venezuelan government revenue allocation. Our office focuses on——

Mr. CHAFFETZ. But it does go to their government.

Mr. SZUBIN. Yes.

Mr. CHAFFETZ. I am sorry, did somebody else want to address that? Mr. Whitaker.

Mr. WHITAKER. PDVSA's receipts go directly—this is a change from the past. In the past, PDVSA operated as—it was government owned, but it operated as an independent entity with its own financial structure. One of the changes that Chavez made was to insist on PDVSA's receipts going directly to the government. So if your assertion is that PDVSA receipts go directly to the government, I think that is accurate.

Mr. CHAFFETZ. In comparison to other parts of their economy, what portion of their oil proceeds, of their economic input, how big is that in their economy?

Mr. WHITAKER. If you are talking about government receipts, it is about half of government receipts. If you are talking about exports, it is the lion's share of exports. I can get you the precise number, but it is in excess of three-quarters of the total receipts from exports.

Mr. CHAFFETZ. Okay. Very good.

Yes, yield to the gentleman from Florida, Mr. Mack.

Mr. MACK. So half of the receipts to the government come from the oil that is sold here to the United States, is that what you said?

Mr. WHITAKER. Half of government receipts come from proceeds to PDVSA. Not all of PDVSA receipts come from the United States.

Mr. MACK. Okay.

Mr. WHITAKER. The majority of exports by PDVSA go to the United States.

Mr. MACK. Right. So I think what you are hearing from us is that we want to see some sanctions that affect the oil industry in Venezuela. And let's not make—it is not an industry, it is Chavez. Right now all of that oil, we are funding his ability to continue to sponsor terror. And, again, I think a lot of us are wondering—and this is, obviously, a bipartisan issue; everybody is talking about the same thing.

Why aren't we putting these sanctions on PDVSA, especially when the State Department, the Secretary, with the signature of her pen, can allow the Keystone XL pipeline to move through, move forward, which then we wouldn't need to buy the oil from Venezuela. And if we don't buy the oil from Venezuela, he cannot continue to sponsor terror. So it seems pretty simple. Maybe you can explain it why it is not that simple.

Mr. DELARE. I would hesitate to ever tell a Congressman that it wasn't that simple, but it isn't.

Mr. MACK. Go for it.

Mr. DELARE. Well, in fact, I fully appreciate your argument about alternate energy sources and, in fact, the oil sands project will probably take 10 years to come online.

Mr. MACK. But we get that argument all the time.

Mr. DELARE. Of course.

Mr. MACK. And isn't it true that there has been study after study already, all the time the study comes back in a positive way, but then the environmentalists whip it all up again? I mean, we are going to continue to buy this oil from Chavez when we can get it from our friends in Canada.

Mr. DELARE. That is very true, but we have to look at the market as it stands today. And we are in a very difficult economic patch, as you well know, sir, and——

Mr. MACK. You can't look at the market in just today.

Mr. DELARE. Well, I will even look at it for the next 5 years and say we have to make adjustments, but in the meantime we have to get that energy from somewhere.

Mr. CHAFFETZ. I guess, as I wrap up here, I would just say there is a concerted effort to say we are okay with the terrorism as long as we keep the price of gas low down here. And that is the concern that I think a lot of us have. I think the administration is making a very concerted effort. We can give them half, three-quarters of their revenue to Hugo Chavez. It is okay, even though they are participating in terrorism, as long as we keep that price of gas down at 7–11.

I now yield 5 minutes to the gentleman from Florida, Mr. Rivera.

Mr. RIVERA. Thank you very much.

For Mr. Szubin, you are the Director of the Office of Foreign Assets Control, so you are in charge of regulating the Trading with the Enemies Act, is that correct?

Mr. SZUBIN. Yes.

Mr. RIVERA. Cuba is regulated under that act.

Mr. SZUBIN. Our sanctions against Cuba were issued pursuant to the Trading with the Enemy Act.

Mr. RIVERA. So Cuba is an enemy of the United States.

Mr. SZUBIN. The title of the statute that Congress passed is the Trading with the Enemy Act, and that is our authority under which we use these sanctions.

Mr. RIVERA. So I would presume Cuba is considered an enemy of the United States.

Mr. SZUBIN. That is not for me to characterize, but you are correct as to the title of the statute.

Mr. RIVERA. How many flights were there between Iran and Venezuela? I heard one flight a week that no longer exists, is that correct?

Mr. SZUBIN. What Mr. Whitaker mentioned earlier is that there had been a period of one flight a week, and we believe that has now stopped.

Mr. RIVERA. How many flights are there between the United States and the other countries who are on the terrorist list, direct flights, North Korea, you said Sudan and Iran? How many direct flights a day?

Mr. SZUBIN. I don't know, but I would be happy to look into that and get back to you.

Mr. RIVERA. Do you not regulate those? Trading with the Enemy Act, would that not fall under your purview?

Mr. BENJAMIN. Sir, I can answer that.

Mr. RIVERA. Yes.

Mr. BENJAMIN. There are none.

Mr. RIVERA. There are none. How many flights are there between the United States and our enemy, Cuba, a day?

Mr. BENJAMIN. If you are talking about——

Mr. RIVERA. Direct flights.

Mr. SZUBIN. Private charter flights?

Mr. RIVERA. Airplanes, airplanes that fly between the United States and Cuba daily.

Mr. SZUBIN. I don't know the answer to that.

Mr. RIVERA. Do you not regulate?

Mr. SZUBIN. Yes, we do, and I would be happy to get the answer for you, but I don't know it offhand.

Mr. RIVERA. You are the Director of OFAC.

Mr. SZUBIN. Correct.

Mr. RIVERA. You regulate the Trading with the Enemies Act. Flights between the United States and Cuba, an enemy, are regulated by you.

Mr. SZUBIN. Yes.

Mr. RIVERA. The only flights that exist, according to the enemies list, North Korea, Sudan, and Iran, is zero. Cuba is the only—you don't know how many flights?

Mr. SZUBIN. That is right.

Mr. RIVERA. Okay. I would like for you to get me that information.

Mr. SZUBIN. I would be happy to, Congressman.

Mr. RIVERA. And I would like to know not only how many flights, but who is chartering those flights, what companies own the airplanes that are chartering those flights. Are you familiar with that, who are chartering or what companies own the planes?

Mr. SZUBIN. What I can tell you is that to operate a charter service with respect to Cuba, you need to be licensed by our office. So there is an elaborate process which travel service providers or charter service providers need to come in, they need to make all sorts of showings as to exactly the questions you are talking about, their ownership and——

Mr. RIVERA. So you should be intimately familiar with these flights.

Mr. SZUBIN. If I had a better memory, I could recite the names of all these charter companies for you offhand, but that is not something——

Mr. RIVERA. Would you say the number is more than 10, less than 100, more than 1,000?

Mr. SZUBIN. As I said, Congressman, I don't know the number of flights a day going to Cuba.

Mr. RIVERA. Mr. Whitaker, recently I understand that there was a summary that was produced of a phone conversation you had with the Charges d'Affaires of Venezuela, Angelo Rivero Santos. Are you familiar with this? Did you recently have a phone conversation?

Mr. WHITAKER. I have spoken to him on the phone. I am not aware of any transcript being published.

Mr. RIVERA. Well, I received information of it being published where you did a few things; you congratulated him on the excellent diplomatic work done on the Honduran crisis, you invited him to meet with Secretary of State of Venezuela, we assured him that Venezuela was well represented in the State Department and a desire to work together to improve relations. Does any of this sound familiar?

Mr. WHITAKER. It does not. That is not a conversation that I had, sir.

Mr. RIVERA. No conversation between you and——

Mr. WHITAKER. As I say, I have spoken with Charges d'Affaires Rivero on the phone.

Mr. RIVERA. Recently?

Mr. WHITAKER. I would have to go back and check, but that is not—what you just said is not a conversation that I——

Mr. RIVERA. What was the tenor of that conversation?

Mr. WHITAKER. Sir, I rarely speak with him. I did have a recent conversation; it was highly operational in nature, and I would be happy to discuss that with you. But the factors that you just mentioned——

Mr. RIVERA. Were not part of that conversation?

Mr. WHITAKER [continuing]. Were not part of that conversation and they are not things that I would say.

Mr. RIVERA. Thank you.

Thank you, Mr. Chairman.

Mr. CHAFFETZ. Thank you.

If there are no further questions, we will thank the witnesses for appearing here today. I would just implore you again, in the future, and I would ask that the administration work with us in, A, providing witnesses in a timely manner and providing testimony, the written statements, 48 hours in advance so that we can do our jobs as well. I appreciate your patriotism, your commitment to our country, your sacrifice and your service to the country. I hope you find that it wasn't too painful to come before this committee, and perhaps we will have you here again, but we do appreciate your testimony here today.

The committee will stand adjourned.

[Whereupon, at 11:18 a.m., the subcommittees were adjourned.]

[Additional information submitted for the hearing record follows:]

# Congress of the United States
Washington, DC 20515

February 10, 2011

The Honorable Hillary Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, DC 20520

Dear Madam Secretary:

We are writing today in support of the TransCanada Keystone Gulf Coast Expansion Project (Keystone XL Project) which has been awaiting a Presidential Permit since 2008. The Keystone XL Project is a prime example of a critical private sector project delayed by a slow government bureaucratic process that is preventing the creation of thousands of jobs and millions of dollars in revenue. It represents an extraordinary opportunity to put Americans back to work, invest billions into the economy, and improve the security of this nation. Further delays in the approval process will continue to jeopardize this project's realization. We urge you to conclude this process, approve a Presidential Permit, and allow the Keystone XL expansion to move forward as soon as possible.

In recent months, members of Congress have presented strong and convincing arguments in support of the Keystone XL Project, including: the creation of jobs for thousands of Americans, millions in tax revenue for local and state governments, strict environmental regulation in Canada, and billions in indirect economic stimulus connected to the pipeline project. The benefits of this project far outweigh any argument made by the opposition. But the Keystone XL Project is not only a matter of national interest; it is a matter of national security.

Despite a recent focus on renewable energy, America is still many years away from ending its dependence on non-renewable resources like petroleum. As the largest consumer of petroleum products in the world, we currently depend on foreign imports for more than half of our petroleum usage. Dependence on foreign oil has created difficult geopolitical relationships with damaging consequences for our national security. Without plentiful sources of energy, the United States must accommodate and pander to oil producing nations with autocratic governments whose behavior would be profoundly condemned in other circumstances. In addition to providing anti-democratic governments with revenues that prop up their economies, the U.S. is beholden to volatile and unfriendly governments with the potential to leverage their resources in a manner that threatens the U.S. economy and the ability of our military to protect our country.

According to the State Department, at least half of Venezuela's oil exports are shipped to the United States, accounting for close to a quarter of the country's total federal revenues. The continued imports of Venezuelan crude amount to a tacit approval of Venezuelan government policy, a government that actively subverts the will of its people, supports terrorist organizations and promotes anti-U.S. rhetoric throughout the world. The Keystone

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XL pipeline could entirely replace the oil imported from Venezuela and end the need to depend on a nation whose government currently enjoys an influx of United States cash to support its dangerous goals.

As the price at the pump continues to climb, America needs to look to reliable oil producing countries that do not force us to compromise our ideals and national security. Canada is already our largest supplier of oil, a responsible and reliable partner in energy, and a friendly and democratic government that shares the values and ideals of the United States. TransCanada's Keystone XL Project represents a chance to reduce dependence on foreign despotic governments, improve our national security, and strengthen ties with an important ally.

Madam Secretary, we urge you to make the Keystone XL Project a priority and approve a Presidential Permit as soon as possible.

Sincerely,

CONNIE MACK
Member of Congress

DAVID RIVERA
Member of Congress

JEFF MILLER
Member of Congress

AARON SCHOCK
Member of Congress

NICK RAHALL
Member of Congress

RUBEN HINOJOSA
Member of Congress

EDDIE BERNICE JOHNSON
Member of Congress

JASON CHAFFETZ
Member of Congress

SUE MYRICK
Member of Congress

BILL FLORES
Member of Congress

GENE GREEN
Member of Congress

M.C.
DAVID McKINLEY
Member of Congress

LYNN JENKINS
Member of Congress

DAN BURTON
Member of Congress

HOWARD COBLE
Member of Congress

MICHELE BACHMANN
Member of Congress

CANDICE S. MILLER
Member of Congress

TIM HOLDEN
Member of Congress

PETE OLSON
Member of Congress

DOUG LAMBORN
Member of Congress

BOBBY SCHILLING
Member of Congress

SHELLEY MOORE CAPITO
Member of Congress

PAUL BROUN
Member of Congress

JEAN SCHMIDT
Member of Congress

TED POE
Member of Congress

CATHY McMORRIS RODGERS
Member of Congress

BILLY LONG
Member of Congress

BILL POSEY
Member of Congress

MIKE ROSS
Member of Congress

TOM PETRI
Member of Congress

**Congress of the United States**
**Washington, DC 20515**

November 16, 2011

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We are writing to express our deep frustration over news that a decision on the Keystone XL Project will be further delayed until after next year's presidential election. The decision by Nebraska's legislature to vote on this project without any delay shows the American people's resolve to create jobs and ensure our energy security. We ask you to take action before the end of the year in line with the Department of State's longstanding public timeline.

As you know, the permit application for the Keystone XL Project was submitted over three years ago, in September of 2008. Since then, this pipeline has undergone three stages of public environmental impact studies (draft, supplemental, and final) as well as detailed, public economic and national security reviews by myriad academics, consultants, and experts. The Keystone XL Project's unusually protracted permit application process has allowed ample time and opportunity for public debates and investigations. Any further delay in this process will only be viewed as placing political gain over the U.S. economy and security.

Satisfying America's future energy needs will require a willingness to commit to a variety of resources and technologies. Natural disasters and volatile political climates in places like the Middle East and Venezuela mean the global oil supply will remain susceptible to disruption with potentially severe impacts on the global economy and our national security. Canadian oil, combined with domestic fossil fuels and alternative energy innovations, will go a long way toward determining our country's energy security. Construction of the pipeline will create thousands of jobs and inject millions of dollars into local economies. While the Keystone XL Project cannot solve America's energy crisis alone, it is a necessary step for the U.S. economy, U.S. national security and U.S energy needs.

Mr. President, the American people should not have to watch this job creating project fail because of partisan concerns; our national security and economy are too important. The time to make a decision is now.

Respectfully,

| | | |
|---|---|---|
| CONNIE MACK | DOUG LAMBORN | TIM HOLDEN |
| Member of Congress | Member of Congress | Member of Congress |

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MICHAEL CONAWAY
Member of Congress

DONALD MANZULLO
Member of Congress

DAVID RIVERA
Member of Congress

ROBERT SCHILLING
Member of Congress

KEVIN BRADY
Member of Congress

SHELLEY MOORE CAPITO
Member of Congress

AARON SCHOCK
Member of Congress

JOHN DUNCAN JR.
Member of Congress

CHARLES BOUSTANY JR.
Member of Congress

TOM COLE
Member of Congress

ALBIO SIRES
Member of Congress

MARSHA BLACKBURN
Member of Congress

TOM MCCLINTOCK
Member of Congress

BILL POSEY
Member of Congress

ANDY HARRIS
Member of Congress

THOMAS PETRI
Member of Congress

JEFFREY LANDRY
Member of Congress

BILL HUIZENGA
Member of Congress

MAC THORNBERRY
Member of Congress

RICHARD NUGENT
Member of Congress

JOE WALSH
Member of Congress

JEFF DUNCAN
Member of Congress

JOE WILSON
Member of Congress

MICHAEL MCCAUL
Member of Congress

DAN BURTON
Member of Congress

MARTHA ROBY
Member of Congress

STEVE CHABOT
Member of Congress

EDWARD ROYCE
Member of Congress

BILL FLORES
Member of Congress

WALLY HERGER
Member of Congress

LYNN JENKINS
Member of Congress

JEFF MILLER
Member of Congress

TIM GRIFFIN
Member of Congress

PAUL BROUN
Member of Congress

RENEE ELLMERS
Member of Congress

MARY BONO MACK
Member of Congress

CANDICE MILLER
Member of Congress

CATHY MCMORRIS RODGERS
Member of Congress

SAM JOHNSON
Member of Congress

LOU BARLETTA
Member of Congress

JEAN SCHMIDT
Member of Congress

HOWARD COBLE
Member of Congress

JOSEPH PITTS
Member of Congress

ALAN NUNNELEE
Member of Congress

MIKE COFFMAN
Member of Congress

ANN MARIE BUERKLE
Members of Congress

CYNTHIA LUMMIS
Member of Congress

TOM REED
Member of Congress

THOMAS ROONEY
Member of Congress

MIKE KELLY
Member of Congress

GUS BILIRAKIS
Member of Congress

TOM MARINO
Member of Congress

MARIO DIAZ-BALART
Member of Congress

FRANCISCO "QUICO" CANSECO
Member of Congress

**PDVSA**

CYS-GSYL-2010-001

*Jesús Oswaldo Avancini*
*Supply & Logistics General Manager*
*Commerce and Supply PDVSA*

Caracas January 06th, 2011

Messrs.
National Iranian Oil Company (NIOC)
Taleghani Avenue
Tehran, Iran

**LETTER OF UNDERTAKING**

We PDVSA PETROLEO S.A. have supplied and transferred the title and ownership right of the cargo of **34,198.57 and 1410.02** metric tons, Bill of Lading date 26/11/2010 of reformate unleaded shipped on board the M/T ASPASIS from Bullenbay Port, Curacao to **National Iranian Oil Company (NIOC).**

Best Regards,

JP/ap

PETROLEOS DE VENEZUELA, S.A.
Avenida Libertador, edificio Petróleos de Venezuela, Torre Este, La Campiña. Apartado postal 169. Caracas 1010-A, Venezuela
Teléfonos: (02) 708 4111 Fax: (02) 708 4661 / 708 4662 www.pdvsa.com

**Refineria Isla Curaçao B.V.**

# Bill of Lading
(Conocimiento de Embarque)

Shipped in apparent good order and condition by (Embarcado en aparente buen estado y condicion por) **PDVSA PETROLEO, S.A.**

on board the vessel: (a bordo del buque) **ASPASIS** flag (de bandera) **BARBADOS**

whereof (del cual) **MURADALI N. MODAK** is Master, loaded at (es su capitan, cargado en) **BULLENBAY, PORT, CURACAO**

and to be delivered at the port of (y para ser entregado en el puerto de) **FUJAIRAH FOR ORDERS**

or, so near thereto as the vessel can safely get, always afloat unto, consigned to (o tan cerca del mismo donde el buque pueda arribar con seguridad, a la consignacion de) **PDVSA PETROLEO, S.A. FOR ORDER**

of contents (de contenido) **REFORMATE UNLEADED**

| EXACT QUANTITY LOADED (Cantidades Exactas Cargadas) | GROSS AT 60°F (Bruto a 60°F) | NET AT 60°F (Neto a 60°F) |
|---|---|---|
| BARRELS OF 42 U.S. GALLONS (Barriles de 42 galones U.S.) | | 11,181 |
| LONG TONS (Toneladas Largas) | | 1,388 |
| METRIC TONS (Toneladas Metricas) | | 1,410.02 |
| U.S. GALLONS (Galones U.S.) | | 469,602 |
| KILOGRAMS (Kilogramos) | | 1,410,026 |
| CUBIC METERS (Metros Cubicos) | | 1,777 |
| LITERS at 15°C o 60°F (Litros a 15 °C o 60 °F) | | 1,776,746 |

To the order on payment of freight at the rate of .
(A la orden previo pago del flete a la rata de)

This shipment is carried under and pursuant to the terms of charter party
(Este embarque se lleva a cabo de acuerdo y bajo los terminos del convenio de fletamento de)

**COPY NON-NEGOTIABLE**

Date (Fecha) between (entre) . and (y) .

As charterer, and all the terms whatsoever of the said charter except the rate and payment of freight specified
(Como fletador, y todos los terminos, cualquiera que sean, del citado fletamento excepto la rata y el pago de flete especificado)

there in apply to and govern the rights of the parties concerned in this shipment.
(en el mismo se aplicaran y regiran los derechos de las partes en este embarque.)

In witness whereof the master has signed ( 3 ) Bills of Lading of this tenor and date.one of which being accomplished the others will be void.
(En testimonio de lo anterior el capitan ha firmado conocimientos de embarque del mismo tenor e igual fecha, uno de los cuales al ser presentado dejara sin validez a los demas.)

Clauses 1 to 10 inclusive on the reverse of this Bill of Lading are incorporated herein and form part of Bill of Lading.
(Las clausulas del 1 al 10 inclusive al dorso de este conocimiento de embarque son parte integral de este conocimiento de embarque.)

This sale is under the condition that the exporter of record is **PDVSA PETROLEO, S.A.**
(Esta venta es bajo la condicion de que el exportador de registro es)

Credit Letter N° (N° Carta de Crédito) **NIL** Shipment N° (N° Embarque) **2757** Certificate N° (N° Certificado) **NIL**

Scac N° (Código Alfanumérico del Transportista Marítimo) **NIL** B/L N° (N° B/L) **14707-2757-2-1** Order N° (Orden N°) **NIL**

Import License N° (N° Licencia de Importacion) **NIL** Indent N° **NIL** Partida Arancelaria **NIL**

Remarks (Observaciones)

**FREIGHT AS AGREED OR FREIGHT PAYABLE AS PER CHARTER PARTY.**
**CLEAN ON BOARD**

THOM SHIP MANAGEMENT
Master
M.T. Asposis

By Master (Por el Capitan)
Signature (Firma)
Name (Nombre) MURADALI N. MODAK

Dated at (Fecha en) BULLENBAY, PORT, CURACAO ON (en) November 26th, 2010

**Refineria Isla Curaçao B.V.**

# Bill of Lading
(Conocimiento de Embarque)

Shipped in apparent good order and condition by (Embarcado en aparente buen estado y condicion por) **PDVSA PETROLEO, S.A.**

on board the vessel: (a bordo del buque) **ASPASIS** flag (de bandera) **BARBADOS**

whereof (del cual) **MURADALI N. MODAK** is Master, loaded at (es su capitan, cargado en) **BULLENBAY, PORT, CURACAO**

and to be delivered at the port of (y para ser entregado en el puerto de) **FUJAIRAH FOR ORDERS**

or, so near thereto as the vessel can safely get, always afloat unto, consigned to (o tan cerca del mismo donde el buque pueda arribar con seguridad, a la consignacion de) **PDVSA PETROLEO, S.A. FOR ORDER**

of contents (de contenido) **REFORMATE UNLEADED**

| EXACT QUANTITY LOADED (Cantidades Exactas Cargadas) | GROSS AT 60°F (Bruto a 60°F) | NET AT 60°F (Neto a 60°F) |
|---|---|---|
| BARRELS OF 42 U.S. GALLONS (Barriles de 42 galones U.S.) | | 271,184 |
| LONG TONS (Toneladas Largas) | | 33,658 |
| METRIC TONS (Toneladas Metricas) | | 34,198.57 |
| U.S. GALLONS (Galones U.S.) | | 11,389,728 |
| KILOGRAMS (Kilogramos) | | 34,198,569 |
| CUBIC METERS (Metros Cubicos) | | 43,093 |
| LITERS at 15°C o 60°F (Litros a 15 °C o 60 °F) | | 43,092,954 |

To the order on payment of freight at the rate of .
(A la orden previo pago del flete a la rata de)

This shipment is carried under and pursuant to the terms of charter party
(Este embarque se lleva a cabo de acuerdo y bajo los terminos del convenio de fletamento de)

**COPY NON-NEGOTIABLE**

Date (Fecha) between . (entre) and . (y)

As charterer, and all the terms whatsoever of the said charter except the rate and payment of freight specified
(Como fletador, y todos los terminos, cualquiera que sean, del citado fletamento excepto la rata y el pago de flete especificado)

there in apply to and govern the rights of the parties concerned in this shipment.
(en el mismo se aplicaran y regiran los derechos de las partes en este embarque.)

In witness whereof the master has signed ( 3 ) Bills of Lading of this tenor and date,one of which being accomplished the others will be void.
(En testimonio de lo anterior al capitan ha firmado conocimientos de embarque del mismo tenor e igual fecha, uno de los cuales al ser presentado dejara sin validez a los demas.)

Clauses 1 to 10 inclusive on the reverse of this Bill of Lading are incorporated herein and form part of Bill of Lading.
(Las clausulas del 1 al 10 inclusive al dorso de este conocimiento de embarque son parte integral de este conocimiento de embarque.)

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(Esta venta es bajo la condicion de que el exportador de registro es)

Credit Letter N° (N° Carta de Crédito) **NIL** Shipment N° (N° Embarque) **2757** Certificate N° (N° Certificado) **NIL**

Scac N° (Código Alfanumérico del Transportista Marítimo) **NIL** B/L N° (N° B/L) **14707-2757-1-1** Order N° (Orden N°) **NIL**

Import License N° (N° Licencia de Importacion) **NIL** Indent N° **NIL** Partida Arancelaria **NIL**

Remarks (Observaciones)
**FREIGHT AS AGREED OR FREIGHT PAYABLE AS PER CHARTER PARTY.**
**CLEAN ON BOARD**

NOAH SHIP MANAGEMENT LTD. Master M.T. Aspasis

By Master (Por el Capitan)
Signature (Firma)
Name (Nombre) MURADALI N. MODAK

Dated at (Fechado en) BULLENBAY, PORT, CURACAO ON (el) November 26th, 2010

| PDVSA | DIRECCION EJECUTIVA DE COMERCIO Y SUMINISTRO | Código | CYS-COM-VEN-FOR-005 |
|---|---|---|---|
| | | Fecha de emisión: | Marzo 2008 |
| | | Nº de revisión: | 1 |
| | RECAP | Fecha de revisión: | Enero 2009 |
| | | Nº de página: | 1 / 2 |

| | |
|---|---|
| **DATE:** (FECHA): | .DECEMBER 02, 2010. |
| **TO:** **(PARA):** | ALINEJAD (GASOLINE MARKETING MANAGER), G A. AKBARPOUR (DEPUTY GENERAL MANAGER PETROLEUM PRODUCT OPERATIONS) |
| **COPY:** (CON COPIA): | MARCO MALAVE COMMERCIAL PRODUCTS MANAGER |
| **FROM:** (DE): | CARLOS ORELLANA – PDVSA. |
| **MANAGEMENT:** (GERENCIA): | PRODUCTS COMMERCIAL MANAGEMENT |

## NEGOTIATION SUMMARY
(RESUMEN DE LA NEGOCIACIÓN)

| | |
|---|---|
| **CONTRACT Nº:** (NRO DE CONTRATO): | SA140503 |
| **NEGOTIATION DATE:** (FECHA DE NEGOCIACIÓN) | DECEMBER 02, 2010. |
| **BUYER:** (COMPRADOR) | NATIONAL IRANIAN OIL COMPANY (NIOC) |
| **SELLER:** (VENDEDOR) | PDVSA PETROLEO, S.A. |
| **RECORD EXPORTER:** (EXPORTADOR DE RECORD) | PDV. |
| **TYPE OF SALE:** (TIPO DE VENTA) | FREE ON BOARD (FOB). |
| **HIDROCARBON:** (HIDROCARBURO) | **REFORMATE** |
| **VOLUME (BBLS):** (VOLUMEN [BBLS]) | TWO (02) CARGOES PER 300,000 BBLS EACH ONE |
| **VOLUME TOLERANCE:** (TOLERANCIA DEL VOLUMEN) | + / - 5% (SELLER'S OPTION). |
| **LOADING PERIOD:** (PERIODO DE CARGA) | 1) DECEMBER 20-22 ,2010<br>2) DECEMBER 28-30 ,2010 |
| **LOADING PORT:** (PUERTO DE CARGA) | BULLENBAY, CURACAO |
| **DESTINATION:** (DESTINO) | FUJAIRAH FOR ORDERS |
| **PRICE FORMULA:** (FORMULAS DE PRECIO) | PLATTS MEAN REGULAR GASOLINE WATERBORNE USG + 39.75 CTS/GAL. |
| **PRICING PERIOD:** (PERIODO DE PRECIACIÓN) | **1ST CARGO DEEM DAYS** 15-16-17-20-21-22 DEC, 2010.<br>**2ND CARGO DEEM DAYS** 27-28-29-30 DEC, 2010, 03-04 JAN 2011 |
| **LAYTIME:** (TIEMPO DE CARGA PERMITIDO) | SELLER SHALL HAVE AN ALLOWED LAYTIME WITHIN WHICH TO COMPLETE THE LOADING OF THIRTY-SIX (36) HOURS FOR EACH CARGO TO COMPLETE THE LOADING OF THE QUANTITY OF OIL NOMINATED AND ACCEPTED. ALLOWED LAYTIME SHALL COMMENCE WHEN THE VESSEL IS ALL FAST OR WHEN SIX (6) CONSECUTIVE HOURS HAVE EXPIRED SINCE THE TENDER OF NOTICE OF READINESS (NOR), WHICHEVER FIRST OCCURS, IF THE VESSEL ARRIVES DURING THE ACCEPTED THREE (3) DAYS LOADING RANGE. |

A
CO

| PDVSA | DIRECCION EJECUTIVA DE COMERCIO Y SUMINISTRO | Código | CYS-COM-VEN-FOR-005 |
|---|---|---|---|
| | | Fecha de emisión: | Marzo 2008 |
| | | N° de revisión: | 1 |
| | RECAP | Fecha de revisión: | Enero 2009 |
| | | N° de página: | 2 / 2 |

**INSPECTION**
(INSPECCION)

THE QUANTITY AND QUALITY OF EACH SHIPMENT OF PRODUCT SHALL BE DETERMINED BY SELLER IN SHORE TANKS AT THE LOADING PORT. BUYER SHALL NOMINATE INDEPENDENT INSPECTOR ACCEPTABLE TO SELLER. COST TO BE EQUALLY SHARED BY BUYER AND SELLER. SAMPLES OF PRODUCT SHALL BE RETAINED AT LOADING PORT FOR A PERIOD OF NINETY (90) DAYS AFTER THE B/L DATE. NO CLAIMS ON QUALITY TO BE ACCEPTED BY SELLER AFTER THIS NINETY (90) DAYS PERIOD.

(SEE CLAUSE 2 OF THE GENERAL CONDITIONS OF SALE)

**QUANTITY AND QUALITY DETERMINATION**
(DETERMINACION DE CANTIDAD Y CALIDAD)

FOR OPERATIONAL REASONS SELLER MAY REDUCE THE AGREED NOMINATION VOLUME BY UP TO 5 PCT (MAX 5%). NO DEAD FREIGHT CLAIM CAN BE MADE AGAINST SELLER IF SELLER PROVIDES AT LEAST THE BASIC NOMINATION LESS 5 PCT (MAX 5%). ADDITIONALLY, BOTH BUYER AND SELLER AGREE THAT NO CLAIM WILL BE SUBMITTED FOR PAYMENT IF THE INITIAL VALUE IS LESS THAN 1,500 US DOLLARS.

**DEMURRAGE RATE:**
(TASA DE DEMORA)

AS PER CHARTY PARTY

**SALE CONDITIONS:**
(CONDICIONES DE VENTA)

FOB PDVSA GTC'S.

**PAYMENT TERMS:**
(TERMINOS DE PAGO)

**ACCORDING TO CONTRACT SA140503**

**OTHER TERMS AND CONDITIONS:**
(OTROS TERMINOS Y CONDICIONES)

FOB PDVSA GTC'S.

**QUALITY:** **REFORMATE**

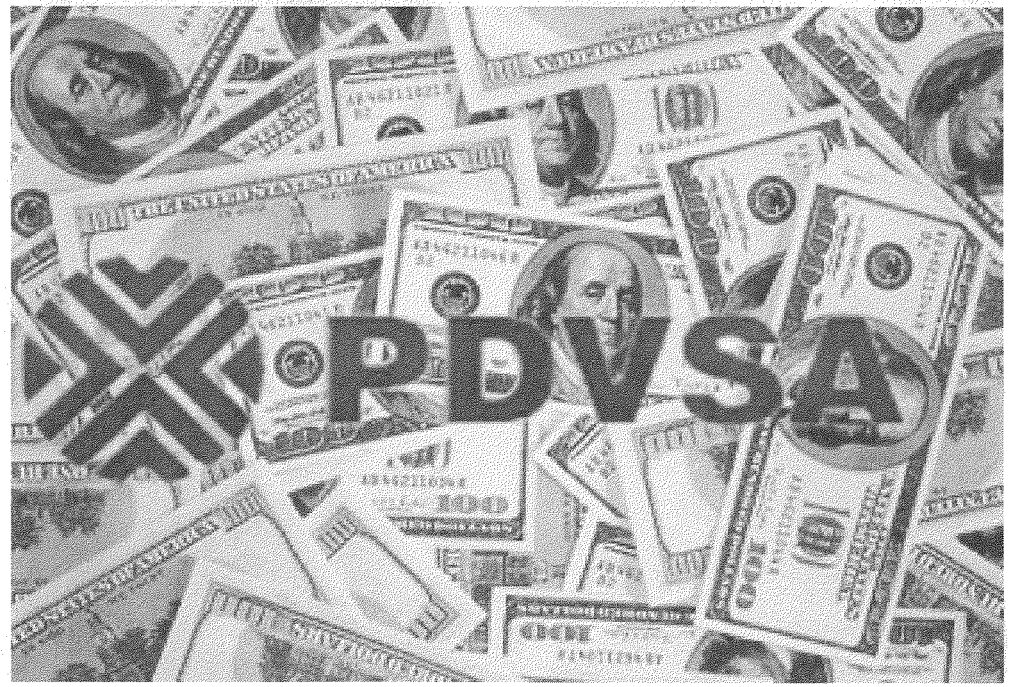
| SPECIFICATION DESCRIPTION | UOM | TEST METHOD | MIN | MAX |
|---|---|---|---|---|
| API GRAVITY @60F(15.5C) | API | D1298 | 35 | |
| AROMATICS CONTENT | VOL PCT | D1319 | | 75 |
| BENZENE CONTENT | VOL PCT | D3606 | | 3 |
| COLOR, ASTM | | D1500 | REPORT | |
| CORROSION, CU, 2HRS@212F(100C) | | D130 | REPORT | |
| DISTILLATION 10 PCT RECOVERED | CELSIUS | D86 | | 116 |
| DISTILLATION 50 PCT RECOVERED | CELSIUS | D86 | | 143 |
| DISTILLATION 90 PCT RECOVERED | CELSIUS | D86 | | 188 |
| DISTILLATION IBP | CELSIUS | D86 | REPORT | |
| NITROGEN CONTENT | PPM | D4629 | REPORT | |
| OCTANE NUMBER MOTOR | ON | D2700 | REPORT | |
| OCTANE NUMBER RESEARCH | ON | D2699 | 100 | |
| OLEFINS CONTENT | VOL PCT | D1319 | REPORT | |
| REID VAPOR PRESSURE @100F(37.8C) | PSIA | D323 | | 6 |
| SULPHUR CONTENT | PPM | D5453 | | 30 |

ALL OTHER TERMS AND CONDITIONS EXCEPT AS SET ABOVE, AS PER CONTRACT SA140503 AND PDVSA PETROLEO S.A. STANDARD GENERAL CONDITIONS OF SALE FOB.

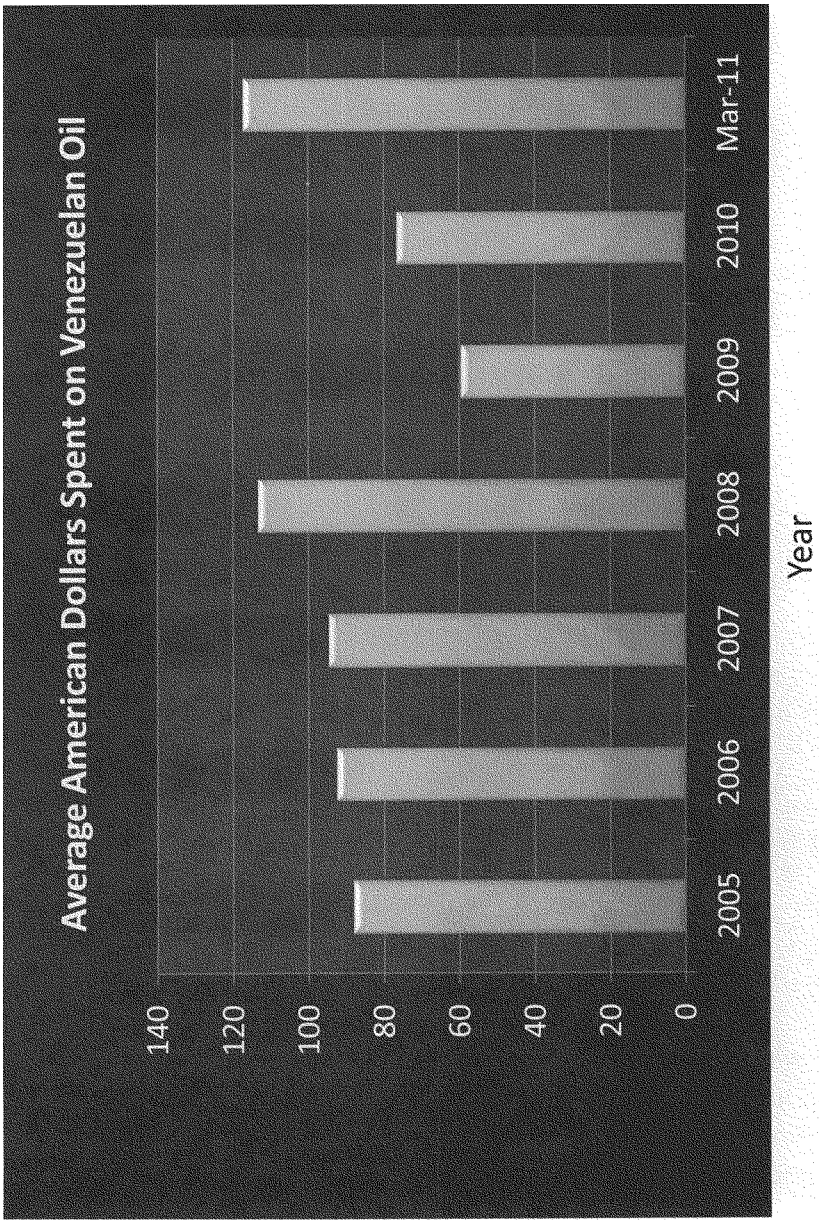
MARCO MALAVE
INTERNATIONAL COMMERCE GENERAL MANAGER (T)
PDVSA PETROLEO, S.A.

A. ARSHI
EXECUTIVE DIRECTOR
NATIONAL IRANIAN OIL COMPANY (NIOC)

**PDVSA was sanctioned May 24, 2011 for supporting Iran's nuclear program, the US Supports PDVSA through CITGO and $117 million in daily imports**



## CAVIM was sanctioned May 24, 2011 for supporting Iran's weapons capabilities

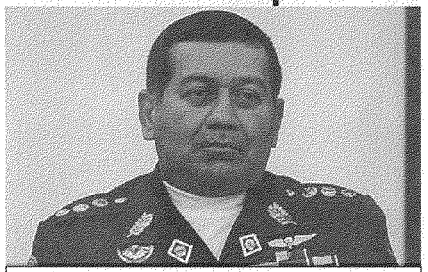



Source: Energy Information Administration

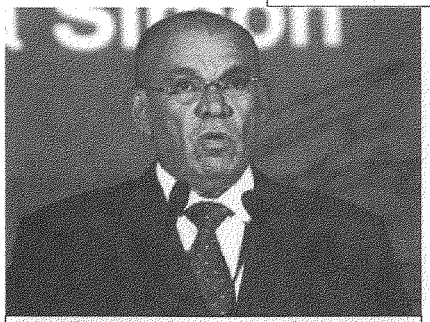
Hugo Chavez: "Enough of imperialist aggression; we must tell the world: down with the U.S. empire. We have to bury imperialism this century."

Venezuela under Hugo Chavez is a **State Sponsor of Terrorism**

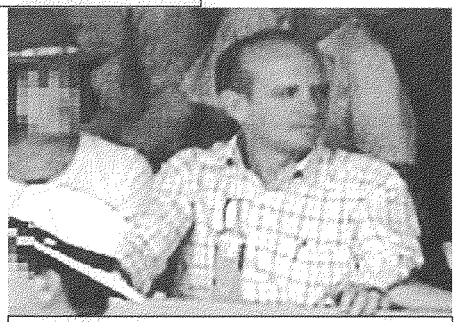
# Venezuelan Officials Sanctioned by Treasury for Supporting the FARC – September 12, 2008



General Henry de Jesus Rangel Silva, General-in-Chief

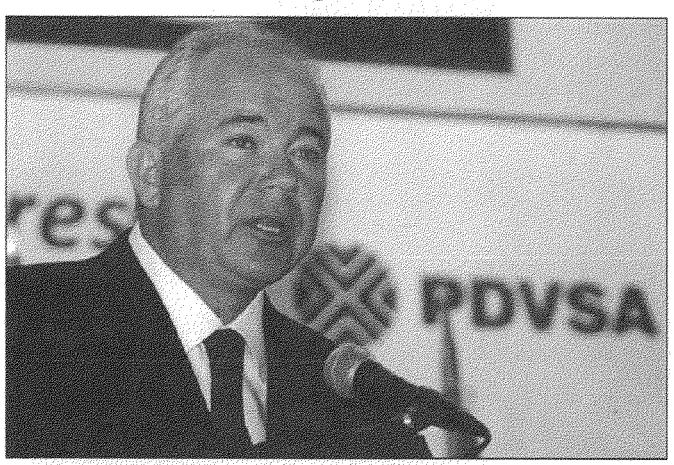


Ramon Emilio Rodriguez Chacin, Former Minister of Interior and Justice

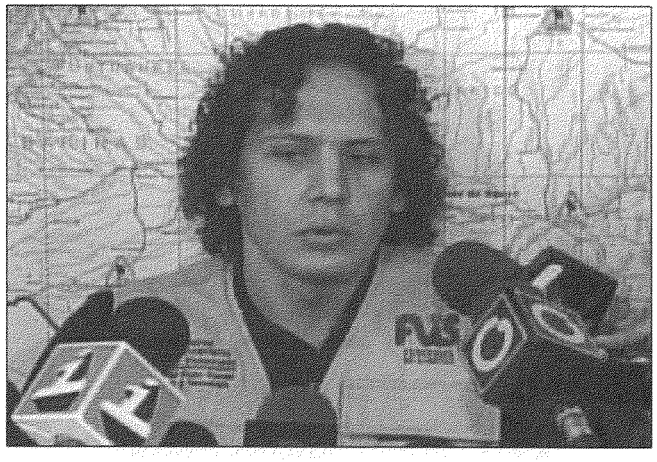


General Hugo Armando Carvajal Barrios, former Director of Military Intelligence Directorate

# Unsanctioned Venezuelan Officials Responsible for Illicit Activity

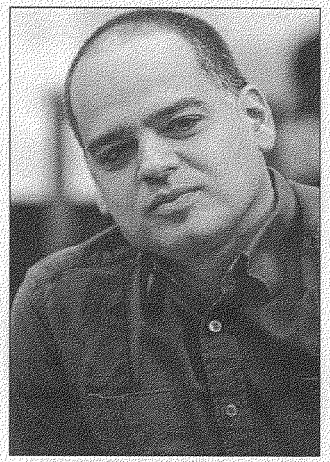



Rafael Ramirez, President of PDVSA and Minister of Energy – Ramirez' PDVSA was sanctioned by State on May 24, 2011 for supporting Iran's nuclear program.

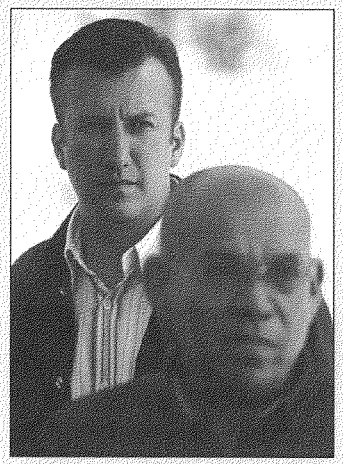


Francisco Garces, Minister of Transportation and Communication – responsible for Venezuelan airspace, including all suspected drug flights.

# Unsanctioned Venezuelan Officials Responsible for Illicit Activity

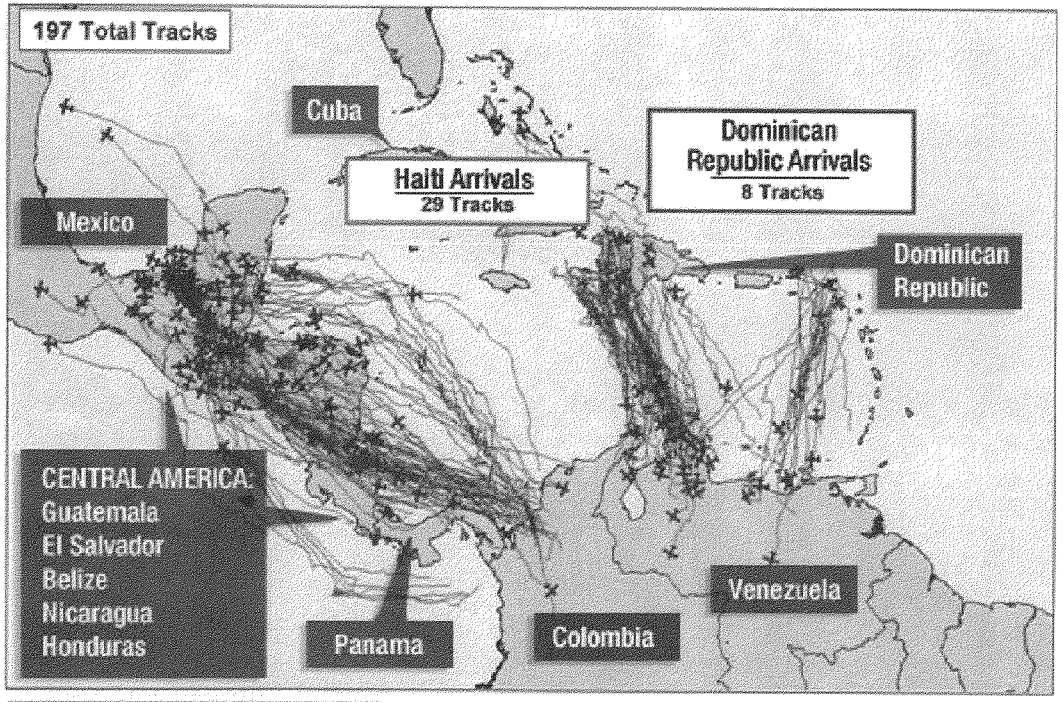


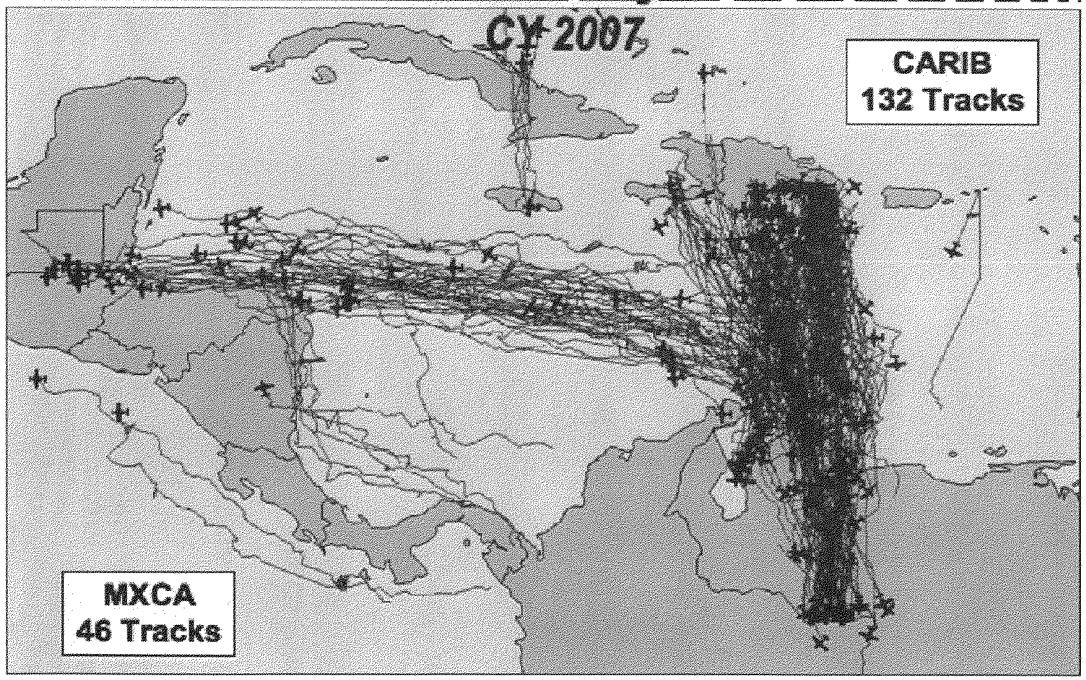
Andrés Izarra, his role as Minister of Communications and Information makes him complicit in Venezuela's illicit activities.



Tarek El-Aissami, current Minister of Interior and Justice controls visas for Qods Force and Hezbollah operatives within Venezuela.

# Suspected Drug Trafficking Flight Patterns
## 2003




SOURCE: White House's Office of National Drug Control Policy

# High Confidence Suspect Air Activity