



**Congressional
Research Service**

Informing the legislative debate since 1914

Venezuela: Background and U.S. Policy

(name redacted)

Specialist in Latin American Affairs

May 10, 2017

Congressional Research Service

7-....

www.crs.gov

R44841

Summary

Venezuela is in the midst of an acute political, economic, and social crisis. Following the March 2013 death of populist President Hugo Chávez, acting President Nicolás Maduro of the United Socialist Party of Venezuela (PSUV) narrowly defeated Henrique Capriles of the opposition Democratic Unity Roundtable (MUD) to be elected to a six-year term in April 2013. Four years later, President Maduro has less than 20% public approval and fissures have emerged within the PSUV about the means that he has used to maintain power, including a recent aborted attempt to have the Supreme Court dissolve the MUD-dominated legislature. Protests are escalating amid calls for the Maduro government to hold the regional elections that Maduro postponed last year rather than convene a constituent assembly to rewrite the constitution, as he has proposed.

Venezuela also is grappling with crippling economic and social challenges. It faces an increasingly unstable economic crisis, triggered by mismanagement and the global drop in oil prices. In 2016, the economy contracted by some 18% and inflation averaged 254%. In addition, massive shortages of food and medicine have caused a humanitarian crisis. The Maduro government is struggling to make debt payments and seeking loans from Russia, but economists maintain that Venezuela is at risk of default in 2017.

International efforts to facilitate dialogue between President Maduro and the opposition have failed, due to the government's intransigence. In March 2017, Secretary General of the Organization of American States (OAS) Luis Almagro called on member states to temporarily suspend Venezuela from the organization if the government did not take certain actions, including convening general elections. On April 26, 2017, the OAS Permanent Council approved a resolution to convene a meeting of foreign ministers to discuss Venezuela. In response, the Maduro government initiated the two-year process required to leave the OAS.

U.S. Policy

U.S. policymakers have had concerns for more than a decade about the deterioration of human rights and democracy in Venezuela and the government's lack of cooperation on antidrug and counterterrorism efforts. The Obama Administration strongly criticized the Maduro government's heavy-handed response to protests in 2014 and employed sanctions against Venezuelan officials linked to drug trafficking, terrorism, and human rights abuses. At the same time, it supported efforts at dialogue and OAS activities.

The Trump Administration has followed the same general policy approach. In February 2017, the Treasury Department imposed drug-trafficking sanctions against Vice President Tareck el Aissami. President Trump and the State Department have called for the release of imprisoned opposition leader Leopoldo López and all political prisoners. State Department officials have condemned the Venezuelan Supreme Court's recent rulings, expressed grave concern about a recent ban preventing Capriles from running for office, and called for prompt elections.

Congressional Action

Congress has taken various actions in response to the situation in Venezuela. It enacted legislation in 2014 to impose sanctions on current and former Venezuelan officials responsible for human rights abuses (P.L. 113-278). In July 2016, Congress enacted legislation (P.L. 114-194) extending the ability to impose sanctions through 2019.

In the 115th Congress, the Senate approved S.Res. 35, expressing support for OAS efforts to hasten a return to electoral democracy in the country. The FY2017 Consolidated Appropriations Act (H.R. 244/P.L. 115-31), enacted on May 4, 2017, recommends providing \$7 million in democracy and human rights assistance to Venezuela. Congress soon will have the opportunity to

reexamine such aid to Venezuela as it considers the FY2018 request. On May 3, 2017, a bipartisan Senate bill was introduced, S. 1018, that would, among other measures, authorize humanitarian assistance for Venezuela and codify existing targeted sanctions on individuals undermining democratic governance and involved in corruption in Venezuela. H.Res. 259, introduced April 6, 2017, expresses concern about the crises that Venezuela is facing and urges the Venezuelan government to hold elections, release political prisoners, and accept humanitarian aid.

This report provides an overview of the political and economic challenges Venezuela is facing and efforts to respond to those challenges taken through the OAS. The report also analyzes U.S. policy concerns regarding democracy and human rights, drug trafficking, terrorism, and energy issues in Venezuela. See also CRS In Focus IF10230, *Venezuela: Political Crisis and U.S. Policy Overview*, and CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*.

Contents

Introduction	1
Political Situation	2
Legacy of Hugo Chávez (1999-2013).....	2
Maduro Administration	5
Canceled Recall Referendum.....	5
Failed Dialogue in 2016.....	6
Repression of Dissent amid Growing Protests.....	6
Foreign Policy.....	8
Economic and Social Conditions	10
Economic Crisis.....	10
Humanitarian Concerns	12
Crime and Violence.....	13
Migration.....	14
U.S. Support for OAS Efforts on Venezuela	14
U.S. Policy.....	17
Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption.....	18
U.S. Funding to Support Democracy and Human Rights	19
Counternarcotics and Money-Laundering Issues	20
Terrorism.....	23
Energy Sector Concerns	25
Congressional Action in 2017	26
Legislative Action.....	26
Oversight.....	27
Outlook.....	28

Figures

Figure 1. Political Map of Venezuela	2
Figure 2. Venezuela: Economic Contraction and Hyperinflation.....	11

Tables

Table A-1. Online Human Rights Reporting on Venezuela	29
---	----

Appendixes

Appendix.....	29
---------------	----

Contacts

Author Contact Information 29

Introduction

Venezuela, an upper-middle-income country in South America with the world's largest proven oil reserves, is experiencing what many analysts have described as one of the worst economic and political crises in its history.¹ Whereas populist and generally popular President Hugo Chávez (1998-2013) governed during a period of generally high oil prices, his successor, Nicolás Maduro of the United Socialist Party of Venezuela (PSUV), has exacerbated an economic downturn caused by low global oil prices with economic mismanagement and corruption. Democracy and human rights conditions deteriorated under Chávez's rule, yet he generally permitted elections to occur.² According to Freedom House, Venezuela has fallen from "partly free" under Chávez to "not free" under Maduro, an unpopular leader who has violently quashed dissent, prevented the National Assembly from functioning, canceled a recall referendum, and postponed elections.³ Since late March 2017, dozens of people have died and thousands have been detained as protests have been quashed by security forces and armed civilian militias.⁴

Venezuela at a Glance

Population: 31.0 million (2016, IMF)
Area: 912,050 square kilometers (slightly more than twice the size of California)
GDP: \$287 billion (2016, current prices, IMF est.)
GDP Growth (%): -3.9% (2014); -6.2% (2015); -18% (2016) (IMF)
GDP Per Capita: \$9,258 (2016, current prices, IMF est.)
Key Trading Partners: Exports—U.S. 38%, India 19.6%, China 16.7%. Imports—U.S. 29%, China, 18.5%, Brazil, 12% (2015, EIU)
Unemployment: 21.2% (2015, IMF)
Life Expectancy: 74.4 years (2015, UNDP)
Literacy: 95.4% (2015, UNDP)
Legislature: National Assembly (unicameral), with 167 members
Sources: Economist Intelligence Unit (EIU); International Monetary Fund (IMF); United Nations Development Programme (UNDP).

U.S. relations with Venezuela, a major oil supplier, deteriorated during the 14 years of Chávez's rule, which undermined human rights, the separation of powers, and freedom of expression in the country.⁵ U.S. and regional concerns have deepened as the Maduro government has manipulated democratic institutions; cracked down on the opposition, media, and civil society; failed to convene constitutionally mandated elections; engaged in drug trafficking and corruption; and refused humanitarian aid.⁶ Regional efforts to hasten a return to electoral democracy in Venezuela are occurring primarily through the Organization of American States (OAS).⁷ Instability in Venezuela may present a threat to a number of U.S. and regional interests: energy, antidrug and counterterrorism efforts, migration control,

¹ Michael M. McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017. Hereinafter: McCarthy, February 2017.

² Michael M. McCarthy, "The Venezuelan Crisis and Latin America's Future: Toward a Robust Hemispheric Agenda on Democratic Stability," Wilson Center Latin America Program, March 2017.

³ Freedom House, *Freedom in the World: 2017*, at <https://freedomhouse.org/report/freedom-world/freedom-world-2017>.

⁴ "Venezuela Unrest Death Toll Rises, Chávez Statue Destroyed," Reuters, May 6, 2017.

⁵ CRS Report R42989, *Hugo Chávez's Death: Implications for Venezuela and U.S. Relations*, by (name redacted) .

⁶ CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

⁷ For background on the Organization of American States (OAS), see CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by (name redacted). See, for example, U.S. Department of State, "Special Briefing on Venezuela," Michael J. Fitzpatrick, Deputy Assistant Secretary, Bureau of Western Hemisphere Affairs, Via Teleconference, May 2, 2017.

and regional stability.

The 115th Congress likely will continue to weigh in on what type of aid, sanctions policies, and other bilateral and multilateral policy responses could be employed to facilitate a return to electoral democracy in Venezuela and to protect U.S. interests in the region.

Figure I. Political Map of Venezuela



Source: Congressional Research Service (CRS).

Political Situation

Legacy of Hugo Chávez (1999-2013)⁸

In December 1998, Hugo Chávez, a leftist populist representing a coalition of small parties, received 56% of the presidential vote (16% more than his closest rival). Chávez’s commanding victory illustrated Venezuelans’ rejection of the country’s two traditional parties, Democratic Action (AD) and the Social Christian party (COPEI), which had dominated Venezuelan politics for much of the previous 40 years. Most observers attribute Chávez’s rise to power to popular

⁸ This section draws from CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

disillusionment with politicians whom they then judged to have squandered the country's oil wealth through poor management and endemic corruption. A central theme of Chavez's campaign was constitutional reform; he asserted that the system in place allowed a small elite class to dominate Congress and waste revenues from the state-run oil company, *Petróleos de Venezuela, S.A. (PdVSA)*.

Venezuela had one of the most stable political systems in Latin America from 1958 until 1989. After that period, however, numerous economic and political challenges plagued the country. In 1989, then-President Carlos Andres Perez (AD) initiated an austerity program that fueled riots and street violence in which several hundred people were killed. In 1992, two attempted military coups threatened the Perez presidency, one led by Chávez himself, who at the time was a lieutenant colonel railing against corruption and poverty. Chávez served two years in prison for that failed coup attempt. Ultimately, the legislature dismissed President Perez from office in May 1993 for misusing public funds. The election of elder statesman and former President Rafael Caldera (1969-1974) as president in December 1993 brought a measure of political stability, but the government faced a severe banking crisis. A rapid decline in the price of oil then caused a recession beginning in 1998, which contributed to Chávez's landslide election.

Under Chávez, Venezuela adopted a new constitution (ratified by a plebiscite in 1999), a new unicameral legislature, and even a new name for the country—the Bolivarian Republic of Venezuela, named after the 19th century South American liberator Simón Bolívar. Buoyed by windfall profits from increases in the price of oil, the Chávez government expanded the state's role in the economy by asserting majority state control over foreign investments in the oil sector and nationalizing numerous private enterprises. Chávez's charisma, his use of oil revenue to support domestic social programs and provide subsidized oil to Cuba and other Central American and Caribbean countries through a program known as *PetroCaribe*, and his willingness to oppose the United States and other global powers captured international attention.⁹

After Chávez's death, his legacy has been debated. President Chávez established an array of social programs and services known as *misiones* that helped to reduce poverty by some 20% and improve literacy and access to health care.¹⁰ Some maintain that Chávez also empowered the poor by involving them directly in community councils and workers' cooperatives.¹¹ Nevertheless, his presidency was “characterized by a dramatic concentration of power and open disregard for basic human rights guarantees,” especially after his temporary ouster in 2002.¹² Declining oil production by PdVSA, combined with massive debt and rampant inflation, have laid bare the

⁹ Chávez envisioned himself as a leader of an integrated Latin America struggling against an external power (the United States), similar to how Simón Bolívar had led the struggle against Spain by the countries that had formed Gran Colombia in the 19th century. Carlos A. Romero and Victor M. Mijares, “From Chávez to Maduro: Continuity and Change in Venezuelan Foreign Policy,” *Contexto Internacional*, vol.38, no.1 (2016), pp. 178-188. Since 2005, *PetroCaribe* has provided subsidized oil to many Caribbean and Central American countries; however, the volume of shipments declined by 50% between 2012 and 2015. David L. Goldwyn and (name redacted), *The Waning of PetroCaribe? Central American and Caribbean Energy in Transition*, Atlantic Council, 2016. Hereinafter Goldwyn and Gill, 2016.

¹⁰ U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America, 2008*, Briefing Paper, November 2008, p. 11. Daniel Hellinger and Anthony Petros Spanakos, “The Legacy of Hugo Chávez,” *Latin American Perspectives*, vo. 44, no. 1, January 2017, pp. 4-15.

¹¹ Eva Golinger, “Opinion: Chávez was a Maker of Dreams,” CNN, March 7, 2013.

¹² Although President Chávez remained widely popular until mid-2001, his standing eroded after that amid growing concerns by some sectors that he was imposing a leftist agenda on the country and that his government was ineffective in improving living conditions in Venezuela. In April 2002, massive opposition protests and pressure by the military led to the ouster of Chávez from power for less than three days. He ultimately was restored to power by the military after an interim president alienated the military and public by taking hardline measures, including the suspension of the constitution. Human Rights Watch, “Venezuela: Chávez's Authoritarian Legacy,” March 5, 2013.

costs involved in Chávez's failure to save or invest past oil windfalls and his tendency to take on debt and print money.¹³ Some analysts maintain that it is increasingly unclear how *chavismo* can continue under Maduro without the cult of personality surrounding Chávez and the high oil prices that sustained his popularity.¹⁴

Venezuela's 1999 constitution, engineered by Chávez, centralized power in the presidency and established five branches of government rather than the traditional three branches.¹⁵ Those branches include the presidency, a unicameral National Assembly, a Supreme Court, a National Electoral Council (CNE), and a "Citizen Power" branch (three entities that ensure that government officials at all levels adhere to the rule of law and that can investigate administrative corruption). The president is elected for six-year terms and can be reelected indefinitely; however, he or she also may be made subject to a recall referendum (a process that Chávez submitted to in 2004 and survived). Throughout his presidency, Chávez exerted influence over all the branches of government, particularly after an outgoing legislature dominated by *chavistas* appointed pro-Chávez justices to dominate the Supreme Court in 2004 (a move that Maduro's allies would repeat in 2015).¹⁶

In addition to voters having the power to remove a president through a recall referendum process, the National Assembly has the constitutional authority to act as a check on presidential power, even when the courts have failed to do so. The National Assembly consists of a unicameral Chamber of Deputies with 167 seats whose members serve for five years and may be reelected once. Under the constitution, with a simple majority the legislature can approve or reject the budget and the issuing of debt, remove ministers and the vice president from office, overturn enabling laws that give the president decree powers, and appoint the five members of the CNE (for 7-year terms) and the 32 members of the Supreme Court (for one 12-year term). With a two-thirds majority, the assembly can remove judges, submit laws directly to a popular referendum, and convene a constitutional assembly to revise the constitution.¹⁷

¹³ Francisco Monaldi, *The Impact of the Decline in Oil Prices on the Economics, Politics, and Oil Industry in Venezuela*, Columbia Center on Global Energy Policy, September 2015, p. 9-13.

¹⁴ David Smilde, "The End of Chavismo?" *Current History*, February 2015; Javier Corrales and Michael Penfold, *Dragon in the Tropics: Venezuela and the Legacy of Hugo Chavez* (Washington, DC: Brookings Institution, 2015); William Finnegan, "Venezuela: a Failing State," *New Yorker*, November 14, 2016.

¹⁵ Antonio Ramirez, "An Introduction to Venezuelan Governmental Institutions and Primary Legal Sources," New York University Law School Library, May 2016. Hereinafter Ramirez, May 2016.

¹⁶ Human Rights Watch, "Venezuela: Chávez Allies Pack Supreme Court," December 13, 2004.

¹⁷ Ramirez, May 2016; CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

Maduro Administration

After the death of President Hugo Chávez in March 2013, Venezuela held presidential elections the following month in which acting President Nicolás Maduro defeated Henrique Capriles of the Democratic Unity Roundtable (MUD) by just 1.5%. The opposition alleged significant irregularities and protested the outcome.

Given his razor-thin victory and the rise of the opposition, Maduro sought to consolidate his authority. Under Maduro, the security forces and allied civilian groups have violently suppressed protests and restricted freedom of speech and assembly. In 2014, 43 people died and 800 were injured in clashes between progovernment forces and student-led protesters concerned about rising crime and violence. President Maduro also has imprisoned opposition figures, including Leopoldo López, head of the Popular Will party. López and other political opponents remain in prison. The Union of South American Nations (UNASUR) initiated a government-opposition dialogue in April 2014, but talks broke down by May of that year.¹⁸ In February 2015, the Maduro government again cracked down on the opposition.

In December 2015 legislative elections, the MUD captured a two-thirds majority in Venezuela's National Assembly—a major setback for Maduro. The PSUV-aligned Supreme Court subsequently blocked three newly elected National Assembly representatives from the MUD from taking office, however, which deprived the opposition of the two-thirds majority needed to submit bills directly to referendum and remove Supreme Court justices, among other extensive powers. Since January 2016, the Supreme Court has blocked numerous laws approved by the legislature and assumed many of its functions.

Canceled Recall Referendum

With the power of the National Assembly stymied by the Maduro government, opposition efforts for much of 2016 focused on attempts to recall President Maduro in a national referendum. The government used delaying tactics that slowed down the process considerably, and on October 20, 2016, Venezuela's CNE indefinitely suspended the recall effort after five state-level courts issued rulings alleging fraud in a signature collection drive held in June that had amassed millions of signatures. The opposition had been working for a recall referendum to be held before January 10, 2017, the four-year point of Maduro's term. Under Venezuela's constitution, if the recall had been held before January 10, 2017, a new presidential election would have been called within 30 days, giving the opposition an opportunity to compete for the presidency before the next scheduled election in late 2018.

Nicolás Maduro

A former trade unionist who served in Venezuela's legislature from 1998 until 2006, Nicolás Maduro held the position of National Assembly president from 2005 to 2006, when he was selected by President Chávez to serve as foreign minister. Maduro retained that position until mid-January 2013, concurrently serving as vice president beginning in October 2012, when President Chávez tapped him to serve in that position following his reelection. Maduro often was described as a staunch Chávez loyalist. Maduro's partner since 1992 is well-known Chávez supporter Cilia Flores, who served as the president of the National Assembly from 2006 to 2011; the two were married in July 2013.

¹⁸ Some analysts have criticized the Union of South American Nations' (UNASUR's) mediation efforts in Venezuela as favoring regime stability over respect for democracy (i.e., Maduro's concerns over those of the opposition). Carlos Closa and Stefano Palestini, *Between Democratic Protection and Self-Defense: the Case of UNASUR and Venezuela*, European University Institute, 2015.

Failed Dialogue in 2016

In October 2016, after an appeal by Pope Francis, most of the opposition (with the exception of the Popular Will party) and the Venezuelan government agreed to talks mediated by the Vatican, along with the former leaders of the Dominican Republic, Spain, and Panama and the head of UNASUR. By December 2016, the opposition had left the talks due to what it viewed as a lack of progress on the part of the government in meeting its commitments. Those commitments reportedly included (1) releasing political prisoners; (2) announcing an electoral calendar; (3) respecting the National Assembly's decisions; and (4) addressing humanitarian needs.¹⁹ Parties that had engaged in dialogue efforts maintain that the Maduro government tricked them by failing to carry out any of the pledges it made in November 2016.²⁰ A date for regional elections due to be held in December 2016 has yet to be announced.

Repression of Dissent amid Growing Protests

Far from meeting the commitments it made during the Vatican-led talks—such as releasing political prisoners, for example—the Maduro government has continued to harass and arbitrarily detain opponents, including the January 2017 arrest of a National Assembly substitute deputy from the MUD, Gilber Caro.²¹ In addition, President Maduro appointed a hard-line vice president, Tareck el Aissami, former governor of the state of Aragua and a sanctioned U.S. drug kingpin, in January 2017. El Aissami has been given vast national security authorities, including control over a new “anti-coup” command.²²

The Venezuela human rights group *Foro Penal Venezolano* currently lists more than 140 political prisoners in Venezuela as of early May 2017, including Leopoldo López; metropolitan Caracas Mayor Antonio Ledezma (under house arrest); and Daniel Ceballos, former mayor of San Cristóbal in Táchira State.²³ The number of political prisoners detained remained relatively constant from 2014 to 2016 (at an average of 100 prisoners at any given time), but the total number of political arrests made from 2014 to 2016 exceeded 6,800.²⁴ Many of those detained have been subject to torture and other human rights abuses, as described in the State Department's report on human rights practices covering 2016.²⁵

By early 2017, the political opposition in Venezuela had become divided and disillusioned. MUD leaders faced an environment in which popular protests, which were frequent between 2014 and the fall of 2016, had dissipated due to fears about government crackdowns, disillusionment after the failed recall referendum, and people's need to devote time to finding food and basic

¹⁹ Andrew V. Pestano, “Venezuelan Opposition Demands Maduro Comply with Previous Agreements,” *UPI*, January 11, 2017.

²⁰ David Smilde, “No Miracles in Venezuela Conflict 1: Dialogue Setbacks Challenge Vatican,” *Venezuelan Politics and Human Rights*, blog hosted by the Washington Office on Latin America (WOLA), February 6, 2017.

²¹ Amnesty International, *Silenced By Force: Politically-Motivated Arbitrary Detentions in Venezuela*, April 26, 2017, at <http://www.amnestyusa.org/research/reports/silenced-by-force-politically-motivated-arbitrary-detentions-in-venezuela-0>.

²² Andrew Rosati, “Maduro Hands Wide-Ranging Powers to Venezuela's Vice President,” *Bloomberg Politics*, January 30, 2017.

²³ For a listing of political prisoners, see Foro Penal's website at <https://foropenal.com/presos-politicos/lista-publica>.

²⁴ Foro Penal, *Reporte Sobre la Represión del Estado Venezolano: Año 2016*, 2017, at <https://foropenal.com/content/reportesobre-la-represion-del-estado-venezolano-ano-2016>.

²⁵ U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices for 2016*, 2017, at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2016&dclid=265622>. Hereinafter State Department Human Rights, 2017.

supplies.²⁶ In addition to restricting freedom of assembly, the government had cracked down on media outlets and journalists, including foreign media.²⁷ Analysts predicted that the MUD coalition would emerge weaker from a reregistration process mandated by the CNE for all parties that secured less than 1% of the popular vote in at least 12 states in the December 2015 legislative elections. That process, which began in March 2017, has been fraught with logistical difficulties and may result in all but the largest opposition parties losing their registrations.

Despite these obstacles, the opposition has been reenergized by the domestic and international outcry in response to the Supreme Court's March 29, 2017, rulings to dissolve the legislature and assume all legislative functions.²⁸ After protests, a rare public rebuke by the attorney general (who was appointed by Chávez), who deemed the rulings illegal, and pressure from the international community, President Maduro urged the court to revise those decisions on March 30.²⁹ Although the Supreme Court's reversal was incomplete, Maduro appears to have bowed to opposition from within his own government and widespread international condemnation.

Beginning on March 30, 2017, buoyed by international support, the MUD has convened massive and sustained protests, some of which have been met with repression by government forces (including the National Guard) and allied civilian militias.³⁰ Protests intensified after the comptroller general's office announced on April 7, 2017, that Henrique Capriles, the governor of Miranda who narrowly lost the 2013 presidential contest, would be barred from seeking office for 15 years due to "administrative irregularities" in the state government. Venezuela's attorney general and many domestic and international observers are concerned about ongoing violent clashes between protesters and government forces, which already had claimed 26 lives and resulted in 1,300 detentions as of April 26, 2017.³¹ Since late April, at least 11 more deaths have occurred.³² Some detainees reportedly are now being tried in military courts.³³

Many analysts have questioned how long Maduro can retain his grip on power should protests continue, the economic crisis deepen (as predicted), and international pressure ratchet up.³⁴ Some, including the one independent member of the national electoral council, question the constitutionality of Maduro's recent moves to convene a constituent assembly rather than announce the dates for past-due regional elections.³⁵ The military remains loyal to Maduro but

²⁶ Hannah Dreier and Joshua Goodman, "AP Analysis: In Venezuela, Short on Food, Short of Hope," AP, February 23, 2017.

²⁷ In February 2017, the government suspended CNN en Español from cable after it aired an investigation into fraudulent Venezuelan passports being sold in Iraq. The government also deported two Brazilian reporters investigating corruption. "Venezuela Shuts Off CNN en Español After Criticizing Channel's Passport-Selling Report," AP, February 15, 2017; Reporters Without Borders, "Foreign Journalists Not Welcome in Venezuela," March 22, 2017.

²⁸ "Venezuelan Democracy Rallies After Failed Coup," *Financial Times*, April 2, 2017; Javier Corrales, "Can't We Give Venezuela's Opposition a Little Credit?" *Americas Quarterly*, April 25, 2017.

²⁹ Anatoly Kurmanaev, "Pressure Heats up on Venezuelan President, Even as He Backs Down," *Dow Jones Industrial News*, April 2, 2017.

³⁰ "Venezuela's Collectives – Paramilitaries by Another Name?" *Latin News Security & Strategic Review*, April 2017.

³¹ Fabiola Sanchez and Christine Armario, "Venezuela's Chief Prosecutor Decries Violence as Deaths Rise," AP, April 25, 2017; Anatoly Kumanaev and Kejal Vyas, "Venezuelan Attorney General Criticizes Regime She Serves," *Down Jones Institutional News*, May 3, 2017.

³² "Venezuela Unrest Death Toll Rises, Chávez Statue Destroyed," Reuters, May 6, 2017.

³³ Fabiola Zerpa, "Venezuelans Accused of Rebellion Are Hauled into Military Court," *Bloomberg*, May 9, 2017.

³⁴ Amanda Taub and Max Fisher, "In Venezuela's Chaos, Elites Play a High-Stakes Game for Survival," *New York Times*, May 6, 2017.

³⁵ "Continuing Backlash Against Venezuela's Maduro," *Latin News Daily Report*, May 5, 2017; WOLA, "A Constituent Assembly in Venezuela is no Substitute for Elections: WOLA Calls on Venezuela to Announce Electoral (continued...)"

might oppose orders to quash protests.³⁶ Nevertheless, with many members of the military benefiting from corruption and some leaders facing potential charges in the United States for drug trafficking and other crimes, the costs of defying Maduro would be significant.³⁷

Foreign Policy

The Maduro government has maintained Venezuela's foreign policy orientation from the Chávez era, but the country's ailing economy and internal political challenges have diminished its formerly activist foreign policy, namely its ability to provide subsidized oil. Venezuela signed an agreement with Cuba in 2000 to provide the island nation with some 90,000 barrels of oil per day. In payment for the oil, Cuba has provided extensive services to Venezuela, including medical personnel and advisers. A cutoff of Venezuelan oil to Cuba would have significant economic consequences for Cuba.³⁸ Since 2005, Venezuela has provided oil to other Caribbean Basin nations with preferential financing terms in a program known as PetroCaribe. Most Caribbean nations are members of PetroCaribe, with the exception of Barbados and Trinidad and Tobago, as are several Central American countries.³⁹ The amount of Venezuelan oil provided to Latin American (including PetroCaribe beneficiaries) declined by 50% from 2012 to 2015.⁴⁰ In 2017, Venezuela has pledged to maintain the roughly 84,000 barrels per day provided to PetroCaribe countries in 2016.⁴¹ Some observers are concerned about the impact of a potential cutoff of those oil exports on beneficiaries, although low global oil prices have cushioned any potential blows.⁴²

President Maduro, who served as foreign minister under President Chávez from 2006 until early 2013, has maintained relationships with like-minded leftist governments. The core members of the Bolivarian Alliance for the People of Our America (ALBA), which include Bolivia, Cuba, Ecuador, Nicaragua, and seven others, met with Maduro in Havana on April 10, 2017, to denounce the "interventionist" activities of OAS Secretary General Almagro in Venezuela's affairs.⁴³ Those countries have made concerted OAS action on Venezuela difficult (see "U.S. Support for OAS Efforts on Venezuela," below). In contrast to Venezuela's support among these few like-minded governments, Venezuela's global profile has diminished considerably. As an example, the United Nations has suspended Venezuela's right to vote until the country pays the \$24 million in arrears that it owes the organization.⁴⁴

(...continued)

Timetable," May 5, 2017.

³⁶ Timothy M. Gill, "Venezuela at the Crossroads, Tulane Symposium," *Venezuelan Politics and Human Rights*, blog hosted by WOLA, April 26, 2017.

³⁷ Ibid.

³⁸ CRS Report R44822, *Cuba: U.S. Policy in the 115th Congress*, by (name redacted) .

³⁹ In 2015, the Dominican Republic and Jamaica reached agreements to pay back their PetroCaribe debt to Venezuela at a steep discount. Venezuela provided the debt relief because it was facing declining international reserves and needed the cash. Goldwyn and Gill, 2016.

⁴⁰ Frank Fuentes Brito, Dominican Republic Representative at the International Monetary Fund, "Venezuela-Outlook for PetroCaribe and Impact on the Caribbean," January 2017.

⁴¹ "Venezuela Committed to Supplying PetroCaribe Members, Despite OPEC Cut: Minister," *Platts Commodity News*, March 26, 2017.

⁴² Ibid.

⁴³ "Under Siege at Home, Maduro Gets Support from Regional Allies in Cuba," Reuters, April 11, 2017. Other Bolivarian Alliance for the People of Our America countries include Antigua and Barbuda, Dominica, Ecuador, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

⁴⁴ Sabrina Martín, "Venezuela Loses Right to Vote in the U.N. Until it Pays its Debts," *Pan American Post*, February (continued...)

Although Venezuela retains support from ALBA, it has lost support among other countries in Latin America and the Caribbean. With the rise of conservative governments in Argentina and Brazil, ties between Venezuela and South America have frayed. In December 2016, the South American Common Market (Mercosur) trade block suspended Venezuela over concerns that the Maduro government had violated the clause requiring Mercosur’s members to have “fully functioning democratic institutions.”⁴⁵ Six UNASUR members—Uruguay, Argentina, Brazil, Chile, Colombia, and Paraguay—issued a joint statement opposing the Venezuelan Supreme Court’s attempted power grab in March 2017.⁴⁶ Concerned about potential spillover effects from turmoil in Venezuela, Colombia has supported OAS actions and is closely monitoring the situation on the Venezuelan-Colombian border. Tensions with Guyana have escalated as Maduro has reasserted claim to the Essequibo region of that country, where significant offshore oil has been found.⁴⁷

Mexico has abandoned its traditional noninterventionist stance to take a lead in OAS efforts to resolve the crisis in Venezuela; the topic is expected to be discussed as Mexico hosts the next OAS General Assembly meeting in June 2017. Due, in part, to the reduction in the volume of subsidized oil that Venezuela has been able to provide to Caribbean and Central American governments through PetroCaribe, the bonds between Venezuela and some former allies in those regions have frayed, as well. Although some Caribbean countries continue to urge dialogue between Maduro and the opposition, some countries are calling for more action to be taken.

As Venezuela’s economic situation has deteriorated, maintaining close relations with China and Russia, the country’s largest sources of financing and investment, has become a top priority. From 2007 through 2015, China provided some \$65 billion in financing to Venezuela.⁴⁸ The money typically has been for funding infrastructure and other economic development projects and is being repaid through oil deliveries. Although the Chinese government has been patient when Venezuela has fallen behind on its oil delivery repayments, China stopped providing new loans to Venezuela in the fall of 2016.⁴⁹ Russia’s state-run Rosneft oil company has loaned Venezuela funding as well under similar arrangements. President Maduro reportedly has sought additional financing from Rosneft this year to make Venezuela’s bond repayments.⁵⁰

(...continued)

23, 2017.

⁴⁵ Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. Mac Margolis, “Mercosur Turns Its Back on a Diminished Venezuela,” *Bloomberg View*, December 9, 2016.

⁴⁶ The statement is available in Spanish at <http://www.cancilleria.gov.co/en/newsroom/publiques/comunicado-conjunto-gobiernos-argentina-brasil-chile-colombia-paraguay-uruguay/>.

⁴⁷ A U.N. envoy has been sent to help negotiate the border dispute. “Norwegian Diplomat Named to Mediate Venezuela-Guyana Dispute,” Associated Press, February 27, 2017.

⁴⁸ Kevin P. Gallagher and Margaret Myers, “China-Latin American Finance Database,” Inter-American Dialogue, 2016.

⁴⁹ Marianna Parraga and Brian Ellsworth, “Venezuela Falls Behind on Oil-for-Loan Deals with China, Russia,” *Reuters*, February 10, 2017; David Dollar, *Chinese Investment in Latin America*, Brookings Institution, January 2017.

⁵⁰ Marianna Parraga and Corina Pons, “Cash-Strapped Venezuela Negotiating Russian Help to Pay PDVSA Bonds – Sources,” *Reuters*, March 31, 2017.

Economic and Social Conditions

Economic Crisis⁵¹

After decades as one of the more prosperous countries in Latin America, Venezuela is facing an acute and increasingly unstable economic crisis. Venezuela's economy is built on oil, accounting for more than 90% of the country's exports.⁵² As oil prices rose during the 2000s and early 2010s, the Chávez government used oil revenues, as well as foreign borrowing, to spend generously on domestic social programs, even as economic growth and poverty reduction lagged behind the rest of South America.⁵³ Whereas many other major oil producers used the boom years to build foreign exchange reserves or sovereign wealth funds to mitigate risks from big swings in commodity prices, the Chávez government did not create a stabilization fund.⁵⁴ Chávez also expropriated numerous private businesses and agricultural ventures, many of which have since become unproductive, resulting in major liabilities for the government and damaging the country's investment climate. When oil prices crashed by nearly 50% in 2014, the Maduro government was ill-equipped to soften the blow to the Venezuelan economy. (See "Energy Sector Concerns," below, for more detail.)

The rapid decline in oil prices and poor economic policies led to an economic crisis starting in 2014 that has become more severe over the past year. Declining revenue from oil exports led to twin deficits: a large current account (trade) deficit of 7.8% of gross domestic product (GDP) and a large budget deficit, which widened to 26% of GDP in 2016.⁵⁵ Capital flight from Venezuela made international borrowing to finance the current account and budget deficits difficult.

The government resisted currency depreciation, which could have helped address the current account deficit. Instead, the government tightened restrictions on access to foreign currency, while Venezuela's currency, the bolívar, lost 75% of its value in the black market in 2016.⁵⁶ The government also has cut imports, which Venezuela relies on heavily for most consumer goods, and imposed price controls. Shortages of consumer goods, including food, are rampant. In addition, the government monetized its budget deficit (paid for government spending by printing new money), which quickly gave way to hyperinflation. Although the government has not released official inflation figures since 2015, the IMF estimates that inflation was 254% in 2016 (year average) and forecasts that inflation will reach 1,133% by the end of 2017 (see **Figure 2**).⁵⁷ Venezuela's economy contracted by 18% in 2016 and is forecast to contract by 7.4% in 2017 (see **Figure 2**); the economy has contracted by about 30% since 2013.⁵⁸

⁵¹ This section was prepared by Rebecca Nelson, Specialist in International Trade and Finance, x7-.....

⁵² World Bank, *Venezuela: Overview*, September 30, 2016.

⁵³ Michael McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017.

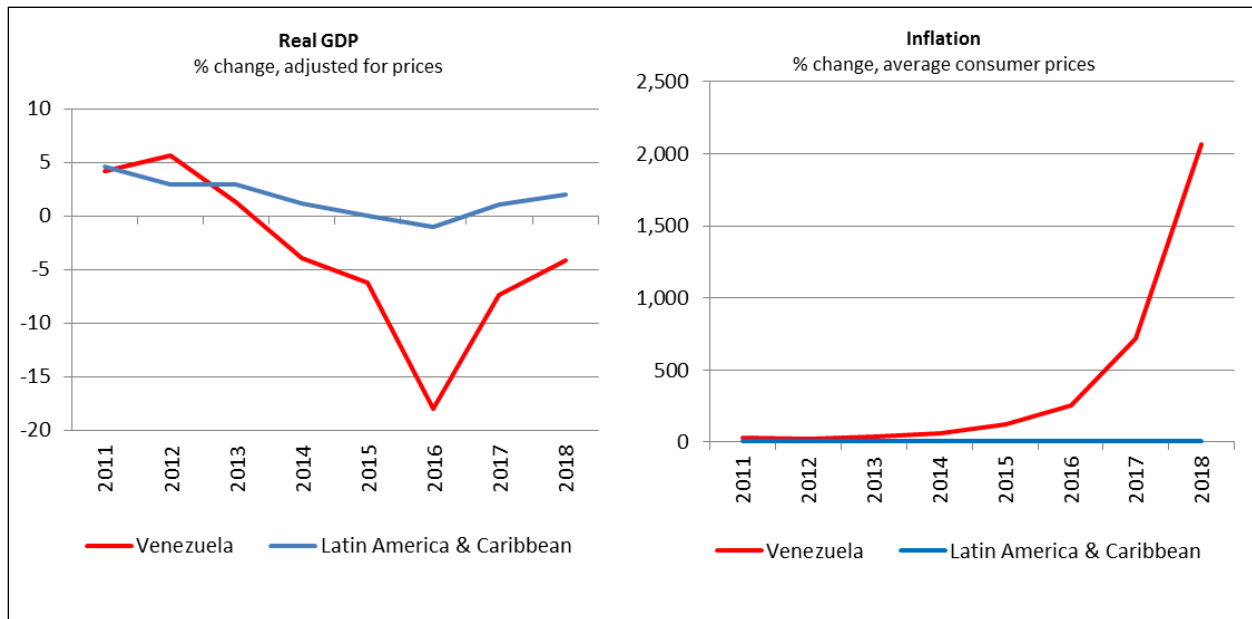
⁵⁴ "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

⁵⁵ International Monetary Fund, *World Economic Outlook*, April 2017.

⁵⁶ Michael McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017.

⁵⁷ International Monetary Fund, *World Economic Outlook*, April 2017.

⁵⁸ *Ibid.*

Figure 2. Venezuela: Economic Contraction and Hyperinflation

Source: International Monetary Fund, *World Economic Outlook*, April 2017.

Notes: Includes estimated and forecasted data.

To help meet its financing needs, the Venezuelan government has turned to loans from China and Russia (that are repaid with oil deliveries) but has fallen behind on these arrangements.⁵⁹ Venezuela's international reserves total just under \$11 billion, which it needs to make the \$9.6 billion in international bond payments falling due in 2017, as well as to pay for imports.⁶⁰ Although Venezuela has taken steps to avoid default, fearing legal battles with creditors, many economists believe that the country may default on its debt in 2017.⁶¹ It is unclear whether Venezuela may at some point choose or be forced to seek a financial assistance rescue package from the IMF, which would be politically fraught given the government's anticapitalist and anti-IMF rhetoric. The government has banned the IMF from conducting regular surveillance of its economy for the past decade.⁶²

Unemployment is expected to reach 25% in 2017, nearly triple the rate in 2015. Unemployment figures could worsen as some international companies reduce their footprints in the country or suspend operations entirely due to the ongoing political and economic instability and the government's hostile actions. As an example, General Motors fired 2,700 workers in April 2017 after its plant was seized illegally by the Venezuelan government.⁶³

⁵⁹ Marianna Parraga and Brian Ellsworth, "Venezuela Falls Behind on Oil-for-Loan Deals with China, Russia," *Reuters*, February 10, 2017.

⁶⁰ Michael McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017.

⁶¹ Joe Kogan, "Why Venezuela Should Default," *New York Times*, December 21, 2016.

⁶² Robert Kahn, "Venezuela's Descent into Crisis," *Global Economics Monthly*, Council on Foreign Relations, May 2016.

⁶³ "General Motors Fires 2700 in Venezuela After Plant Closure: Workers," *Reuters*, April 25, 2017.

Humanitarian Concerns

Thus far, President Maduro has resisted accepting international assistance, even as Venezuela faces a dire situation fueled by shortages in food, medicine, and other basic consumer goods and by people's declining purchasing power.⁶⁴ In 2016, the shortages led to riots, protests, and looting around the country and resulted in the deaths of several people shot by security officials. In August 2016, Venezuela agreed to open pedestrian crossings at six border checkpoints with Colombia, which has allowed Venezuelans to travel to Colombia for food and other basic goods. The opening of the Colombian-Venezuelan border has helped to relieve shortages in border areas to some extent. Nonetheless, according to a 2016 national survey released in March 2017, 27% of people across the country eat only once a day and 93.3% of households lack enough income to purchase food.⁶⁵ In addition, some 82% of households surveyed reported living in poverty, up from 48% in 2014.

Venezuela's health system has been affected severely by budget cuts, with shortages of medicines and basic supplies. Some hospitals face critical shortages of antibiotics, intravenous solutions, and even food, and 50% of operating rooms in public hospitals are not in use.⁶⁶ Pharmacies also are facing shortages, with more than 85% of drugs reported to be unavailable or difficult to find, according to the Pharmaceutical Federation of Venezuela.⁶⁷ Declining immunization rates have resulted in a resurgence of diseases that once were eradicated, including diphtheria, a disease that affected 324 people in 2016 (with no cases recorded in 2015).⁶⁸ According to health ministry data, infant mortality reportedly increased by 30% from 2015 to 2016 and maternal mortality increased by 65.8%.⁶⁹ Mosquito-borne illnesses also increased significantly, with cases of malaria climbing 76.4% from 2015 to more than 240,600.⁷⁰ Zika cases rose from 51 in 2015 to more than 59,000 last year.⁷¹ The government has stopped sharing timely health surveillance statistics with the Pan American Health Organization, the regional arm of the World Health Organization, a development that could endanger neighboring countries.⁷²

During the Vatican-mediated talks in November 2016, the Maduro government reportedly agreed to "prioritize measures for importation of food and medicines and promotion of production and monitoring of distribution chains."⁷³ Discussions reportedly also broached the idea of establishing a channel for allowing humanitarian aid to reach Venezuela, possibly through Caritas Venezuela,

⁶⁴ Human Rights Watch, *Venezuela's Humanitarian Crisis*, October 2016. Hereinafter Human Rights Watch, October 2016.

⁶⁵ The complete survey is available in Spanish at <http://www.fundacionbengoa.org/noticias/2017/encovi-2016.asp>. "Venezuela: Poverty Increases Dramatically," *Latin News Regional Monitor: Andean Group*, March 3, 2017. See also: Juan Forero, "Venezuela in Starving," *Wall Street Journal*, May 6, 2017.

⁶⁶ "Venezuela: Approximately 50% of Operating Theaters in Venezuelan Public Hospitals Are Not Functional," *Global Health Intelligence*, March 27, 2017.

⁶⁷ Alexandra Ulmer, "Infant Mortality and Malaria Soar in Venezuela, According to Government Data," Reuters, May 9, 2017.

⁶⁸ Alexandra Ulmer and Maria Ramirez, "Venezuelan Girl's Diphtheria Death Highlights Country's Health Crisis," Reuters, February 10, 2017.

⁶⁹ Alexandra Ulmer, "Infant Mortality and Malaria Soar in Venezuela, According to Government Data," Reuters, May 9, 2017.

⁷⁰ Ibid.

⁷¹ Ibid.

⁷² Jonathan Watts, "Like Doctors in a War: Inside Venezuela's Healthcare Crisis," *The Guardian*, October 19, 2016.

⁷³ This paragraph draws from Geoff Ramsey, "Could Venezuela Accept International Humanitarian Aid to Address its Crisis?" *Venezuelan Politics and Human Rights*, blog hosted by WOLA, April 5, 2017.

a humanitarian organization affiliated with the Catholic Church.⁷⁴ In December 2016, Venezuela's foreign minister announced that the government would increase collaboration with U.N. agencies such as the World Health Organization to acquire medications. It is unclear what, if any, results that collaboration has had, as President Maduro stated in a television address on March 24, 2017, that he had asked the U.N. to help "regularize the whole medicine issue."⁷⁵ Whether these statements signify a genuine willingness on the part of the government to collaborate with (at least some) representatives of the international community remains to be seen.

Crime and Violence

In addition to the aforementioned political violence, Venezuela has among the highest crime victimization and homicide rates in Latin America and the Caribbean, the region with the highest homicide rates in the world.⁷⁶ Moreover, unlike El Salvador and Honduras, two other extremely violent countries where homicides trended downward in 2016, violence in Venezuela escalated in that year. According to data from the attorney general's office, the homicide rate in Venezuela stood at 70.1 per 100,000 in 2016, up from 58 per 100,000 in 2015, with 21,700 homicides recorded.⁷⁷ The independent Venezuelan Violence Observatory estimated 28,479 homicides in 2016, or a rate of 91.8 per 100,000 people.⁷⁸ Among the homicides recorded by the government in 2016, some 254 minors were killed, up from 177 in 2015. According to a 2014 study by the U.N. Children's Fund, homicide has been the leading cause of death for youth under the age of 20 in Venezuela, with a homicide rate for adolescent boys of 74 per 100,000.⁷⁹ The impunity rate for homicide in Venezuela is roughly 92%.⁸⁰

In addition to violence committed by crime groups, Venezuela has a high rate of extrajudicial killings by security forces. According to an April 2016 report by Human Rights Watch and the Venezuelan Human Rights Education-Action Program, some 245 such killings occurred after the government launched an anticrime initiative in mid-2015 called the Operation to Liberate and Protect the People.⁸¹ The report also alleged that security forces committed arbitrary detentions, forced evictions, the destruction of homes, and the arbitrary deportation of Colombian nationals during raids in low-income neighborhoods. The State Department's human rights report covering 2016 cites a nongovernmental organization estimate of 1,396 extrajudicial killings committed by security forces in 2015 (the latest year for which data are available), up 37% from the year before.⁸²

⁷⁴ Ibid.

⁷⁵ "Venezuela's Maduro Asks U.N. to Help Ease Medicine Shortages," Reuters, March 25, 2017.

⁷⁶ Laura Jaitman, ed. *The Costs of Crime and Violence in Latin America: new Evidence and Insights from Latin America and the Caribbean*, Inter-American Development Bank, 2017.

⁷⁷ Christopher Woody, "Venezuela Admits Homicides Soared to 60 a Day in 2016, Making It One of the Most Violent Countries in the World," *Business Insider*, April 3, 2017. Hereinafter Woody, April 2017.

⁷⁸ "Venezuela Set for Murderous 2017," *Insight Crime*, January 8, 2017.

⁷⁹ U.N. Children's Fund, *Ocultas a Plena Luz: Un Análisis Estadístico de la Violencia Contra los Niños*, 2014, at <https://www.unicef.org/ecuador/ocultos-a-plena-luz.pdf>.

⁸⁰ Woody, April 2017.

⁸¹ Human Rights Watch and the Venezuelan Program of Action-Education in Human Rights, "Unchecked Power, Police and Military Raids in Low-Income Immigrant Communities in Venezuela," April 2016, at <https://www.hrw.org/node/288189/>.

⁸² State Department Human Rights, 2017.

Migration

The ongoing political and economic turmoil in Venezuela already has prompted many Venezuelans, including young professionals, to leave voluntarily, raising fears about a “brain drain” from the country that could have lasting consequences. In 2016, approximately 150,000 Venezuelans left the country.⁸³ Thousands of Venezuelans in areas bordering Brazil and Colombia who used to enter those countries on a temporary basis to obtain food and medicine have chosen to stay. More than 50% of Venezuelans surveyed in early 2017 and more than 60% of people aged 18-35 wanted to leave the country.⁸⁴

In addition, others have left Venezuela and sought asylum elsewhere due to fears of persecution. According to data from the U.N. High Commissioner for Refugees, the United States received more than 18,250 requests for asylum from Venezuelans in 2016, up from roughly 7,360 in 2015.⁸⁵ Other countries (such as Brazil, Peru, and Spain) also have seen an increase in asylum requests from Venezuelans.

Should the situation in Venezuela deteriorate further, there could be massive emigration (including of those seeking asylum) to neighboring countries, particularly to Colombia. There are reportedly some 5 million Venezuelans of Colombian origin who could seek to relocate to Colombia. These individuals likely would need social services, which would put an added burden on the Colombian government at a time when it is trying to implement a peace process.⁸⁶

U.S. Support for OAS Efforts on Venezuela⁸⁷

The U.S. government has sought to use multilateral diplomacy through the OAS to address the situation in Venezuela. The United States remains the organization’s largest donor, contributing at least \$58.5 million in calendar year 2016—equivalent to nearly 48% of the total 2016 OAS contributions. Although the United States’ ability to advance its policy initiatives within the OAS generally has declined as Latin American governments have adopted more independent foreign policy positions, OAS efforts on Venezuela have dovetailed well with U.S. policy objectives.

OAS Secretary General Luis Almagro (who assumed his position in May 2015) has spoken out strongly about the situation in Venezuela. On May 31, 2016, Secretary General Almagro invoked the Inter-American Democratic Charter—a collective commitment to promote and defend democracy—when he called (pursuant to Article 20) on the OAS Permanent Council to convene an urgent session on Venezuela to decide whether “to undertake the necessary diplomatic efforts to promote the normalization of the situation and restore democratic institutions.”⁸⁸ Secretary General Almagro issued an extensive report on the political and economic situation in Venezuela,

⁸³ Nicholas Casey, “Hungry Venezuelans Flee in Boats to Escape Economic Collapse,” *New York Times*, November 25, 2016.

⁸⁴ The survey was conducted by Datos and is cited in “Almagro Urges Elections in Venezuela,” *Latin News Daily*, February 24, 2017.

⁸⁵ Data provided to CRS from State Department through electronic correspondence, February 22, 2017.

⁸⁶ Prepared statement by Dr. Shannon K. O’Neil, Council on Foreign Relations, before the U.S. Congress, Senate Committee on Foreign Relations, *Venezuela: Options for U.S. Policy*, 115th Cong., 1st sess., March 2, 2017.

⁸⁷ For additional background see CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by (name redacted)

⁸⁸ OAS, “Secretary General invoked Democratic Charter and convened Permanent Council on Venezuela,” May 31, 2016.

concluding that there are “serious disruptions of the democratic order” in the country.⁸⁹ The Permanent Council met on June 23, 2016, to receive the report but did not take any further action.

A group of 15 OAS member states issued two statements (in June and August 2016) supporting dialogue efforts but also urging the Venezuelan government to allow the recall referendum process to proceed.⁹⁰ On November 16, 2016, the OAS Permanent Council adopted a declaration that encouraged the Maduro government and the MUD opposition coalition “to achieve concrete results within a reasonable timeframe” and asserted the need for the constitutional authorities and all actors to “act with prudence and avoid any action of violence or threats to the ongoing process.”⁹¹ There were not enough votes in the Permanent Council to take any further action.

As dialogue efforts failed to improve the increasingly dire political or economic situation in the country, by early 2017 many observers were contending that the Maduro government had used such efforts as a delaying tactic. As a result, OAS Secretary General Almagro, in a new report to the Permanent Council issued March 14, 2017, called on the Venezuelan government to undertake a series of measures to resume the constitutional order, including holding general elections without delay, or face a possible suspension from the OAS.⁹² Secretary General Almagro also has continued to speak out against repression in Venezuela.⁹³

Secretary General Almagro’s March 14, 2017, report concluded that “repeated attempts at dialogue have failed” and that “Venezuela is in violation of every article in the Inter-American Democratic Charter.”⁹⁴ The report referred to the Venezuelan government as a “dictatorial regime” and stated that the country has “spiraled down into an unrestrained authoritarianism.” It included four major recommendations for the Venezuelan government:

Article 20 of the Inter-American Democratic Charter (IADC)

Article 20 of the IADC reads as follows:

In the event of an unconstitutional alteration of the constitutional regime that seriously impairs the democratic order in a member state, any member state or the Secretary General may request the immediate convocation of the Permanent Council to undertake a collective assessment of the situation and to take such decisions as it deems appropriate.

The Permanent Council, depending on the situation, may undertake the necessary diplomatic initiatives, including good offices, to foster the restoration of democracy.

If such diplomatic initiatives prove unsuccessful, or if the urgency of the situation so warrants, the Permanent Council shall immediately convene a special session of the General Assembly. The General Assembly will adopt the decisions it deems appropriate, including the undertaking of diplomatic initiatives, in accordance with the Charter of the Organization, international law, and the provisions of this Democratic Charter.

The necessary diplomatic initiatives, including good offices, to foster the restoration of democracy, will continue during the process.

⁸⁹ OAS, Report of the Secretary General to the Permanent Council on the Situation in Venezuela, May 30, 2016, at <http://www.oas.org/documents/eng/press/OSG-243.en.pdf>.

⁹⁰ Those countries included Argentina, Belize, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, the United States, and Uruguay. OAS, “Statement by Ministers and Heads of Delegation on the Situation in the Bolivarian Republic of Venezuela,” June 15, 2016; U.S. Department of State, “Joint Statement on Recent Developments in the Bolivarian Republic of Venezuela,” August 11, 2016.

⁹¹ OAS, “Declaration of the Permanent Council Supporting the National Dialogue in the Bolivarian Republic of Venezuela,” November 16, 2016.

⁹² OAS, “Secretary General Presents Updated Report on Venezuela to the Permanent Council,” press release (contains link to the full report), March 14, 2017, at http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-014/17.

⁹³ OAS, “OAS Secretary General Calls on Venezuelan Regime to Immediately Halt Repression,” press release, E-029/17, April 7, 2017.

⁹⁴ OAS, “Secretary General Presents Updated Report on Venezuela to the Permanent Council,” press release (contains link to the full report), March 14, 2017, at http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-014/17.

1. Convene general elections without delay that satisfy international observation standards.
2. Immediately release all political prisoners.
3. Immediately establish a channel to provide humanitarian assistance to the Venezuelan people.
4. Return the government to constitutional order with full respect for the separation of powers (which would require the restoration of authorities to the National Assembly and the democratic selection of the CNE and the Supreme Court).

The report concluded by calling on OAS member states to apply Article 21 of the Inter-American Democratic Charter to suspend Venezuela from the organization if the Venezuelan government fails to address the report recommendations positively within 30 days. An affirmative vote of two-thirds of the member states (23) in a special session of the General Assembly would be necessary to suspend Venezuela from the organization.

In the aftermath of the Supreme Court's March 2017 action, the Permanent Council met in a special meeting called by 20 OAS members on April 3, 2017, and approved a resolution by consensus expressing "grave concern regarding the unconstitutional alteration of the democratic order" in Venezuela.⁹⁵ The resolution urged the Venezuelan government "to safeguard the separation and independence of powers and restore full constitutional authority to the National Assembly."⁹⁶ The body also resolved to undertake additional diplomatic initiatives as needed "to foster the restoration of the democratic institutional system."⁹⁷

On April 26, 2017, the OAS Permanent Council voted to convene a meeting of the region's ministers of foreign affairs to discuss the situation in Venezuela. Nineteen countries—Argentina, the Bahamas, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, the United States, Honduras, Jamaica, Guatemala, Guyana, Mexico, Panama, Paraguay, Peru, Saint Lucia, and Uruguay—voted in favor.⁹⁸ However, some countries objected to OAS statements and potential actions opposed by the Venezuelan government based on the organization's principles of nonintervention and respect for national sovereignty. Antigua and Barbuda, Bolivia, Dominica, Ecuador, Haiti, Nicaragua, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Venezuela voted against the resolution. Belize, El Salvador, the Dominican Republic, and Trinidad and Tobago abstained. Grenada was absent from the meeting.

OAS action on Venezuela is at a critical moment. If the Secretary General (or others) is able to convince four more governments to change their positions from the April 26 vote, the OAS could potentially suspend Venezuela from the organization. Although a suspension would demonstrate Venezuela's diplomatic isolation, it is unclear whether such a move would affect the Maduro government's policies. President Maduro has instructed his foreign minister to begin the process for Venezuela to withdraw from the OAS in protest of the organization's recent actions, marking the first time in the organization's history that a country has sought to quit.⁹⁹ The withdrawal process, which takes two years, would require Venezuela to pay \$8.8 million in back dues to the

⁹⁵ OAS, "OAS Permanent Council Adopts Resolution on Recent Events in Venezuela," press release, E-022/17, April 3, 2017.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ OAS, "OAS Permanent Council Agrees to Convene a Meeting of Consultation of Ministers of Foreign Affairs to Consider the Situation in Venezuela," press release, E-035/17, April 26, 2017.

⁹⁹ Michael Shifter, "Venezuela's Bad Neighbor Policy: Why it Quit the OAS," *Foreign Affairs*, May 5, 2017.

OAS.¹⁰⁰ Venezuela could lose access to inter-American organizations such as the Pan American Health Organization. The situation in Venezuela is likely to be a top agenda item at the next OAS General Assembly, which is scheduled to take place in Mexico from June 19 to 21, 2017.

U.S. Policy

Although the United States traditionally has had close relations with Venezuela, a major U.S. oil supplier, the U.S.-Venezuelan relationship was marked by significant friction under the Chávez government that has continued under the Maduro Administration. U.S. policymakers have had concerns for more than a decade about the deterioration of human rights and democratic institutions in Venezuela, as well as about the Venezuelan government's lack of cooperation on antidrug and counterterrorism efforts. Targeted U.S. sanctions have been employed against Venezuelans for human rights violations; drug trafficking (including some for assisting the Revolutionary Armed Forces of Colombia [FARC] with drug and weapons trafficking); and support for Hezbollah, a Shia Islamist group based in Lebanon and supported by Iran.

There is increasing concern about humanitarian conditions in Venezuela, as well as about the potential regional implications of the country's ongoing crises. If an unexpected change in government occurs, the United States is likely to support the convening of elections monitored by international observers as soon as possible to avoid any interruption of the democratic order. Following the next general elections, humanitarian and/or financial assistance from multilateral organizations, such as the IMF, or from other governments likely will be needed.

The Obama Administration strongly criticized the Venezuelan government's heavy-handed response to protests in 2014 and called for dialogue between the government and opposition forces. After dialogue facilitated by UNASUR in 2014 failed, the Obama Administration imposed visa restrictions on some current and former Venezuelan officials involved in human rights abuses. Through 2016, Obama Administration officials continued to speak out against human rights abuses and threats to democracy in Venezuela, to call for the release of political prisoners, and to support efforts by OAS Secretary General Luis Almagro to galvanize countries in the region to address the crisis in Venezuela. U.S. officials also expressed concern about imprisoned U.S. citizen Joshua Holt, who was arrested in June 2016 on suspicion of weapon charges.¹⁰¹ At the same time, then-Secretary of State John Kerry and others supported Vatican-led dialogue efforts.

Thus far, President Trump has similarly backed multilateral approaches to resolving the crisis in Venezuela, while issuing statements on issues of concern to the United States and continuing to sanction Venezuelan officials. President Trump and the State Department have called for the release of opposition leader Leopoldo López and the rest of Venezuela's political prisoners and expressed concerns about imprisoned U.S. citizen Joshua Holt.¹⁰² On February 17, 2017, the Department of the Treasury sanctioned Vice President El Aissami and an associate for drug

¹⁰⁰ Eurasia Group, "Venezuela- Preemptive Breakup with the OAS Will Not Diminish International Pressure," April 27, 2017.

¹⁰¹ "U.S. Raises Concerns to Venezuela About Jailed Utah Man," *Desert News*, September 30, 2016.

¹⁰² Abby Phillip, "Trump Calls on Venezuela to Release Political Prisoner After Meeting with Rubio," *Washington Post*, February 15, 2017. U.S. Department of State, Mark Toner, Acting Spokesperson, "Venezuela: Political Prisoners Should Be Released Immediately," press statement, February 18, 2017; U.S. Department of State, Mark C. Toner, Deputy Spokesperson, "Department Press Briefing," press statement, April 26, 2017.

trafficking.¹⁰³ President Trump has discussed the situation in Venezuela in meetings with the Argentine and Peruvian presidents and calls with other Latin American leaders.¹⁰⁴

State Department officials have condemned the Venezuelan Supreme Court's attempt to dissolve the legislature and expressed "grave concern" about the government's decision to bar Henrique Capriles from seeking office.¹⁰⁵ On April 19, 2017, Secretary of State Rex Tillerson again expressed concern that the Maduro government "is violating its own constitution and is not allowing the opposition to have their voices heard" and said that U.S. concerns were being communicated through the OAS.¹⁰⁶ On May 2, 2017, Deputy Assistant Secretary of State for Western Hemisphere Affairs Michael Fitzpatrick stated that the Administration has "deep concerns about the motivation" for the constituent assembly that Maduro has called for, "which overrides the will of the Venezuelan people ... and comes on the heels of efforts by the Venezuelan government to prevent elections from taking place."¹⁰⁷

Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption

In Venezuela, as in other countries, the U.S. government has used targeted sanctions to signal disapproval of officials who have violated U.S. laws or international human rights norms and to attempt to deter others from doing so. Targeted sanctions can punish officials or their associates who travel internationally and hold some of their assets in the United States without causing harm to the population as a whole. In July 2014, the Obama Administration imposed visa restrictions on some Venezuelan officials responsible for human rights violations. Some argue that sanctioning additional Venezuelan officials might help to increase pressure on the Maduro government to cede power or at least stop violating human rights, whereas others argue that increased sanctions would only encourage Maduro and his allies to harden their positions.

In December 2014, the 113th Congress enacted the Venezuela Defense of Human Rights and Civil Society Act of 2014 (P.L. 113-278). Among its provisions, the law required (until December 31, 2016) the President to impose sanctions (asset blocking and visa restrictions) against those whom the President determined were responsible for significant acts of violence or serious human rights abuses associated with the 2014 protests or, more broadly, against anyone who had directed or ordered the arrest or prosecution of a person primarily because of the person's legitimate exercise of freedom of expression or assembly. The act included presidential waiver authority for the application of sanctions if the President determined it was in the national security interest of the United States. In July 2016, Congress enacted legislation (P.L. 114-194) extending the termination date of the requirement to impose targeted sanctions until December 31, 2019.

¹⁰³ U.S. Department of the Treasury, "Treasury Sanctions Prominent Venezuela Drug Trafficker Tareck el Aissami and His Primary Frontman Samark Lopez Bello," February 13, 2017.

¹⁰⁴ The White House, Office of the Press Secretary, "Readout of the President's Meeting with President Pedro Pablo Kuczynski of Peru," February 24, 2017; The White House, "Remarks by President Trump in Meeting with President Macri of Argentina," April 27, 2017.

¹⁰⁵ U.S. Department of State, Mark Toner, Acting Spokesperson, "Venezuelan Supreme Court Decision Greatly Undermines Democratic Institutions," press statement, March 30, 2017; U.S. Department of State, Mark Toner, Acting Spokesperson, "Western Hemisphere: Venezuela: Maduro Government Must Stop Silencing Opposition Voices," press statement, April 10, 2017.

¹⁰⁶ U.S. Department of State, Secretary of State Rex Tillerson, press availability, April 19, 2017.

¹⁰⁷ U.S. Department of State, "Special Briefing on Venezuela," Michael J. Fitzpatrick, Deputy Assistant Secretary, Bureau of Western Hemisphere Affairs, Via Teleconference, May 2, 2017.

In March 2015, President Obama issued Executive Order (E.O.) 13692, which implemented P.L. 113-278 and went beyond the requirements of the law. The E.O. authorized targeted sanctions (asset blocking and visa restrictions) against those involved in (1) actions or policies that undermine democratic processes or institutions; (2) significant acts of violence or conduct constituting a serious abuse or violation of human rights, including against persons involved in antigovernment protests in Venezuela during or since February 2014; (3) actions that prohibit, limit, or penalize the exercise of freedom of expression or peaceful assembly; or (4) public corruption by senior officials within the Venezuelan government. It also authorized targeted sanctions against any person determined to be a current or former Venezuelan government official or a current or former leader of any entity that has, or whose members have, engaged in any activity described above.

In an annex to the E.O., President Obama froze the assets of seven Venezuelans: six members of Venezuela's security forces and a prosecutor who had charged opposition leaders with conspiracy. In June 2016 congressional testimony, a State Department official stated that the agency had imposed visa restrictions on more than 60 Venezuelans.¹⁰⁹ According to State Department officials, that figure remained the same as of March 2017.¹¹⁰

U.S. Funding to Support Democracy and Human Rights

For more than a decade, the United States has provided democracy-related assistance to Venezuelan civil society through the U.S. Agency for International Development (USAID) and the National Endowment for Democracy (NED).

From 2002 through 2010, USAID supported democracy small-grant and technical assistance activities in Venezuela through its Office of Transition Initiatives (OTI) to provide assistance to monitor democratic stability and strengthen the country's democratic institutions. At the end of 2010, USAID's support for such activities in Venezuela was transferred from OTI to USAID's Latin America and Caribbean Bureau. In recent years, U.S. democracy assistance to Venezuela amounted to \$4.3 million in each of FY2014 and FY2015, provided through the Economic Support Fund (ESF) foreign aid funding account. For FY2016, the Administration

Corruption

Venezuela ranked 166 out of 176 countries included in Transparency International's 2016 Corruption Perceptions Index (CPI), the lowest ranking earned by any country in Latin America and the Caribbean. Corruption in the state oil company (PdVSA), as well as in ports, border crossings, and food importing and distribution systems now controlled by the military, has cost the country hundreds of millions of dollars in lost income.¹⁰⁸ Some officials, allegedly including Vice President El Aissami, Interior Minister Nestor Reverol, and many members of the military, have received additional illicit income from drug trafficking. Corruption in the criminal justice system is tied to widespread human rights abuses and impunity. According to Transparency Venezuela, the full extent of this corruption is difficult to gauge given the government's lack of transparency and weak institutions.

Sources: Transparency International, CPI, <https://www.transparency.org/country/VEN>; Nicholas Casey and Ana Vanessa Herrero, "How a Politician Accused of Drug Trafficking Became Venezuela's Vice President," *New York Times*, February 16, 2017.

¹⁰⁸ Hannah Dreier and Joshua Goodman, "Venezuela Military Trafficking Food as Country Goes Hungry," AP, December 28, 2016.

¹⁰⁹ House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, "Venezuela's Crisis, Implications for the Region," June 22, 2016, at <https://foreignaffairs.house.gov/hearing/subcommittee-hearing-venezuelas-crisis-implications-region/>.

¹¹⁰ CRS electronic communication with State Department officials, March 27, 2017.

requested \$5.5 million but Congress appropriated \$6.5 million (as noted in the explanatory statement to the FY2016 omnibus measure, P.L. 114-113).¹¹¹

For FY2017, the Obama Administration requested \$5.5 million in ESF funding to “defend democratic practices, institutions, and values that support human rights, freedom of information, and Venezuelan civic engagement.”¹¹² According to the request, the assistance “will support diverse civil society actors who promote constitutionally-mandated democratic checks and balances.”¹¹³ After enacting several short-term continuing resolutions, the 115th Congress enacted the FY2017 Consolidated Appropriations Act on May 4, 2017. According to the explanatory statement accompanying the legislation (H.R. 244/P.L. 115-31), Congress appropriated \$7 million for civil society programs in Venezuela.

As noted above, NED has funded democracy projects in Venezuela since 1992. U.S. funding for NED is provided in the annual State Department and Foreign Operations appropriations measure, but country allocations for NED are not specified in the legislation. In FY2016, NED funded 36 projects in Venezuela totaling \$1.6 million.¹¹⁴

Counternarcotics and Money-Laundering Issues

Venezuela’s pervasive corruption and extensive 1,370-mile border with Colombia have made the country a major transit route for cocaine destined for the United States and an attractive environment for drug traffickers and other criminals to engage in money laundering. In 2005, Venezuela suspended its cooperation with the U.S. Drug Enforcement Administration (DEA) after alleging that DEA agents were spying on the government, charges that U.S. officials dismissed as baseless. Prior to that time, the governments had negotiated an antidrug cooperation agreement (an addendum to the 1978 Bilateral Counternarcotics Memorandum of Understanding) that would have enhanced information sharing and cooperation on drug-trafficking-related crimes. Venezuela has yet to approve that agreement.

Since 2005, Venezuela has been designated annually as a country that has failed to adhere to its international antidrug obligations, pursuant to international drug-control certification procedures set forth in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228). In September 2016, President Obama designated Venezuela as one of three countries not adhering to its antidrug obligations. The memorandum of justification for the determination noted that “public corruption is a major problem in Venezuela that makes it easier for drug-trafficking organizations to operate ... [and] the Venezuelan government has not taken action against government and military officials with known links to FARC members involved in drug trafficking.”¹¹⁵ At the same time, President Obama waived economic sanctions that would have curtailed U.S. assistance for democracy programs.

¹¹¹ The joint explanatory statement is available in the *Congressional Record* for December 17, 2015, pp. H10161-H10470. Also see the web page of the House Committee on Rules at <https://rules.house.gov/bill/114/hr-2029-sa>.

¹¹² U.S. Department of State, *Congressional Budget Justification, Foreign Operations FY2017*, Appendix 3, February 26, 2016, p. 489.

¹¹³ *Ibid.*

¹¹⁴ National Endowment for Democracy, “Venezuela 2016,” at <http://www.ned.org/region/latin-america-and-caribbean/venezuela-2016/>.

¹¹⁵ The White House, “Presidential Determination—Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2017,” September 12, 2016.

The State Department reported in its 2017 *International Narcotics Control Strategy Report* (INCSR) that Venezuela was one of the preferred trafficking routes for the transit of illicit drugs out of South America, especially cocaine, because of the country's porous border with Colombia, weak judicial system, sporadic international counternarcotics cooperation, and permissive and corrupt environment. The report notes the following:

- Cocaine is trafficked via aerial, terrestrial, and maritime routes, with most drug flights departing from Venezuelan states bordering Colombia and maritime trafficking that includes the use of large cargo containers, fishing vessels, and “go-fast” boats.
- The vast majority of drugs transiting Venezuela in 2016 were destined for the Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations—including multiple criminal bands, the FARC, and the National Liberation Army (ELN)—facilitate drug transshipment through Venezuela. Mexican drug-trafficking organizations also operate in the country.
- Despite a near doubling in coca cultivation in Colombia from 2013 to 2015, the report states that Venezuelan antidrug forces seized only 32 metric tons (MT) of drugs in the first six months of 2016, compared to 66 MT in the first eight months of 2015.
- “Venezuelan authorities do not effectively prosecute drug traffickers, in part due to political corruption,” but Venezuelan law enforcement officers also “lack the equipment, training, and resources required to impede the operations of major drug trafficking organizations.”¹¹⁶
- Venezuela and the United States continue to use a 1991 bilateral maritime agreement to cooperate on interdiction. In 2016, Venezuela worked with the U.S. Coast Guard in six maritime drug interdictions cases (down from 10 in 2015).
- As noted in prior years, “the United States remains committed to cooperating with Venezuela to counter the flow of cocaine and other illegal drugs transiting Venezuelan territory.”¹¹⁷

In addition to State Department reporting, recent cases in the United States demonstrate the involvement of high-level Venezuelan officials or their relatives in international drug trafficking. President Maduro either has dismissed those cases or appointed the accused to Cabinet positions, where they presumably will be protected from extradition. Some observers have maintained that it may therefore be difficult to persuade Maduro officials to leave office through democratic means if, once out of power, they likely would face extradition and prosecution in the United States.¹¹⁸

On August 1, 2016, the U.S. Federal Court for the Eastern District of New York unsealed an indictment from January 2015 against two Venezuelans for cocaine trafficking to the United States. The indictment alleged that General Néstor Luis Reverol Torres, former general director of Venezuela's National Anti-Narcotics Office (ONA) and former commander of Venezuela's

¹¹⁶ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2017 *International Narcotics Control Strategy Report* (INCSR), vol. 1, p. 286.

¹¹⁷ *Ibid.*, p. 289.

¹¹⁸ U.S. Congress, Senate Committee on Foreign Relations, *Venezuela: Options for U.S. Policy*, 115th Cong., 1st sess., March 2, 2017.

National Guard, and Edylberto José Molina Molina, former subdirector of ONA, participated in drug-trafficking activities from 2008 through 2010, when they were top ONA officials.¹¹⁹ President Maduro responded by appointing General Reverol as Minister of Interior and Justice in charge of the country's police forces.

In November 2016, two nephews of Venezuelan First Lady Cilia Flores—Franqui Francisco Flores de Freitas and Efrain Antonio Campo Flores—were convicted in U.S. federal court in New York for conspiring to transport cocaine into the United States. The two nephews had been arrested in Haiti in November 2015 and brought to the United States to face drug-trafficking charges. President Maduro asserted that the conviction was an attempt by the United States to weaken his government.¹²⁰ The trial and conviction reportedly shed light on the role of Venezuelan government and military officials in drug trafficking.¹²¹

The Department of the Treasury has imposed sanctions on at least 17 Venezuelans for narcotics trafficking, freezing the assets of these individuals subject to U.S. jurisdiction and blocking U.S. persons from engaging in any transactions with them. The sanctioned individuals include nine current or former Venezuelan officials. On February 13, 2017, the Department of the Treasury imposed drug-trafficking sanctions against Venezuelan Vice President Tareck el Aissami and an associate, Samarck Lopez Bello.¹²² The designation stated that El Aissami, former governor of the state of Aragua and a former interior minister, had overseen shipments of more than 1,000 kilograms of narcotics and protected other drug traffickers operating in the country. Bello laundered drug proceeds for El Aissami (see text box below for other high-level kingpin designations).

U.S. Sanctions on Venezuelans for Narcotics Trafficking

In 2008, the Department of the Treasury froze the assets of two senior Venezuelan intelligence officials—General Hugo Carvajal and General Henry Rangel—and former Interior Minister Ramón Rodríguez Chacín for allegedly helping the Revolutionary Armed Forces of Colombia (FARC) with drug and weapons trafficking. General Rangel was subsequently appointed Venezuela's defense minister in January 2012. He stepped down in October 2012 and went on to win the governorship of the Venezuelan state of Trujillo in December 2012. Rodríguez Chacín was elected governor of the state of Guárico in December 2012. General Carvajal, the former head of military intelligence, was detained by Aruban authorities in 2014 at the request of the United States but subsequently was released and allowed to return to Venezuela.

In 2011, the Department of the Treasury sanctioned four Venezuelan officials for supporting the FARC's weapons and drug-trafficking activities. These individuals included Major General Cliver Antonio Alcalá Cordones; Freddy Alirio Bernal Rosales, a former United Socialist Party of Venezuela (PSUV) representative to Venezuela's National Assembly; Amilcar Jesus Figueroa Salazar, a former alternative president of the Latin American Parliament; and Ramon Isidro Madriz Moreno, an officer with the Venezuelan Intelligence Service (*Servicio Bolivariano de Inteligencia*, or SEBIN).

In 2013, the Department of the Treasury sanctioned a former captain in Venezuela's National Guard, Vassily Kotosky Villarroel Ramirez, for his role in international narcotics trafficking in both Colombia and Venezuela. Villarroel Ramirez had been indicted in U.S. federal court in New York on multiple cocaine-trafficking charges. Venezuela announced that Villarroel Ramirez was arrested in 2015 over his link to drug trafficking.

Source: Department of the Treasury, Office of Foreign Assets Control (OFAC), "Additional Designations, Foreign

¹¹⁹ U.S. Department of Justice, United States Attorney's Office, Eastern District of New York, "Former Top Leaders of Venezuela's Anti-Narcotics Agency Indicted for Trafficking Drugs to the United States," August 1, 2016.

¹²⁰ "Venezuela's Maduro Calls Nephews' Drug Conviction 'U.S. Imperialism,'" Reuters News, November 25, 2016.

¹²¹ Mike LaSusa and Tristan Clavel, "Venezuela's 'Narco Nephews' Case Hints at Govt Complicity in Drug Trade," *InSight Crime*, November 21, 2016; and Laura Natalia Ávila, "Game Changers 2016: Venezuela's Cartel of the Suns Revealed," *InSight Crime*, January 3, 2017.

¹²² U.S. Department of the Treasury, "Treasury Sanctions Prominent Venezuela Drug Trafficker Tareck el Aissami and His Primary Frontman Samark Lopez Bello," February 13, 2017.

Narcotics Kingpin Designation Act,” 73 *Federal Register* 54453, September 19, 2008; Department of the Treasury, OFAC, “Recent OFAC Actions, Specially Designated Nationals Update,” September 8, 2011; Department of the Treasury, “Treasury Targets Venezuelan Narcotics Trafficker,” August 21, 2013; and Department of the Treasury, OFAC, “Additional Designation, Foreign Narcotics Kingpin Designation Act,” 78 *Federal Register* 53007, August 27, 2013.

In addition to drug trafficking, the 2017 INCSR discusses Venezuela’s high level of vulnerability to money laundering and other financial crimes. According to the report, money laundering is widespread in the country and is evident in industries ranging from government currency exchanges to banks to real estate to metal and petroleum. Venezuela’s currency-control system requires individuals and firms to purchase hard currency from the government’s currency commission at a fixed exchange rate of 10 bolivars per U.S. dollar, which has created incentives for trade-based money laundering.

Venezuela revised its laws against organized crime and terrorist financing in 2014 but excluded the government and state-owned industries from the scope of any investigations. The unit charged with investigating financial crimes has “limited operational capabilities,” and there is a lack of political will in the judicial system to combat money laundering and corruption.¹²³ The 2017 INCSR concludes that Venezuela’s “status as a drug transit country, combined with weak AML supervision and enforcement, lack of political will, limited bilateral cooperation, an unstable economy, and endemic corruption” make the country vulnerable to money laundering.¹²⁴

Terrorism

The Secretary of State has determined annually, since 2006, that Venezuela has not been “cooperating fully with United States antiterrorism efforts” pursuant to Section 40A of the Arms Export Control Act (AECA). Per the AECA, such a designation subjects Venezuela to a U.S. arms embargo, which prohibits all U.S. commercial arms sales and retransfers to Venezuela.

The State Department’s most recent annual terrorism report, issued in June 2016, stated that “there were credible reports that Venezuela maintained a permissive environment that allowed for activities that benefited known terrorist groups.”¹²⁵ The report stated that individuals linked to the FARC, the ELN, and Basque Fatherland and Liberty (a Basque terrorist organization), as well as Hezbollah supporters and sympathizers, were present in Venezuela. The Treasury Department has imposed sanctions on several Venezuelan individuals and companies for providing support to Hezbollah.

Recently, some Members of Congress have expressed concerns about allegations that Venezuelan passports may have been sold to individuals at the Venezuelan Embassy in Iraq and that some of those passports could be used by terrorists.¹²⁶ Some observers, however, question the allegations. They note that passport falsification is not unique to Venezuela and maintain that the difficulty of obtaining a U.S. visa means that the possibility of a security threat to the United States is low.¹²⁷

¹²³ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2017 *International Narcotics Control Strategy Report* (INCSR), vol. II: *Money Laundering and Financial Crimes*, March 2017, p. 190-2.

¹²⁴ *Ibid.*

¹²⁵ U.S. Department of State, *Country Reports on Terrorism 2015*, Chapter 2, Western Hemisphere Overview, June 2016.

¹²⁶ Scott Zamost et al. “Venezuela May Have Given Passports to People with Ties to Terrorism,” CNN, February 14, 2017.

¹²⁷ Geoff Ramsey and David Smilde, “Fact Checking Venezuelan Passports-to-Terrorists Allegations,” *Insight Crime*, (continued...)

Colombian Terrorist Groups. Two leftist Colombian guerrilla groups—the FARC and the ELN—long have been reported to have a presence in Venezuelan territory.¹²⁸ The United States has imposed sanctions on several current and former Venezuelan government and military officials for providing support to the FARC with weapons and drug trafficking (see “Counternarcotics and Money-Laundering Issues,” above). As noted in the State Department’s 2015 terrorism report, the FARC and the ELN have used Venezuelan territory for safe haven. Venezuela has captured and returned to Colombia several members of the two groups.

Colombian peace talks with the FARC officially began in 2012 and culminated with the signing of a peace agreement in 2016. Both President Chávez and President Maduro were highly supportive of the peace talks.¹²⁹

Relations with Iran.¹³⁰ For a number of years, policymakers have been concerned about Iran’s interest and activities in Latin America, particularly its relations with Venezuela, although disagreement exists over the extent and significance of Iran’s relations with the region. The personal relationship between Chávez and Iranian President Mahmoud Ahmadinejad (2005-2013) drove the strengthening of bilateral ties over that period. Since Ahmadinejad left office and Chávez passed away in 2013, many analysts contend that Iranian relations with the region have diminished. Current Iranian President Hassan Rouhani, who took office in August 2013, has not prioritized relations with Latin America.

The United States imposed sanctions on three Venezuelan companies because of their support for Iran. Sanctions on two of these companies were later removed: one in November 2015 and another in January 2016, as part of the comprehensive nuclear accord with Iran.¹³¹ Sanctions imposed in 2008 on the Venezuelan Military Industries Company pursuant to the Iran, North Korea, and Syria Nonproliferation Act (P.L. 109-353) for allegedly violating a ban on technology that could assist Iran in the development of weapons systems were renewed in December 2014 for two years but have since expired.¹³²

As noted above, the United States also has imposed sanctions on Venezuelan individuals because of their support for Hezbollah, most recently in 2012. At that time, the Department of the Treasury sanctioned three dual Lebanese-Venezuelan citizens and a Venezuelan company for

(...continued)

February 22, 2017.

¹²⁸ In 2010, then-Colombian President Álvaro Uribe publicly accused the Venezuelan government of harboring members of the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) in its territory. The government presented evidence at the OAS of FARC training camps in Venezuela. In response, Venezuela suspended diplomatic relations with Colombia in July 2010. However, less than three weeks later, new Colombian President Juan Manuel Santos met with President Chávez and the two leaders reestablished diplomatic relations.

¹²⁹ CRS Report R42982, *Colombia’s Peace Process Through 2016*, by (name redacted)

¹³⁰ For further background on Iran’s relations with Latin America, see CRS Report RS21049, *Latin America: Terrorism Issues*, by (name redacted) and (name redacted) and CRS Report R44017, *Iran’s Foreign and Defense Policies*, by (name redacted) .

¹³¹ For a list of those prior sanctions, see CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) . For information regarding the removal of sanctions on the Banco Internacional de Desarrollo, C.A., an Iranian-owned bank based in Caracas, see “Changes to Sanctions Lists Administered by the Office of Foreign Assets Control on Implementation Day Under the Joint Comprehensive Plan of Action,” 81 *Federal Register* 13561, March 14, 2016, p. 13564. Regarding sanctions on state-run oil company Petróleos de Venezuela, S.A. (PDVSA), see U.S. Department of State, “Removal of Sanctions on Person on Whom Sanctions Have Been Imposed Under the Iran Sanctions Act of 1996, as Amended,” 80 *Federal Register* 73866, November 25, 2015.

¹³² For the status of those sanctions, see CRS Report RS20871, *Iran Sanctions*, by (name redacted) .

involvement in the Lebanese Ayman Joumaa drug-money-laundering network, which has links to Hezbollah.¹³³

Energy Sector Concerns

Although Venezuela has vast proven oil reserves (301 billion barrels in 2015—the largest in the world),¹³⁴ oil production in the country has declined from an average of roughly 3.5 million barrels per day (b/d) in 2000 to an average of 2.2 million b/d in 2016, according to the U.S. Energy Information Administration.¹³⁵ Despite this decline in production, Venezuela remained the third-largest foreign crude oil supplier to the United States in 2016 (behind Canada and Saudi Arabia), providing an average of 796,000 b/d, down from 1.5 million b/d in 2000.

PdVSA's performance has been hurt by a number of factors. Under Chávez, governmental control over PdVSA increased and oil export revenues were not reinvested in the oil sector. Chávez's moves toward nationalization of oil assets created a difficult investment environment for international oil companies. Losses in human capital that began after thousands of technocrats were fired in the wake of a 2002-2003 oil workers' strike have continued. Production also has been hindered by aging infrastructure, bottlenecks created by PdVSA's inability to pay service companies and producers, and shortages of inputs used to process its heavy crude oil.¹³⁶ Corruption remains a major drain on the company's revenues and an impediment to performance. Although a bond swap in October 2016 eased some of the company's short-term debt burden, the company remains heavily indebted, with \$2 billion in bond payments due by mid-November.¹³⁷

Declining production by PdVSA stands in stark contrast to the performance of joint ventures that PdVSA has with Chevron, CNPC, Gazprom, Repsol, and others. From 2010 to 2015, production declined by 27.5% in fields solely operated by PdVSA, whereas production in fields operated by joint ventures increased by 42.3%.¹³⁸ Some observers are concerned about the reported July 2017 departure of PdVSA president Eulogio del Pino, a proponent of joint ventures.¹³⁹

Until recently, a domestic subsidy made gasoline virtually free for Venezuelans, a practice that cost the Venezuelan government some \$12 billion annually, increased consumption, and spurred smuggling operations at the border with Colombia. In February 2016, the government raised the price of gas for the first time since 1994, to approximately 15 cents a gallon (still the cheapest gasoline in the world).¹⁴⁰

The amounts and share of U.S. oil imports from Venezuela have declined due to Venezuela's decreased production, the overall decline in U.S. oil imports worldwide, and the increased

¹³³ U.S. Department of the Treasury, "Treasury Targets Major Money Laundering Network Linked to Drug Trafficker Ayman Joumaa and a Key Hizballah Supporter in South America," June 27, 2012.

¹³⁴ BP, *Statistical Review of World Energy*, June 2016.

¹³⁵ U.S. Energy Information Administration, *International Energy Statistics*.

¹³⁶ Igor Hernández and Francisco Monaldi, *Weathering the Collapse: An Assessment of the Financial and Operational Situation of the Venezuelan Oil Industry*, CID Working Paper No. 327, November 2016. Hereinafter Hernández and Monaldi, 2016.

¹³⁷ Joel Guedes and David Vogh, "Venezuela's Oil Output is Falling and Fundamental Change Is Needed to Rescue It in 2017," *IBD Latin America*, December 2, 2016; "Venezuela: Another Bond Payment Goes Through, But at What Cost?," *Latin American Weekly Report*, April 12, 2017.

¹³⁸ Hernández and Monaldi, 2016.

¹³⁹ "Del Pino's Departure Clouds Already Dim Oil Sector Outlook," *Eurasia Group*, March 29, 2017.

¹⁴⁰ Mery Mogollon and Chris Kraul, "At 15 Cents a Gallon, It's the Cheapest Gas in the World – Yet Venezuela Worries," *Los Angeles Times*, February 19, 2016.

amount of U.S. oil imports from Canada. In 2016, Venezuelan crude oil accounted for about 9.4% of U.S. imports worldwide. This figure is down from 2005, when Venezuelan oil accounted for 11% of such U.S. imports.¹⁴¹ According to U.S. trade statistics, Venezuela's oil exports to the United States were valued at \$10.4 billion in 2016, accounting for 96% of Venezuela's exports to the United States.¹⁴² This figure is down from \$29 billion in 2014, reflecting the steep decline in the price of oil. U.S. Gulf Coast refineries are designed specifically to handle heavy Venezuelan crude oil. Some 43% of U.S. exports to Venezuela consist of light crude oil and other inputs needed to refine Venezuelan oil.¹⁴³

As Venezuela's economic situation has become more precarious and PdVSA has struggled to pay its debts, some U.S. policymakers have expressed concerns about Russian involvement in the Venezuelan oil industry.¹⁴⁴ PdVSA owns CITGO, which operates three crude oil refineries in the United States (in Louisiana, Texas, and Illinois), 48 petroleum product terminals, and three pipelines. CITGO also jointly owns another six pipelines in the United States. According to press reports, CITGO's parent company, PdVSA, pledged a 49.9% stake in CITGO to Rosneft, Russia's state-run oil company, as collateral for a \$1.5 billion loan signed on November 30, 2016.¹⁴⁵ Rosneft and its chief operating officer, Igor Sechin, were placed under sanctions in 2014 by the United States and other countries for Russia's intervention in Ukraine. Some Members of Congress have been particularly concerned that Rosneft could take control of CITGO assets in the United States in the event that PDVSA defaults on its loan payments. These Members have urged the Committee on Foreign Investment in the United States to review the issue.¹⁴⁶

Congressional Action in 2017

In addition to appropriating and overseeing assistance to support democracy, human rights, and other programs in Venezuela, Congress has taken other legislative and oversight actions related to the situation in Venezuela.

Legislative Action

On February 28, 2017, the Senate passed a bipartisan resolution, S.Res. 35 (Cardin), which, among other provisions, expresses support for a dialogue that leads to respect for Venezuela's constitutional mechanisms and a resolution to the multiple crises the country faces, as well as for OAS efforts to invoke the Inter-American Democratic Charter. The resolution urges full U.S. support for OAS efforts and calls for U.S. agencies to hold Venezuelan officials accountable for violations of U.S. law and international human rights standards.

On April 6, 2017, a bipartisan group of Members of Congress introduced H.Res. 259 (DeSantis) expressing concern about the multiple crises that Venezuela is facing; urging the Venezuelan government to hold elections, release political prisoners, and accept humanitarian aid; supporting OAS efforts, including a potential temporary suspension of Venezuela from the organization if the

¹⁴¹ Oil statistics are from the U.S. Energy Information Administration.

¹⁴² Trade statistics are from Global Trade Atlas, which uses Department of Commerce statistics.

¹⁴³ Ibid; Nicholas Casey and Clifford Krauss, "How Bad Off Is Oil-Rich Venezuela? It's Buying U.S. Oil," *New York Times*, September 20, 2016.

¹⁴⁴ CRS Report RL33388, *The Committee on Foreign Investment in the United States (CFIUS)*, by (name redacted) .

¹⁴⁵ "Venezuela's PDVSA uses 49.9 pct Citgo Stake as Loan Collateral," Reuters, December 23, 2016.

¹⁴⁶ Julie Wernau, "Worry Over Venezuelan Bonds Expands- Congressmen Warn a PDVSA Default Could Give Russia Control of U.S. Oil Infrastructure," *Wall Street Journal*, April 12, 2017.

government does not convene elections and release political prisoners in a timely manner; and encouraging President Trump to prioritize resolving the crisis in Venezuela, including through the use of targeted sanctions.

On April 26, 2017, House Members introduced H.R. 2161 (Curbelo), the Venezuelan Refugee Assistance Act; the bill that would provide for the status adjustment to permanent resident of qualifying Venezuelan nationals and the spouse, child, or certain unmarried sons or daughters of such alien.

On May 3, 2017, a bipartisan group of Senators introduced S. 1018 (Cardin), the Venezuela Humanitarian Assistance and Defense of Democratic Governance Act of 2017. The act would authorize \$10 million in humanitarian assistance for Venezuela and would require the Secretary of State to provide a strategy on how that assistance would be provided. It also would authorize \$9.5 million for coordinated democracy and human rights assistance after the Secretary of State submits a strategy on how the funds would be implemented and would make \$500,000 available to support any future OAS electoral missions to the country. In addition, S. 1018 would express the sense of the Senate that the Administration should continue to provide energy support to Caribbean countries whose energy security could be impacted by the situation in Venezuela. The act would require a report by the Secretary of State, acting through the Bureau of Intelligence and Research, on Venezuelan officials involved in grand corruption and would encourage the imposition of sanctions on those individuals. It also would express the sense of the Senate that the President should take all necessary steps to prevent Rosneft from gaining control of U.S. energy infrastructure.

On May 4, 2017, Congress enacted the FY2017 Consolidated Appropriations Act (H.R. 244), which President Trump signed into law on May 5, 2017. As previously discussed, the act recommends providing \$7 million in democracy and human rights assistance to Venezuelan civil society. (See “U.S. Funding to Support Democracy and Human Rights.”)

Oversight

In February 2017, a bipartisan group of 34 Members of Congress and Senators wrote a letter to President Trump calling for additional targeted sanctions against Venezuelan officials for corruption and human rights violations, increased U.S. democracy and human rights funding, and an investigation into drug-trafficking and terrorism allegations against Vice President Tareck el Aissami.¹⁴⁷ As cited above, the Treasury Department subsequently imposed drug-trafficking sanctions against El Aissami and an associate.

The Senate Foreign Relations Committee convened a hearing of private witnesses on March 2, 2017, to discuss options for U.S. policy in Venezuela.¹⁴⁸ The witnesses generally endorsed working through multilateral institutions (namely the OAS, through the invocation of the Inter-American Democratic Charter), encouraging other countries to speak out and pressure Venezuela for its antidemocratic behavior, providing humanitarian assistance, and supporting refugees (current and potential). Although two witnesses supported unilateral targeted U.S. sanctions on Venezuelan officials, another witness suggested that unilateral sanctions that cannot be eased or

¹⁴⁷ A copy of the letter is available at <https://www.menendez.senate.gov/imo/media/doc/Ros-Lehtinen-and-Menendez%20-Letter-to-White-House-02.08.2017.pdf>.

¹⁴⁸ “Senate Foreign Relations Committee Holds Hearing on Venezuela and U.S. Policy,” *CQ Congressional Transcripts*, March 2, 2017. Witness testimony is at <http://www.foreign.senate.gov/hearings/venezuela-options-for-us-policy-030217>.

lifted in response to changed behavior may unintentionally increase the loyalty of sanctioned officials to the Maduro government.

The House Foreign Affairs Subcommittee on the Western Hemisphere also convened a hearing on March 28, 2017, at which witnesses discussed Venezuela's oil industry, humanitarian conditions, and potential U.S. policy options.¹⁴⁹

On May 4, 2017, 15 Members of Congress from both parties sent a bipartisan letter to President Trump expressing concern about the humanitarian situation in Venezuela and urging the president to task U.N. Ambassador Nikki Haley with placing the situation in Venezuela on the agenda of the U.N. Security Council. The letter calls for the Administration to push for a U.N. Security Council resolution urging Venezuelan authorities to allow humanitarian assistance, among other measures. It also urges that additional sanctions be applied to Venezuelan officials responsible for human rights violations and undemocratic actions.¹⁵⁰

Outlook

Venezuela is in the midst of a multifaceted political and economic crisis. President Maduro's popularity has plummeted—less than 20% of Venezuelans viewed him positively in April 2017 and protests are occurring even in neighborhoods that traditionally have supported the government.¹⁵¹ Nevertheless, the Maduro government has used the Supreme Court to thwart the authority of the opposition-dominated National Assembly, imprisoned political dissidents, barred opposition leaders from holding office, and used security forces to quash dissent. As domestic and international calls for elections intensify and fissures within the Maduro government emerge, the political situation in Venezuela is likely to remain extremely volatile.

In addition to concerns about democracy and human rights in Venezuela, the U.S. government and the international community are increasingly concerned by the profound economic and social crises that the Venezuelan people are experiencing. The rapid decline in the price of oil has been a major factor prompting the economic crisis, but economic mismanagement and corruption also have played a significant role. Many observers contend that the road to economic recovery will take several years, no matter who is in power. Some analysts believe that the risk of a social explosion is rising because of food shortages and a growing humanitarian crisis. In his April 2017 posture statement, Admiral Kurt W. Tidd, commander of U.S. Southern Command, warned that the “growing humanitarian crisis in Venezuela could eventually compel a regional response.”¹⁵²

Congress faces appropriations decisions that could impact the level of democracy and human rights assistance available to civil society and opposition groups in Venezuela. Some Members of Congress have called for that aid to be increased. Congress also may consider providing humanitarian aid to Venezuela and neighboring countries, such as Colombia, where Venezuelans have migrated as a result of hardship, violence, and/or political persecution, either bilaterally or through multilateral or nongovernmental channels.

¹⁴⁹ Witness testimony is available at <https://foreignaffairs.house.gov/hearing/subcommittee-hearing-venezuelas-tragic-meltdown/>.

¹⁵⁰ A copy of the letter is available at <http://ros-lehtinen.house.gov/press-release/ros-lehtinen-and-engel-lead-bipartisan-letter-urging-administration-bring-humanitarian>.

¹⁵¹ Hannah Dreier, “Unrest Spreads to Venezuelan Slums Seen as Pro-Government,” AP, April 13, 2017.

¹⁵² Prepared Statement by Admiral Kurt W. Tidd, Commander, U.S. Southern Command, before the U.S. Congress, Senate Committee on Armed Services, 115th Cong., 1st sess., April 6, 2017.

Appendix.

Table A-I. Online Human Rights Reporting on Venezuela

Organization	Document/Link
Amnesty International	<i>Human Rights in Bolivarian Republic of Venezuela</i> , https://www.amnesty.org/en/countries/americas/venezuela/
Committee to Protect Journalists	http://www.cpj.org/americas/venezuela/
Foro Penal Venezolano	http://foropenal.com/
Human Rights Watch	http://www.hrw.org/en/americas/venezuela
Inter-American Commission on Human Rights (IACHR)	http://www.cidh.oas.org/DefaultE.htm ; <i>Annual Report of the IACHR 2016</i> , May 2017, chapter IV includes a section on Venezuela, http://www.oas.org/en/iachr/docs/annual/2016/TOC.asp
Programa Venezolano de Educación-Acción en Derechos Humanos (PROVEA)	http://www.derechos.org.ve/
Reporters Without Borders	https://rsf.org/en/venezuela
U.S. State Department	<i>Country Report on Human Rights Practices 2016</i> , http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2016&dliid=265622
Venezuelan Politics and Human Rights	Blog hosted by the Washington Office on Latin America, http://venezuelablog.tumblr.com/

Source: Congressional Research Service.

Author Contact Information

(name redacted)
Specialist in Latin American Affairs
redacted@crs.loc.gov

Acknowledgments

(name redacted), Specialist in International Trade and Finance, contributed to this report. Portions of this report are drawn from CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

EveryCRSReport.com

The Congressional Research Service (CRS) is a federal legislative branch agency, housed inside the Library of Congress, charged with providing the United States Congress non-partisan advice on issues that may come before Congress.

EveryCRSReport.com republishes CRS reports that are available to all Congressional staff. The reports are not classified, and Members of Congress routinely make individual reports available to the public.

Prior to our republication, we redacted names, phone numbers and email addresses of analysts who produced the reports. We also added this page to the report. We have not intentionally made any other changes to any report published on EveryCRSReport.com.

CRS reports, as a work of the United States government, are not subject to copyright protection in the United States. Any CRS report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS report may include copyrighted images or material from a third party, you may need to obtain permission of the copyright holder if you wish to copy or otherwise use copyrighted material.

Information in a CRS report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to members of Congress in connection with CRS' institutional role.

EveryCRSReport.com is not a government website and is not affiliated with CRS. We do not claim copyright on any CRS report we have republished.