

# Venezuela: Background and U.S. Policy

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## Summary

Venezuela is in a deep political crisis under the authoritarian rule of President Nicolás Maduro of the United Socialist Party of Venezuela (PSUV). Narrowly elected to a six-year term in 2013 following the death of populist President Hugo Chávez (1999-2013), Maduro is unpopular. Nevertheless, he has used the courts, security forces, and electoral council to repress and divide the opposition, grouped in the Democratic Unity Roundtable (MUD) coalition.

From March through July 2017, protesters called for President Maduro to release political prisoners, respect the MUD-led National Assembly, and schedule elections. Security forces quashed protests, with more than 130 killed and thousands injured. Maduro then orchestrated the controversial July election of a National Constituent Assembly (ANC) to rewrite the constitution.

President Maduro and the ANC have since consolidated power over the opposition. After the PSUV won 18 of 23 gubernatorial elections in October, the opposition emerged divided and disillusioned. Although most opposition parties did not participate in municipal elections held on December 10 in which the PSUV dominated, some fielded candidates. The MUD has initiated dialogue with the government to try to secure humanitarian aid and establish parameters for 2018 presidential elections; some opposition figures oppose that process.

President Maduro has blamed U.S. sanctions and corruption for the country's economic crisis. Venezuela is experiencing a rapid contraction of the economy, high inflation, shortages of consumer goods and medicines, and a humanitarian crisis. Maduro has arrested former executives at state oil company *Petróleos de Venezuela, S.A.* (PdVSA) for alleged corruption and replaced them with military officers. He announced that Venezuela will seek to restructure and refinance its debts. With the government and PdVSA technically declared in default on some bond payments in November, it is unclear whether restructuring is possible.

### U.S. Policy

The United States has spoken out about setbacks to democracy and human rights in Venezuela, called for the release of political prisoners, expressed concern about the humanitarian situation, and supported dialogue. The U.S. government has employed targeted sanctions against Venezuelans responsible for human rights violations, undermining democracy, and public corruption, as well as those accused of drug trafficking and terrorism. On August 25, 2017, President Trump imposed economic sanctions that restrict the ability of the Venezuelan government and PdVSA to access U.S. financial markets. Broader sanctions have been considered, but could have negative humanitarian impacts. The United States has supported efforts at the Organization of American States (OAS) to help resolve the situation in Venezuela, but those efforts have stalled.

### Congressional Action

The 115<sup>th</sup> Congress has taken actions in response to the situation in Venezuela. In February 2017, the Senate approved S.Res. 35 (Cardin), which, among its provisions, called for the release of political prisoners and support for dialogue and OAS efforts. On December 5, 2017, the House passed two measures: H.R. 2658 (Engel), the Venezuela Humanitarian Assistance and Defense of Democratic Governance Act, which would authorize humanitarian assistance for Venezuela (a similar but not identical bill, S. 1018 [Cardin], was introduced in the Senate in May 2017); and H.Res. 259 (DeSantis), which would urge the Venezuelan government to suspend the ANC, hold open elections, release political prisoners, and accept humanitarian aid. Some Members of Congress have called for temporary protected status for Venezuelans in the United States (H.R. 2161 [Curbelo]).

Congress has appropriated funding for democracy and human rights in Venezuela (\$7 million in FY2017). The Trump Administration did not request FY2018 assistance. The House Appropriations Committee's FY2018 State Department and Foreign Operations appropriations bill, H.R. 3362 (H.Rept. 115-253), incorporated into the House-passed full-year FY2018 Omnibus Appropriations Measure, H.R. 3354, recommends \$8 million. The Senate Appropriations Committee's version of the bill, S. 1780 (S.Rept. 115-152), recommends \$15 million.

**Further Reading**

CRS In Focus IF10230, *Venezuela: Political and Economic Crisis and U.S. Policy*, by (name redacted) and (name redacted)

CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted)

CRS Insight IN10766, *New Financial Sanctions on Venezuela: Key Issues*, by (name redacted)

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## Recent Developments

On December 10, 2017, Venezuela convened municipal elections. With the three largest opposition parties boycotting and allegations of fraud, preliminary results showed the government winning at least 300 of the 335 municipal elections held and the governorship of Zulia. (See “Maduro Reconsolidating Power After Regional and Municipal Elections” below.)

On December 6, 2017, it is reported that a U.S. subsidiary of Sinopec, one of China’s biggest state-owned oil companies, sued PdVSA in a U.S. court for late payments. (See “Default and Debt Restructuring” below.)

On December 5, 2017, the House passed H.R. 2658 (Engel), the Venezuela Humanitarian Assistance and Defense of Democratic Governance Act, which would, among other measures, authorize humanitarian aid for Venezuela. The House also approved a resolution, H.Res. 259 (DeSantis), expressing concern and condemnation of the political, economic, social, and humanitarian crisis that President Maduro has wrought in Venezuela. (See **Appendix A** below for more legislative initiatives.)

On December 2, 2017, Maduro government officials and the opposition MUD failed to reach an agreement at a dialogue held in the Dominican Republic to allow humanitarian aid to enter the country. (See “Humanitarian Concerns” below.)

On November 26, 2017, President Maduro appointed a general with no experience in the energy sector as head of the state-owned oil company, PdVSA, and as oil minister after his attorney general arrested the executives formerly in those positions on charges of corruption. His appointment followed the arrest of six top executives of CITGO (a PdVSA subsidiary), including five U.S. citizens, who were detained in Caracas and also accused of corruption. (See “Energy Sector Concerns” below.)

On November 20, 2017, exiled former Venezuelan Attorney General Luisa Ortega presented evidence of thousands of extrajudicial killings by Venezuelan soldiers and police committed since 2015 to the International Criminal Court. Her findings are similar to other reports by human rights organizations. (See “Repression of Dissent amid Protests” below.)

On November 13, 2017, Standard and Poor’s found Venezuela to be officially in default on its sovereign debts, after it missed interest payments on two government bonds. On the same day, the government held a meeting with private bondholders to discuss debt restructuring. The meeting, which was short and sparsely attended, provided little information about the government’s plans to restructure its debt. (See “Default and Debt Restructuring” below.)

On November 9, 2017, the U.S. Treasury Department imposed sanctions on 10 Venezuelan government officials, including several National Electoral Council and National Constituent Assembly members. (See “Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption” below.)

On November 2, 2017, the National Constituent Assembly enacted a “hate crimes” law that established harsh penalties against those who organize or attend protests against the government and/or publish media reports or messages on social media that are critical of the government. (See “Maduro Reconsolidating Power After Regional and Municipal Elections” below.)

On November 2, 2017, President Maduro announced in a televised address that the country would seek to restructure and refinance its debts, highlighting the increasingly dire fiscal position of the government. (See “Default and Debt Restructuring” below.)

## Introduction

Venezuela, long one of the most prosperous countries in South America with the world's largest proven oil reserves, continues to be in the throes of a deep economic and political crisis. Whereas populist 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 mismanagement and corruption. 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 and undermined the National Assembly, and then illegally replaced it with a National Constituent Assembly (ANC) elected under controversial circumstances on July 30, 2017.<sup>1</sup>

Tasked with writing a new constitution, the ANC has also given itself the power to legislate, usurping the power of the National Assembly. From March through July 2017, more than 130 people died and thousands were injured and/or detained during clashes between protesters and security forces (backed by armed civilian militias).<sup>2</sup> Protests died down after the ANC's installment in August, but the humanitarian situation is worsening, and the country is in default on some bond payments. The opposition is in disarray after the PSUV won 18 of 23 gubernatorial elections held on October 15, 2017. Although fraud occurred, the MUD was unable to prove that it was on a massive scale. Four of five winning opposition governors then broke with the MUD by taking their oaths of office in front of the ANC.<sup>3</sup>

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. 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 elections; engaged in drug trafficking and corruption; and refused humanitarian aid.<sup>4</sup> Regional efforts to hasten a return to democracy in Venezuela have occurred through the Organization of American States (OAS) and, more recently, ad-hoc efforts held in the Dominican Republic; they have yet to

### 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).

<sup>1</sup> Freedom House, *Freedom in the World: 2017*, at <https://freedomhouse.org/report/freedom-world/freedom-world-2017>; Jennifer McCoy, “Credibility of Venezuela's Electoral Process on the Line,” August 3, 2017, Venezuelan Politics and Human Rights, blog hosted by the Washington Office on Latin America (WOLA), at <https://venezuelablog.org/credibility-venezuelas-electoral-process-line/> (hereinafter McCoy, August 2017).

<sup>2</sup> Foro Penal Venezolano, *Reporte Sobre la Represión del Estado en Venezuela*, August 2017.

<sup>3</sup> This decision appeared to give legitimacy to the election results and to the ANC (rather than the National Assembly). “Venezuela Opposition Governors Take Oath Before Assembly,” AP, October 24, 2017.

<sup>4</sup> CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

advance.<sup>5</sup> Maduro's convening of the National Constituent Assembly has triggered international condemnation and broader U.S. sanctions (see "Sanctions Restricting Venezuela's Access to U.S. Financial Markets").

The 115<sup>th</sup> 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.<sup>6</sup> This report provides an overview of the political, economic, and social challenges Venezuela faces. It analyzes U.S. policy concerns and actions regarding democracy and human rights, drug trafficking and money laundering, terrorism, and energy issues in Venezuela.

**Figure I. Political Map of Venezuela**



**Source:** Congressional Research Service (CRS).

<sup>5</sup> "Venezuela Dialogue Produces No Humanitarian Agreement," *Latin News Daily*, December 4, 2017.

<sup>6</sup> See also CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted) ; CRS Insight IN10766, *New Financial Sanctions on Venezuela: Key Issues*, by (name redacted) .



# Political Situation

## Legacy of Hugo Chávez (1999-2013)<sup>7</sup>

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 the previous 40 years. Most observers attribute Chávez's rise to power to popular disillusionment with politicians whom they then judged to have squandered the country's oil wealth through poor management and corruption. Chavez's campaign promised 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 19<sup>th</sup> 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.<sup>8</sup>

After Chávez's death, his legacy has been debated. President Chávez established an array of social programs and services known as *missions* that helped to reduce poverty by some 20% and improve literacy and access to health care.<sup>9</sup> Some maintain that Chávez also empowered the poor

<sup>7</sup> This section draws from CRS Report R42989, *Hugo Chávez's Death: Implications for Venezuela and U.S. Relations*, by (name redacted) ; and CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

<sup>8</sup> 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 19<sup>th</sup> century. Carlos A. Romero and Víctor 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 has declined since 2012. 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).

<sup>9</sup> 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* (continued...)

by involving them directly in community councils and workers' cooperatives.<sup>10</sup> 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.<sup>11</sup> Declining oil production by PdVSA, combined with massive debt and rampant inflation, have laid bare the costs involved in Chávez's failure to save or invest past oil windfalls and his tendency to take on debt and print money.<sup>12</sup> 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.<sup>13</sup>

Venezuela's 1999 constitution, engineered by Chávez, centralized power in the presidency and established five branches of government rather than the traditional three branches.<sup>14</sup> 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 but Maduro cancelled in 2016). 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).<sup>15</sup>

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 5 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 5 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.<sup>16</sup>

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*American Perspectives*, vol. 44, no. 1, January 2017, pp. 4-15.

<sup>10</sup> Eva Golinger, "Opinion: Chávez was a Maker of Dreams," CNN, March 7, 2013.

<sup>11</sup> 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.

<sup>12</sup> 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, pp. 9-13.

<sup>13</sup> 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.

<sup>14</sup> Antonio Ramirez, "An Introduction to Venezuelan Governmental Institutions and Primary Legal Sources," New York University Law School Library, May 2016. Hereinafter Ramirez, May 2016.

<sup>15</sup> Human Rights Watch, "Venezuela: Chávez Allies Pack Supreme Court," December 13, 2004.

<sup>16</sup> Ramirez, May 2016; CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

## Maduro Administration<sup>17</sup>

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.<sup>18</sup> 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. Nevertheless, the Maduro government took actions aimed at thwarting the power of the legislature. The PSUV-aligned Supreme Court subsequently blocked three MUD representatives from taking office, which deprived the opposition of the two-thirds majority needed to submit bills directly to referendum and remove Supreme Court justices. From January 2016 through August 2017 (when the National Constituent Assembly voted to give itself legislative powers), the Supreme Court blocked numerous laws approved by the legislature and assumed many of its functions.

## Canceled Recall Referendum and Failed Dialogue Efforts in 2016

For much of 2016, opposition efforts focused on attempts to recall President Maduro in a national referendum. The government used delaying tactics that slowed the process considerably, and on October 20, 2016, Venezuela's National Electoral Council (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.

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

### 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.

<sup>17</sup> See also CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by (name redacted) .

<sup>18</sup> 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.

progress on the part of the government in meeting its commitments. Those commitments included (1) releasing political prisoners; (2) announcing an electoral calendar; (3) respecting the National Assembly's decisions; and (4) addressing humanitarian needs.

## Repression of Dissent amid Protests

Far from meeting the commitments it made during the Vatican-led talks, the Maduro government has continued to harass and arbitrarily detain opponents, including the summary arrest of five opposition mayors in mid-2017.<sup>19</sup> 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.

In early 2017, the opposition in Venezuela was divided and disillusioned. MUD leaders faced an environment in which popular protests, which were frequent between 2014 and the fall of 2016, had dissipated.<sup>20</sup> In addition to restricting freedom of assembly, the government had cracked down on media outlets and journalists, including foreign media.<sup>21</sup>

Despite these obstacles, the MUD became reenergized in response to the Supreme Court's March 29, 2017, rulings to dissolve the legislature and assume all legislative functions.<sup>22</sup> After domestic protests, a rebuke by then-Attorney General Luisa Ortega (a Chávez appointee), and an outcry from the international community, President Maduro urged the court to revise those rulings, and it complied. In April 2017, the government banned opposition leader and two-time presidential candidate Henrique Capriles from seeking office for 15 years, which fueled more protests.

From April through early August 2017, the opposition conducted large and sustained protests against the government, calling for President Maduro to release political prisoners, respect the separation of powers, and hold an early presidential election (instead of waiting until the end of 2018). Clashes between security forces (backed by armed civilian militias) and protesters left more than 130 dead and hundreds injured.

Former Attorney General Luisa Ortega has presented a dossier of evidence to the International Criminal Court that the police and military may have committed more than 1,800 extrajudicial killings as of June 2017. In the dossier, Ortega reportedly accused security forces of "murder, torture, imprisonment as well as a systematic and generalized attack on the civilian population" and urged the ICC to charge Maduro and several top officials in his cabinet with serious human rights abuses.<sup>23</sup> An exiled judge appointed by the National Assembly to serve on the "parallel" supreme court of justice also accused senior Maduro officials of systemic human rights abuses before the ICC.<sup>24</sup>

<sup>19</sup> 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>; Human Rights Watch, *Venezuela's Slide into Dictatorship*, December 7, 2017, <https://www.hrw.org/news/2017/12/07/venezuelas-slide-dictatorship>.

<sup>20</sup> Hannah Dreier and Joshua Goodman, "AP Analysis: In Venezuela, Short on Food, Short of Hope," AP, February 23, 2017.

<sup>21</sup> 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.

<sup>22</sup> Javier Corrales, "Can't We Give Venezuela's Opposition a Little Credit?" *Americas Quarterly*, April 25, 2017.

<sup>23</sup> "Venezuela's Ex-prosecutor Urges ICC to Probe Maduro," AFP, November 16, 2017.

<sup>24</sup> Antonio Maria Delgado, "Venezuelan Officials Accused of Crimes Against Humanity in The Hague," *Miami Herald*, (continued...)

The Venezuelan human rights group *Foro Penal* maintains that more than 5,300 Venezuelans were detained during the protests.<sup>25</sup> In partnership with Human Rights Watch, *Foro Penal* has documented inhumane treatment of more than 300 detainees that occurred between April and September 2017.<sup>26</sup> Amnesty International published a report describing how security forces also conducted illegal nighttime raids on private homes to intimidate the population.<sup>27</sup> As of November 29, the government still held around 299 political prisoners, according to *Foro Penal*.<sup>28</sup> These include some who have yet to be brought before a judge and others who have been granted a judicial order to be released, but remain imprisoned because of delays in processing.

Among Venezuela's political prisoners are Daniel Ceballos, former mayor of San Cristóbal in Táchira state, and two opposition prisoners under house arrest. Leopoldo López, head of the Popular Will party, was imprisoned for several days in early August. In mid-November, Antonio Ledezma, the former metropolitan mayor of Caracas, escaped house arrest and then traveled by way of Colombia to Spain. He is seeking to galvanize international pressure on the Maduro regime, but opposes those in the MUD who are attempting dialogue with the government.<sup>29</sup>

In August 2017, the Office of the United Nations High Commissioner for Human Rights (UNOCHR) issued a report on human rights violations perpetrated by the Venezuela security forces against the protestors. According to the report, credible and consistent accounts indicated that "security forces systematically used excessive force to deter demonstrations, crush dissent, and instill fear." The U.N. report maintained that many of those detained were subject to cruel, inhuman, or degrading treatment and that in several documented cases, the ill treatment amounted to torture. The practices included the use of electric shocks, severe beatings, stress positions, suffocation, and threats of sexual violence and death intended to punish and terrorize the detainees and to extract confessions and information about opposition activities. UNOCHR called for an international investigation of those abuses.<sup>30</sup>

## Despite Opposition, Constituent Assembly Elected

In May 2017, President Maduro announced that he would convene a constituent assembly to revise the country's 1999 constitution. Maduro scheduled July 30 elections to select delegates to that constituent assembly. The Supreme Court ruled that Maduro could convoke the assembly without first holding a popular referendum (as the 1999 constitution requires). The opposition boycotted, arguing that the elections were illegitimate and unconstitutional; a position shared by

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(...continued)

November 21, 2017.

<sup>25</sup> Foro Penal Venezolano, "Joint Statement by the Venezuelan Penal Forum and Human Rights Watch," August 26, 2017, at <https://foropenal.com/content/joint-statement-venezuelan-penal-forum-and-human-rights-watch>.

<sup>26</sup> Human Rights Watch, Foro Penal Venezolano, *Crackdown on Dissent: Brutality, Torture, and Political Persecution in Venezuela*, November 2017, at <https://www.hrw.org/report/2017/11/29/crackdown-dissent/brutality-torture-and-political-persecution-venezuela>.

<sup>27</sup> Amnesty International, *Nights of Terror: Attacks and Illegal Raids on Homes in Venezuela*, October 30, 2017, <https://www.amnesty.org/en/documents/amr53/7285/2017/en/>.

<sup>28</sup> For more information on political prisoners, see <https://foropenal.com/presos-politicos>.

<sup>29</sup> Ledezma and former legislator Maria Corina Machado are leading an opposition movement that has split from the MUD. It opposes the MUD's decision to dialogue with the Maduro government. Andrew Cawthorne and Luis Jaime Acosta, "Venezuela Opposition Leader Ledezma Flees to Spain," Reuters, November 17, 2017.

<sup>30</sup> Office of the United Nations High Commissioner for Human Rights, "Human Rights Violations and Abuses in the Context of Protests in the Bolivarian Republic of Venezuela from 1 April to 31 July 2017," August 30, 2017, at [http://www.ohchr.org/Documents/Countries/VE/HCRReportVenezuela\\_1April-31July2017\\_EN.pdf](http://www.ohchr.org/Documents/Countries/VE/HCRReportVenezuela_1April-31July2017_EN.pdf).



then-Attorney General Luisa Ortega and international observers (including the United States, Canada, the European Union, and many Latin American countries). In an unofficial plebiscite convened on July 16 by the MUD, 98% of some 7.6 million Venezuelans cast votes rejecting the establishment of the ANC.<sup>31</sup>

Despite an opposition boycott and protests, the government orchestrated the July 30, 2017, election of a 545-member National Constituent Assembly (ANC) to draft a new constitution. Venezuela's CNE reported that almost 8.1 million people voted, but a company involved in setting up the voting system alleged that the tally was inflated by at least 1 million votes.<sup>32</sup> Credible reports also allege that the government used coercion to compel government workers to vote in the assembly elections.<sup>33</sup>

Many observers view the establishment of the ANC as an attempt by the ruling PSUV to ensure its continued control of the government even though many countries have refused to recognize its legitimacy or decisions. Among its first acts, the ANC dismissed Attorney General Ortega, who had been strongly critical of the government; voted to approve its own mandate for two years; and passed a measure declaring itself superior to other branches of government.

Ortega subsequently fled Venezuela on August 18, 2017, and is actively speaking out against the abuses of the Maduro government. She maintains that the Venezuelan government hired contract killers to murder her.<sup>34</sup> She has released a video of the former head of the Brazilian construction firm Odebrecht's Venezuelan operations testifying that the company had paid President Maduro \$35 million in bribes in 2013. Another video alleges that Maduro's close ally, Diosdado Cabello, also received campaign funds from the company.<sup>35</sup> Ortega has reportedly provided further evidence against other top officials to the U.S. government and, as previously discussed, presented evidence of government human rights abuses to the International Criminal Court.<sup>36</sup>

On August 19, 2017, the ANC approved a decree allowing it to pass legislation dealing with the economy and national security, essentially replacing the role of the opposition-dominated National Assembly.<sup>37</sup> The ANC initially called for trials of the political opposition, including members of the National Assembly, on charges of treason and alleged involvement in Venezuela's economic crisis.<sup>38</sup> After the ANC's installation, which triggered broader U.S. economic sanctions that are unpopular with a majority of Venezuelans, Maduro's popularity rose slightly (from 17% in July to 23% in September 2017).<sup>39</sup>

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<sup>31</sup> Andrew Cawthorne, Eyanir Chinaa, "Venezuela Opposition Turns Heat up on Maduro with Strike Call," Reuters, July 17, 2017.

<sup>32</sup> McCoy, August 2017.

<sup>33</sup> Ibid.

<sup>34</sup> Andres Schipani, Gideon Long, and Eric Platt, "Rebel Prosecutor Launches Scathing Attack on Maduro," *Financial Times*, August 23, 2017; "Venezuela Ex-Attorney General Says Contract Killers Set After Her," Agence France Presse, August 28, 2017.

<sup>35</sup> Nicholas Casey, "Maduro is Accused in Bribery," *New York Times*, October 13, 2017; Kirk Semple and Ana Vanessa Herrero, "Key Maduro Ally in Venezuela is Linked to Illegal Campaign Gifts," *New York Times*, October 14, 2017.

<sup>36</sup> "Venezuela Ex-Prosecutor Gives U.S. Evidence on Maduro Officials," Reuters, October 13, 2017.

<sup>37</sup> Nicholas Casey, "Assembly Created by Venezuela's President Takes Over Legislature's Duties," *New York Times*, August 19, 2017.

<sup>38</sup> U.S. Department of State, "Western Hemisphere: Criminalizing Dissent in Venezuela," press statement, August 30, 2017, at <https://www.state.gov/r/pa/prs/ps/2017/08/273726.htm>.

<sup>39</sup> "Venezuela's Maduro Approval Rises to 23% After Trump Sanctions," Reuters, October 2, 2017.

## Maduro Reconsolidating Power After Regional and Municipal Elections

Although the situation remains fluid, President Maduro appears to be consolidating power within the PSUV regime and also appears to have gained the upper hand over the opposition despite international condemnation of his actions.<sup>40</sup> On October 15, the PSUV won 18 of 23 gubernatorial elections, and although fraud likely took place, the opposition could not prove that it occurred on a massive scale. The MUD coalition initially rejected the election results, but four victorious MUD governors subsequently took their oaths of office in front of the ANC (rather than the National Assembly), a decision that has fractured the coalition.

Although most opposition parties did not participate in municipal elections held on December 10, a few, including A New Time (UNT), led by Manuel Rosales, and Progressive Advance (AP), led by Henri Falcon, fielded candidates. Early results show that the PSUV won at least 300 of 335 mayoralties and the governorship of Zulia.<sup>41</sup> It is as yet unclear whether the Maduro government will allow parties that did not participate in the municipal elections to run in the 2018 presidential contest.<sup>42</sup> The date for that contest has not been set.

With one prominent opposition figure still under house arrest (Leopoldo López), another barred from seeking office (Henrique Capriles), and another having recently escaped house arrest into exile (Antonio Ledezma), the future of the opposition is uncertain. Although past efforts at opposition-government dialogue have failed due to the government's failure to fulfill its commitments, some MUD leaders are negotiating with the government to try to obtain humanitarian aid for the Venezuelan people. Prospects for the opposition gaining major concessions from the government appear unlikely given the PSUV's electoral victories and the opposition's relative weakness and disarray.

With the opposition in disarray, President Maduro and the ANC have moved to consolidate power within the PSUV and have blamed U.S. sanctions, which were opposed by some 61% of Venezuelans surveyed in October 2017, for the country's economic problems.<sup>43</sup> President Maduro has fired and arrested the head of PdVSA and the oil minister, who were close to Rafael Ramirez (former head of PdVSA and a potential rival to Maduro within the PSUV), for corruption.<sup>44</sup> He appointed a general with no experience in the sector as oil minister and head of the company, further consolidating military control over the economy. Maduro then ousted Ramirez from his position as Venezuela's U.N. ambassador.<sup>45</sup> The ANC has approved new price controls and a "hate crimes" law that will severely restrict freedom of expression and assembly.

## Foreign Relations

The Maduro government has maintained Venezuela's foreign policy alliance with Cuba and other leftist governments from the Chávez era, but the country's ailing economy has diminished its

<sup>40</sup> Andrew Cawthorne, "Venezuela's Maduro Keeps Eye on Prize: 2018 Presidential Vote," Reuters, November 24, 2017; Jon Lee Anderson, "Nicolas Maduro's Accelerating Revolution," *The New Yorker*, December 11, 2017.

<sup>41</sup> "Buoyed by Mayoral Votes, Venezuela's Socialists Eye 2018 Presidency Race," Reuters, December 11, 2017.

<sup>42</sup> Laignee Barron, "Venezuela's Maduro Has Disqualified His Opposition From the Next Presidential Election," *Time*, December 11, 2017.

<sup>43</sup> Marc Weisbrot, "Trump Doubles Down on Sanctions and Regime Change for Venezuela," Huffington Post, November 13, 2017.

<sup>44</sup> Some 65 other executives have thus far been fired. Alexandra Ulmer and Deisy Buitrago, "Venezuela Maduro Gains Control Over Oil Contracts Amid Purge," Reuters, December 3, 2017.

<sup>45</sup> Alexandra Ulmer and Marianna Parraga, "Venezuela's U.N. Envoy Says He Was Pushed Out by Maduro," Reuters, December 5, 2017.

formerly activist foreign policy, which depended on its ability to provide subsidized oil. Unlike during the Chávez era, an increasing number of countries, including within the OAS, have criticized authoritarian actions taken by the Maduro government (see “U.S. Support for Organization of American States (OAS) Efforts on Venezuela”). On August 8, 2017, 12 Western Hemisphere countries signed the “Lima Accord” rejecting the installation of Venezuela’s Constituent Assembly in the gubernatorial elections; it has since called for an audit of the October elections.<sup>46</sup> Canada has implemented sanctions against corrupt Venezuelan officials.<sup>47</sup> The European Union refused to recognize the Constituent Assembly and established a legal framework for targeted sanctions and also adopted an arms embargo against Venezuela to include related material that could be used for internal repression. Japan and South Korea have expressed similar concerns. In September 2017, several countries urged the U.N. Human Rights Council to support the High Commissioner’s call for an international investigation into the abuses described in its August report on Venezuela.<sup>48</sup> These dynamics, as well as U.S. sanctions, have increased Venezuela’s dependence on China and Russia.<sup>49</sup>

### ***Cuba, PetroCaribe, and the Bolivarian Alliance of the Americas (ALBA)***

Venezuela signed an agreement with Cuba in 2000 to provide the island nation with at least 90,000 barrels of oil per day (b/d). In exchange, Cuba has provided extensive services to Venezuela. Estimates of the number of Cuban personnel in Venezuela vary, but a 2014 Brookings study reported that “by most accounts there are 40,000 Cuban professionals in Venezuela,” with 75% of whom are health care workers.<sup>50</sup> Sources estimate that the number of Cuban military and intelligence advisors in Venezuela range from hundreds to thousands, coordinated by Cuba’s military attaché in Venezuela.<sup>51</sup> Some observers maintain that Cuba has exported its model of political suppression to Venezuela.<sup>52</sup>

In recent years, Cuba has become increasingly concerned about the future of Venezuelan oil supplies. Cuba’s oil imports from Venezuela have reportedly declined from 100,000 b/d in 2012 to roughly 55,000 b/d in 2016.<sup>53</sup> In addition to their ideological affinities, the fact that a cutoff of Venezuelan oil exports would have severe consequences for Cuba means that the Maduro regime can count on Cuba’s continued strong support.<sup>54</sup>

Since 2005, Venezuela has provided oil and other energy-related products 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

<sup>46</sup> The signatories included Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, and Peru. See <https://www.mrecic.gov.ar/en/lima-declaration>.

<sup>47</sup> “Canada to Impose Sanctions on Venezuela’s Maduro and Top Officials,” Reuters, September 22, 2017.

<sup>48</sup> Tamara Taraciuk Broner, “U.N. Human Rights Council Confronts Venezuela,” Human Rights Watch, October 2, 2017.

<sup>49</sup> Kent Moors, “Russia, China to Benefit from U.S. Sanctions on Venezuela,” *Oil Price.com*, October 2, 2017.

<sup>50</sup> Ted Piccone and Harold Trinkunas, “The Cuba-Venezuela Alliance: The Beginning of the End?” Latin America Initiative Policy Brief, Brookings, June 2014, p. 3.

<sup>51</sup> Ibid.

<sup>52</sup> See, for example, Carlos Alberto Montaner, “Venezuela on the Edge of the Abyss, and Leopoldo López,” Interamerican Institute for Democracy, July 10, 2017; and Mary Anastasia O’Grady, “How Cuba Runs Venezuela,” *Wall Street Journal*, July 17, 2017.

<sup>53</sup> Marianna Parraga and Marc Frank, “Exclusive: Venezuela oil Exports to Cuba Drop, Energy Shortages Worsen,” Reuters, July 13, 2017; Stratfor, *Mexico Sees an Opportunity in Venezuela’s Struggles*, August 29, 2017.

<sup>54</sup> CRS Report R44822, *Cuba: U.S. Policy in the 115th Congress*, by (name redacted) .



Tobago, as are several Central American countries.<sup>55</sup> A recent report estimates that PdVSA shipments to PetroCaribe beneficiaries averaged only 39,000 b/d in 2016 (down from 120,000 b/d in 2012).<sup>56</sup> Deliveries have likely declined further this year.

The Maduro government has continued to count on political support from Cuba, Bolivia, and Nicaragua, which, together with Venezuela, are key members of the Bolivarian Alliance of the Americas (ALBA), a group of leftist governments launched by President Chávez in 2004. Lenín Moreno, the new president of Ecuador, another ALBA member, recently has been critical of the human rights situation in Venezuela and called on President Maduro to engage in talks with the opposition.<sup>57</sup> Several Caribbean members of ALBA—Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines—appear to remain reluctant to take action that could be viewed as interfering in Venezuela’s domestic affairs.

### *South America and the Lima Declaration*

With the rise of conservative governments in Argentina, Brazil, and Peru, and Maduro’s increasingly authoritarian actions, ties between Venezuela and South America have frayed. In December 2016, the South American Common Market (Mercosur) trade bloc suspended Venezuela over concerns that the Maduro government had violated the requirement that Mercosur’s members have “fully functioning democratic institutions.”<sup>58</sup> 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. Concerned about potential spillover effects from turmoil in Venezuela, Colombia has supported OAS actions, provided assistance to Venezuelan economic migrants and asylum seekers, and closely monitored the situation on the Venezuelan-Colombian border.

This year, Mexico abandoned its traditional noninterventionist stance to take a lead in OAS efforts to resolve the crisis in Venezuela, including during the OAS General Assembly meeting it hosted in June 2017. It has also reportedly begun to explore the possibility of replacing Venezuela as a source of oil for Cuba and PetroCaribe countries.<sup>59</sup>

As noted above, on August 8, 2017, 12 Western Hemisphere countries signed the “Lima Accord,” a document rejecting the rupture of democracy and systemic human rights violations in Venezuela, refusing to recognize the ANC, and criticizing the government’s refusal to accept humanitarian aid.<sup>60</sup> The signatory countries include Mexico; Canada; four Central American countries (Costa Rica, Guatemala, Honduras, and Panama); and six South American countries (Argentina, Brazil, Chile, Colombia, Paraguay, and Peru).

The accord calls for an arms embargo of Venezuela, rejecting Venezuelan candidates at international organizations, and supporting any OAS efforts. The signatory countries pledge to keep discussing Venezuela at the Foreign Minister level and supporting any credible efforts at

<sup>55</sup> 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.

<sup>56</sup> Stratfor, *Mexico Sees an Opportunity in Venezuela’s Struggles*, August 29, 2017.

<sup>57</sup> Gretel Johnston and Juan Garff, “Maduro Losing Regional Support as Pence Tours Latin America,” Deutsche Press-Agentur, August 15, 2017.

<sup>58</sup> Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. Mac Margolis, “Mercosur Turns Its Back on a Diminished Venezuela,” *Bloomberg View*, December 9, 2016.

<sup>59</sup> Stratfor, *Mexico Sees an Opportunity in Venezuela’s Struggles*, August 29, 2017.

<sup>60</sup> See <https://www.mrecic.gov.ar/en/lima-declaration>.

dialogue between the government and the opposition. In September, several leaders from the “Lima 12” countries met with President Trump during the U.N. General Assembly and spoke out about human rights abuses in Venezuela during the U.N. Human Rights Council meetings. While they appear to support targeted U.S. economic sanctions, many reject broader economic sanctions and any discussion of military intervention.<sup>61</sup> On October 5, the Lima group called for free and fair regional elections. It has since called for an independent audit of the results.

### *China and Russia*

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.<sup>62</sup> From 2007 through 2016, China provided some \$62.2 billion in financing to Venezuela.<sup>63</sup> The money typically has been for funding infrastructure and other economic development projects, but has also included some lending for military equipment.<sup>64</sup> It is being repaid through oil deliveries. Although the Chinese government has been patient when Venezuela has fallen behind on its oil deliveries, it reportedly stopped providing new loans to Venezuela in the fall of 2016.<sup>65</sup>

Some observers have criticized China for its continued support to the Venezuelan government and questioned whether a new Venezuelan government might refuse to honor the obligations incurred under Maduro.<sup>66</sup> China refrained from any negative commentary after Venezuela’s Constituent Assembly elections. It maintained that the Venezuelan government and people have the ability to properly handle their internal affairs through dialogue.<sup>67</sup> China responded to U.S. sanctions by stating that “the experience of history shows that outside interference or unilateral sanctions will make the situation even more complicated.”<sup>68</sup> It has expressed confidence that Venezuela can “appropriately handle their affairs, including the debt issue.”<sup>69</sup>

Russia has also remained a strong political and economic ally of the Maduro government. It has called for the political crisis in Venezuela to be resolved peacefully, with dialogue, and without outside interference.<sup>70</sup> Russia’s trade relations with Venezuela currently are not significant, with just \$336 million in total trade in 2016, with almost all of that, \$334 million, consisting of

<sup>61</sup> Geoff Ramsey, “U.S. and Latin American Allies Discuss Venezuela in and Around UN General Assembly,” Venezuelan Politics and Human Rights, WOLA, September 23, 2017.

<sup>62</sup> R. Evan Ellis, Testimony to the U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *The Influence of Extra-Hemispheric Actors on the Crisis in Venezuela*, 115<sup>th</sup> Cong., 1<sup>st</sup> sess., September 13, 2017. Hereinafter, Ellis, September 2017.

<sup>63</sup> Kevin P. Gallagher and Margaret Myers, “China-Latin America Finance Database,” Washington, D.C. Inter-American Dialogue, 2016, at [http://www.thedialogue.org/map\\_list/](http://www.thedialogue.org/map_list/).

<sup>64</sup> Ellis, September 2017.

<sup>65</sup> 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.

<sup>66</sup> Daniel Lansberg-Rodríguez, “Exit the Dragon,” *New York Times*, February 16, 2017; and Christopher Balding, “Venezuela’s Road to Disaster Is Littered with Chinese Cash,” *Foreign Policy*, June 6, 2017.

<sup>67</sup> “China Backs Ally Venezuela, Says Constituent Assembly Vote ‘Generally Smooth,’” Reuters News, August 3, 2017.

<sup>68</sup> “China Says Sanctions Won’t Help as Trump Targets Venezuela,” Reuters News, August 28, 2017.

<sup>69</sup> “China Says Venezuela Can ‘Appropriately’ Handle Debt Load,” Reuters, November 15, 2017.

<sup>70</sup> “Russia Calls U.S. Threat Against Venezuela Unacceptable,” Agence France Presse, August 16, 2017; “Russia Says Venezuelan Crisis Must Be Resolved Peacefully ‘Without Outside Pressure,’” Radio Free Europe Documents and Publications, August 16, 2017.

Russian exports to Venezuela.<sup>71</sup> However, Venezuela had been a major market for Russian arms sales between 2001 and 2013, with over \$11 billion in sales. Press reports in May 2017 asserted that Venezuela had more than 5,000 Russian-made surface-to-air missiles, raising concern by some about the potential for them being stolen or sold to criminal or terrorist groups.<sup>72</sup> Russia's recent decision to allow Venezuela to restructure \$3.15 billion in debt provided a much-needed boost to the Maduro government.<sup>73</sup>

Russian state oil companies Rosneft and Gazprom have large investments in Venezuela. Both are seeking to expand other investments in Venezuela's oil and gas markets<sup>74</sup> (see "Energy Sector Concerns" below).

### *Iran*

There is some debate about the extent and significance of Iran's relations with Venezuela. The personal relationship between Hugo 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. Nevertheless, there are two Iranian companies operating in Venezuela that are subject to U.S. sanctions.<sup>75</sup>

## **Economic Crisis**

For decades, Venezuela was one of South America's most prosperous countries. Venezuela has the world's largest proven resources of oil, and its economy is built on oil.<sup>76</sup> Oil accounts for more than 90% of Venezuelan exports, and oil sales fund the government budget. After years of economic mismanagement under President Hugo Chávez, Venezuela was not well-equipped to withstand the dramatic fall in oil prices in 2014. Economic conditions have deteriorated rapidly under President Maduro, as the country struggles with an acute economic crisis. The crisis is marked by rapid contraction of the economy, high inflation, shortages of consumer goods, default on the government's debt obligations, and deteriorating living conditions, with devastating humanitarian consequences.

### **Economic Mismanagement During the Oil Boom**

Venezuela benefited from the boom in oil prices during the 2000s. When Hugo Chávez took office in 1999, the price of Brent crude oil (a common benchmark oil price) was \$10 a barrel. Oil

<sup>71</sup> Federal Customs Service of Russia, as presented by Global Trade Atlas.

<sup>72</sup> Girish Gupta, "Exclusive: Venezuela Holds 5,000 Russian Surface-to-air MANPADS Missiles," Reuters, May 22, 2017.

<sup>73</sup> Rachel Ansley, "Debt Default Pushes Venezuela Further into Russian Orbit," Atlantic Council, November 22, 2017.

<sup>74</sup> "Special Report: Vladimir's Venezuela – Leveraging Loans to Caracas, Moscow Snaps Up Oil Assets," Reuters, August 11, 2017; Michael Place, "Russia's Gazprom Eyeing Venezuela Gas Projects," *BN Americas*, October 3, 2017.

<sup>75</sup> The Iranian state oil company Petropars, which invests in Venezuela's oil sector, is subject to sanctions pursuant to E.O. 13599, which expanded sanctions against the Iranian government and Iranian financial institutions. The Iran Maritime Industrial Company, deemed an affiliate of the Islamic Revolutionary Guard Corps, is subject to sanctions pursuant to E.O. 13382, targeting the assets of proliferators of weapons of mass destruction and their supporters. See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted).

<sup>76</sup> "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

prices steadily rose over the following several years, reaching a peak of \$133 a barrel in July 2008.<sup>77</sup> Between 1999 and 2015, the Venezuelan government earned nearly \$900 billion from petroleum exports, with about half (\$450 billion) earned between 2007 and 2012, during Chávez's second term.<sup>78</sup>

President Chávez used the oil windfall to spend heavily on social programs and expand subsidies for food and energy. Social spending as a share of GDP rose from 28% to 40% between 2000 and 2013, a much bigger rise than in Latin America's other large economies.<sup>79</sup> Chávez also borrowed against future oil exports, with the government running budget deficits in nine of the years between 1999 and 2013, when Chávez was in office.<sup>80</sup> Venezuela's public debt more than doubled as a share of GDP between 2000 and 2012, from 28% of GDP to 58% of GDP.<sup>81</sup> Additionally, Chávez used oil to expand influence abroad, for example through Petrocaribe, a program that allowed Caribbean countries to purchase oil at below-market prices. The Chávez government engaged in widespread expropriations and nationalizations, and adopted currency and price controls.

Although substantial government outlays on social programs helped Chávez curry political favor, widespread economic mismanagement had long-term consequences. Government spending was not directed toward investment that could have helped increase economic productivity or diversify the economy from its reliance on oil. Expropriations and nationalizations discouraged foreign investment that would have provided the country with needed expertise and capital. Price controls created market distortions and stifled the private sector. Economic growth and poverty reduction in Venezuela lagged behind the rest of South America.<sup>82</sup>

## Oil Price Crash and Subsequent Economic Crisis

When Nicolás Maduro was elected president in April 2013, he inherited economic policies that were broadly viewed as unsustainable and reliant on proceeds from oil exports. When oil prices crashed by nearly 50% in 2014, the Maduro government was ill-equipped to soften the blow to the Venezuelan economy. Whereas many other major commodity 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 created no such stabilization fund to guard against a potential future fall in oil prices.<sup>83</sup> Instead, Chávez had run up government debt on the expectation that oil prices would remain high.<sup>84</sup>

The crash in oil prices led to a sharp decline in government revenue and, combined with poor policy choices, triggered a broad economic crisis. Venezuela's economy is estimated to have contracted by nearly 35% between 2012 and 2017, a more severe contraction than experienced by the United States during the Great Depression in the 1930s.<sup>85</sup> The fall in oil prices strained public

<sup>77</sup> U.S. Energy Information Administration, Europe Brent Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=rbrte&f=m>.

<sup>78</sup> Michael M. McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017, pp. 61-67.

<sup>79</sup> "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

<sup>80</sup> IMF, *World Economic Outlook Database*, October 2017.

<sup>81</sup> Ibid.

<sup>82</sup> Michael M. McCarthy, "Venezuela's Manmade Disaster," *Current History*, February 2017, pp. 61-67.

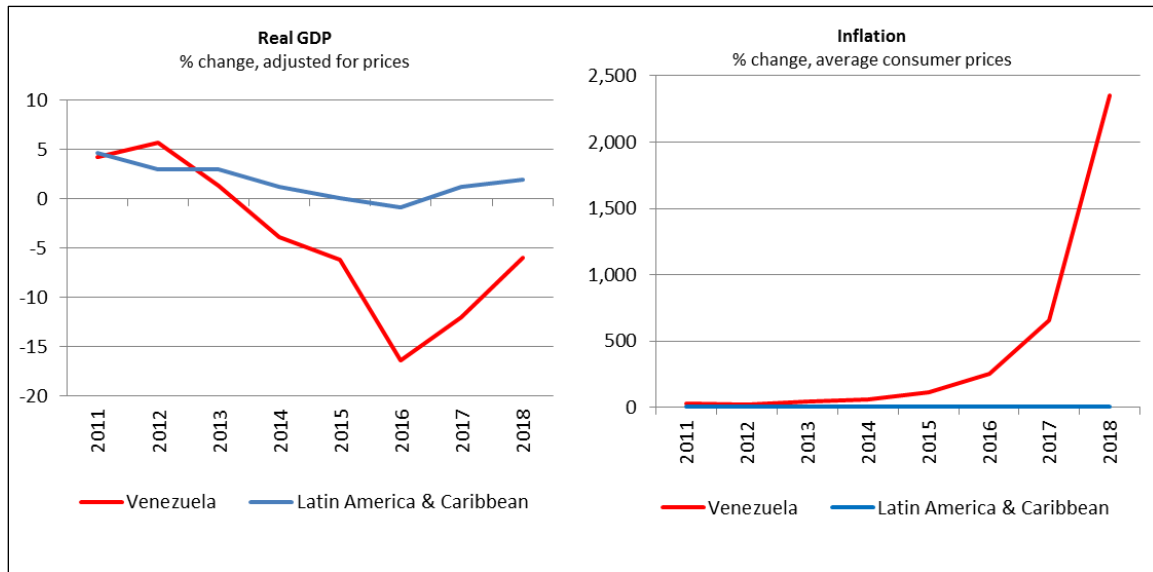
<sup>83</sup> "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

<sup>84</sup> "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

<sup>85</sup> IMF, *World Economic Outlook Database*, October 2017; Ricardo Hausmann, "Venezuela's Unprecedented Collapse," *Project Syndicate*, July 31, 2017.

finances, and instead of adjusting fiscal policies through tax increases and spending cuts, the Maduro government tried to address its growing budget deficit by printing money, which quickly gave way to hyperinflation. Inflation, about 20% in 2012, is projected to exceed 1,100% by the end of 2017.<sup>86</sup> The government has tried to curb inflation through price controls, although these controls were largely ineffective in restricting prices, as supplies have dried up and transactions have moved to the black market.<sup>87</sup> Unemployment in Venezuela is forecast to reach 26% in 2017, more than triple the level of unemployment in 2012.<sup>88</sup>

**Figure 2. Venezuela: Economic Contraction and Inflation**



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

**Note:** Includes estimated and forecasted data.

Despite tight resources, the Maduro government has, until recently, remained committed to repaying its debts, fearing the legal challenges from creditors that plagued Argentina for more than a decade after its default in 2001. Such legal challenges against the Venezuelan government could result in the seizure of Venezuela's overseas assets, such as PdVSA subsidiary CITGO, oil shipments, and cash payments for oil exports. However, Maduro's commitment to debt service came at a high cost: to meet its international payments, the government tightened restrictions on access to foreign currency, imposed price controls, and cut imports. Venezuela relies heavily on imports for most consumer goods, and cuts to imports led to severe shortages of food and medicine, creating a serious humanitarian crisis, as discussed below.

The Venezuelan government pursued a variety of policies to fill its funding gaps and avoid default. The government approached allies China and Russia for financing, securing loans to be repaid through future oil exports ("oil-for-loan" deals), although it has fallen behind on these deals. In May 2017, the Venezuelan central bank raised funds through the sale of \$2.8 billion in PdVSA bonds to Goldman Sachs Asset Management at a steep discount (Goldman paid \$865

<sup>86</sup> IMF, *World Economic Outlook Database*, October 2017.

<sup>87</sup> "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

<sup>88</sup> IMF, *World Economic Outlook Database*, October 2017.



million).<sup>89</sup> The deal was controversial, and the government had trouble finding buyers for a similar transaction in subsequent months.<sup>90</sup> In August 2017, the government's precarious fiscal situation was exacerbated by new sanctions imposed by the Trump Administration, which restricted Venezuela's ability to borrow from U.S. investors or access U.S. financial markets.

## Default and Debt Restructuring

After months of speculation about if and when Venezuela would default, on November 2, Maduro announced in a televised address that the country would seek to restructure and refinance its debt. The announcement signaled a significant shift in policy, but came with few details about how the restructuring would proceed. Maduro stressed his promise to continue debt service during negotiations with creditors, likely to evade legal challenges from bondholders, but the government missed some bond interest payments, leading credit rating agencies and a New York-based derivatives group (the International Swaps and Derivatives Association, ISDA) to issue default notices for the Venezuelan government.<sup>91</sup> PdVSA was also late on payments, leading ISDA to issue a default notice for PdVSA as well.<sup>92</sup>

Although it is difficult to find reliable data on the composition of Venezuelan debt, it is estimated that Venezuela owes about \$64 billion to bondholders, \$20 billion to China and Russia, \$5 billion to multilateral lenders (such as the Inter-American Development Bank), and tens of billions to importers and service companies in the oil industry.<sup>93</sup> Any comprehensive restructuring of Venezuelan debt is expected to be a long and complex process, due to (1) the number of parties involved, including thousands of bondholders that are in the early stages of organizing, as well as China and Russia, whose lending to Venezuela is driven at least in part by geopolitical considerations;<sup>94</sup> (2) legal challenges likely to be initiated by bondholders, which could take years to resolve and could result in the seizure of Venezuelan assets in the United States, including CITGO (owned by PdVSA), oil shipments, and cash payments for oil; (3) differences in legal provisions attached to different bonds, including differences between the sovereign and PdVSA bonds; (4) U.S. sanctions, which prohibit U.S. investors from accepting any new debt issued in a debt restructuring or from engaging with Vice President Tareck El Aissami, who is leading the debt negotiations and subject to U.S. sanctions for drug-trafficking charges; and (5) lack of any economic reform agenda in Venezuela to accompany the restructuring.

The Venezuelan government organized a bondholders meeting in Caracas on November 13 that, although touted by the government as a sign of good faith in negotiations with creditors, provided little insight into how negotiations would proceed.<sup>95</sup> In mid-November, Russia agreed to

<sup>89</sup> Kejal Vyas, Anatoly Kurmanav, and Julie Wernau, "Goldman Sachs Under Fire for Venezuela Bond Deal," *Wall Street Journal*, May 30, 2017; Kejal Vyas and Anatoly Kurmanav, "Goldman Sachs Bought Venezuela's State Oil Company's Bonds Last Week," *Wall Street Journal*, May 28, 2017.

<sup>90</sup> Matt Wirz, and Carolyn Cui, "Venezuela's Humanitarian Crisis Tests Wall Street Ethics," *Wall Street Journal*, June 19, 2017.

<sup>91</sup> John Paul Rathbone and Robin Wigglesworth, "Venezuela Debt: US, Russia, and China Play for High Stakes," *Financial Times*, November 22, 2017.

<sup>92</sup> Corina Pons, "Venezuela Ruled in Default by Trade Group after Bond Payment Delays," Reuters, November 16, 2017.

<sup>93</sup> John Paul Rathbone and Robin Wigglesworth, "Venezuela Debt: US, Russia, and China Play for High Stakes," *Financial Times*, November 22, 2017.

<sup>94</sup> Robin Wigglesworth, "Debt Restructuring Battle is Brewing over Venezuela," *Financial Times*, November 20, 2017.

<sup>95</sup> Ben Bartenstein, Katia Porzecanski, and Patricia Laya, "Venezuela's Bondholder Meeting Is a Bust as S&P Declares Default," Bloomberg, November 13, 2017.

restructure \$3.15 billion in debt owed by Venezuela on favorable terms, despite Russia's own fiscal pressures, easing the fiscal pressures facing the Venezuelan government, although serious challenges remain. In November 27, a U.S. subsidiary of Sinopec, one of China's biggest state-owned oil companies, sued PdVSA in a U.S. court for \$23.7 million plus punitive damages over late payments on a May 2012 contract for steel rebar, a sign that China may not be willing to extend forbearance to Venezuela.<sup>96</sup>

Whereas most countries that seek debt restructuring have committed to an International Monetary Fund (IMF) program, which provides creditors reassurance that government policies are on track, Venezuela has no such program. Moreover, the government has not permitted the IMF to engage in routine surveillance of the economy for more than a decade. In November 2017, the IMF formally found Venezuela to be in violation of its commitments to provide key economic data, a process that could eventually lead to Venezuela being expelled from the institution.<sup>97</sup>

To date, Maduro's stated goal of restructuring and subsequent default notices have driven down the value of Venezuelan debt trading in secondary markets, with limited spillover effects in regional and global financial markets. It is unclear how restructuring and/or default could affect Venezuela's finances, in part because it is not clear whether the government intends to, or will be able to, continue repaying debts during the negotiations.<sup>98</sup> If the government does suspend debt service, it could in the short term redirect funds to domestic objectives, which could help bolster domestic political support for the Maduro regime. Over the longer term, however, suspending payments to creditors could result in a substantial loss of government revenue, if creditors are able to seize oil exports or funds tied to oil exports.

## Social Conditions

### Humanitarian Concerns<sup>99</sup>

Venezuela faces a dire social situation fueled by shortages in food, medicine, and other basic consumer goods; people's declining purchasing power; and bottlenecks and corruption in the food importation and distribution system.<sup>100</sup> 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.

Nevertheless, according to a 2016 national survey released in February 2017, 27% of people across the country eat only once a day, and 9 out of 10 households lack enough income to purchase food. Basic food items reportedly are largely out of reach for the majority of the population because of rampant inflation. The same survey showed that almost three-quarters of

<sup>96</sup> Jonathan Wheatley, "Sinopac Sues as China Loses Patience with Venezuela," *Financial Times*, December 6, 2017.

<sup>97</sup> IMF, Statement by the IMF Executive Board on Venezuela, November 3, 2017.

<sup>98</sup> Jonathan Wheatley and Robin Wigglesworth, "Venezuela Bond Repayments: Dead and Alive," *Financial Times*, November 28, 2017.

<sup>99</sup> (name redacted), CRS Research Assistant, contributed to this section.

<sup>100</sup> Hannah Dreier and Joshua Goodman, "Venezuela Military Trafficking Food as Country Goes Hungry," AP, December 28, 2016.

Venezuelans have lost about 19 pounds over the past year.<sup>101</sup> Between 2014 and 2016, Venezuela recorded the greatest increase in malnourishment in Latin America and the Caribbean, a region in which only eight countries have recorded increases in hunger in recent years.<sup>102</sup> According to Caritas Venezuela (an organization affiliated with the Catholic Church), child mortality increased by 30% in 2016, with areas around Caracas showing rates of malnutrition high enough to meet World Health Organization (WHO) standards describing a humanitarian crisis.<sup>103</sup>

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.<sup>104</sup> According to *Médicos por la Salud*, a Venezuelan nongovernmental health organization, only 38% of drugs listed as essential by the WHO are available in the country, and only 30% of drugs for basic infectious diseases are available in public hospitals.<sup>105</sup>

In February 2017, Venezuela captured international attention following the unexpected publication of data from the country's Ministry of Health (the country had not been regularly releasing such data since 2015). The report revealed alarming spikes in infant and maternal mortality rates and the return of previously eradicated infectious diseases like diphtheria and measles.<sup>106</sup> An estimated 1 million unvaccinated children may be at risk of contracting measles this year, and malaria, once under control, is spreading rapidly, with 240,000 cases recorded in 2016 (a 76% increase over 2015).<sup>107</sup> People are also reportedly dying at a faster rate from HIV/AIDS in Venezuela than in many African countries due to the collapse of the country's once well-regarded HIV treatment program and the scarcity of drugs needed to treat the disease.<sup>108</sup> HIV advocates are pushing for the Global Fund, a public-private entity that focuses on HIV, tuberculosis, and malaria, to do more to address the situation in Venezuela.<sup>109</sup> Observers are

<sup>101</sup> Maritza Landaeta-Jiménez, Marianella Herrera Cuenca, Guillermo Ramírez, Maura Vázquez, Encuesta Condiciones de Vida Venezuela 2016, February 27, 2017. 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. Also see Juan Forero, "Venezuela in Starving," *Wall Street Journal*, May 6, 2017; and Emma Graham-Harrison, "Hunger Eats Away at Venezuela's Soul as Its People Struggle to Survive," *The Guardian*, August 26, 2017.

<sup>102</sup> U.N. Food and Agriculture Organization (FAO), World Health Organization (WHO), Pan American Health Organization (PAHO), *Panorama of Food and Nutritional Security in Latin America and the Caribbean*, 2017, <http://www.fao.org/america/recursos/panorama/en/>.

<sup>103</sup> "Venezuela's Child Malnutrition Crisis Grows," *BBC*, June 15, 2017.

<sup>104</sup> "Venezuela: Approximately 50% of Operating Theaters in Venezuelan Public Hospitals Are Not Functional," *Global Health Intelligence*, March 27, 2017.

<sup>105</sup> Caritas, "Caritas on Venezuela," August 16, 2017, at <http://www.caritas.org/2017/08/caritas-on-venezuela/>.

<sup>106</sup> "Boletín Epidemiológico, Semana Epidemiológica No 52, 25 al 31 de Diciembre de 2016 Año de edición LX," Gobierno Bolivariano de Venezuela; Ministerio del Poder Popular para la Salud, February 2017. The government reported more than 120 cases to the WHO from January-June 2017. "Suspected Diphtheria Cases up in Crisis-Stricken Venezuela, Data Suggests," Reuters, July 29, 2017.

<sup>107</sup> "One Million Unvaccinated Venezuelan Kids Vulnerable in Measles Outbreak: Doctors," Reuters, September 29, 2017; "Why Malaria Is Spreading in Venezuela," *The Economist*, October 12, 2017.

<sup>108</sup> Stephanie Nolen, "In Venezuela, a Once-Leading AIDS Program Lies in Ruins," *The Globe and Mail*, June 21, 2017.

<sup>109</sup> ICASO and Acción Ciudadana contra el SIDA (ACCSI), *Triple Threat: Resurging Epidemics, a Broken Health System, and Global Indifference to Venezuela's Crisis*, October 2, 2017, [http://www.icaso.org/wp/wp-content/uploads/2017/10/Triple\\_Threat.pdf](http://www.icaso.org/wp/wp-content/uploads/2017/10/Triple_Threat.pdf).



concerned that the widespread lack of access to reliable contraception may hasten the spread of sexually transmitted diseases, unwanted pregnancies, and dangerous clandestine abortions.<sup>110</sup>

During the Vatican-mediated talks in November 2016, the Maduro government reportedly agreed to improve the processes for importing food and medicines and promote monitoring of distribution chains. Discussions reportedly also broached the idea of establishing a channel for allowing humanitarian aid to reach Venezuela, possibly through Caritas Venezuela. In December 2016, Venezuela's foreign minister announced that the government would increase collaboration with U.N. agencies such as the WHO to acquire medications. The WHO is reportedly helping the government purchase and deliver millions of vaccines against measles, mumps, and rubella.<sup>111</sup> Nevertheless, a group of doctors and health associations recently protested outside the WHO's office in Caracas to urge the entity to provide more assistance and exert more pressure on the government to address the health crisis.<sup>112</sup> In December 2017, President Maduro rejected the need for international assistance, and government-MUD dialogue efforts in the Dominican Republic failed to agree upon how to open a channel to get food and medical assistance into the country. He reportedly said that "Venezuela is not a country of beggars ... we have our problems ... [but] we will overcome them with our own formulas."<sup>113</sup>

## 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.<sup>114</sup> 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.<sup>115</sup> The independent Venezuelan Violence Observatory estimated 28,479 homicides in 2016, or a rate of 91.8 per 100,000 people.<sup>116</sup> 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.<sup>117</sup> The impunity rate for homicide in Venezuela is roughly 92%.<sup>118</sup>

In addition to violence committed by criminal groups and fueled by drug trafficking and other illicit markets, Venezuela reportedly has a high rate of extrajudicial killings by security forces and

<sup>110</sup> Abortion is illegal in Venezuela unless the life of the mother is at risk. Mariana Zuñiga and Anthony Faiola, "Even Sex Is in Crisis in Venezuela, Where Contraceptives Are Growing Scarce," *Washington Post*, November 28, 2017.

<sup>111</sup> "One Million Unvaccinated Venezuelan Kids Vulnerable in Measles Outbreak: Doctors," Reuters, September 29, 2017.

<sup>112</sup> "Venezuela Doctors in Protest Urge Stronger WHO Stance on Health Crisis," Reuters, September 25, 2017.

<sup>113</sup> Sofia Nederr, "Maduro Rechaza Ayuda Humanitaria para el País," *El Nacional*, December 4, 2017; "Venezuela Dialogue Produces No Humanitarian Agreement," *Latin News Daily*, December 4, 2017.

<sup>114</sup> 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.

<sup>115</sup> 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.

<sup>116</sup> "Venezuela Set for Murderous 2017," *Insight Crime*, January 8, 2017.

<sup>117</sup> 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>.

<sup>118</sup> Woody, April 2017.

allied armed civilian militias (*collectivos*).<sup>119</sup> 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.<sup>120</sup> 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.<sup>121</sup>

## Migration

The ongoing political and economic turmoil in Venezuela has prompted many Venezuelans to leave the country. Thousands of Venezuelans in areas bordering Brazil and Colombia who in the past entered those countries on a temporary basis to obtain food and medicine have chosen to remain outside Venezuela. As of October 2017, the U.N. High Commissioner for Refugees (UNHCR) reported that there were an estimated 300,000 Venezuelans living in Colombia, 81,000 in Peru, and 20,000-30,000 in Brazil.<sup>122</sup> Of those in Colombia, over 67,000 Venezuelans had applied for a Special Stay Permit being offered by the Colombian government that would allow them to stay and to work for up to two years. This measure reportedly could benefit 210,000 Venezuelans. In addition, another 1,000,000 Venezuelans had registered for a Border Mobility Card that allows them to enter Colombia temporarily to access basic goods and services.

UNHCR reports that Caribbean countries close to Venezuela have also seen increasing numbers of Venezuelans migrating to their countries. This includes 40,000 in Trinidad and Tobago, 20,000 in Aruba, and 5,000 in Curacao (both Aruba and Curacao are Dutch territories, known as autonomous countries within the Kingdom of the Netherlands).<sup>123</sup>

In May 2017, UNHCR some of its reserve funding (including \$1.7 million of U.S. funds provided by the State Department's Bureau of Population, Refugees, and Migration) to deploy missions to help serve the needs of current and future Venezuelan arrivals in those countries and others in Latin America. Services provided vary by country, but include support for reception centers and shelters, emergency relief items, legal assistance with asylum applications and other matters, and the creation of temporary work programs. UNHCR estimates that it will need an additional \$1.6 million to support these efforts, as well as efforts in Venezuela and across the region through the end of this year.<sup>124</sup>

Should the situation in Venezuela deteriorate further, there could be large-scale 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

<sup>119</sup> David Smilde, "Crime and Revolution in Venezuela," *NACLA Report on the Americas*, 2017, vol. 49, no. 3.

<sup>120</sup> 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/>.

<sup>121</sup> State Department Human Rights, 2017.

<sup>122</sup> UNHCR, "Venezuela Situation: Venezuela Situation: Update on Response and Funding Requirements," October 2017. Hereinafter, UNHCR, October 2017.

<sup>123</sup> UNHCR, "Venezuela Situation," Situation Update, August 2017.

<sup>124</sup> UNHCR, "Venezuela Situation Funding Update," November 28, 2017.

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.<sup>125</sup>

## U.S. Policy

The United States historically has had close relations with Venezuela, a major U.S. foreign oil supplier, but friction in relations increased under the Chávez government and has intensified under the Maduro regime. For more than a decade, U.S. policymakers have had concerns about the deterioration of human rights and democratic conditions in Venezuela and the lack of bilateral cooperation on counternarcotics and counterterrorism efforts. The United States has employed various sanctions in response to concerns about the activities of the Venezuelan government or Venezuelan individuals.<sup>126</sup> These have included sanctions related to terrorism, drug trafficking, trafficking in persons, and, since 2015, sanctions related to undermining democracy, human rights violations, and public corruption. U.S. funding and political support has also bolstered democratic civil society in Venezuela, OAS efforts to address the crisis in Venezuela, and UNHCR's capacity to assist Venezuelan emigrants (including asylum seekers).

President Trump and top Administration officials have generally backed multilateral approaches to resolving the crisis in Venezuela, while issuing statements on issues of concern to the United States and continuing to ratchet up sanctions. Before the Constituent Assembly election, President Trump said that the United States would “not stand by as Venezuela crumbles” and asserted that the United States would “take strong and swift economic actions” if the Maduro regime imposed the ANC.<sup>127</sup> The State Department has said that the United States will not recognize the ANC, which it considers “the illegitimate product of a flawed process designed by the Maduro dictatorship to further its assault on democracy.”<sup>128</sup> On July 31, the Administration imposed sanctions on President Maduro, one of only four heads of state subject to U.S. sanctions.<sup>129</sup> U.S. State Department officials have continued to call for the release of Josh Holt, a U.S. citizen who has been imprisoned in Venezuela since June 2016 and whose health has declined.<sup>130</sup>

On August 11, 2017, President Trump stated in a press conference that “we have many options for Venezuela, including a possible military option if necessary.”<sup>131</sup> Although other U.S. officials, including Vice President Mike Pence, subsequently emphasized U.S. economic and diplomatic policy tools, analysts contend that the President's remarks have not helped efforts to forge a united regional front on the Venezuela crisis. Several Latin American nations have spoken out against military action.<sup>132</sup> The Maduro regime has used the remarks to rally public support against what it terms a potential “imperialist” invasion.

<sup>125</sup> 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*, 115<sup>th</sup> Cong., 1<sup>st</sup> sess., March 2, 2017.

<sup>126</sup> See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted) .

<sup>127</sup> White House, “Statement from President Donald J. Trump,” July 17, 2017.

<sup>128</sup> U.S. Department of State, “Venezuela’s Illegitimate National Constituent Assembly,” August 3, 2017.

<sup>129</sup> U.S. Department of the Treasury, “Treasury Sanctions the President of Venezuela,” July 31, 2017.

<sup>130</sup> U.S. Department of State, Heather Nauert, Spokesperson, Department Press Briefing, November 30, 2017.

<sup>131</sup> Jenna Johnson and John Wagner, “Trump Won’t ‘Rule Out a Military Option’ in Venezuela,” *Washington Post*, August 11, 2017.

<sup>132</sup> Brian Ellsworth and Mitra Taj, “Latin America Rejects Trump’s Military Threat Against Venezuela,” Reuters, August 11, 2017.

The Trump Administration has been analyzing additional policy options on Venezuela. On September 24, 2017, President Trump banned U.S. travel by certain Venezuelan officials and their families. Some observers expected that more sanctions would come after controversial regional elections held in October 2017, which the Administration has condemned as having been neither free nor fair.<sup>133</sup> The Treasury Department levied targeted sanctions on 10 officials, including several members of the National Electoral Council and the ANC on November 9, 2017.<sup>134</sup>

Other potential measures run the gamut from additional sanctions against government officials to broader sanctions aimed at Venezuela's economy, especially its oil sector, the government's main revenue source.<sup>135</sup> The Administration has limited PdVSA's access to external financing (through sanctions imposed on August 25 as discussed below). It may also consider prohibiting certain U.S. exports to and/or imports from Venezuela, and/or prohibiting all financial transactions with PdVSA.

Stronger economic sanctions could cause divisions within the Venezuelan government and hasten the end of its repressive policies, but could have negative effects and unintended consequences. Analysts are concerned that such sanctions could exacerbate Venezuela's already difficult humanitarian situation. Another broad concern is the potential effect that stronger sanctions could have on the U.S. economy. U.S. oil refiners that depend on the importation of Venezuelan crude oil oppose sanctions that could increase costs for their operations and for U.S. consumers.<sup>136</sup> A complicating factor in implementing sanctions is that PdVSA owns CITGO, which operates three crude oil refineries, three pipelines, and several petroleum product terminals in the United States.

## Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption<sup>137</sup>

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 113<sup>th</sup> 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

<sup>133</sup> U.S. Department of State, Press Statement, Heather Nauert, Department Spokesperson, "Gubernatorial Elections in Venezuela," October 16, 2017.

<sup>134</sup> U.S. Department of the Treasury, "Treasury Sanctions Ten Venezuelan Government Officials," November 9, 2017.

<sup>135</sup> David Mortlock and Francisco Monaldi, *Venezuela: What are the Most Effective US Sanctions?*, Atlantic Council, August 9, 2017.

<sup>136</sup> CRS Insight IN10741, *U.S. Petroleum Trade with Venezuela: Financial and Economic Considerations Associated with Possible Sanctions*, by (name redacted) and (name redacted).

<sup>137</sup> Portions of this section are drawn from CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted).

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.

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 (1) those involved in actions or policies that undermine democratic processes or institutions; (2) those involved in 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) those involved in actions that prohibit, limit, or penalize the exercise of freedom of expression or peaceful assembly; or (4) those senior Venezuelan officials involved in public corruption. 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.

#### Corruption

Venezuela ranked 166 out of 176 countries included in Transparency International's 2016 Corruption Perceptions Index (CPI), the lowest ranking of any country in Latin America and the Caribbean. In a 2017 survey, more than 75% of Venezuelans said that corruption was rising. Corruption in 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.<sup>138</sup> Some officials, allegedly including Vice President El Aissami, Interior Minister Nestor Reverol, and many members of the military, have received 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>, [https://www.transparency.org/news/feature/corruption\\_on\\_the\\_rise\\_in\\_latam\\_and\\_the\\_caribbean](https://www.transparency.org/news/feature/corruption_on_the_rise_in_latam_and_the_caribbean).

To date, the Treasury Department has imposed sanctions on 37 Venezuelans pursuant to E.O. 13692. In March 2015, the Treasury Department froze the assets of six members of Venezuela's security forces and a prosecutor involved in repressing antigovernment protesters. Under the Trump Administration, the Treasury Department has imposed sanctions against an additional 30 Venezuelans pursuant to E.O. 13692, including the following in 2017:

- On May 18, 8 members of Venezuela's Supreme Court for usurping the power of the National Assembly;
- On July 26, 13 current and former officials, with 4 for undermining democracy or human rights, including Minister of Education Elias Jaua, National Electoral Council (CNE) President Tibisay Lucena, and then-Human Rights Ombudsman and now Attorney General Tarek Saab; 5 for violence and repression, including Minister of Interior, Justice, and Peace Nestor Reverol and the leaders of Venezuela's army, national guard, and national police; and 4 for public corruption, including the vice president of finance for PdVSA;
- On July 31, President Nicolás Maduro; and

<sup>138</sup> Hannah Dreier and Joshua Goodman, "Venezuela Military Trafficking Food as Country Goes Hungry," AP, December 28, 2016.



- On August 9, 8 high-ranking Venezuelan officials.
- On November 9, 10 government officials, including several CNE and ANC members.

**Trafficking in Persons.** Since 2014, Venezuela has received a Tier 3 ranking in the State Department's annual *Trafficking in Persons* (TIP) reports. U.S. assistance to Venezuela has not been subject to TIP-related sanctions since the democracy and human rights aid provided goes to nongovernmental organizations and has been deemed to be in the U.S. national interest.<sup>139</sup> According to the June 2017 TIP report, although the government arrested seven trafficking suspects, it did not provide any data on prosecutions or convictions, victims identified, or any other antitrafficking efforts.

## Sanctions Restricting Venezuela's Access to U.S. Financial Markets

President Trump signed E.O. 13808, effective August 25, 2017, imposing new sanctions that restrict the Venezuelan government's access to U.S. financial markets, which has been an important source of capital for the government and PdVSA.<sup>140</sup> According to the White House, the measures "are carefully calibrated to deny the Maduro dictatorship a critical source of financing to maintain its illegitimate rule, protect the United States financial system from complicity in Venezuela's corruption and in the impoverishment of the Venezuelan people, and allow for humanitarian assistance."<sup>141</sup> Sanctions targeting sovereign debt are unusual, but not unprecedented.<sup>142</sup>

The sanctions seek to cut off new funds flowing from U.S. investors or through the U.S. financial system to the Maduro government. To this end, sanctions restrict transactions by U.S. investors or within the United States related to new debt issued by the Venezuelan government and PdVSA. U.S. persons are also prohibited from purchasing securities from the Venezuelan government. Additionally, CITGO—whose parent company is PdVSA—is prohibited from distributing profits to the Venezuelan government, though it can continue its operations in the United States.

Concurrent with the release of the Executive Order in August, Treasury issued licenses to minimize the impact of sanctions on U.S. economic interests and on the Venezuelan people. The licenses allow (1) a 30-day window to wind down contracts affected by the sanctions; (2) U.S. investors to continue trading their existing holdings of Venezuelan and PdVSA bonds on secondary markets; (3) transactions involving new debt issued by CITGO; and (4) financing for specific humanitarian goods, including agricultural commodities, medicine, and medical devices. Additionally, the sanctions specified in the Executive Order allow transactions involving new short-term debt (less than 30 days for the Venezuelan government and less than 90 days for PdVSA). This ensures continued access to short-term financing that facilitates U.S. trade with Venezuela, including U.S. imports of oil from Venezuela.

<sup>139</sup> See, for example, White House, Office of the Press Secretary, "Presidential Determination on Foreign Governments' Efforts Regarding Trafficking in Persons," September 30, 2018.

<sup>140</sup> Presidential Executive Order on Imposing Sanctions with Respect to the Situation in Venezuela, August 25, 2017, at <https://www.whitehouse.gov/the-press-office/2017/08/25/presidential-executive-order-imposing-sanctions-respect-situation>.

<sup>141</sup> Statement by the Press Secretary on New Financial Sanctions on Venezuela, August 25, 2017, at <https://www.whitehouse.gov/the-press-office/2017/08/25/statement-press-secretary-new-financial-sanctions-venezuela>.

<sup>142</sup> Congress has passed legislation to prohibit investments and transaction in Iran sovereign debt (22 U.S.C. 2723), and the Countering Russia Influence in Europe and Eurasia Act of 2017 (§242 of P.L. 115-44) calls for a report studying the effects of sanctioning Russian sovereign debt and related derivative products.

When the sanctions were announced in August, there was debate about whether they would push Venezuela to default, or whether the government would be able to find alternative sources of financing, for example in new oil-for-loan deals with Russia and China or taking cash from PdVSA and other state institutions. Most economists agree that the sanctions made the fiscal position of the government more difficult, as many international banks ceased all financial transactions with Venezuela for fear of violating sanctions, and as sanctions accelerated the decline in Venezuelan oil exports to the United States.<sup>143</sup> In the November 2 address announcing his intent to restructure Venezuela's debt, President Maduro blamed U.S. sanctions for the government's fiscal problems, arguing that they made it impossible for the government to raise additional funds.

## 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 U.S. officials dismissed as baseless. Prior to that time, the governments had negotiated an antidrug cooperation agreement (an addendum to a 1978 Bilateral Counternarcotics agreement) that would have enhanced information-sharing and antidrug cooperation. 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 in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228). In September 2017, President Trump designated Venezuela as one of two countries not adhering to its antidrug obligations.<sup>144</sup> At the same time, President Trump waived economic sanctions that would have curtailed U.S. assistance for democracy programs.

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.

<sup>143</sup> Ben Bartenstein and Christine Jenkins, "Venezuelan Bonds Get Harder to Trade Thanks to Sanctions," Bloomberg, August 31, 2017; Lucia Kassai and Sheela Tobben, "Venezuelan Oil Cargo to U.S. Ports Plunge as Sanctions Bite," Bloomberg, October 24, 2017.

<sup>144</sup> The White House, "Presidential Determination—Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2018," September 13, 2017.

- 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.”<sup>145</sup>
- 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.”<sup>146</sup>

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 officials to leave office through democratic means if, once out of power, they likely would face extradition and prosecution in the United States.<sup>147</sup>

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 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.<sup>148</sup> 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.<sup>149</sup> The trial and conviction reportedly shed light on the role of Venezuelan government and military officials in drug trafficking.<sup>150</sup>

<sup>145</sup> U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2017 *International Narcotics Control Strategy Report* (INCSR), vol. 1, p. 286.

<sup>146</sup> *Ibid.*, p. 289.

<sup>147</sup> U.S. Congress, Senate Committee on Foreign Relations, *Venezuela: Options for U.S. Policy*, 115<sup>th</sup> Cong., 1<sup>st</sup> sess., March 2, 2017.

<sup>148</sup> 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.

<sup>149</sup> “Venezuela’s Maduro Calls Nephews’ Drug Conviction ‘U.S. Imperialism,’” Reuters News, November 25, 2016.

<sup>150</sup> 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.



The Department of the Treasury has imposed sanctions on at least 20 Venezuelans for narcotics trafficking and 10 companies in Venezuela by designating them as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act, P.L. 106-120, Title VIII; 21 U.S.C. 1901 et seq.).<sup>151</sup> 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.<sup>152</sup>

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.<sup>153</sup> 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.<sup>154</sup>

On September 20, 2017, the Treasury Department's Financial Crimes Enforcement Network advised U.S. financial institutions to report any suspicious financial transactions that could have a nexus with Venezuela.<sup>155</sup> The advisory urges U.S. institutions to exercise increased scrutiny over transactions that may involve lesser-known state-owned enterprises connected to the government. It also warns that recent sanctions against Venezuelan officials could "increase the likelihood that other non-designated Venezuelan senior political figures may seek to protect their assets."

## 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 most recent determination was made in May 2017.

The State Department's most recent annual terrorism report, issued in June 2017, stated that "there were credible reports that Venezuela maintained a permissive environment that allowed for

<sup>151</sup> See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by (name redacted) .

<sup>152</sup> 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. Bello laundered drug proceeds for El Aissami. 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.

<sup>153</sup> 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. 190-192.

<sup>154</sup> *Ibid.*

<sup>155</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Advisory on Widespread Public Corruption in Venezuela," September 20, 2017.

activities that benefited known terrorist groups.”<sup>156</sup> 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. In 2008, the Treasury Department imposed sanctions (asset freezing and prohibitions on transactions) on two individuals and two travel agencies in Venezuela for providing financial support to Hezbollah, which the Department of State has designated a Foreign Terrorist Organization. The action was taken pursuant to E.O. 13224, aimed at impeding terrorist funding.

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.<sup>157</sup> 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.<sup>158</sup>

## Energy Sector Concerns

### *Developments in Venezuela's Energy Sector*

Although Venezuela has vast proven oil reserves (301 billion barrels in 2015—the largest in the world),<sup>159</sup> 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 (EIA).<sup>160</sup> Monthly oil production has continued to decline in 2017, with October production levels at 1.9 million b/d.

PdVSA's performance has been affected by a number of factors. Under Chávez, government 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. Since August, some 50 executives have been arrested for alleged corruption, which dissidents within the company say is a false pretense for replacing technocrats with military officers.<sup>161</sup> Production also has been challenged by aging infrastructure, bottlenecks created by PdVSA's inability to pay service companies and producers, and shortages of inputs (such as light crudes for blending) used to process its heavy crude oil.<sup>162</sup> Corruption remains a major drain on the company's revenues and an impediment to performance; it is likely to worsen if military officers take control of the company from professional managers.<sup>163</sup>

<sup>156</sup> U.S. Department of State, “Chapter 2, Western Hemisphere Overview,” in *Country Reports on Terrorism 2015*, June 2016.

<sup>157</sup> Scott Zamost et al., “Venezuela May Have Given Passports to People with Ties to Terrorism,” CNN, February 14, 2017.

<sup>158</sup> Geoff Ramsey and David Smilde, “Fact Checking Venezuelan Passports-to-Terrorists Allegations,” *Insight Crime*, February 22, 2017.

<sup>159</sup> BP, *Statistical Review of World Energy*, June 2017.

<sup>160</sup> U.S. Energy Information Administration, *International Energy Statistics*.

<sup>161</sup> “New Venezuela Oil Boss to Give Military More PDVSA Posts,” Reuters, November 27, 2017.

<sup>162</sup> 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.

<sup>163</sup> Kirk Semple, “General Is Given Control of Venezuelan Oil Giant,” *New York Times*, November 28, 2017.

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 gasoline for the first time since 1994, to approximately 15 cents a gallon (still the lowest price in the world).<sup>164</sup>

Although a bond swap in late 2016 eased some of the company's short-term debt burden, the company remains heavily indebted, with total outstanding bonds estimated at \$25 billion.<sup>165</sup> In November 2017, PdVSA was late in making bond payments, triggering a New York-based derivatives group to issue a default notice for the state-oil company, in addition to the government, and raising questions about PdVSA's ability to make payments going forward.<sup>166</sup> Observers maintain that the recent appointment of a general with no experience in the oil sector to run PdVSA (and the oil ministry) may not bode well for the government's willingness and ability to make upcoming debt service payments.<sup>167</sup> They are also concerned about reports that President Maduro will review all oil contracts.<sup>168</sup>

Declining production by PdVSA-controlled assets stands in 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%.<sup>169</sup> The future of these ventures is uncertain, given that many of those companies worked closely with the recently ousted oil minister while he headed PdVSA and in his most recent position as oil minister.<sup>170</sup>

### *U.S.-Venezuela Oil Trade*

Traditionally, Venezuela has been a major supplier of crude oil imports into the United States, but the amount, value, and relative share of U.S. oil imports from Venezuela declined in recent years. In 2016, Venezuela was the third-largest foreign supplier of crude oil to the United States (behind Canada and Saudi Arabia), providing an average of 796,000 b/d, down from 1.5 million b/d in 2015. The decline in U.S. oil imports from Venezuela has continued in 2017, to their lowest level since 2002 (see **Figure 3**). In 2016, Venezuelan crude oil accounted for about 9.4% of U.S. imports worldwide, down from 11% in 2005.

<sup>164</sup> 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.

<sup>165</sup> Lee C. Buchheit and G. Mitu Gulati, *How to Restructure Venezuelan Debt*, July 2017.

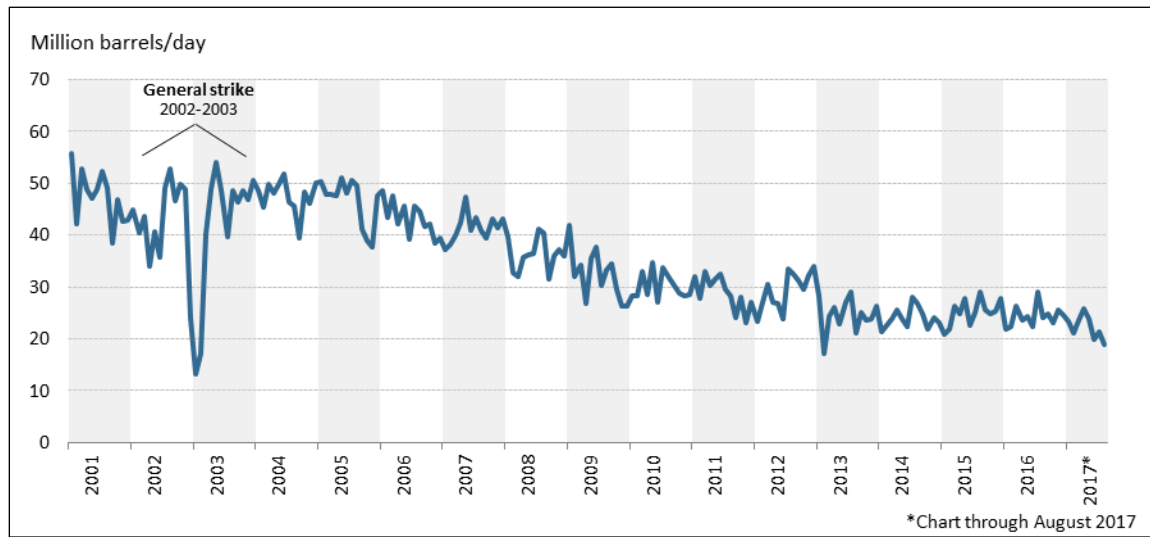
<sup>166</sup> Robin Wigglesworth, "Default Ruling on Venezuela Debt Postponed, Again," *Financial Times*, November 13, 2017; Davide Scigliuzzo, "ISDA Panel to Reconvene on Venezuela CDS Auction," Reuters, November 27, 2017.

<sup>167</sup> Eurasia Group, "PDVSA Leadership Change Darkens Oil Sector Outlook and Increases Debt Service Uncertainty," November 27, 2017.

<sup>168</sup> Alexandra Ulmer and Deisy Buitrago, "Venezuela Maduro Gains Control Over Oil Contracts amid Purge," Reuters, December 3, 2017, at <https://www.reuters.com/article/us-venezuela-oil/venezuela-maduro-gains-control-over-oil-contracts-amid-purge-idUSKBN1DX0V8>.

<sup>169</sup> Hernández and Monaldi, 2016.

<sup>170</sup> Eurasia Group, "PDVSA Leadership Change Darkens Oil Sector Outlook and Increases Debt Service Uncertainty," November 27, 2017.

**Figure 3. U.S. Imports of Venezuelan Oil**

**Source:** U.S. Energy Information Administration (EIA), as prepared by CRS Graphics.

Oil is overwhelmingly Venezuela's major export to the United States. 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.<sup>171</sup> This figure is down from \$29 billion in 2014, reflecting the steep decline in the price of oil.

In addition to importing crude oil from Venezuela, the United States also exports light crude oil and other product inputs to Venezuela needed to blend with and refine Venezuelan heavy crude oil. Some 43% of U.S. exports to Venezuela consist of light crude oil and other oil product inputs.<sup>172</sup>

The decline in U.S. imports of oil from Venezuela is driven by a number of factors. These include Venezuela's decreased production and increased U.S. oil imports from Canada.<sup>173</sup> U.S. sanctions are also making oil imports from Venezuela more difficult. Under the sanctions, U.S. partners can extend new credit to PdVSA for up to only 90 days. PdVSA has dealt with its fiscal problems by delaying payments and paying service providers with promissory notes, in lieu of payments.<sup>174</sup> There are concerns that delayed payments and promissory notes would count as new credit, and if their maturity exceeds 90 days, would violate sanctions. These payment issues have contributed to the slowdown in oil production, although it has not halted it.<sup>175</sup>

<sup>171</sup> Trade statistics are from Global Trade Atlas, which uses Department of Commerce statistics.

<sup>172</sup> 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.

<sup>173</sup> Venezuelan heavy crudes compete directly with Canadian oil sands heavy crudes to supply certain refiners in the United States (many in the Gulf Coast region) that have been optimally configured to process heavy crude oils.

<sup>174</sup> Risa Grais-Targow, Greg Priddy, and Agata Ciesielska, "Venezuela/Oil," *Eurasia Group*, November 21, 2017.

<sup>175</sup> Ibid.

### **PdVSA-Rosneft Financing Deal: Implications for U.S. Energy Security**

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. In 2016 PdVSA secured a \$1.5 billion loan from the Russian state-oil company Rosneft. PdVSA used 49.9% of its shares in CITGO as collateral for the loan. If PdVSA defaults on the loan from Rosneft, Rosneft would gain the 49.9% stake in CITGO. CITGO, based in Texas, owns substantial energy assets in the United States, including three oil refineries, 48 terminal facilities, and multiple pipelines. Some policymakers are concerned that Rosneft could gain control of critical U.S. energy infrastructure and pose a serious risk to U.S. energy security.<sup>176</sup> There are also questions about whether the transaction would be compliant with U.S. sanctions on Rosneft.

In a hearing before the Senate Banking Committee in May 2017, Treasury Secretary Mnuchin indicated that any such transaction would be reviewed by the Committee on Foreign Investment in the United States (CFIUS).<sup>177</sup> At the end of August, it was reported that the Trump Administration stands ready to block the transaction.<sup>178</sup> Reportedly, Rosneft is negotiating to swap its collateral in CITGO for oilfield stakes and a fuel supply deal.<sup>179</sup>

## **U.S. Foreign Assistance**

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 and \$6.5 million in FY2016, provided through the Economic Support Fund (ESF) foreign aid funding account.

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."<sup>180</sup> After enacting several short-term continuing resolutions, the 115<sup>th</sup> Congress enacted the FY2017 Consolidated Appropriations Act (H.R. 244/P.L. 115-31) on May 4, 2017. The explanatory statement accompanying the law recommends providing \$7 million for civil society programs in Venezuela. Instead of ESF assistance, an estimated \$7 million from the Development Assistance foreign aid funding account will be provided.

The Trump Administration did not request any assistance for democracy and human rights programs in Venezuela as part of the FY2018 Department of State, Foreign Operations, and Related Programs request. Nevertheless, the House Appropriations Committee's FY2018 State Department and Foreign Operations appropriations bill, H.R. 3362 (H.Rept. 115-253),

<sup>176</sup> For example, see Jeff Duncan and James Conway, "Venezuela-Russia Deal Threatens U.S. Energy Security," *The Hill*, July 11, 2017.

<sup>177</sup> U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Domestic and International Policy*, 115<sup>th</sup> Cong., May 18, 2017. For more on CFIUS, see CRS In Focus IF10177, *The Committee on Foreign Investment in the United States*.

<sup>178</sup> Ian Talley, "U.S. to Block Potential Russian Move into American Energy," *Wall Street Journal*, August 31, 2017.

<sup>179</sup> Alexandra Ulmer and Marianna Parraga, "Russia, Venezuela Discuss Citgo Collateral Deal to Avoid U.S. Sanctions," Reuters, July 20, 2017.

<sup>180</sup> U.S. Department of State, *Congressional Budget Justification, Foreign Operations FY2017*, Appendix 3, February 26, 2016, p. 489.

recommends providing \$8 million. H.R. 3362 was incorporated into the House-passed full-year FY2018 Omnibus Appropriations Measure, H.R. 3354. The Senate Appropriations Committee's version of the bill, S. 1780 (S.Rept. 115-152), recommends \$15 million.

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.<sup>181</sup>

On December 5, 2017, the House approved legislation, H.R. 2658 (Engel), the Venezuela Humanitarian Assistance and Defense of Democratic Governance Act of 2017. The bill would direct the State Department to work through nongovernmental organizations to provide food and nutritional supplements, medicine and medical supplies, and related technical assistance to Venezuela. A similar bill, S. 1018 (Cardin) has been introduced in the Senate.

## U.S. Support for Organization of American States (OAS) Efforts on Venezuela

Over the past two years, the U.S. government has strongly supported the organization's efforts under Secretary General Luis Almagro to address the situation in Venezuela.<sup>182</sup> 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 complemented U.S. policy objectives. OAS efforts have thus far largely failed, however, due to the reluctance of some countries to intervene in Venezuela's domestic affairs (see **Appendix B** for more details on OAS efforts).

OAS Secretary General Almagro (who assumed his position in May 2015) has spoken out strongly about the situation in Venezuela. On May 31, 2016, the Secretary-General 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.”<sup>183</sup> Secretary General Almagro issued an extensive report on the political and economic situation in Venezuela, concluding that there were “serious disruptions of the democratic order” in the country.<sup>184</sup> The Permanent Council received the report, but has yet to achieve consensus on how to respond to the evolving crises.

<sup>181</sup> National Endowment for Democracy, “Venezuela 2016,” at <http://www.ned.org/region/latin-america-and-caribbean/venezuela-2016/>.

<sup>182</sup> CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by (name redacted)

<sup>183</sup> OAS, “Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela,” May 31, 2016.

<sup>184</sup> 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>.



OAS Secretary General Almagro issued a new report to the Permanent Council in March 2017, which 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.<sup>185</sup> It 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 failed 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.

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.<sup>186</sup> The withdrawal process, which takes two years, would require Venezuela to pay \$8.8 million in back dues to the OAS.<sup>187</sup> Venezuela could lose access to other inter-American organizations such as the Pan American Health Organization, the regional arm of the WHO.

Despite the deteriorating situation in Venezuela, a number of countries have been reluctant to follow Almagro's lead in calling for the Venezuelan government to take certain steps to improve the human rights situation and restore democratic institutions. During the OAS General Assembly meeting in June 2017, 20 countries voted in favor of adopting a resolution (introduced by Peru and backed by the United States) to press the Venezuelan government to take concrete actions, but the measure failed because it needed 23 votes. Among other countries, six voted no (Bolivia, Dominica, Nicaragua, St. Kitts and Nevis, St. Vincent and the Grenadines, and Venezuela) and eight countries abstained (Antigua and Barbuda, Dominican Republic, Ecuador, El Salvador, Grenada, Haiti, Suriname, and Trinidad and Tobago).

In the absence of consensus within the General Assembly, Secretary General Almagro has continued to speak out against actions taken by the Maduro government.<sup>188</sup> He issued a report in

### **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.

<sup>185</sup> 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](http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-014/17).

<sup>186</sup> Michael Shifter, "Venezuela's Bad Neighbor Policy: Why It Quit the OAS," *Foreign Affairs*, May 5, 2017.

<sup>187</sup> Eurasia Group, "Venezuela- Preemptive Breakup with the OAS Will Not Diminish International Pressure," April 27, 2017.

<sup>188</sup> See, for example, Testimony of OAS Secretary General Luis Almagro before the U.S. Congress, Senate Committee on Foreign Relations, Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, (continued...)

July 2017 describing abuses committed by the government against protesters earlier this year and another in September denouncing the consolidation of Venezuela's "dictatorial regime" with the formation of the Constituent Assembly.<sup>189</sup> In addition, the Secretary General is leading a process to analyze whether the Maduro government's abuses against its citizens constitute crimes against humanity and therefore merit a referral to the International Criminal Court.<sup>190</sup> While some observers have praised Secretary General Almagro's outspoken activism on Venezuela, others have asserted that he and the OAS are unlikely to be trusted by anyone in the Maduro government as a mediator that could help resolve the current crisis.<sup>191</sup>

## Outlook

For some time, analysts have debated how long President Maduro can retain his grip on power and how best to help hasten a return to electoral democracy in the country. Despite sustained protests, opposition from within the PSUV earlier this year, a deepening economic crisis, and increasing international isolation, Maduro has consolidated control in Venezuela since the establishment of the National Constituent Assembly. Gubernatorial elections held in mid-October 2017 resulted in a lopsided victory for his party that, although likely fraudulent, was eventually accepted by part of the opposition.<sup>192</sup>

As 2017 draws to a close, the opposition appears weak and divided. Some opposition figures criticized the MUD's decision to participate in the October elections that were rigged in the government's favor. One of those critics, Maria Corina Machado, a former legislator, has split from the MUD to form her own movement with the exiled former mayor of Caracas, Antonio Ledezma.<sup>193</sup> Other MUD leaders criticized the four Democratic Action (AD) governors' decision to take their oaths of office by swearing in front of the ANC rather than the National Assembly. The MUD coalition also split over whether or not to participate in the December 10, 2017, municipal elections, with two parties fielding candidates and others boycotting. At a more macro level, the opposition cannot agree on whether to continue engaging in dialogue with the Maduro government in order to try to secure some guarantees regarding when and how the 2018 presidential elections will be carried out. Some parties may be frozen out of the process as a result of their decision not to participate in the municipal contests.<sup>194</sup>

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(...continued)

Human Rights, and Global Women's Issues, *The Collapse of the Rule of Law in Venezuela: What the United States and the International Community Can Do to Restore Democracy*, 115<sup>th</sup> Cong., 1<sup>st</sup> sess., July 19, 2017.

<sup>189</sup> OAS, Report of the Secretary General to the Permanent Council on the Situation in Venezuela, July 19, 2017, at <http://www.oas.org/documents/eng/press/TERCER-INFORME-VENEZUELA-ENGLISH-Final-signed.pdf>; and OAS, "Denunciation of a Dictatorial Regime's Consolidation in Venezuela: Presented by Secretary General Luis Almagro to the Permanent Council," September 25, 2017, at <http://www.oas.org/documents/eng/press/OSG-445-CUARTO-INFORME-venezuela-English.pdf>.

<sup>190</sup> OAS, "Fact Sheet: Process to Analyze Whether the Situation in Venezuela Merits Referral to the International Criminal Court," September 13, 2017.

<sup>191</sup> D. Smilde et al., "Is the OAS Playing a Constructive Role on Venezuela? What Should It Be Doing Differently?—Dialogue," *Portside*, June 1, 2017.

<sup>192</sup> Andrew Cawthorne and Andreina Aponte, "Venezuela Governors Sworn In, Showing Opposition Disunity," Reuters, October 23, 2017, at <https://www.reuters.com/article/us-venezuela-politics/venezuela-governors-sworn-in-showing-opposition-disunity-idUSKBN1CS2R3>.

<sup>193</sup> "Venezuela's Opposition Divided Over Election Result," *Latin News Daily*, October 18, 2017.

<sup>194</sup> Laignee Barron, "Venezuela's Maduro Has Disqualified His Opposition From the Next Presidential Election," *Time*, December 11, 2017.



In recent months, President Maduro has been going after his political rivals within the regime (such as recently ousted U.N. Ambassador Rafael Ramirez), while also increasing military control over the economy. 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 could be significant. As the military takes increasing control over PdVSA and other sectors of the economy, its loyalty to Maduro is likely to further strengthen. Polls are now predicting that Maduro could win reelection in 2018.<sup>195</sup>

For now, many analysts predict that economic problems, including the possibility of a messy default, may be the most likely factor that could lead to Maduro leaving office.<sup>196</sup> While U.S. sanctions may hasten that process, increased support from Russia and/or China could potentially help Maduro stay afloat, at least for the time being. Both the Venezuelan government and PdVSA are already in technical default on some bond repayments. Restructuring those or other external debt could be extremely complex.

In addition to concerns about democracy and human rights, the U.S. government and the international community are increasingly concerned by the profound economic and social crises that the Venezuelan people are experiencing. Many observers contend that the road to economic recovery will take several years, no matter who is in power. The IMF has estimated that an international financial assistance package for Venezuela could cost more than \$30 billion a year. However, discussion about an IMF program is still speculative.<sup>197</sup> The Maduro regime has essentially cut off relations with the IMF, and many analysts believe that an IMF program would proceed only under a new government in Venezuela.

Congress faces appropriations decisions regarding 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 authorizing 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.

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<sup>195</sup> Jim Wyss, "Poll Gives Venezuela's Maduro Clear Lead Ahead of 2018 Presidential Race," *Miami Herald*, December 5, 2017; "Buoyed by Mayoral Votes, Venezuela Socialists Eye Presidency Race," Reuters, December 11, 2017.

<sup>196</sup> Anthony Faiola and Rachelle Krygier, "In Venezuela, the Economy May Yet Do What the Opposition Couldn't," *Washington Post*, August 11, 2017.

<sup>197</sup> John Paul Rathbone and Shawn Donnan, "IMF Crunches the Numbers for Possible Venezuela Rescue," *Financial Times*, October 16, 2017.

## Appendix A. Legislative Initiatives

**P.L. 115-31 (H.R. 244). Consolidated Appropriations Act, 2017.** Introduced January 4, 2017, as the Honoring Investments in Recruiting and Employing American Military Veterans Act of 2017; subsequently, the bill became the vehicle for the FY2017 appropriations measure known as the Consolidated Appropriations Act, 2017. House agreed to Senate amendments (309-118) May 3, 2017; Senate agreed to House amendment to Senate amendments (79-18) May 4, 2017. President signed into law May 5, 2017. The explanatory statement accompanying the law recommends providing \$7 million in democracy and human rights assistance to Venezuelan civil society.

**S. 1018 (Cardin)/H.R. 2658 (Engel). Venezuela Humanitarian Assistance and Defense of Democratic Governance Act of 2017.** S. 1018 was introduced May 3, 2017; referred to the Committee on Foreign Relations. H.R. 2658 was introduced May 25, 2017; amended and reported out of the House Foreign Affairs Committee September 28, 2017; approved by the House on December 5, 2017. Both bills would

- direct the State Department and USAID to deliver a strategy within 90 days of the enactment of the act on how they will work through NGOs in Venezuela or in neighboring countries to channel basic medical supplies and services, food and nutritional supplements, and related technical assistance needed to assist the Venezuelan people;
- support OAS efforts to invoke the Inter-American Democratic Charter;
- secure a Presidential Statement from the United Nations urging the Government of Venezuela to allow the delivery of humanitarian relief;
- require a report by the Secretary of State, acting through the Bureau of Intelligence and Research, on Venezuelan officials involved in grand corruption, and encourage the imposition of sanctions on those individuals;
- amend P.L. 113-278 to broaden the activities for which Venezuelans can be sanctioned to include engaging in undemocratic practices or public corruption, extend the date for imposing sanctions through 2022, and urge the Administration to encourage other countries to sanction those individuals; and
- express the sense of the Senate and House that the President should take all necessary steps to prevent Rosneft from gaining control of U.S. energy infrastructure.

In addition, S. 1018 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;
- 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; and
- prioritize continued U.S. support to Caribbean countries that have been dependent on Venezuela for energy.

Rather than authorize funding, H.R. 2658 would

- require a strategy within 90 days on how U.S. assistance would be coordinated with those of other donors;
- call on the United States to advocate and, if possible, support an OAS election observation mission to Venezuela when it is appropriate; and
- require a report on other countries' activities in Venezuela (Russia, China, Iran, and Cuba) within 180 days of enactment.

**H.R. 3354 (Calvert).** Interior and Environment, Agriculture and Rural Development, Commerce, Justice, Science, Financial Services and General Government, Homeland Security, Labor, Health and Human Services, Education, State and Foreign Operations, Transportation, Housing and Urban Development, Defense, Military Construction and Veterans Affairs, Legislative Branch, and Energy and Water Development Appropriations Act, 2018. Introduced and reported out of the House Appropriations Committee July 21, 2017. House approved September 14, 2017.

**H.R. 2161 (Curbelo).** Venezuelan Refugee Assistance Act. The bill 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 aliens. Introduced April 26, 2017; referred to House Judiciary Committee.

**H.R. 3362 (Rogers).** Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018. H.Rept. 115-253 recommends providing \$8 million in democracy and human rights assistance to Venezuelan civil society. Introduced and reported out of the House Appropriations Committee July 24, 2017. Incorporated into House Omnibus, H.R. 3354, approved by the House September 14, 2017.

**H.Res. 259 (DeSantis).** The resolution would express concern about the multiple crises that Venezuela is facing; urge the Venezuelan government to hold elections, release political prisoners, and accept humanitarian aid; support OAS efforts, including a potential temporary suspension of Venezuela from the organization if the government does not convene elections and release political prisoners in a timely manner; and encourage President Trump to prioritize resolving the crisis in Venezuela, including through the use of targeted sanctions. Introduced April 6, 2017; reported out of the House Foreign Affairs Committee July 27, 2017, approved by the House December 5, 2017.

**S.Res. 35 (Cardin).** The resolution 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. Introduced February 1, 2017. Agreed to in the Senate February 28, 2017.

## Appendix B. OAS Action on Venezuela: 2016-2017

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.”<sup>198</sup> Secretary-General Almagro issued an extensive report on the political and economic situation in Venezuela, concluding that there are “serious disruptions of the democratic order” in the country.<sup>199</sup> 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.<sup>200</sup> 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.”<sup>201</sup> 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.<sup>202</sup> Secretary-General Almagro also has continued to speak out against repression in Venezuela.<sup>203</sup>

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.”<sup>204</sup> 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:

1. Convene general elections without delay that satisfy international observation standards.

<sup>198</sup> OAS, “Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela,” May 31, 2016.

<sup>199</sup> 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>.

<sup>200</sup> 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.

<sup>201</sup> OAS, “Declaration of the Permanent Council Supporting the National Dialogue in the Bolivarian Republic of Venezuela,” November 16, 2016.

<sup>202</sup> 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](http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-014/17).

<sup>203</sup> OAS, “OAS Secretary General Calls on Venezuelan Regime to Immediately Halt Repression,” press release, E-029/17, April 7, 2017.

<sup>204</sup> 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](http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-014/17).

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.<sup>205</sup> The resolution urged the Venezuelan government "to safeguard the separation and independence of powers and restore full constitutional authority to the National Assembly."<sup>206</sup> The body also resolved to undertake additional diplomatic initiatives as needed "to foster the restoration of the democratic institutional system."<sup>207</sup>

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 voted in favor of convening the meeting.<sup>208</sup> However, some countries objected to potential statements or actions (such as a temporary suspension from the OAS) opposed by the Venezuelan government based on the organization's principles of nonintervention and respect for national sovereignty.<sup>209</sup>

On May 31, 2017, the OAS convened a meeting of consultation of ministers of foreign affairs to discuss the situation in Venezuela. After much debate, the foreign ministers failed to approve a resolution to address the crisis.<sup>210</sup> Some countries supported a draft resolution put forth by Canada, Panama, Peru, Mexico, and the United States, which called upon the Venezuelan government and the opposition to take a series of steps but also offered humanitarian assistance and willingness to create a "group or other mechanism of facilitation to support a new process of dialogue and negotiation."<sup>211</sup> That draft resolution called upon the government to stop the

<sup>205</sup> OAS, "OAS Permanent Council Adopts Resolution on Recent Events in Venezuela," press release, E-022/17, April 3, 2017.

<sup>206</sup> Ibid.

<sup>207</sup> Ibid.

<sup>208</sup> Those countries include 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. 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.

<sup>209</sup> 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.

<sup>210</sup> For analysis and links to the draft resolutions, see Geoff Ramsey and David Smilde, "OAS Foreign Ministers' Meeting Reveals Persistent Differences in How to Address Venezuela's Crisis," blog hosted by WOLA, May 31, 2017.

<sup>211</sup> The draft resolution by Peru et al., called on all parties to cease all violence and to respect the rule of law and human rights. Permanent Missions of Peru, Canada, United States, Mexico, and Panama to the OAS, *Draft Declaration on the Situation in the Bolivarian Republic of Venezuela to be considered at the OAS, Meeting of Consultation of Ministers of Foreign Affairs*, May 31, 2017.

constituent assembly process as it is currently conceived, cease arbitrary detentions and the use of military tribunals for civilians, and fulfill the commitments made during the 2016 dialogue process (namely, respect the separation of powers, release political prisoners, and establish an electoral calendar with international observers). Other countries supported a resolution offered by CARICOM calling for dialogue and the creation of an external “group or other mechanism” to support dialogue between the government and the opposition without the specific preconditions on the government included in the other draft resolution.<sup>212</sup> OAS member states were unable to reach consensus on either of the draft resolutions.

Foreign ministers reconvened during the OAS General Assembly held in Mexico on June 19-21, 2017. At those meetings, 20 countries voted in favor of adopting the aforementioned resolution put forth by Peru (and backed by the United States) on Venezuela, 6 countries voted no, and 8 abstained from voting.<sup>213</sup> The foreign ministers could reconvene to continue that meeting at any time. For any resolution, up to and including the sanction of the expulsion of Venezuela from the organization, to pass the meeting of ministers, it would need 23 votes.

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<sup>212</sup> The draft resolution by CARICOM called on all parties to cease violence; develop plans to restore peace and stability; respect human rights and the rule of law; engage in a renewed dialogue and negotiation leading to a comprehensive political agreement with established timetables, concrete actions, and guarantees; and for the government to reconsider its decision to withdraw from the OAS. Caribbean Community (CARICOM), *Draft Declaration on the Situation in the Bolivarian Republic of Venezuela to be considered at the OAS, Meeting of Ministers of Foreign Affairs*, May 31, 2017.

<sup>213</sup> Andrés Cañizález, “We Only Need Three Votes: Venezuela and the OAS,” *Latin American Goes Global*, June 27, 2017. Six countries voted against the U.S.-backed resolution: Venezuela (absent), Bolivia, Dominica, Nicaragua, St. Kitts and Nevis, and St. Vincent and the Grenadines. Eight others abstained: Antigua and Barbuda, Dominican Republic, Haiti, Ecuador, El Salvador, Grenada, Suriname, and Trinidad and Tobago.



## Appendix C. Online Human Rights Reporting on Venezuela

**Table C-1. Online Human Rights Reporting on Venezuela**

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

**Source:** Congressional Research Service.

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