

# Venezuela: Background and U.S. Relations

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## Summary

Venezuela remains in a deep political crisis under the authoritarian rule of President Nicolás Maduro of the United Socialist Party of Venezuela (PSUV). Maduro, narrowly elected in 2013 after the death of Hugo Chávez (1999-2013), is unpopular. Nevertheless, he has used the courts, security forces, and electoral council to repress the opposition.

On January 10, 2019, Maduro began a second term after winning reelection on May 20, 2018, in an unfair contest deemed illegitimate by the opposition-controlled National Assembly and most of the international community. The United States, the European Union, the Group of Seven, and most Western Hemisphere countries do not recognize the legitimacy of his mandate. They view the National Assembly as Venezuela's only democratic institution.

Maduro's inauguration capped his efforts to consolidate power. In 2017, protesters called for Maduro to release political prisoners and respect the opposition-led National Assembly. Security forces quashed protests, with more than 130 killed and thousands injured. Maduro then orchestrated the controversial July 2017 election of a National Constituent Assembly; this assembly has usurped most legislative functions. During 2018, Maduro's government arrested dissident military officers and others suspected of plotting against him. Efforts to silence dissent may increase, as the National Assembly (under its new president, Juan Guaidó), the United States, and the international community push for a transition to a new government.

Venezuela also is experiencing a serious economic crisis, and rapid contraction of the economy, hyperinflation, and severe shortages of food and medicine have created a humanitarian crisis. President Maduro has blamed U.S. sanctions for these problems, while conditioning receipt of food assistance on support for his government and increasing military control over the economy. He maintains that Venezuela will seek to restructure its debts, although that appears unlikely. The government and state oil company *Petróleos de Venezuela, S. A.* (PdVSA) defaulted on bond payments in 2017. Lawsuits over nonpayment and seizures of PdVSA assets are likely.

### U.S. Policy

The United States historically had close relations with Venezuela, a major U.S. oil supplier, but relations have deteriorated under the Chávez and Maduro governments. U.S. policymakers have expressed concerns about the deterioration of human rights and democracy in Venezuela and the country's lack of cooperation on counternarcotics and counterterrorism efforts. U.S. democracy and human rights funding, totaling \$15 million in FY2018 (P.L. 115-141), has aimed to support civil society.

The Trump Administration has employed targeted sanctions against Venezuelan officials responsible for human rights violations, undermining democracy, and corruption, as well as on individuals and entities engaged in drug trafficking. Since 2017, the Administration has imposed a series of broader sanctions restricting Venezuelan government access to U.S. financial markets and prohibiting transactions involving the Venezuelan government's issuance of digital currency and Venezuelan debt. The Administration provided almost \$97 million in humanitarian assistance to neighboring countries sheltering more than 3 million Venezuelans.

### Congressional Action

The 115<sup>th</sup> Congress took several actions in response to the situation in Venezuela. In February 2017, the Senate agreed to S.Res. 35 (Cardin), which supported targeted sanctions. In December 2017, the House passed H.R. 2658 (Engel), which would have authorized humanitarian assistance for Venezuela, and H.Res. 259 (DeSantis), which urged the Venezuelan government to accept humanitarian aid. For FY2019, the Administration requested \$9 million in democracy and human

rights funds for Venezuela. The 115<sup>th</sup> Congress did not complete action on the FY2019 foreign assistance appropriations measure. The House version of the FY2019 foreign aid appropriations bill, H.R. 6385, would have provided \$15 million for programs in Venezuela; the Senate version, S. 3108, would have provided \$20 million.

The 116<sup>th</sup> Congress likely will fund foreign assistance to Venezuela and neighboring countries sheltering Venezuelans. Congress may consider additional steps to influence the Venezuelan government's behavior in promoting a return to democracy and to relieve the humanitarian crisis.

Also see CRS In Focus IF10230, *Venezuela: Political and Economic Crisis and U.S. Policy*; CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*; and CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*.

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## Recent Developments

On January 21, 2019, Venezuela's government-aligned Supreme Court issued a ruling declaring the National Assembly illegitimate and its rulings unconstitutional. (See "Lead-Up to Maduro's January 2019 Inauguration and Aftermath," below.)

On January 21, 2019, Venezuelan military authorities announced the arrest of 27 members of the National Guard who allegedly stole weapons (since recovered) as they tried to incite an uprising against the government. (See "Lead-Up to Maduro's January 2019 Inauguration and Aftermath," below.)

On January 15, 2019, Venezuela's National Assembly declared that President Maduro had usurped the presidency. The legislature also established a framework for the formation of a transitional government led by Juan Guaidó of the Popular Will (VP) party, the president of the National Assembly who was elected on January 5, 2019, to serve until presidential elections can be held (per Article 233 of the constitution). In addition, the legislature approved amnesty from prosecution for public officials who facilitate the transition. (See "Lead-Up to Maduro's January 2019 Inauguration and Aftermath," below.)

On January 13, 2019, Venezuela's intelligence service detained, and then released, Juan Guaidó. Two days prior, Guaidó had said he would be willing to assume the presidency on an interim basis until new elections could be held; he also called for national protests to occur on January 23, 2019. (See "Lead-Up to Maduro's January 2019 Inauguration and Aftermath," below.)

On January 10, 2019, the U.S. Department of State issued a statement condemning Maduro's "illegitimate usurpation of power" and vowing to "work with the National Assembly ... in accordance with your constitution on a peaceful return to democracy." (See "U.S. Policy," below.)

On January 10, 2019, the Organization of American States (OAS) passed a resolution rejecting the legitimacy of Nicolas Maduro's new term. (See **Appendix B**, below.)

On January 10, 2019, President Nicolas Maduro began a second term after a May 2018 election that has been deemed illegitimate by the democratically elected, opposition-controlled National Assembly and much of the international community. (See "Foreign Relations," below.)

On January 8, 2019, the U.S. Department of the Treasury imposed sanctions on seven individuals and 23 companies involved in a scheme that stole \$2.4 billion through manipulation of Venezuela's currency exchange system under authority provided in Executive Order (E.O.) 13850. (See "Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption," below.)

On December 17, 2018, a group of investors demanded the Venezuelan government pay off the interest and principal of a defaulted \$1.5 billion bond, the first step in a potential legal process by creditors to recover their assets. (See "Prospects for 2019," below.)

On December 14, 2018, *El Nacional*, Venezuela's last independent newspaper with national circulation, stopped publishing its print edition after 75 years. The move came after numerous advertising restrictions, lawsuits, and threats from the Venezuelan government. (See "Human Rights," below.)

On December 14, 2018, the United Nations launched an appeal for \$738 million to support refugees and migrants from Venezuela in 2019. (See "Humanitarian Situation," 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 political, economic, and humanitarian 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 through 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 illegally replaced the legislature with a National Constituent Assembly (ANC) elected under controversial circumstances in July 2017.<sup>1</sup> President Maduro won reelection in early elections held in May 2018 that were dismissed as illegitimate by the United States, the European Union (EU), the G-7, and a majority of countries in the Western Hemisphere.

### Venezuela at a Glance

**Population:** 29.2 million (2018 est., IMF)

**Area:** 912,050 square kilometers (slightly more than twice the size of California)

**GDP:** \$96.3 billion (2018, current prices, IMF est.)

**GDP Growth** -14% (2017); -18% (2018, IMF est.)

**GDP Per Capita:** \$3,300 (2018, current prices, IMF est.)

**Key Trading Partners:** Exports—U.S.: 34.2%, India: 16.8%, China: 15.7%. Imports—U.S.: 37.5%, China: 21.4%, Brazil: 14.3% (2017, EIU)

**Unemployment:** 34.3% (2018, IMF)

**Life Expectancy:** 74.7 years (2017, UNDP)

**Literacy:** 97.1% (2016, UNDP)

**Legislature:** National Assembly (unicameral), with 167 members; National Constituent Assembly, with 545 members (United States does not recognize)

**Sources:** Economist Intelligence Unit (EIU); International Monetary Fund (IMF); United Nations Development Programme (UNDP).

U.S. relations with Venezuela, a major oil supplier, deteriorated during Chávez's rule, which undermined human rights, the separation of powers, and freedom of expression. U.S. and regional concerns have deepened as the Maduro government has manipulated democratic institutions; cracked down on the opposition, media, and civil society; engaged in drug trafficking and corruption; and refused most humanitarian aid. Efforts to hasten a return to democracy in Venezuela have failed thus far. President Maduro's convening of the ANC and early presidential elections have triggered international criticism and led to sanctions by Canada, the EU, Panama, Switzerland, the United States, and potentially others.

This report provides an overview of the overlapping political, economic, and humanitarian crises in Venezuela, followed by

an overview of U.S. policy toward Venezuela.

<sup>1</sup> Freedom House, *Freedom in the World: 2019*, at <https://freedomhouse.org/report/freedom-world/2018/venezuela>.

**Figure I. Political Map of Venezuela**

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

## Political Situation

### Legacy of Hugo Chávez (1999-2013)<sup>2</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 oil company, *Petróleos de Venezuela, S. A.* (PdVSA).

<sup>2</sup> This section draws from CRS Report R42989, *Hugo Chávez's Death: Implications for Venezuela and U.S. Relations*, by Mark P. Sullivan; and CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.



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 Pérez (AD) initiated an austerity program that fueled riots in which several hundred people were killed. In 1992, two attempted military coups threatened the Pérez presidency, one led by Chávez, who at the time was a lieutenant colonel railing against corruption and poverty. Chávez served two years in prison for that failed coup attempt. In May 1993, the legislature dismissed Pérez from office for misusing public funds. The election of 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 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, use of oil revenue to fund domestic social programs and provide subsidized oil to Cuba and other Central American and Caribbean countries, and willingness to oppose the United States captured global attention.<sup>3</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 reduce poverty by some 20% and improve literacy and access to health care.<sup>4</sup> Some maintain that Chávez also empowered the poor by involving them in community councils and workers' cooperatives.<sup>5</sup> Nevertheless, his presidency was “characterized by a dramatic concentration of power and open disregard for basic human rights guarantees,” especially after his brief ouster from power in 2002.<sup>6</sup> Declining oil production, combined with massive debt and high inflation, have shown the costs involved in Chávez's failure to save or invest past oil profits, tendency to take on debt and print money, and decision to fire thousands of PdVSA technocrats after an oil workers' strike in 2002-2003.<sup>7</sup>

Venezuela's 1999 constitution, amended in 2009, centralized power in the presidency and established five branches of government rather than the traditional three branches.<sup>8</sup> Those

<sup>3</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 led the struggle against Spain 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. Beginning in 2005, the PetroCaribe program provided subsidized oil to many Caribbean and Central American countries; however, the volume of shipments declined after 2012. David L. Goldwyn and Cory R. Gill, *The Waning of PetroCaribe? Central American and Caribbean Energy in Transition*, Atlantic Council, 2016 (hereinafter Goldwyn and Gill, 2016).

<sup>4</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 American Perspectives*, vol. 44, no. 1, January 2017, pp. 4-15.

<sup>5</sup> Eva Golinger, “Opinion: Chávez was a Maker of Dreams,” CNN, March 7, 2013.

<sup>6</sup> Although President Chávez remained widely popular until mid-2001, his standing eroded afterward 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 April 2002, massive protests and pressure by the military led to the ousting 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 the public by taking hardline measures, including the suspension of the constitution. Human Rights Watch, “Venezuela: Chávez's Authoritarian Legacy,” March 5, 2013.

<sup>7</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>8</sup> Antonio Ramirez, “An Introduction to Venezuelan Governmental Institutions and Primary Legal Sources,” New York

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 government branches, 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).

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 fail to do so. The National Assembly consists of a unicameral Chamber of Deputies with 167 seats whose members serve for five years and may be reelected once. 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>9</sup>

## Maduro Government<sup>10</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 MUD by 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. Security forces and allied civilian groups violently suppressed protests and restricted freedom of speech and assembly. In 2014, 43 people died and 800 were injured in clashes between pro-government forces and student-led protesters concerned about rising crime and violence. President Maduro imprisoned opposition figures, including Leopoldo López, head of the Popular Will (VP) party, who was sentenced to more than 13 years in prison for allegedly inciting violence. The Union of South American Nations (UNASUR) initiated a government-opposition dialogue in April 2014, but talks quickly broke down.<sup>11</sup> In February 2015, the Maduro government again cracked down on the opposition.

### 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.

University Law School Library, May 2016. Hereinafter Ramirez, May 2016.

<sup>9</sup> Ramirez, May 2016; CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

<sup>10</sup> See also CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

<sup>11</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.

In the December 2015 legislative elections, the MUD captured a two-thirds majority in Venezuela's National Assembly—a major setback for Maduro. The Maduro government took actions to thwart the legislature's power. The PSUV-aligned Supreme Court blocked three MUD deputies 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 and assumed many of the legislature's functions.<sup>12</sup>

In 2016, opposition efforts focused on attempts to recall President Maduro in a national referendum. The government used delaying tactics to slow the process considerably. On October 20, 2016, Venezuela's CNE suspended the recall effort after five state-level courts issued rulings alleging fraud in a signature collection drive 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 progress on the part of the government in meeting its commitments.<sup>13</sup>

### **Repression of Dissent, Establishment of a Constituent Assembly in 2017**

Far from meeting the commitments it made during the Vatican-led talks, the Maduro government continued to harass and arbitrarily detain opponents (see “Human Rights,” below). In addition, President Maduro appointed a hardline vice president, Tareck el Aissami, former governor of the state of Aragua and a sanctioned U.S. drug kingpin, in January 2017. Popular protests, which were frequent between 2014 and autumn 2016, had dissipated. In addition to restricting freedom of assembly, the government had cracked down on media outlets and journalists, including foreign media.<sup>14</sup>

Despite these obstacles, the MUD became reenergized in response to the Supreme Court's March 2017 rulings to dissolve the legislature and assume all legislative functions. 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 March to July 2017, the opposition conducted large, sustained protests against the government, calling for President Maduro to release political prisoners, respect the separation of powers, and hold an early presidential election. Clashes between security forces (backed by armed civilian militias) and protesters left more than 130 dead and hundreds injured.

In May 2017, President Maduro announced that he would convene a constituent assembly to revise the constitution and scheduled July 30 elections to select delegates to that assembly. The Supreme Court ruled that Maduro could convoke the assembly without first holding a popular

<sup>12</sup> U.S. Department of State, *Country Reports on Human Rights Practices for 2017: Venezuela*, March 2018. Hereinafter: U.S. Department of State, March 2018.

<sup>13</sup> Those commitments included (1) releasing political prisoners, (2) announcing an electoral calendar, (3) respecting the National Assembly's decisions, and (4) addressing humanitarian needs.

<sup>14</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. “Venezuela Shuts Off CNN en Español After Criticizing Channel's Passport-Selling Report,” AP, February 15, 2017.

referendum (as the constitution required). The opposition boycotted, arguing that the elections were unconstitutional; a position shared by then-Attorney General Luisa Ortega and international observers (including the United States, Canada, the EU, 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 creation of a constituent assembly; the government ignored that vote.

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>15</sup>

Many observers viewed 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. The ANC dismissed Attorney General Ortega, who had been critical of the government, voted to approve its own mandate for two years, and declared itself superior to other branches of government. Ortega fled Venezuela in August 2017 and has spoken out against the abuses of the Maduro government.<sup>16</sup> The ANC also approved a decree allowing it to pass legislation, unconstitutionally assuming the powers of the National Assembly.

### Efforts to Consolidate Power Before the May 2018 Elections

From mid-2017 to May 2018, President Maduro strengthened his control over the PSUV and gained the upper hand over the MUD despite international condemnation of his actions.<sup>17</sup> In October 2017, the PSUV won 18 of 23 gubernatorial elections. Although fraud likely took place given the significant discrepancies between opinion polls and the election results, the opposition could not prove that fraud was widespread.<sup>18</sup> There is evidence that the PSUV linked receipt of future government food assistance to votes for its candidates by placing food assistance card registration centers next to polling stations, a practice also used in subsequent elections.<sup>19</sup> The MUD coalition initially rejected the election results, but four victorious MUD governors took their oaths of office in front of the ANC (rather than the National Assembly), a decision that fractured the coalition.

With the opposition in disarray, President Maduro and the ANC moved to consolidate power and blamed U.S. sanctions for the country's economic problems. Maduro fired and arrested the head of PdVSA and the oil minister for corruption. He appointed a general with no experience in the energy sector as oil minister and head of the company, further consolidating military control over the economy. The ANC approved a law to further restrict freedom of expression and assembly.

Although most opposition parties did not participate in municipal elections held in December 2017, a few, including A New Time (UNT), led by Manuel Rosales, and Progressive Advance

<sup>15</sup> 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), August 2017.

<sup>16</sup> Ortega 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. Nicholas Casey, "Maduro is Accused in Bribery," *New York Times*, October 13, 2017; Ortega has provided evidence against other top officials to the U.S. government and evidence of government human rights abuses to the ICC. "Venezuela Ex-Prosecutor Gives U.S. Evidence on Maduro Officials," Reuters, October 13, 2017.

<sup>17</sup> Jon Lee Anderson, "Nicolas Maduro's Accelerating Revolution," *The New Yorker*, December 11, 2017.

<sup>18</sup> Gideon Long, "Venezuela Elections Dogged by Fraud Claims," *Financial Times*, October 16, 2017.

<sup>19</sup> Michael Penfold, *Food, Technology, and Authoritarianism in Venezuela's Elections*, Woodrow Wilson Center, April 18, 2018.

(AP), led by Henri Falcón, fielded candidates. The PSUV won more than 300 of 335 mayoralties. The CNE required parties that did not participate in those elections to re-register in order to run in the 2018 presidential contest, a requirement that many of them subsequently rejected.

## May 2018 Elections

The Venezuelan constitution established that the country's presidential elections were to be held by December 2018. Although many prominent opposition politicians had been imprisoned (Leopoldo López, under house arrest), barred from seeking office (Henrique Capriles), or in exile (Antonio Ledezma<sup>20</sup>) by late 2017, some MUD leaders sought to unseat Maduro through elections. Those leaders negotiated with the PSUV to try to obtain guarantees, such as a reconstituted CNE and international observers, to help ensure the elections would be as free and fair as possible. In January 2018, the ANC ignored those negotiations and called for elections to be moved up from December to May 2018, violating a constitutional requirement that elections be called with at least six months anticipation.<sup>21</sup> The MUD declared an election boycott, but Henri Falcón (AP) broke with the coalition to run. Falcón, former governor of Lara, pledged to accept humanitarian assistance, dollarize the economy, and foster national reconciliation.

Venezuela's presidential election proved to be minimally competitive and took place within a climate of state repression. President Maduro and the PSUV's control over the CNE, courts, and constituent assembly weakened Falcón's ability to campaign. State media promoted government propaganda. There were no internationally accredited election monitors. The government coerced its workers to vote and placed food assistance card distribution centers next to polling stations.

The CNE reported that Maduro received 67.7% of the votes, followed by Falcón (21%) and Javier Bertucci, a little-known evangelical minister (10.8%).<sup>22</sup> Voter turnout was much lower in 2018 (46%) than in 2013 (80%), perhaps due to the MUD's boycott. After independent monitors reported widespread fraud, Falcón and Bertucci called for new elections to be held.<sup>23</sup>

## Lead-Up to Maduro's January 2019 Inauguration and Aftermath

Since the May 2018 election, President Maduro has faced mounting economic problems (discussed below), coup attempts, and increasing international isolation (see "Foreign Relations," below). His government has released some political prisoners, including U.S. citizen Joshua Holt, former Mayor Daniel Ceballos, opposition legislators (Gilber Caro and Renzo Prieto), and, in October 2018, former student leader Lorent Saleh.<sup>24</sup> He reshuffled his Cabinet to establish Delcy Rodríguez, former head of the ANC and former foreign minister, as executive vice president in June 2018 and made additional changes in October 2018 within the judiciary and the intelligence services to strengthen his control.<sup>25</sup> On December 9, 2018, Maduro's PSUV-dominated municipal

<sup>20</sup> Ledezma, a former mayor of metropolitan Caracas, escaped house arrest and fled to Spain in November 2017.

<sup>21</sup> José Ignacio Hernández G., "Rigged Elections: Venezuela's Failed Presidential Election," Electoral Integrity Project, May 30, 2018.

<sup>22</sup> "Venezuela Election: Maduro Wins Second Term Amid Claims of Vote Rigging," BBC, May 21, 2018.

<sup>23</sup> "Venezuela's Maduro Wins Boycotted Elections Amid Charges Of Fraud," NPR, May 21, 2018.

<sup>24</sup> Michael D. Shear and Nicholas Casey, "Joshua Holt, an American Held in Venezuelan Jail for 2 Years, is Back in the U.S.," *New York Times*, May 26, 2018; Patricia Laya and Fabiola Zerpa, "Venezuela Starts Releasing Political Prisoners, Including Some Lawmakers," *Bloomberg*, June 1, 2018; "Venezuela Frees Lorent Saleh Amid Suicide Concerns," *BBC*, October 13, 2019.

<sup>25</sup> Economist Intelligence Unit, *Country Report: Venezuela*, January 7, 2018.



council elections that most opposition parties boycotted, some 27% of eligible voters participated.<sup>26</sup>

During 2018, the opposition remained relatively weak and divided and Maduro focused on quashing coup plots and dissent within the military.<sup>27</sup> His government arrested those perceived as threats, including military officers, an opposition legislator accused of involvement in an August 2018 alleged assassination attempt against Maduro, and a German journalist accused of being a spy.<sup>28</sup> According to *Foro Penal* (a Venezuelan human rights group), the government held 278 political prisoners as of December 2018. *Foro Penal* and Human Rights Watch have documented several cases in which those accused of plotting coups were subjected to “beatings, asphyxiation and electric shocks” by the intelligence services.<sup>29</sup> The October 2018 death of Fernando Albán, an opposition politician who was also in custody for his reported involvement in the August 2018 alleged assassination attempt, has provoked domestic protests and international concern.<sup>30</sup>

Given that 70% of the population favored Maduro’s resignation instead of his inauguration to a second term, observers predict he will face mounting protests and internal dissent.<sup>31</sup> Maduro’s regime also could see more defections. In early January, Christian Zepa, a former ally of Maduro on the Supreme Court, fled the country to seek asylum in the United States; he maintains that the May election “was not free and competitive.”<sup>32</sup>

Under the leadership of Juan Guaidó, a 35-year old industrial engineer from the VP party who was elected president of the National Assembly on January 5, 2019, the opposition has been reenergized.<sup>33</sup> Guaidó, buoyed by widespread international condemnation of the May 2018 elections, has declared himself willing to serve as interim president of Venezuela until elections can be called as provided for in Article 233 of the 1999 constitution in the event that a president vacates power.<sup>34</sup> Secret police detained and then subsequently released Guaidó on January 13, 2019; it is unclear whether they were acting under Maduro’s authority. A government spokesman maintained that the detention “was an irregular and unilateral action” by officials who would be punished.<sup>35</sup> While the Brazilian government and the Secretary General of the OAS have openly welcomed Guaidó as “interim president,” the United States and others have expressed solidarity

<sup>26</sup> “Socialists win Municipal Elections in Venezuela Amid low Turnout,” EFE, December 10, 2018.

<sup>27</sup> International Crisis Group, *Friendly Fire: Venezuela’s Opposition Turmoil*, November 23, 2018.

<sup>28</sup> Andrew Rosati, “Venezuela Arrests Military Officers in Probe of Failed Assassination Bid,” *Bloomberg*, August 14, 2018; Reporters Without Borders, “German Journalist Held in Venezuela Facing 28 Years in Prison on Spying Charges,” December 11, 2018.

<sup>29</sup> Human Rights Watch, “Venezuela: Suspected Plotters Tortured,” January 9, 2019.

<sup>30</sup> The government maintains Albán committed suicide; U.N. officials are investigating his death as a murder. “Fernando Albán: UN to Investigate Death in Custody of Venezuelan Politician,” AP, October 9, 2018.

<sup>31</sup> Gideon Long, “Maduro to be Sworn in Amid Venezuela Meltdown,” *Financial Times*, January 10, 2019.

<sup>32</sup> “Venezuela Supreme Court Judge Christian Zepa Flees to US,” Reuters, January 7, 2019.

<sup>33</sup> Ciara Nugent, “How a Little-Known Opposition Leader Could Turn Venezuela Back Toward Democracy,” *Time*, January 15, 2019.

<sup>34</sup> In the absence of an elected president, the Venezuelan Congress’s president must become acting president of a transition government until elections can be called. Constitution of the Bolivarian Republic of Venezuela, 1999, as amended by Amendment No. 1 of 15 February 2009, Article 233, translation by the Ministry of Communication and Information of the Bolivarian Republic of Venezuela, 2010.

<sup>35</sup> Laura Millan Lombrana and Andrew Rosati, “Venezuela Opposition Leader Detained and Released by Intelligence Police,” *Bloomberg*, January 13, 2019.

and urged Venezuelans to rally behind him but stopped short of recognizing him as the country's interim leader.<sup>36</sup>

The National Assembly has enacted resolutions to declare that President Maduro is no longer the legitimate president, establish a framework for the formation of a transition government, ask 48 countries to freeze Maduro government assets, and provide for amnesty for any public officials (including military members) that support a transition.<sup>37</sup> The Maduro-aligned Supreme Court has ruled that the new leadership of the National Assembly has been acting outside of the law and invalidated its declarations.<sup>38</sup> It remains to be seen how the security forces will respond to these developments, as well as to protests that have been called for January 23, 2019, and beyond.

## Human Rights

Human rights organizations and U.S. officials have expressed concerns for more than a decade about the deterioration of democratic institutions and threats to freedom of speech and press in Venezuela.<sup>39</sup> Human rights conditions in Venezuela have deteriorated even more under President Maduro than under former President Chávez. Abuses have increased, as security forces and allied armed civilian militias (*collectivos*) have been deployed to violently quash protests. In August 2017, the United Nations Office of the High Commissioner for Human Rights (UNOCHR) issued a report on human rights violations perpetrated by the Venezuelan 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.”<sup>40</sup> The U.N. report maintained that many of those detained were subject to cruel, degrading treatment and that in several cases, the ill treatment amounted to torture. UNOCHR called for an international investigation of those abuses.

In June 2018, UNOCHR issued another report documenting abuses committed by units involved in crime fighting, the scale of the health and food crisis, and the continued impunity in cases involving security officers who allegedly killed people during the protests.

Other selected human rights reports from 2017-2018 include

- The Venezuelan human rights group *Foro Penal* and Human Rights Watch maintain that more than 5,300 Venezuelans were detained during the protests. Together, the organizations documented inhumane treatment of more than 300 detainees that occurred between April and September 2017.<sup>41</sup>

<sup>36</sup> Siobhán O’Grady, “As Maduro Clashes with Opposition, Washington Engages in ‘Careful Little Dance,’ with Venezuela” *Washington Post*, January 12, 2019; Mayela Armas and Corina Pons, “Venezuela Congress and U.S. Government Ratchet up Pressure on Maduro,” Reuters, January 15, 2019; Jeff Mason, “‘Hola, I’m Mike Pence’: U.S. VP Delivers Message of Support to Venezuelans,” Reuters, January 22, 2019.

<sup>37</sup> “Venezuela’s National Assembly Moves to Overthrow Maduro,” *Latin News Daily*, January 16, 2019.

<sup>38</sup> Fabiola Sanchez, “Venezuela Quells Soldiers’ Revolt, Top Court Blasts Congress,” AP, January 21, 2019.

<sup>39</sup> For background, see CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

<sup>40</sup> Office of the United Nations High Commissioner for Human Rights (UNOCHR), *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/HCReportVenezuela\\_1April-31July2017\\_EN.pdf](http://www.ohchr.org/Documents/Countries/VE/HCReportVenezuela_1April-31July2017_EN.pdf).

<sup>41</sup> Human Rights Watch, *Foro Penal, 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>.

- In February 2018, the Inter-American Commission on Human Rights (IACHR) released its third report on the situation of human rights in Venezuela.<sup>42</sup> The report highlighted the violation of the separation of powers that occurred as President Maduro and the judiciary interfered in the work of the legislature and then replaced it with a constituent assembly. It then criticized state limits on social protests and freedom of expression and said that the government “must curtail the use of force against demonstrators.”
- In March 2018, the State Department’s *Country Report on Human Rights Practices for 2017* found that “human rights deteriorated dramatically” in 2017 as the government tried hundreds of civilians in military courts and arrested 12 opposition mayors for their “alleged failure to control protests.”<sup>43</sup>
- In May 2018, an independent panel of human rights experts added a legal assessment to a report containing information and witness testimonies gathered by the OAS recommending that the International Criminal Court (ICC) should investigate credible reports that the Venezuelan government committed crimes against humanity.<sup>44</sup>

These reports published by international human rights organizations, the U.S. government, U.N. entities, and the OAS/IACHR reiterate the findings of PROVEA, one of Venezuela’s leading human rights organizations. In its report covering 2017 (published in June 2018), PROVEA asserts that 2017 was the worst year for human rights in Venezuela since the report was first published in 1989. In addition to violating political and civil rights, PROVEA denounces the Maduro government’s failure to address the country’s humanitarian crisis, citing its “official indolence” as causing increasing deaths and massive emigration.<sup>45</sup> For other sources on human rights in Venezuela, see **Appendix C**.

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 the U.N.’s August 2017 report on Venezuela.<sup>46</sup> In June 2018, the High Commissioner for Human Rights urged the U.N. Human Rights Council to launch a commission of inquiry to investigate the abuses it documented in that and a follow-up report. It referred the report to the prosecutor of the ICC. On September 26, 2018, the U.N. Human Rights Council adopted a resolution on Venezuela expressing “its deepest concern” about the serious human rights violations described in the June 2018 report, calling upon the Venezuelan government to accept humanitarian assistance and requiring a UNOCHR investigation on the situation in Venezuela to be presented in 2019.

In addition to the UNOCHR, former Venezuelan officials, the OAS, and neighboring countries have asked the ICC to investigate serious human rights violations committed by the Maduro

<sup>42</sup> Inter-American Commission on Human Rights, *Human Rights Situation in Venezuela*, February 2018, at <http://www.oas.org/en/iachr/reports/pdfs/Venezuela2018-en.pdf>.

<sup>43</sup> U.S. Department of State, March 2018.

<sup>44</sup> Organization of American States (OAS), Report of the General Secretariat of the OAS and the Panel of Independent International Experts on the Possible Commission of Crimes Against Humanity in Venezuela, May 29, 2018, at [http://www.oas.org/en/media\\_center/press\\_release.asp?sCodigo=E-031/18](http://www.oas.org/en/media_center/press_release.asp?sCodigo=E-031/18). Hereinafter: OAS, May 2018.

<sup>45</sup> Programa Venezolana de Educación y Acción en Derechos Humanos (PROVEA), *Informe Anual Enero-Diciembre 2017*, June 2018, available at <https://www.derechos.org.ve/informes-anuales>.

<sup>46</sup> Tamara Taraciuk Broner, “U.N. Human Rights Council Confronts Venezuela,” Human Rights Watch, October 2, 2017; UNOCHR, “Venezuela: Continued Impunity Amid Dismal Human Rights Situation - UN report,” June 22, 2018; UNOCHR, “Human Rights Council Adopts 10 Resolutions and one Presidential Statement,” September 27, 2018.



government; the ICC prosecutor opened a preliminary investigation in February 2018.<sup>47</sup> In November 2017, former Attorney General Luisa Ortega presented a dossier of evidence to the ICC that the police and military may have committed more than 1,800 extrajudicial killings as of June 2017. In the dossier, Ortega urged the ICC to charge Maduro and several officials in his Cabinet with serious human rights abuses. 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. On September 26, 2018, the governments of Argentina, Canada, Chile, Colombia, Paraguay, and Peru requested an investigation of Venezuela’s actions by the ICC—the first time fellow states party to the Rome Statute asked for an investigation into the situation of another treaty member.

## Economic Crisis<sup>48</sup>

For decades, Venezuela was one of South America’s most prosperous countries. Venezuela has the world’s largest proven reserves of oil, and its economy is built on oil. Oil traditionally has accounted for more than 90% of Venezuelan exports, and oil sales have funded the government budget. Venezuela benefited from the boom in oil prices during the 2000s. President Chávez used the oil windfall to spend heavily on social programs and expand subsidies for food and energy, and government debt more than doubled as a share of gross domestic product (GDP) between 2000 and 2012.<sup>49</sup> Chávez also used oil to expand influence abroad through *PetroCaribe*, a program that allowed Caribbean Basin countries to purchase oil at below-market prices.

Although substantial government outlays on social programs helped Chávez curry political favor and reduce poverty, economic mismanagement had long-term consequences. Chávez moved the economy in a less market-oriented direction, with widespread expropriations and nationalizations, as well as currency and price controls. These policies discouraged foreign investment and created market distortions. Government spending was not directed toward investment to increase economic productivity or diversify the economy from its reliance on oil. Corruption proliferated.

When Nicolás Maduro took office in 2013, he inherited economic policies 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. The fall in oil prices strained public finances. 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 led to inflation. The government also tried to curb inflation through price controls, although these controls were largely ineffective in restricting prices, as supplies dried up and transactions moved to the black market.<sup>50</sup>

Meanwhile, the government continued to face a substantial debt burden, with debt owed to private bondholders, China, Russia, multilateral lenders, importers, and service companies in the oil industry. Initially, the government tried to service its debt, fearing legal challenges from

<sup>47</sup> “Venezuela’s Ex-prosecutor Urges ICC to Probe Maduro,” AFP, November 16, 2017; Antonio Maria Delgado, “Venezuelan Officials Accused of Crimes Against Humanity in The Hague,” *Miami Herald*, November 21, 2017; ICC, “Statement of the Prosecutor of the International Criminal Court, Mrs Fatou Bensouda, on opening Preliminary Examinations into the situations in the Philippines and in Venezuela; February 8, 2018; ICC, “Statement of the Prosecutor of the International Criminal Court, Mrs Fatou Bensouda, on the Referral by a Group of Six States Parties Regarding the Situation in Venezuela,” September 27, 2018.

<sup>48</sup> This section was authored by Rebecca M. Nelson, Specialist in International Trade and Finance. For more information, see CRS Report R45072, *Venezuela’s Economic Crisis: Issues for Congress*, by Rebecca M. Nelson.

<sup>49</sup> “How Chávez and Maduro Have Impoverished Venezuela,” *Economist*, April 6, 2017.

<sup>50</sup> Ibid.

bondholders. To service its debt, it cut imports, including of food and medicine, among other measures. In August 2018, the Trump Administration imposed sanctions restricting Venezuela's ability to access U.S. financial markets, which exacerbated the government's fiscal situation. By late 2017, the government had largely stopped paying its bondholders, and Maduro announced plans to restructure its debt with private creditors. It also restructured its debt with Russia.<sup>51</sup>

## Developments in 2018

- **Economic output in Venezuela has collapsed.** Venezuela's economy has contracted each year since 2014. As the economic crisis has continued and oil production has plummeted (see **Figure 3**), the pace of economic contraction has accelerated. In 2014, the economy contracted by 3.9%; in more recent years, the pace has increased to 16.5% in 2016, 14% in 2017, and 18% in 2018 (see **Figure 2**).<sup>52</sup> In U.S. dollars, Venezuela's GDP has fallen from \$331 billion in 2012 to \$96 billion in 2018.<sup>53</sup>
- **Hyperinflation is rampant, creating shortages of critical supplies.** The government has rapidly expanded the money supply to finance budget deficits, which has led to one of the worst cases of hyperinflation in history, comparable to Germany in 1923 or Zimbabwe in the late 2000s.<sup>54</sup> In October 2018, the IMF forecast that inflation (as measured by average changes in consumer prices) increased from 254% in 2016 to 1,087% in 2017 to 1,370,000% in 2018 (see **Figure 2**).<sup>55</sup> Hyperinflation, as well as low foreign exchange reserves, which make it difficult for Venezuela to import goods and services, has created shortages of critical supplies (including food and medicine), leading to a humanitarian disaster and fueling massive migration (see "Humanitarian Situation," below).
- **The government remains in default and continues to run unsustainable fiscal policies.** Despite pledges to restructure the country's debt, the government has made no discernable progress in negotiations with private creditors and the country remains in default. According to one estimate, the government and state-owned companies owe nearly \$8 billion in unpaid interest and principal.<sup>56</sup> Meanwhile, the government continues to run large budget deficits, forecast at 30% of GDP in 2018, amid high debt levels (estimated to be 160% of GDP).<sup>57</sup> By one measure, debt relative to exports, Venezuela is the world's most heavily indebted country.<sup>58</sup>

<sup>51</sup> John Paul Rathbone and Robin Wigglesworth, "Venezuela Debt: US, Russia, and China Play for High Stakes," *Financial Times*, November 22, 2017.

<sup>52</sup> IMF, *World Economic Outlook*, October 2018. Percent change in GDP in constant dollars (adjusted for inflation).

<sup>53</sup> Current U.S. dollars (not adjusted for inflation).

<sup>54</sup> For example, see Alejandro Werner, "Outlook for the Americas: A Tougher Recovery," IMF Blog, July 23, 2018.

<sup>55</sup> IMF, *World Economic Outlook*, October 2018. Percent change in GDP in constant dollars (adjusted for inflation).

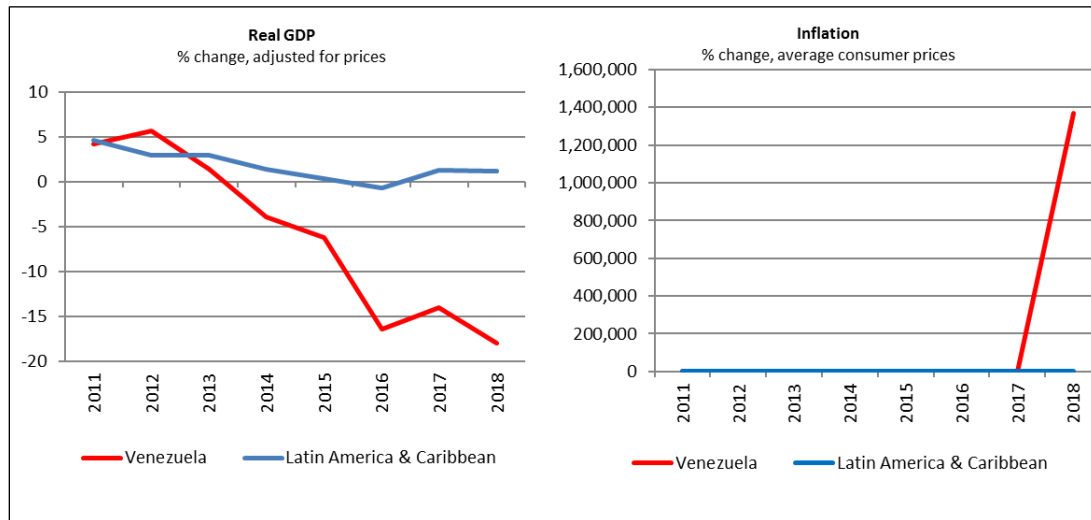
<sup>56</sup> Brian Ellsworth, "Exclusive: Venezuela Creditors Demand Payment on Defaulted \$1.5 Billion Bond," *Reuters*, December 17, 2018.

<sup>57</sup> IMF, *World Economic Outlook*, October 2018.

<sup>58</sup> Interview of Ricardo Hausmann by Sebastian Pellejero, "Can Venezuela Resurrect Its Economy?," Council on Foreign Relations, July 26, 2017.

In general, the government has been slow to address the economic crisis or acknowledge the government role in creating it. Instead, the government has largely blamed the country's struggles on a foreign "economic war," a thinly veiled reference to U.S. sanctions.<sup>59</sup> In February 2018, as a way to raise new funds, the cash-strapped government launched a new digital currency, the "petro," backed by oil and other commodities, which runs on blockchain technology.<sup>60</sup> The government claims the petro raised \$3.3 billion,<sup>61</sup> but the amount raised has never been confirmed by an independent audit.<sup>62</sup> Additionally, there are questions about the petro's operational viability: there are few signs of the petro being circulated within Venezuela or sold on any major cryptocurrency exchange.<sup>63</sup>

**Figure 2. Venezuela: Economic Collapse and Hyperinflation**



**Source:** IMF, *World Economic Outlook*, October 2018.

In August 2018, the government acknowledged, for the first time, its role in creating hyperinflation and announced a new set of policies for addressing the economic crisis. The new policies, reportedly developed in consultation with international advisers, included introducing a new "sovereign bolívar," which removed five zeros from the previous currency (the bolívar); cutting the government budget deficit from 30% in 2018 to zero, in part by raising value-added tax and increasing the price of petrol; speeding up tax collection; and increasing the minimum salary by more than 3,000%.<sup>64</sup> Since the plan's rollout in August, there is little evidence that the government's policies have restored confidence in Venezuela's economy. In December 2018, Maduro visited Moscow seeking financial assistance. Although he announced investment deals

<sup>59</sup> Rachelle Krygier, "After Years of Crisis, Venezuela's Maduro Might Finally Be Ready to Accept Some Help," *Washington Post*, December 12, 2018.

<sup>60</sup> See CRS In Focus IF10825, *Digital Currencies: Sanctions Evasion Risks*, by Rebecca M. Nelson and Liana W. Rosen.

<sup>61</sup> Eric Lam, "Here's What Maduro Has Said of Venezuela's Petro Cryptocurrency," *Bloomberg*, August 20, 2018.

<sup>62</sup> Aaron Mak, "What Does it Mean for Venezuela to Peg Its New Currency to a Cryptocurrency?," *Slate*, August 22, 2018.

<sup>63</sup> Brian Ellsworth, "Special Report: In Venezuela, New Cryptocurrency is Nowhere to Be Found," *Reuters*, August 30, 2018.

<sup>64</sup> "Nicolas Maduro Tries to Rescue Venezuela's Economy," *Economist*, August 23, 2018.

with Russian partners—\$5 billion for the oil industry and \$1 billion for the gold industry—Russian officials cast doubt on these commitments.<sup>65</sup>

## Prospects for 2019

The long-anticipated conflict between investors holding defaulted Venezuelan bonds and the government may be coming to a head. Venezuelan government and PdVSA dollar-denominated bonds were largely issued under New York law. It has been expected that bondholders would seek repayment through legal challenges against the Venezuelan government or PdVSA in the U.S. legal system. If successful in their legal challenges, creditors could receive compensation through seizure of Venezuela's assets in the United States, such as Citgo (whose parent company is PdVSA), oil exports, and cash payments for oil exports. Even though the government started missing payments in late 2017, creditors refrained from mounting legal challenges, presumably hoping for higher recovery rates during a more favorable economic environment and/or negotiations with new government. U.S. sanctions also complicate the restructuring process. However, in mid-December 2018, a group of creditors took an initial step toward launching the legal process, by demanding payment on a defaulted \$1.5 billion bond. It is expected that other creditors will organize and follow suit.<sup>66</sup>

Venezuela's economic crisis has been ongoing for a number of years, and the outlook is bleak. There is neither a clear nor a quick resolution on the horizon, particularly given the concurrent political crisis. The government's policy responses to the economic crisis—even with the new reforms in August—have been widely criticized as inadequate. The government appears loathe to adopt policies widely viewed by economists as necessary to restoring the economy: removing price controls, creating an independent central bank, engaging with an IMF program, and restructuring its debt with private bondholders.

The role of the IMF in particular is problematic, with the government resisting outside support from “imperialist” powers. Venezuela has not allowed the IMF to conduct routine surveillance of its economy since 2004, and the IMF has found the government in violation of its commitments as an IMF member. However, in December 2018, the IMF acknowledged that the Venezuelan government provided it with some economic data as required by all IMF members. It remains to be seen whether this will be a turning point in the Maduro government's willingness to engage with the IMF. Some analysts believe a change in Venezuela's overall economic strategy will only come if and when there is a change in government.

## Energy Sector Challenges<sup>67</sup>

Oil revenues are an important element of Venezuela's economy and account for approximately 98% of the country's export earnings.<sup>68</sup> Venezuela holds the largest amount of oil reserves in the world with more than 300 billion barrels of proven reserves at the end of 2017.<sup>69</sup> However, oil

<sup>65</sup> Henry Foy and Natassia Astrasheuskaya, “Will Russia Keep its \$6bn Promise to Venezuela?,” *Financial Times*, December 9, 2018.

<sup>66</sup> Micah Maidenberger and Julie Wernau, “Investors Push Venezuela for Payment on \$1.5 Billion Defaulted Bond,” *Wall Street Journal*, December 17, 2018.

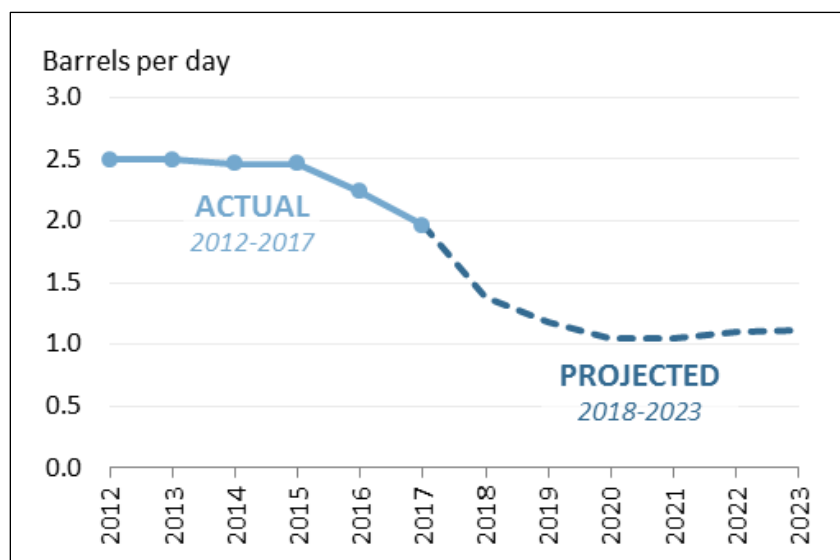
<sup>67</sup> Phillip Brown, Specialist in Energy Policy, contributed to this section. For more on Venezuela's energy sector, see CRS In Focus IF10857, *Venezuela's Petroleum Sector and U.S. Sanctions*, by Phillip Brown.

<sup>68</sup> Organization of the Petroleum Exporting Countries (OPEC), *Venezuela Facts and Figures*, available at [https://www.opec.org/opec\\_web/en/about\\_us/171.htm](https://www.opec.org/opec_web/en/about_us/171.htm), accessed November 29, 2018.

<sup>69</sup> BP Statistical Review of World Energy 2018.

production and export volumes have been trending downward over the last four years. In 2015, oil production in Venezuela averaged 2.37 million barrels per day (b/d).<sup>70</sup> Oil production declined to average 1.9 million b/d in 2017.<sup>71</sup> In March 2018, the International Energy Agency projected that Venezuela's crude oil production would continue declining to just over 1 million b/d and remain at that level until 2023 (see **Figure 3**).<sup>72</sup> Actual oil production in Venezuela has generally followed the projected trend with production in November 2018 averaging approximately 1.13 million b/d.<sup>73</sup>

**Figure 3. Venezuela Crude Oil Production, 2012-2023**



**Source:** International Energy Agency, *Oil 2018*, March 2018.

PdVSA's performance has been affected by a number of factors. Since August 2017, the Maduro government has arrested many executives for alleged corruption, which dissidents within the company assert has been a false pretense for replacing technocrats with military officers.<sup>74</sup> Workers at all levels reportedly are abandoning the company by the thousands.<sup>75</sup> Production 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>76</sup> Massive debt (estimated at some \$25 billion),<sup>77</sup> combined with U.S. sanctions limiting the willingness of banks to issue credit to PdVSA and the fact that much of its

<sup>70</sup> OPEC, *Monthly Oil Market Report*, April 13, 2016. Note: oil production numbers from "secondary sources."

<sup>71</sup> OPEC, *Monthly Oil Market Report*, November 13, 2016. Note: oil production numbers from "secondary sources."

<sup>72</sup> Others have made similar predictions. See International Energy Agency, *Oil 2018*, March 2018; "Factbox: Venezuela's Near Collapse Takes Toll on Oil Industry," *Platts*, June 18, 2018.

<sup>73</sup> OPEC, *Monthly Oil Market Report*, December 2018. Note oil production numbers from "secondary sources."

<sup>74</sup> "New Venezuela Oil Boss to Give Military More PDVSA Posts," Reuters, November 27, 2017.

<sup>75</sup> "Workers Flee and Thieves Loot Venezuela's Reeling Oil Giant," *New York Times*, June 14, 2018.

<sup>76</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.

<sup>77</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. Lee C. Buchheit and G. Mitu Gulati, *How to Restructure Venezuelan Debt*, July 2017.

production does not generate revenue, have added to the company's woes.<sup>78</sup> When Conoco sought to seize PdVSA facilities in the Caribbean over nonpayment of past debts in mid-2018, tankers with crude oil began backing up and the company could not satisfy all of its deliveries.<sup>79</sup>

Corruption remains a major drain on the company's revenues and an impediment to performance. In 2016, a report by the National Assembly estimated that some \$11 billion disappeared at PdVSA from 2004 to 2014.<sup>80</sup> In February 2018, U.S. prosecutors unsealed an indictment accusing former executives in Venezuela's energy ministry and PdVSA of laundering more than \$1 billion in oil income.<sup>81</sup> Corruption, as well as looting and misuse of infrastructure, has continued since a military general with no experience in the sector took control of the company in late 2017 and replaced technocrats with military officers and other loyalists.<sup>82</sup>

Declining production by PdVSA-controlled assets, through 2015 contrasted with 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>83</sup> The future of these ventures is uncertain, however, as Maduro's government arrested executives from Chevron in April 2018 after they reportedly refused to sign an agreement under unfair terms. Although they were released in June, Chevron and other companies have scaled back their operations.<sup>84</sup> Instead of relying on experienced partners, military officials with little expertise have signed contracts for basic functions, including drilling, with little-known companies that lack experience.<sup>85</sup>

PdVSA has also been under pressure to make payments to bondholders and to Canadian miner Crystallex in order to prevent the transfer of Citgo ownership control. Crystallex was awarded a \$1.4 billion settlement in 2011 by the International Court for Settlement of Investment Disputes that was linked to Venezuela seizing the company's gold prospects in 2007. A Delaware court issued a decision that would have allowed Crystallex to seize PDV Holding, the PdVSA subsidiary that is Citgo's parent company. Venezuela reached an agreement with Crystallex to make a payment installment towards the \$1.4 billion settlement in November 2018. In December 2018, it was reported that Venezuela had violated terms of the settlement agreement. This results in some uncertainty about the path forward for Crystallex to collect on its arbitration award and the potential future of Citgo ownership control.<sup>86</sup>

The Administration has imposed sanctions on Venezuela that are designed to affect PdVSA business operations. Sanctions that specifically affect PdVSA include those that limit access to debt finance for business activities. Generally, limiting PdVSA's access to debt potentially results in difficulties for the company financing business activities and also results in PdVSA having to

<sup>78</sup> Oil shipments to Russia and China are for debt repayment. Francisco Monaldi, *The Collapse of the Venezuelan Oil Industry and its Global Consequences*, Atlantic Council, March 2018.

<sup>79</sup> Andrew J. Standley and Frank A. Verrastro, *How Low Can Venezuelan Oil Production Go?* Center for Strategic & International Studies, June 18, 2018.

<sup>80</sup> A. Ulmer, "Venezuela Congressional Probe says \$11 Billion Missing at PDVSA," Reuters, October 19, 2018.

<sup>81</sup> U.S. Department of Justice, "Five Former Venezuelan Government Officials Charged in Money Laundering Scheme Involving Foreign Bribery," February 12, 2018; Jay Weaver and Antonio Maria Delgado, "Feds Freeze Millions in Assets Linked to Stolen Venezuelan oil Funds Laundered in South Florida," *Miami Herald*, August 22, 2018.

<sup>82</sup> "Special Report: Oil Output Goes AWOL in Venezuela as Soldiers run PDVSA," Reuters, December 26, 2018.

<sup>83</sup> Hernández and Monaldi, 2016.

<sup>84</sup> Corina Pons, Marianna Parraga, "Venezuela frees Chevron executives held since April," Reuters, June 6, 2018.

<sup>85</sup> Reuters, "Special Report," op. cit.

<sup>86</sup> Tom Hals, "Venezuela's Deals to Shield Citgo from Creditors now in Doubt," Reuters, December 11, 2018.



access non-U.S. sources of capital. To date, the Administration has not imposed sanctions that might target petroleum trade between the United States and Venezuela, which is bilateral but heavily weighted towards U.S. refinery purchases of Venezuelan crude oil (see “Energy Sector Concerns and Potential U.S. Sanctions,” below).

## Humanitarian Situation<sup>87</sup>

Growing numbers of people continue to leave Venezuela for urgent reasons, including insecurity and violence; lack of food, medicine, or access to essential social services; and loss of income. As the pace of arrivals from Venezuela has quickened, neighboring countries, particularly Colombia, are straining to absorb a population that is often malnourished and in poor health. According to a 2017 national survey on living conditions, the percentage of Venezuelans living in poverty increased from 48.4% in 2014 to 87% in 2017.<sup>88</sup> Poverty has been exacerbated by shortages in basic consumer goods, as well as by bottlenecks and corruption in the military-run food importation and distribution system.<sup>89</sup> Basic food items that do exist are largely out of reach for the majority of the population due to rampant inflation. Between 2014 and 2016, Venezuela recorded the greatest increase in malnourishment in Latin America and the Caribbean, a region in which only eight countries recorded increases in hunger.<sup>90</sup> According to Caritas Venezuela (an organization affiliated with the Catholic Church), 15% of children surveyed in August 2017 suffered from moderate to severe malnutrition and 30% showed stunted growth.<sup>91</sup>

Venezuela’s health system has been affected severely by budget cuts, with shortages of medicines and basic supplies, as well as doctors, nurses, and lab technicians. 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>92</sup> According to the Venezuelan Program of Education-Action in Human Rights (PROVEA), a 2018 national hospital survey, 88% of hospitals lack basic medicines and 79% lack basic surgical supplies.<sup>93</sup> In addition, a June 2018 Pan-American Health Organization (PAHO) report estimated that some 22,000 doctors (33% of the total doctors that were present in 2014) and at least 3,000 nurses had emigrated.<sup>94</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 releasing

<sup>87</sup> For more information, see CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*, by Rhoda Margesson and Clare Ribando Seelke.

<sup>88</sup> Universidad Católica Andrés Bello, *Encuesta Sobre Condiciones de Vida: Venezuela 2017*, February 2018, available at <https://www.caracaschronicles.com/2018/02/21/encovi-2017/>.

<sup>89</sup> Hannah Dreier and Joshua Goodman, “Venezuela Military Trafficking Food as Country Goes Hungry,” AP, December 28, 2016.

<sup>90</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/americas/recursos/panorama/en/>.

<sup>91</sup> Meridith Kohut and Isayen Herrera, “As Venezuela Collapses, Children are Dying,” *New York Times*, December 17, 2017.

<sup>92</sup> “Venezuela: Approximately 50% of Operating Theaters in Venezuelan Public Hospitals Are Not Functional,” *Global Health Intelligence*, March 27, 2017.

<sup>93</sup> PROVEA, *Informe sobre la situación del Derecho a la Salud de la población venezolana en el marco de una Emergencia Humanitaria Compleja*, September 13, 2018, <https://www.derechos.org.ve/web/wp-content/uploads/Informe-Derecho-a-la-Salud-en-la-EHC-Venezuela-Codevida-Provea-septiembre-2018-1.pdf>

<sup>94</sup> PAHO/WHO, “PAHO’s Response to Maintaining an Effective Technical Cooperation Agenda in Venezuela and Neighboring Member States,” CE162/INF/22. Rev. 1, June 20, 2018. Hereinafter: PAHO, June 2018.

such data since 2015). The report revealed significant spikes in infant and maternal mortality rates.<sup>95</sup> By 2017, the infant mortality rate in Venezuela was reportedly 79% higher than it had been in 2011, according to World Bank data.<sup>96</sup>

PAHO's June 2018 report also documented the spread of previously eradicated infectious diseases like diphtheria (detected in July 2016) and measles (detected in July 2017).<sup>97</sup> Malaria, once under control, is also spreading rapidly, with more than 400,000 cases recorded in 2017 (a 198% increase over 2015). Increasing numbers of people have also reportedly died from HIV/AIDS in Venezuela 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>98</sup> Observers are concerned that the lack of access to reliable contraception may hasten the spread of sexually transmitted diseases, unwanted pregnancies, and dangerous clandestine abortions.<sup>99</sup>

The World Health Organization (WHO) is reportedly helping the government purchase and deliver millions of vaccines against measles, mumps, and rubella.<sup>100</sup> Nevertheless, doctors and health associations have urged the U.N. entity to provide more assistance and exert more pressure on the government to address the health crisis. Moreover, while President Maduro has publicly rejected offers of international humanitarian assistance, in November 2018, the U.N. Central Emergency Response Fund (CERF) allocated \$9.2 million for Venezuela to be provided through U.N. entities, such as the U.N. Children's Fund (UNICEF), WHO, and UNHCR.<sup>101</sup> This emergency humanitarian funding is to support projects providing nutritional support to children under five years old, pregnant women and lactating mothers at risk, and emergency health care and other aid for the vulnerable, including the displaced and host communities in Venezuela.<sup>102</sup>

## Regional Migration Crisis

Based on conservative figures from UNHCR and other experts, more than 3 million Venezuelan refugees and migrants had left the country by November 2018, with the vast majority remaining in the Latin America and Caribbean region.<sup>103</sup> As of November 2018, the U.N. High Commissioner for Refugees (UNHCR) estimated that there were over 1 million Venezuelans living in Colombia, 500,000 in Peru, 220,000 in Ecuador 130,000 in Argentina, 100,000 in Chile,

<sup>95</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.

<sup>96</sup> Data are available at <https://data.worldbank.org/indicator/SP.DYN.IMRT.IN?locations=VE>.

<sup>97</sup> There have been 1,716 suspected cases of diphtheria reported since the outbreak began in July 2016 and 2,285 confirmed cases of measles since July 2017. PAHO, June 2018.

<sup>98</sup> Stephanie Nolen, "In Venezuela, a Once-Leading AIDS Program Lies in Ruins," *The Globe and Mail*, June 21, 2017. According to Venezuelan health ministry statistics cited in the June 2018 PAHO report, 87% of HIV/AIDS patients registered with the national program are not receiving antiretroviral treatments.

<sup>99</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>100</sup> "One Million Unvaccinated Venezuelan Kids Vulnerable in Measles Outbreak: Doctors," Reuters, September 29, 2017.

<sup>101</sup> Allocations from the U.N. Central Emergency Response Fund (CERF) are made to ensure a rapid response to sudden-onset emergencies or to rapidly deteriorating conditions in an existing emergency and to support humanitarian response activities within an underfunded emergency.

<sup>102</sup> U.N. Central Emergency Response Fund (CERF), 2018 Allocations by Country: Venezuela, November 15, 2018. See <https://cerf.un.org/what-we-do/allocation-by-country/2018>.

<sup>103</sup> This draws from: UNHCR, "Number of Refugees and Migrants from Venezuela Reaches 3 Million," November 8, 2018.



94,000 in Panama, and 85,000 in Brazil. Taken as a percentage of their overall population, Venezuelan arrivals have also significantly impacted smaller countries and territories in the Caribbean. For example, Trinidad and Tobago, a twin-island country with 1.4 million people, estimated in late 2018 that it was hosting some 60,000 Venezuelans, which increased its overall population by more than 4%.<sup>104</sup> By the end of 2019, UNHCR and the International Organization for Migration (IOM) estimate that the number of Venezuelan refugees and migrants could reach over 5.3 million.<sup>105</sup> Although not all of the Venezuelans who have fled the country in recent years may be considered refugees, a significant number are in need of international protection.

**Figure 4. Venezuelan Migrants and Asylum Seekers: Flows to the Region and Beyond**



Source: CRS.

status are vulnerable to arrest and deportation by governments and to abuse by criminal groups, including human trafficking.

This is a significant displacement crisis for the Western Hemisphere, which has in place some of the highest international and regional protection standards for displaced and vulnerable persons. Neighboring countries are under pressure to examine their respective migration and asylum policies and to address, as a region, the legal status of Venezuelans who have fled their country.

Humanitarian organizations and governments are responding to the needs of displaced Venezuelans in the region.<sup>106</sup> Protection and assistance needs are significant for arrivals and host communities. Services provided vary by country but include support for reception centers and options for shelter; emergency relief items, such as emergency food assistance, safe drinking water, and hygiene supplies; legal assistance with asylum applications and other matters; protection from violence and exploitation; and the creation of temporary work programs and education opportunities.

Responses to the Venezuelan arrivals vary by country and continue to evolve with events on the ground. (See **Figure 4**.) Between September 2014 and 2018, roughly 400,000 Venezuelans in the region and beyond (in the United States, Canada, Spain, and elsewhere) applied for *political asylum* (specific legal protection for which most migrants do not qualify.) As of October 2018, a further 960,000 Venezuelan arrivals in Latin America had been granted *alternative legal forms of stay* (which typically enables access to social services and the right to work.) Humanitarian experts are most concerned about the roughly 60% of Venezuelans in neighboring countries who lack identification documents. The Venezuelan government has made it increasingly difficult for Venezuelans to obtain a valid passport and therefore legal status outside the country. Those who lack

<sup>104</sup> John Otis, "Trinidad Faces Humanitarian Crisis As More Venezuelans Come For Refuge," *NPR*, December 18, 2018.

<sup>105</sup> UNHCR and IOM, *Regional Refugee and Migrant Response Plan for Refugees and Migrants from Venezuela: January-December 2019*, 2018. Hereinafter: UNHCR and IOM, *RMRP*, December 2018.

<sup>106</sup> See, for example, 3. eoff Ramsey and Gimena Sánchez-Garzoli, *Responding to an Exodus: Venezuela's Migration and Refugee Crisis as Seen From the Colombian and Brazilian Borders*, Washington Office on Latin America, July 2018, <http://www.wola.org/wp-content/uploads/2018/07/Final-VZ-Migration-Report-Final.pdf>.

**International Humanitarian Assistance.** U.N. agencies and other international organizations have launched appeals for additional international assistance, and the U.S. government is providing humanitarian assistance and helping to coordinate regional response efforts (see “U.S. Humanitarian and Related Assistance,” below). The U.N. Secretary-General appointed UNHCR and IOM to coordinate the international response, which includes U.N. entities, nongovernmental organizations, the Red Cross Movement, faith-based organizations, and civil society. Former Guatemalan Vice President Eduardo Stein has been appointed the U.N. Joint Special Representative for Venezuelan Refugees and Migrants to promote dialogue and consensus in the region and beyond on the humanitarian response.

In mid-December 2018, UNHCR and IOM launched the regional Refugee and Migrant Response Plan (RMRP), which is the first of its kind in the Americas: an operational and coordination strategy “responding to the needs of Venezuelans on the move and securing their social and economic inclusion in the communities receiving them.”<sup>107</sup> The RMRP was put together by 95 organizations covering 16 countries. The RMRP is also an appeal for \$738 million in funding to support over 2 million Venezuelans and half a million people in host communities. It focuses on four key areas: direct emergency assistance, protection, socio-economic and cultural integration and strengthening capacities in the receiving countries.<sup>108</sup>

## Foreign Relations

The Maduro government has maintained Venezuela’s foreign policy alliance with Cuba and a few other leftist governments in Latin America, but the country’s ailing economy has diminished its formerly activist foreign policy, which depended on its ability to provide subsidized oil to 17 other Caribbean Basin countries.<sup>109</sup> President Maduro has increasingly relied on financial backing from China and Russia. Unlike under Chávez, an increasing number of countries have criticized authoritarian actions taken by the Maduro government, brought concerns about Venezuela to regional and global organizations, and implemented targeted sanctions against its officials.<sup>110</sup>

Since more than 50 countries did not recognize the results of the May 2018 presidential elections and do not consider his current presidency legitimate, Maduro is likely to face increasing international isolation.<sup>111</sup> The OAS has voted not to recognize the legitimacy of Maduro’s current term, mirroring the U.S. and EU positions. Paraguay has broken diplomatic ties with the Maduro

<sup>107</sup> UNHCR and IOM, *RMRP*, December 2018

<sup>108</sup> UNHCR and IOM, *RMRP*, December 2018.

<sup>109</sup> Venezuela started provided oil and other energy-related products to 17 other Caribbean Basin nations with preferential financing terms in a program known as PetroCaribe in 2005; recipients of that oil have, until recently, been reluctant to criticize Venezuela’s domestic affairs. Most Caribbean nations were members of PetroCaribe, with the exception of Barbados and Trinidad and Tobago, as were several Central American countries. As oil production in Venezuela declined, deliveries decreased by some 54% from 2015 to 2017. In 2018, Venezuela suspended shipments to eight countries: Antigua and Barbuda, Belize, Dominica, El Salvador, Haiti, Nicaragua, St. Vincent and the Grenadines, and St. Kitts and Nevis.

<sup>110</sup> For information on sanctions, see <https://venezuelablog.org/venezuela-targeted-sanctions-database-switzerland-panama-update/>.

<sup>111</sup> U.S. Department of State, “Western Hemisphere: An Unfair, Unfree Vote in Venezuela,” May 21, 2018; European Council of the EU, “Declaration by the High Representative on Behalf of the EU on the Presidential and Regional Elections in Venezuela,” May 22, 2018; Justin Trudeau, Prime Minister of Canada, “G7 Leaders’ Statement on Venezuela,” May 23, 2018. Organization of American States, “Resolution on the Situation in Venezuela,” S-032-18, June 5, 2018. Benjamin N. Gedan and Fernando Cutz, “Maduro’s Inauguration Sets the State to Further Isolate Venezuela’s Regime,” *Washington Post*, January 7, 2019.

government and Peru has recalled its last diplomat from Caracas and pledged not to permit Venezuelan officials to travel through its territory.<sup>112</sup> Other countries may follow suit.

Venezuela's foreign relations have become more tenuous as additional countries have sanctioned its officials. In September 2017, Canada implemented targeted sanctions against 40 Venezuelan officials deemed to be corrupt; it added another 14 individuals, including President Maduro's wife, following the May elections.<sup>113</sup> In November 2017, the EU established a legal framework for targeted sanctions and adopted an arms embargo against Venezuela to include related material that could be used for internal repression. These actions paved the way for targeted EU sanctions on seven Venezuelan officials in January 2018. On June 25, 2018, the Council of the EU sanctioned 11 additional individuals for human rights violations and undermining democracy and called for new presidential elections to be held. Those sanctions will remain in place through late 2019.<sup>114</sup> In March 2018, Panama and Switzerland sanctioned Venezuelan officials. Additional sanctions by these countries are possible now that they consider Maduro's mandate illegitimate.

## Latin America and the Lima Group

Ties between Venezuela and a majority of South American countries have frayed with the rise of conservative governments in Argentina, Brazil, Chile, Colombia, and Peru and with Maduro's increasingly authoritarian actions. In December 2016, the South American Common Market (Mercosur) trade bloc suspended Venezuela over concerns that its government had violated the requirement that Mercosur's members have "fully functioning democratic institutions."<sup>115</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. According to the Colombian government, it is working with other South American countries to create a new regional entity to replace UNASUR and isolate Venezuela.<sup>116</sup>

Concerned about potential spillover effects from turmoil in Venezuela, Colombia has supported OAS actions, provided humanitarian assistance to Venezuelan economic migrants and asylum seekers, and closely monitored the situation on the Venezuelan-Colombian border. Colombian President Ivan Duque and Brazilian President Jair Bolsonaro have pledged to support efforts to hasten Maduro's exit from power.<sup>117</sup> Tensions remain high along the border with Guyana after the U.N. proved unable to resolve a long-standing border-territory dispute between the countries and referred the case to the International Court of Justice in January 2018. Venezuela's navy stopped ExxonMobile ships doing seismic surveys for the Guyanese government in December 2018.<sup>118</sup>

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>119</sup> The

<sup>112</sup> "Peru Recalls Last Diplomat From Venezuela to Protest 'Illegitimate' new Term," Reuters, January 10, 2019; "Paraguay Cuts Diplomatic Ties With Venezuela After Maduro Sworn In," *New York Times*, January 10, 2019.

<sup>113</sup> For information, see <http://www.international.gc.ca/sanctions/countries-pays/venezuela.aspx?lang=eng>.

<sup>114</sup> For information, see <https://www.consilium.europa.eu/en/policies/sanctions/venezuela/>.

<sup>115</sup> Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. Mac Margolis, "Mercosur Turns Its Back on a Diminished Venezuela," *Bloomberg View*, December 9, 2016.

<sup>116</sup> "South America Creating Regional Bloc to Counter Venezuela –Colombia," Reuters, January 14, 2019.

<sup>117</sup> See, for example, press releases from U.S. Department of State, Secretary of State, "Travel to Brazil and Colombia: December 31, 2018-January 2, 2019," available at <https://www.state.gov/secretary/travel/2019/t1/index.htm>.

<sup>118</sup> "Guyana to Ask ICJ to Rule in its Favor in Venezuela Border Case," *Jamaica Observer*, June 19, 2018.

<sup>119</sup> The accord calls for an arms embargo of Venezuela, a rejection of Venezuelan candidates at international

signatory countries are Mexico; Canada; four Central American countries (Costa Rica, Guatemala, Honduras, and Panama); and six South American countries (Argentina, Brazil, Chile, Colombia, Paraguay, and Peru). Although the Lima Group countries support targeted U.S. economic sanctions, most reject any discussion of military intervention and most are not in favor of restrictions on U.S. petroleum trade with Venezuela.<sup>120</sup>

On February 13, 2018, Guyana and St. Lucia joined the Lima Group as it issued a statement calling for the Maduro government to negotiate a new electoral calendar that is agreed upon with the opposition and to accept humanitarian aid.<sup>121</sup> These nations also backed Peru's decision to disinvite President Maduro to the Summit of the Americas meeting of Western Hemisphere heads of state in April 2018. The Lima Group did not recognize the results of the May 20, 2018, Venezuelan elections.<sup>122</sup> Its members were among the 19 countries that voted in favor of an OAS resolution on Venezuela approved on June 5, 2018.<sup>123</sup> The resolution said that the electoral process in Venezuela "lacks legitimacy" and authorized countries to take "the measures deemed appropriate," including sanctions, to assist in hastening a return to democracy in Venezuela.

On January 4, 2019, thirteen members of the Lima Group (excluding Mexico) signed a declaration that urged President Maduro not to assume power on January 10, 2019 and to cede control of the country to the National Assembly until elections can be held.<sup>124</sup> The signatories resolved to reassess their level of diplomatic engagement with Venezuela, implement travel bans or sanctions (where possible) on high-level Maduro government officials, suspend military cooperation and arms transfers to Venezuela, and evaluate whether to give loans to the Maduro government at regional and international financial institutions, among other measures. While Mexico had previously been an active member of the Lima Group, the leftist government of Andrés Manuel López Obrador has adopted policy of nonintervention in foreign affairs and did not vote for the measure. While some have criticized this policy shift, others maintain that Mexico could perhaps arbitrate between the government and the opposition.<sup>125</sup>

Those same thirteen countries also joined with the United States and five others to support a January 10, 2019 OAS resolution on Venezuela not recognizing the legitimacy of Maduro's second term. (See **Appendix B** for OAS efforts on Venezuela.)

The Maduro government has continued to count on political support from Cuba, Bolivia, and Nicaragua, which, together with Venezuela, were key members of the Bolivarian Alliance of the Americas (ALBA), a group launched by President Chávez in 2004. Caribbean members of ALBA—Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines—had, until recently, been reluctant to take action that could anger the Maduro government. Since Lenín Moreno took office in May 2017, the Ecuadorian government (another

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organizations, and the support of any OAS efforts to help resolve the situation. The signatory countries pledge to keep discussing Venezuela at the Foreign Minister level and supporting any credible efforts at dialogue between the government and the opposition. See <https://www.mrecic.gov.ar/en/lima-declaration>.

<sup>120</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; Robert Valencia, "Tillerson in Latin America: Should the U.S. Impose an Oil Embargo on Venezuela?" *Newsweek*, February 8, 2018.

<sup>121</sup> Government of Canada, "Statement of the Fifth Meeting of the Lima Group on the Situation in Venezuela," February 13, 2018.

<sup>122</sup> Government of Canada, "Statement by Lima Group on Electoral Process in Venezuela," May 21, 2018.

<sup>123</sup> OAS, "Resolution on the Situation in Venezuela," June 5, 2018.

<sup>124</sup> The statement is available here: [https://international.gc.ca/world-monde/international\\_relations-relations\\_internationales/latin\\_america-amerique\\_latine/2019-01-04-lima\\_group-groupe\\_lima.aspx?lang=eng](https://international.gc.ca/world-monde/international_relations-relations_internationales/latin_america-amerique_latine/2019-01-04-lima_group-groupe_lima.aspx?lang=eng).

<sup>125</sup> "Mexico Defends Hands-off Stance on Venezuela," AP, January 7, 2019.

ALBA member) has been critical of the Maduro government. Most of these governments abstained from the June 5, 2018, OAS vote on the legitimacy of the election in Venezuela, with only Bolivia, Dominica, and St. Vincent and the Grenadines voting with Venezuela and against the measure. In January 2019, Ecuador and Haiti voted in favor of the OAS measure that deemed Maduro's second term illegitimate, only Bolivia, Dominica, Nicaragua, St. Vincent and the Grenadines, and Suriname voted with Venezuela and against the measure.

Cuba's close relationship with Venezuela was solidified in 2000, when the countries signed an agreement for Venezuela to provide Cuba at least 90,000 barrels of oil per day (b/d) in exchange for technical assistance and other services. Estimates of the number of Cuban personnel in Venezuela vary, but a 2014 study estimated that there were 40,000, 75% of whom were health care workers.<sup>126</sup> At that time, the report said that the number of Cuban military and intelligence advisors in Venezuela may have ranged from hundreds to thousands, coordinated by Cuba's military attaché in Venezuela. It is unclear how many of those professionals have stayed in the country, but Cuban intelligence officers have reportedly helped the Maduro government identify and disrupt coup plots.<sup>127</sup> Although Cuba has imported more oil from Russia and Algeria to make up for dwindling Venezuelan supplies since 2017, the Maduro government remains committed to providing what it can, even if it has to be purchased from other sources.<sup>128</sup>

## 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>129</sup> From 2007 through 2016, China provided some \$62.2 billion in financing to Venezuela.<sup>130</sup> The money typically has been for funding infrastructure and other economic development projects, but has also included some lending for military equipment.<sup>131</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 fall 2016.<sup>132</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>133</sup> China refrained from negative commentary after the Constituent Assembly

<sup>126</sup> Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?" Latin America Initiative Policy Brief, Brookings, June 2014.

<sup>127</sup> Venezuela Investigative Unit, "The Eight Criminal Armies Supporting Venezuela's Maduro Administration," InSight Crime, January 22, 2018.

<sup>128</sup> "Algeria Sends More Oil to Cuba as Venezuelan Supplies Fall," Reuters, January 10, 2018; Marianna Parraga and Jeanne Liendo, "Exclusive: As Venezuelans Suffer, Maduro Buys Foreign Oil to Subsidize Cuba," May 15, 2018.

<sup>129</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>130</sup> Kevin P. Gallagher and Margaret Myers, "China-Latin America Finance Database," Washington, DC: Inter-American Dialogue, 2016, at [http://www.thedialogue.org/map\\_list/](http://www.thedialogue.org/map_list/).

<sup>131</sup> Ellis, September 2017.

<sup>132</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>133</sup> Christopher Balding, "Venezuela's Road to Disaster Is Littered with Chinese Cash," *Foreign Policy*, June 6, 2017.



elections and accepted the May 2018 election results. It has responded to U.S. sanctions by stating that “unilateral sanctions will make the situation even more complicated.”<sup>134</sup>

Russia has remained a strong 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>135</sup> Russia’s trade relations with Venezuela currently are not significant, with \$336 million in total trade in 2016, with \$334 million, consisting of Russian exports to Venezuela.<sup>136</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>137</sup> Russia’s 2017 decision to allow Venezuela to restructure \$3.15 billion in debt provided much-needed financial relief to the Maduro government.<sup>138</sup> Russian state oil companies Rosneft and Gazprom have large investments in Venezuela. Both are seeking to expand investments in Venezuela’s oil and gas markets<sup>139</sup> (see “Energy Sector Concerns,” below).

Russia congratulated President Maduro on his reelection and inauguration.<sup>140</sup> Maduro visited Russia to seek investment in early December 2018 after which news reports suggested that Rosneft has lent PdVSA \$6.5 billion, partly as a prepayment for crude oil.<sup>141</sup> Russia then sent two nuclear-capable jets to Venezuela to conduct joint exercises (which also occurred in 2008 and 2013) in mid-December in a show of support for the government.<sup>142</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. U.S. officials have expressed increasing concerns regarding Colombian criminal and terrorist groups in Venezuela. U.S. democracy and human rights funding, which totaled \$15 million in FY2018, and political support have bolstered democratic civil society in Venezuela. U.S. humanitarian assistance is supporting Venezuelans who have fled to neighboring countries.

<sup>134</sup> “China Says Sanctions Won’t Help as Trump Targets Venezuela,” Reuters News, August 28, 2017.

<sup>135</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.

<sup>136</sup> Federal Customs Service of Russia, as presented by Global Trade Atlas.

<sup>137</sup> Girish Gupta, “Exclusive: Venezuela Holds 5,000 Russian Surface-to-air MANPADS Missiles,” Reuters, May 22, 2017.

<sup>138</sup> Rachel Ansley, “Debt Default Pushes Venezuela Further into Russian Orbit,” Atlantic Council, November 22, 2017.

<sup>139</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>140</sup> “The International Community Reacts to Nicolás Maduro’s win in Venezuelan ‘Elections,’” *Global Americans*, May 30, 2018;

<sup>141</sup> Mery Mogollan and Daniel Rodriguez, “Maduro inks deal with Russia to boost Venezuela oil output 1 million b/d,” *S&P Global Platts*, December 6, 2018.

<sup>142</sup> Tom Phillips, “Venezuela Welcomes Russian Bombers in Show of Support for Maduro,” *The Guardian*, December 10, 2018.

The United States has employed various sanctions in response to concerns about the activities of the Venezuelan government or Venezuela-linked individuals and entities.<sup>143</sup> Targeted sanctions escalated after President Maduro usurped the power of the National Assembly by holding constituent assembly elections on July 30, 2017. In the wake of the May 2018 elections that the United States and much of the international community deemed illegitimate, the Trump Administration has sought to increase pressure on the Maduro government in order to hasten a return to democracy in Venezuela.<sup>144</sup> The Administration has ratcheted up targeted sanctions on Venezuelan officials accused of corruption, antidemocratic actions, or human rights abuses under Executive Order (E.O.) 13692 (issued by President Obama in 2015) and on Venezuela-linked individuals and entities for drug trafficking. President Trump issued three executive orders restricting the government and PdVSA's ability to access the U.S. financial system (E.O. 13808), barring U.S. purchases of Venezuela's new digital currency (E.O. 13827), and prohibiting U.S. purchases of Venezuelan debt (E.O. 13835). E.O. 13850, issued in November 2018, created a framework to sanction those who operate in Venezuela's gold sector or those deemed complicit in corrupt transactions involving the government.

Following President Maduro's second inauguration, Secretary of State Michael Pompeo pledged to "use the full weight of U.S. economic and diplomatic power to press for the restoration of Venezuelan democracy."<sup>145</sup> National Security Adviser John Bolton lent support to National Assembly leader Juan Guaidó's decision "to invoke protections under Venezuela's constitution and declare that Maduro does not legitimately hold the country's presidency."<sup>146</sup> Vice President Pence has also lent his support to Guaidó.<sup>147</sup> According to U.S. officials, forthcoming U.S. actions could limit or prohibit petroleum trade with Venezuela.<sup>148</sup> Some analysts maintain that oil sanctions could hasten the regime's demise, whereas others caution that such sanctions could inflict further suffering on the Venezuelan people.

## U.S. Democracy 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 small-grant and technical assistance activities through its Office of Transition Initiatives (OTI) to provide assistance monitoring democratic stability and strengthening 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. U.S. democracy and human rights 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) funding account. U.S. assistance totaled \$7 million in FY2017, provided through the Development Assistance Account.

<sup>143</sup> See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan.

<sup>144</sup> U.S. Department of State, Secretary of State Mike Pompeo, "An Unfair, Unfree Vote in Venezuela," May 21, 2018.

<sup>145</sup> U.S. Department of State, Press Statement, Secretary of State Michael R. Pompeo, "Actions Against Venezuela's Corrupt Regime," January 10, 2019.

<sup>146</sup> The White House, "Statement from National Security Advisor Ambassador John Bolton on Venezuela," January 11, 2019.

<sup>147</sup> The White House, "Readout of Vice President Mike Pence's Call with Juan Guaidó, the President of the National Assembly of Venezuela," January 15, 2019.

<sup>148</sup> Kejal Vyas, "U.S. Considers Harshest Venezuela Sanctions Yet, on Oil," *Dow Jones Institutional News*, January 14, 2019.

The Trump Administration did not request any assistance for democracy and human rights programs in Venezuela for FY2018. Nevertheless, Congress provided \$15 million in democracy and human rights assistance to civil society groups in Venezuela in P.L. 115-141.

For FY2019, the Trump Administration requested \$9 million to support democracy and human rights programs in Venezuela that strengthen civil society, democratic institutions and processes, and independent media. Congress has yet to enact a full-year FY2019 appropriations measure, although a series of continuing resolutions provided FY2019 funding through December 21, 2018. Legislation to fund foreign aid programs for the remainder of FY2019 could incorporate provisions from the State, Foreign Operations, and Related Programs appropriations measures that the House and Senate Appropriations Committees approved during the 115<sup>th</sup> Congress. The House Committee bill (H.R. 6385) recommended providing \$15 million for programs in Venezuela, while the Senate Committee bill (S. 3108) recommended \$20 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 FY2017, NED funded 43 projects in Venezuela totaling \$2.6 million (up from \$1.6 million in FY2016).<sup>149</sup>

## U.S. Humanitarian and Related Assistance<sup>150</sup>

The U.S. government is providing humanitarian and emergency food assistance and helping to coordinate and support regional response efforts. As of September 30, 2018 (latest data available), U.S. government humanitarian funding for the Venezuela regional response totaled approximately \$96.5 million for both FY2017 and FY2018 combined, of which \$54.8 million was for Colombia. (Humanitarian funding is drawn primarily from the global humanitarian accounts in annual Department of State/Foreign Operations appropriations acts.) From October through the end of December, the U.S. Navy hospital ship USNS *Comfort* was on an 11-week medical support deployment to work with government partners in Ecuador, Peru, Colombia, and Honduras, in part to assist with arrivals from Venezuela.

In Colombia, the U.S. response aims to help the Venezuelan arrivals as well as the local Colombian communities that are hosting them. In addition to humanitarian assistance, the United States is also providing \$37 million in bilateral assistance to support medium and longer-term efforts by Colombia to respond to the Venezuelan arrivals.

## Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption<sup>151</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. Some argue that sanctioning additional Venezuelan officials might

<sup>149</sup> National Endowment for Democracy, “Venezuela 2017,” at <https://www.ned.org/region/latin-america-and-caribbean/venezuela-2017/>.

<sup>150</sup> This is drawn from: CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*, by Rhoda Margesson and Clare Ribando Seelke.

<sup>151</sup> CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan. For more information, see U.S. Department of the Treasury, *Venezuela-Related Sanctions*, available at <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/venezuela.aspx>.



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 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. In July 2016, Congress enacted legislation (P.L. 114-194) extending the termination date of the requirement to impose 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 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; (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.<sup>152</sup>

The Department of the Treasury has imposed sanctions on 65 Venezuelans pursuant to E.O. 13692. In March 2015, the Department of the Treasury froze the assets of six members of Venezuela's security forces and a prosecutor involved in repressing antigovernment protesters. Under the Trump Administration, the Department of the Treasury has imposed sanctions against an additional 65 Venezuelans pursuant to E.O. 13692, including members of the Supreme Court, CNE, Cabinet, Constituent Assembly, and security forces (army, national guard, and police). On July 31, 2017, the Administration imposed sanctions on President Maduro, one of four heads of state subject to U.S. sanctions. On May 18, 2018, the U.S. Department of the Treasury imposed sanctions on four current or former Venezuelan officials, including Diosdado Cabello. In September 2018, Treasury sanctioned four members of President Maduro's inner political circle, including his wife Celia Flores and executive vice president Delcy Rodriguez.

**Other Targeted Sanctions.** On November 1, 2018, President Trump signed E.O. 13850, creating a framework to sanction those who operate in Venezuela's gold sector (where much of the gold is produced illegally) or those deemed complicit in corrupt transactions involving the government (see "Illegal Mining," below). In January 2019, sanctions were imposed under that Executive Order against seven individuals including a former Venezuelan treasurer and a television magnate, and 23 companies involved in a scheme to bribe the government and steal \$2.4 billion in state funds.<sup>153</sup>

**Trafficking in Persons Sanctions.** 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>154</sup>

<sup>152</sup> 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.

<sup>153</sup> U.S. Department of the Treasury, "Treasury Targets Venezuela Currency Exchange Network Scheme Generating Billions of Dollars for Corrupt Regime Insiders," January 8, 2019.

<sup>154</sup> See, for example, White House, Office of the Press Secretary, "Presidential Determination on Foreign Governments' Efforts Regarding Trafficking in Persons," September 30, 2018.

According to the June 2018 TIP report, although the government arrested seven trafficking suspects, it did not provide any data on prosecutions or convictions, victims identified, or any other anti-trafficking 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>155</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 U.S. financial system from complicity in Venezuela's corruption and in the impoverishment of the Venezuelan people, and allow for humanitarian assistance."<sup>156</sup> Sanctions targeting sovereign debt are unusual, but not unprecedented.<sup>157</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. Additionally, the sanctions target 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. 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.<sup>158</sup>

When the sanctions were announced in August 2017, there was debate about whether they would push Venezuela to default, or whether the government would find alternative sources of financing through new oil-for-loan deals with Russia and China or taking cash from PdVSA. 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, and as sanctions accelerated the decline in Venezuelan oil exports to the United States.<sup>159</sup>

In 2018, the Trump Administration issued two additional executive orders to further tighten Venezuela's access to U.S. financial markets. Executive Order 13827, issued in March 2018, prohibits U.S. investors from purchasing or transacting in Venezuela's new digital currency, the

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<sup>155</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>156</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>157</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.

<sup>158</sup> 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.

<sup>159</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 Cargoes to U.S. Ports Plunge as Sanctions Bite," Bloomberg, October 24, 2017.

petro, designed to help the government raise funds and circumvent U.S. sanctions. Executive Order 13835, issued in May 2018, prohibits U.S. investors from buying debt or accounts receivable with the Venezuelan government, including PdVSA, measures devised to close off an “avenue for corruption” used by Venezuelan government officials to enrich themselves.<sup>160</sup>

## Organized Crime-Related Issues

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>161</sup> According to the Venezuelan Violence Observatory (OVV), the homicide rate in Venezuela declined in 2018 (81.4 homicides per 100,000 people) as compared to a rate of 89.1 per 100,000 people in 2017, with part of that decline attributed to migration that has reduced the population.<sup>162</sup> The impunity rate for homicide in Venezuela is roughly 92%.<sup>163</sup> Although many homicides have been committed by criminal groups, extrajudicial killings by security forces and allied armed civilian militias (*colectivos*) also have been rising.<sup>164</sup> In September 2018, Amnesty International published a report describing how security forces have adopted militarized approaches to public security that have resulted in numerous human rights abuses, including extrajudicial killings.<sup>165</sup>

A May 2018 report by *Insight Crime* identified more than 120 high-level Venezuelan officials who have engaged in criminal activity, which has blurred the lines between crime groups and the state.<sup>166</sup> Many of those officials allegedly have engaged in drug trafficking (discussed below), but others reportedly have deputized illegal groups in the neighborhoods and prisons, run smuggling operations in border areas, and extracted revenue from state industries. In 2016, a National Assembly committee estimated that kleptocracy had cost the country some \$70 billion.<sup>167</sup>

## Counternarcotics

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

<sup>160</sup> Nicholas Casey and Julie Hirschfeld Davis, “As Trump Adds Sanctions on Venezuela, Its Neighbors Reject Election Result,” *New York Times*, May 21, 2018.

<sup>161</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>162</sup> “Venezuela Murder Rate Dips, Partly due to Migration: Monitoring Group,” Reuters, December 27, 2018.

<sup>163</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 2017.

<sup>164</sup> David Smilde, “Crime and Revolution in Venezuela,” *NACLA Report on the Americas*, 2017, vol. 49, no. 3; Amnesty International, September 2018.

<sup>165</sup> Amnesty International, *This is no Way to Live: Public Security and Right to Life in Venezuela*, September 20, 2018. Hereinafter: Amnesty International, September 2018.

<sup>166</sup> Insight Crime, *Venezuela: A Mafia State?* May 2018, available at <https://es.insightcrime.org/wp-content/uploads/2018/05/Venezuela-a-Mafia-State-InSight-Crime-2018.pdf>.

<sup>167</sup> Venezuela Investigative Unit, “Widespread Corruption in Venezuela Backfires on President Maduro,” InSight Crime, October 16, 2016.

(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 2018, President Trump designated Venezuela as one of two countries not adhering to its antidrug obligations.<sup>168</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 2018 *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, economic crisis, 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. Maritime trafficking may have increased in 2017.
- The vast majority of drugs transiting Venezuela in 2017 were destined for the Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations—including multiple criminal bands, the FARC, and the National Liberation Army (ELN)—facilitate drug transshipment through Venezuela. Mexican drug-trafficking organizations also operate in the country.
- Despite a nearly 134% increase in coca cultivation from 2013 to 2016 and a more than 200% increase in potential cocaine production in Colombia, the report states that Venezuelan antidrug forces seized only 32 metric tons (MT) of drugs in the first six months of 2016 (the most recent data available), compared to 66 MT in the first eight months of 2015. They also reported seizing two cocaine labs in the state of Zulia in August 2017.
- “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>169</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 interdiction cases (down from 10 in 2015).

In addition to State Department reports, a report by *Insight Crime* entitled *Drug Trafficking Within the Venezuelan Regime: the Cartel of the Suns* describes in detail how the Venezuelan military, particularly the National Guard, has been involved in the drug trade since 2002.<sup>170</sup> It names officials who have been sanctioned or accused of drug trafficking-related crimes, as well

<sup>168</sup> The White House, “Presidential Determination—Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2018,” September 11, 2018.

<sup>169</sup> U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2018 *International Narcotics Control Strategy Report* (INCSR), vol. 1, p. 282.

<sup>170</sup> Insight Crime, *Drug Trafficking Within the Venezuelan Regime: The ‘Cartel of the Suns,’* May 17, 2018.

as others for whom there is significant evidence of their involvement in the drug trade. *Insight Crime* also has documented how the Cartel of the Suns has interacted with illegally armed groups and drug traffickers in Colombia, trafficked cocaine through the Dominican Republic and Honduras, and engaged in corruption with politicians and businesses in El Salvador.<sup>171</sup>

Recent cases in the United States also 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>172</sup>

On August 1, 2016, the U.S. Federal Court for the Eastern District of New York unsealed an indictment from 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, former subdirector of ONA, participated in drug-trafficking activities from 2008 through 2010.<sup>173</sup> President Maduro responded by appointing General Reverol as Minister of Interior and Justice in charge of the country's police forces.

In December 2017, two nephews of First Lady Cilia Flores—Franqui Francisco Flores de Freitas and Efraín Antonio Campo Flores—were sentenced to 18 years in a U.S. federal prison for conspiring to transport cocaine into the United States. The two nephews had been arrested in Haiti in November 2015 and convicted in the United States in November 2016.<sup>174</sup>

The Department of the Treasury has imposed sanctions on at least 22 individuals and 27 companies with connections to Venezuela for narcotics trafficking 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>175</sup> On February 13, 2017, the Department of the Treasury imposed drug-trafficking sanctions against then-Vice President Tareck el Aissami and an associate.<sup>176</sup>

## Money Laundering

In addition to drug trafficking, the 2018 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 oil. Venezuela's currency-control system requires individuals and firms to purchase hard currency from the government's currency commission at a fixed exchange rate, which has created incentives for trade-based money laundering.

<sup>171</sup> *Insight Crime*, *Venezuela: A Mafia State?* May 2018.

<sup>172</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>173</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>174</sup> Laura Natalia Ávila, "Game Changers 2016: Venezuela's Cartel of the Suns Revealed," *InSight Crime*, January 3, 2017.

<sup>175</sup> See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan.

<sup>176</sup> 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.



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>177</sup> The 2018 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>178</sup> As an example, in mid-June 2018, a U.S. district judge sentenced the Florida owners of a construction equipment export company who had been found guilty of laundering and transferring \$100 million from Venezuela to bank accounts in the United States and other countries.<sup>179</sup>

On September 20, 2017, the Department of the Treasury’s Financial Crimes Enforcement Network advised U.S. financial institutions to report any suspicious financial transactions that could have a nexus with Venezuela.<sup>180</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.”

## Illegal Mining

Although more than 95% of Venezuela’s export revenue comes from oil and gas exports, gold mining, both licit and illicit, has accelerated as the country’s economy has collapsed in the face of low global oil prices and an ongoing political crisis. According to the Global Initiative against Transnational Organized Crime, 91% of gold produced in Venezuela was mined illegally—the highest rate in Latin America, even prior to the current crisis.<sup>181</sup> Over the past three years, a boom in illegal mining in Venezuela reportedly has contributed to deforestation and environmental degradation in indigenous areas, clashes between rival criminal gangs and violence committed by those gangs against miners whom they extort, and an outbreak of malaria (a disease that had been eradicated).<sup>182</sup> According to numerous reports, the illegal mining industry also commits various human rights violations, reportedly including the forcible recruitment of child labor from the indigenous Yanomami tribe.<sup>183</sup>

## Colombian Illegally Armed Groups Operating in Venezuela

Illegally armed groups are active on both sides of the Colombia-Venezuelan border. Former Colombian paramilitaries (the Rastrojos), reportedly control important gasoline smuggling routes

<sup>177</sup> U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2018 *International Narcotics Control Strategy Report* (INCSR), vol. II: *Money Laundering and Financial Crimes*, 2018, pp. 211-212.

<sup>178</sup> Ibid.

<sup>179</sup> Brendan Pierson, “Florida Men Sentenced to Prison for Laundering Funds From Venezuela,” Reuters, June 19, 2018.

<sup>180</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, “Advisory on Widespread Public Corruption in Venezuela,” September 20, 2017.

<sup>181</sup> Global Initiative Against Transnational Organized Crime, *Organized Crime and Illegally Mined Gold in Latin America*, April 2016. Hereinafter: The Global Initiative, April 2016.

<sup>182</sup> Bram Ebus, “Militarization and Mining a Dangerous Mix in Venezuelan Amazon,” Mongabay, December 7, 2017; Maria Isabel Sanchez, “Inside the Deadly World of Venezuela’s Illegal Mines,” AFP, March 19, 2017; Stephanie Nebehay, “Malarian on Rise in Crisis-Hit Venezuela, WHO Says,” Reuters, April 24, 2018.

<sup>183</sup> The Global Initiative, April 2016.

between Venezuela and Colombia. National Liberation Army (ELN) guerrillas from Colombia have sought to control illicit gold mining areas near the Colombia-Guyana border.<sup>184</sup> Both the ELN, which is still engaged in armed conflict with the Colombian government, and its rival, the Popular Liberation Army (EPL) reportedly recruit Venezuelans to cultivate coca. Human trafficking and sexual exploitation of Venezuelan migrants is prevalent in Colombia and border regions straddling the countries. Finally, experts assert that dissident FARC guerrillas are using border areas to regroup; they may also be coordinating efforts with the ELN.<sup>185</sup>

Violence among these groups and between the groups and the Venezuelan government has escalated, threatening security on both sides of the border. Conflict between the ELN and the EPL over control of the cocaine trade led to an August 2018 daytime shootout in a town on the Colombian side of the border in which eight people died.<sup>186</sup> Since early 2018, Freddy Bernal, an official on the U.S. Kingpin List who allegedly supplied arms to the FARC, has served as head of security in Táchira state bordering Colombia. After Bernal ordered an elite police unit to arrest members of the Rastrojos, the group attacked a Venezuelan military base in October 2018, killing three soldiers.<sup>187</sup> The ELN reportedly killed three Venezuelan national guardsmen in Amazonas state in November 2018.<sup>188</sup> As this violence has occurred, Colombia has also protested periodic crossings into its territory by Venezuelan troops.<sup>189</sup>

## 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 2018.

In 2008, the Department of the Treasury 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.

The State Department’s most recent annual terrorism report, issued in September 2018, stated that “country’s porous borders offered a permissive environment to known terrorist groups.”<sup>190</sup> Unlike in years past, the report did not identify any specific terrorist groups or sympathizers present in the country.<sup>191</sup> This designation would trigger an array of sanctions, including aid restrictions,

<sup>184</sup> Jim Wyss, “In Chaotic Venezuela, Guerrillas from Colombia Find new Territory to Grow,” *Miami Herald*, June 4, 2018.

<sup>185</sup> Fundación Ideas para la Paz, “Inseguridad y Violencia en las Fronteras, los Desafíos del Nuevo Gobierno,” November 7, 2018; Venezuela Investigativa Unit, “FARC Dissidents and the ELN Turn Venezuela Into Criminal Enclave,” *InSight Crime*, December 10, 2018.

<sup>186</sup> Ronna Rísquez and Victoria Dittmar, “ELN and EPL Conflict Intensifies at Colombia-Venezuela Border,” *InSight Crime*, August 2, 2018.

<sup>187</sup> “Rastrojos Demonstrate Power with Attack on Venezuela Military Base,” *InSight Crime*, November 5, 2018.

<sup>188</sup> “Mueren Tres GNB en Enfrentamientos con Grupos Irregulares Colombianos en Amazonas,” *Crónica Uno*, November 4, 2018.

<sup>189</sup> “Colombia Protests New Border Crossing by Venezuelan Troops,” *Reuters*, November 7, 2018.

<sup>190</sup> U.S. Department of State, “Western Hemisphere Overview,” in *Country Reports on Terrorism 2017*, September 2018.

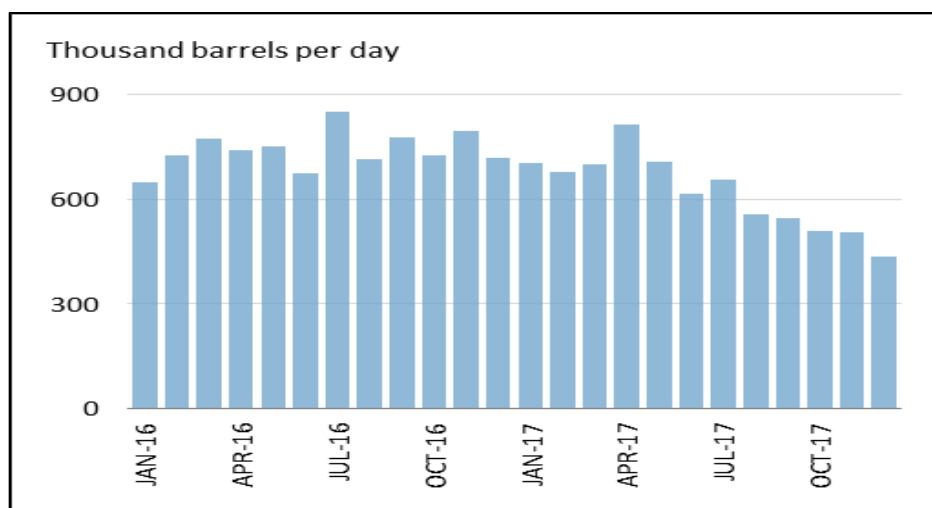
<sup>191</sup> The report covering 2016 stated that individuals linked to the FARC, the ELN, and Basque Fatherland and Liberty (a Basque terrorist organization), as well as Hezbollah supporters and sympathizers, were present in Venezuela. U.S.

requirement for validated export licenses for dual-use items, and other financial restrictions.<sup>192</sup> Critics caution there is a lack of evidence to conclude that the Venezuelan government has “repeatedly provided support for acts of international terrorism,” as required by law.<sup>193</sup>

## Energy Sector Concerns and Potential U.S. Sanctions<sup>194</sup>

Petroleum trade between the United States and Venezuela is bilateral, although heavily weighted toward Venezuelan crude oil exports to U.S. refiners. 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 2017, Venezuela was the fourth-largest foreign supplier of crude oil to the United States (behind Canada, Saudi Arabia, and Mexico), providing an average of 618,000 b/d, down from 1.5 million b/d in 2015 (see **Figure 5**). U.S. oil imports from Venezuela have continued to decline in 2018 to a reported annual average of roughly 500,000 b/d, the lowest since 1989.<sup>195</sup>

**Figure 5. U.S. Imports of Venezuelan Oil**



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

Oil is by far 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 \$11.7 billion in 2017, accounting for 95% of Venezuela’s exports to the United States.<sup>196</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. About half of U.S. exports to Venezuela consist of light crude oil and other oil product inputs.

Department of State, “Western Hemisphere Overview,” in *Country Reports on Terrorism 2016*, June 2017.

<sup>192</sup> CRS Report R43835, *State Sponsors of Acts of International Terrorism—Legislative Parameters: In Brief*, by Dianne E. Rennack.

<sup>193</sup> Amanda Erickson, “Venezuela is a Tragedy, not a Terrorist Threat,” *Washington Post*, November 21, 2018.

<sup>194</sup> Philip Brown, Specialist in Energy Policy, contributed to this section.

<sup>195</sup> Marianna Parraga, “Venezuelan Crude Sales to U.S. Drop to Lowest in Almost 30 years,” Reuters, January 7, 2019.

<sup>196</sup> Trade statistics are from Global Trade Atlas, which uses Department of Commerce statistics.



The decline in U.S. imports of oil from Venezuela is driven by a number of factors, including Venezuela's decreased production and increased U.S. oil imports from Canada.<sup>197</sup> U.S. sanctions also are making oil imports from Venezuela more difficult. Under the sanctions, U.S. partners can extend new credit to PdVSA for up to 90 days only. PdVSA has dealt with its fiscal problems by delaying payments and paying service providers with promissory notes in lieu of payments.<sup>198</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 they have not halted it.<sup>199</sup>

Various sanction options on Venezuela's petroleum sector reportedly have been considered by the Trump Administration as a potential means of applying economic pressure on the Maduro government. Generally, the economic impact of sanctions will depend on the timing (e.g., immediate versus phased) of each option as well as whether or not such sanctions are unilateral (i.e., U.S. only) or multilateral (i.e., U.S. cooperation with other countries). The greatest impact could come from prohibiting Venezuelan petroleum exports to the United States, the largest element of petroleum trade between the countries.

From Venezuela's perspective, the country would lose access to a close-proximity market that provides much-needed cash flow to the government. Venezuela would need to find alternative markets for these crude volumes, with India and China being likely destinations. Initially, in order to sell crude to alternative markets, Venezuelan oil may need to be price discounted. The magnitude of this discount is uncertain, and the financial impact would depend on the prevailing market price of crude oil at the time such a prohibition might be introduced.

U.S. oil refiners also would be affected by a prohibition on Venezuelan oil imports. Initially, prices for substitute crude oils likely would rise to attract alternative sources of supply (e.g., Canada and Iraq). Although a limited number of U.S. refiners acquire crude oil from Venezuela, any crude oil price increase likely would impact all refiners. U.S. oil producers, however, would benefit financially from an increase in oil prices.

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<sup>197</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>198</sup> Risa Grais-Targow, Greg Priddy, and Agata Ciesielska, "Venezuela/Oil," *Eurasia Group*, November 21, 2017.

<sup>199</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 were to default 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>200</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 Steven Mnuchin indicated that any such transaction would be reviewed by the Committee on Foreign Investment in the United States (CFIUS).<sup>201</sup>

In August 2017, it was reported that the Trump Administration stands ready to block the transaction.<sup>202</sup> Reportedly, Rosneft is negotiating to swap its collateral in CITGO for oilfield stakes and a fuel supply deal, but those talks do not appear to have progressed.<sup>203</sup> U.S. investors are seeking to acquire the collateral in CITGO held by Rosneft, to prevent Rosneft from controlling nearly half of CITGO in the event of a full default by PdVSA. The transaction requires a license from Treasury's Office of Foreign Assets Control (OFAC); the request has received technical approval but is awaiting a final decision.<sup>204</sup>

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

Over the past three years, the U.S. government has supported the organization's efforts under Secretary General Luis Almagro to address the situation in Venezuela. 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. objectives. (See **Appendix B** for 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, Article 20—a collective commitment to promote and defend democracy—when he called 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>205</sup> He issued a report on the political and economic situation in Venezuela, concluding that there were “serious disruptions of the democratic order” in the country.<sup>206</sup> The Permanent Council received the report, but struggled until mid-2018 to achieve consensus on how to respond to the evolving crises.

<sup>200</sup> For example, see Jeff Duncan and James Conway, “Venezuela-Russia Deal Threatens U.S. Energy Security,” *The Hill*, July 11, 2017.

<sup>201</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*, by James K. Jackson.

<sup>202</sup> Ian Talley, “U.S. to Block Potential Russian Move into American Energy,” *Wall Street Journal*, August 31, 2017.

<sup>203</sup> Alexandra Ulmer and Marianna Parraga, “Russia, Venezuela Discuss Citgo Collateral Deal to Avoid U.S. Sanctions,” Reuters, July 20, 2017; Alexandra Ulmer, “U.S. Investors Seek to Acquire Russia's Rosneft Lien in Citgo,” Reuters, February 26, 2018.

<sup>204</sup> Alexandra Ulmer and Marianna Parraga, “Russia, Venezuela Discuss Citgo Collateral Deal to Avoid U.S. Sanctions,” Reuters, July 20, 2017.

<sup>205</sup> OAS, “Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela,” May 31, 2016.

<sup>206</sup> OAS, *Report of the Secretary General to the Permanent Council on the Situation in Venezuela*, May 30, 2016, at

In March 2017, OAS Secretary General Almagro issued a new report to the Permanent Council, which called on the Venezuelan government to undertake a series of measures to resume the constitutional order, or face a suspension from the OAS.<sup>207</sup> It called 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 it would affect the Maduro government's policies. In May 2017, President Maduro instructed his foreign minister to begin the process for Venezuela to withdraw from the OAS in protest of its recent actions, the first time in OAS history that a country has sought to quit.<sup>208</sup> The withdrawal process, which takes two years, would require Venezuela to pay \$8.8 million in back dues.<sup>209</sup>

Despite the deteriorating situation in Venezuela, some countries were reluctant in 2017 to follow Almagro's lead in responding to the situation in Venezuela. During the OAS General Assembly meeting in June 2017, 20 countries voted in favor of adopting a resolution to press the Venezuelan government to take concrete actions, but it failed because it needed 23 votes.

In the absence of consensus within the General Assembly, Secretary General Almagro continued to speak out against actions taken by the Maduro government.<sup>210</sup> He issued a report in July 2017 describing abuses committed by the government against protesters and another in September 2017 denouncing the consolidation of Venezuela's "dictatorial regime" with the formation of the Constituent Assembly.<sup>211</sup> The Secretary General initiated a process to analyze whether the Maduro government's abuses against its citizens constitute crimes against humanity meriting a referral to the ICC. The process culminated in the May 29, 2018 publication of a report with information gathered by the General Secretariat backed by a legal assessment by independent jurists that the Maduro government's actions merit a referral to the ICC.<sup>212</sup> Although 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>213</sup>

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<http://www.oas.org/documents/eng/press/OSG-243.en.pdf>.

<sup>207</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>208</sup> Michael Shifter, "Venezuela's Bad Neighbor Policy: Why It Quit the OAS," *Foreign Affairs*, May 5, 2017.

<sup>209</sup> Eurasia Group, "Venezuela- Preemptive Breakup with the OAS Will Not Diminish International Pressure," April 27, 2017.

<sup>210</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, 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>211</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>212</sup> OAS, May 2018.

<sup>213</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.

Since the May 2018 election, a majority of countries within the OAS Permanent Secretariat have voted against the Maduro government. On June 5, 2018, it approved a resolution declaring that the May 20, 2018, electoral process in Venezuela “lacks legitimacy” and authorizing countries to take “measures deemed appropriate,” including financial sanctions, to assist in hastening a return to democracy in Venezuela.<sup>214</sup> On January 10, 2019, the Permanent Council approved a resolution agreeing “to not recognize the legitimacy of Nicolas Maduro’s new term.” Secretary-General Almagro has gone further, announcing over social media that he “welcomes the assumption of Juan Guaidó as interim President of Venezuela in accordance with Article 233 of the Venezuelan constitution” on January 11, 2019.<sup>215</sup>

## Outlook

For some time, analysts have debated how long President Maduro can retain his grip on power amid a deepening economic and humanitarian crisis and how best to help hasten a return to electoral democracy in Venezuela. Despite his reelection and inauguration to a second term, President Maduro faces increasing threats to his control over the country. Under the leadership of a little-known figure, Juan Guaidó of the VP party, the National Assembly has issued a direct challenge to the legitimacy of Maduro’s presidency. Maduro still controls the military, but recent arrests of high-level military officials have signaled dissent within the forces. It remains to be seen how they will respond to the National Assembly’s approval of a framework for the formation of a transition government and an amnesty law for any military members who support that transition. It is yet unclear whether and under what circumstances Juan Guaidó would accept calls for him to declare himself interim president and how Maduro and the international community would respond to such a development.

The Trump Administration has worked bilaterally and multilaterally to increase pressure on the Maduro government while also providing assistance to neighboring countries hosting more than 3 million Venezuelans who have fled the country. In addition to ratcheting up targeted sanctions, the Administration has implemented broader sanctions limiting Venezuela and PdVSA’s access to the U.S. financial market. Until now, the Administration had stopped short of implementing even stronger measures, such a ban on petroleum trade with Venezuela, partially out of concern that this could worsen the country’s humanitarian crisis. Vice President Pence and Secretary of State Pompeo have condemned Maduro’s term as illegitimate, recognized the National Assembly as the only legitimate institution in the country, and lent support to Juan Guaidó and the National Assembly. While some have urged the Administration to take more aggressive measures even though they could contribute to unrest in the country, others have maintained that support for a negotiated solution is the best course of action.

The 116<sup>th</sup> Congress may consider a number of measures to address the deteriorating situation in Venezuela and its impact on the broader Latin American region. Congress is likely to continue to fund and oversee foreign assistance for democracy and human rights programs to bolster civil society in Venezuela as well as humanitarian assistance to Venezuelans in neighboring countries. Congress could consider a measure to authorize U.S. humanitarian assistance as well. Other measures may be introduced to adjust the immigration status of Venezuelans living in the United States or to provide certain Venezuelans temporary protected immigration status. Congress may consider taking additional steps to try to influence the Venezuelan government’s behavior in promoting a return to democracy through additional sanctions or other policies. Oversight issues

<sup>214</sup> OAS, “Resolution on the Situation in Venezuela,” June 5, 2018.

<sup>215</sup> Brazil made a similar statement. Siobhán O’Grady, “As Maduro Clashes with Opposition, Washington Engages in ‘Careful Little Dance,’ with Venezuela” *Washington Post*, January 12, 2019.

may examine the role of external actors operating in Venezuela (such as Russia and China) and the impact of the crisis in Venezuela on the broader region. Should a change in government occur, Congress may authorize additional support for reconstruction of the country.

## Appendix A. Legislative Initiatives in the 115<sup>th</sup> Congress

### Enacted Legislation and Approved Resolutions

**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.

**P.L. 115-141 (H.R. 1625). Consolidated Appropriations Act, 2018.** Originally introduced March 20, 2017, as the Targeted Rewards for the Global Eradication of Human Trafficking Act, in March 2018, the bill became the vehicle for the FY2018 omnibus appropriations measure known as the Consolidated Appropriations Act, 2018. House agreed (256-167) to an amendment to the Senate amendment March 22, 2018; Senate agreed (65-32) to the House amendment to the Senate amendment March 23, 2018. President signed into law March 23, 2018. The law requires not less than \$15 million in democracy and rule of law assistance to Venezuelan civil society.

**P.L. 115-232 (H.R. 5515). John S. McCain National Defense Authorization Act for Fiscal Year 2019.** Introduced April 13, 2018. House passed (351-66) May 24, 2018. Senate passed (85-10) June 18, 2018, substituting the language of S. 2987, the John S. McCain National Defense Authorization Act for Fiscal Year 2019. Conference report (H.Rept. 115-874) filed July 25, 2018; House agreed (359-54) to the conference July 26 and Senate agreed (86-10) August 1, 2018. Signed into law August 13, 2018.

In the conference report, the conferees directed the Director of the Defense Intelligence Agency to submit a report to several key committees on security cooperation between the Russian Federation and Cuba, Nicaragua, and Venezuela.

**H.Res. 259 (DeSantis).** Introduced April 6, 2017; reported out of the House Foreign Affairs Committee July 27, 2017, approved by the House December 5, 2017. The resolution expressed concern about the multiple crises that Venezuela is facing; urged the Venezuelan government to hold elections, release political prisoners, and accept humanitarian aid; supported 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 encouraged President Trump to prioritize resolving the crisis in Venezuela, including through the use of targeted sanctions.

**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.



## Select Additional Legislative Initiatives

**H.R. 2658 (Engel). Venezuela Humanitarian Assistance and Defense of Democratic Governance Act of 2017.** 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. The bill would have

- directed 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;
- supported OAS efforts to invoke the Inter-American Democratic Charter;
- secured a Presidential Statement from the United Nations urging the Government of Venezuela to allow the delivery of humanitarian relief;
- required 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;
- amended **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;
- expressed the sense of the House that the President should take all necessary steps to prevent Rosneft from gaining control of U.S. energy infrastructure.
- required a strategy within 90 days on how U.S. assistance would be coordinated with those of other donors;
- called on the United States to advocate and, if possible, support an OAS election observation mission to Venezuela when it is appropriate; and
- required a report on other countries' activities in Venezuela (Russia, China, Iran, and Cuba) within 180 days of enactment.

**S. 1018 (Cardin) 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. This bill would have included many of same provisions as **H.R. 2658**.

In addition to requiring a strategy on how U.S. humanitarian assistance would be coordinated, **S. 1018** would have

- authorized \$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;
- authorized \$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
- prioritized continued U.S. support to Caribbean countries that have been dependent on Venezuela for energy.

**S. 3486 (Menendez) Venezuela Humanitarian Relief, Reconstruction, and Rule of Law Act of 2018.** S. 3486 contains many of the same provisions of **H.R. 2658**. Introduced December 12, 2018, referred to the Committee on Foreign Relations.

In addition to requiring a strategy on how U.S. humanitarian assistance would be coordinated, the bill would have

- authorized \$40 million in additional humanitarian assistance and required the State Department to convene a donor's conference on Venezuela;
- provided support for international efforts to hold Venezuelan officials accountable for crimes against humanity;
- authorized \$15 million for democratic actors and civil society;
- required the Departments of State, Treasury, and Justice to lead international efforts to recover assets stolen by corrupt Venezuelan officials;
- advanced planning for the economic reconstruction of Venezuela, contingent upon a change in governance in the country;
- required more intelligence reporting on Venezuelan officials' roles in drug trafficking and corruption, as well as the role of foreign actors in Venezuela;
- expanded U.S. sanctions on government officials, drug trafficking, and money laundering;
- required the State Department to work with other Latin American governments to develop their own sanctions regimes; and,
- codified existing crypto currency sanctions.

## Appendix B. Organization of American States Action on Venezuela

On May 31, 2016, Organization of American States (OAS) Secretary-General Luis 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>216</sup>

Secretary-General Almagro issued a report concluding that there were “serious disruptions of the democratic order” in the country.<sup>217</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>218</sup> On November 16, 2016, the OAS Permanent Council adopted a declaration that encouraged the Maduro government and the MUD “to achieve concrete results within a reasonable timeframe” and to “avoid any action of violence” that could threaten the process.<sup>219</sup>

As dialogue efforts failed to advance, many observers contended that the Maduro government had used such efforts as a delaying tactic. Secretary-General Almagro published a second report to the Permanent Council in March 2017 calling on the Venezuelan government to undertake measures to resume the constitutional order, including holding general elections without delay, or face a possible suspension from the OAS.<sup>220</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 fails to address the report recommendations positively. 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>221</sup> The body also resolved to undertake additional diplomatic initiatives as needed “to foster the restoration of the democratic institutional system.”

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

<sup>216</sup> OAS, “Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela,” May 31, 2016.

<sup>217</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>218</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>219</sup> OAS, “Declaration of the Permanent Council Supporting the National Dialogue in the Bolivarian Republic of Venezuela,” November 16, 2016.

<sup>220</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>221</sup> OAS, “OAS Permanent Council Adopts Resolution on Recent Events in Venezuela,” press release, E-022/17, April 3, 2017.

of convening the meeting.<sup>222</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.

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. 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>223</sup> Other countries supported a resolution offered by the Caribbean Community (CARICOM) calling for dialogue and the creation of an external group to support dialogue between the government and the opposition without the specific preconditions on the government included in the other draft resolution.<sup>224</sup> OAS member states were unable to reach consensus.

Foreign ministers reconvened during the OAS General Assembly in Mexico in June 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, six countries voted no, and eight abstained.<sup>225</sup> The foreign ministers could reconvene to continue that meeting at any time.

In September and November 2017, the OAS General Secretariat facilitated public hearings chaired by an International Panel of Experts it invited to analyze whether the Maduro government had committed crimes against humanity. Victims, legislators, mayors, judges, members of the armed forces, civil servants, human rights defenders and others participated.

On February 23, 2018, 19 of 34 member states voted in favor of a resolution by the Permanent Council calling on the Venezuelan government to reconsider convening early presidential elections and to accept humanitarian assistance. While the resolution received more than the simple majority of votes (18) needed to be approved, 15 countries voted against the resolution, abstained, or were not present.<sup>226</sup>

On May 29, 2018, the Panel of Experts convened by the OAS published its findings that "reasonable grounds exist to believe that crimes committed against humanity have been committed in Venezuela" in a report that has been submitted to the ICC.<sup>227</sup>

<sup>222</sup> 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>223</sup> 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.

<sup>224</sup> 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>225</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.

<sup>226</sup> Countries voting in favor of the resolution were: Argentina, Bahamas, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Saint Lucia, Uruguay, and the United States. The five countries that voted against the resolution were: Bolivia, Dominica, Suriname, Saint Vincent and the Grenadines, and Venezuela. The eight countries that abstained were: Belize, the Dominican Republic, Ecuador, El Salvador, Haiti, Nicaragua, Saint Kitts and Nevis, and Trinidad and Tobago. Representatives from Antigua and Barbuda and Grenada were not present.

<sup>227</sup> OAS, Report of the General Secretariat of the Organization of American States and the Panel of Independent

On June 5, 2018, 19 of 34 member states voted in favor of a resolution stating that the electoral process in Venezuela “lacks legitimacy” and authorizing countries to take “the measures deemed appropriate,” including sanctions, to assist in hastening a return to democracy in Venezuela.<sup>228</sup>

In September 2018, the OAS Secretary-General announced the creation of a new working group to analyze Venezuelan migration issues.<sup>229</sup>

From November 19-21, 2018 17 OAS member states sent representatives to examine humanitarian conditions along the Colombia-Venezuela border, including Ambassador Carlos Trujillo of the United States.

On January 10, 2019, 19 of 34 member states voted “to not recognize the legitimacy of Nicolas Maduro’s new term as of the 10<sup>th</sup> of January of 2019.” The resolution also urged all Member States to adopt any measures they can to hasten a return to democracy in Venezuela, call for new presidential elections in Venezuela with international observers, respond to the humanitarian needs of Venezuelan migrants, and demand the release of political prisoners.

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International Experts on the Possible Commission of Crimes Against Humanity in Venezuela, May 29, 2018, <http://www.oas.org/documents/eng/press/Informe-Panel-Independiente-Venezuela-EN.pdf>

<sup>228</sup> OAS, “Resolution on the Situation in Venezuela,” June 5, 2018. Countries who voted in favor of the resolution were: Argentina, the Bahamas, Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Honduras, Jamaica, Guatemala, Guyana, Mexico, Panama, Paraguay, Peru, St. Lucia, and the United States. The four countries that voted against the resolution were: Bolivia, Dominica, St. Vincent and the Grenadines, and Venezuela. The 11 countries that abstained included Antigua and Barbuda, Belize, Ecuador, Grenada, El Salvador, Haiti, Nicaragua, St. Kitts and Nevis, Suriname, Trinidad and Tobago, and Uruguay.

<sup>229</sup> OAS, “OAS Analyzed Migration Crisis in Venezuela and Secretary General Announced Creation of Working Group,” photo news, FNE-94910, September 8, 2018.

## 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 2017, 2018</i> , chapter IV includes a section on Venezuela, <a href="http://www.oas.org/en/iachr/docs/annual/2017/TOC.asp">http://www.oas.org/en/iachr/docs/annual/2017/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 2017</i> , <a href="https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&amp;dliid=277367#wrapper">https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&amp;dliid=277367#wrapper</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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