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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). On May 20, 2018, Maduro defeated Henri Falcón, a former governor, in a presidential election boycotted by the Democratic Unity Roundtable (MUD) of opposition parties and dismissed by the United States, the European Union, and 18 Western Hemisphere countries as illegitimate. Maduro, who was narrowly elected in 2013 after the death of President Hugo Chávez (1999-2013), is unpopular. Nevertheless, he has used the courts, security forces, and electoral council to repress the opposition.

Maduro's reelection capped off his efforts since 2017 to consolidate power. From March to July 2017, protesters called for President Maduro to release political prisoners and respect the MUD-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 to rewrite the constitution; the assembly then assumed legislative functions. The PSUV dominated gubernatorial and municipal elections held in 2017, although fraud likely occurred in those contests. Maduro has arrested dissident military officers and others, but he also has released some political prisoners, including U.S. citizen Joshua Holt, since the May election.

Venezuela also is experiencing a serious economic crisis, marked by rapid contraction of the economy, hyperinflation, and severe shortages of food and medicine. President Maduro has blamed U.S. sanctions and corruption 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 lack of bilateral cooperation on counternarcotics and counterterrorism efforts. U.S. democracy and human rights funding, which totaled $15 million for FY2018 (P.L. 115-141), has bolstered civil society in Venezuela.

The Trump Administration has employed targeted sanctions against Venezuelan officials responsible for human rights violations, undermining democracy, and corruption. In August 2017, President Trump imposed economic sanctions that restrict the ability of the government and PdVSA to access U.S. financial markets; he imposed new sanctions following the May 2018 election prohibiting U.S. purchases of Venezuelan debt. Additional sanctions on Venezuela's oil sector are possible but could hurt the Venezuelan people. The Trump Administration has announced the provision of $39.5 million in assistance for Venezuelans who have fled to other countries.

Congressional Action

The 115th Congress has taken actions in response to the situation in Venezuela. In February 2017, the Senate agreed to S.Res. 35 (Cardin), which supports targeted sanctions. In December 2017, the House passed H.R. 2658 (Engel), which would authorize humanitarian assistance for Venezuela (a similar Senate bill, S. 1018 [Cardin], has been introduced) and H.Res. 259 (DeSantis), which urges the government to accept humanitarian aid. Some Members of Congress have called for an adjustment to permanent resident status for certain Venezuelans in the United

States (H.R. 2161 [Curbelo]). S.Res. 363 (Nelson), introduced in December 2017, would express concern about the humanitarian crisis. S.Res. 414 (Durbin), introduced in February 2018, would condemn the undemocratic practices of the government. The Administration requested $9 million in democracy assistance for Venezuela in FY2019. The House Appropriation Committee's version of the State Foreign Operations measure would provide $15 million; the Senate Appropriations Committee's version (S. 3108) would provide $20 million.

See CRS In Focus IF10230, *Venezuela: Political and Economic Crisis and U.S. Policy*; CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*; CRS In Focus IF10857, *Venezuela's Petroleum Sector and U.S. Sanctions*; and CRS Report R45072, *Venezuela's Economic Crisis: Issues for Congress*.

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Recent Developments

On June 25, 2018, the European Union (EU) announced targeted sanctions against 11 Venezuelan officials, including Vice President Delcy Rodríguez. (See "Sanctions by Canada and the European Union, Criticism by U.N. Officials," below.)

On June 22, 2018, the U.N. Office of the High Commissioner for Human Rights (UNOCHR) issued a report stating, "human rights violations committed during demonstrations form part of a wider pattern of repression against political dissidents and anyone perceived as ... posing a threat" to the Maduro government. It referred the report to the prosecutor of the International Criminal Court (ICC). (See "Repression of Dissent and Human Rights Violations," below.)

On June 20, 2018, the Pan-American Health Organization (PAHO) issued a report citing significant increases in new cases of malaria, measles, diphtheria, HIV/AIDS, and tuberculosis in Venezuela. The report says that the Venezuelan health system is "under stress" and that some 33% of doctors have emigrated since 2014. (See "Humanitarian Situation," below.)

On June 14, 2018, President Nicolas Maduro announced several Cabinet changes, including his selection of Delcy Rodríguez, president of the National Constituent Assembly (ANC), to serve as vice president. (See "May 2018 Elections and Aftermath," below.)

One June 13, 2018, Rodríguez announced the release of 45 people who had been arrested for taking part in protests; the opposition maintains that only 11 of those individuals were political prisoners. This announcement followed prisoner releases in early June. (See "Repression of Dissent and Human Rights Violations," below.)

On June 4, 2018, Venezuela's oil minister told reporters at an Organization of the Petroleum Exporting Countries (OPEC) meeting that he hoped to recover lost production by the end of 2018 but that it would be "a challenge." (See "Developments in Venezuela's Energy Sector," below.)

On May 29, 2018, a panel of jurists issued a report confirming that evidence gathered by the General Secretariat of the Organization of American States (OAS) documenting possible crimes against humanity committed by the Venezuelan government merits a referral to the ICC. (See "**Appendix B**" for OAS action on Venezuela, below.)

On May 26, 2018, the Venezuelan government released Joshua Holt, a U.S. citizen who had been imprisoned for nearly two years, after high-level negotiations. (See "U.S. Policy," below.)

On May 22, 2018, the Maduro government denounced new U.S. sanctions and expelled the top two U.S. diplomats in Caracas; the U.S. State Department responded reciprocally on May 23, 2018. (See "U.S. Policy," below.)

On May 21, 2018, President Trump signed Executive Order (E.O.) 13835 tightening existing sanctions prohibiting U.S. purchases of Venezuelan debt. The State Department called the elections "unfree and unfair." (See "Sanctions Restricting Venezuela's Access to U.S. Financial Markets," below.)

On May 20, 2018, Venezuela held presidential elections that were boycotted by the Democratic Unity Roundtable (MUD) coalition of opposition parties. According to the official results, President Nicolás Maduro of the United Socialist Party of Venezuela (PSUV) won reelection for a second six-year term with 67.7% of the vote amid relatively high abstention, as 46% of voters participated. (See "May 2018 Elections and Aftermath," 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 with mismanagement and corruption. According to Freedom House, Venezuela has fallen from "partly free" under Chávez to "not free" under Maduro, an unpopular leader who has violently quashed dissent and illegally replaced the legislature with a National Constituent Assembly (ANC) elected under controversial circumstances in July 2017.[1] President Maduro won reelection in early elections held on May 20, 2018, that were dismissed as illegitimate by the United States, the European Union, the G-7, and a majority of countries in the Western Hemisphere.[2]

Venezuela at a Glance

Population: 31.4 million (2017 est., IMF)

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

GDP: $215.3 billion (2017, current prices, IMF est.)

GDP Growth -16.5% (2016); -12% (2017, IMF est.)

GDP Per Capita: $6,850 (2017, current prices, IMF est.)

Key Trading Partners: Exports—U.S.: 38%, India: 19.6%, China: 16.7%. Imports—U.S.: 29%, China: 18.5%, Brazil: 12% (2015, EIU)

Unemployment: 26.4% (2017, IMF)

Life Expectancy: 74.4 years (2015, UNDP)

Literacy: 95.4% (2015, UNDP)

Legislature: National Assembly (unicameral), with 167 members

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

U.S. relations with Venezuela, a major oil supplier, deteriorated during the 14 years of Chávez's rule, which undermined human rights, the separation of powers, and freedom of expression in the country. 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 humanitarian aid. Regional efforts to hasten a return to democracy in Venezuela have thus far failed. President Maduro's convening of the ANC and, most recently, early presidential elections, have triggered international criticism and led to new sanctions by Canada, the EU, the United States, and 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.

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

[2] 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.

Figure 1. Political Map of Venezuela

Source: Congressional Research Service (CRS).

Political Situation

Legacy of Hugo Chávez (1999-2013)[3]

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, PdVSA.

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

Under Chávez, Venezuela adopted a new constitution (ratified by a plebiscite in 1999), a new unicameral legislature, and even a new name for the country—the Bolivarian Republic of Venezuela, named after the 19th century South American liberator Simón Bolívar. Buoyed by windfall profits from increases in the price of oil, the Chávez government expanded the state's role in the economy by asserting majority state control over foreign investments in the oil sector and nationalizing numerous private enterprises. Chávez's charisma, his use of oil revenue to support domestic social programs and provide subsidized oil to Cuba and other Central American and Caribbean countries through a program known as PetroCaribe, and his willingness to oppose the United States and other global powers captured international attention.[4]

After Chávez's death, his legacy has been debated. President Chávez established an array of social programs and services known as *missions* that helped to reduce poverty by some 20% and improve literacy and access to health care.[5] Some maintain that Chávez also empowered the poor by involving them in community councils and workers' cooperatives.[6] Nevertheless, his presidency was "characterized by a dramatic concentration of power and open disregard for basic human rights guarantees," especially after his brief ouster in 2002.[7] 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.[8]

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[4] Chávez envisioned himself as a leader of an integrated Latin America struggling against an external power (the United States), similar to how Simón Bolívar had led the struggle against Spain by the countries that had formed Gran Colombia in the 19th century. Carlos A. Romero and Víctor M. Mijares, "From Chávez to Maduro: Continuity and Change in Venezuelan Foreign Policy," *Contexto Internacional*, vol.38, no.1 (2016), pp. 178-188. Since 2005, PetroCaribe has provided subsidized oil to many Caribbean and Central American countries; however, the volume of shipments declined 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).

[5] 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.

[6] Eva Golinger, "Opinion: Chávez was a Maker of Dreams," CNN, March 7, 2013.

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

[8] 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.

Venezuela's 1999 constitution centralized power in the presidency and established five branches of government rather than the traditional three branches.[9] Those branches include the presidency, a unicameral National Assembly, a Supreme Court, a National Electoral Council (CNE), and a "Citizen Power" branch (three entities that ensure that government officials at all levels adhere to the rule of law and that can investigate administrative corruption). The president is elected for six-year terms and can be reelected indefinitely; however, he or she also may be made subject to a recall referendum (a process that Chávez submitted to in 2004 and survived but Maduro cancelled in 2016). Throughout his presidency, Chávez exerted influence over all the 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 have failed to do so. The National Assembly consists of a unicameral Chamber of Deputies with 167 seats whose members serve for five years and may be reelected once. 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.[10]

Maduro Administration[11]

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.

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.

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 progovernment 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.[12] The Union of South American Nations (UNASUR) initiated a government-

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

[10] Ramirez, May 2016; CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

[11] See also CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

[12] López was released to house arrest in July 2017. Wil S. Hylton, "Can Venezuela be Saved?," *New York Times*, March 1, 2018.

opposition dialogue in April 2014, but talks quickly broke down.[13] In February 2015, the Maduro government again cracked down on the opposition.

In December 2015 legislative elections, the MUD captured a two-thirds majority in Venezuela's National Assembly—a major setback for Maduro. Nevertheless, the Maduro government took actions aimed at thwarting the power of the legislature. The PSUV-aligned Supreme Court blocked three MUD representatives from taking office, which deprived the opposition of the two-thirds majority needed to submit bills directly to referendum and remove Supreme Court justices. From January 2016 through August 2017 (when the National Constituent Assembly voted to give itself legislative powers), the Supreme Court blocked numerous laws approved by the legislature and assumed many of its functions.[14]

Canceled Recall Referendum and Failed Dialogue Efforts in 2016

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

Repression of Dissent and Human Rights Violations

Far from meeting the commitments it made during the Vatican-led talks, the Maduro government continued to harass and arbitrarily detain opponents. In addition, President Maduro appointed a hard-line vice president, Tareck el Aissami, former governor of the state of Aragua and a sanctioned U.S. drug kingpin, in January 2017.

In early 2017, the opposition in Venezuela was divided and disillusioned. MUD leaders faced an environment in which popular protests, which were frequent between 2014 and fall 2016, had dissipated. In addition to restricting freedom of assembly, the government had cracked down on media outlets and journalists, including foreign media.[15]

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

[13] 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.

[14] See U.S. Department of State, *Country Reports on Human Rights Practices for 2017: Venezuela*, March 2018, available at https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&dlid=277367#wrapper. Hereinafter: State Department, March 2018.

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

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

Former Attorney General Luisa Ortega has presented a dossier of evidence to the International Criminal Court (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 top officials in his Cabinet with serious human rights abuses.[16] 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.[17] Ortega's report corroborates much of the evidence published in recent reports on the human rights situation in Venezuela:

- 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.[18]
- Amnesty International published a report describing how security forces conducted illegal nighttime raids on private homes to intimidate the population.[19]
- In addition to these violations, 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."[20]
- In August 2017, the Office of the United Nations High Commissioner for Human Rights (UNOCHR) issued a report on human rights violations perpetrated by the Venezuela security forces against the protestors.[21] According to the report, credible and consistent accounts indicated that "security forces systematically used excessive force to deter demonstrations, crush dissent, and instill fear." The U.N. report maintained that many of those detained were subject to cruel, degrading treatment and that in several cases, the ill treatment amounted to torture. UNOCHR called for an international investigation of those abuses. On

[16] "Venezuela's Ex-prosecutor Urges ICC to Probe Maduro," AFP, November 16, 2017.

[17] Antonio Maria Delgado, "Venezuelan Officials Accused of Crimes Against Humanity in The Hague," *Miami Herald*, November 21, 2017.

[18] 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.

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

[20] State Department, March 2018.

[21] Office of the United Nations High Commissioner for Human Rights, "Human Rights Violations and Abuses in the Context of Protests in the Bolivarian Republic of Venezuela from 1 April to 31 July 2017," August 30, 2017, at http://www.ohchr.org/Documents/Countries/VE/HCReportVenezuela_1April-31July2017_EN.pdf.

June 18, 2018, the High Commissioner for Human Rights urged the U.N. Human Rights Council to launch a Commission of Inquiry to investigate those reports.[22]

- In December 2017, the Inter-American Commission on Human Rights (IACHR) released its third report on the situation of human rights in Venezuela.[23] 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 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 ICC should investigate reports that the Venezuelan government committed crimes against humanity.[24]

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 on record 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.[25]

Despite Opposition, Constituent Assembly Elected

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 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

[22] U.N. Office of the High Commissioner for Human Rights, "Opening Statement and Global Update of Human Rights Concerns by UN High Commissioner for Human Rights Zeid Ra'ad Al Hussein at 38th session of the Human Rights Council," June 18, 2018.

[23] 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.

[24] 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. Hereinafter: OAS, May 2018.

[25] 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.

setting up the voting system alleged that the tally was inflated by at least 1 million votes.[26] Credible reports also allege that the government coerced government workers to vote.[27]

Many observers view the establishment of the ANC as an attempt by the ruling PSUV to ensure its continued control of the government even though many countries have refused to recognize its legitimacy. The ANC dismissed Attorney General Ortega, who had been strongly critical of the government; voted to approve its own mandate for two years; and passed a measure declaring itself superior to other branches of government. Ortega fled Venezuela in August 2017 and is speaking out against the abuses of the Maduro government.[28] The ANC also approved a decree allowing it to pass legislation, essentially replacing the role of the National Assembly.

Maduro's 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.[29] On October 15, the PSUV won 18 of 23 gubernatorial elections; although fraud likely took place given the significant discrepancies between preelection opinion polls and the election results, the opposition could not prove that fraud occurred on a large scale.[30] 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 that has been repeated in subsequent elections.[31] The MUD coalition initially rejected the election results, but four victorious MUD governors subsequently took their oaths of office in front of the ANC (rather than the National Assembly), a decision that fractured the coalition.

With the opposition in disarray, President Maduro and the ANC moved to consolidate power and blamed U.S. sanctions, which were opposed by some 60% of Venezuelans surveyed by Datanalisis (a Venezuelan polling firm) in December 2017, for the country's economic problems. Maduro fired and arrested the head of PdVSA and the oil minister, who were close to Rafael Ramirez (former head of PdVSA and a potential rival to Maduro within the PSUV), for corruption.[32] 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. Maduro then

[26] 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.

[27] Ibid.

[28] 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. Another video alleges that Maduro's ally, Diosdado Cabello, also received campaign funds from the company. Nicholas Casey, "Maduro is Accused in Bribery," *New York Times*, October 13, 2017; Kirk Semple and Ana Vanessa Herrero, "Key Maduro Ally in Venezuela is Linked to Illegal Campaign Gifts," *New York Times*, October 14, 2017. Ortega has provided evidence against other top officials to the U.S. government and evidence of government human rights abuses to the International Criminal Court. "Venezuela Ex-Prosecutor Gives U.S. Evidence on Maduro Officials," Reuters, October 13, 2017.

[29] Jon Lee Anderson, "Nicolas Maduro's Accelerating Revolution," *The New Yorker*, December 11, 2017.

[30] Gideon Long, "Venezuela Elections Dogged by Fraud Claims," *Financial Times*, October 16, 2017.

[31] Michael Penfold, *Food, Technology, and Authoritarianism in Venezuela's Elections*, Woodrow Wilson Center, April 18, 2018.

[32] Alexandra Ulmer and Deisy Buitrago, "Venezuela Maduro Gains Control Over Oil Contracts Amid Purge," Reuters, December 3, 2017.

ousted Ramirez from his position as Venezuela's U.N. ambassador.[33] The ANC approved a "hate crimes" law to further restrict freedom of expression and assembly.[34]

Although most opposition parties did not participate in municipal elections held on December 10, 2017, a few, including A New Time (UNT), led by Manuel Rosales, and Progressive Advance (AP), led by Henri Falcón, former governor of the state of Lara, fielded candidates. The PSUV won more than 300 of 335 mayoralties and the governorship of Zulia. The Maduro government then required parties that did not participate in the municipal elections to re-register in order to run in the 2018 presidential contest, a requirement that many of them subsequently rejected.

May 2018 Elections and Aftermath[35]

The Venezuelan constitution does not establish strict electoral timetables, but it does establish that the country's presidential elections were to be held by December 2018. Although many prominent opposition politicians had been imprisoned (Leopoldo López), barred from seeking office (Henrique Capriles), or in exile (Antonio Ledezma)[36] by late 2017, some MUD leaders still 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 improve conditions for the 2018 elections. The CNE ignored those negotiations and the MUD declared an election boycott, but Henri Falcón (AP) broke with the coalition to run. During the campaign, Falcón promised to accept humanitarian aid, 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. In addition, the elections took place within a climate of state repression. Security forces and allied armed civilian militias have violently repressed protesters and imprisoned government critics.

The CNE reports that Maduro received 67.7% of the votes, followed by Falcón (21%) and Javier Bertucci, a little-known evangelical minister (10.8%).[37] Voter turnout was much lower in 2018 (46%) than in 2013 (80%), perhaps due to the MUD's boycott. Independent monitors reported even lower figures, fraud, and progovernment stands offering "prizes" to voters near polling stations.[38] Falcón and Bertucci refused to accept the results and called for new elections.[39] Nevertheless, the ANC inaugurated President Maduro to a second term on May 26, 2018, some eight months ahead of schedule.

Since the election, President Maduro has faced mounting economic problems (discussed in "Economic Crisis," below) as oil production has plummeted, as well as increasing international

[33] Alexandra Ulmer and Marianna Parraga, "Venezuela's U.N. Envoy Says He Was Pushed Out by Maduro," Reuters, December 5, 2017.

[34] The "hate crimes" law established harsh penalties against those who organize or attend protests and/or publish media reports or messages on social media that are critical of the government.

[35] CRS Insight IN10902, *Venezuela's 2018 Presidential Elections*, by Clare Ribando Seelke.

[36] Ledezma, a former mayor of metropolitan Caracas, escaped house arrest and fled to Spain in November 2017.

[37] "Venezuela Election: Maduro Wins Second Term Amid Claims of Vote Rigging," BBC, May 21, 2018.

[38] Luc Cohen, Andreina Aponte, "Venezuela's Maduro Re-elected Amid Outcry Over Vote," May 20, 2018; "Venezuela's Maduro Wins Boycotted Elections Amid Charges Of Fraud," NPR, May 21, 2018.

[39] Ibid.

isolation (see "Foreign Relations and Responses to the Maduro Government," below). He has reshuffled his Cabinet, purportedly in an attempt to boost the economy. Maduro selected Delcy Rodriguez, a former foreign minister and head of the ANC, as his vice president. He then announced that Vice President El Aissami will serve as the economic vice president and head of a new "national industry and production ministry."[40] Rodriguez has been replaced as head of the ANC by Diosdado Cabello.

In addition to changes in his Cabinet, Maduro released U.S. hostage Joshua Holt and more than 120 prisoners. Although some of those prisoners—including former Mayor Daniel Ceballos and three opposition legislators, Gilber Caro, Renzo Prieto, and Wilmer Azuaje—have been identified by the opposition and *Foro Penal* as political prisoners, others were likely common criminals.[41] *Foro Penal* estimates that some 280 political prisoners remained as of mid-June 2018.[42] At the same time, the government has continued to harass opposition leaders such as Maria Corina Machado.[43] As a result, few observers predict that Maduro's gestures will convince the opposition to dialogue with him.

Foreign Relations and Responses to the Maduro Government

The Maduro government has maintained Venezuela's foreign policy alliance with Cuba and other leftist governments from the Chávez era, but the country's ailing economy has diminished its formerly activist foreign policy, which depended on its ability to provide subsidized oil. Unlike during the Chávez era, an increasing number of countries have criticized authoritarian actions taken by the Maduro government and implemented targeted sanctions against its officials.[44]

Sanctions by Canada and the European Union, Criticism by U.N. Officials

Venezuela's foreign relations have become more tenuous as additional countries have sanctioned its officials and called upon the U.N. to investigate the country's human rights record. 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.[45] 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.[46] 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.[47] In September 2017, several countries urged the U.N. Human

[40] Jose Orozco and Andrew Rosati, "Venezuela's Maduro Changes His Cabinet in Bid to Boost Economy," *Bloomberg*, June 14, 2018.

[41] "Venezuela's Maduro Seeks Dialogue with Gesture on Prisoners." *Latin News Daily*, June 4, 2018; "Venezuelan Gov't Releases More Prisoners," *Latin News Daily*, June 14, 2018.

[42] Hugo Pérez Hernáiz, "Political Prisoners Releases: What the Government Says," WOLA, June 21, 2018.

[43] OAS, "OAS General Secretariat Rejects Political Persecution of María Corina Machado," June 14, 2018.

[44] For information on sanctions, see https://venezuelablog.org/venezuela-targeted-sanctions-database-switzerland-panama-update/.

[45] For information, see http://www.international.gc.ca/sanctions/countries-pays/venezuela.aspx?lang=eng.

[46] The U.S. has sanctions on all of those individuals except for Diosdado Cabello, leader of the National Assembly.

[47] European Council, Council of the EU, "Venezuela: EU Adds 11 Officials to Sanctions List," June 25, 2018.

Rights Council to support the High Commissioner's call for an international investigation into the abuses described in the U.N.'s August report on Venezuela.[48]

Growing Concerns in Latin America

Ties between Venezuela and a majority of South American countries have frayed with the rise of conservative governments in Argentina, Brazil, Chile, 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 the Maduro government had violated the requirement that Mercosur's members have "fully functioning democratic institutions."[49] Six UNASUR members—Uruguay, Argentina, Brazil, Chile, Colombia, and Paraguay—issued a joint statement opposing the Venezuelan Supreme Court's attempted power grab in March 2017.

Concerned about potential spillover effects from turmoil in Venezuela, Colombia has supported OAS actions, provided humanitarian assistance to Venezuelan economic migrants and asylum seekers, and closely monitored the situation on the Venezuelan-Colombian border. In February 2018, both Colombia and Brazil moved additional security forces to their borders with Venezuela.[50] Many analysts predict that Colombia's president-elect, conservative Ivan Duque, a protégé of former president Álvaro Uribe, may adopt a more antagonistic position toward the Maduro government than Juan Manuel Santos has had. 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 (ICJ) in January 2018. Guyana is asking the ICJ to rule even though Venezuela has opted out of the process.[51]

Mexico abandoned its traditional noninterventionist stance in 2017 to take a lead in OAS efforts to resolve the crisis in Venezuela. The Mexican government has explored the possibility of replacing Venezuela as a source of oil for Cuba and PetroCaribe countries. It has thus far coordinated its diplomatic efforts in the Caribbean with the United States and Canada.[52] Some observers predict that it is unlikely that the frontrunner in Mexico's July 1, 2018, presidential elections, leftist Andrés Manuel López Obrador, would take a strong stance toward Venezuela.[53]

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.[54] The signatory countries are Mexico; Canada; four Central American countries (Costa Rica, Guatemala, Honduras, and Panama); and six South American countries (Argentina, Brazil, Chile,

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[48] Tamara Taraciuk Broner, "U.N. Human Rights Council Confronts Venezuela," Human Rights Watch, October 2, 2017.

[49] Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. Mac Margolis, "Mercosur Turns Its Back on a Diminished Venezuela," *Bloomberg View*, December 9, 2016.

[50] Shannon K. O'Neil, "Venezuela's Neighbors Can't Wait for Uncle Sam," *Council on Foreign Relations*, February 28, 2018.

[51] "Guyana to Ask ICJ to Rule in its Favor in Venezuela Border Case," *Jamaica Observer*, June 19, 2018.

[52] Stratfor, *Mexico Sees an Opportunity in Venezuela's Struggles*, August 29, 2017; "Exclusive: Mexico Foreign Minister Heads to Caribbean to win over Venezuelan Allies – Official," Reuters, February 16, 2018.

[53] Andrés Oppenheimer, "If López Obrador Wins Mexico's Presidential Election, It Will Be a Setback for Democracy in Venezuela," *Miami Herald*, May 25, 2018.

[54] The accord calls for an arms embargo of Venezuela, a rejection of Venezuelan candidates at international 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.

Colombia, Paraguay, and Peru). Although the Lima Group countries support targeted U.S. economic sanctions, they reject any discussion of military intervention and most are not in favor of restrictions on U.S. petroleum trade with Venezuela.[55]

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.[56] These nations also backed Peru's decision to disinvite President Maduro to the Summit of the Americas meeting of Western Hemisphere heads of state held on April 13-14, 2018. The Lima Group did not recognize the results of the May 20, 2018, Venezuelan elections.[57] Its members were among the 19 countries that voted in favor of an OAS resolution on Venezuela approved on June 5, 2018.[58] 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. (See **Appendix B** for OAS efforts on Venezuela).

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

In 2000, Venezuela signed an agreement with Cuba to provide the island nation with at least 90,000 barrels of oil per day (b/d). In exchange, Cuba has provided extensive services to Venezuela. Estimates of the number of Cuban personnel in Venezuela vary, but a 2014 Brookings study reported that "by most accounts there are 40,000 Cuban professionals in Venezuela," 75% of whom are health care workers.[59] At that time, 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.[60] It is unclear whether those professionals have stayed as the situation in Venezuela has deteriorated.

In recent years, Cuba has become increasingly concerned about the future of Venezuelan oil supplies (see "Developments in Venezuela's Energy Sector").[61] Cuba's oil imports from Venezuela reportedly declined from 100,000 b/d in 2012 to roughly 55,000 b/d in 2016.[62] 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.[63] In May 2018, press reports revealed that Venezuela had purchased almost $440 million in foreign oil that it then provided to Cuba, often at a loss.[64]

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[55] 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.

[56] Government of Canada, "Statement of the Fifth Meeting of the Lima Group on the Situation in Venezuela," February 13, 2018.

[57] Government of Canada, "Statement by Lima Group on Electoral Process in Venezuela," May 21, 2018.

[58] OAS, "Resolution on the Situation in Venezuela," June 5, 2018.

[59] Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?" Latin America Initiative Policy Brief, Brookings, June 2014, p. 3.

[60] Ibid.

[61] See CRS Report R44822, *Cuba: U.S. Policy in the 115th Congress*, by Mark P. Sullivan.

[62] Marianna Parraga and Marc Frank, "Exclusive: Venezuela oil Exports to Cuba Drop, Energy Shortages Worsen," Reuters, July 13, 2017.

[63] "Algeria Sends More Oil to Cuba as Venezuelan Supplies Fall," Reuters, January 10, 2018.

[64] Marianna Parraga and Jeanne Liendo, "Exclusive: As Venezuelans Suffer, Maduro Buys Foreign Oil to Subsidize Cuba," May 15, 2018.

Since 2005, Venezuela has provided oil and other energy-related products to 17 other Caribbean Basin nations with preferential financing terms in a program known as PetroCaribe. Most Caribbean nations are members of PetroCaribe, with the exception of Barbados and Trinidad and Tobago, as are several Central American countries.[65] Shipments have been declining dramatically in recent years, with an estimated 54% reduction in deliveries from 2015 to 2017.[66] According to *S&P Global Platts*, Venezuela has indefinitely suspended a combined total of 38,000 b/d in shipments to eight PetroCaribe countries: Antigua and Barbuda, Belize, Dominica, El Salvador, Haiti, Nicaragua, St. Vincent and the Grenadines, and St. Kitts and Nevis.

Until recently, the Maduro government has continued to count on political support from Cuba, Bolivia, and Nicaragua, which, together with Venezuela, are key members of the Bolivarian Alliance of the Americas (ALBA), a group 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 been reluctant to take action that could be viewed as interfering in Venezuela's domestic affairs. Since Lenín Moreno took office in May 2017, the Ecuadorian government (another ALBA member) has been critical of the Maduro government. Most of these governments abstained from the June 5, 2018, OAS vote on Venezuela, with only Bolivia, Dominica, and St. Vincent and the Grenadines voting with Venezuela and against the measure.

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.[67] From 2007 through 2016, China provided some $62.2 billion in financing to Venezuela.[68] The money typically has been for funding infrastructure and other economic development projects, but has also included some lending for military equipment.[69] 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.[70]

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.[71] China refrained from any negative commentary after Venezuela's Constituent Assembly elections. It maintained that the Venezuelan government and people have the ability to properly handle their internal affairs through dialogue.[72] China responded to U.S. sanctions by stating that "the experience of history shows that outside interference or unilateral sanctions will

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[65] In 2015, the Dominican Republic and Jamaica reached agreements to pay back their PetroCaribe debt to Venezuela at a steep discount. Venezuela provided the debt relief because it needed the cash. Goldwyn and Gill, 2016.

[66] "PDVSA Suspends Oil Shipments to Eight Countries in PetroCaribe Agreement," *S&P Global Platts*, June 11, 2018.

[67] 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"*, 115th Cong., 1st sess., September 13, 2017. Hereinafter, Ellis, September 2017.

[68] Kevin P. Gallagher and Margaret Myers, "China-Latin America Finance Database," Washington, D.C. Inter-American Dialogue, 2016, at http://www.thedialogue.org/map_list/.

[69] Ellis, September 2017.

[70] 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.

[71] Daniel Lansberg-Rodríguez, "Exit the Dragon," *New York Times*, February 16, 2017; and Christopher Balding, "Venezuela's Road to Disaster Is Littered with Chinese Cash," *Foreign Policy*, June 6, 2017.

[72] "China Backs Ally Venezuela, Says Constituent Assembly Vote "Generally Smooth," Reuters News, August 3, 2017.

make the situation even more complicated."[73] It has expressed confidence that Venezuela can "appropriately handle their affairs, including the debt issue."[74] The Chinese government did not congratulate President Maduro on his reelection but maintained that it would not intervene in the country's domestic affairs.[75]

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.[76] Russia's trade relations with Venezuela currently are not significant, with $336 million in total trade in 2016, with almost all of that, $334 million, consisting of Russian exports to Venezuela.[77] 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.[78] Russia's recent decision to allow Venezuela to restructure $3.15 billion in debt provided some much-needed financial relief to the Maduro government.[79] 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[80] (see "Energy Sector Concerns" below). Russia congratulated President Maduro on his reelection.[81]

Iran

There is some debate about the extent and significance of Iran's relations with Venezuela. The personal relationship between Hugo Chávez and Iranian President Mahmoud Ahmadinejad (2005-2013) drove the strengthening of bilateral ties over that period. Since Ahmadinejad left office and Chávez passed away in 2013, many analysts contend that Iranian relations with the region have diminished. Current Iranian President Hassan Rouhani, who took office in August 2013, has not prioritized relations with Latin America. Nevertheless, there are two Iranian companies operating in Venezuela that are subject to U.S. sanctions.[82]

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[73] "China Says Sanctions Won't Help as Trump Targets Venezuela," Reuters News, August 28, 2017.

[74] "China Says Venezuela Can 'Appropriately' Handle Debt Load," Reuters, November 15, 2017.

[75] "The International Community Reacts to Nicolás Maduro's Win in Venezuelan 'Elections,'" *Global Americans,* May 30, 2018.

[76] "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.

[77] Federal Customs Service of Russia, as presented by Global Trade Atlas.

[78] Girish Gupta, "Exclusive: Venezuela Holds 5,000 Russian Surface-to-air MANPADS Missiles," Reuters, May 22, 2017.

[79] Rachel Ansley, "Debt Default Pushes Venezuela Further into Russian Orbit," Atlantic Council, November 22, 2017.

[80] "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.

[81] "The International Community Reacts to Nicolás Maduro's win in Venezuelan 'Elections,'" *Global Americans,* May 30, 2018.

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

Economic Crisis[83]

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.[84] Oil accounts for more than 90% of Venezuelan exports, and oil sales fund 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 GDP between 2000 and 2012.[85] Additionally, Chávez used oil to expand influence abroad through *PetroCaribe*, a program described above that allowed Caribbean 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 was elected president in April 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. Venezuela's economy contracted by nearly 35% between 2012 and 2017.[86] The fall in oil prices strained public finances, and instead of adjusting fiscal policies through tax increases and spending cuts, the Maduro government tried to address its growing budget deficit by printing money, which led to hyperinflation. The government has tried to curb inflation through price controls, although these controls have been largely ineffective in restricting prices, as supplies have dried up and transactions have moved to the black market.[87]

Thus far in 2018, economic conditions have deteriorated rapidly, driven by a collapse in oil production and consumer spending, as well as by a continuing rapid expansion of the money supply.[88] In April 2018, the IMF forecast that Venezuela's economy will contract by another 15% in 2018 and that inflation will exceed 13,000% (**Figure 2**).[89] During the presidential campaign, economic issues loomed large. Maduro vowed to "make big economic changes" but lacked concrete proposals to address the myriad of problems that emerged in his first term: hyperinflation, food shortages, the return of once-controlled diseases, and mass emigration.[90] The main challenger, Falcón, proposed to dollarize the economy, reverse botched nationalizations, and open Venezuela to immediate emergency foreign aid.[91]

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[83] For more on the economic crisis in Venezuela, see CRS Report R45072, *Venezuela's Economic Crisis: Issues for Congress*, by Rebecca M. Nelson.

[84] "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

[85] Ibid.

[86] IMF, World Economic Outlook Database, October 2017; Ricardo Hausmann, "Venezuela's Unprecedented Collapse," *Project Syndicate*, July 31, 2017.

[87] "How Chávez and Maduro Have Impoverished Venezuela," *Economist*, April 6, 2017.

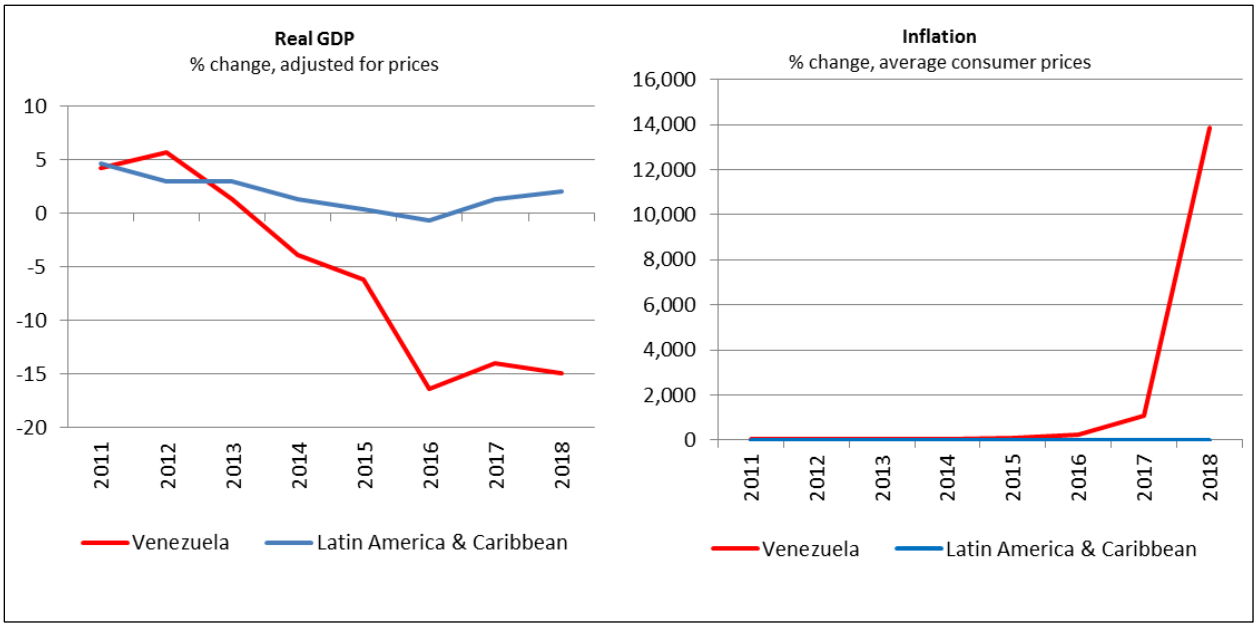
[88] Economist Intelligence Unit, *Country Report: Venezuela*, May 2018.

[89] IMF, *World Economic Outlook*, April 2018.

[90] "Maduro Vows Economic Change for Venezuela's 'Rebirth' Before Vote," Reuters, May 15, 2018.

[91] Ibid.

Figure 2. Venezuela: Economic Collapse and Hyperinflation



Source: International Monetary Fund, *World Economic Outlook*, April 2018.

Note: Includes estimated and forecasted data.

Developments in Venezuela's Energy Sector[92]

Although Venezuela had 301 billion barrels of proven oil reserves in 2017,[93] crude oil production in the country declined from an average of roughly 2.9 million barrels per day (b/d) in 2000 to an average of 1.9 million b/d in 2017,[94] according to OPEC.[95] Monthly oil production continued to decline in 2018, with production levels averaging 1.4 million b/d in May 2018.[96] In March 2018, the International Energy Agency projected that Venezuela's crude oil production would continue to drop to just over 1 million b/d (See **Figure 3** below).[97]

[92] For more on Venezuela's energy sector, see CRS In Focus IF10857, *Venezuela's Petroleum Sector and U.S. Sanctions*, by Phillip Brown.

[93] U.S. Energy Information Administration, *International Energy Statistics*, at https://www.eia.gov/beta/international/rankings/#?prodact=57-6&iso=VEN.

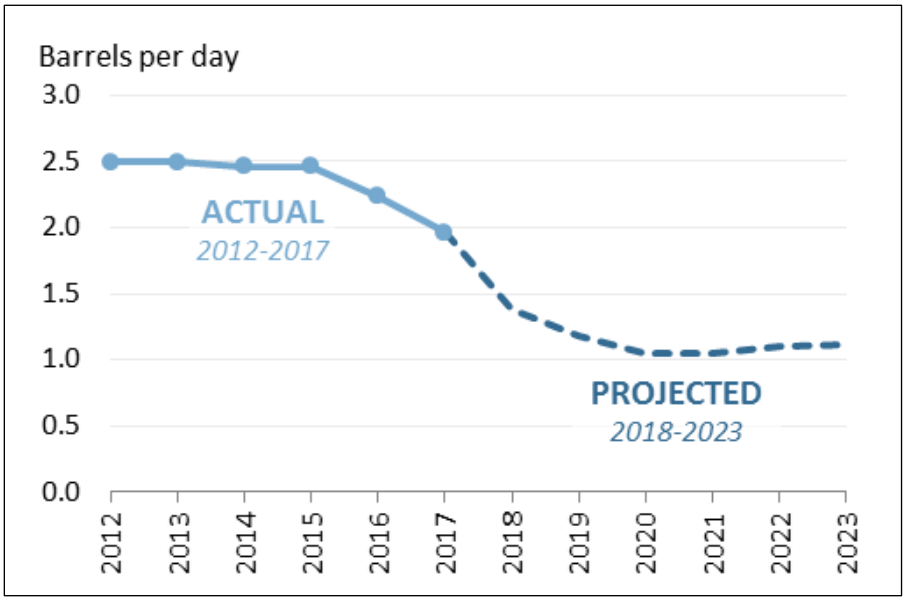
[94] Organization of the Petroleum Exporting Countries (OPEC), *Monthly Oil Market Report*, April 2002 (production data from secondary sources).

[95] OPEC, *Monthly Oil Market Report*, May 2018 (production data from secondary sources).

[96] Ibid.

[97] 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.

Figure 3. Venezuela Crude Oil Production, 2012-2023



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

PdVSA's performance has been hurt by a number of factors. Since August 2017, the Maduro government arrested many executives for alleged corruption, which dissidents within the company assert has been a false pretense for replacing technocrats with military officers.[98] Workers at all levels reportedly are abandoning the company by the thousands.[99] 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.[100] Massive debt (estimated at some $25 billion),[101] combined with U.S. sanctions limiting the willingness of banks to issue credit to PdVSA and the fact that most of its production does not generate revenue, have added to the company's woes (see "Debt and Default" below).[102] Since Conoco has sought to seize PdVSA storage and loading facilities in the Caribbean over nonpayment of past debts, tankers with crude oil have begun backing up and the company has said that it will not be able to satisfy all of its June deliveries.[103]

Corruption remains a major drain on the company's revenues and an impediment to performance. In 2016, a report by the Venezuelan National Assembly estimated that some $11 billion disappeared at PdVSA from 2004 to 2014.[104] In February 2018, U.S. prosecutors unsealed an

[98] "New Venezuela Oil Boss to Give Military More PDVSA Posts," Reuters, November 27, 2017.

[99] "Workers Flee and Thieves Loot Venezuela's Reeling Oil Giant," *New York Times*, June 14, 2018.

[100] 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.

[101] 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.

[102] 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.

[103] Andrew J. Standley and Frank A. Verrastro, *How Low Can Venezuelan Oil Production Go?* Center for Strategic & International Studies, June 18, 2018.

[104] Alexandra Ulmer, "Venezuela Congressional Probe says $11 Billion Missing at PDVSA," Reuters, October 19,

indictment against five former executives in Venezuela's energy ministry and PdVSA accused of offering priority contracts in exchange for millions of dollars in bribes.[105] Corruption and dysfunction reportedly have continued since a military general with no experience in the energy sector took control of the company in November 2017, with looting of essential equipment by criminals and former employees now commonplace.[106]

Declining production by PdVSA-controlled assets has, until recently, contrasted to the performance of joint ventures that PdVSA has with Chevron, CNPC, Gazprom, Repsol, and others. From 2010 to 2015, production declined by 27.5% in fields solely operated by PdVSA, whereas production in fields operated by joint ventures increased by 42.3%.[107] 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 are scaling back their operations.[108]

Debt and Default

A significant challenge facing Venezuela is the government's sizeable debt. It is estimated that the Venezuelan government owes about $64 billion to bondholders, $20 billion to China and Russia, $5 billion to multilateral lenders (such as the Inter-American Development Bank), and tens of billions to importers and service companies in the oil industry.[109] As fiscal conditions tightened, the government initially took a number of steps to continue repaying its debt, even though debt repayments diverted needed resources from the Venezuelan people. To make debt payments, the Maduro government cut imports, leading to shortages of food and medicine, and secured loans from China and Russia in exchange for future oil exports ("oil-for-loan" deals). The government was reluctant to default, fearing legal challenges from creditors and the seizure of Venezuela's overseas assets, including PdVSA subsidiary CITGO, oil shipments, and cash payments for oil exports. In August 2017, the government's precarious fiscal situation was exacerbated by new sanctions imposed by the Trump Administration (discussed in greater detail below), which restricted Venezuela's ability to access U.S. financial markets.

After months of speculation about if and when Venezuela would default, on November 2, 2017, Maduro announced in a televised address that the country would seek to restructure and refinance its debt. The announcement signaled a significant shift in policy, but came with few details about how the restructuring would proceed. The government and PdVSA in November 2017 subsequently missed key bond payments, leading credit-rating agencies to issue a slew of default notices. In April 2018, news reports revealed that the government had actually largely stopped paying bondholders in September 2017, but that bondholders, hoping for repayment, had not yet initiated legal actions against the government.[110]

Any comprehensive restructuring of Venezuelan debt is expected to be a long and complex process, and there has been little headway to date. U.S. sanctions prevent U.S. investors from

2018.

[105] U.S. Department of Justice, "Five Former Venezuelan Government Officials Charged in Money Laundering Scheme Involving Foreign Bribery," February 12, 2018.

[106] "Workers Flee and Thieves Loot Venezuela's Reeling Oil Giant," *New York Times,* June 14, 2018.

[107] Hernández and Monaldi, 2016.

[108] Corina Pons, Marianna Parraga, "Venezuela frees Chevron executives held since April," Reuters, June 6, 2018.

[109] John Paul Rathbone and Robin Wigglesworth, "Venezuela Debt: US, Russia, and China Play for High Stakes," *Financial Times,* November 22, 2017.

[110] Jonathan Wheatley, "Venezuela Stopped Bond Payments in September," *Financial Times,* April 9, 2018.

participating in any debt restructuring, and Maduro has blamed U.S. sanctions for the delay in restructuring with private bondholders.[111] Bondholders are in the early stages of organizing for possible future restructuring negotiations, but recent events may cause them to accelerate legal efforts for compensation.[112] In May 2018, a court on the Dutch island of Curacao authorized the local subsidiary of U.S. oil company ConocoPhillips to seize PdVSA assets on the island in compensation for a decade-old expropriation dispute. Additionally in May 2018, the first lawsuit against PdVSA for nonpayment was filed in New York (where many of Venezuela's bonds were issued).[113] Given that Venezuela's overseas assets are insufficient to fully compensate all foreign investors, investors may fear being last in line among those seeking compensation.[114] In terms of debt owed to other governments, Russia agreed to restructure Venezuela's debt in November 2017, but China appears to be taking a stronger position on repayment.[115]

Meanwhile, the government continues to grapple with significant fiscal problems, with foreign reserves at their lowest level in two decades and remittances into the country on the rise.[116] In February 2018, the cash-strapped government launched a new digital currency, the "petro," which is backed by oil and other commodities and runs on blockchain technology.[117] The primary motivation for the petro is to provide a fresh source of funds to the government, particularly in light of U.S. sanctions that restrict its ability to issue new debt. The government reported that it raised $735 million in the first day of the petro presale.[118] Venezuelans are prohibited from buying petros with *bolívars*, but the government claimed to draw investors from Turkey, Qatar, and Europe.[119] Many analysts are skeptical about the viability of the petro, which sold at a deep discount from the face value. In March 2018, the Trump Administration issued Executive Order 13827, which bans U.S. individuals and entities from purchasing or transacting in any digital currency issued by the Venezuelan government.

As the government continues to run down reserves and the humanitarian situation worsens, the economic outlook for Venezuela is dire. The country faces a complex set of economic challenges embedded in a volatile political context: collapsed output, hyperinflation, and unsustainable budget deficits and debt. The government's policy responses to the crisis—including price and import controls, vague restructuring plans, and deficit spending financed by expanding the money supply (printing money)—have been widely criticized as inadequate and as exacerbating the economic situation. Normally, countries facing such a serious economic crisis would turn to the International Monetary Fund (IMF) for financial and policy assistance. However, Venezuela has not allowed the IMF to conduct routine surveillance of its economy since 2004, and the IMF has

[111] "Venezuela Says U.S. Sanctions Hampering Debt Renegotiation," Reuters, February 27, 2018.

[112] Matt Wirz and Julie Wernau, "Venezuela Bonds Deliver Top Returns in Emerging Markets This Year," *Wall Street Journal*, April 30, 2018.

[113] Jonathan Wheatley, "Venezuela National Oil Company Sued in New York," *Financial Times*, May 9, 2018.

[114] Antonio Maria Delgado, "'No One Wants to Be Last in Line.' Seizure of Venezuela Oil Assets May Start Wave," *Miami Herald*, May 10, 2018.

[115] John Paul Rathbone and Robin Wigglesworth, "Venezuela Debt: US, Russia, and China Play for High Stakes," *Financial Times*, November 22, 2017.

[116] Fabiana Sofia Perera, "Bitcoin, Move Over. There's a New Cryptocurrency in Town: The Petro," *Washington Post*, February 26, 2018; "Special Report: A Journey on a Caravan of Misery," Reuters, March 2, 2018.

[117] See CRS In Focus IF10825, *Digital Currencies: Sanctions Evasion Risks*, by Rebecca M. Nelson and Liana W. Rosen.

[118] "Venezuela Says Launch of 'Petro' Cryptocurrency Raised $735 Million," Reuters, February 20, 2018.

[119] Ibid, Camila Russo, "Venezuelans Can't Buy Maduro's Cryptocurrency with Bolivars," Bloomberg, February 22, 2018.

found the government in violation of its commitments as an IMF member. Although the crisis has been building for a number of years, it is not clear whether there is a clear or quick resolution on the horizon, particularly given the concurrent political crisis.

Humanitarian Situation[120]

Overview

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. According to the 2017 national survey on living conditions, the percentage of Venezuelans living in poverty increased from 48.4% in 2014 to 87% in 2017.[121] 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.[122] 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.[123] 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.[124]

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.[125] According to *Médicos por la Salud*, a Venezuelan nongovernmental health organization, only 38% of drugs listed as essential by the WHO are available in the country, and only 30% of drugs for basic infectious diseases are available in public hospitals.[126] According to a June 2018 WHO/PAHO report, some 22,000 doctors (33% of the total doctors that were present in 2014) and at least 3,000 nurses have emigrated.[127]

In February 2017, Venezuela captured international attention following the unexpected publication of data from the country's Ministry of Health (the country had not been regularly

[120] This section was authored by Rhoda Margesson, Specialist in International Humanitarian Policy. Edward Gracia, CRS Research Associate, contributed to this section.

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

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

[123] 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/.

[124] "Caritas Venezuela Warns That 280,000 Children Could die of Malnutrition," *Catholic News Agency*, October 31, 2017; Meridith Kohut and Isayen Herrera, "As Venezuela Collapses, Children are Dying," *New York Times*, December 17, 2017.

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

[126] Caritas, "Caritas on Venezuela," August 16, 2017, at http://www.caritas.org/2017/08/caritas-on-venezuela/.

[127] Pan-American Health Organization/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.

releasing such data since 2015). The report revealed significant spikes in infant and maternal mortality rates.[128] PAHO's recent report documents the spread of previously eradicated infectious diseases like diphtheria (detected in July 2016) and measles (detected in July 2017).[129] Malaria, once under control, is also spreading rapidly, with 406,289 cases recorded in 2017 (a 198% increase over 2015).[130] People are also reportedly dying at a faster rate from HIV/AIDS in Venezuela than in many African countries due to the collapse of the country's once well-regarded HIV treatment program and the scarcity of drugs needed to treat the disease.[131] HIV advocates have pushed for the Global Fund, a public-private entity that focuses on HIV, tuberculosis, and malaria, to do more to address the situation in Venezuela.[132] Observers are concerned that the widespread lack of access to reliable contraception may hasten the spread of sexually transmitted diseases, unwanted pregnancies, and dangerous clandestine abortions.[133]

During the Vatican-mediated talks in November 2016, the Maduro government reportedly agreed to improve the processes for importing food and medicines and promote monitoring of distribution chains. Discussions reportedly also broached the idea of establishing a channel for allowing humanitarian aid to reach Venezuela, possibly through Caritas Venezuela. The WHO is reportedly helping the government purchase and deliver millions of vaccines against measles, mumps, and rubella.[134] Nevertheless, a group of doctors and health associations protested outside the WHO's office in Caracas in September 2017 to urge the entity to provide more assistance and exert more pressure on the government to address the health crisis.[135] In December 2017, President Maduro rejected the need for international assistance, and government-MUD dialogue efforts in the Dominican Republic failed to agree upon how to open a channel to get food and medical assistance into the country.

According to the Colombian government, as of early 2018, roughly 1.6 million Venezuelans had registered for a Border Mobility Card (no longer being issued), which allows a person to enter Colombia temporarily to access basic goods and services.[136] According to the U.N. High Commissioner for Refugees (UNHCR), the Colombian government is reporting increasing numbers of arrivals, both those seeking temporary assistance and those seeking permanent relocation, with less means and more humanitarian needs than those who arrived in 2017.[137] Tensions have been reported in some Colombian border communities that are straining to absorb

[128] "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.

[129] 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.

[130] Ibid.

[131] 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.

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

[133] 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.

[134] "One Million Unvaccinated Venezuelan Kids Vulnerable in Measles Outbreak: Doctors," Reuters, September 29, 2017.

[135] "Venezuela Doctors in Protest Urge Stronger WHO Stance on Health Crisis," Reuters, September 25, 2017.

[136] Mark L. Schneider, "Venezuela's Collapse Causes Humanitarian and Security Crisis for Colombia," *Miami Herald*, March 6, 2018.

[137] UNHCR, *Venezuela Situation*, May 2018.

new arrivals.[138] As the socioeconomic and political conditions in Venezuela continue to deteriorate, the humanitarian situation inside Venezuela is getting worse. The root causes in Venezuela are leading many people to make the difficult decision to leave, which is creating challenges for the countries receiving them.

Population Displacement and Humanitarian Needs in the Border Regions

Thousands of Venezuelans in areas bordering Brazil and Colombia who in the past entered those countries on a temporary basis to obtain food and medicine have chosen to remain outside Venezuela for the time being. According to the International Organization for Migration (IOM), the percentage increase in the number of Venezuelans arriving in Chile, Colombia, and Peru from 2015 to 2017 exceeded 1,000%.[139] As the situation in Venezuela has deteriorated, the pace of the arrivals has quickened, with some neighboring countries straining to absorb them. Secondary impacts, such as increased public health issues and the spread of disease, are also of increasing concern in the region.[140]

Based on conservative government figures, more than 1.5-1.6 million Venezuelan nationals have left the country since 2014. As of May 2018, UNHCR reported that there were an estimated 600,000 Venezuelans living in Colombia, 93,000 in Ecuador, 100,000 in Peru, 60,000 in the Southern Caribbean (particularly in Trinidad and Tobago), and 40,000 in Brazil.[141] Although not all may be refugees, it is evident that a significant number are in need of international protection. An estimated 60% of Venezuelans remain in an irregular situation, without documentation, including those not able to apply for asylum or another legal status because of bureaucratic obstacles, long waiting periods, or high application fees. Host countries (including Colombia, Brazil, Ecuador, Peru, Panama and the southern Caribbean) have become increasingly strained, and more than half of all Venezuelans in these countries have no regular status and are more vulnerable to protection risks.

Some of those who have left Venezuela have sought asylum in countries in the region and beyond. Since 2014, UNHCR reports that more than 170,000 Venezuelans have filed claims globally. The major destination countries for recent Venezuelan asylum seekers have included the United States (58,800), Brazil (22,300), Peru (20,850), and Spain (12,300).[142] An estimated 500,000 have accessed alternative legal forms of stay in Latin America.

Humanitarian organizations and governments are responding to the needs of displaced Venezuelans in the region. 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.

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[138] Schneider, op. cit.; Anthony Faiola, "The Crisis Next Door," *Washington Post*, March 2, 2018.

[139] Anthony Faiola, "The Crisis Next Door," *Washington Post*, March 2, 2018.

[140] WHO, Pan-American Health Organization (PAHO), *PAHO's Response to Maintaining an Effective Technical Cooperation Agenda in Venezuela and Neighboring Member States*, CE162/INF/22, Rev. 1, June 20, 2018.

[141] UNHCR, "Venezuela Situation: Update on Response and Funding Requirements," May 2018.

[142] UNHCR, "Venezuela Situation: May 2018," May 2018.

Countries in the region are under pressure to examine migration and asylum policies and to consider strategies for addressing the legal status of Venezuelans who have fled their country. 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. The 1984 Cartagena Declaration on Refugees, along with more recent consultative processes and declarations, has an expanded definition of refugee, which goes beyond the 1951 U.N. Convention Relating to the Status of Refugees and its 1967 Protocol and incorporates a new framework for regional action in the protection of vulnerable groups and individuals. It provides a broader scope for addressing the risks to refugees, including indirect effects such as poverty, economic decline, inflation, violence, disease, food insecurity, malnourishment, and displacement.

International Appeals for 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).

In mid-March 2018, UNHCR launched a revised appeal, which requests a total of $46.1 million for funding to support vulnerable Venezuelans throughout the Latin America and Caribbean region. As of June 13, 2018, donors had funded 44% of the appeal. On April 10, 2018, IOM launched a regional action plan requesting $32.3 million in funding to provide assistance to Venezuelans in the region. IOM plans to expand its Displacement Tracking Matrix to all countries receiving Venezuelans and to assist governments and relief organizations responding to arrivals.[143] Other appeals are being drafted to respond to the increasing needs in the region. There are also appeals launched by organizations outside the U.N. system.

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. 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. The United States has employed various sanctions in response to concerns about the activities of the Venezuelan government or Venezuela-linked individuals and entities.[144] On June 26, 2018, the U.S. Supreme Court upheld the legality of a proclamation issued by President Trump in September 2017 that prohibited entry into the United States of nationals from specified countries (including Venezuela) that the President concluded do not share adequate information for immigration vetting purposes or that presented other risks to national security.[145]

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[143] International Organization for Migration, *Analysis: Venezuelan Migration Flows in South America*, May 2018. See https://reliefweb.int/sites/reliefweb.int/files/resources/FMS_VEN_jun15_eng_0.pdf.

[144] See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan.

[145] In the case of Venezuela, the proclamation states that "Venezuela's government fails to share public-safety and terrorism-related information adequately ...[however, there are] alternative sources for obtaining information to verify

In the wake of elections that the United States deemed illegitimate, the Trump Administration has sought to increase pressure on the Maduro government to hasten a return to democracy in Venezuela, but it could have limited influence on events unfolding in the country.[146] 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 and on Venezuela-linked individuals and entities for drug trafficking. It is helping other countries establish similar sanctions regimes. The Administration has issued three executive orders to date 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, after the election, prohibiting U.S. purchases of Venezuelan debt (E.O. 13835). President Maduro dismissed those sanctions and ordered the top two U.S. diplomats in Caracas to leave the country on May 22, 2018; the United States followed suit on May 23, 2018.[147]

The Administration is conducting "an active review" of the imposition of new sanctions that potentially would limit or prohibit petroleum trade with Venezuela.[148] 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 democracy small-grant and technical assistance activities in Venezuela through its Office of Transition Initiatives (OTI) to provide assistance to monitor democratic stability and strengthen the county's democratic institutions. At the end of 2010, USAID's support for such activities in Venezuela was transferred from OTI to USAID's Latin America and Caribbean Bureau. In recent years, U.S. democracy 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.

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.

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the citizenship and identity of nationals from Venezuela. As a result, the restrictions imposed by this proclamation focus on government officials of Venezuela who are responsible for the identified inadequacies." It generally bars entry to officials of the Ministry of the Popular Power for Interior, Justice and Peace; the Administrative Service of Identification, Migration and Immigration; the Scientific, Penal, and Criminal Investigation Service Corps; the Bolivarian National Intelligence Service; and the Ministry of the Popular Power for Foreign Relations—and their immediate family members, who seek entry as nonimmigrants on business (B-1), tourist (B-2), and business/tourist (B-1/B-2) visas. The White House, "Presidential Proclamation Enhancing Vetting Capabilities and Processes for Detecting Attempted Entry Into the United States by Terrorists or Other Public-Safety Threats," September 24, 2017.

[146] U.S. Department of State, Secretary of State Mike Pompeo, "An Unfair, Unfree Vote in Venezuela," May 21, 2018.

[147] Nicholas Casey, "Nicolás Maduro Expels Top U.S. Diplomats from Venezuela," *New York Times*, May 22, 2018; U.S. Department of State, "Responding to Unjustified Diplomatic Actions in Venezuela," May 23, 2018. Despite that tension, U.S. officials negotiated the release of U.S. citizen Joshua Holt (imprisoned since 2016) and his Venezuelan wife. Michael D. Shear and Nicholas Casey, "Joshua Holt, an American Held in a Venezuelan Jail for 2 Years, Is Back in the U.S.," *New York Times*, May 26, 2018.

[148] "U.S. Will Not Recognize Venezuela Election Result: State Department," Reuters, May 20, 2018.

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. On June 20, 2018, the House Appropriations Committee approved its version of the State, Foreign Operations Appropriations, and Related Programs measure for FY2019; it would provide $15 million for democracy programs in Venezuela.[149] On June 21, 2018, the Senate Appropriations Committee approved its version of the FY2019 State-Foreign Operations measure (S. 3108). That bill would provide $20 million in democracy assistance to Venezuela.[150]

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).[151]

U.S. Humanitarian and Related Assistance

To date in FY2018, the total U.S. government humanitarian funding for the Venezuela regional response is just over $28 million. On April 13, 2018, the U.S. government announced at the Summit of the Americas in Lima, Peru, that it would provide $16 million in humanitarian assistance through the global humanitarian accounts for Venezuelans who have left their country. This contribution included $12 million provided through the State Department's Bureau of Population, Refugees, and Migration for UNHCR's supplementary appeal. It also included $3.6 million in humanitarian assistance, primarily in Colombia and Brazil, through USAID's Office of Foreign Disaster Assistance (OFDA), which supplemented an earlier contribution through OFDA of $2.5 million.[152] On June 25, 2018, the U.S. government announced nearly $10 million in additional humanitarian assistance through the global humanitarian accounts for Venezuelans in the region. This includes a contribution to IOM's appeal, support for the U.N. World Food Program's emergency response for Venezuelan arrivals in Ecuador, and other humanitarian aid to Venezuelans and host communities throughout the region, including in Brazil, Colombia, Ecuador, and Peru.

In FY2017, the U.S. government provided $3.3 million to support UNHCR's efforts to respond to the needs of Venezuelans. Total U.S. humanitarian funding for the Venezuela regional response in FY2017-FY2018 is just over $31.3 million.

On May 8, 2018, the Administration announced an additional $18.5 million in bilateral aid to support the ongoing needs of Venezuelans currently displaced in Colombia, including a registry system for new arrivals, school feeding programs, and mobile health clinics.[153]

[149] For a link to the legislation, see https://appropriations.house.gov/news/documentsingle.aspx?DocumentID=395361.

[150] For a link to the legislation, see https://jukebox.cq.com/www/graphics/govdoc/2018/06/21/govdoc20180621-192432.pdf.

[151] National Endowment for Democracy, "Venezuela 2017," at https://www.ned.org/region/latin-america-and-caribbean/venezuela-2017/.

[152] USAID, *Venezuela Regional Crisis –Complex Emergency, Fact Sheet #1, Fiscal Year (FY) 2018,* April 18, 2018.

[153] USAID, "U.S. Assistance for Venezuelans in Colombia," May 8, 2018.

Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption[154]

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

In December 2014, the 113th Congress enacted the Venezuela Defense of Human Rights and Civil Society Act of 2014 (P.L. 113-278). Among its provisions, the law required (until December 31, 2016) the President to impose sanctions (asset blocking and visa restrictions) against those whom the President determined were responsible for significant acts of violence or serious human rights abuses associated with the 2014 protests or, more broadly, against anyone who had directed or ordered the arrest or prosecution of a person primarily because of the person's legitimate exercise of freedom of expression or assembly. 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.[155]

Corruption

Venezuela ranked 169 out of 180 countries included in Transparency International's 2017 Corruption Perceptions Index (CPI), the lowest ranking of any country in Latin America and the Caribbean. In a 2017 survey, more than 75% of Venezuelans said that corruption was rising. Corruption in PdVSA, as well as in ports, border crossings, and food importing and distribution systems now controlled by the military, has cost the country hundreds of millions of dollars in lost income.[156] Corruption in the criminal justice system is tied to widespread human rights abuses and impunity. According to Transparency Venezuela, the full extent of this corruption is difficult to gauge given the

[154] CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan.

[155] 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.

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

government's lack of transparency and weak institutions.

Sources: Transparency International, CPI, https://www.transparency.org/news/feature/corruption_perceptions_index_2017.

To date, the Treasury Department has imposed sanctions on 59 Venezuelans pursuant to E.O. 13692. In March 2015, the Treasury Department froze the assets of six members of Venezuela's security forces and a prosecutor involved in repressing antigovernment protesters. Under the Trump Administration, the Treasury Department has imposed sanctions against an additional 52 Venezuelans pursuant to E.O. 13692, including members of the Supreme Court, CNE, Cabinet, Constituent Assembly, and security forces (army, national guard, and national 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. Treasury Department imposed sanctions on four current or former Venezuelan officials, including PSUV first Vice President Diosdado Cabello.

Trafficking in Persons. Since 2014, Venezuela has received a Tier 3 ranking in the State Department's annual *Trafficking in Persons* (TIP) reports. U.S. assistance to Venezuela has not been subject to TIP-related sanctions, since the democracy and human rights aid provided goes to nongovernmental organizations and has been deemed to be in the U.S. national interest.[157] According to the June 2017 TIP report, although the government arrested seven trafficking suspects, it did not provide any data on prosecutions or convictions, victims identified, or any other antitrafficking efforts.

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

President Trump signed E.O. 13808, effective August 25, 2017, imposing new sanctions that restrict the Venezuelan government's access to U.S. financial markets, which has been an important source of capital for the government and PdVSA.[158] 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."[159] Sanctions targeting sovereign debt are unusual, but not unprecedented.[160]

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

Concurrent with the release of the Executive Order in August, Treasury issued licenses to minimize the impact of sanctions on U.S. economic interests and on the Venezuelan people. The

[157] See, for example, White House, Office of the Press Secretary, "Presidential Determination on Foreign Governments' Efforts Regarding Trafficking in Persons," September 30, 2018.

[158] 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.

[159] 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.

[160] 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.

licenses allow (1) a 30-day window to wind down contracts affected by the sanctions; (2) U.S. investors to continue trading their existing holdings of Venezuelan and PdVSA bonds on secondary markets; (3) transactions involving new debt issued by CITGO; and (4) financing for specific humanitarian goods, including agricultural commodities, medicine, and medical devices. Additionally, the sanctions 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.

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 and other state institutions. Most economists agree that the sanctions made the fiscal position of the government more difficult, as many international banks ceased all financial transactions with Venezuela for fear of violating sanctions, and as sanctions accelerated the decline in Venezuelan oil exports to the United States.[161] In the November 2 address announcing his intent to restructure Venezuela's debt, President Maduro blamed U.S. sanctions for the government's fiscal problems, arguing that they made it impossible for the government to raise additional funds.

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 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" that Trump Administration officials said they had observed being used by Venezuelan government officials to enrich themselves.[162]

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.[163] According to the Venezuelan Violence Observatory (OVV), there were roughly 26,616 homicides in 2017 (89.1 homicides per 100,000 people) as compared to 28,478 homicides in 2016.[164] The impunity rate for homicide in Venezuela is roughly 92%.[165] Although many homicides have been committed by criminal groups, extrajudicial killings by security forces and allied armed civilian militias (*collectivos*) also have been rising.[166] From 2015 through June 2017, data provided to the OAS by former Attorney General Ortega documented 8,292 extrajudicial executions by security forces.[167]

[161] 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.

[162] Nicholas Casey and Julie Hirschfeld Davis, "As Trump Adds Sanctions on Venezuela, Its Neighbors Reject Election Result," *New York Times*, May 21, 2018.

[163] 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.

[164] "Observatorio de la Violencia: 26.616 Personas Murieron de Forma Violenta en 2017, *la Patilla*," December 2017.

[165] Woody, April 2017.

[166] David Smilde, "Crime and Revolution in Venezuela," *NACLA Report on the Americas*, 2017, vol. 49, no. 3.

[167] OAS, May 2018.

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.[168] 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.[169]

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 (an addendum to a 1978 Bilateral Counternarcotics agreement) that would have enhanced information-sharing and antidrug cooperation. Venezuela has yet to approve that agreement.

Since 2005, Venezuela has been designated annually as a country that has failed to adhere to its international antidrug obligations, pursuant to international drug-control certification procedures in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228). In September 2017, President Trump designated Venezuela as one of two countries not adhering to its antidrug obligations.[170] 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

[168] 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.

[169] Venezuela Investigative Unit, "Widespread Corruption in Venezuela Backfires on President Maduro," InSight Crime, October 16, 2016.

[170] The White House, "Presidential Determination—Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2018," September 13, 2017.

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."[171]
- 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.[172] It names officials who have been sanctioned or accused of drug trafficking-related crimes, as well 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 exported corruption to El Salvador.[173]

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.[174]

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 Molina, former subdirector of ONA, participated in drug-trafficking activities from 2008 through 2010.[175] 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 Venezuelan First Lady Cilia Flores—Franqui Francisco Flores de Freitas and Efrain 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

[171] U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2018 *International Narcotics Control Strategy Report* (INCSR), vol. 1, p. 282.

[172] Insight Crime, *Drug Trafficking Within the Venezuelan Regime: The 'Cartel of the Suns,'* May 17, 2018.

[173] Insight Crime, *Venezuela: A Mafia State?* May 2018.

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

[175] 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.

arrested in Haiti in November 2015 and brought to the United States to face drug-trafficking charges and convicted in November 2016.[176]

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.).[177] On February 13, 2017, the Department of the Treasury imposed drug-trafficking sanctions against then-Vice President Tareck el Aissami and an associate.[178]

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.

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.[179] 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.[180] 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.[181]

On September 20, 2017, the Treasury Department's Financial Crimes Enforcement Network advised U.S. financial institutions to report any suspicious financial transactions that could have a nexus with Venezuela.[182] 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."

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[176] Laura Natalia Ávila, "Game Changers 2016: Venezuela's Cartel of the Suns Revealed," *InSight Crime*, January 3, 2017.

[177] See CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Mark P. Sullivan.

[178] 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.

[179] 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, p. 211-212.

[180] Ibid.

[181] Brendan Pierson, "Florida Men Sentenced to Prison for Laundering Funds From Venezuela," Reuters, June 19, 2018.

[182] U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Advisory on Widespread Public Corruption in Venezuela," September 20, 2017.

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.[183] 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).[184] 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.[185]

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.

The State Department's most recent annual terrorism report, issued in June 2017, stated that "there were credible reports that Venezuela maintained a permissive environment that allowed for activities that benefited known terrorist groups."[186] The report stated that individuals linked to the FARC, the ELN, and Basque Fatherland and Liberty (a Basque terrorist organization), as well as Hezbollah supporters and sympathizers, were present in Venezuela. In 2008, the Treasury Department imposed sanctions (asset freezing and prohibitions on transactions) on two individuals and two travel agencies in Venezuela for providing financial support to Hezbollah, which the Department of State has designated a Foreign Terrorist Organization. The action was taken pursuant to E.O. 13224, aimed at impeding terrorist funding.

In 2017, some Members of Congress expressed concerns about allegations that Venezuelan passports may have been sold to individuals at the Venezuelan Embassy in Iraq and that some of those passports could be used by terrorists.[187] Some observers, however, question the allegations. They note that passport falsification is not unique to Venezuela and maintain that the difficulty of obtaining a U.S. visa means that the possibility of a security threat to the United States is low.[188]

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[183] Global Initiative Against Transnational Organized Crime, *Organized Crime and Illegally Mined Gold in Latin America*, April 2016. Hereinafter: The Global Initiative, April 2016.

[184] 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.

[185] The Global Initiative, April 2016.

[186] U.S. Department of State, "Chapter 2, Western Hemisphere Overview," in *Country Reports on Terrorism 2015*, June 2016.

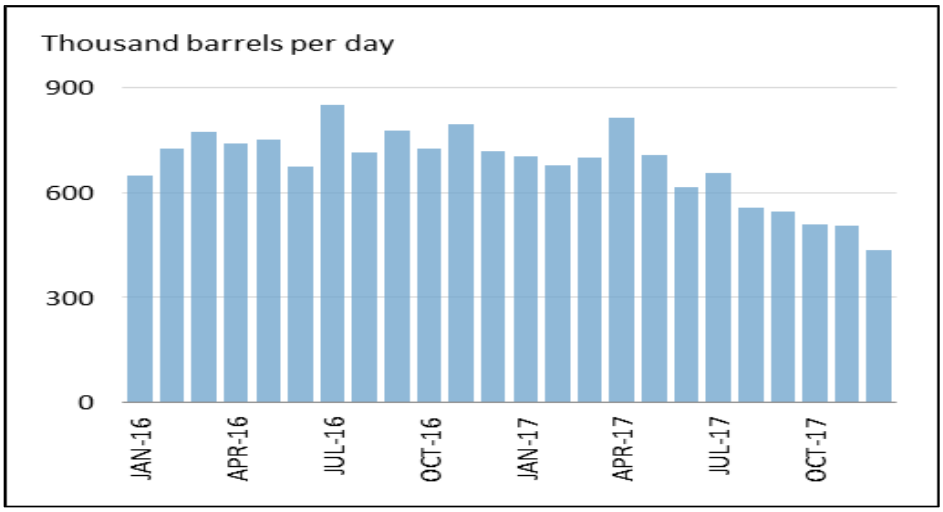
[187] Scott Zamost et al., "Venezuela May Have Given Passports to People with Ties to Terrorism," CNN, February 14, 2017.

[188] Geoff Ramsey and David Smilde, "Fact Checking Venezuelan Passports-to-Terrorists Allegations," *Insight Crime*, February 22, 2017.

Energy Sector Concerns and Potential U.S. Sanctions[189]

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 2016, Venezuela was the third-largest foreign supplier of crude oil to the United States (behind Canada and Saudi Arabia), providing an average of 741,000 b/d, down from 1.5 million b/d in 2015. The decline in U.S. oil imports from Venezuela has continued in 2017, to their lowest level since 2002 (see **Figure 4**).

Figure 4. U.S. Imports of Venezuelan Oil



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

Oil is overwhelmingly Venezuela's major export to the United States. According to U.S. trade statistics, Venezuela's oil exports to the United States were valued at $11.7 billion in 2017, accounting for 95% of Venezuela's exports to the United States.[190] 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.

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.[191] 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.[192] There are concerns that delayed payments and promissory notes would count as new credit and, if

[189] Philip Brown,

[190] Trade statistics are from Global Trade Atlas, which uses Department of Commerce statistics.

[191] 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.

[192] Risa Grais-Targow, Greg Priddy, and Agata Ciesielska, "Venezuela/Oil," *Eurasia Group*, November 21, 2017.

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.[193]

Various sanction options on Venezuela's petroleum sector reportedly are being 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.

[193] 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.[194] 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).[195] At the end of August, it was reported that the Trump Administration stands ready to block the transaction.[196] 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.[197] 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.[198]

U.S. Support for Organization of American States (OAS) 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. policy objectives. OAS efforts have thus far largely failed, however, due to the reluctance of some countries to intervene in Venezuela's domestic affairs (see **Appendix B** for more details on OAS efforts).

OAS Secretary General Almagro (who assumed his position in May 2015) has spoken out strongly about the situation in Venezuela. On May 31, 2016, the Secretary-General invoked the Inter-American Democratic Charter—a collective commitment to promote and defend democracy—when he called (pursuant to Article 20) on the OAS Permanent Council to convene an urgent session on Venezuela to decide whether "to undertake the necessary diplomatic efforts to promote the normalization of the situation and restore democratic institutions."[199] He issued a report on the political and economic situation in Venezuela, concluding that there were "serious

[194] For example, see Jeff Duncan and James Conway, "Venezuela-Russia Deal Threatens U.S. Energy Security," *The Hill*, July 11, 2017.

[195] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Domestic and International Policy*, 115th 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.

[196] Ian Talley, "U.S. to Block Potential Russian Move into American Energy," *Wall Street Journal*, August 31, 2017.

[197] 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.

[198] Alexandra Ulmer and Marianna Parraga, "Russia, Venezuela Discuss Citgo Collateral Deal to Avoid U.S. Sanctions," Reuters, July 20, 2017.

[199] OAS, "Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela," May 31, 2016.

disruptions of the democratic order" in the country.[200] The Permanent Council received the report, but has struggled to achieve consensus on how to respond to the evolving crises. 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.[201]

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, including holding general elections without delay, or face a possible suspension from the OAS.[202] It concluded by calling on OAS member states to apply Article 21 of the Inter-American Democratic Charter to suspend Venezuela from the organization if the Venezuelan government failed to address the report recommendations positively within 30 days. An affirmative vote of two-thirds of the member states (23) in a special session of the General Assembly would be necessary to suspend Venezuela from the organization.

Although a suspension would demonstrate Venezuela's diplomatic isolation, it is unclear whether such a move would affect the Maduro government's policies. President Maduro has instructed his foreign minister to begin the process for Venezuela to withdraw from the OAS in protest of the organization's recent actions, marking the first time in the organization's history that a country has sought to quit.[203] The withdrawal process, which takes two years, would require Venezuela to pay $8.8 million in back dues to the OAS.[204] If implemented, Venezuela could lose access to the Pan American Health Organization, the regional arm of the World Health Organization.

Despite the deteriorating situation in Venezuela, a number of countries have been reluctant 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 (introduced by Peru and backed by the United States) to press the Venezuelan government to take concrete actions, but the measure failed because it needed 23 votes.[205]

In the absence of consensus within the General Assembly, Secretary General Almagro continued to speak out against actions taken by the Maduro government.[206] 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.[207] The Secretary General initiated a process to analyze whether the

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[200] 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.

[201] OAS, "Resolution on the Situation in Venezuela," June 5, 2018.

[202] 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.

[203] Michael Shifter, "Venezuela's Bad Neighbor Policy: Why It Quit the OAS," *Foreign Affairs*, May 5, 2017.

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

[205] Among other countries, six voted no (Bolivia, Dominica, Nicaragua, St. Kitts and Nevis, St. Vincent and the Grenadines, and Venezuela) and eight countries abstained (Antigua and Barbuda, Dominican Republic, Ecuador, El Salvador, Grenada, Haiti, Suriname, and Trinidad and Tobago).

[206] 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*, 115th Cong., 1st sess., July 19, 2017.

[207] 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

Maduro government's abuses against its citizens constitute crimes against humanity meriting a referral to the International Criminal Court (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.[208] 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.[209]

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, President Maduro faces threats to his control over Venezuela. Domestic challenges include hyperinflation (estimated at 13,000% in 2018), a worsening humanitarian crisis, failing public services, dissent within the military, and a collapsing oil industry led by a dysfunctional state oil company. Both the Venezuelan government and PdVSA are in default. Bondholders or companies could move to seize PdVSA's assets or sue for the payments they are owed as Conoco has done. Without the patronage oil revenue formerly provided, the military may grow restive. Recent arrests of high-level military officials have signaled dissent within the forces.

Maduro also faces increasing international isolation. The EU and Canada did not recognize the election results and imposed further targeted sanctions on Venezuelan officials. The Lima Group countries did not recognize the election results, removed their ambassadors from Caracas, and increased financial oversight of Venezuelan-linked transactions.

In addition to concerns about democracy and human rights, the U.S. government and the international community are increasingly concerned by the profound economic and social crises that the Venezuelan people are experiencing. Many observers contend that the road to economic recovery will take several years, no matter who is in power. The IMF has estimated that an international financial assistance package for Venezuela could cost more than $30 billion a year. However, discussion about an IMF program is still speculative.[210] The Maduro regime has essentially cut off relations with the IMF, and many analysts believe that, as with debt restructuring, an IMF program would proceed only under a new government in Venezuela.

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

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the Permanent Council," September 25, 2017, at http://www.oas.org/documents/eng/press/OSG-445-CUARTO-INFORME-venezuela-English.pdf.

[208] OAS, May 2018.

[209] D. Smilde et al., "Is the OAS Playing a Constructive Role on Venezuela? What Should It Be Doing Differently?—Dialogue," *Portside,* June 1, 2017.

[210] John Paul Rathbone and Shawn Donnan, "IMF Crunches the Numbers for Possible Venezuela Rescue," *Financial Times,* October 16, 2017.

Appendix A. Legislative Initiatives

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

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

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

In addition, **S. 1018** would

- authorize $10 million in humanitarian assistance for Venezuela and would require the Secretary of State to provide a strategy on how that assistance would be provided;
- authorize $9.5 million for coordinated democracy and human rights assistance after the Secretary of State submits a strategy on how the funds would be implemented and would make $500,000 available to support any future OAS electoral missions to the country; and
- prioritize continued U.S. support to Caribbean countries that have been dependent on Venezuela for energy.

Rather than authorize funding, **H.R. 2658** would

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

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

H.R. 2161 (Curbelo). Venezuelan Refugee Assistance Act. The bill would provide for the status adjustment to permanent resident of qualifying Venezuelan nationals and the spouse, child, or certain unmarried sons or daughters of such aliens. Introduced April 26, 2017; referred to House Judiciary Committee.

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

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

S.Res. 35 (Cardin). The resolution expresses support for a dialogue that leads to respect for Venezuela's constitutional mechanisms and a resolution to the multiple crises the country faces, as well as for OAS efforts to invoke the Inter-American Democratic Charter. The resolution urges full U.S. support for OAS efforts and calls for U.S. agencies to hold Venezuelan officials accountable for violations of U.S. law and international human rights standards. Introduced February 1, 2017. Agreed to in the Senate February 28, 2017.

S.Res. 363 (Nelson). The resolution expresses concern about the humanitarian crisis in Venezuela and urges the government to allow humanitarian aid to be delivered. It further calls on the government to release political prisoners, respect human rights, allow freedom of expression and assembly, and ensure that its security forces behave professionally. It supports the OAS review of abuses committed by Venezuela and urges U.S. support for that examination. It also urges U.S. agencies to continue to hold Venezuelan officials accountable for violations of U.S. law and international human rights standards. Introduced December 20, 2017; referred to the Committee on Foreign Relations.

S.Res. 414 (Durbin). The resolution called upon the Venezuelan government to postpone the elections originally scheduled for April until guarantees can be provided to ensure that it is free and fair. It condemns the government for undermining democratic institutions, inhibiting the

delivery of humanitarian assistance, and failing to negotiate in good faith with the opposition. It supports Peru's decision not to invite President Maduro to the Summit of the Americas and ICC examinations of Venezuela's use of torture and arbitrary detentions. Introduced February 27, 2018; referred to the Committee on Foreign Relations.

Appendix B. OAS Action on Venezuela: 2016-2018

On May 31, 2016, Secretary General Almagro invoked the Inter-American Democratic Charter—a collective commitment to promote and defend democracy—when he called (pursuant to Article 20) on the OAS Permanent Council to convene an urgent session on Venezuela to decide whether "to undertake the necessary diplomatic efforts to promote the normalization of the situation and restore democratic institutions."[211] Secretary-General Almagro issued a report concluding that there are "serious disruptions of the democratic order" in the country.[212] 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.[213] 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 asserted the need for all actors to "avoid any action of violence or threats to the ongoing process."[214]

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.[215] 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.[216] 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 of convening the meeting.[217] However, some countries objected to potential statements or actions

[211] OAS, "Secretary General Invoked Democratic Charter and Convened Permanent Council on Venezuela," May 31, 2016.

[212] 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.

[213] 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.

[214] OAS, "Declaration of the Permanent Council Supporting the National Dialogue in the Bolivarian Republic of Venezuela," November 16, 2016.

[215] 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.

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

[217] OAS, "OAS Permanent Council Agrees to Convene a Meeting of Consultation of Ministers of Foreign Affairs to

(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."[218] Other countries supported a resolution offered by CARICOM calling for dialogue and the creation of an external "group or other mechanism" to support dialogue between the government and the opposition without the specific preconditions on the government included in the other draft resolution.[219] 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, 6 countries voted no, and 8 abstained from voting.[220] The foreign ministers could reconvene to continue that meeting at any time.

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.[221]

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.[222]

Consider the Situation in Venezuela," press release, E-035/17, April 26, 2017.

[218] 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.

[219] 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.

[220] 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.

[221] 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.

[222] 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.

Appendix C. Online Human Rights Reporting on Venezuela

Table C-1. Online Human Rights Reporting on Venezuela

Organization	Document/Link
Amnesty International	*Human Rights in Bolivarian Republic of Venezuela*, https://www.amnesty.org/en/countries/americas/venezuela/
Committee to Protect Journalists	http://www.cpj.org/americas/venezuela/
Foro Penal Venezolano	http://foropenal.com/
Human Rights Watch	http://www.hrw.org/en/americas/venezuela
Inter-American Commission on Human Rights (IACHR)	http://www.cidh.oas.org/DefaultE.htm; *Annual Report of the IACHR 2017*, 2018, chapter IV includes a section on Venezuela, http://www.oas.org/en/iachr/docs/annual/2017/TOC.asp
Programa Venezolano de Educación-Acción en Derechos Humanos (PROVEA)	http://www.derechos.org.ve/
Reporters Without Borders	https://rsf.org/en/venezuela
U.S. State Department	*Country Report on Human Rights Practices 2017*, https://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2017&dlid=277367#wrapper
Venezuelan Politics and Human Rights	Blog hosted by the Washington Office on Latin America, http://venezuelablog.tumblr.com

Source: Congressional Research Service.

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