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Venezuela: Background and U.S. Relations

Updated November 7, 2019

Congressional Research Service
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R44841

CRS REPORT
Prepared for Members and
Committees of Congress

Congressional Research Service
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SUMMARY

R44841

November 7, 2019

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Venezuela: Background and U.S. Relations

Venezuela remains in a deep crisis under the authoritarian rule of Nicolás Maduro of the United Socialist Party of Venezuela. Maduro, narrowly elected in 2013 after the death of Hugo Chávez (president, 1999-2013), began a second term on January 10, 2019, that most Venezuelans and much of the international community consider illegitimate. Since January, Juan Guaidó, president of Venezuela's democratically elected, opposition-controlled National Assembly, has sought to form an interim government to serve until internationally observed elections can be held. Although the United States and 56 other countries recognize Guaidó as interim president, he has been unable to wrest Maduro from power. With Norway-backed negotiations between Maduro and Guaidó suspended, prospects for a negotiated solution to the crisis are uncertain.

Venezuela's economy has collapsed. The country is plagued by hyperinflation, severe shortages of food and medicine, and electricity blackouts that have worsened an already dire humanitarian crisis. In April 2019, United Nations officials estimated that some 90% of Venezuelans are living in poverty. Maduro has blamed U.S. sanctions for these problems, but most observers cite economic mismanagement and corruption for the crisis. U.N. agencies estimate that 4.5 million Venezuelans had fled the country as of October 2019, primarily to Latin American and Caribbean countries.

U.S. Policy

As the situation in Venezuela has deteriorated under Maduro, the Trump Administration has imposed targeted sanctions on Venezuelan officials responsible for antidemocratic actions, human rights violations, and corruption, as well as increasingly strong financial sanctions against the Maduro government and the state oil company, its main source of income. Since recognizing Guaidó as interim president in January 2019, the Administration has increased sanctions on the Maduro government and encouraged other countries to do so.

The Administration has provided $472 million in humanitarian and development assistance to support countries sheltering Venezuelans, including $56 million for humanitarian relief activities in Venezuela. In October 2019, the U.S. Agency for International Development signed an agreement with the Guaidó government that will enable the provision of $98 million in additional development assistance to expand programs that support human rights, independent media, the National Assembly, and electoral oversight and to start agriculture and health programs.

Congressional Action

Congress has supported the Administration's efforts to support a restoration of democracy in Venezuela and provide humanitarian support to Venezuelans, although some Members have expressed concerns about the humanitarian effects of sanctions and about potential unauthorized use of the U.S. military in Venezuela. In 2019, the House has approved H.R. 854, authorizing humanitarian assistance; H.R. 920, restricting the export of defense articles to Venezuela; H.R. 1477, requiring a strategy to counter Russian influence in Venezuela; and H.R. 549, designating Venezuela as a beneficiary country for temporary protected status (TPS).

On May 22, 2019, the Senate Foreign Relations Committee ordered S. 1025 reported with an amendment to include the language of H.R. 854, H.R. 920, and H.R. 1477. S. 1025 would codify U.S. sanctions, authorize humanitarian aid, and authorize funds to support elections and a democratic transition in Venezuela.

Both the House and Senate versions of the FY2020 National Defense Authorization Act (H.R. 2500 and S. 1790) have similar provisions that would prohibit federal contracting with persons who do business with the Maduro government.

The Administration's FY2020 budget asked for $9 million in democracy aid and authority to transfer up to $500 million to support a transition or respond to a crisis in Venezuela. The House-approved version of the FY2020 State and Foreign Operations Appropriations Act (H.R. 2740, H.Rept. 116-78) would provide $17.5 million in democracy aid. The Senate-introduced version of the bill (S. 2583, S.Rept. 116-126) would provide $30 million.

Because neither measure has been enacted, a continuing resolution (P.L. 116-59) is funding foreign assistance programs until November 21, 2019.

Also see CRS In Focus IF10230, *Venezuela: Political Crisis and U.S. Policy*; CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*; and CRS In Focus IF11216, *Venezuela: International Efforts to Resolve the Political Crisis*.

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Recent Developments

On November 5, 2019, the Treasury Department's Office of Foreign Assets Control (OFAC) designated five Venezuelan officials as subject to sanctions under Executive Order (E.O.) 13884, issued in August 2019. E.O. 13884 imposed sanctions on the government of Nicolás Maduro and authorized sanctions against those that materially support the Maduro government (see "U.S. Sanctions on Venezuela," below).

On October 28-29, 2019, the European Union (EU) announced that it and other donors would provide $167 million in additional humanitarian assistance to support the U.N. Regional Response to the Venezuelan Migration and Refugee Crisis at a donor's conference (see "International Humanitarian Response in the Region," below).

On October 28, 2019, Venezuela defaulted on its last bond, as neither the Maduro government nor the interim government of Juan Guaidó made a $913 million payment due on the *Petróleos de Venezuela, S.A* (PdVSA) 2020 bonds (see "Economic Crisis," below).

On October 24, 2019, the Treasury Department blocked PdVSA 2020 bondholders from seizing Citgo, a U.S. subsidiary of PdVSA, during a default until January 2020. Interim president Guaidó now controls Citgo (see "Economic Crisis," below).

On October 21, 2019, OFAC amended a general license permitting several U.S. companies with operations in Venezuela (including Chevron) involving PdVSA, the state oil company, to continue operating through January 2020 despite U.S. sanctions (see "Energy Sector Concerns and U.S. Economic Sanctions," below).

On October 17, 2019, U.N. Member States elected Venezuela over Costa Rica to fill an open seat on the U.N. Human Rights Council despite the Maduro government's record of human rights abuses (see "Human Rights," below).

On October 8, 2019, the U.S. Agency for International Development (USAID) announced an agreement with the Guaidó government to provide an additional $98 million for democracy and development-related assistance for Venezuelans inside Venezuela (see "Democracy and Development-Related Assistance," below).

On September 23, 2019, 16 of the 19 countries that have ratified the Inter-American Treaty of Reciprocal Assistance (Rio Treaty), including the United States, approved a resolution to impose targeted sanctions on officials in the Maduro government (see "Foreign Involvement in Venezuela's Crisis," below).

On September 17, 2019, the Maduro government released Edgar Zambrano, vice president of the National Assembly, from prison four months after he was arbitrarily detained for his involvement in a failed April 30 uprising (see "Human Rights," below).

On September 15, 2019, Interim President Guaidó announced the end of his negotiators' participation in a dialogue mediated by Norway with officials representing Maduro that had begun in May but been on hold since early August (see "Foreign Involvement in Venezuela's Crisis," below).

On September 15, 2019, Maduro announced the establishment of a new "dialogue" with five small parties that have a total of eight of 167 seats in the National Assembly. Maduro has pledged to release some political prisoners and select a new National Electoral Council in exchange for those parties agreeing to push for an end to U.S. sanctions (See "Interim Government Formed, but Maduro Still in Power," 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 (1999-2013) governed during a period of generally high oil prices, his successor, Nicolás Maduro of the United Socialist Party of Venezuela (PSUV), exacerbated an economic downturn caused by low global oil prices through mismanagement and corruption. According to Freedom House, Venezuela fell from "partly free" under Chávez to "not free" under Maduro.[1] On January 10, 2019, Maduro took office for a second term after winning an election in May 2018 that was deemed illegitimate within Venezuela and by the United States and more than 50 other countries.[2] Maduro has resisted domestic and international pressure to leave office and allow an interim government led by Juan Guaidó, president of the National Assembly, to serve until free and fair elections can be convened.[3]

U.S. relations with Venezuela, a major oil supplier, deteriorated during Chávez's rule, which undermined human rights, the separation of powers, and freedom of expression. U.S. and regional concerns have deepened as the Maduro government has manipulated democratic institutions; cracked down on the opposition, media, and civil society; engaged in drug trafficking and corruption; and refused most humanitarian aid. Efforts to hasten a return to democracy in Venezuela have failed thus far, but efforts to find a political solution to the crisis continue.[4]

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.

Venezuela at a Glance

Population: 27.5 million (2019 est., IMF)

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

GDP: $70.1 billion (2019, current prices, IMF est.)

GDP Growth: -18% (2018, IMF est.); -35% (2019, IMF est.)

GDP Per Capita: $2,548 (2019, current prices, IMF est.)

Key Trading Partners: Exports—U.S.: 35.2%, India: 21.4%, China: 15.2%. Imports—U.S.: 51.5%, China: 15.7%, Brazil: 13.8% (2019, EIU)

Unemployment: 44.3% (2019, IMF)

Life Expectancy: 74.7 years (2017, UNDP)

Literacy: 97.1% (2016, UNDP)

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

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

[1] Freedom House, *Freedom in the World: 2019.*

[2] The United States, the EU, the Group of Seven, and most Western Hemisphere countries do not recognize the legitimacy of his mandate.

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

[4] CRS In Focus IF11216, *Venezuela: International Efforts to Resolve the Political Crisis*, by Clare Ribando Seelke.

Figure 1. Political Map of Venezuela

Source: Congressional Research Service (CRS).

Political Situation

Legacy of Hugo Chávez: 1999-2013[5]

In December 1998, Hugo Chávez, a leftist populist representing a coalition of small parties, received 56% of the presidential vote. 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 who were judged to have squandered the country's oil wealth. 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).

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

[5] 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.

1989, then-President Carlos Andres Pérez (AD) initiated an austerity program that fueled riots in which several hundred people were killed. In 1992, two attempted military coups threatened the Pérez presidency, one led by Chávez, who at the time was a lieutenant colonel. Chávez served two years in prison for that failed coup attempt. In May 1993, the legislature dismissed Pérez from office for misusing public funds. The election of former President Rafael Caldera (1969-1974) as president in December 1993 brought a measure of political stability, but the government faced a severe banking crisis. A rapid decline in the world price of oil caused a recession beginning in 1998, which contributed to Chávez's landslide election.

Under Chávez, Venezuela adopted a new constitution (ratified by plebiscite in 1999), a new unicameral legislature, and 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, use of oil revenue to fund domestic social programs and provide subsidized oil to Cuba and other Central American and Caribbean countries, and willingness to oppose the United States captured global attention.[6]

After Chávez's death, his legacy has been debated. President Chávez established an array of social programs and services known as *missions* that helped reduce poverty by some 20% and improve literacy and access to health care.[7] Some maintain that Chávez also empowered the poor by involving them in community councils and workers' cooperatives.[8] Nevertheless, his presidency was "characterized by a dramatic concentration of power and open disregard for basic human rights guarantees," especially after his brief ouster from power in 2002.[9] 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.[10]

Venezuela's 1999 constitution, amended in 2009, centralized power in the presidency and established five branches of government rather than the traditional three branches.[11] 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 public officials at all levels adhere to the rule of law and that can investigate administrative corruption).

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[6] Chávez viewed himself as a leader of an integrated Latin America struggling against an external power (the United States), similar to how Simón Bolívar led the struggle against Spain in the 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. In 2005, the PetroCaribe program began providing subsidized oil to many Caribbean and Central American countries; however, the volume of shipments declined after 2012. David L. Goldwyn and Cory R. Gill, *The Waning of PetroCaribe? Central American and Caribbean Energy in Transition*, Atlantic Council, 2016.

[7] Daniel Hellinger and Anthony Petros Spanakos, "The Legacy of Hugo Chávez," *Latin American Perspectives*, vol. 44, no. 1, January 2017, pp. 4-15.

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

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

[10] 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.

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

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). Chávez exerted influence over all the government branches, particularly after an outgoing legislature dominated by *chavistas* appointed pro-Chávez justices to control 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. 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 five members of the CNE (for seven-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.[12]

Maduro Government: 2013-2018[13]

After Chávez's death in March 2013, Venezuela held presidential elections in April. Acting President Nicolás Maduro defeated Henrique Capriles of the Democratic Unity Roundtable (MUD) of opposition parties 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.

After his razor-thin victory, Maduro sought to consolidate his authority. Security forces and allied civilian groups violently suppressed protests and restricted freedom of speech and assembly. In 2014, 43 people died and 800 were injured in clashes between pro-government forces and student-led protesters concerned about rising crime. 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. In February 2015, the government again cracked down.

In the December 2015 legislative elections, the MUD captured a two-thirds majority in Venezuela's National Assembly—a setback for Maduro. The PSUV-aligned Supreme Court blocked three MUD deputies from taking office, which deprived the opposition of a two-thirds majority. From January 2016 through August 2017 (when the National Constituent Assembly discussed below voted to give itself legislative powers), the Supreme Court blocked laws and assumed the legislature's functions.

In 2016, opposition efforts focused on attempts to recall President Maduro in a national referendum that was delayed and then suspended by the CNE. In late 2016, most of the opposition (except the Popular Will party) agreed to talks with the government mediated by the

[12] Ramirez, "An Introduction to Venezuelan Governmental Institutions;" CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

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

Vatican; the former leaders of the Dominican Republic, Spain, and Panama; and the head of the Union of South American Nations. By December 2016, the opposition had left the talks due to the government's lack of progress in meeting its commitments.[14]

Development in 2017-May 2018 Election. In 2017, the Maduro government continued to harass and arbitrarily detain opponents. In addition, President Maduro appointed a hardline vice president, Tareck el Aissami, former governor of the state of Aragua and designated by the United States as a drug kingpin. Popular protests, which were frequent between 2014 and 2016, had dissipated. In addition to restricting freedom of assembly, the government cracked down on media outlets and journalists.[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 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 protests against the government, calling for President Maduro to release political prisoners, respect the separation of powers, and hold an early presidential election. Clashes between security forces (backed by armed civilian militias) and protesters left more than 130 dead and hundreds injured (See "Human Rights" below).

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 requires). 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). 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.[16]

Even though many countries have refused to recognize its legitimacy, the ANC dismissed Attorney General Ortega, voted to approve its own mandate for two years, and declared itself superior to other branches of government. Ortega fled Venezuela in August 2017 and, since then, has spoken out against the Maduro government. The ANC also approved a decree allowing it, not the National Assembly, to pass legislation.

President Maduro strengthened his control over the PSUV and gained the upper hand over the MUD despite international condemnation of his actions. In October 2017, the PSUV won 18 of 23 gubernatorial elections. Although fraud likely took place given the discrepancies between opinion polls and the election results, the opposition could not prove that it was widespread. 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

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

[15] Associated Press, "Venezuela Shuts Off CNN en Español After Criticizing Channel's Passport-Selling Report," February 15, 2017.

[16] Venezuela's CNE reported that almost 8.1 million people voted, but a company involved in setting up the voting system alleged that the tally was inflated by at least 1 million votes. Jennifer McCoy, "Credibility of Venezuela's Electoral Process on the Line," Washington Office on Latin America, August 3, 2017.

practice also used in subsequent elections.[17] The MUD coalition initially rejected the election results, but four victorious MUD governors took their oaths of office in front of the ANC (rather than the National Assembly), a decision that fractured the coalition.

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

Although most opposition parties did not participate in municipal elections held in December 2017, a few, including A New Time (UNT), led by Manuel Rosales, and Progressive Advance, led by Henri Falcón, fielded candidates. The PSUV won more than 300 of 335 mayoralties.

May 2018 Elections and Aftermath. The Venezuelan constitution established that the country's presidential elections were to be held by December 2018. Although many prominent opposition politicians had been imprisoned (Leopoldo López, under house arrest), barred from seeking office (Henrique Capriles), or in exile (Antonio Ledezma[18]) by late 2017, some MUD leaders sought to unseat Maduro through elections. Those leaders negotiated with the PSUV to try to obtain guarantees, such as a reconstituted CNE and international observers, to help ensure the elections would be as free and fair as possible. In January 2018, the ANC ignored those negotiations and called for elections to be moved up from December to May 2018, violating a constitutional requirement that elections be called with at least six months anticipation.[19] The MUD declared an election boycott, but Henri Falcón, former governor of Lara, broke with the coalition to run.

Venezuela's presidential election proved to be minimally competitive and took place within a climate of state repression. There were no internationally accredited election monitors. The government coerced its workers to vote and placed food assistance card distribution centers next to polling stations. The CNE reported that Maduro received 67.7% of the votes, followed by Falcón (21%) and Javier Bertucci, an evangelical minister (10.8%). Voter turnout was much lower in 2018 (46%) than in 2013 (80%), perhaps due to the MUD's boycott. After independent monitors reported widespread fraud, Falcón and Bertucci called for new elections to be held.[20]

From May 2018 through the end of 2018, Maduro faced mounting economic problems, coup attempts, and increasing international isolation. His government released some political prisoners; established Delcy Rodriguez, former head of the ANC and former foreign minister, as executive vice president; and made changes within the judiciary and the intelligence services to increase his control.[21] It also arrested those perceived as threats, including military officers and an opposition legislator accused of involvement in an August 2018 alleged assassination attempt against Maduro.[22] Foro Penal and Human Rights Watch have documented several cases in which those accused of plotting coups were subjected to "beatings, asphyxiation and electric shocks" by the

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

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

[19] José Ignacio Hernández G., "Rigged Elections: Venezuela's Failed Presidential Election," Electoral Integrity Project, May 30, 2018.

[20] "Venezuela's Maduro Wins Boycotted Elections Amid Charges of Fraud," NPR, May 21, 2018.

[21] The released political prisoners included U.S. citizen Joshua Holt, former Mayor Daniel Ceballos, opposition legislators (Gilber Caro and Renzo Prieto), and, in October 2018, former student leader Lorent Saleh.

[22] Andrew Rosati, "Venezuela Arrests Military Officers in Probe of Failed Assassination Bid," *Bloomberg*, August 14, 2018.

intelligence services.[23] The October 2018 death in custody of Fernando Albán, an opposition politician, provoked domestic protests and international concern.[24]

Interim Government Formed, but Maduro Still in Power

On January 10, 2019, Maduro began a second term. The United States, the EU, the Group of Seven (G-7), and most Western Hemisphere countries do not recognize the legitimacy of his mandate. They view the National Assembly as Venezuela's only democratic institution.

The National Assembly elected Juan Guaidó as its president on January 5, 2019; he is a 35-year-old industrial engineer from the Popular Will (VP) party. In mid-January, Guaidó announced he was willing to serve as interim president until new elections are held. Buoyed by a huge turnout for protests he called for, Guaidó took the oath of office on January 23, 2019. The United States and 55 other countries (including most EU and 15 Western Hemisphere countries) recognize Guaidó as interim president. Under Guaidó's leadership, the National Assembly swiftly enacted a resolution declaring Maduro's mandate illegitimate, established a framework for a transition government, drafted a proposal to offer amnesty for officials who support the transition, and created a strategy for receiving humanitarian assistance.

Guaidó and his supporters organized two high-profile efforts to encourage security (military and police) forces to abandon Maduro, neither of which succeeded. On February 23, they sought to bring emergency supplies into the country that had been positioned on the Colombia- and Brazil-Venezuela borders by the United States and other donors. Venezuelan national guard troops and armed civilian militias (*colectivos*) loyal to Maduro killed seven individuals and injured hundreds as they prevented the aid convoys from crossing the border.[25] The rest of the military did not attack civilians. While that part of that aid remains blocked and part has been distributed to Venezuelans in Colombia, U.N. agencies have increased their assistance efforts inside Venezuela since both Guaidó and Maduro agreed in March to allow increased humanitarian aid in the country (see "International Response in Venezuela," below).

On April 30, 2019, Guaidó and Leopoldo López, head of the VP party who had been released from house arrest by pro-Guaidó military officials, called for a civil-military rebellion against Maduro. National guard and militias loyal to Maduro violently put down pro-Guaidó supporters and attacked journalists. Social media accounts and independent media were blocked. As the day ended, López and other opposition lawmakers sought refuge in various foreign embassies.[26]

Guaidó and his allies initially hoped that sustained protests and international pressure would lead to enough military defections to compel Maduro to leave office relatively quickly, but those hopes have not materialized. By April 2019, more than 1,000 Venezuelan security forces (mostly national guard and police) had defected into Colombia. In May 2019, Colombia's migration agency signed an agreement with the interim government of Venezuela to grant those forces temporary legal status to work and receive assistance from the Colombian government.[27] Aside

[23] Human Rights Watch, "Venezuela: Suspected Plotters Tortured," January 9, 2019.

[24] The government maintains that Albán committed suicide; U.N. officials are investigating his death as a murder. Associated Press, "Fernando Albán: UN to Investigate Death in Custody of Venezuelan Politician," October 9, 2018.

[25] Foro Penal, *Report on Repression in Venezuela*, February 2019.

[26] International Crisis Group, *Picking up the Pieces After Venezuela's Quashed Uprising*, May 1, 2019.

[27] Gobierno de Colombia, "Colombia Determina Esquema de Atención para Ex-Militares y Ex-Policias Venezolanos que se Encuentran en el Territorio Nacional," May 15, 2019.

from the former head of the national intelligence agency (General Manuel Christopher Figuera), who supported the April 30 uprising, the military high command remains loyal to Maduro.

Analysts have speculated about why Maduro has retained the loyalty of most security forces in Venezuela. Military leaders have enriched themselves through corruption, drug trafficking, and other illicit industries; this income may have blunted the impact of U.S. sanctions.[28] Some military leaders also may fear that they could face prosecution for human rights abuses under a new government or extradition to face charges abroad. The U.S. government has said it may remove sanctions on officials who abandon Maduro (as they did with General Figuera), but that could be difficult, depending upon the individual and sanctions involved.[29] Finally, Venezuelan intelligence officials, trained and supported by Cubans, have arrested dissidents within the military. In June 2019, a naval officer died after being tortured in custody.

Many observers had hoped that talks mediated by Norway, which became public in May 2019, could lead to a negotiated solution to the political crisis in Venezuela that would establish the conditions for internationally monitored elections to be held.[30] Hopes faded, however, after Maduro stopped participating in negotiations in early August 2019 following new U.S. sanctions and Guaidó pulled out of the process permanently in September. As prospects for those negotiations have dimmed, Maduro remains in power despite his unpopularity, sustained pressure by the Guaidó government and its international allies, and a burgeoning economic and social crisis.

Maduro retains control over the security forces and all branches of the federal government except the National Assembly, economic resources (legitimate and illegitimate), state and municipal governments, media outlets, and food aid on which millions now depend. Analysts predict that Maduro may urge the smaller parties with which he began a "dialogue" on September 15, 2019, to agree to move up the National Assembly elections that are due to be held by December 2020 so he can try to wrest control over that body from Guaidó. As part of that "dialogue" process, he has released some political prisoners, had the PSUV take their seats in the legislature, and promised to reconstitute the CNE.[31] Observers have dismissed these moves as insufficient, and Guaidó and his supporters have called for national protests in response. (See "Outlook," below).

Human Rights

Human rights organizations and U.S. officials have expressed concerns for more than a decade about the deterioration of democratic institutions and threats to freedom of speech and press in Venezuela.[32] Human rights conditions in Venezuela have deteriorated even more under President Maduro than under former President Chávez. Abuses have increased, as security forces and allied armed civilian militias (*colectivos*) have been deployed to violently quash protests. In August 2017, the U.N. Office of the High Commissioner for Human Rights (OHCHR) issued a report on human rights violations by Venezuelan security forces against protestors. According to the report,

[28] Douglas Farah and Caitlyn Yates, *Maduro's Last Stand: Venezuela's Survival Through the Bolivarian Joint Criminal Enterprise*, IBI Consultants and the National Defense University, May 2019.

[29] The White House, "Remarks by Vice President Pence at the Washington Conference on the Americas," May 7, 2019; Reuters, "Relief from U.S. Sanctions Will Not Come Easily for Some Venezuelans," May 30, 2019.

[30] See also CRS In Focus IF11216, *Venezuela: International Efforts to Resolve the Political Crisis*, by Clare Ribando Seelke.

[31] Phil Gunson, "Maduro Finds a 'New Opposition' to Negotiate With," *International Crisis Group*, September 19, 2019.

[32] For background, see CRS Report R43239, *Venezuela: Issues for Congress, 2013-2016*, by Mark P. Sullivan.

credible and consistent accounts indicated that security forces "used excessive force to deter demonstrations, crush dissent, and instill fear."[33] The report maintained that many of those detained were subject to cruel, degrading treatment that in some cases amounted to torture.

In June 2018, OHCHR issued another report documenting abuses committed by units involved in crime fighting, the scale of the health and food crisis, and the continued impunity in cases involving security officers who allegedly killed people during the protests.[34] Selected human rights reports from 2018 and 2019 include the following:

- In June 2018, PROVEA, one of Venezuela's leading human rights organizations, asserted that 2017 was the worst year for human rights in Venezuela since the report was first published in 1989. In addition to violating political and civil rights, PROVEA denounced the Maduro government's failure to address the country's humanitarian crisis, citing its "official indolence" as causing increasing deaths and massive emigration.[35]
- 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 Organization of American States (OAS) recommending that the International Criminal Court (ICC) investigate credible reports that the Venezuelan government committed crimes against humanity.[36]
- In February 2019, the Venezuelan Human Rights group Foro Penal documented seven deaths, 107 arbitrary detentions, and 58 bullet injuries that resulted from the use of force by state security forces and *colectivos* that blocked aid from entering the country on February 22-23, 2019.[37]
- In March 2019, the U.S. State Department's *Country Report on Human Rights Practices for 2018* cited "extrajudicial killings by security forces, including *colectivos*; torture by security forces; harsh and life-threatening prison conditions; and political prisoners" as the most serious human rights abuses in Venezuela. According to the report, the government did not investigate officials alleged to have committed abuses amidst widespread impunity.[38]

In June 2019, U.N. High Commissioner for Human Rights Michelle Bachelet visited Venezuela to assess the human rights situation in the country. In July 2019, her office subsequently issued a report documenting a range of significant human rights abuses perpetrated by the Maduro government, including evidence that security forces committed some 6,800 extrajudicial killings from January 2018 through May 2019.[39] The report details how intelligence agencies have

[33] Office of the United Nations High Commissioner for Human Rights (OHCHR), *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. The Venezuelan human rights group Foro Penal and Human Rights Watch maintain that more than 5,300 Venezuelans were detained during the protests. Human Rights Watch, Foro Penal, *Crackdown on Dissent: Brutality, Torture, and Political Persecution in Venezuela*, November 2017.

[34] OHCHR, *Venezuela: Continued Impunity amid Dismal Human Rights Situation*, June 22, 2018.

[35] Programa Venezolana de Educación y Acción en Derechos Humanos (PROVEA), *Informe Anual Enero-Diciembre 2017*, June 2018.

[36] 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.

[37] Foro Penal, *Report on Repression in Venezuela*. February 2019.

[38] U.S. Department of State, *2018 Country Reports on Human Rights Practices: Venezuela*, March 13, 2019.

[39] OHCHR, UN Human Rights Report on Venezuela Urges Immediate Measures to Halt and Remedy Grave Rights

arrested and tortured those perceived as threats to Maduro, including military officers and opposition politicians. It describes deteriorating conditions for freedom of expression and asserts that the Maduro government "is violating its obligations to ensure the rights to food and health."

Analysts predict increasing ongoing, if episodic, repression will continue in Venezuela. Maduro's intelligence police is currently holding Juan Requesens (a legislator detained in August 2018) and Roberto Marrero (Guaidó's chief of staff detained in March 2019). His government has arrested several opposition lawmakers involved in the April 30 uprising, and the Supreme Court has stripped many lawmakers' immunity from prosecution. Although Maduro's government released Edgar Zambrano, vice president of the National Assembly, from detention in September 2019, more than two dozen other lawmakers were either "in jail, in exile, in hiding … or have sought refuge in foreign embassies in Caracas."[40] According to Foro Penal, there were an estimated 470 political prisoners in Venezuela as of mid-October 2019.[41] Some observers fear that Guaidó himself could face arrest or exile. In addition, there are other prisoners who were arbitrarily detained for crimes such as corruption, including six former Citgo executives, five of whom have dual U.S. citizenship, and one U.S. legal permanent resident imprisoned since 2017.[42]

For other sources on human rights in Venezuela, see **Appendix B**.

Investigations into Human Rights Abuses. In September 2017, several countries urged the U.N. Human Rights Council to support the High Commissioner's call for an international investigation into the abuses described in the August 2017 U.N. report on Venezuela.[43] In June 2018, the High Commissioner for Human Rights urged the U.N. Human Rights Council to launch a commission of inquiry to investigate the abuses it documented in that and a follow-up report. It referred the report to the prosecutor of the ICC. In September 2018, the U.N. Human Rights Council adopted a resolution on Venezuela expressing "its deepest concern" about the serious human rights violations described in the June 2018 report, calling upon the Venezuelan government to accept humanitarian assistance, and requiring an OHCHR investigation on the situation in Venezuela. On September 27, 2019, the Human Rights Council passed a resolution condemning human rights abuses by the Maduro government and establishing an independent fact-finding office in Venezuela "with a view to ensuring full accountability for perpetrators and justice for victims."[44] Human rights groups praised this development, but many are wary that Venezuela's recent election to a seat on the Human Rights Council may undermine its actions.

In addition to the OHCHR, former Venezuelan officials, the OAS, and neighboring countries have asked the ICC to investigate serious human rights violations committed by the Maduro government. The ICC prosecutor opened a preliminary investigation in February 2018.[45]

Violations, July 4, 2019.

[40] Phil Gunson, "Maduro Finds a 'New Opposition' to Negotiate With," *International Crisis Group*, September 19, 2019.

[41] For more information, see Foro Penal, https://foropenal.com/presos-politicos/.

[42] Jennifer Hansler, "'Worse Than a Nightmare': These oil Executives are Still Detained in Venezuela Nearly 2 Years Later," *CNN*, August 4, 2019.

[43] "Human Rights Council Adopts 10 Resolutions and one Presidential Statement," September 27, 2018.

[44] U.N General Assembly, Human Rights Council. Forty-Second Session, Agenda Item 2, September 27, 2019.

[45] "Venezuela's Ex-prosecutor Urges ICC to Probe Maduro," AFP, November 16, 2017; Antonio Maria Delgado, "Venezuelan Officials Accused of Crimes Against Humanity in The Hague," *Miami Herald*, November 21, 2017; ICC, "Statement of the Prosecutor of the International Criminal Court, Mrs Fatou Bensouda, on Opening Preliminary Examinations into the Situations in the Philippines and in Venezuela; February 8, 2018; ICC, "Statement of the Prosecutor of the International Criminal Court, Mrs Fatou Bensouda, on the Referral by a Group of Six States Parties

Economic Crisis[46]

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. (See also "Energy Sector Concerns and U.S. Economic Sanctions," below.) Oil traditionally has accounted for more than 90% of Venezuelan exports, and oil sales have funded the government budget. Venezuela benefited from the boom in oil prices during the 2000s. President Chávez used the oil windfall to spend heavily on social programs and expand subsidies for food and energy, and government debt more than doubled as a share of gross domestic product (GDP) between 2000 and 2012.[47] Chávez also used oil to expand influence abroad through *PetroCaribe*, a program that allowed Caribbean Basin countries to purchase subsidized oil.

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

When Nicolás Maduro took office in 2013, he inherited economic policies reliant on proceeds from oil exports. When world oil prices crashed by nearly 50% in 2014, the Maduro government was ill-equipped to soften the blow. The fall in oil prices strained public finances. Instead of adjusting fiscal policies through tax increases and spending cuts, the Maduro government tried to address its growing budget deficit by printing money, which led to inflation. The government also tried to curb inflation through price controls, although these controls were largely ineffective in restricting prices, as supplies dried up and transactions moved to the black market.[48]

Meanwhile, the government continued to face a substantial debt burden, with debt owed to private bondholders, China, Russia, multilateral lenders, importers, and service companies in the oil industry. Initially, the government tried to service its debt, fearing legal challenges from bondholders. To service its debt, it cut imports, including of food and medicine, among other measures. By late 2017, the government had largely stopped paying its bondholders, and Maduro announced plans to restructure its debt with private creditors. The government also restructured its debt with Russia in 2017.[49] The Trump Administration has increased economic pressure on the Maduro government through sanctions. For example, sanctions have restricted the Maduro government's ability to access the U.S. financial system and imposed restrictions on Venezuela's oil sector. (See "U.S. Sanctions on Venezuela," below.)

Venezuela's economy has deteriorated markedly over the past several years, and it is difficult to overstate the extent of its challenges. According to some economists, it is the single largest economic collapse outside of war in at least 45 years and more than twice the magnitude of the Great Depression in the United States.[50] According to forecasts by the International Monetary

Regarding the Situation in Venezuela," September 27, 2018.

[46] This section was authored by Rebecca M.Nelson, Specialist in International Trade and Finance. For more information, see CRS Report R45072, *Venezuela's Economic Crisis: Issues for Congress*, by Rebecca M. Nelson.

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

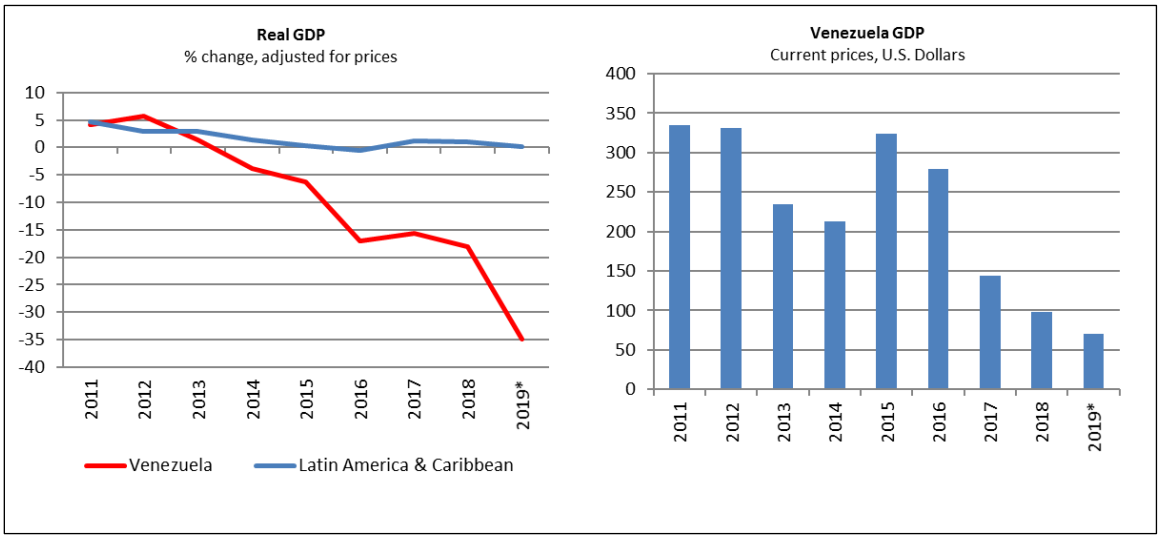
[48] *The Economist*, "How Chávez and Maduro Have Impoverished Venezuela."

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

[50] Anatoly Kurmanaev, "Venezuela's Collapse Is the Worst Outside of War in Decades, Economists Say," *New York*

Fund (IMF), Venezuela's economy in 2019 will contract for the sixth year in a row (**Figure 2**).[51] The IMF projects that Venezuela's gross domestic product in U.S. dollars fell from $331 billion in 2012 to $98 billion in 2018 and will fall again to $70 billion in 2019 (**Figure 2**).

Figure 2. Venezuela's Economy: Collapsing GDP



Source: IMF, *World Economic Outlook*, October 2019.

Note: 2019 data are forecasts.

Hyperinflation has devastated the economy. The Maduro government rapidly expanded the money supply to finance budget deficits, which led to one of the worst cases of hyperinflation in history, comparable to Germany in 1923 or Zimbabwe in the late 2000s.[52] The IMF forecasts that inflation in Venezuela will reach 200,000% in 2019.[53] Hyperinflation, as well as low foreign exchange reserves, which make it difficult for Venezuela to import goods and services, has created shortages of critical supplies (including food and medicine), leading to a humanitarian disaster and fueling massive migration (see "Humanitarian Situation" below).

Despite pledges to restructure the country's debt, the government has made no progress in negotiations with private creditors. The Maduro government is in default on most of its debt. It has continued payments on a few selected debts that, if defaulted on, could lead to seizure of Citgo, a PdVSA subsidiary located in the United States. Meanwhile, the government continues to run large budget deficits, forecast at 30% of GDP in 2018 and 2019, amid high debt levels (estimated at 182% of GDP in 2018).[54] By one measure, debt relative to exports, Venezuela is the world's most heavily indebted country.[55]

Times, May 17, 2019; Michael Stott, "Venezuela: The Political Stand-off Fueling an Economic Collapse," *Financial Times*, August 4, 2019.

[51] IMF, *World Economic Outlook*, October 2019.

[52] For example, see Alejandro Werner, "Outlook for the Americas: A Tougher Recovery," IMF Blog, July 23, 2018.

[53] IMF, *World Economic Outlook*, October 2019. Percent change in GDP in constant dollars (adjusted for inflation).

[54] IMF, *World Economic Outlook*, October 2019.

[55] Interview of Ricardo Hausmann by Sebastian Pellejero, "Can Venezuela Resurrect Its Economy?," Council on Foreign Relations, July 26, 2017.

In general, the government has been slow to address the economic crisis or acknowledge the government's role in creating it. Instead, the government has largely blamed the country's struggles on a foreign "economic war," a reference to U.S. sanctions.[56] In February 2018, as a way to raise new funds, the cash-strapped government launched a new digital currency, the "petro," backed by oil and other commodities, although there are serious questions about the petro's operational viability.[57] In August 2018, the government acknowledged, for the first time, its role in creating hyperinflation and announced a new set of policies for addressing the economic crisis, such as introducing a new "sovereign bolívar," which removed five zeros from the previous currency (the bolívar); cutting the government budget deficit from 30% in 2018 to zero; speeding up tax collection; and increasing the minimum salary by more than 3,000%.[58] However, the government has been slow to enact even these modest reforms, and Maduro has offered few new proposals since starting his second term.[59]

Venezuela's economic situation has become more difficult following the rollout of new U.S. oil sanctions in January 2019, although it has worked with Russia, Turkey, and other countries to mitigate the sanctions' impact.[60] The Venezuelan government has turned to selling gold reserves in an attempt to raise funds, with nearly $800 million sold to Turkey in 2018.[61] As the United States has since sanctioned Venezuela's central bank and state-run gold mining company, analysts maintain that Maduro will likely increase illicit gold shipments sent through neighboring countries, a key revenue stream for the military.[62] In July 2019, the National Assembly appointed an ad hoc board for the country's central bank, with the aim of protecting its international reserves, including gold holdings.[63] It is unclear, however, how this ad hoc board will function.

Venezuela's economy has remained in crisis during the political stalemate between Maduro and the interim government led by Guaidó, and the outlook is bleak. No clear or quick resolution is on the horizon, particularly given the concurrent political crisis. The Maduro government's policy responses to the economic crisis have been widely criticized as inadequate. The Maduro government appears loathe to adopt policies widely viewed by economists as necessary to restoring the economy: removing price controls, creating an independent central bank, entering an IMF program that could unlock broader international assistance, and restructuring its debt with private bondholders.

The Maduro government is particularly resistant to assistance from the IMF, which would be a key component of any multi-donor international financial assistance package. Venezuela has not allowed the IMF to conduct routine surveillance of its economy since 2004, and the IMF has

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[56] Rachelle Krygier, "After Years of Crisis, Venezuela's Maduro Might Finally Be Ready to Accept Some Help," *Washington Post*, December 12, 2018.

[57] See CRS In Focus IF10825, *Digital Currencies: Sanctions Evasion Risks*, by Rebecca M. Nelson and Liana W. Rosen; Eric Lam, "Here's What Maduro Has Said of Venezuela's Petro Cryptocurrency," *Bloomberg*, August 20, 2018; Aaron Mak, "What Does It Mean for Venezuela to Peg Its New Currency to a Cryptocurrency?," *Slate*, August 22, 2018; and Brian Ellsworth, "Special Report: In Venezuela, New Cryptocurrency Is Nowhere to Be Found," *Retuers*, August 30, 2018.

[58] "Nicolas Maduro Tries to Rescue Venezuela's Economy," *Economist*, August 23, 2018.

[59] Vivian Sequera, "Venezuela's Maduro Offers Few Fresh Ideas as Economy Circles Drain," Reuters, January 14, 2019.

[60] Anatoly Kurmanaev and Clifford Krauss, "U.S. Sanctions Are Aimed at Venezuela's Oil. Its Citizens May Suffer First," *New York Times*, February 8, 2019.

[61] Reuters, "Venezuela Exported $779 Million in Gold to Turkey in 2018," July 19, 2018.

[62] International Crisis Group, *Gold and Grief in Venezuela's Violence South*, February 28, 2019.

[63] Marco Bello, "Venezuela's Opposition Congress Names Ad-Hoc Central Bank Board," Reuters, July 16, 2019.

found the government in violation of its commitments as an IMF member. Although the Venezuelan government provided it with some economic data as required by all IMF members in late 2018, it has hardly been a turning point in the Maduro government's willingness to engage with the international organization.

Some analysts believe major change in Venezuela's overall economic strategy will come only if and when there is a change in government. For example, in July 2019, advisers to Guaidó released a plan on how the administration would restructure Venezuela's debt, worth approximately $150 billion. Even with these plans, a Venezuelan debt restructuring is expected be one of the most complicated in history.[64] Private creditors holding Venezuelan bonds have pushed back against the proposal, including the disparate treatment of debts owed to private bondholders and to Chinese and Russian governments. The Administration's actions in October 2019 to preserve Citgo from seizure by bondholders preserves an important asset for the interim government, although some groups expressed concerns that such actions interfered with property rights and the free markets.[65]

Citgo's Uncertain Future: Multiple Creditors, Legal Claims, and New Management

PdVSA's U.S.-based Citgo subsidiary owns and operates oil refineries in Texas, Louisiana, and Illinois. The company also owns 48 petroleum product terminals and a pipeline network that delivers these products to various customers. Citgo is arguably one of the most valuable assets in the PdVSA portfolio. PdVSA has looked to leverage that value to support its borrowing activities, as described below. All of Citgo's ownership has been used as collateral for two separate debt issuances (bonds and a loan to Rosneft). Additionally, companies that have sued Venezuela—such as Crystallex—for expropriation actions have been awarded legal judgments that include taking possession of and liquidating Citgo assets.[66] Furthermore, the U.S.-recognized Guaidó government appointed a new board of directors in February 2019 to manage Citgo, thereby removing Maduro's PdVSA from management decision-making of the U.S.-based company. Some of the financial and legal challenges facing Citgo include:

PdVSA 2020 bonds (50.1% of Citgo as collateral): PdVSA issued bonds totaling approximately $3.4 billion in October 2016 to various creditors.[67] A majority ownership stake in Citgo was pledged as collateral for the bonds, and the creditors could have legal claim to the company should the bonds enter into default.[68] An interest payment for the bonds came due in April 2019.[69] The payment was missed, but there is a 30-day grace period for the missed payment.[70] The Maduro-controlled PdVSA—the original bond issuer—is prevented from making bond payments due to U.S. sanctions on PdVSA. However, a PdVSA board appointed by Guaidó voted to pay the $71 million interest payment, thus preserving Citgo ownership in the event that the opposition takes control of the Venezuela government. On October 24, 2019, the Treasury Department's Office of Foreign Assets Control (OFAC) modified General License #5 regarding the PdVSA 2020 bonds to prevent bondholders from being able to collect on their collateral (shares of Citgo) until January 22, 2020 even if those bonds should enter into default.[71] The interim government did not make a $913 million payment due on October 28, 2019, thus triggering a default on those bonds. Instead, legal advisors for the interim government filed a lawsuit against holders of those bonds,

[64] For example, see Colby Smith, "Bondholders Brace for Venezuelan Regime Change," *Financial Times*, February1, 2019.

[65] For example, see "Rubio, Cruz Ask Trump to Keep Citgo in Venezuela Opposition's Hands," Reuters, October 11, 2019.

[66] Other arbitration awards have been made to companies such as Conoco for their expropriation in 2007 and Canada's Rusoro Mining, whose gold projects were seized by the government of Venezuela in 2011. However, the Crystallex award and judgment allows the company to seize and liquidate Citgo shares as a means of collecting the award.

[67] Bloomberg L.P. (subscription required), Bond description for PdVSA 8 ½ 10/27/20 bonds, accessed May 21, 2019.

[68] PdVSA bond prospectus, October 2016.

[69] Reuters, "Investors Await Payment Decision as PDVSA 2020 Coupon Looms," April 24, 2019.

[70] Reuters, "Investors Await Payment Decision."

[71] U.S. Department of the Treasury, Venezuela-Related Sanctions: Resource Center, at https://www.treasury.gov/resource-center/sanctions/programs/pages/venezuela.aspx. In particular, see General License 5 and FAQ 595.

arguing that the debt be declared "null" as it was never approved by the National Assembly as per Venezuelan law and is therefore illegal.[72]

Rosneft loan to PdVSA (49.9% of Citgo as collateral): PdVSA pledged 49.9% of Citgo ownership as collateral for a $1.5 billion loan from Russian oil company Rosneft that was issued in December 2016.[73] The potential for a Russian company to own a significant portion of the U.S.-based Citgo operation has been noted by Members of Congress as a potential national security concern.[74] In the 116th Congress, the House passed H.R. 1477 in March 2019; Section 4 would require an assessment of the national security risks posed by potential Russian acquisition of Citgo's U.S. energy infrastructure holdings. S. 1025 has been introduced and includes Section 609, which express concerns about Citgo ownership pledged as collateral for the Rosneft loan and requires the President to prevent Rosneft from taking control of U.S. energy infrastructure. During a 2017 Senate Foreign Relations Hearing, Treasury Secretary Mnuchin said that any transaction involving Rosneft and Citgo would be reviewed by the Committee on Foreign Investment in the United States.[75]

Crystallex legal judgment ($1.2 billion judgment against PDV Holding, Citgo's parent company): In 2018, a U.S. district court ruled that Canada-based Crystallex could take shares of PDV Holding, the U.S.-based parent company of Citgo, as a means of collecting a $1.2 billion arbitration award made to Crystallex.[76] The award stems from Venezuela's seizure of the Canadian miners' assets in 2011. Crystallex has indicated its intent to take ownership of Citgo shares and sell them for cash as a means of collecting the arbitration award. Advisers to Guaidó have argued that sanctions prevent Crystallex from seizing shares in Citgo, and a waiver from OFAC would be required.[77]

The Guaidó government is reportedly seeking a U.N. Security Council resolution that would shield Citgo from seizure from various creditors, similar to a resolution that shielded Iraq's overseas assets in 2003.[78] Many analysts are skeptical that Russia and China would be supportive, however.

Humanitarian Situation[79]

Before the political upheaval in Venezuela began in January 2019, Venezuelans were already facing a humanitarian crisis due to a lack of food, medicine, and access to social services. Political persecution, hyperinflation, loss of income, and oppressive poverty also contributed to a dire situation. According to household surveys, the percentage of Venezuelans living in poverty increased from 48.4% in 2014 to 94% in 2018.[80] In early 2019, U.N. officials estimated that approximately 7 million people were in need of humanitarian assistance, with pregnant and nursing women, those with chronic illnesses, indigenous people, migrants, children under five,

[72] Ben Barnstein, "Venezuela Defaults on its Last Bond, Setting up Legal Showdown," *Bloomberg*, October 28, 2019; "Allies of Venezuela's Guaido file lawsuit over PDVSA 2020 bond," Reuters, October 29, 2019.

[73] Reuters, "Venezuela's PDVSA Uses 49.9 Percent Citgo Stake as Loan Collateral," December 23, 2016.

[74] Members of the Senate Finance Committee sent a letter to the Secretary of the Treasury and the Secretary of State in June 2017 expressing concerns about national security implications of the potential for Russia to control a large portion of Citgo. A copy of the letter is available at https://www.finance.senate.gov/imo/ ... / 061917%20Rosneft%20Citgo%20Letter1.pdf.

[75] U.S. Congress, Senate Committee on Banking, Housing, and Urban Affairs, *Testimony from the Secretary of the United States Department of the Treasury on Domestic and International Policy Issues*, 115th Cong., 1st sess., May 18, 2017.

[76] Oil Daily, "Judge Paves Way for Canadian Firm to Seize Citgo Assets," August 13, 2018.

[77] Luc Cohen, "U.S. Sanctions on PDVSA Block Crystallex from Seizing Citgo Shares: Guaido Advisers," Reuters, July 31, 2019.

[78] "Venezuela Opposition Eyes U.N. Asset Protection as Option to Save Citgo," *Reuters*, September 19, 2019.

[79] For background, see CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*, by Rhoda Margesson and Clare Ribando Seelke.

[80] Universidad Católica Andrés Bello, *Encuesta Sobre Condiciones de Vida:Venezuela 2018: Avance de Resultados*, November 30, 2018.

and people with disabilities particularly in need.[81] Successive electrical blackouts in March 2019 and since have made conditions worse inside Venezuela, limiting people's access to power and clean water and further contributing to health risks. The International Federation of Red Cross and Red Crescent Societies reported that these power outages have caused the health system to collapse, particularly for emergency services and for equipment, such as dialysis machines.[82] Although power has been restored in many parts of the country, there has been rationing in many states.[83]

As of October 2019, the U.N. High Commissioner for Refugees (UNHCR) and the International Organization for Migration (IOM) estimated that close to 4.5 million Venezuelans (roughly 14% of the population) had left the country (see **Figure 3**). Of those, most (an estimated 3.4 million Venezuelans) remained in Latin America and the Caribbean, including in Colombia (more than 1.4 million), Peru (860,871), Chile (371,163), Ecuador (330,414), Argentina (145,000), Brazil (212,441), and Panama (94,596).[84] UNHCR and IOM estimate that by the end of 2019, the number of Venezuelan refugees and migrants could reach over 5.3 million. Some experts predict that this figure could rise to 6.5 million by the end of 2020.[85] Although UNHCR does not consider most Venezuelans to be refugees, it asserts that a significant number need humanitarian assistance, international protection, and opportunities to regularize their status.

Figure 3. Venezuelan Migrants and Asylum Seekers: Flows to the Region and Beyond

Source: U.N. High Commissioner for Refugees.

The crisis in Venezuela has affected the entire region. Neighboring countries, particularly Colombia, have strained to absorb arrivals often malnourished and in poor health. The spread of previously eradicated diseases, such as measles, has become a major concern.[86] Population needs

[81] U.N. Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator Mark Lowcock, "Briefing to the Security Council on the Humanitarian Situation in Venezuela," April 10, 2019.

[82] International Federation of Red Cross and Red Crescent Societies (IFRC), "Venezuela: Health Emergency – Six-month Update, October 23, 2019.

[83] U.N. Office for the Coordination of Humanitarian Affairs (UNOCHA), *Venezuela: Humanitarian Response Plan – July – December 2019*, July 2019; UNOCHA, "Venezuela—UN Humanitarian Scale-Up Situation Report, January-April 2019," May 2019.

[84] U.N. Coordination Platform for Refugees and Migrants from Venezuela, "Latin America and the Caribbean: Venezuelan Refugees and Migrants in the Region," October 2019; See also U.N. High Commissioner for Refugees (UNHCR), "Americas Monthly Report," September 2019; U.S. Agency for International Development (USAID), *Venezuela Regional Crisis*, Fact Sheet #4, Fiscal Year (FY) 2019, September 30, 2019.

[85] USAID, *Venezuela Regional Crisis*, Fact Sheet #4, Fiscal Year (FY) 2019, September 30, 2019; European Commission, International Organization for Migration, U.N. High Commissioner for Refugees, "EU, IOM and UNHCR Express Solidarity with Venezuelan Refugees and Migrants," October 29, 2019.

[86] Human Rights Watch and John Hopkins School of Public Health, *Venezuela's Humanitarian Emergency: Large-Scale UN Response Needed to Address Health and Food Crises*, April 2019.

have also changed with seasonal shifts, affecting the health care context. Responses to the Venezuelan arrivals have varied by country and continue to evolve with events on the ground. Humanitarian experts have been most concerned about the roughly 60% of Venezuelans in neighboring countries who lack identification documents, which makes them vulnerable to arrest and deportation by governments and to abuse by criminal groups, including human trafficking and sexual and labor exploitation.[87]

Venezuela's exodus has become an unprecedented displacement crisis for the Western Hemisphere, which has in place some of the highest protection standards in the world for displaced and vulnerable persons. Countries in the region have been under pressure to examine their respective migration and asylum policies and to address, as a region, the legal status of Venezuelans who have fled their country. It remains to be seen how events unfolding inside Venezuela will continue to affect the ongoing humanitarian situation and response.

International Response in Venezuela

In 2018, Maduro publicly rejected offers of international aid, although some humanitarian assistance was provided.[88] Since then, U.N. humanitarian entities and partners have increased their humanitarian and protection activities. The U.N. Office for the Coordination of Humanitarian Affairs (UNOCHA) set up its coordination structure, including regional hubs in the country. The Cooperation and Assistance Coordination Team, led by the U.N. Resident Coordinator, was established in February 2019 to facilitate humanitarian coordination in Venezuela. A needs overview for Venezuela completed in March indicated significant humanitarian need across sectors that affected an estimated 7 million people. In July, this assessment resulted in the Humanitarian Response Plan for Venezuela, which is a collective effort by UNOCHA and implementing partners to coordinate and scale up a response for the most vulnerable people in Venezuela. It aims to reach 2.6 million people across the country by the end of 2019 in the areas of health, water, sanitation and hygiene, food security, nutrition, protection, shelter and non-food items, and education. The financial requirement is $223 million.[89]

In addition, on March 29, 2019, the International Federation of Red Cross and Red Crescent Societies announced plans to scale up humanitarian activities inside Venezuela in coordination with the Venezuelan Red Cross and with the agreement of both the interim government and Maduro.[90] On April 11, the International Committee of the Red Cross (ICRC), which has been present in Venezuela since 1966, announced an expansion of its work on four pressing humanitarian issues: migration, health, water and sanitation, and detention.[91] The activities of the Red Cross Movement have been focused on different levels of health care within the Venezuelan

[87] The Venezuelan government has made it increasingly difficult for Venezuelans to obtain a valid passport and therefore legal status outside the country.

[88] For example, in November 2018, the U.N. Central Emergency Response Fund allocated $9.2 million for Venezuela through U.N. entities. The World Health Organization has helped provide millions of vaccines against measles, mumps, and rubella.

[89] UNOCHA, *Venezuela: Humanitarian Response Plan – July – December 2019*, July 2019; see also UNOCHA, "Venezuela—UN Humanitarian Scale-Up Situation Report, January-April 2019," May 2019.

[90] IFRC, "IFRC to Bring Humanitarian Aid into Venezuela," March 29, 2019, https://media.ifrc.org/ifrc/press-release/ifrc-bring-humanitarian-aid-venezuela.

[91] International Committee of the Red Cross (ICRC), "Venezuela: ICRC to Expand Humanitarian Effort," April 11, 2019. As part of the Red Cross Movement, and in keeping with their mandates, both IFRC and ICRC provide humanitarian assistance in an independent, neutral, impartial, and unhindered manner.

public health system, access to health care services, and the needs of the most vulnerable populations (such as detainees or the injured).[92]

International Humanitarian Response in the Region

The U.N. Secretary-General appointed UNHCR and IOM to coordinate the international response to the needs of displaced Venezuelans and host communities in the region, which includes governments, U.N. entities, nongovernmental organizations (national and international), the Red Cross Movement, faith-based organizations, and civil society. The U.S. government has also provided humanitarian assistance and helped to coordinate regional response efforts. (See "U.S. Humanitarian and Related Assistance," below.) Former Guatemalan Vice President Eduardo Stein, the U.N. Joint Special Representative for Venezuelan Refugees and Migrants, is charged with promoting dialogue and consensus in the region and beyond on the humanitarian response.

In mid-December 2018, UNHCR and IOM launched the Regional Refugee and Migrant Response Plan, which is the first of its kind in the Americas: an operational and coordination strategy and an appeal for $738 million in funding to support over 2 million Venezuelans in the region and half a million people in host communities.[93] According to the Financial Tracking Service, as of October 30, 2019, the appeal was 51% funded ($379.2 million received towards the appeal.)[94] Protection and assistance needs are significant for arrivals and host communities. Services provided have varied by country but have included 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. A new appeal for 2020 for the regional refugee and migrant response is expected to be released in December 2019. The Quito Process, a regional coordinating mechanism that has regularly convened countries hosting Venezuelans since 2018, has also helped harmonize policies and practices among host countries and donors, scale up the humanitarian response, and facilitate the response to refugees and migrants across the region.

The International Solidarity Conference on the Venezuelan Refugee and Migrant Crisis was held in Brussels, Belgium on October 28-29, 2019. Co-chaired by the European Commission, UNHCR, and IOM, the conference aimed to raise global awareness about the Venezuela regional refugee and migrant crisis, and focused on the response, particularly by host countries and communities, the need for international support and coordination, as well as the development of partnerships between public and private sectors and additional funding.[95] Some local and international NGOs endorsed a joint NGO statement in support of displaced Venezuelans and host countries and communities, which was delivered at the conference.[96] The 120 delegations in

[92] ICRC, "Venezuela: Making Access to Health Care a Priority," September 18, 2019.

[93] The plan includes U.N. entities, nongovernmental organizations, faith-based organizations, and civil society and is in cooperation with the Red Cross Movement. See *Coordination Platform for Response for Venezuelans, Regional Refugee and Migrant Response Plan for Refugees and Migrants from Venezuela*, January-December 2019, published December 14, 2018. It was put together by 95 organizations covering 16 countries. Organizations have also launched separate appeals.

[94] See Financial Tracking Service at https://fts.unocha.org/appeals/726/summary. U.N. Coordination Platform for Refugees and Migrants from Venezuela, "Latin America and the Caribbean: Venezuelan Refugees and Migrants in the Region," October 2019.

[95] European Commission, International Organization for Migration, U.N. High Commissioner for Refugees, "EU, IOM and UNHCR Express Solidarity with Venezuelan Refugees and Migrants," October 29, 2019.

[96] Joint NGO Statement, "Ensuring Solidarity with Displaced Venezuelans: Supporting Countries and Communities

attendance included representatives from EU institutions and member states, the most affected host countries in the region, donor countries, U.N. agencies, NGOs, international financial institutions, and the private sector.[97] Pledges made during the conference totaled approximately 150 million euros ($167 million.)[98] Looking ahead, the conference supported the decision to hold a first meeting of the Group of Friends of the Quito Process to be chaired by the European Union. It also called for a pledging conference in 2020.[99]

Foreign Involvement in Venezuela's Crisis[100]

The international community remains divided over how to respond to the political crisis in Venezuela. One group of countries supports the Guaidó government, another supports Maduro, and a third group of countries—including Mexico, Norway, Uruguay, and some Caribbean nations—has remained neutral in the crisis. These divisions have thus far stymied action by the United Nations or the Organization of American States (OAS) to help facilitate a political solution to Venezuela's crisis. They may also have undermined prospects for the Norway-facilitated dialogue (discussed below), as some experts argue that pressure from external allies of Maduro (Russia, China) and Guaidó (United States) may be necessary for negotiations to succeed.[101]

Within the U.N. Security Council, Russia and (to a lesser extent) China support Maduro. The United States, France, and the United Kingdom (UK) support Guiadó. Maduro officials attended the September 2019 U.N. General Assembly (UNGA), while Guaidó representatives met on the sidelines of the UNGA with allied governments. On October 17, 2019, U.N. delegates elected Venezuela over Costa Rica to fill an open seat on the U.N. Human Rights Council despite the Maduro government's record of human rights abuses and opposition from the United States and human rights groups.[102]

Within the OAS, resolutions have amassed enough votes (19 of 34 member states) to declare Maduro's 2018 reelection illegitimate (June 2018), to not recognize the legitimacy of his second term (January 2019), and to encourage Venezuelan officials to allow the delivery of humanitarian aid (March 2019).[103] The OAS remains divided, however, over what role it should play in

Hosting and Protecting Them," October 28, 2019.

[97] European Commission, International Organization for Migration, U.N. High Commissioner for Refugees, "EU, IOM and UNHCR Express Solidarity with Venezuelan Refugees and Migrants," October 29, 2019.

[98] European Commission, "Remarks by High Representative/Vice-President Federica Mogherini at the Press Conference Following the International Solidarity Conference on the Venezuelan Refugee and Migrant Crisis," October 29, 2019.

[99] European Commission, International Organization for Migration, U.N. High Commissioner for Refugees, "EU, IOM and UNHCR Express Solidarity with Venezuelan Refugees and Migrants," October 29, 2019.

[100] See also CRS In Focus IF11216, *Venezuela: International Efforts to Resolve the Political Crisis*, by Clare Ribando Seelke.

[101] Abraham F. Lowenthal and David Smilde, *Venezuela: Is There a Way Out of this Tragic Impasse?* Woodrow Wilson Center, July 2019.

[102] Michelle Nichols, "Venezuela wins Seat on U.N. Rights Council Despite U.S. Opposition," Reuters, October 17, 2019.

[103] The OAS requires 18 votes to pass a resolution of the Permanent Council. In June 2018, 19 of 34 member states passed a resolution stating that the May 2018 presidential election in Venezuela lacked legitimacy and authorizing countries to take measures, including sanctions, necessary to hasten a return to democracy. In January 2019, the same 19 states approved a resolution that refused to recognize the legitimacy of Maduro's second term; called for new presidential elections; and urged all member states to adopt diplomatic, political, economic, and financial measures to facilitate the prompt restoration of the democratic order in Venezuela. Those countries include Argentina, the Bahamas,

hastening a return to democracy in Venezuela. Countries in the Caribbean Community (CARICOM), many of which used to receive subsidized oil from Venezuela, have been particularly reluctant to intervene in Venezuela's internal affairs. Some observers have praised OAS Secretary-General Luis Almagro's activism on Venezuela, which has included calling for international intervention in the country. Others have asserted that he has sided too closely with the opposition and is unlikely to help broker a diplomatic solution to the current crisis.

The United States and 56 other countries have formally recognized the interim government of Juan Guaidó. These countries include most members of the EU, Canada, 16 countries in Latin America and the Caribbean, Australia, Israel, Japan, and South Korea, among others. Some of those countries have taken steps to increase pressure on Maduro to leave office. Canada, the EU, Panama, and Switzerland have placed targeted sanctions on Maduro officials and have frozen reserves formerly controlled by the Maduro government and/or blocked suspicious financial transactions involving Maduro. Some predict that more Latin American governments may impose sanctions on Maduro officials now that 16 countries that have ratified the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) approved a resolution to create an external legal framework for imposing such measures on September 23, 2019.[104]

While they back a transition leading to Maduro leaving power, the EU has opposed the prospect of military intervention by the United States or other in Venezuela, most recently questioning whether the invocation of the Rio Treaty could lead to military intervention.[105] They and others fear the regional implications that instability and violence spawned by the use of military force could cause, particularly given the civilian militias and illegally armed groups in Venezuela, many of which are not under Maduro's control.[106] The EU-backed International Contact Group (ICG)—composed of Costa Rica, Ecuador, France, Germany, Italy, the Netherlands, Panama, Portugal, Spain, Sweden, the United Kingdom, and Uruguay—first convened in February 2019. The group aimed to "establish necessary guarantees for a credible electoral process, within the earliest time frame possible" and to hasten the delivery of humanitarian aid into Venezuela.[107] The ICG and its supporters maintain that the "necessary guarantees" include naming a new electoral council, releasing political prisoners, and ending bans on political parties and candidates.

The ICG backed the dialogue process facilitated by Norway (discussed below) and has coordinated its efforts with the Lima Group. The ICG met at the ministerial level on the sidelines of the UNGA in September 2019. It then issued a statement expressing concern that the Norway dialogue has been suspended and reiterating that "a negotiated transition leading to credible, transparent, and internationally monitored presidential elections" is the only way forward.[108]

Barbados, Brazil, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Honduras, Jamaica, Guatemala, Guyana, Mexico, Panama, Paraguay, Peru, St. Lucia, and the United States. The March 2019 resolution was approved by Argentina, the Bahamas, Brazil, Canada, Chile, Colombia, Costa Rica, Ecuador, United States, Guatemala, Guyana, Haiti, Honduras, Jamaica, Panama, Paraguay, Peru, Dominican Republic, and St. Lucia.

[104] CRS Insight IN11116, *The Inter-American Treaty of Reciprocal Assistance and the Crisis in Venezuela*, by Peter J. Meyer.

[105] European Council, "Declaration by the High Representative on Behalf of the EU on the Latest Events in Venezuela," Government of Canada, Lima Group Declaration, February 25, 2019; Courtney McBride, "'Rio Treaty' Nations to Cooperate on Sanctions on Venezuela's Maduro;" *Wall Street Journal*, September 23, 2019.

[106] Testimony of Cynthia J. Arnson before the Senate Foreign Relations Subcommittee on the Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights, and Global Women's Issues, hearing on "U.S.-Venezuela Relations and Path to a Democratic Transition," March 7, 2019.

[107] EU, "International Contact Group—Meeting 7 February," February 7, 2019.

[108] EU, "International Contact Group on Venezuela: Ministerial Declaration," September 23, 2019.

Lima Group

On August 8, 2017, 12 Western Hemisphere countries signed the Lima Accord, a document rejecting what it described as the rupture of democracy and systemic human rights violations in Venezuela.[109] The signatory countries included Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay, and Peru. In 2018, Guyana and St. Lucia joined the Lima Group, which did not recognize Maduro's May 2018 reelection.

On January 4, 2019, 13 members of the Lima Group signed a declaration urging President Maduro not to assume power on January 10, 2019.[110] The countries resolved to reassess their level of diplomatic engagement with Venezuela, implement travel bans or sanctions on Maduro officials (as Canada and Panama have), suspend military cooperation with Venezuela, and urge others in the international community to take similar actions. Under President Andrés Manuel López Obrador, Mexico is no longer participating in the Lima Group. El Salvador and Ecuador are now observers to the Lima Group.

The Lima group has denounced human rights violations, efforts to undermine the National Assembly, and other abuses by the Maduro government, but opposed U.S. or regional military intervention in the crisis. Representatives from the Lima Group and the ICG met at the ministerial level in June 2019 and members of both groups were among the more than 60 countries that attended the "Conference for Democracy in Venezuela" held in Lima, Peru in early August 2019. Although many Lima Group members ratified the September 2019 Rio Treaty resolution regarding Venezuela, some sought to include language that would have ruled out military action, a move the United States reportedly opposed.[111] With a newly-elected center-left government elected in Argentina, reaching a regional consensus on Venezuela policy may become more difficult.[112]

Cuba, Russia, and China

Within Latin America, Cuba, Nicaragua, Bolivia, and a few other countries have provided support to Maduro and have sought to block anti-Maduro actions within international organizations, with Cuba by far Maduro's most significant regional ally. Cuba's close relationship with Venezuela was solidified in 2000, when the countries signed an agreement for Venezuela to provide Cuba oil in exchange for technical assistance and other services. Estimates of the number of Cuban personnel in Venezuela vary, but a 2014 study estimated that there were 40,000, 75% of whom were health care workers.[113] It is unclear how many of those professionals have stayed in the country, but Cuban intelligence officers have reportedly helped the Maduro government identify and disrupt coup plots, a role that the Trump Administration has frequently denounced.[114]

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[109] Government of Canada, "Lima Group Declaration," August 8, 2017. These statements are available in English at https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/response_conflict-reponse_conflits/crisis-crises/venezuela.aspx?lang=eng.

[110] Government of Canada, "Lima Group Declaration," January 4, 2019.

[111] McBride, op. cit.

[112] Jim Wyss, "South America's wretched month has been great for one man: Venezuela's Maduro," *Miami Herald*, October 30, 2019.

[113] At that time, the report said that the number of Cuban military and intelligence advisors in Venezuela may have ranged from hundreds to thousands, coordinated by Cuba's military attaché in Venezuela. Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?," Brookings Institution, June 2014.

[114] Venezuela Investigative Unit, "The Eight Criminal Armies Supporting Venezuela's Maduro Administration," Insight Crime, January 22, 2018; The White House, "President Donald J. Trump Stands for Democracy in Venezuela,"

Although Cuba has imported oil from other sources to make up for dwindling Venezuelan supplies, the Maduro government remains committed to providing what it can, even if it has to be purchased from other sources.[115] Since April 2019, the Treasury Department has imposed various sanctions aimed at shutting down that flow (and Cuban support for Maduro) through Venezuela-related sanctions (see "U.S. Sanctions on Venezuela") and toughened sanctions on Cuba.[116]

Russia has remained a strong political ally, defense partner, and investor in the Maduro government.[117] Venezuela was a major market for Russian arms between 2006 and 2013, with an estimated $4 billion in sales (mostly on credit).[118] Venezuela reportedly had more than 5,000 Russian-made surface-to-air missiles as of 2017, raising concern about the potential for them being stolen or sold to criminal or terrorist groups.[119] In December 2018, Russia deployed two nuclear capable bombers to Venezuela (the third such deployment since 2008). The deployment reportedly intended to show support for the Maduro government.[120] As Venezuela has sought to extend the life expectancy of its Russian-supplied equipment via refurbishment and service contracts, Russia has deployed military personnel to Venezuela to serve as technicians. Russia's March 2019 deployment of an estimated 100 military personnel to Venezuela drew strong U.S. criticism.[121] In April 2019, the Russian government announced that it had completed construction of a training center for Venezuelan pilots of Russian-made military helicopters.[122]

Russia has called for the political crisis in Venezuela to be resolved peacefully and without outside interference, as it has become Maduro's primary economic backer. Russia reportedly views support for Maduro as a way to simultaneously oppose U.S. efforts at "regime change" and maintain economic and political influence in a region close to the United States.[123] In 2017, Russia's decision to allow Venezuela to restructure $3 billion in debt provided much-needed financial relief to Maduro. In December 2018, Maduro visited Russia after which news reports suggested that Russian state oil company, Rosneft, a major investor in Venezuela, lent PdVSA $6.5 billion, partly as a prepayment for oil.[124] The Russian government congratulated Maduro on his inauguration and has blocked U.N. Security Council action against Maduro. Russia's recent

May 1, 2019.

[115] "Venezuela Continues Shipping Oil to Cuba," *Oilprice.com,* April 12, 2019.

[116] U.S. Department of the Treasury, "Treasury Increases Pressure on Cuba to End Support to Maduro by Imposing Further Oil Sector Sanctions," April 12, 2019. For related information, see CRS Insight IN11120, *Cuba: Trump Administration Expands Sanctions,* by Mark P. Sullivan.

[117] See Vladimir Rouvinski, *Russian-Venezuelan Relations at a Crossroads,* Woodrow Wilson Center, February 5, 2019; John E. Herbst and Jason Marczak, *Russia's Intervention in Venezuela: What's at Stake?* Atlantic Council, September 12, 2019.

[118] Anthony Faiola and Karen DeYoung, "In Venezuela, Russia Pockets Key Energy Assets in Exchange for Cash Bailouts," *Washington Post,* December 24, 2018.

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

[120] Tom Phillips, "Venezuela Welcomes Russian Bombers in Show of Support for Maduro," *Guardian,* December 10, 2018.

[121] "Russia Says It Sent 'Specialists' to Venezuela, Rebuffs Trump," Reuters, March 28, 2019; Steve Holland and Lesley Wroughton, "Trump Tells Russia to Get Its Troops Out of Venezuela," Reuters, March 27, 2019.

[122] "Russia Says It Has Opened Helicopter Training Centre in Venezuela," Reuters, April 2, 2019.

[123] Frederick Kempe, "Russia's Venezuela Challenge," Atlantic Council, April 7, 2019; Emily Talkin, "Why Is Russia Clashing with the United States over Venezuela?" *Washington Post,* May 1, 2019.

[124] Christian Lowe and Rinat Sagdiev, "How Russia Sank Billions of Dollars into Venezuelan Quicksand," Reuters, March 14, 2019; Mery Mogollan and Daniel Rodriguez, "Maduro Inks Deal with Russia to Boost Venezuela oil Output 1 million b/d," *S&P Global Platts,* December 6, 2018.

provision of diluents needed to process Venezuelan oil and Rosneft's handling of PdVSA's oil shipments in exchange for debt repayment are key to Maduro's survival.[125] As a result, some have called for the Treasury Department to designate Rosneft as subject to sanctions.[126]

While Russia has both economic and geo-strategic interests in Venezuela and opposes what it views as U.S.-backed efforts at "regime change," China's interest in Venezuela is primarily economic, and the Chinese government has been in contact with the Guaidó government.[127] From 2007 through 2016, China provided some $62.2 billion in financing to Venezuela.[128] The funds have mostly been for infrastructure and other economic development projects, but China has also provided loans for military equipment to be repaid by oil deliveries.[129] Although the Chinese government has been patient when Venezuela has fallen behind on its oil deliveries, Beijing reportedly stopped providing new loans to Venezuela in 2016.[130] China, unlike Russia, has signaled a willingness to support dialogue efforts that could result in the convening of new presidential elections in Venezuela.[131]

Dialogue Facilitated by Norway

In May 2019, the Norwegian government confirmed it had been facilitating talks between negotiating teams for Maduro and Guaidó. The negotiations' goal had been to determine the conditions under which free and fair elections could be held. Points of contention included whether Maduro would remain in office during the convening of the elections and whether he could run for president. Skeptics asserted that, as in the past, Maduro was using negotiations as a delaying tactic. As noted above, Maduro called off participation in the negotiations after new U.S. sanctions were announced in August 2019.

U.S. Policy

The United States has historically 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 government. 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. During this time, Congress has provided funding to support democratic civil society in Venezuela. As Maduro has become

[125] Mariana Zuñiga et.al, "As Maduro Confronts a Crisis, Russia's Footprint in Venezuela Grows," *Washington Post*, March 29, 2019. Ryan C. Berg, "Russia Is Gearing Up for a Conflict With the United States in the Caribbean," *Foreign Policy*, October 9, 2019.

[126] Ibid.

[127] Stephen Kaplan and Michael Penfold, "China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics," Woodrow Wilson Center, February 20, 2019; Kejal Vyus, "China Talks with Venezuela Opposition to Protect Investments," *Wall Street Journal*, February 12, 2019.

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

[129] 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.

[130] 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.

[131] Ministry of Foreign Affairs of the People's Republic of China, Foreign Ministry Spokesperson Geng Shuang's regular press conference on May 8, 2019," May 8, 2019.

increasingly authoritarian, the Obama and Trump Administrations have increasingly turned to sanctions, first targeted on specific officials and then aimed at broader portions of the Venezuelan economy, to encourage a return to democracy in the country.

Since recognizing the Guaidó government on January 23, 2019, the United States has coordinated its efforts with Interim President Guaidó and encouraged other countries to recognize the interim government. The Trump Administration has supported the Guaidó government's takeover of Citgo and its U.S. assets and recently blocked creditors from seizing Citgo during a default on PdVSA bonds until January 2020. In October 2019, USAID signed a bilateral development agreement with the Guaidó government, the first with Venezuela in more than 65 years.[132] In response to the humanitarian crisis in Venezuela, the United States has pre-positioned aid (at Guaidó's request) on the country's borders, supported U.N. and other entities working in Venezuela, and increased regional humanitarian aid.

As the Trump Administration has sought to bolster the interim government, it has simultaneously imposed more targeted sanctions (visa bans and financial sanctions) on officials in or affiliated with the Maduro government. Administration officials are now working within the framework of the Rio Treaty to encourage neighboring countries that are states parties to the treaty to follow suit. Since sanctioning PdVSA, the Administration has expanded economic sanctions on the Maduro government and persons doing business with that government.

President Trump and top Administration officials have asserted, "all options are on the table" to address the Venezuela situation, including using U.S. military force. The Administration has denounced Cuba and Russia's support of the Maduro regime and imposed additional sanctions on Cuba over its support for Venezuela.

U.S. Sanctions on Venezuela[133]

The United States has increasingly employed sanctions as a policy tool in response to activities of the Venezuelan government and Venezuelan individuals. As the political and economic crisis in Venezuela has deepened, the Trump Administration has significantly expanded sanctions on Venezuela, relying on both existing sanctions and new executive orders. The Trump Administration also has imposed sanctions on PdVSA, Venezuela's central bank, and, most recently, the entire Maduro government. The Administration has cited a number of serious concerns about the Maduro government in expanding sanctions including, among others, human rights abuses, usurpation of power from the democratically elected National Assembly, rampant public corruption, degradation of Venezuela's infrastructure and environment through economic mismanagement and confiscatory mining and industrial practices, and its role in creating a regional migration crisis by neglecting the needs of the Venezuelan people.[134]

Targeted Sanctions on Venezuelan Officials

The Trump Administration has used existing authorities to sanction a number of Venezuelan officials. In particular, the Trump Administration has sanctions on Venezuelan government and

[132] USAID, "USAID Administrator Mark Green with Venezuelan Ambassador to the U.S. Carlos Vecchio on Milestone Bilateral Development Agreement: Remarks," October 8, 2019.

[133] This draws from: CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*, by Clare Ribando Seelke.

[134] For example, see E.O. 13808, "Imposing Additional Sanctions with Respect to the Situation in Venezuela," 82 *Federal Register* 41155-41156, August 24, 2017; E.O. 13850, "Blocking Property of Additional Persons Contributing to the Situation in Venezuela," 83 *Federal Register* 55243-55245, November 1, 2018.

military officials pursuant to E.O. 13692, issued by President Obama in March 2015 to implement the Venezuela Defense of Human Rights and Civil Society Act of 2014 (P.L. 113-278).[135] Among its provisions, the law requires the President to impose sanctions (asset blocking and visa restrictions) against those whom the President determines are responsible for significant acts of violence or serious human rights abuses associated with protests in February 2014 or, more broadly, against anyone who has 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 2016, Congress extended the 2014 act through 2019 in P.L. 114-194.

Under the Obama Administration, the Department of the Treasury froze the assets of seven Venezuelans—six members of Venezuela's security forces and a prosecutor involved in repressing antigovernment protesters—pursuant to E.O. 13692. Under the Trump Administration, the Department of the Treasury designated for sanctions an additional 82 Venezuelan government and military officials under E.O 13692. These include Maduro, his wife, Cecilia Flores, and his son; Executive Vice President Delcy Rodriguez; PSUV First Vice President Diosdado Cabello; eight Supreme Court members; the leaders of Venezuela's army, national guard, and national police; four state governors; the director of the Central Bank of Venezuela; and the foreign minister.

The Trump Administration has also blocked the assets and travel of two high-ranking officials in Venezuela, including then-Vice President Tareck el Aissami and Pedro Luis Martin (a former senior intelligence official) pursuant to Foreign Narcotics Kingpin Designation Act (P.L. 106-120, Title VIII; 21 U.S.C. 1901 *et seq.*). Including those individuals, the Department of the Treasury has now imposed economic sanctions on at least 22 individuals with connections to Venezuela and 27 companies by designating them as Specially Designated Narcotics Traffickers pursuant to the Kingpin Act.

For a discussion on terrorism-related sanctions, see "Terrorism" section below.

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

Starting in 2017, President Trump has sought to cut off U.S. sources of financing for the Venezuelan government. In August 2017, President Trump issued E.O. 13808 to prohibit access to U.S. financial markets by the Venezuelan government, including PdVSA, with certain exceptions to minimize the impact on the Venezuelan people and U.S. economic interests.[136] The sanctions restrict the Venezuelan government's access to U.S. debt and equity markets, traditionally an important source of capital for the government and PdVSA.

In 2018, the Trump Administration issued two additional executive orders to further tighten Venezuela's access to U.S. currency. E.O. 13827, issued in March 2018, prohibits U.S. investors from purchasing or transacting in Venezuela's new digital currency, the petro. This is designed to help the government raise funds and circumvent U.S. sanctions.[137] E.O. 13835, issued in May 2018, prohibits U.S. investors from buying debt or accounts receivable with the Venezuelan

[135] E.O. 13692, "Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela," 80 *Federal Register* 12747-12751, March 8, 2015.

[136] E.O. 13808, "Imposing Additional Sanctions with Respect to the Situation in Venezuela," 82 *Federal Register* 41155-41156, August 24, 2017.

[137] E.O. 13827, "Taking Additional Steps to Address the Situation in Venezuela," 83 *Federal Register* 12469-12470, March 19, 2018.

government, including PdVSA. This is devised to close off an "avenue for corruption" used by Venezuelan government officials to enrich themselves.[138]

In January and February 2019, additional restrictions were imposed on trading Venezuelan and PdVSA bonds in secondary markets. When sanctions on Venezuelan and PdVSA bonds were first announced, OFAC had issued a general license that allowed for such bondholders to continue trading previously issued bonds. In January and February 2019, OFAC restricted the divestment and transfer of previously issued Venezuelan and PdVSA bonds to non-U.S. persons.

Sanctions on Sectors of the Venezuela Economy

Beginning in late 2018, the Trump Administration has rolled out a series of new sanctions focused on Venezuela's oil, gold, financial, defense, and security sectors. In November 2018, President Trump issued E.O. 13850, which blocks the assets of, and prohibits transactions with, those entities operating in Venezuela's gold sector (or any other sector of the economy as determined in the future by the Treasury Secretary) or responsible for or complicit in transactions involving deceptive practices or corruption in the Venezuelan government.[139] Three subsequent determinations issued by Secretary of the Treasury Mnuchin expanded the reach of E.O. 13850 to include the other sectors.[140]

Over subsequent months, a number of individuals and entities have been sanctioned pursuant to E.O. 13850, including 5 individuals and 23 entities involved in a corruption scheme involving Venezuela's currency exchange practices, PdVSA (with general licenses issued by Office of Foreign Assets Control [OFAC] to allow certain transactions and activities related to PdVSA and its subsidiaries), the Moscow-based Evrofinance Mosnarbank (jointly owned by Russia and Venezuela) for helping PdVSA funnel its cash flow from oil sales, Venezuela's state-owned gold sector company—Minerven—for using illicit gold operations to help Maduro financially, state-affiliated Venezuelan Economic and Social Development Bank and five of its subsidiaries that the Maduro government uses to move money outside of Venezuela. In April 2019, the Treasury Department sanctioned Venezuela's central bank; in July, it sanctioned Venezuela's military counterintelligence agency.

In April and in September 2019, the Treasury Department sanctioned companies and vessels involved in transporting Venezuelan oil to Cuba. Companies that have stopped those shipments have been delisted. On July 3, Treasury designated Cuba's state oil import and export company, due to Cuba's continued support for the Maduro government.

Sanctions on the Maduro Government and Persons Transacting with or Assisting That Government

On August 5, 2019, President Trump issued E.O. 13884, blocking the property and interests of the Maduro government in the United States and within the control of U.S. persons; OFAC designated the first five individuals under E.O. 13884 in November 2019. The order also prohibits U.S. persons from engaging in transactions with the Maduro government unless

[138] E.O. 13835, "Prohibiting Certain Additional Transactions with Respect to Venezuela," 83 *Federal Register* 24001-24002, May 21, 2018; Nicholas Casey and Julie Hirschfeld Davis, "As Trump Adds Sanctions on Venezuela, Its Neighbors Reject Election Result," *New York Times,* May 21, 2018.

[139] E.O. 13850, "Blocking Property of Additional Persons Contributing to the Situation in Venezuela," 83 *Federal Register* 55243-55245, November 1, 2018.

[140] Department of the Treasury determinations issued pursuant to Section 1(a)(1) of E.O. 13850 of January 28, 2019 (relating to oil), March 22, 2019 (relating to the financial sector), and May 9, 2019 (relating to the defense and security sector).

authorized by OFAC. E.O. 13884 also authorized financial sanctions and visa restrictions on non-U.S. persons that assist or support the Maduro government, which could lead to U.S. sanctions on foreign energy companies whose joint ventures with PdVSA have kept Venezuela's oil industry afloat. To allow continued humanitarian assistance, OFAC issued licenses authorizing transactions involving the delivery of food, agricultural commodities, and medicine; personal remittances; the work of international organizations; and communications services.

Debate over the Efficacy of U.S. Sanctions on Venezuela

The Trump Administration has significantly ratcheted up sanctions on Venezuela, hitting key targets including Maduro himself, the state-owned oil and gold companies, and the Venezuelan central bank, among others. The Administration has also started targeting foreign firms doing business with Venezuela in its sanctions on foreign shipping companies transporting Venezuelan oil. At the same time, the Administration is starting to demonstrate some flexibility in its sanctions policy with the lifting of sanctions against the former head of Venezuela's intelligence service, General Manuel Cristopher Figuera, in May 2019 after he broke ranks with Maduro. To date, the Administration to date has stopped short of more aggressive sanctions, including on companies in other countries that purchase Venezuelan oil, although such sanctions could be imposed under E.O. 13884.

In terms of economic effects of the sanctions, the results are mixed. The sanctions have contributed to the Maduro government's financial problems, including default on most of its loans and inability to raise new financing.[141] However, the Maduro government has, to some extent, been able to work with other partners, particularly the Russian government and its state firm Rosneft, to help ship oil, and it continues to sell gold reserves to raise funds despite U.S. sanctions.[142] Some analysts are also concerned that the stronger sanctions on PdVSA are further exacerbating Venezuela's difficult humanitarian crisis, already marked by shortages of food and medicines and mass migration, by limiting the country's key source of revenue.[143] This is a particular concern in the event that Maduro remains in power over an extended period of time.

In terms of the sanctions' political effects, the imposition of targeted sanctions on individuals in the Maduro government has not encouraged many of those who were not yet sanctioned to abandon Maduro or changed the behavior of the sanctioned individuals. While some have praised the Administration for removing the sanctions on General Figuera after he backed Guaidó, others have questioned how willing or able the U.S. government will be to lift sanctions on others, particularly in cases involving the Kingpin Act or for those who face U.S. criminal indictments.[144] Observers have urged the Administration to coordinate the imposition or removal of future sanctions, including travel restrictions, with allies such as the EU and Canada, which have enacted similar sanctions.[145] Broader U.S. sanctions adopted since 2017 have yet to compel

[141] Dany Bahar, "Chavismo Is the Worst of All Sanctions: The Evidence Behind the Humanitarian Catastrophe in Venezuela," Brookings Institution, May 22, 2019.

[142] Patricia Laya, "Venezuela Sells $570 Million From Gold Reserve Despite Sanctions," *Bloomberg*, May 17, 2019; Olga Yagova, Chen Aizhu, Marianna Parraga, "Rosneft Becomes top Venezuelan oil Trader Helping Offset U.S. Pressure," Reuters, August 22, 2019.

[143] "Remarks of John Walsh Before the Tom Lantos Human Rights Commission," Washington Office on Latin America (WOLA), July 23, 2019.

[144] Reuters, "Relief from U.S. Sanctions Will Not Come Easily for Some Venezuelans," May 30, 2019.

[145] Samantha Sultoon, "Spotlight: Next Steps with Venezuela," Atlantic Council, April 25, 2019.

Maduro to leave office despite the country's increasingly dire economic situation. They have also provided a scapegoat on which Maduro has blamed the country's economic problems.

Energy Sector Concerns and U.S. Economic Sanctions[146]

Venezuela's petroleum sector has experienced a general decline since the beginning of 2011, when crude oil production averaged approximately 2.5 million barrels per day (bpd) for the year. Prior to financial sanctions being imposed on PdVSA in August 2017 (E.O. 13808), oil production had already declined to approximately 1.8 million bpd.

Sanctions included in E.O. 13808 placed limits on the maturity of new debt that U.S. entities can extend to PdVSA to 90 days. This limitation made it more difficult for PdVSA to pay for oil-related services and acquire certain oil production equipment. PdVSA has dealt with its fiscal problems by delaying payments and paying service providers with promissory notes in lieu of payments.[147] There are concerns that delayed payments and promissory notes would count as new credit and, if their maturity exceeds 90 days, would violate sanctions. These payment issues have contributed to the slowdown in oil production.[148] The financial sanctions also prevent PdVSA from receiving cash distributions from its U.S.-based Citgo refining subsidiary. While it is difficult to accurately quantify the oil volume impact of E.O. 13808 financial sanctions, data in **Figure 4** suggest that Venezuela's oil production decline accelerated following the imposition of financial access restrictions on PdVSA.[149]

As previously described, the Secretary of the Treasury determined on January 28, 2019, that persons (e.g., individuals and companies) operating in Venezuela's oil sector are subject to sanctions—pursuant to E.O. 13850—the goal being to apply economic pressure on the Maduro government. Subsequently, Treasury's OFAC added PdVSA—including all entities in which PdVSA has a 50% or more ownership position—to its Specifically Designated Nationals list. This designation blocks PdVSA's U.S. assets and prohibits U.S. persons/entities from dealing with the company. These sanctions affect several areas in which U.S. companies have business interests (e.g., debt/financial transactions and oil field services) and have effectively terminated U.S.-Venezuela petroleum (crude oil and petroleum products) trade. This is significant for Venezuela, as the United States was a primary destination for exported crude oil.

Petroleum trade between the United States and Venezuela has been bilateral but has historically been dominated by Venezuela crude oil exports to the United States. Similar to oil production trends in Venezuela, U.S. oil imports of Venezuelan crude oil have been steadily declining since at least 2011 (see **Figure 4**) when import volumes were approximately 1 million bpd during certain months. When sanctions were imposed on PdVSA in January 2019, U.S. oil imports of Venezuelan crude oil were approximately 500,000 bpd. General licenses issued by OFAC allowed for U.S. entities to continue purchasing Venezuelan crude oil until April 28, 2019.[150] However,

[146] This section was authored by Philip Brown, Specialist in Energy Policy.

[147] Risa Grais-Targow et al., "Venezuela/Oil," Eurasia Group, November 21, 2017.

[148] Grais-Targow et al., "Venezuela/Oil."

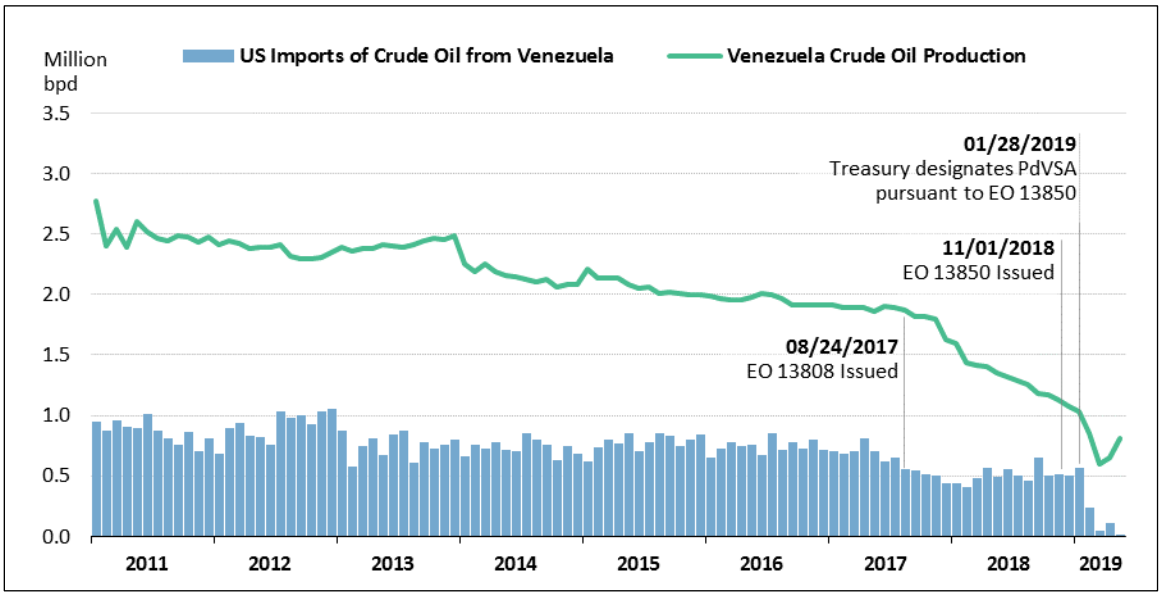
[149] One study has been published that assess the impact of U.S. sanctions on the Venezuelan economy and includes an approach to quantifying the amount of Venezuelan oil production that has been affected by U.S. financial and oil trade sanctions. For additional information, see Torino Economics, Sanctions and the Venezuelan Economy: What the Data Say, June 2019.

[150] General license 12 provides this wind-down period for importing petroleum from Venezuela. A comprehensive list of OFAC general licenses is available at https://www.treasury.gov/resource-center/sanctions/programs/pages/venezuela.aspx.

payments made to PdVSA for imported petroleum during the wind-down period had to be made into a U.S.-based blocked account. This element of the petroleum trade sanctions motivated PdVSA to immediately seek alternative cash buyers.[151] U.S. imports declined by 50% to approximately 250,000 bpd in the first month following the PdVSA designation and imports have since been further reduced to near zero.[152]

Figure 4. Venezuela Crude Oil Production and U.S. Imports

January 2011-May 2019



Sources: Venezuela crude oil production from Energy Intelligence Group's Oil Market Intelligence publication. U.S. imports of Venezuelan crude oil from the Energy Information Administration.

Venezuela's oil production since January 2019 has been further challenged by access to petroleum blending components—referred to as diluents—and ongoing power outages that have affected oil production operations.[153] PdVSA sanctions imposed in January 2019 prohibited U.S. diluent exports to Venezuela immediately. There was no wind-down period for this trade element. The characteristics of a large portion of Venezuela's crude oil—generally a heavy, low-viscosity, high-sulfur crude oil type—requires blending this crude oil with lighter petroleum materials in order to achieve a viscosity sufficient for transportation and processing. Typical diluents used for crude oil blending include naphtha and condensate, both light petroleum liquids that Venezuela had been importing from the United States. There are other non-U.S. diluent sources, and PdVSA has had to source diluent materials from alternative suppliers. However, it has taken time to secure alternative suppliers, and this constraint has caused additional difficulty for PdVSA to continue its oil production operations. As previously mentioned, Russia has been supplying PdVSA with diluents since trade with U.S. suppliers was prohibited.[154] Furthermore, power

[151] Ship tracking information from Bloomberg L.P. (subscription required) indicates that Venezuela's crude exports to India and China increased 49% and 34%, respectively, between January 2019 and February 2019.

[152] Energy Information Administration, U.S. Imports by Country of Origin (crude oil), https://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_epc0_im0_mbblpd_m.htm, accessed September 12, 2019.

[153] Energy Information Administration (EIA), "Venezuelan Crude Oil Production Falls to Lowest Level Since January 2003," *Today in Energy*, May 20, 2019.

[154] Bloomberg, "PDVSA is Said to Get 5th Russian Oil Diluent Cargo," May 7, 2019.

outages that have occurred since the January 2019 sanctions took effect have created difficulties for oil production activities involving pumping and processing equipment that require power to operate.[155]

Direct impacts to U.S. oil refineries are somewhat difficult to assess due to the wind-down periods provided by general licenses, opportunities to source similar crude oil types from other non-sanctioned countries, and refinery maintenance activities during the first half of 2019 that limited demand for oil import volumes. Mexico, Colombia, Canada, and Iraq are examples of countries that export crude oil with similar quality characteristics to that of Venezuela's heavy crude oil. However, movements in oil price benchmarks since January indicate that the differential between light sweet (low sulfur) and heavy sour (high sulfur) crude oil has narrowed and has been negative on certain days since January 2019. This price behavior can affect profit margins for refineries optimally configured to process heavy crude oil.[156]

Other elements of the Venezuela sanctions framework include the possibility of secondary sanctions and may make it difficult for PdVSA to locate and secure alternative non-U.S. crude oil buyers. In January 2019, OFAC issued guidance indicating the petroleum purchases by non-U.S. entities involving "any other U.S. nexus (e.g., transactions involving the U.S. financial system or U.S. commodity brokers)" are prohibited following the 90-day wind-down period.[157] Additionally, in August 2019, E.O. 13884 was issued and includes a provision that blocks property and interests in property in the United States for persons/entities determined by the Secretary of the Treasury to have assisted PdVSA.[158] OFAC guidance and E.O. 13884 appear to be limiting the number of non-U.S. entities willing to ship and trade Venezuelan crude oil.[159]

U.S. Assistance

Humanitarian and Related Assistance[160]

The U.S. government is providing humanitarian and emergency food assistance and helping to coordinate and support regional response efforts. As of September 30, 2019 (latest data available), since FY2017, the United States has provided more than $472.5 million for the Venezuela Crisis and region, of which more than $416.5 million was for Venezuelan refugees and migrants who fled to other countries or for the communities hosting them, and $56 million was for emergency needs in Venezuela in FY2018-FY2019.[161] (Humanitarian funding is drawn primarily from the

[155] EIA, "Venezuelan Crude Oil Production;" Tsvetana, Paraskova, "Oil Production Paralyzed As Venezuela's Electricity Crisis Worsens," *Oilprice.com*, October 31, 2019.

[156] The price differential between Louisiana Light Sweet (LLS) and Mars—a U.S.-produced heavy crude oil—ranged from approximately $2.50 to $6.00 per barrel between 2016 and 2018. Mars was less than LLS, which is to be expected given the better quality characteristics of LLS. In March 2019, following the January 2019 sanctions, the price differential turned negative for one day by $0.90 per barrel. Mars, a lower quality crude oil, was more expensive than LLS. The price differential has since recovered to approximately $2.50 per barrel, the lower end of the 2016-2018 range.

[157] For additional information, see OFAC's FAQs, available at https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#650.

[158] Executive Order 13384, "Blocking Property of the Government of Venezuela," August 5, 2019.

[159] Marianna Parraga, Collin Eaton, "More oil Traders, Vessel Operators Shun Links to Venezuela's oil," Reuters, October 10, 2019.

[160] This is drawn from CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*, by Rhoda Margesson and Clare Ribando Seelke.

[161] USAID, *Venezuela Regional Crisis*, Fact Sheet #4, Fiscal Year (FY) 2019, September 30, 2019.

global humanitarian accounts in annual Department of State-Foreign Operations appropriations.)[162]

In February 2019, at the request of Interim President Guiadó, the U.S. government pre-positioned assistance (food, health, hygiene, and nutrition commodities) for the Venezuelan people on the Colombia- and Brazil-Venezuela borders. Security forces loyal to Maduro prevented the delivery of the humanitarian assistance. In keeping with international humanitarian standards, U.S. humanitarian assistance is generally provided on the basis of need and according to principles of universality, impartiality, and independence.[163] A broad range of humanitarian organizations, including U.N. entities, the ICRC, and NGOs expressed concern not just about the many logistical and security problems in delivering assistance to Venezuela, but the prospect of humanitarian assistance being used as a tool in a political contest.

Democracy and Development-Related Assistance

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

From 2002 through 2010, USAID supported small-grant and technical assistance activities through its Office of Transition Initiatives (OTI) to provide assistance monitoring democratic stability and strengthening the 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.

Since FY2010, USAID democracy programs in Venezuela have been funded primarily through the Economic Support Fund (ESF) account. In recent years, U.S. democracy and human rights assistance appropriated to Venezuela amounted to $15 million in FY2018 (P.L. 115-141) and $17.5 million in FY2019 (P.L. 116-6).

In addition to the FY2018 democracy-related ESF assistance appropriated by Congress, the Trump Administration is providing additional reprogrammed FY2018 aid to Venezuela (most of which was originally appropriated for Central America). USAID signed a new bilateral agreement with the Guaidó government in October 2019 to expand its democracy and human rights-related programs in Venezuela and start new health and agriculture programs.[164] This expansion in programming supports the goals of the interim government to facilitate a transition to democracy and start to rebuild key sectors damaged by the economic crisis.[165] Although most of the assistance supports programs in Venezuela, some is also funding work-related travel, salaries, and secure communications systems for interim government officials and staff.[166] The funding will be administered primarily through third party contractors.

These reprogrammed FY2018 funds for Venezuela include $71.9 million in Development Assistance (DA) and $1.0 million in ESF funds to support good governance, civil society, independent media, and human rights programs; $4 million in Democracy Fund assistance to help

[162] From October through December 2018, the U.S. Navy hospital ship USNS *Comfort* was on an 11-week medical support deployment to work with government partners in Ecuador, Peru, Colombia, and Honduras, in part to assist with arrivals from Venezuela.

[163] USAID, Office of Foreign Disaster Assistance, *Policy for Humanitarian Action*, October 2015.

[164] Teresa Walsh, "USAID Reprograms Central America Funds for Use Inside Venezuela," *Devex*, October 10, 2019.

[165] USAID, October 8, 2019, op. cit.

[166] USAID, Congressional Notification (CN) #157, July 11, 2019.

civil society monitor and oversee the electoral process; $10 million in Global Development Lab funds (DA) to support private sector productivity; and $3 million in ESF to support the free flow of information among journalists, human rights groups, and media groups, and to help hold those accused of corruption and human rights abuses accountable.[167] USAID also notified Congress of its intent to provide $10 million in FY2018 global health funds (GHP) and $11.2 million in FY2018 agriculture/food security programs (DA) for Venezuela.[168]

Table 1. U.S. Foreign Assistance to Venezuela by Account: FY2015-FY2020 Request

(appropriations in millions of current U.S. dollars)

Account	FY2015	FY2016	FY2017	FY2018 (estimate)	FY2019 (estimate)	FY2020 (request)
DA	0.0	0.0	0.0	93.1[a]	0.0	0.0
DF	0.0	0.0	0.0	4.0[a]	0.0	0.0
ESF	4.3	6.5	7.0	19.0[a]	17.5	0.0
ESDF	0.0	0.0	0.0	0.0	0.0	9.0
GHP (USAID)	0.0	0.0	0.0	10.0[a]	0.0	0.0
Total	**4.3**	**6.5**	**17.5**	**126.1**	**17.5**	**9.0**

Sources: U.S. Department of State, *Congressional Budget Justifications for Foreign Operations, FY2017-FY2020*, at https://www.state.gov/plans-performance-budget/international-affairs-budgets/; https://2009-2017.state.gov/s/d/rm/rls/index.htm; FY2019 estimate is State Department data provided to CRS, November 5, 2019; U.S. Agency for International Development (USAID), Congressional Notification (CN) #125, May 14, 2019; CN #156, July 11, 2019; CN#157, July 11, 2019; CN #224, September 9, 2019; CN #225, September 11, 2019; CN #233, September 11, 2019; CN #243, August 9, 2019

Notes: DA = Development Assistance; DF= Democracy Fund; ESF = Economic Support Fund; ESDF=Economic Support and Development Fund; GHP = Global Health Programs.

a. These totals include funds that were appropriated for other purposes but reprogrammed to be used in Venezuela.

For FY2020, the Administration requested $9 million in democracy assistance (ESF) and also requested authority to transfer up to $500 million to support a transition or respond to a crisis in Venezuela. The House-approved version of the FY2020 State and Foreign Operations Appropriations Act (H.R. 2740, H.Rept. 116-78) would provide $17.5 million in democracy aid (ESF). The Senate-introduced version of the bill (S. 2583, S.Rept. 116-126) would provide $30 million. Neither the House nor the Senate bills approved the requested $500 million transfer authority. Since neither measure has been enacted, a continuing resolution (P.L. 116-59) is currently funding foreign assistance programs at FY2019 levels until November 21, 2019.

In addition to this bilateral aid, the National Endowment for Democracy (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

[167] USAID, CN #233, September 11, 2019; CN #157, July 11, 2019; CN #233, September 11, 2019; USAID CN #125, May 14, 2019; CN #156, July 11, 2019; CN #243, August 9, 2019.

[168] USAID, CN #224, September 9, 2019, Global Health Program-USAID ($10.2 million for Venezuela out of $32.5 million detailed in the CN); CN #225, September 11, 2019, Bureau for Food Security, Agriculture Venezuela Food Security, DA.

NED are not specified in the legislation. In 2018, NED funded 40 projects in Venezuela totaling roughly $2.0 million as compared to $2.6 million in 2017.

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.[169] According to the Venezuelan Violence Observatory, the homicide rate in Venezuela declined in 2018 (81.4 homicides per 100,000 people) as compared to a rate of 89.1 per 100,000 people in 2017, with part of that decline attributed to migration that has reduced the population.[170] The impunity rate for homicide in Venezuela is roughly 92%.[171] Although many homicides have been committed by criminal groups, extrajudicial killings by security forces and allied armed civilian militias (*colectivos*) have also been rising.[172] In September 2018, Amnesty International published a report describing how security forces have adopted militarized approaches to public security that have resulted in numerous human rights abuses, including extrajudicial killings.[173]

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.[174] Many of those officials have allegedly engaged in drug trafficking (discussed below), but others have reportedly deputized illegal groups in the neighborhoods and prisons, run smuggling operations in border areas, and engaged in illegal gold mining.[175]

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). Most recently, n August 2019, President Trump again designated Venezuela as a country not adhering to its antidrug

[169] 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.

[170] Reuters, "Venezuela Murder Rate Dips, Partly due to Migration: Monitoring Group," December 27, 2018.

[171] Christopher Woody, "Venezuela Admits Homicides Soared to 60 a day in 2016, Making it one of the Most Violent Countries in the World," *Business Insider*, April 2017.

[172] David Smilde, "Crime and Revolution in Venezuela," *NACLA Report on the Americas*, 2017, vol. 49, no. 3; Amnesty International, September 2018.

[173] Amnesty International, *This Is No Way to Live: Public Security and Right to Life in Venezuela*, September 20, 2018.

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

[175] International Crisis Group, *Gold and Grief in Venezuela's Violent South*.

obligations.[176] 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 2019 *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, lacking international counternarcotics cooperation, and permissive and corrupt environment. The report notes the following:

- Cocaine is trafficked via aerial, terrestrial, and maritime routes, with most drug flights departing from Venezuelan states bordering Colombia and maritime trafficking that includes the use of large cargo containers, fishing vessels, and "go-fast" boats.
- The vast majority of drugs transiting Venezuela in 2018 were destined for the Caribbean, Central America, the United States, West Africa, and Europe. Colombian drug-trafficking organizations—including multiple criminal bands, the Revolutionary Armed Forces of Colombia (FARC), and the National Liberation Army (ELN)—facilitate drug transshipment through Venezuela. Mexican drug-trafficking organizations also operate in the country.
- Venezuelan officials reported conflicting statistics, with the attorney general asserting that the government had seized 20 metric tons of drugs between August 2017 and October 2018 and another official maintaining that seizures from January through September 2018 alone exceeded 22 metric tons.
- Venezuelan authorities "failed to make demonstrable efforts to combat illegal drug activity and prosecute corrupt officials or suspected drug traffickers, including those sanctioned by the United States government."[177]

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.[178] 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 has also documented how the Cartel of the Suns has interacted with illegally armed groups and drug traffickers in Colombia, trafficked cocaine through the Dominican Republic and Honduras, and engaged in corruption with politicians and businesses in El Salvador.[179]

Recent cases in the United States also demonstrate the involvement of high-level Venezuelan officials or their relatives in international drug trafficking. President Maduro has either dismissed those cases or appointed the accused to Cabinet positions, where they will presumably 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 would likely face extradition and prosecution in the United States.[180]

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[176] The White House, "Presidential Determination—Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2020," August 8, 2019.

[177] U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, 2019 INCSR, vol. 1, p. 271.

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

[179] Insight Crime, *Venezuela: A Mafia State?*

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

In December 2017, two nephews of First Lady Cilia Flores—Franqui Francisco Flores de Freitas and Efraín Antonio Campo Flores—were sentenced to 18 years in a U.S. federal prison for conspiring to transport cocaine into the United States. The two nephews had been arrested in Haiti in November 2015 and convicted in the United States in November 2016.[181]

Money Laundering

In addition to drug trafficking, the 2019 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.[182] The 2019 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.[183] 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.[184]

On September 20, 2017, the Department of the Treasury's Financial Crimes Enforcement Network advised U.S. financial institutions to report any suspicious financial transactions that could have a nexus with Venezuela.[185] The advisory urged U.S. institutions to exercise increased scrutiny over transactions that may involve lesser-known state-owned enterprises connected to the government. It warned that recent sanctions against Venezuelan officials could increase the chance that "non-designated Venezuelan senior political figures may seek to protect their assets."

Illegal Mining

Although more than 95% of Venezuela's export revenue comes from oil and gas exports, gold mining, both licit and illicit, has accelerated as the country's economy has collapsed in the face of low global oil prices and an ongoing political crisis. According to the Global Initiative against Transnational Organized Crime, 91% of gold produced in Venezuela was mined illegally—the highest rate in Latin America, even prior to the current crisis.[186] Over the past three years, a boom

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March 2, 2017.

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

[182] U.S. Department of State, 2019 INCSR, pp. 193-194.

[183] U.S. Department of State, 2019 INCSR, pp. 193-194.

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

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

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

in illegal mining in Venezuela has reportedly 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).[187] 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.[188]

Colombian Illegally Armed Groups Operating in Venezuela

Illegally armed groups are active on both sides of the Colombian-Venezuelan border. Venezuela's instability, weak institutions, and lawlessness have attracted the attention of drug trafficking and illegally armed groups from Colombia. The ELN, which is still engaged in armed conflict in Colombia, and its rival, the Popular Liberation Army (EPL), reportedly recruit Venezuelans to cultivate coca, the basic plant component of cocaine.[189] ELN guerrillas have moved from seeking safe haven in Venezuela to taking control of illicit gold mining in parts of the country. The Rastrojos, a criminal group of former paramilitaries, reportedly controls important gasoline smuggling routes between Venezuela and Colombia. The U.S. and Colombian governments have expressed concerns about Venezuela sheltering both FARC dissidents and ELN fighters.[190]

Violence among these groups and between the groups and the Venezuelan government has escalated, threatening security on both sides of the border. Conflict between the ELN and the EPL over control of the cocaine trade led to an August 2018 daytime shootout in a town on the Colombian side of the border in which eight people died.[191] As this violence has occurred, Colombia has also protested periodic crossings into its territory by Venezuelan troops. In September 2019, tensions heightened after the Maduro government sent tens of thousands of troops to the Colombian border for "military exercises."[192]

Human Trafficking

As the economic situation in Venezuela has continued to deteriorate, criminal groups have subjected men, women, and children to human trafficking both within Venezuela and abroad.[193] Within the country, victims are trafficked from rural to urban areas to serve as prostitutes or domestic servants.[194] While Venezuelan women and girls are often trafficked abroad for sexual exploitation, men and boys are trafficked for forced labor and/or are forcibly recruited by

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[187] 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.

[188] Global Initiative Against Transnational Organized Crime, *Organized Crime and Illegally Mined Gold in Latin America*; International Crisis Group, *Gold and Grief in Venezuela's Violent South*.

[189] Helen Murphy and Luis Jaime Acosta, "Exclusive: Colombian Armed Groups Recruiting Desperate Venezuelans, Army Says," Reuters, June 20, 2019.

[190] "Amid Colombia Rebel Rearmament, U.S. sees Support From Maduro: Official," Reuters, August 31, 2019.

[191] Ronna Rísquez and Victoria Dittmar, " ELN and EPL Conflict Intensifies at Colombia-Venezuela Border," Insight Crime, August 2, 2018.

[192] Scott Smith and Luis Alonso Lugo, "Venezuela Starts Military Exercises Along Colombia Border," AP, September 10, 2019.

[193] U.S. Department of State, *2019 Trafficking in Persons Report: Venezuela*, June 20, 2019.

[194] Ibid.

Colombian illegally armed groups.[195] Venezuelan migrants who have fled abroad lacking identity documents and work permits are particularly vulnerable to human trafficking.

The U.S. Department of State ranked Venezuela as Tier 3 for the sixth consecutive year in its June 2019 *Trafficking in Persons* (TIP) report. Although the Maduro government reported that it had conducted a training on how to serve victims of human trafficking, it did not report any data on TIP victims assisted, cases investigated or prosecuted, or any convictions for human trafficking. The State Department therefore determined that Venezuela did not meet the minimum standards for the elimination of human trafficking and was not making any effort to do so. In September 2019, the Trump Administration waived TIP-related sanctions on assistance to Venezuela that would have been triggered by that Tier 3 ranking, determining that the continuation of U.S. assistance to civil society for democracy and human rights was in the U.S. national interest. The State Department has also notified Congress of its intention to provide $3 million in FY2018 INCLE funds to help strengthen human trafficking efforts in countries affected by the Venezuela regional migration crisis.[196]

Terrorism

Since 2006, the Secretary of State has determined annually 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 2019.[197]

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

The State Department's most recent annual terrorism report, issued on November 1, 2019, stated that "country's porous borders offered a permissive environment to known terrorist groups."[198] The report mentioned FARC dissidents, ELN, and Hezbollah supporters as present in the country. Some Members of Congress have called for Venezuela to be designate as a state sponsor of terror.[199] This designation would trigger an array of sanctions, including aid restrictions, requirement for validated export licenses for dual-use items, and other financial restrictions.[200] Critics caution there is a lack of evidence to conclude that the Venezuelan government has "repeatedly provided support for acts of international terrorism," as required by law.[201]

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[195] Devon Cone and Melanie Teff, *Searching for Safety: Confronting Sexual Exploitation and Trafficking of Venezuelan Women and Girls*, Refugees International, August 2019.

[196] U.S. Department of State, CN #218, August 15, 2019.

[197] U.S. Department of State. Public Notice 10781, "Determination and Certification of Countries Not Cooperating Fully with United States Antiterrorism Efforts," 84 *Federal Register* 24856, May 29, 2019.

[198] U.S. Department of State, "Western Hemisphere Overview," in *Country Reports on Terrorism 2017*, September 2018.

[199] Alex Daugherty, "What Would it Mean to put Venezuela on the U.S. List of Nations that Sponsor Terrorism?" *Miami Herald*, January 23, 2019.

[200] CRS Report R43835, *State Sponsors of Acts of International Terrorism—Legislative Parameters: In Brief*, by Dianne E. Rennack.

[201] Amanda Erickson, "Venezuela Is a Tragedy, Not a Terrorist Threat," *Washington Post*, November 21, 2018.

Outlook

For years, analysts have debated how long Maduro can retain his grip on power and how best to help hasten a return to democracy in Venezuela. With his second term widely regarded as illegitimate within Venezuela and by much of the international community, Maduro has faced tough sanctions and a reenergized opposition under the leadership of Interim President Juan Guaidó. Despite two bold efforts by Guaidó and his supporters to encourage the Venezuelan military to abandon Maduro and sustained international pressure against him, Maduro remains the de facto leader of Venezuela. Given the rapidly deteriorating economic and humanitarian conditions in the country that are affecting the entire region, resolving the political crisis in Venezuela remains a top U.S. foreign policy priority.

The Trump Administration has worked bilaterally and multilaterally to increase pressure on Maduro and support the interim government led by Guaidó. In the aftermath of a failed April 30 uprising, U.S. options to hasten a transition to democracy in Venezuela appear limited. Whereas some observers have urged the Administration to take even more aggressive measures despite the risk that they could contribute to increased unrest, others have maintained that support for a negotiated solution is the best course of action. In the absence of a political transition, the deteriorating humanitarian situation could increase pressure on the United States to reassess its sanctions on the Venezuelan economy.

The 116th Congress has closely followed developments in Venezuela, the Trump Administration's policy responses, and international efforts to broker a solution to the crisis. Congress has held hearings on the political crisis in Venezuela and U.S. policy, the humanitarian crisis in Venezuela, the regional migration crisis that Venezuela's unrest has wrought, the influence of Russia and China in Venezuela, and the role of Congress in authorizing the possible use of U.S. military force in Venezuela. Congress is also considering a range of legislative initiatives to require, authorize, or constrain certain Administration actions regarding Venezuela (e.g., H.R. 920, H.R. 1477, S. 1025, H.R. 1004, and S.J.Res. 11). For more information on legislative initiatives on Venezuela in the 116th Congress, see **Appendix A**.

Appendix A. Legislative Initiatives in the 116th Congress

Enacted Legislation

P.L. 116-6 (H.J.Res. 31), Consolidated Appropriations Act, 2019. Introduced January 22, 2019. House passed (231-180) January 24; Senate passed, amended, by voice vote January 25. Conference report (H.Rept. 116-9) filed February 13, 2019. House approved conference (300-128) February 14; Senate approved conference (83-16) February 14. Signed into law February 15, 2019. The measure provides $17.5 million for democracy and rule of law programs for civil society groups in Venezuela. H.Rept. 116-9 requires a strategy of how U.S. agencies are supporting communities that are sheltering Venezuelans throughout Latin America and the Caribbean.

Selected Legislative Initiatives

H.R. 549/H.Rept. 116-168 (Soto), **the Venezuela TPS Act of 2019**, would allow certain Venezuelan nationals residing in the United States to qualify for temporary protected status, which prevents their removal from the United States and allows them to obtain employment and travel authorization. Introduced January 15, 2019; amended and reported out of the House Judiciary Committee May 22, 2019; House approved July 25, 2019.

S. 636 (Menendez), **the Venezuela Temporary Protected Status Act of 2019,** would designate Venezuela under Section 244 of the Immigration and Nationality Act to permit nationals of Venezuela to be eligible for Temporary Protected Status under such section. Introduced February 28, 2019; referred to the Judiciary Committee.

H.R. 854 (Mucarsel-Powell), **the Humanitarian Assistance to the Venezuelan People Act of 2019,** would require a strategy within 180 days of its enactment from the Department of State and USAID on the delivery of humanitarian assistance within Venezuela and for Venezuelans throughout Latin America and the Caribbean and authorize up to $150 million in humanitarian assistance to be provided for each of FY2020 and FY2021. Introduced January 29, 2019; amended and reported out of the House Foreign Affairs Committee March 14, 2019; House approved, as amended, March 25, 2019.

H.R. 920 (Shalala), **the Venezuela Arms Restriction Act,** would restrict the transfer of defense articles, defense services, and crime control articles to any element of the security forces of Venezuela under the authority of a government of Venezuela that is not recognized as the legitimate government of Venezuela by the government of the United States (i.e. the Maduro government). Introduced January 30, 2019; reported out of the House Foreign Affairs Committee March 14, 2019; House approved March 25, 2019.

H.R. 1477 (Wasserman Schultz), **the Russian-Venezuelan Threat Mitigation Act,** would require the Secretary of State to submit an assessment within 120 days of its enactment on Russian-Venezuelan security cooperation and the potential threat such cooperation poses to the United States and countries in the Western Hemisphere. Introduced February 28, 2019; reported out of the House Foreign Affairs Committee March 14, 2019; approved by the House March 25, 2019.

S. 1025 (Menendez), **the VERDAD Act of 2019,** would establish as U.S. policy the pursuit of a peaceful, diplomatic solution to the Venezuelan crisis; authorize $400 million in new

humanitarian assistance; prohibit visas for the family members of sanctioned individuals but establish a waiver with conditions to lift visa restrictions; remove sanctions on designated individuals not involved in human rights abuses if they recognize Venezuela's interim president; require the State Department to work with Latin American and European governments to implement their own sanctions; require the Departments of State, Treasury, and Justice to lead international efforts to freeze, recover, and repurpose the corrupt financial holdings of Venezuelan officials; and accelerate planning with international financial institutions on the economic reconstruction of Venezuela contingent upon the restoration of democratic governance. Introduced April 22, 2019; reported with an amendment in the nature of a substitute to include three House measures (H.R. 854, H.R. 920, and H.R. 1477) out of the Senate Foreign Relations Committee May 22, 2019.

H.R. 1004 (Cicilline),**the Prohibiting Unauthorized Military Action in Venezuela Act,** would prohibit funds made available to federal departments or agencies from being used to introduce the armed forces of the United States into hostilities with Venezuela, except pursuant to (1) a declaration of war, (2) a specific statutory authorization that meets the requirements of the War Powers Resolution and is enacted after the enactment of this bill, or (3) a national emergency created by attack upon the United States or the armed forces. Introduced February 6, 2019; referred to the House Foreign Affairs Committee and the House Armed Services Committee; House Foreign Affairs Committee reported, as amended, April 9, 2019.

H.R. 2204 (Waltz)/S. 1151(Scott), **the Venezuelan Contracting Restriction Act,** would prohibit an executive agency from entering into a contract for the procurement of goods or services with any person that has business relations with an authority of the Maduro government. Introduced in the House April 10, 2019; referred to the House Committee on Government Reform. Introduced in the Senate April 11, 2019; reported with an amendment in the nature of a substitute by the Senate Homeland Security and Government Affairs Committee September 19, 2019 (S.Rept. 116-85).

H.R. 2500 (Smith), **the National Defense Authorization Act, FY2020,** would incorporate language similar to that of (H.R. 2500 and S. 1790) that would prohibit federal contracting with persons that do business with the Maduro government. Introduced May 2, 2019; amended by the House Committee on Armed Services (H.Rept. 116-120), House approved July 12, 2019.

S. 1790 (Inhofe), **the National Defense Authorization Act, FY2020,** would incorporate language similar to that of H.R. 2500 and S. 1790 that would prohibit federal contracting with persons that do business with the Maduro government. Introduced June 11, 2019; agreed to in the Senate June 27, 2019; agreed to in the House September 17, 2019; conference committee meeting held September 19, 2019.

H.R. 2740 (DeLauro), **Labor, Health and Human Services, Education, Defense, State, Foreign Operations, and Energy and Water Development Appropriations Act, FY2020,** incorporates the language of H.R. 2839 as Division D and references the report (H.Rept. 116-78) to H.R. 2839. It would provide $17.5 million for democracy and rule of law programs in Venezuela. Introduced and reported out of the Appropriations Committee May 15, 2019 (H.Rept. 116-62), House approved as amended June 19, 2019.

H.R. 2839 (Lowey), **the Department of State, Foreign Operations, and Related Programs Appropriations Act, FY2020,** would provide $17.5 million in democracy and human rights aid to Venezuela. The report (H.Rept. 116-78) would direct Migration and Refugee Assistance and International Disaster Assistance to addressing the Venezuela migration crisis. Introduced and reported out of the Appropriations Committee May 20, 2019 (H.Rept. 116-78).

S. 2583 (Graham), the Department of State, Foreign Operations, and Related Programs Appropriations Act, FY2020, would provide not less than $30 million in ESF funds for democracy programs for Venezuela. The bill and report (S. 126) would require a strategy and estimated U.S. assistance requirements for three years under various scenarios for either mitigating the crisis in Venezuela or facilitating a political transition. The bill directs DA provided in this bill and past bills to be made available for supporting countries that are sheltering Venezuelan refugees. Introduced September 26, 2019; referred to the Committee on Appropriations.

S.J.Res. 11 (Merkley), **the Prohibiting Unauthorized Military Action in Venezuela Resolution of 2019,** would prohibit U.S. department or agency funding from being used to introduce armed forces into hostilities with Venezuela, except pursuant to a specific statutory authorization by Congress enacted after this joint resolution. Introduced February 28, 2019.

Appendix B. Online Human Rights Reporting on Venezuela

Table B-1. Online Human Rights Reporting on Venezuela

Organization	Document/Link
Amnesty International	*The State of the World's Human Rights*, https://www.amnesty.org/en/countries/americas/venezuela/report-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 2018*, 2019, chapter IV includes a special report on Venezuela, http://www.oas.org/en/iachr/docs/annual/2018/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 2018*, March 13, 2019, https://www.state.gov/reports/2018-country-reports-on-human-rights-practices/
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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Acknowledgments

Carla Davis-Castro, Research Librarian, contributed charts and background information for this report.

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