

Testimony

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“The Venezuela Crisis: The Malicious Influence of State and Criminal Actors”
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Harold A. Trinkunas
Senior Research Scholar and Associate Director for Research
Center for International Security and Cooperation
Freeman Spogli Institute for International Studies
Stanford University

Chairman Duncan, Ranking Member Sires, and Members of the Subcommittee:

It is an honor to be asked to address the subcommittee on the negative influence of external actors in the crisis in Venezuela. I am providing this testimony in my private capacity as an expert on Venezuela, its politics and its foreign policy. I have conducted research and published peer-reviewed reports, articles and books on Venezuela, particularly on its civil-military relations, throughout my academic career.

The main conclusions I present in this testimony are:

- External actors such as Cuba, Russia, China, and Iran have a negative influence on Venezuela by enabling the Maduro administration to pursue failed policies longer than would otherwise be possible.
- Venezuela’s crisis is not solely a result of lack of expertise in the Maduro administration or the negative influence of external actors, but rather government policies selected for the benefit President Maduro and his allies rather than Venezuelans as a whole.
- Because of the involvement of some members of the Maduro administration in corruption, drug trafficking and human rights abuses, they cannot afford the risk that a return to democratic rule in Venezuela would expose them to being held accountable.
- External actors negatively influencing the Venezuelan crisis today are primarily motivated by the pursuit of economic gains.
- Not all external actors discussed here play an equally negative role in the Venezuelan crisis, and some may be open to making a more positive contribution under the right circumstances.
- The negative role of some outside actors notwithstanding, the external environment is now more favorable to international collaboration to contribute to a solution to the Venezuelan crisis than at any time since President Maduro took office in 2013.

The Growing Humanitarian and Political Crisis in Venezuela

The subcommittee is well aware of the deep humanitarian and political crisis in Venezuela. Venezuela's GDP per capita has dropped by 40% since President Maduro took office in 2013.¹ Venezuela's economy may be entering a hyperinflationary period: food and medicines are often scarce and, even when available, frequently unaffordable.² This has led to an increasing problem of malnutrition among Venezuelans living in poverty, who in 2016 constituted 81 percent of the population, up from approximately 32 percent in 2013.³ Venezuela also experiences some of the highest rates of criminal violence in the world, in part because the government relies on criminal gangs known as *colectivos* as part of its informal support base.⁴

Venezuela imports most of its food and consumer products, and imports have fallen from \$66 billion in 2012 to \$18 billion in 2016. We should expect this figure to fall further for 2017.⁵ Venezuela has \$4.365 billion in international debt payments scheduled between September and December 2017, and less than \$10 billion in foreign reserves, much of it in gold, which is a less liquid type of asset.⁶

The country is now ruled by an authoritarian regime under President Nicolás Maduro that has moved increasingly swiftly to dismantle all the checks and balances on executive power contained in the 1999 constitution. Venezuela's opposition movement won a majority in the National Assembly, the country's legislature, in December 2015 elections but this institution has been sidelined and its powers ignored.⁷

¹ Ricardo Hausmann, "Venezuela's economic decline is 'sharper than the US Great Depression'," World Economic Forum, July 31, 2017, <https://www.weforum.org/agenda/2017/07/venezuela-s-economic-decline-is-sharper-than-the-us-great-depression>.

² Girish Gupta and Corina Pons, "Venezuela's monthly inflation rises to 34 percent: National Assembly," Reuters, September 7, 2017, <http://www.reuters.com/article/us-venezuela-economy/venezuelas-monthly-inflation-rises-to-34-percent-national-assembly-idUSKCN1BI35L>.

³ Luke Graham, "Venezuela's crisis causes its people to cut meals and lose weight," CNBC, February 20, 2017, <https://www.cnbc.com/2017/02/20/venezuelas-crisis-cause-its-people-to-cut-meals-and-lose-weight.html>; Patrick Gillespie, Marilia Brocchetto, and Paula Newton, "Venezuela: How a rich country collapsed," CNN Money, July 30, 2017, <http://money.cnn.com/2017/07/26/news/economy/venezuela-economic-crisis/index.html>.

⁴ Juan Carlos Garzón and Robert Muggah, "Venezuela's raging homicide epidemic is going unrecorded," Los Angeles Times, March 31, 2017, <http://www.latimes.com/opinion/op-ed/la-oe-garzon-muggah-venezuela-violent-crime-statistics-20170331-story.html>.

⁵ Claire Felter and Danielle Renwick, "Venezuela in Crisis," Council on Foreign Relations, August 2017, <https://www.cfr.org/background/venezuela-crisis/>.

⁶ Julie Wernau and Carolyn Cui, "Venezuelan Default Fears Rise With Billions in Debt Coming Due Soon – Update," Fox Business News, August 2, 2017, <http://www.foxbusiness.com/features/2017/08/02/venezuelan-default-fears-rise-with-billions-in-debt-coming-due-soon-update.html>; Russ Dallen, "What & When Are Venezuela's & PDVSA's Bond Debts for 2017," Venezuela Opportunity Fund, 2017, <https://isma.com/cms/wp-content/uploads/2017/04/Venezuela-Opportunity-Fund-2017-Venezuela-Bond-Calendar.pdf>.

⁷ Brookings Institution Working Group on Venezuela, "Venezuela: A Path out of Crisis," The Brookings Institution, Washington D.C., April 2017, https://www.brookings.edu/wp-content/uploads/2017/04/fp_20170405_venezuela_working_paper.pdf.

An opposition-led civil disobedience campaign earlier this year, which involved hundreds of thousands of Venezuelans, has fallen short of achieving political change. This year, over 100 protesters have died at the hands of state security forces and thousands more have been arrested.⁸ An illegitimately convened pro-government National Constituent Assembly, elected on July 30, 2017 in voting marred by massive fraud, rules by decree with no limits on its power and no end date yet set for its functions.⁹

How Venezuela Affects the Region and How External Actors Are Influencing the Crisis in Venezuela

The crisis in Venezuela is important not just to Venezuelans, but to the United States and to other countries in the Western Hemisphere. Venezuela is a major crude oil producer and traditionally has been an important supplier to the United States, but it has also become a major consumer of U.S. refined petroleum products in recent years. The crisis also has an effect on the regional economy, particularly on small island states that depend on Venezuela for oil products. As a new and growing source of tens of thousands of migrants and refugees from its humanitarian crisis, Venezuela is now having an impact on its neighbors, particularly Brazil, Colombia, and even nearby islands such as Curacao, Aruba, and Trinidad and Tobago.¹⁰ The United States itself has become a major destination for Venezuelans seeking asylum from harsh political conditions.¹¹ There is also a security dimension to the crisis: under the administrations of former President Hugo Chávez and President Maduro, Venezuela became an important transit country for illicit drugs being shipped by organized crime groups to United States and Europe. Finally, the breakdown of democracy in Venezuela also places at risk the region's consensus on democracy, a shared norm that both Republican and Democratic administrations have valued in recent decades.

The negative influence of some external actors is an important part of any explanation of how Venezuela has fallen into such a deep crisis. Countries such as Cuba, Russia and China are important enablers of the Maduro regime. However, we should remember above all that the present crisis in Venezuela is the direct result of poor policy choices by President Maduro and his ruling party, not those made by external actors. These external actors were invited into Venezuela by former President Hugo

⁸ Alan Taylor, "Months of Deadly Anti-Government Protests in Venezuela," *The Atlantic*, June 12, 2017, <https://www.theatlantic.com/photo/2017/06/months-of-anti-government-protests-continue-in-venezuela/530031/>.

⁹ Eugenio Martínez, "Radiografía del fraude de la Constituyente," *Diario de las Américas*, July 28, 2017, <http://www.diariolasamericas.com/america-latina/radiografia-del-fraude-la-constituyente-n4128034>; "Smartmatic, la empresa a cargo del sistema de votación en Venezuela, denuncia 'manipulación' en la elección de la Constituyente y el CNE lo niega," *BBC Mundo*, August 2, 2017, <http://www.bbc.com/mundo/noticias-america-latina-40804551>.

¹⁰ David Noriega, "People Are Moving Around On Top Of This Powder Keg," *Vice News*, May 11, 2017, <https://news.vice.com/story/venezuelans-are-flooding-into-colombia-and-its-starting-to-feel-like-a-refugee-crisis>; Maria Beatriz Nogueira and Maiara Folly, "Brazil's refugee policy needs a radical overhaul un response to Venezuela's crisis," *The Guardian*, June 15, 2017, <https://www.theguardian.com/global-development-professionals-network/2017/jun/15/brazil-refugee-policy-needs-a-radical-overhaul-in-response-to-venezuela-crisis>.

¹¹ Patrick Gillespie, "Thousands of Venezuelans fleeing to the US," *CNN Money*, May 23, 2017, <http://money.cnn.com/2017/05/23/news/economy/venezuela-us-asylum-refugees/index.html>.

Chávez as part of his foreign policy strategy. Now mired in crisis and shunned by foreign investors and international lenders, Venezuela is certainly more vulnerable to the negative influence of some external actors, but this is precisely because of unwise decisions by the Chávez and Maduro administrations.

On the other hand, the external environment is now more favorable to international collaboration to contribute to a solution to the crisis than at any time since President Maduro took office in 2013. Regional and global politics in reaction to the crisis in Venezuela are evolving rapidly. Major Latin American countries, once silent on Venezuela's slide into dictatorship, are now openly critical of President Maduro, and they are increasingly joined by partners and allies of the United States in Europe.

There are no easy exits from this crisis. There may in fact be no solution in the short and medium term. In the rest of this testimony, I will outline and explain the negative role played by some external actors under former Venezuelan President Hugo Chávez and current President Nicolás Maduro. But I will also examine how the recent positive turn in regional and global politics offers an opportunity for the United States and its partners to make incremental contributions to help Venezuelans address their political crisis, to reduce the risk of a major regional humanitarian crisis, and to contribute to safeguarding regional stability in the Americas.

The Logic of Venezuelan Foreign Policy: Using Petrodiplomacy to Cement New Partnerships

Former Venezuelan President Hugo Chávez built Venezuela's foreign policy around fostering strong ties with an array of countries and international institutions that were designed to protect his so-called Bolivarian Revolution. To evade U.S. influence in the Organization of American States and increase his own influence in Latin America, Chávez promoted the creation of the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC). At the height of the commodity boom of the 2000s, Hugo Chávez used Venezuela's oil wealth to build a regional network of allies through Petrocaribe, an arrangement that provided subsidized financing for the purchase of Venezuelan oil, mainly by small island states in the Caribbean and Central America.¹²

Chávez also created an alliance with ideologically like-minded leaders such as President Evo Morales of Bolivia and then President Rafael Correa of Ecuador called the Bolivarian Alliance of the Peoples of Our America (ALBA). He built strong ties to center-left leaders in Argentina, Brazil, El Salvador, and Uruguay. Hugo Chávez even subsidized the campaigns of like-minded politicians in countries such as Argentina and Spain.¹³

Deep relationships with Cuba, China and Russia developed during this period because these states enabled Hugo Chávez to pursue his preferred foreign and domestic policies. These countries variously contributed loans to purchase consumer goods, to finance the construction of infrastructure

¹² Harold A. Trinkunas, "The Logic of Venezuelan Foreign Policy during the Chávez Period," in *Venezuela's Petro-Diplomacy: Hugo Chávez's Foreign Policy*, ed. Ralph S. Clem and Anthony P. Maingot (Gainesville: University Press of Florida, 2011), 16–30.

¹³ Harold Trinkunas, "International Bolivarianism and Its Influence" (Western Hemisphere Security Analysis Center, Florida International University, June 2011).

projects, and to facilitate the acquisition of weapons for the armed forces. They also provided the trainers, advisors and laborers to make it all work.

These new institutional arrangements and alliances shielded Venezuela from critics in the United States, Europe and Latin America. In particular, political leaders in Latin America had to be mindful of criticism of Venezuela for fear of complicating diplomatic relations with pro-Chávez neighbors or their own domestic politics vis a vis pro-Chávez political parties. This diplomatic legacy still benefits President Maduro today even though the oil wealth on which Hugo Chávez built this network of alliances and international institutions has faded with the fall in world oil prices and decline in Venezuelan oil production. It is most visible in the deadlock in the Organization of American States over addressing the crisis in Venezuela.

The Role of Key External Actors in Venezuela Today: Cuba, China, Russia and Iran

President Maduro's hard left turn towards authoritarianism has been enabled in part by the support provided by Cuba, China and Russia. Although it was once relevant, Iran has less reason to be cooperative today than in the past, has fewer resources to support Venezuela, and it is thus less important to Maduro's immediate political survival. Also present in Venezuela are illicit non-state actors that make a decidedly negative contribution to the dynamics of the present situation and help explain the Maduro regime's desire to hold onto power at all costs.

Cuba: A close relationship with Venezuela is a vital national interest

Cuba has a long and deep association with the current Venezuelan regime, beginning early in the presidency of Hugo Chávez. It has been a highly asymmetrical relationship, with Venezuela providing oil and cash while Cuba provides capabilities to the Venezuelan government: doctors and nurses, agricultural technicians, urban planners, military trainers and intelligence advisors. Reportedly as many as 40,000 Cubans participated in this exchange at the peak of this relationship in 2012, approximately 75% of them medical personnel. Cuba's trade with Venezuela was equivalent to 20.8% of Cuba's GDP and constituted 44% of all Cuba's trade in goods in the same year. The equivalent for Venezuela was much lower (5% in 2012).¹⁴

The Cuba-Venezuela economic relationship has diminished as the world price of oil has dropped. Venezuela is now less able to continue subsidizing Cuba's imports due to its declining oil production. At one point in 2016 and 2017, there was an eight month moratorium on Venezuelan oil shipments to Cuba, although they have now resumed at a diminished level.¹⁵

¹⁴ Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?" (Washington D.C.: Brookings Institution, June 2014), <https://www.brookings.edu/wp-content/uploads/2016/06/CubaVenezuela-Alliance-Piccone-Trinkunas.pdf>.

¹⁵ Haley Zaremba, "Venezuela's oil industry is collapsing and Cuba is scrambling," Business Insider, June 15, 2017, <http://www.businessinsider.com/venezuelas-oil-industry-is-collapsing-and-cuba-is-scrambling-2017-6>; Franz von Bergen, "Venezuela cuts oil shipments to Cuba forcing Castro to consider veering to U.S.," Fox News, July 27, 2016, <http://www.foxnews.com/world/2016/07/27/venezuela-cuts-oils-shipments-to-cuba-forcing-castros-to-consider-veer-to-us.html>; Antonio María Delgado, "Venezuela slashes oil shipments to Cuba, Caribbean in half," Miami

President Raul Castro is reportedly more skeptical of the relationship with Venezuela than his deceased brother Fidel was, although President Maduro has worked hard to maintain the close ties that Chávez had achieved, and Cuban hardliners are reportedly favorable to continuing the existing partnership. Some allege that Cuba influenced President Maduro's plan to call a National Constituent Assembly in 2017, although it is important to remember that Hugo Chávez did much the same in 1999, convening a similar assembly to sweep away Venezuela's pre-1998 democratic institutions and write a new constitution. Maduro may very well simply be copying the playbook of his predecessor and mentor, although it is true that Cuba has been openly supportive of this new constituent assembly.¹⁶

There are no updated accounts of the number of Cuban personnel still present in Venezuela, but some of them may have been withdrawn given the reduced level of trade between the two countries. The Cuban economy would find it difficult to accommodate a return of these professionals in its present strained circumstances, so those that have been pulled out of Venezuela have likely been redeployed in Africa, the Middle East, or elsewhere in Latin America. The payments by foreign governments for the services of these professionals are an important source of income for the Cuban government. The remaining personnel in Venezuela still provide the Cuban government with an option for influence.

China: Declining financial support for and growing skepticism of the Maduro regime

Venezuela has been one of the largest recipients of Chinese policy bank loans, up to \$60 billion since 2007 in exchange for guaranteed deliveries of approximately 500,000 barrels of crude oil per day (totals vary year to year). China has also had a major role in infrastructure projects in Venezuela, following a pattern similar to Ecuador elsewhere in South America and to many countries in Africa. Venezuela also used Chinese loans to finance a massive consumer spending boom on Chinese products to ensure the re-election of Hugo Chávez in 2012.

However, China now finds itself in the frustrating position of being unable, despite its investments and loans, to achieve its preferred outcome: increased Venezuelan oil production. Venezuelan oil production has instead declined every year under Maduro, and it is declining ever more rapidly in 2017 due to poor maintenance, under-investment, incompetent leadership at Venezuela's national oil company PDVSA, and corruption. In my discussions in the fall of 2015 with Chinese officials and scholars knowledgeable about Latin America, they already evidenced bewilderment at why the Venezuelans were so incapable of investing Chinese money productively. Many Chinese infrastructure projects in Venezuela have fallen short of expectations, even of completion, and some of these projects are now shuttered.¹⁷

Herald, March 26, 2015, <http://www.miamiherald.com/news/nation-world/world/americas/venezuela/article16381898.html>.

¹⁶ Nora Gámez Torres, "After Maduro's secret trip to Cuba, opposition leader want to know: 'Why did he go?'," Miami Herald, August 17, 2017, <http://www.miamiherald.com/news/nation-world/world/americas/cuba/article167768857.html>.

¹⁷ Dany Bahar and Harold Trinkunas, "Dim prospects for dialogue in Venezuela," Order from Chaos blog, Foreign Policy Program, Brookings Institution, June 22, 2016, <https://www.brookings.edu/blog/order-from-chaos/2016/06/22/dim-prospects-for-dialogue-in-venezuela/>.

Venezuela's declining oil production, economic crisis and difficulty in meeting its international financial obligations have forced the Chinese to live with what is effectively a partial default, including an agreed-upon moratorium on debt repayment until January 2018 to allow the Venezuelans to market oil initially allocated for delivery to China to clients who can pay full price, such as the United States.¹⁸

The Chinese government still hesitates to criticize the Venezuelan regime openly, citing 'South-South solidarity' and a policy of non-intervention. Moreover, Chinese analysts have told me that China does not want to turn on the Maduro regime for fear that this will signal other economic partners in the developing world that China is unreliable. Nevertheless, Chinese banks have been much less forthcoming with new money for the Maduro regime in recent years, and Chinese officials in Caracas have been engaged in quiet talks with the opposition to establish the basis for good relations no matter what the outcome of Venezuela's current crisis.¹⁹

Russia: Opportunistically acquiring Venezuelan oil assets

Beginning in 2005, the Russian role in Venezuela under Hugo Chávez has been based mainly on the provision of weapons systems for the Venezuelan armed forces, up to \$11 billion in orders in total, partially financed with Russian loans.²⁰ Rosneft, a major Russian oil company, has also attempted to play a part in developing Venezuela's ultra-heavy crude deposits in cooperation with PDVSA, but without much success because it lacks the technology and experience to deal with these challenging types of oil fields.

In 2017, the desperate need of the Maduro regime for foreign currency to pay international debts has led it to conduct a fire sale of state-owned oil assets, initially using CITGO (a U.S.-based oil company owned by the Venezuelan government) to guarantee a \$1.5 billion loan from Rosneft.²¹ When it appeared that the U.S. government might challenge this deal, Rosneft also sought to guarantee its loans via assets located inside Venezuela, principally shares in existing joint venture companies. It is also considering shares in new joint ventures the Venezuelan government proposes to create.²²

Rosneft is thus providing a critical lifeline to the Maduro administration during 2017, with outstanding loans of \$6 billion, much of which are officially considered pre-payment for future oil

¹⁸ Patrick Gillespie, "China is cutting off cash to Venezuela," CNN Money, September 30, 2016, <http://money.cnn.com/2016/09/30/news/economy/china-venezuela-finance/index.html>.

¹⁹ Matt Ferchen, "Can China Help Fix Venezuela?," Carnegie-Tsinghua Center for Global Policy, July 24, 2017, <http://carnegietsinghua.org/2017/07/24/can-china-help-fix-venezuela-pub-71564>.

²⁰ R. Evan Ellis, "The New Russian Engagement with Latin America: Strategic Position, Commerce, and Dreams of the Past" (Carlyle Barracks: Strategic Studies Institute and U.S. Army War College Press, June 2015), p. 14, <http://ssi.armywarcollege.edu/pdf/files/pub1275.pdf>.

²¹ "Venezuela's PDVSA uses 49.49 pct Citgo stake as loan collateral," Reuters, December 23, 2016, <https://www.reuters.com/article/venezuela-pdvsa/venezuelas-pdvsa-uses-49-9-pct-citgo-stake-as-loan-collateral-idUSL1N1EI1FO>.

²² Graham Kates, "Treasury Secretary: Russia's Citgo deal a 'national security issue'," CBS News, May 19, 2017, <https://www.cbsnews.com/news/rosneft-citgo-steven-mnuchin-national-security/>; Marianna Parraga and Alexandra Ulmer, "Special Report: Vladimir's Venezuela – Leveraging loans to Caracas, Moscow snaps up oil assets," Reuters, August 11, 2017, <http://www.reuters.com/article/us-venezuela-russia-oil-specialreport/special-report-vladimirs-venezuela-leveraging-loans-to-caracas-moscow-snaps-up-oil-assets-idUSKBN1AR14U>.

deliveries.²³ However, we should keep in mind that Russia has nowhere near the level of financial resources available to China to bail out Venezuela. The Russian interest in Venezuela at this time appears to be largely transactional: purchasing oil assets on the cheap and ensuring that loans are repaid.²⁴ The geopolitical effect of propping up an anti-American regime in Venezuela is a welcome, but decidedly secondary, benefit.

Iran: increasingly an economic competitor seeking a larger share of global oil markets

Iran is not as relevant to the Maduro regime's ability to manage the present crisis as are Cuba, China and Russia. The Venezuela-Iran relationship was stronger five to ten years ago when Presidents Chávez and Ahmadinejad built a personal relationship and agreed to a number of joint economic projects. The nature and extent of security cooperation during the administrations of these two presidents and how threatening it was to the region and to the United States has also been a subject of debate.²⁵

But since Chávez died and Ahmadinejad has left office, the basis for close Iran-Venezuela relations has declined, and there has been little visible progress on joint projects. In addition, with Iran's 2016 return to global oil markets after sanctions were lifted under JCPOA, Venezuela is once again an economic competitor with Iran. This is especially true in India, a traditional market for Iranian crude that now receives up to 300,000 bpd of Venezuelan oil. The current Iranian government has resisted President Maduro's frequent entreaties that OPEC (of which both countries are members) should lower oil production to raise global oil prices by limiting supply. Iran has instead focused on reclaiming market share.²⁶ With both countries facing financial constraints, extreme ones in the case of Venezuela, there is little prospect for enhanced cooperation at this time, let alone for Iran to help bail out Venezuela. And a bailout is front of mind among Venezuelan government leaders today.

Illicit Transnational Actors: Explaining the Maduro regime's fear of being held of accountable

Venezuela has porous borders, particularly with Colombia. Price controls and foreign exchange controls in Venezuela make a wide range of goods (when available) cheaper than in neighboring Colombia. This has encouraged the development of substantial smuggling networks transporting everything from gasoline to food across this border. Added to this has been the operation of the (now-demobilized) FARC and the (still active) ELN and ELP, Colombian Marxist insurgents that have sometimes used Venezuela for rest and resupply and who also benefit from illicit trafficking. On the border with

²³ Henry Foy, Robin Wigglesworth, "Venezuela asks to restructure Russian debt," Financial Times, September 8, 2017, <https://www.ft.com/content/3eb40f87-7004-3974-b6cf-1c5134de666e>.

²⁴ For thorough review of Rosneft position in Venezuela and Russia's support for the Maduro regime, see "Vladimir's Venezuela," Reuters Graphics, August 11, 2017, <http://fingfx.thomsonreuters.com/gfx/rngs/VENEZUELA-RUSSIA-OIL/010050DSOW3/index.html>.

²⁵ Cynthia Arnson, Hālāh Isfandiyārī, and Adam Stubits, eds, *Iran in Latin America: Threat or 'Axis of Annoyance'?* Woodrow Wilson International Center for Scholars, 2010.

²⁶ Parisa Hafez and Rania El Gamal, "Iran offers no action in support of global oil pact," Reuters, February 17, 2017, <http://www.reuters.com/article/us-opece-oil-iran/iran-offers-no-action-in-support-of-global-oil-pact-idUSKCN0VQ17P>.

Brazil, illicit gold mining is a significant source of social dislocation among indigenous populations and of environmental degradation.

Not only do illicit actors benefit from porous borders, the Venezuelan armed forces are complicit. They have been tasked by President Maduro with supervising the distribution of subsidized consumer goods, particularly food, and therefore face strong incentives to divert at least part of the products under their control across the border into Colombia where they can be sold at full price. To make matters worse, most of the illicit drugs exported from Colombia by air are sent through Venezuela, some of them reputedly transported with the connivance of senior Venezuelan military officers, the so-called 'Cartel of the Suns', a reference to the rank symbol (a sun) that these admirals and generals use on the shoulder boards of their uniforms. The payments in specie (drugs) to gangs inside Venezuela to help secure and move these products contribute to drug use, violence, crime, and even to the creation of gray zones where illicit actors are the predominant source of local authority.²⁷

This toxic brew of illicit actors operating in Venezuela's border zones is of concern to regional actors such as Brazil and Colombia, to Venezuelans living in border territories and criminal-controlled gray zones, and of course to the United States, which is the most important destination for illicit drugs in the world. But we should not lose sight of what this implies for the present crisis in Venezuela. The degree of collusion and even participation by Venezuelan government and military officials in the illicit economy and in transactions with criminal actors creates a very strong incentive for those associated with the Maduro regime to avoid even the remotest possibility of accountability, the likelihood of which would increase with a transition back to democracy.

The Relationship between External Actors and Negative Outcomes in Venezuela

1. *Outside actors act as enablers of the Maduro regime:* Outside actors contribute to President Maduro being able to maintain his ruling coalition on the basis of little more than 15-20% of popular support. In return for access to economic rents, China, Cuba and Russia provide capabilities to the Venezuelan regime that allow it to lower the cost of pursuing bad policies and enable it to pursue these policies longer than would otherwise be sustainable. They provide access to technology, training, mechanisms for social control, consumer goods, medical support, and much more. Moreover, they do so in a way that allows the Maduro regime to avoid interacting with potentially troublesome local constituencies. Why put up with the once-influential Venezuelan Medical Federation when you can employ Cuban doctors? Why debate industrial policies with local manufacturers when you can import goods from China?
2. *Poor policy choices in Venezuela are primarily designed to benefit Maduro and his allies:* Observers should not assume that the Maduro administration's catastrophic policy choices are a result of ignorance or outside actors. They are very much designed to transfer Venezuela's public resources into the private hands of those supporting Maduro in myriad ways, whether it is corruption in defense contracts, arbitrage opportunities around the official exchange rate and

²⁷ Harold Trinkunas, "Rivalry, Trade and Restraint on the Colombia-Venezuela Border," in Maiah Jaskoski, Arturo C. Sotomayor, and Harold A. Trinkunas, eds., *American Crossings: Border Politics in the Western Hemisphere* (Baltimore, Maryland: Johns Hopkins University Press, 2015), pp. 109-129.

the currency black market, tolerating or participating in drug trafficking, or theft and misappropriation of subsidized products.

3. *The Maduro regime cannot risk being held accountable:* Because of high levels of corruption, collusion or participation in illicit trafficking networks and, increasingly, torture and other human rights violations,²⁸ those that keep the Maduro regime in power cannot tolerate the prospect of losing power. A substantial number of (although not all) high-ranking regime members cannot imagine a future in which they are not in power, but they are still doing well and their interests are protected. This means that dialogue and confidence-building measures, so often favored by international mediators, are unlikely to work.²⁹
4. *Not all external actors are having an equally negative effect:* On the face of it, much of the Chinese relationship with Venezuela does not have to have negative consequences. China has the capacity to build infrastructure and the wherewithal to finance it, and Venezuela needs more infrastructure. The decision of two sovereign states to engage in such a transaction may raise geopolitical hackles in Washington, but it is not necessarily bad for Venezuelans. However, the decision by Chávez and Maduro to waste most of the resources borrowed from China on white elephant construction projects, corruption, and vote buying is entirely their own, the negative consequences of which the Chinese have come to realize, belatedly, with chagrin. Other actors, such as the Iranians, may once have been of greater concern but now have less resources and less reason to cooperate with the Maduro regime.
5. *We should avoid over-connecting the dots:* The confluence of all of these actors with anti-American agendas in one country may appear geopolitically alarming to the casual U.S. or external observer. But each of these actors is involved in Venezuela for their own particular transactional reasons. No conspiracy theory is required to explain their motives. The dominant motivation is economic - how to secure the biggest possible return from interacting with the Venezuelan regime. In a sense, because the 'pie' of resources available to Venezuela is shrinking, there is a competitive dynamic among external actors that makes it difficult for the 'dots' to work together successfully at this time.

Positive Developments in Regional and Global Politics and Opportunities to Address Venezuela's Crisis

Most Venezuelans would like to see a return to democracy, with government conducted under the rule of law and the 1999 constitution.³⁰ The governments of countries representing over 90 percent of the

²⁸ Stephanie Nebehay, "U.N. rights boss sees possible 'crimes against humanity' in Venezuela," Reuters, September 11, 2017, <https://www.reuters.com/article/us-venezuela-politics-un/u-n-rights-boss-sees-possible-crimes-against-humanity-in-venezuela-idUSKCN1BM0U>.

²⁹ For more on why dialogue is unlikely to work, see Bahar and Trinkunas, 2016.

³⁰ Daniel Fermín, "Democracia y protesta en números," July 1, 2017, <https://danielfermin.com/2017/07/01/democracia-y-protesta-en-numeros/>. 2016-17 polling done for the Latin America Public Opinion Project at Vanderbilt University reported that 80% of Venezuelans polled preferred an electoral solution to the present crisis.

hemisphere's population and GDP, including the United States, would like to see the same. Institutions that once shielded Venezuela from criticism such as UNASUR, ALBA, and CELAC, are now deadlocked and cannot rally support for Maduro. Even countries that were once allies, such as Ecuador, are now voicing limited criticism. Others that were loath to comment because of a diplomatic tradition of non-intervention, such as Brazil and Mexico, are now calling for a return to democracy. Reportedly, Mexico is even considering stepping in to guarantee oil supplies to Petrocaribe members if Venezuela's supplies fail, which might help loosen the current deadlock in the OAS.³¹ Mexico's Foreign Minister and Colombia's President have both visited Havana recently for talks on the Venezuelan situation. The European Union and major European powers are now considering sanctions on Venezuela, much as the United States has already implemented.³² Forty countries around the world have declared the recently convened Venezuelan National Constituent Assembly illegitimate,³³ recognizing the power of the opposition-led legislature elected in 2015 instead.

These are all positive developments that should be capitalized on to help Venezuelans return to living in a democracy. The recent positive turn in regional and world opinion represents an opportunity to build international support for better outcomes in Venezuela. Even the external actors that have thus far enabled the Maduro regime may have been caught off guard by the rapidity of Venezuela's economic collapse and by Maduro's hard left turn in response, as compared to Chávez's more subtle stewardship. But a solution for Venezuela's crisis may not materialize in the medium term, and the United States should plan accordingly. To prepare for what may lie ahead, I make the following recommendations:

1. *Begin contingency planning to address a full scale humanitarian crisis:* This includes collaborating with efforts already underway in Colombia and Brazil, and shoring up the capacity of small island states in the Caribbean, already affected by recent hurricanes, to meet the needs of Venezuelan refugees. The United States should increase monetary assistance to credible civil society organizations and nongovernmental organizations able to deliver food and medicines to Venezuelans. In the context of contingency planning, the United States should also make an effort to regularly meet with countries that have thus far had a negative influence, especially those that have significant numbers of their citizens in Venezuela, such as China and Cuba. This will help the United States clarify whether these countries intend to continue enabling the Maduro regime at all costs, or whether there are opportunities to shift their policies in a more constructive direction.
2. *Deepen and accelerate strategic engagement programs in the Caribbean:* This subcommittee has been diligently pressing the previous and current administration in this direction for some

³¹ Gabriel Stargardt, "México analiza reemplazar petróleo de Petrocaribe si cae gobierno en Venezuela: fuentes," Reuters, August 23, 2017, <https://lta.reuters.com/article/domesticNews/idLTAKCN1B31XW-OUSLD>.

³² "Germany won't rule out EU sanctions against Venezuela," Associated Press, September 6, 2017, https://www.washingtonpost.com/world/europe/germany-wont-rule-out-eu-sanctions-against-venezuela/2017/09/06/0fd3b75a-931b-11e7-8482-8dc9a7af29f9_story.html?utm_term=.dc98144019c2.

³³ "La lista de los 40 países democráticos que hasta el momento desconocieron la Asamblea Constituyente de Venezuela," INFOBAE, September 9, 2017, <http://www.infobae.com/america/venezuela/2017/07/31/la-lista-de-los-40-paises-democraticos-que-hasta-el-momento-desconocieron-la-asamblea-constituyente-de-venezuela/>.

time, and the U.S.-Caribbean Strategic Engagement Act of 2016 has been a good step forward. But in the wake of recent hurricanes, the United States not only has the opportunity to help the peoples of the Caribbean, but also deepen strategic collaboration with their governments even further. This will also build goodwill in the Caribbean and weaken Venezuela's diplomatic position in the OAS. This effort should include encouraging Mexico to pursue its thus far tentative planning to replace Venezuela as a source of reliable and affordable energy for the small island states of the Caribbean, potentially even for Cuba.

3. *Build on a growing international consensus in favor of a return to democracy in Venezuela:* The effectiveness of any U.S. strategy will be improved if it is backed by a regional consensus. The United States should pursue this development through systematic diplomacy to find common ground among regional leaders. It should also back leaders in the region as they pursue their own initiatives, such as the recent visits by President Santos of Colombia and Mexican Foreign Minister Videgaray to Cuba to discuss the situation in Venezuela.
4. *Consider targeted sanctions against individuals and businesses enabling the Maduro regime:* In addition, as part of a diplomatic strategy to encourage a return to democracy, the United States should develop a list of targeted sanctions, in coordination with other countries whenever possible, against individuals or businesses that act as enablers of the worst policies pursued by the Maduro regime. Major financial institutions are likely to stop working with sanctioned individuals and companies to limit their legal and reputational exposure. External actors exerting a negative influence would thus have an incentive to modify their behavior. This may cause blowback in diplomatic relations with the states of origin of these individuals and businesses, which is why any sanctions should be calibrated against the effect they may have on other U.S. diplomatic objectives.