Thousands of Venezuelans have fled to Colombia, straining the Colombian government’s ability to police its 1,300 mile border. (Moises Rendon)
The Venezuelan Crisis and Salvador Allende’s Glasses

By Juan S. Gonzalez

There is a sculpture in the Venezuelan foreign ministry that conveys the die-hard ideology of those who in a relatively short period have managed to transform a vulnerable but nonetheless pluralistic democracy into an autocracy in the throes of economic collapse and humanitarian calamity. The work, Nunca Mas (Never Again) or Sin Nombre (Without Name), by Chilean artist Carlos Altamirano symbolizes the glasses worn by former Chilean President Salvador Allende, which were found broken in half and cracked following his death during the military coup of 1973. To any foreigner visiting the Venezuelan foreign ministry, the sculpture seems to say, “You won’t take us alive.”

Such symbolism serves as an important reminder that—despite having wrestled with Venezuela for nearly two decades—the United States still does not fully understand the internal dynamics of the regime or to what ends it will go to ensure its survival. Should the United States invade Venezuela or support another military coup? Has the international community exhausted diplomatic options? This article provides a brief history of what led to Venezuela’s political and economic collapse, outlines the dangers of intervention, underscores the importance of a Venezuelan-led resolution to the current stalemate between the government and the opposition, and prioritizes the need to address the humanitarian situation along with the country’s debt crisis as tools to pressure the government.

What Chavismo has Wrought

The Venezuelan political crisis has been nearly two decades in the making. Upon assuming power in 1999, Hugo Chavez and his loyal band of chavistas began to implement an ambitious strategy for consolidating political control, with lasting impacts on Venezuelan civilian and military institutions. Charismatic and omnipresent, Chavez blurred the distinction between government, party, and state to destroy the existing political order, undermine the country’s institutions, and strengthen his own personal authority.1 His “Bolivarian Revolution” sought to replace capitalism with so-called 21st Century Socialism and

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traded representative democracy for a system of participatory democracy designed to empower the Venezuelan citizenry. Traditional parties struggled to unite and organize an effective response to Chavez, which allowed him to win election after election by polarizing and radicalizing the opposition. Even when Nicolas Maduro assumed power in 2013 by the thinnest of margins, the opposition was unable to maintain unity long enough to capitalize on his low level of popularity and the impacts of economic mismanagement.

In the 2011 edition of their book on Chavez, Dragon in the Tropics, Javier Corrales and Michael Penfold define chavismo as a hybrid regime, where the mechanisms for determining access to state office combine both democratic and autocratic practices with the following characteristics:

- Government negotiations with opposition forces are rare;
- Die-hard loyalists of the government are placed at top-level positions;
- The state actively seeks to undermine the autonomy of civic institutions;
- The law is invoked mostly to penalize opponents but seldom to sanction the government;
- The incumbent changes and circumvents the constitution; and
- The electoral field is uneven, with the ruling party making full use of the benefits of incumbency that are denied to the opposition.

In practice, chavismo successfully neutered the press by prosecuting journalists, closing down television stations, harassing regional media, and concentrating government advertising with friendly media. Chavez controlled the private sector through active nationalizations, intimidation, and price controls. The influence of the church was neutralized by shifting government funding for social, health, and school programs toward local chavista organizations, and by challenging the independent curricula of church-run schools.

The Venezuelan military also became increasingly politicized. Chavez expanded its role under the 1999 constitution by providing political and institutional autonomy to the armed forces under the command of the President. The new constitution granted the military the right to vote and the government passed laws reaffirming its role in maintaining internal order. Chavez appointed military officers to roughly a third of cabinet portfolios and took a hands-on approach to military promotions to ensure loyalists rose through the ranks. These and other actions produced a split within the military between those officers who remained loyal to the traditional order and others who benefited from the Bolivarian Revolution.

It was this split that some analysts believe guaranteed the regime’s survival during a failed coup attempt in 2002, during which the military high command briefly removed Chavez from power. Following the attempt, Chavez purged military officers who came out against the regime and the government expanded its efforts to indoctrinate the military with Bolivarian fervor by linking military identity to the ideological precepts of the governing party. Chavez placed loyalists in command of strategic positions around Caracas and around opposition strongholds, including the Presidential Honor Guard, the 3rd Division Command at Fort Tuina in Caracas, the 42nd Paratrooper Infantry Brigade in the state of Aragua, and the 21st Brigade in San Cristobal, Tachira.

The government also created parallel security structures, known as colectivos to safeguard the Bolivarian Revolution. These pro-government vigilante groups became part of the neighborhood-based “communal councils” created in 2006 to oversee community development projects, through which the colectivos became armed, received support from the state, and enjoyed legitimacy in
The Venezuelan Crisis

According to the government, there are at least 100,000 armed members of these bands throughout Venezuela. Some have even received training from the Revolutionary Armed Forces of Colombia (FARC). According to former Cuban intelligence officials, others were sent for training to Cuba, which by this point had begun to play an increased role in the Venezuelan military and as advisors to the regime.

Under chavismo, corruption and criminality also went from having a presence to acquiring a controlling stake in the Venezuelan government. Rampant corruption and the breakdown of institutional checks and balances in Venezuela created a permissive environment for drug trafficking and led to the rise of the Cartel de los Soles (Cartel of the Suns), a cartel led by senior Venezuelan officials, including possibly then-National Assembly President Diosdado Cabello. According to former U.S. Ambassador to Venezuela William R. Brownfield, criminal groups have also coopted the government’s social programs, its security services, and intelligence organizations.

Internationally, the Bolivarian Revolution led to the creation in 2004 of the anti-U.S. Bolivarian Alternative for the Peoples of Our America (ALBA) that proposed 21st Century Socialism as an alternative to the democracy and free trade agenda of successive U.S. Administrations. As a coalition of countries, the original members of ALBA—Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines—allowed Chavez to polarize the continent in the same way he did Venezuela.

Until its zenith in late 2009, ALBA countries proved effective at introducing chaos and undermining the agenda at hemispheric fora such as the Summit of the Americas and the Organization of American States (OAS) General Assembly. Chavez also implicated Venezuela in conflicts outside its borders, by providing safe haven and support to illegal armed groups, like the FARC, and by allying with regimes in Iran, Russia, and Syria.

After Chavez’s death in 2013, Maduro defeated opposition leader Henrique Capriles with a margin of just less than 1.5 percent. Instead of sitting down with the more pragmatic elements of the Venezuelan opposition to work toward common cause, Maduro moved quickly to consolidate power by centralizing his authority within his United Socialist Party of Venezuela (PSUV) and by eliminating any remaining semblance of democratic order in Venezuela. The government escalated repression by confronting protestors with deadly force and giving free reign to violent colectivos. It eliminated the freedoms of the press and assembly necessary for legitimate political debate; and demonized and arrested political opponents, including political leader Leopoldo López, who was arrested during a peaceful protest and sentenced without proof in 2015 to nearly 14 years of prison for the laughable crime of inciting violence through “subliminal messages.” Hundreds of protesters have been killed and thousands arrested.

When the opposition won the majority of the National Assembly seats in 2015, Maduro circumvented the authority of the legislature. When more than 1 million Venezuelans took to the streets in September 2016 to demand a recall referendum, the government used the National Electoral Council (CNE) to block and delay the signature drive, and ultimately banned protests in 2017. The government also decreed new elections for a loyalist Constituent Assembly to supplant the legislature and to rewrite the Venezuelan constitution. Maduro was re-elected in May but the process was condemned by the international community, including OAS Secretary General Luis Almagro, who accused Maduro of trying to “give a democratic veneer to his totalitarian regime.” One could argue that at this point the Maduro government is not even trying to pretend to be democratic.
Economic and Humanitarian Dimension of the Crisis

Even before Hugo Chavez, successive Venezuelan governments struggled to manage the country’s oil wealth, but 21st Century Socialism managed to destroy the country’s economy despite a sustained oil boom that then drove the country over a fiscal cliff once prices dropped.

Literature on the resource curse (where resource rich countries have performed worse than resource poor ones) has evolved from the 1950s inward-looking development models of Import Substitution and Industrialization (ISI) to today’s research on the economic challenges of managing resource booms, including the political economy of poor economic policies. There are notable examples of developing and middle countries, like Botswana, Chile, and Malaysia, that appear to have escaped the curse through a long-term view on the allocation of royalties, expert management of investment decisions, and insulation from political forces. Government commitment to transparency and accountability, due process, and prudent public financial management have also been key. There are also many counter-examples of developing or transitional economies that, despite sizeable oil and gas reserves, have been unable to manage resource revenues effectively to stimulate development and reduce poverty.

And then there is Venezuela under chavismo. Venezuela has the world’s largest proven oil reserves, which account for a majority of its exports. Proceeds from oil sales provide nearly all of the foreign exchange necessary to fund the government and allow the government to import consumer goods, but also make the country vulnerable to the ebbs and flows of the oil market. Rather than inoculate the country against the whims of the commodity cycle through countercyclical economic policies and an apolitical process for managing resource revenues, Chavez’ Venezuela squandered an oil windfall through poor economic policies and rampant corruption. The result is one of the worst economic and humanitarian crises ever in Latin America, while simultaneously mortgaging the country’s oil industry to China and Russia for years to come.

The beginning of the Chavez era in 1999 coincided with an oil recovery following an extended lull in prices, which he leveraged to transform Venezuela’s oil industry into a tool of executive power. Under his tenure, Venezuela’s oil sector became politicized, the economy returned to import substitution-era statism, and the government developed a voracious appetite for expropriation. He appointed loyalists to the board of Venezuela’s national oil company (PDVSA) and merged the Ministry of Energy and Mines and PDVSA under a single leadership.

Following an oil workers’ strike in 2003, he fired an estimated 20,000 thousand PDVSA workers, prompting an exodus of talent to neighboring Colombia, the Caribbean, and others parts of the world. Chavez also diverted PDVSA funds away from exploration and infrastructure upkeep toward unsustainable Bolivarian social missions. The government also raided PDVSA’s coffers to fund international petro-diplomacy through the 2005 launch of Petrocaribe, a regional financing mechanism that had greatest impact and influence in the Caribbean and Central America, two sub-regions with high-energy prices, poor fiscal budgets, and relatively weak institutions.

The strategy seemed to work while oil prices were high. According to the Economic Commission for Latin America and the Caribbean, the percentage of the population living under the poverty line in Venezuela fell from 49.4 percent in 1999 to 27.8 percent in 2010. Unemployment dropped from 14.5 percent to 7.5 percent between 1999 and 2009 and GDP per capital rose from $4,105 to $10,801 during that same period. Internationally, Petrocaribe’s off-book agreements and suitcases filled with cash allowed Venezuela
to buy regional influence and become the dominant political force in the Caribbean.\textsuperscript{19}

Though masked by the oil windfall, the government’s policies set Venezuela on an accelerated course toward economic ruin. From 2000 until Chavez’s death in 2013, the government increased spending as a share of GDP from 28 to 40 percent, depleting currency reserves from being able to cover over seven months of imports to just under three months.\textsuperscript{20} Underinvestment in the oil industry resulted in a production drop from 3.5 million barrels per day (mn bpd) at the start of the Chavez era to 2.8 mn bpd in 2012.\textsuperscript{21} Meanwhile, oil dependency increased from 77 percent of export revenue to more than 96 percent today.\textsuperscript{22} The Venezuelan economy began to contract in 2014, and the sharp drop in oil prices to $30 at the beginning of 2016 accelerated the country’s economic crisis.\textsuperscript{23}

Efforts by the Maduro administration to get a handle on the economic situation represent a case study in what not to do: it maintained an overvalued official exchange rate and rationed imports. To gain access to dollars, importers had to prove they were trying to bring something of value into the country. Efforts to control prices drove the growth of the black market and prompted manufacturers to cut production. In an unprecedented step to skirt U.S. sanctions and attempt to control inflation, the government issued a new currency backed by cryptocurrency.\textsuperscript{24} Most recently, the government has allowed private banks to sell dollars and tightened requirements for citizens to use banking services from outside the country. None of this will resolve the damage inflicted on the Venezuelan economy.

In 2018 alone, the International Monetary Fund (IMF) expects the country’s GDP to fall by 15 percent and inflation to increase by up to 1 million percent. Poverty levels have spiked to between 70–80 percent, depending on the source. Grocery store shelves are bare, medicine is scant, and violence is rampant. Oil production now stands at just more than 1 mn bpd, which is insufficient to meet contractual obligations.\textsuperscript{25} More than 2 million Venezuelans (roughly 7 percent of the population) have fled the country, according to UN figures.

All the while, the Venezuelan kleptocracy made out like bandits. Stories abound about the so-called boliburgueses—the Bolivarian bourgeoisie—flying in private planes, buying property in Miami, and sending their children to prestigious U.S. universities. Or, if you are Maduro, you stop in Istanbul on your way back from Beijing to eat a $275 steak at Salt Bea.\textsuperscript{26} More troubling are the numerous examples of embezzlement from the Venezuelan Treasury, like government officials embezzling at least $300 billion just through the currency control system, or FinCen’s March 2015 discovery that Venezuelan third-party money launderers had bribed Banca Privada d’Andorra to launder $2 billion in funds siphoned from PDVSA.\textsuperscript{27} In July, members of a ring of former Venezuelan officials and businessmen were charged in Miami with operating a $1.2 billion international money-laundering operation with funds embezzled from PDVSA.\textsuperscript{28} Those are just some of the known cases.

Today, the complexity of Venezuela’s debt dynamics has set up an eventual showdown between the Paris Club, China, and Russia.
largely gone out of its way to meet its debt obligations, even if it meant forgoing the purchase of food and basic goods, until on November 2017 it was forced to default on over $6 billion in debt payments. Overall, the International Institute for Finance (IIF) estimates that Venezuela’s public external debt totals approximately $150 billion, and the servicing requirements on that debt amount to between $5 billion and $7 billion in each of the next five years, which the country cannot afford. In an effort to initiate debt negotiations, Venezuelan Vice President Tareck El Aissami convened a meeting with creditors last November that some attendees characterized as “bizzare” in that it lasted roughly 30 minutes and consisted of El Aissami devoting his intervention to criticizing the Trump Administration but offering no concrete proposals for debt restructuring.\textsuperscript{29}

The challenge for Venezuela is that U.S. sanctions have all but closed Venezuela’s access to international financial markets, which would normally lead to a discussion on restructuring with the Paris Club, except for the fact that China and Russia have become alternative finance mechanisms for Venezuela. Since 2005, China has provided more than $150 billion in loans to Latin America and the Caribbean, the majority of which ($62.2 billion) has gone to Venezuela’s energy industry.\textsuperscript{30} China is Venezuela’s largest creditor, holding $23 billion in the country’s debt, mostly backed by oil deliveries. China continues to provide lifelines to Venezuela, most recently by providing a total of $10 billion in credit lines for oil development in June and September.\textsuperscript{31}

Russia’s Rosneft has also served as a lender of last resort for Venezuela, loaning PDVSA approximately $6 billion guaranteed by oil and a 49.9 percent stake in U.S.-based subsidiary CITGO. Following Venezuela’s default, Russia stepped in by agreeing to restructure $3.15 billion in debt.\textsuperscript{32} Russia is a member of the Paris Club and China is not, but both will have significant leverage over Venezuela in any restructuring discussions.

### U.S.–Venezuela Relations and the International Response

The U.S.–Venezuela relationship can be divided into two parts: before and after the 2002 attempted coup. The bilateral relationship deteriorated sharply following swift U.S. recognition of Pedro Carmona during the attempted coup of 2002, along with reports of meetings between U.S. officials and plotters.\textsuperscript{33} With the United States as the foil, Chavez capitalized on the confrontational nature of the relationship as a cover to accelerate his Bolivarian project at home and to divide the countries of Latin America and the Caribbean into pro- and anti-U.S. blocs. Through much of the 2000s, U.S.–Venezuela tension, and the U.S. policy of with-us-or-against-us-ism dominated the hemispheric agenda and thus raised Chavez’s profile.

It was not until the end of the Administration of George W. Bush, when Thomas A. Shannon became Assistant Secretary of State for Western Hemisphere Affairs that U.S. policy assumed a more strategic approach to Venezuela. Under Shannon, the United States set aside
megaphone diplomacy and public sparring with the Venezuelan government, instead internationalizing the response through multilateral organizations. It did not attack Chavez directly, but rather focused on the vulnerable points of his strategy in terms of democratic breakdown, human rights violations, and poor economic management. Ambassador Brownfield engaged and made inroads in chavista strongholds. This approach was successful in creating the public space necessary for the Venezuelan people to engage in an active debate about the future of their country.

The Bush and subsequently the Obama Administration also undertook a concerted effort to improve the U.S. relationship with Latin America’s left-leaning populist governments—Bolivia, Ecuador, Nicaragua, and Venezuela—to advance cooperation on matters like drug trafficking, where the United States held a particular interest. At the same time, by selectively engaging with ALBA countries, rather than treating them as a bloc, U.S. diplomats were able to undermine its very coherence by dispelling historic notions of U.S. Manicheanism, reducing the regional appeal of problematic leaders, and bolstering constructive regional actors.

By emphasizing multilateralism, while simultaneously seeking common ground with anti-U.S. governments, the United States provided an answer to arguments that efforts to engage with outliers undercut a strong commitment to democracy and human rights. It also addressed a longstanding complaint that U.S. policy treated allies—no matter how undemocratic—differently than those who opposed the United States. Further, the Obama Administration’s shift in focus toward strengthening and broadening the base of the region’s democracies by helping those countries working to bolster transparent and accountable institutions, regardless of their political ideology, helped to bolster the region’s democratic development models, and provided a compelling contrast between the freedom, security, and prosperity of people in those countries, and the increasing instability and challenges to freedom in the region’s illiberal democracies.

The Obama Administration took an even more forward leaning approach in the second term, with a historic change in policy toward Cuba and with Vice President Joe Biden as lead diplomat for the Americas. Biden raised the profile of U.S.–Mexico economic cooperation through the High-Level Economic Dialogue and engaged in personal shuttle diplomacy to repair the U.S.–Brazil relationship following the cancellation of the Brazil State Visit in the wake of the Edward Snowden disclosures in 2013. To win back the Caribbean from Venezuela, he launched the Caribbean Energy Security Initiative to marshal an international response to prepare the region for the end of Venezuelan petro-politics. U.S. policy during this time demonstrated an understanding of the limitations of attempting to shape political dynamics inside Venezuela, as well as demonstrated that the most effective way to address the deteriorating political situation inside Venezuela was to encircle Venezuela through a comprehensive regional approach.

One critique of the Obama Administration’s policy toward Venezuela was that, while successful in marginalizing ALBA, it did little to prevent Venezuela’s rapid deterioration after Nicolas Maduro assumed power. In fact, with Maduro in power, the United States focused its diplomatic efforts on supporting a regional solution through the Union of South American States (UNASUR) and the auspices of the Vatican. Venezuela insisted on having UNASUR mediate between the government and the opposition, but there was a fundamental misalignment between the United States and UNASUR regarding the desired outcome that doomed the effort from the beginning: whereas the United States sought a democratic outcome as part of any resolution to the country’s growing political and economic crisis, UNASUR (driven by Brazil
and remnants of ALBA) defined stability in terms of continuity and regime survival. It is unclear whether Maduro was prevented from making concessions to the opposition by more radical elements within chavismo, or whether he insisted on UNASUR as the dialogue facilitator in order to drag on talks and prevent escalated pressure from the United States. In practice, the talks dragged on without progress while Maduro worked in parallel to dismantle the opposition and to strengthen his grip on power.

The White House did shift gears in 2015 by empowering the Departments of Justice and Treasury to more aggressively sanction money launderers, human rights abusers, and drug traffickers inside the government. The result was the March 8, 2015 Executive Order (E.O.) that went beyond the requirements established by the Venezuela Defense of Human Rights and Civil Society Act of 2014 by providing Treasury with the necessary prongs to target public corruption and human rights abuses in parallel with the State Department’s continued efforts to pursue diplomatic options. It was this E.O. that laid the groundwork for the Trump Administration’s approach.

While one could argue stronger enforcement actions should have taken place in early 2013 before
Maduro was able to consolidate his authority, it is unclear if such measures would have prevented Venezuela from being anywhere other than where it is today. Further, U.S. diplomatic efforts, while unsuccessful in pressuring the government to negotiate in earnest with the opposition, successfully dispelled any doubt among the region’s governments regarding the intransigence of the regime, as well as highlighted the many abuses perpetrated. U.S. diplomats also believed that UNASUR would struggle to broker an agreement between the government and the opposition, which would eventually force the matter to the OAS, where the United States, Mexico, and Canada would have more traction to marshal region-wide pressure on the Venezuelan government. Had the United States attempted to block UNASUR or taken a hardline approach to Maduro early on, it would have likely prevented the growing regional consensus against Maduro and the regime’s tactics.

Soon after assuming office, the Trump Administration escalated pressure on the Venezuelan government through individual and broad economic sanctions. The Department of Treasury Office of Foreign Assets Control’s (OFAC’s) designation in February 2017 of Vice President Tareck El Aissami as a drug kingpin sent ripples through the Venezuelan kleptocracy and served as a preview for things to come. In July 2017, OFAC designated 13 current and former Venezuelan government officials, including then-Foreign Minister Elias José, National Electoral Council President Tibisay Lucena, and PDVSA Vice President Simon Zerpa to try to prevent the government from moving forward with the rigged election for a Constituent Assembly to re-write the Venezuelan constitution. The Administration also went on to sanction Maduro, his wife Cilia Flores, and Executive Vice President Delcy Rodriguez. As it imposed sanctions, the White House and State Department also issued statements in defense of human rights, and U.S. Vice President Mike Pence engaged in personal shuttle diplomacy, traveling multiple times to the region before and after the August 2017 formation of the Lima Group of countries that are leading the regional response to Venezuela.

The set of broader economic sanctions prohibited U.S. persons from trading in Venezuelan sovereign debt either on primary or secondary markets, as well as blocking PDVSA’s U.S. entity CITGO from sending dividends back to PDVSA or the government. The approach was not particularly painful for U.S. companies but it did prevent Venezuela from securing additional capital on debt markets. The White House is said to be considering sectoral sanctions against the Venezuelan oil industry but has not moved forward, perhaps due to the negative impact such sanctions would have on U.S. companies.

Of late, there has also been a growing chorus in favor of military intervention in Venezuela by respected Venezuelan academics in the United States, U.S. Senator Marco Rubio, and the President of the United States. On September 8, *The New York Times* reported that Trump Administration officials discussed coup plans with rebel Venezuelan officers. To date, U.S. talk of intervention has not included the outlining of a strategy on how (if at all) the United States would build an international coalition or secure international and domestic legal justification, without which the United States risks fracturing the regional consensus that has been effective at marginalizing the Venezuelan regime. It is also unclear whether the Administration has considered the second and third order effects of such an undertaking, including the potential for a protracted internal conflict that galvanizes regional opposition, or pulls the United States into asymmetric warfare with collectivos and battle-hardened elements of the FARC that refused to demobilize after the 2016 peace accord with the Colombian government.
Will There be a Day Zero?

What then? The Venezuelan regime has demonstrated a surprising level of resilience in the face of state failure and increased pressure from the international community. In a possible end game scenario, it is unclear whether Maduro would be fully empowered to negotiate. Of those who surround him—opportunists, loyalists, kleptocrats, and ideologues—it is the ideologues who are the most dangerous, because they are committed to continued entrenchment and repression as the means to remaking the country’s economic model. Even if the opposition were to assume power tomorrow, armed paramilitaries and the lack of viable institutions have rendered Venezuela nearly ungovernable. Those predicting the imminent collapse of the Venezuelan regime may not have gleaned the proper message from the statue of Allende’s glasses. The ideologues seem ready to die to maintain the status quo for as long as necessary.

On January 15, opposition-controlled National Assembly, led by Juan Guaido, approved a series of resolutions aimed at establishing a legal basis for removing the de facto government led by Nicolas Maduro. The opposition maintains that the constitutional order was broken after Maduro assumed office for a second six-year term on January 10, despite the fact that the May 2018 presidential election has not been recognized as legitimate by the opposition and most of the international community. The legislative measures aim to provide guarantees for the restoration of democracy by declaring Maduro illegitimate; the establishment of a transitional government led by Guaido as interim president; and the staging of a new free, fair, and transparent general election. Contrary to some criticisms by governments of the left, this was a Venezuelan-led effort by an opposition demonstrating clear unity for the first time since Maduro assumed office in 2013.

The National Assembly also moved to transfer “all political and economic powers from the
executive power to the legislative power,” including the protection of the state’s assets, so that these “can be used to address [Venezuela’s] complex humanitarian emergency.” The National Assembly also approved a law granting amnesty from prosecution to any public official or member of the military that “collaborates with the restitution of the constitutional order.” The text of the bill was distributed to all military barracks with a call on the armed forces to disobey Maduro.

The National Assembly’s actions were immediately backed by OAS Secretary General Luis Almagro and the United States. To date, in addition to the United States, Argentina, Brazil, Canada, Colombia, Costa Rica, Ecuador, Panama, and Peru—core members of the 14-country Lima Group that has led regional efforts to pressure the Venezuelan government—have publicly recognized Guaido as interim president. Mexican President Andrés Manuel López Obrador continues to recognize Maduro and called for a negotiated solution to Venezuela’s “difficulties.” The EU issued an ultimatum, threatening to recognize Guaido if Maduro did not call for elections, but the list of countries outside the region recognizing the legitimacy of Guaido and the National Assembly continues to grow. In the past, the Maduro government has been able to seize upon dialogue as a way to retain power and wait for the energy of the opposition movement to fade, but this time might be different, given the overwhelming response by the United States and the international community.

As the standoff continues, there is diplomatic and economic pressure on the part of the international community, and the main focus should be first and foremost on addressing the humanitarian crisis and on imposing increased pressure on the regime. In late August, Colombia, Peru, Ecuador and Brazil made a request to the United Nations and the Red Cross to increase support for the region, and leaders from 14 countries and 10 international organizations pledged cooperation at a meeting in Quito in early September. Such a wholesome response by the countries of the region to the situation in Venezuela is relatively new and should be encouraged, but more can be done before turning to more drastic measures, like an oil embargo.

The United States has a robust sanctions regime in place, which the Lima Group should seek to mirror, and pressure the European Union to do the same. It can also play an important leadership role in addressing Venezuela’s debt crisis by convening a donors conference with China, the United States, the Paris Club Secretary General, and the IMF to begin negotiations that would allow the government to enter into an adjusted repayment schedule supportable by the country’s finances. Such a move would provide further signals to the Venezuelan people that the international community will help Venezuela rebuild.

Venezuela’s default has provided the government a temporary boost to import food and medicine with limited consequences, given that international markets have already been closed off, so now is the time for the government to start the conversation. Latin America’s history with debt crises suggests that a renegotiation with the participation of multilateral lending institutions offers the best outcome of the debt crisis for both the government and its creditors. Unless China and Russia plan to continue bankrolling Venezuela indefinitely, the government will eventually have to take a serious approach to renegotiating its debt. Even if oil prices were to reach $150, as Bernstein Research recently suggested, it may not be sufficient to resolve the country’s political and economic crisis.

Negotiations would likely drag on for years, given the billions Venezuela owes in international arbitration awards and the lack of collective action clauses on PDVSA bonds. Creditors may also see losses due to delays in principal payments or a restructured agreement, but a negotiated solution would produce a higher recovery rate than efforts to seize Venezuelan assets. A successful renegotiation
would allow Venezuela to eventually regain access to international capital markets, reinvest in its oil sector, and address shortages of food and medicine. Parallel to debt negotiations, the Lima Group should organize a donors conference to help address Venezuela’s immediate humanitarian needs.

There are also five steps the United States should take to bolster its response to the Venezuelan crisis. First, it should maintain humanitarian intervention as an option, no matter how controversial, but with Responsibility to Protect (R2P) principals as the blueprint. The basic principle of R2P is that:

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\text{where a population is suffering serious harm, as a result of internal war, insurgency, repression, or state failure, and the state in question is unwilling or unable to halt or avert it, the principle of non-intervention yields to the international responsibility to protect.}
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R2P principles provide for diplomatic, humanitarian, and military intervention, as well as the responsibility of the international community in rebuilding and supporting reconciliation. Notwithstanding the likely opposition from China and Russia, the United States should initiate a discussion at the United Nations Security Council or have the UN Secretary General raise it under Article 99 of the UN Charter. Any discussion of intervention should prioritize the delivery of humanitarian assistance to the Venezuelan people as the first course of action.

Second, the Trump Administration should significantly increase its efforts to address the Venezuelan refugee crisis, which could cost the international community up to $5.2 billion by some estimates. To date, the United States has pledged just over $95 million to the UN Refugee Agency, the United Nations Children’s Fund, the International Organization for Migration, and the UN World Food Program, as well as $23.5 million to help Colombia manage the influx of migrants.

The United States can and should do more, especially in support of a key ally like Colombia. The Administration should also immediately halt the deportation of Venezuelan migrants back to their native country and grant Temporary Protected Status to Venezuelans.

Third, it is time for the Departments of State and Treasury to target the family members of the regime and other boliburgueses, benefiting from the pillaging of Venezuela’s coffers. Standard practice by the U.S. Government is to avoid punishing family members, but in the case of Venezuela anyone benefiting directly or indirectly from government corruption or illicit enrichment should by definition lose their visa or U.S. residency permit. The Administration can also use Global Magnitsky Act and Venezuela-specific authorities to target their U.S. dollar assets. The message should be clear: supporters of the regime cannot live, study, shop, or hide assets in the United States.

Fourth, as the United States ramps up pressure on the Venezuelan government, it should consistently outline the expectation of a peaceful outcome that requires Maduro to step down and be replaced by a transitional government comprised of representatives of the government and the opposition. All political prisoners should be released, and the country should hold free and fair elections, organized and overseen by a credible international body (i.e. not UNASUR). The United States should also articulate a long-term strategy for Venezuela that includes a plan for identifying and recuperating stolen assets, as well as a clear commitment to help with rebuilding.

Lastly, and perhaps most importantly, the United States needs to include Venezuela on its agenda with China, perhaps as part of U.S.–China trade talks where the Trump Administration retains significant leverage. Finding common cause with the Chinese would be the fastest and most effective way to arrive at a negotiated resolution of the Venezuelan crisis.

The situation in Venezuela is deeply worrisome, and the countries of the hemisphere have an
important responsibility to the Venezuelan people. It is also in the national interest of the United States for Venezuela to prosper as a nation, while seeking to pursue policies supported by its people through a stable and fair democratic process. There is a serious lack of meaningful and productive dialogue between the Venezuelan government and its own people at a time when the country’s economy is in crisis. Thus far, it has instead tried to distract its people and the international community from the catastrophic failure of its political and economic policies by blaming the opposition for its troubles and concocting outlandish conspiracy theories about the United States. Apologists for the regime are dwindling and there is a growing chorus pushing for a resolution to the crisis.

The United States can and should lead, but it should follow the lead of the Venezuelan opposition, and avoid reverting to the Cold War-era unilateral action that until recently defined much of our foreign policy toward the region. Such an approach will not usher Venezuela back to its place as one of the most economically and politically consequential countries in Latin America. At least that is what Allende’s glasses seem to say. PRISM

Notes


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THE VENEZUELAN CRISIS


37 The original Lima Group countries were Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Panama, Paraguay and Peru. Guyana and Saint Lucia joined later.


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