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Venezuela: Political and Economic Crisis and U.S. Policy

Political Crisis

Venezuela remains in the throes of a deep economic and humanitarian crisis under the authoritarian rule of President Nicolás Maduro of the United Socialist Party of Venezuela (PSUV). Maduro, narrowly elected in 2013 for a six-year term after the death of President Hugo Chávez (in office 1999-2013), is unpopular. He has used the courts, security forces, and electoral council to stifle opposition, which is in disarray. Maduro is scheduled to be inaugurated for a second term on January 10, 2019 after winning re-election on May 20, 2018 in an unfair contest that did not meet international election standards. The United States, the European Union, Japan, and most Western Hemisphere countries deemed the election illegitimate; it is unclear how they will respond after Maduro starts his second term.

Repression in 2017. From March to July 2017, the opposition held protests calling for President Maduro to release political prisoners and respect the democratically elected National Assembly controlled by the Democratic Unity Roundtable (MUD) of opposition parties. Clashes between security forces (backed by armed civilian militias) and protesters left at least 130 dead and hundreds injured. Protests escalated after electoral officials barred Henrique Capriles of the First Justice (PJ) party from running for office. The U.N. High Commissioner for Human Rights and others have documented abuses committed by state authorities, including extrajudicial killings, arbitrary detentions, and torture.

National Constituent Assembly. Despite an opposition boycott and protests, the government orchestrated the July 2017 election of a National Constituent Assembly (ANC) to draft a new constitution. The United States, the EU, Canada, and most Latin American countries did not recognize the ANC. Since its installment in August 2017, the ANC has dismissed Attorney General Luisa Ortega (a government critic who has fled abroad and spoken out about its abuses), seized the National Assembly's legislative functions, increased penalties for protests and critical media reporting, and moved presidential elections forward from December 2018 to May 2018.

Regional and Municipal Elections. Despite concerns about fraud, the MUD participated in October 2017 regional elections. Analysts had predicted that the MUD would dominate those contests, but it won just 4 of 23 governorships. There is evidence that the PSUV linked receipt of government food assistance to votes for its candidates and coerced government workers to vote. In December 2017, Venezuela held municipal elections. Three main opposition parties (Popular Will [VP], PJ, and Democratic Action) in the MUD boycotted. Henri Falcón's Progressive Advance party fielded candidates. The PSUV won 306 of 335 mayoral contests.

May 20, 2018, Presidential Election and Aftermath.

Many observers dismissed the May 2018 election as illegitimate due to its rushed timing, limits on participation, and lack of guarantees for opposition candidates. With no internationally accredited election monitors, the Maduro government reportedly coerced its workers to the polls and placed food assistance card distribution centers next to polling stations. Despite those measures, the electoral council reported turnout of 46%, much lower than in 2013 (80%), possibly due to the MUD's call for an election boycott. Henri Falcón, a former governor who had broken with the MUD to run against Maduro, cited widespread fraud and called for new elections.

President Maduro released some political prisoners after the election, including U.S. citizen Joshua Holt. He reshuffled his cabinet and expanded the provision of food assistance to those with loyalty cards. His government has arrested those perceived as threats, including military officers and a legislator accused of involvement in an August 2018 alleged assassination attempt. The October 2018 death of an opposition politician also in custody over that incident has provoked international concern. The government maintains he committed suicide; U.N. officials are investigating his death as a murder. According to *Foro Penal* (a Venezuelan human rights group), the government held 278 political prisoners as of November 2018. Leopoldo López, head of the VP party, remains under house arrest.

Foreign Relations. Since 2017, Venezuela's international isolation has increased as Canada, the EU, Panama, and Switzerland have imposed targeted sanctions on top officials, following the U.S. lead. In June 2018, the Organization of American States (OAS) Permanent Council approved a resolution stating that Venezuela's electoral process lacked legitimacy. In September 2018, the U.N. Human Rights Council passed a resolution expressing "deep concern" about human rights violations and the humanitarian situation in Venezuela. Six countries have asked the International Criminal Court to investigate whether the Venezuelan government has committed crimes against humanity. With more than 50 countries not recognizing the legitimacy of the May elections, Venezuela has turned to its few remaining allies—Russia and China (its primary financial backers), Turkey, Iran, and Cuba—for political, financial, and other types of support.

Economic Crisis

Venezuela has experienced a deep economic downturn since 2014. A crash in oil prices led to a sharp decline in government revenue and, combined with poor policy choices, triggered a broad economic crisis. Venezuela's economy has contracted sharply, including 16% in 2016, 14% in 2017, and an estimated 18% in 2018, according to the International Monetary Fund (IMF). For 2018, the IMF

projects that hyperinflation will exceed 1.37 million percent. After months of inaction, Maduro announced a reform program in August 2018 consisting of wage increases, a new currency, and austerity measures. It falls short from what most economists recommend, however: removing price controls, creating an independent central bank, adopting an IMF program, and restructuring debt.

Owing to a lack of investment, a dearth of expertise within *Petróleos de Venezuela, S.A* (PdVSA, Venezuela's state oil company), and massive corruption, oil production has declined to levels not seen since the 1950s. Problems at PdVSA have escalated since the government arrested executives in 2017 and Maduro appointed a general with no experience in the energy sector to lead the company.

In September 2017, the Venezuelan government largely suspended debt payments to bondholders. In November 2017, Maduro announced that Venezuela would seek to restructure its debts. Any restructuring of Venezuelan debt is expected to be a long and complex process. Lawsuits over nonpayment and seizures of PdVSA assets are likely. In August 2018, a U.S. court ordered the company to turn over shares in CITGO, its U.S. refining unit, to a Canadian company to satisfy an arbitration award it is owed.

Shortages in food and medicine, declines in purchasing power, and a collapse of social services have created a humanitarian crisis. Some 87% of the population lives in poverty, according to household surveys. Health indicators, including infant and maternal mortality rates, have deteriorated. Diphtheria and measles, previously eradicated, have returned. By November 2018, the U.N. estimated that at least 3 million Venezuelans had left the country; and President Maduro accepted U.N. humanitarian assistance.

U.S. Policy

The United States has traditionally had close relations with Venezuela, a major U.S. oil supplier, but friction increased under the Chávez government and has intensified under the Maduro regime. U.S. policymakers have had concerns about the deterioration of human rights and democracy in Venezuela and the lack of bilateral cooperation on antidrug and counterterrorism efforts. U.S. officials have expressed increasing concerns regarding Colombian criminal and terrorist groups in Venezuela. In the wake of the May elections, the Trump Administration has increased sanctions on the Maduro government and assistance for neighboring countries sheltering Venezuelan migrants.

Targeted Sanctions. In 2015 President Obama issued Executive Order (E.O.) 13692, authorizing targeted sanctions (asset blocking and visa restrictions) against individuals who inhibit democratic processes or institutions, commit violence or human rights abuses, or engage in corruption. To date, the Trump Administration has imposed sanctions on 58 Venezuelan officials pursuant to E.O. 13692 (in addition to 7 officials sanctioned by President Obama). They include members of the Supreme Court, electoral council, security forces, President Maduro, as well as Maduro's wife, defense minister, and executive vice president. Financial sanctions also have been imposed on some 22 individuals and 27 entities for drug trafficking.

Broader Sanctions. The Administration has issued four executive orders restricting the government and PdVSA's ability to access the U.S. financial system (E.O. 13808) barring U.S. purchases of Venezuela's new digital currency (E.O. 13827), and U.S. purchases of Venezuelan debt (E.O. 13835). On November 1, 2018, President Trump signed E.O. 13850, creating a framework to sanction those who operate in Venezuela's gold sector or those deemed complicit in corrupt transactions involving the government. The Administration has considered broader sanctions to limit or prohibit trade with Venezuela. Some predict such sanctions could hasten Maduro's demise, while others caution that they could worsen the humanitarian crisis.

Humanitarian Assistance. The Administration is providing nearly \$96.5 million in humanitarian assistance for Venezuelans who have fled to other countries. Colombia, which is sheltering more than 1 million Venezuelans, is also receiving \$37 million in development assistance to integrate Venezuelans into local communities.

Congressional Action. The 115th Congress has taken several actions regarding the crisis in Venezuela. In February 2017, the Senate approved S.Res. 35, which called for the release of political prisoners and expressed support for OAS efforts. In December 2017, the House passed H.R. 2658, which would authorize humanitarian assistance for Venezuela (similar but not identical bills, S. 1018 and S. 3486, were introduced in the Senate, in May 2017 and in September 2018); and H.Res. 259, which urges the Venezuelan government to suspend the ANC, hold elections, release political prisoners, and accept aid. In September 2018, the House Committee on Foreign Affairs approved H.Res. 1006, amended, which condemns the situation in Venezuela and the humanitarian crisis it has caused. Congress also provided \$15 million to support democracy and human rights in Venezuela in FY2018 (P.L. 115-141). For FY2019, the Administration requested \$9 million in such funds for Venezuela. The House version of the FY2019 foreign aid appropriations bill, H.R. 6385, would provide \$15 million; the Senate version, S. 3108, would provide \$20 million.

Other legislation introduced on Venezuela includes: H.R. 2161, introduced in April 2017, would adjust the status for certain Venezuelans in the United States to permanent resident status; S.Res. 363, introduced in December 2017, would express concern about the humanitarian crisis; S.Res. 414, introduced in February 2018, would condemn the undemocratic practices of the government; S. 3759, introduced in December 2018, would make Venezuelans in the United States eligible for temporary protected status; and H.R. 7245 (similar to H.R. 2658), which would authorize humanitarian assistance. See: CRS In Focus IF10715, *Venezuela: Overview of U.S. Sanctions*; CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*; CRS In Focus IF10857, *Venezuela's Petroleum Sector and U.S. Sanctions*; and CRS Report R44841, *Venezuela: Background and U.S. Relations*.

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