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## Venezuela: Overview of U.S. Sanctions

For more than a decade, the United States has employed sanctions as a policy tool in response to activities of the Venezuelan government or Venezuelan individuals. These have included sanctions, including targeted sanctions against almost 100 individuals, related to terrorism, drug trafficking, trafficking in persons, antidemocratic actions, human rights violations, and corruption. Most recently, on January 28, 2019, the Trump Administration announced sanctions on Venezuela's state-oil company, *Petróleos de Venezuela, S.A.*, or PdVSA.

### Terrorism-Related Sanctions

Since 2006, U.S. officials have expressed concerns about Venezuela's lack of cooperation on anti-terrorism efforts. Since then, the Secretary of State has made an annual determination that Venezuela is not "cooperating fully with United States anti-terrorism efforts" pursuant to Section 40A of the Arms Export Control Act (22 U.S.C. 2781). The most recent determination was made in May 2018. As a result, the United States has prohibited all U.S. commercial arms sales and retransfers to Venezuela since 2006.

In 2008, the Treasury Department imposed sanctions (asset freezing and prohibitions on transactions) on two individuals and two travel agencies in Venezuela for providing financial support to the radical Lebanon-based Islamic Shiite group Hezbollah. The action was taken pursuant to Executive Order (E.O.) 13224, aimed at impeding terrorist funding.

### Drug Trafficking-Related Sanctions

U.S. concerns about the lack of Venezuelan cooperation on counternarcotics efforts date back to 2005, when Venezuela suspended cooperation with the U.S. Drug Enforcement Administration. Since 2005, the President has made an annual determination, pursuant to procedures set forth in the Foreign Relations Authorization Act, FY2003 (P.L. 107-228, §706; 22 U.S.C. 2291j), that Venezuela has failed demonstrably to adhere to its obligations under international narcotics agreements. President Trump made the most recent determination for FY2019 in September 2018, when he also waived foreign assistance restrictions for programs to support democracy promotion.

The Treasury Department has imposed economic sanctions on at least 22 individuals with connections to Venezuela and 27 companies by designating them as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act (Kingpin Act; P.L. 106-120, Title VIII; 21 U.S.C. 1901 et seq.).

Designated individuals include several current or former Venezuelan officials: in 2008, General Hugo Carvajal (former military intelligence head), General Henry Rangel Silva (former defense minister and governor of Trujillo State), and Ramón Rodríguez Chacín (former interior

minister and former governor of Guárico); in 2011, Freddy Alirio Bernal Rosales and Amilcar Jesus Figueroa Salazar (United Socialist Party of Venezuela, or PSUV, politicians), Major General Cliver Antonio Alcalá Cordones, and Ramon Isidro Madriz Moreno (a Venezuelan intelligence officer); in 2017, then-Vice President Tareck el Aissami; and in May 2018, Pedro Luis Martin (a former senior intelligence official) and two of his associates. Others designated include drug trafficker Walid Makled, three dual Lebanese-Venezuelan citizens allegedly involved in a drug money-laundering network, and several Colombian drug traffickers with activity in Venezuela.

### Trafficking in Persons Sanctions

Since 2014, Venezuela has been on the State Department's Tier 3 list in its annual *Trafficking in Persons Report*. Tier 3 countries are those whose governments do not fully comply with the minimum standards of the Trafficking Victims Protection Act (P.L. 106-386, Division A, 22 U.S.C. 7101 et seq.) and are not making significant efforts to do so; they are subject to a variety of U.S. aid restrictions, which may be waived by the President for national interest reasons.

### Targeted Sanctions Related to Antidemocratic Actions, Human Rights Violations, and Corruption

In response to increasing repression in Venezuela, Congress enacted the Venezuela Defense of Human Rights and Civil Society Act of 2014 (P.L. 113-278; 50 U.S.C. 1701 note) in December 2014. Among its provisions, the law requires the President to impose sanctions (asset blocking and visa restrictions) against those whom the President determines are responsible for significant acts of violence or serious human rights abuses associated with February 2014 protests or, more broadly, against anyone who has directed or ordered the arrest or prosecution of a person primarily because of the person's legitimate exercise of freedom of expression or assembly. In 2016, Congress extended the 2014 act through 2019 in P.L. 114-194.

In March 2015, President Obama issued E.O. 13692 to implement P.L. 113-278, and Treasury Department regulations were issued in July 2015 (31 C.F.R. Part 591). The E.O. targets (for asset blocking and visa restrictions) those involved in actions or policies undermining democratic processes or institutions; those involved in acts of violence or conduct constituting a serious human rights abuse; those taking actions that prohibit, limit, or penalize the exercise of freedom of expression or peaceful assembly; public corruption by senior Venezuelan officials; and any person determined to be a current or former leader of any entity engaged in any activity described above or a current or former official of the government of Venezuela.

To date, the Treasury Department has imposed sanctions on 65 Venezuelans pursuant to E.O. 13692. Under the Obama Administration, the Treasury Department froze the assets of

seven Venezuelans—six members of Venezuela’s security forces and a prosecutor involved in repressing antigovernment protesters. Under the Trump Administration, as the political situation in Venezuela has deteriorated, the Treasury Department sanctioned an additional 58 Venezuelan government and military officials from May 2017 to September 2018. These officials include President Nicolás Maduro and his wife, Cecilia Flores; Executive Vice President Delcy Rodríguez; PSUV First Vice President Diosdado Cabello; eight Supreme Court members; and the leaders of Venezuela’s army, national guard, and national police.

On November 1, 2018, President Trump issued E.O. 13850, setting forth a framework to block the assets of, and prohibit certain transactions with, any person determined by the Secretary of the Treasury, in consultation with the Secretary of State, to operate in the gold sector (or any other sector of the economy as determined in the future by the Secretary of the Treasury) or to be responsible or complicit in transactions involving deceptive practices or corruption and the Venezuelan government. On January 8, 2019, pursuant to E.O. 13850, the Trump Administration sanctioned 7 individuals and 23 companies for involvement in a corruption scheme involving Venezuela’s currency exchange practices that generated more than \$2.4 billion in corrupt proceeds.

### Sanctions on PdVSA

On January 28, 2019, pursuant to E.O. 13850, the Treasury Department’s Office of Foreign Assets Control (OFAC) designated PdVSA as operating in the oil sector of the Venezuelan economy and Secretary of the Treasury Steven Mnuchin determined that the company was subject to U.S. sanctions. As a result, all property and interests in property of PdVSA subject to U.S. jurisdiction are blocked, and U.S. persons generally are prohibited from engaging in transactions with the company.

At the same time, OFAC issued general licenses to allow certain transactions and activities related to PdVSA and its subsidiaries, some within specified time frames or wind-down periods. Transactions with two U.S.-based PdVSA subsidiaries, PDV Holding, Inc. (PDVH) and CITGO Holding, Inc., are authorized through July 27, 2019, and PDHV, CITGO, and other U.S. companies are authorized to import petroleum from PdVSA through April 28, 2019; payments for these transactions benefiting PdVSA must be made into a blocked account in the United States. Several U.S. companies with operations in Venezuela involving PdVSA are authorized to continue their operations through July 27, 2019.

### Additional Financial Sanctions

In addition to targeted sanctions against individuals and companies, President Trump has imposed broader economic sanctions on Venezuela because of the government’s serious human rights abuses, antidemocratic actions, and responsibility for the deepening humanitarian crisis. In August 2017, President Trump issued E.O. 13808, which prohibits access to the U.S. financial markets by the Venezuelan government, including PdVSA, with certain exceptions to minimize the impact on the Venezuelan

people and U.S. economic interests. The sanctions restrict the Venezuelan government’s access to U.S. debt and equity markets. Among the exceptions are transactions for new debt by CITGO, owned by PdVSA; transactions by U.S. owners of certain Venezuelan/PdVSA bonds on secondary markets; financing for agricultural and medical exports; and short-term financing to facilitate trade.

In March 2018, President Trump issued E.O. 13827, which prohibits transactions involving the Venezuelan government’s issuance and use of digital currency, digital coin, or digital token. The Maduro government launched a cryptocurrency known as the *petro* in February 2018 in an effort to circumvent sanctions.

In May 2018, President Trump issued E.O. 13835, which prohibits transactions related to the purchase of Venezuelan debt, including accounts receivable, and to any debt owed to Venezuela pledged as collateral. U.S. officials assert the action was intended to deny corrupt Venezuelan officials the ability to improperly value and sell off public assets in return for kickbacks.

### Policy Considerations

As Venezuela’s political and humanitarian crisis has deepened over the past two years, the Trump Administration at times indicated it was considering broader sanctions, such as an embargo on certain U.S. exports to and/or imports from Venezuela (e.g., oil) or a prohibition on financial transactions with PdVSA, as occurred with the sanctions imposed on PdVSA in January 2019. On January 23, 2019, several days before the imposition of the sanctions, the United States recognized Juan Guaidó, the head of Venezuela’s National Assembly, as the country’s interim president and ceased to recognize the “Maduro regime” as the government of Venezuela.

Although Venezuelan oil exports to the United States have been declining, sanctions on that trade still could affect the U.S. economy, particularly Gulf Coast refineries that process Venezuelan crude oil. A complicating factor in the sanctions on PdVSA is that the company owns CITGO, which operates three crude oil refineries, three pipelines, and numerous petroleum product terminals in the United States. Some analysts also maintain that the stronger sanctions on PdVSA run the risk of exacerbating Venezuela’s difficult humanitarian crisis, which already has been marked by shortages of food and medicines, increased poverty, and mass migration. Some maintain that economic sanctions should be accompanied by efforts to foster a negotiated solution leading to free and fair elections.

Also see CRS Insight IN11024, *Venezuela: U.S. Recognizes Interim Government*; CRS In Focus IF10230, *Venezuela: Political and Economic Crisis and U.S. Policy*; CRS Report R44841, *Venezuela: Background and U.S. Relations*; CRS In Focus IF11029, *The Venezuela Regional Migration Crisis*; and CRS In Focus IF10857, *Venezuela’s Petroleum Sector and U.S. Sanctions*.

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