



May 18th, 2022

Panel Summary: Geopolitical Convergence in Venezuela

Purpose:

To analyze and discuss Venezuela as a major concern in the region over the past 2 decades and the historical policies used to invoke change in the South American country, as well as discuss the significant impact of the Russian invasion in Ukraine and its effects on Venezuela's position in the Latin America.

Executive Summary:

On May 18th, 2022 at the 7th Annual Hemispheric Security Conference, hosted by Florida International University, a panel was held to discuss the geopolitical convergence in South America. The panel was held by the Jack D. Gordon Institute for Public Policy and the Latino American Public Opinion Forum. The panel featured speakers from IPD Latin America, Instituto de Estudios Superiores de Administracion, Perry Center for Hemispheric Defense Studies, the Jack Gordon Institute, and the Latino Public Opinion Forum.

Panel Participants:

David Voght (IPD Latin America), Michael Penfold (Instituto de Estudios Superiores, de Administración), Celina Realuyo (William J. Perry Center for Hemispheric Defense Studies), Brian Fonseca (Jack D. Gordon Institute for Public Policy), Eduardo Gamarra (Latino Public Opinion Forum & Jack D. Gordon Institute for Public Policy)

Key Points by Question and Speaker:

Gamarra: As most of us know, this topic has been a major concern in the region for at least the past 23 years or since the election of Hugo Chávez to office. Over the last two decades this really centered on the nature, the quality, and of course now on the backsliding of democracy. And policy has largely been driven by this overarching concern. We might argue about the sanctions regime that we've imposed on Venezuela. I've been driven first and foremost by the desire and the need to restore a regime that respects human rights and liberal democratic principles. However, those concerns appear to be taking a backseat given what is now really a stark new international reality following the Russian invasion of Ukraine. In that context one might even argue that Venezuela is at the epicenter of geopolitical convergence, at least in our hemisphere. As most of us know and teach, Venezuela is home to the world's largest oil reserves and really for the better part of the twentieth century Venezuela was a very strong ally of the United States with multiple business, cultural, and certainly diplomatic ties. Today, however, Venezuela has become what we might call "de-westernized" through an increasing influence by anti-democratic and certainly anti-liberal democratic countries—by countries that are outrightly anti-American, and of course a very close relationship even with Vladimir Putin. And these have converged to create what some analysts are calling alternative economies. These alternate economies have very opaque trading partner practices, unclear money flows, a complex web of shell companies, money laundering schemes around the globe, and clearly Nicolás Maduro, the president of



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Venezuela, skirts all international sanctions and imposes anti-democratic policies. And of course, this tightens his grip on Venezuela in a dictatorial manner.

Reaction to the idea of convergence in Venezuela

Realuyo: I've been looking at this concept of convergence for many years here at National Defense University. In 2013, we actually published a report looking at the convergence of illicit networks and obviously we've seen Venezuela as a great example of this convergence of networks and now more globally in terms of geopolitics. It's been for many years perhaps the battlefield or the battleground of democracy versus autocracy in terms of the rise of Chavez and Maduro through democratic institutions and elections which I'd like to highlight because this can be history repeated in other parts of the region in the near future, of co-opting democracy and democratic institutions to start to create what allows the mafia state or the criminal states, so my academic focus has been on the illicit economy, we have to also see how this illicit economy and how Maduro has enabled external actors such as China, Russia, Iran, Turkey, and Lebanese Hezbollah to take advantage of this illicit economy. That is totally based and thrives off of the trafficking of oil, gold, and drugs. What we've also seen is that it's created hemispheric security challenges. The problem of emigration and the diaspora coming out of that whether it's political, socioeconomic, and now a health crisis that Venezuela has produced over six million migrants that is affecting the region as a whole. What is more disturbing is the fact that all of the measures spent 20 years on following the money but more importantly trying to design sanctions regimes across the globe to try to change behavior. We know that sanctions don't work alone and it has to work with other instruments of national power, such as diplomacy. But we've also seen the attitude not just of Maduro but perhaps bringing it into that context of Russia/Ukraine, how sanctions have not had the desired effect so Venezuela continues to be one of the most sanctioned countries in the world but we've seen how astutely Maduro and his cohorts have been able to avoid these sanctions by creating ties, whether they be political, diplomatic, economic, and more importantly anti-western.

Even more so they always look at the United States and they talk about their anti imperialist posture to create this axis anti-United States. That is what unites these external actors and more importantly how they take advantage of Venezuela's illicit economy to gain access to oil and then also access to trading partners, which is why we see Iran and Turkey much more involved. And not just in the petroleum sector, but also in terms of foodstuffs. What is very disturbing is that we've seen how the insecurity in the criminal networks in Venezuela have tentacles way beyond the Venezuelan territory that have bled into what is happening in Colombia and far afield. So what we see are these illicit networks that are collaborating across the region with the assistance of whether it's Russian military advisors or equipment or Chinese investments or in the case of Iran technical expertise that they're exporting. The petroleum minister of Iran just recently visited Caracas as an outright example of how they're strengthening this and creating this alternative economy, and this concept of de-westernizing.

Something I've been looking at is the digitalization of illicit networks and we're seeing a lot of activity in cyberspace with the assistance of these external actors. I recently wrote about the risks that cryptocurrencies and more importantly the "Bitcoinization" of El Salvador could represent as a way for countries such as Russia and Venezuela and Iran to start to engage in cyberspace in terms of sanctions evasion, as well as how to access dollars by trafficking in Bitcoin but then going to places like El Salvador to convert that virtual currency into dollars. So this is something that we're really struggling with. We've sanctioned them to the teeth but the problem is it's not



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having the desired effect and I think the case of Russia right now shows how many multilateral mechanisms meant to create diplomatic isolation or economic and financial isolation is not having any impacts and some people are actually questioning that international organizations such as the UN and NATO were formed in a post-World War II/Cold War environment, and maybe they're not appropriate for the twenty-first century transnational threat theater.

Voght: I'd like to focus my comments more on the oil sector and the Venezuelan government, including PDVSA being listed by OFAC in January of 2019. Crude production was impacted and foreign investors in Venezuela's oil industry saw their profits put out of reach essentially after having been disconnected from their projects. At the time Venezuelan production had already fallen from 3 million barrels a day to about 1.4 million barrels a day, due largely to previous management inefficiencies, growing financial debt, as well as two key structural issues I think, particularly in the power sector we saw power failures affecting production in a big way. Under President Trump sanctions policy toward Venezuela was designed with what I believed to be sort of a singular scope, which was to push Maduro to resign so that free and fair elections could be held as that has not happened. Three years later there are those who think that sanctions should be strengthened to further isolate Maduro and others who would like to consider policy adjustments as sanctions have come at a cost to the Venezuelan people, and in my opinion, sanctions have not really been used as effectively as they could be in terms of tools to affect change. There has been no realistic path towards delisting under the previous US administration and certainly it's the view of some key players today that removing sanctions is a sign of weakness. This position has essentially backed Maduro into a corner, preventing rather than encouraging any change in behavior.

There have been important unintended consequences of the US sanctions policy in Venezuela that I think should be considered as a new approach to devise a potentially new sanctions regime and I think it's important because a lot of people are missing some of the minutiae. So, what are these consequences? I think first and probably most important to me is that sanctions policy has pushed Venezuelan crude exports to China. This year, Venezuela has exported over 600,000 barrels a day to China, either directly or via Singapore and Malaysia. Essentially, U.S. sanctions are subsidized in China's oil imports. I think another important point we've noted is that discounts to China range anywhere from 19% to 66% since January 2021, and there are dozens if not hundreds of phantom traders profiting off of these crude trades, often transporting Venezuelan crude on unidentified tankers with their satellite tracking services turned off. That is creating maritime environmental risk that we think is unnecessary. Sanctions have opened the door for increased cooperation between Venezuela and Iran, the latter of which has supplied Venezuela with some 12 million barrels of condensate and two million barrels of crude, most recently in April since July of last year, and this is all going to support production of extra heavy oil and refining operations and more than half of the crude that is produced in Venezuela is produced by Venezuela's joint ventures.

Three international oil companies have exited their projects in Venezuela over the last year primarily because their debt was accruing to unmanageable levels. It's really important that qualified operators not leave the country. They offer the best hope that infrastructure will be maintained so that in the future there will be a more solid industry in place to support economic redevelopment. Every day that passes approximately 150,000 to 200,000 barrels a day of minority partner equity production goes away. And we're not just talking Chevron. We're talking about China and the former assets of Rosneft currently in Russian hands are being



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essentially assumed by PDVSA with no compensation to the partner. Essentially, this crude is going to finance the majority regime, but it's also going on the books as additional debt that will have to be paid back in the future with an estimated \$150 billion already in debt. Certain aspects of the current sanctions policy are essentially mortgaging Venezuela's future

Penfold: I think there is a sort of difficulty in finding a path forward toward democratization and some kind of re-institutionalization for the country to resume growth and address the tremendous social inequality and poverty that we're going through. I think there are three big changes going on worldwide and also regionally. The first change, obviously, has to do with the Russian invasion of Ukraine, which I think is changing the geopolitics worldwide, and this is leading us to look at the region and obviously Venezuela stands up as an important country to deal with given the influence of Russia, not only in the oil sector in but also in the military. Russia has also been playing a very important role financially—along with Turkey, China, and Iran—to help the Maduro regime bypass sanctions. So Russia has a very important role in that financial structure and in fact the current situation is one that because Russia has been sanctioned, in particular its central bank and important numbers of banks in the financial sector, that has hurt liquidity and it's limiting its ability at least to stabilize as they were in the exchange rate in Venezuela, which has been flexible whereby they were intervening with a certain frequency to stabilize it. We've seen a major devaluation of the exchange rate and I think that reflects in part that the central bank in Venezuela has no liquidity left, but that liquidity that was abroad in Russia is now under difficult circumstances.

The second change has to do with oil markets and that's also making the US look into Venezuela again. I think it's looking at it not so much in the short term but obviously in the medium and long term given what I think is a crisis in Russia that is going to be long-lasting. And the fact that Venezuela went out of the market was the position that Russia took advantage of and in fact the displacement of Venezuela was a net-positive development for Russia, by which they could increase their exports and this I think is also a situation that is at least motivating some rethinking in Washington on how to address the Venezuelan situation.

The third change that I think is also very significant is regional. I mean we've seen a major political change in the region the last two years with a very different kind of context that allowed the Trump administration, for example, to put together with support of many different countries throughout the region of what the maximum pressure strategy was. That seems to have failed so far, which doesn't mean that it doesn't have any impact, it's just a question of how to use these different tools in a way that they can create the right incentives for the situation in Venezuela to move in a more positive development. So, I think we're coming to terms with three different realities. One choice was not going to go away so this is forcing many to accept that this idea that China was going to be dislodged by force is less likely, therefore it requires dealing with that reality in a different way, which is what I think is promoting the US to be more supportive of some kind of negotiation is the one that is trying to be resumed as we speak in Mexico City between the Maduro regime and the opposition. The second reality in Venezuela is that the economy, even though we have experienced the worst collapse in economic terms in Latin America's modern history, I mean we've lost over two-thirds of our economy in the context of inflationary processes, the fact is that the regime has adapted even without multilateral financial institutions. They're supporting any kind of adjustment in the economy and they have done this by promoting a defacto dollarization process by removing inflexible controls in the economy and they have adapted in that way. The third change is that both the regime and the opposition in this



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context have both become weaker, and that all these elements, all this international context that is changing, all this changes also in the domestic environment. If this weakening of both political actors in terms of popularity continues, I think we'll force both sides and the international community to come to terms with the fact that we're going to need some kind of real negotiation of some sort where the US is truly involved in order to come to terms with this political conflict in Venezuela.

Fonseca: Venezuela has certainly found ways to weather the storm despite still remaining in the midst of one of the worst economic contractions ever recorded, particularly among the largest in Latin America. But I think in part the Maduro dictatorship has continued to lean on a small group of states, both inside and outside of the region, to remain seated in power. We talked about China and Russia. I want to introduce Cuba, and certainly Turkey and Iran have all played really important supporting roles for the regime. Of course to varying degrees I think these countries have really helped Maduro bypass U.S. sanctions to keep the Venezuelan economy muddling through and provide technical assistance to stave off internal and external threats. Last year I testified before the US Congress, and I argued that the considerations that were binding China, Russia, Iran, Turkey, and Venezuela together today were far less ideological and instead these countries are tied together largely by common authoritarian political structures and economic and political opportunism. Furthermore, I think these countries all share this antagonistic relationship with the United States which also sort of brings them to this same space in which they're traveling together, and so regime survival combined with our policy positions, for better or worse, encourage these authoritarian countries to travel together. One thing I'll point out is I still think it's important to note that that these countries still overwhelmingly prioritize their own survival well above their relationship with Venezuela or amongst each other largely, and that leads me to conclude that the relationships are still very transactional and vulnerable to fracturing.

I'm going to briefly highlight two relationships that I've done a lot of work on over the last few years that I think illustrate the challenging geopolitical landscape in Venezuela and that also pose serious threats to both champions of democratic governance across the region and more specifically American foreign policy. The Russo-Venezuelan relationship has evolved a great deal since Chávez and Putin forged ties during Chávez's two visits to Moscow in 2001, and I started at the beginning because I think it's really important because there's a very clear line to today and so I want to highlight the context of these relationships. But in the Russo-Venezuelan relationship, Putin's goal was economic and political opportunities in Venezuela while Chávez sought to diversify Venezuela's foreign relations away from the United States, and in subsequent years Russian companies like Rosneft, Gazprom, and others invested billions into Venezuela largely focused in two areas: arms and energy deals. Chavez offered Russia political military access on the ground in Venezuela, into the region as a whole, and in fact much of the surge in Russian-Venezuelan engagement occurred during Maduro's tenure as Chávez foreign minister between 2006 and 2013. After ascending to office in 2013, Maduro sought to leverage his relations with Russia and others to stave off challenges from internal political opposition, offset the massive amounts of money siphoned through widespread corruption, and to mitigate the economic death spiral that accelerated shortly after he took office. Today that relationship is still largely opportunistic and is still largely built on both energy and arms in a very transactional manner, and I think to some degree Russia undermines Venezuela but also needles the United States in a very serious way. One example is that Russia owns roughly a billion barrels of



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reserves in the ground, and he's done very little to actually lift it and one might speculate that's because keeping Venezuelan oil in the ground benefits Russian energy exports, which are pretty substantial, and so again that relationship is important.

Also last year I had an opportunity to coauthor a detailed assessment on the Cuba-Venezuelan relationship with a brilliant scholar out of US Naval Academy, John Polga-Hecimovich, we did on behalf of the Wilson Center. We found that at the outset of that relationship Fidel Castro provided mentorship to Chávez in the areas of health politics, security, and intelligence, and in return Chávez helped underwrite Cuba at a time of economic hardship and diminishing relevance in the international system, particularly following the collapse of Soviet Union. And although the texture of Cuban-Venezuelan relations remains consistent today with the areas forged out of cooperation between Chávez and Castro, the intensity and depth of engagement slowly faded under Raul Castro and subsequently Miguel Díaz-Canel in Cuba and Maduro in Venezuela with the notable exception of one area and that's Cuban security and intelligence support to Venezuelan leadership. Today it appears that Cuba security officials exercise influence in Venezuela and have helped maintain the Maduro government in power. Details of those relationships again remain shrouded in secrecy for obvious reasons and it complicates any real assessment of Cuba's role, but the Venezuelan and Cuban governments have not been transparent about the size and scope of any contingent of Cuban military and security professionals operating in Venezuela. So despite the lack of transparency and the often exaggerations regarding human security professionals it is evident that Cuba has provided security training and technical assistance and has aided, in very difficult times, Venezuela's ability to firewall itself from internal and external threats

Gamarra: How does Venezuela exemplify the convergence of geopolitics? What is the impact on the military? The economy? What are the cultural impacts?

Realuyo: If we just take a look culturally at Iran, Russia, China, and Venezuela, what do they have in common? They're autocratic states. And what are they? They are actually anti-democratic states and this is why it's important to understand that this has been the battleground for several years, well beyond the more recent discussion of autocracy versus democracy that will be highlighted in the Biden administration's new national security strategy when it's published, It's been going on for years, if not decades. It's also perhaps a different manifestation of what we had known historically as the Cold War, but it's in a slightly different context, so we're seeing much deeper ties economically and because all of them are in the same position of being economically, financially, and diplomatically isolating, they've had to become friendships of utility. And then the other thing that we've seen with the case of Venezuela, they have been extremely fortunate that in terms of gold and oil prices they have been on the rise because of the pandemic. And then more importantly, the recent invasion of Ukraine has destabilized the global energy markets. So in a weird way Venezuela has gotten stronger in terms of economics, whether we talk about the physical and, more importantly, the political stance that the Maduro regime has, that's a different question.

What we see is they've found ways because they're all in the same boat of trying to evade sanctions and yet continue to access dollars and this is where cyberspace is becoming a much more keen area. We've heard about the crypto mining taking place in Venezuela, creating power outages. It's happening all over the world. People who are mining cryptocurrencies, whether they be Bitcoin or others, are looking for places that are quite permissive and have tremendous access



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to cheap energy, and Venezuela had even before the pandemic been one of these places. What's disturbing for those who follow the illicit financial flows is the anonymous nature of cryptocurrencies means that you can load into cyberspace the value of Bitcoin and then more importantly withdraw it in a fiat currency such as the US dollar. Obviously, we've seen tremendous volatility in cryptocurrencies, but that's still access to fiat currencies that these regimes now have because of the sanctions regime against all of them. Venezuela, Russia, Iran, China ... they see this friendship of utility now being existential to help them maintain, and we have all been taught about the natural resource curse. It's actually now a blessing when it comes to oil and the global energy markets because of what's happening in Russia and Ukraine. This is why when we look at things that are taking place far away from the Americas they have huge security, defense, and economic implications. And that's why I think you see people starting to revisit the imposition of sanctions and then perhaps the easing of sanctions as a foreign policy tool to try to change the situation.

Voght: I would take sort of a pragmatic position in terms of the roles of Russia and China, particularly in the Venezuelan oil industry. I see them as being more commercial. I think that absolutely the Russians want to sort of stick their finger in the eye of the United States with their presence in Venezuela, but they haven't had much luck in the oil industry. Right now, their Petronas project is producing about 57,000 barrels a day and it should be at 120,000. It's been down and it experiences the same exact problems as other joint venture in the country with less favorable political or bilateral relations with Venezuela. Both the Russians and the Chinese and the oil industry have really played a long-term game with their investment. Yes, they've got strong reserves that's critical for them and so they don't want to lose those, and I think they are continuing to look at the potential down the road for an opposition government or an alternative to the Maduro administration to take power and therefore they're not violating current legislation. They're really sticking in line with current legislation. Another point here is that the Chinese stopped importing Venezuelan crude due to concern with sanctions. Chinese banks also refuse to finance Venezuelan oil trades out of concern for sanctions, so one of the things that we've been thinking is if the US does successfully revamp its sanctions policy and gives the oil sector licenses to begin to operate again to start lifting production, it wouldn't be unreasonable. I think the Russian situation is different now following the invasion of Ukraine, but it wouldn't be unreasonable I think to offer CNPC a license right off the bat. It's been commercially oriented and the production would probably end up going to the United States again, keeping the energy in this hemisphere. So I think that's maybe something that's important to entertain: the revamping of sanctions given the key Russian and China production in the country is a little bit complex because how do you allow companies like Chevron and others to begin to be more operational and avoid the same thing happening with the Russian companies and the Chinese companies, so I think there are definitely challenges there.

One of the things that I want to mention though is that in US I think that when we're talking about dysfunctional politics we can include the US, and here what we see is some very real opposition toward any flexibility of sanctions whatsoever, and I think that there is a real concern particularly with the oil for debt proposals that are sort of circulating or at least being initially discussed that they will automatically mean money into the pockets of the Maduro regime, and I just like to mention that we have examined oil industry recovery plans we've produced some of our own. We have also assessed some of the strategies for oil for debt programs and it is absolutely possible to structure these with the premise that no money will go into the Maduro

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coffers and at the same time we can see down the road that the way these are structured could actually be one of those now somewhat cliché but very accurately termed carrots for the majority regime.

Gamarra: In the context of this new convergence era, what are China, Russia, Iran, and to a certain extent Cuba seeking from this relationship with Venezuela and from expanding their presence and further inserting themselves in the country?

Penfold: I think they're driven by different interests. China demands oil and Russia produces oil, so you know they have different interests. So, China really wants access to Venezuela's oil in commercial terms and so that's the main interest of China. Cuba I think shares that interest. They want access to Venezuela's oil at basically no price as a subsidy so that that holds. That's a very important difference. I think they have different visions of risk or how risk-averse they can be toward Venezuela. China entered Venezuela as their entry point to the rest of Latin America. They were heavily invested and they provided loans for over \$50 billion in Venezuela but today those investments and those loans outside of Venezuela are larger now for China than in Venezuela so China cares more about its reputation in the rest of Latin America than in Venezuela, but that doesn't mean that they're willing to abandon them in Venezuela. In fact, they also care about secondary sanctions, so China for example will not violate secondary sanctions and in fact they've been very strict about this and most of that risk has been delegated to other nations, particularly Iran who was dealing with that risk via shipping diesel to Venezuela for example. And when you look at Russia, I think Russia has a geopolitical interest in Venezuela more than anything else and Venezuela is a great platform for them to have and to exercise some kind of influence in the Western Hemisphere beyond their area of influence, and they've done this through different mechanisms. They've done this through financing not only to the military to purchase arms but also to the oil sector. But also like China, Russia has been very averse to secondary sanctions and in fact Rosneft left Venezuela because it's a global company that is publicly listed and therefore they cannot cope with the kind of risks associated to secondary sanctions in Venezuela.

So this leads me to a broader point which is yes it is true that is you know these authoritarian countries or this coalition global coalition or this global ecosystem which is becoming larger and larger is important, but that doesn't mean Venezuela or the Maduro regime doesn't care about itself again in the world and particularly that's important for an oil economy and this I think is part of what's driving their interest in resuming negotiations, particularly after seeing that US was not only willing to revise its policy sanctions, but also to engage directly with the regime in a visit that was very polemical in the US, that you don't experience tremendous pushback from different actors but at the same time it was a very interesting political experiment because that visit scene from the Venezuela point of view was very important.

Fonseca: There is a diversity of interests across all of these actors. I think that there is a common interest that these countries share and that is largely the preservation of some if not all of their respective preferred political models, largely authoritarian. I think that is an element that brings them together and moves them along together as they navigate the global landscape. But you can't stop there. Each of these countries have at times diverging interests. When you think about Venezuela and Russia or Iran, these are all important competitors in the global energy market, so there's some divergences in their respective interests over competition for access to markets to export. Info published by Rosneft concluded that they were losing there heavily in terms of their investments in Venezuela, but Russia still looked at Venezuela as an opportunity to



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exert some geopolitical influence particularly in the face of US interest in Eurasia and the Russia periphery, so Russia's got its interest both in the economic and geopolitical space and that's the same for China. China as a global power is in search of continuing to build its portfolio of allies and partners around the world to rival or compete with United States influence in the global system. They're certainly interested in a future political orientation that is less democratic as we define it and more autocratic as they exhibit, and so creating those allies around the world as part of a broader approach to normalize the Chinese political model in the international system. So looking for allies that it considers more closely aligned with its views is in its geopolitical interests. But there are also economic interests there despite the fact that just like Russia, China has had to follow up its investments in Venezuela just to try to recover its initial investments. China is one of the largest investors in Venezuela. It's had to sink more money just to try to get its initial investment back, which it still hasn't cleared, and so the economic interests are there but again we see the geopolitical interests and that is this idea that there are multiple interests. They're distinct among countries but they all have something that they share and that is being adversarial with the West and in the preferences for survival of their respective political models.

Gamarra: What would have been the real costs and the real benefits to the Maduro regime from “de-Westernization” of Venezuela's economy? What are the real consequences there and what are the implications for the United States and the region? Should there be any real concern about what is happening in Venezuela with this entire process?

Realuyo: If we just take a look at basic economics, we've touched on the utter collapse of the Venezuelan internal economy and its role globally, and this has also sadly been a major contributor to the exodus—the diaspora of Venezuelans out of desperation that has directly affected not just Colombia, which is housing and has welcomed to Colombia for being open-minded enough to try to integrate now the Venezuelans with actual legal papers to be able to work in Colombia, but it's had these episodes that are much further than that. We've also seen sadly in Colombia the rise of Venezuelan armed gangs that are now wreaking havoc on citizen security in Colombia, so all of these things that happen in Venezuela have impacts well beyond the sovereignty of Venezuela. In terms of actual cost is when you see crisis it actually spurs creativity and I have to give the regime credit for being able to maneuver and actually be very resilient in the face of sanctions and also capitalizing on the rising oil prices as well as gold. The illicit gold trade has a huge environmental impact in Orinoco and well beyond, and also the presence of the FARC dissidents and the ELN are contributing to this diversity economy, whether it's gold or narco-traffic. It has been tried through so many different avenues to restore the talks and the movement toward free and fair elections, we're seeing now that the status quo cannot continue so we have to take a look at how to take advantage and capitalize on the costs or more importantly the pain that the Maduro regime is feeling and try to find new avenues for them to come back to the negotiating table in order to bring about free and fair elections.

Voght: Just to look at this from a practical perspective, when we've seen the interest I think we know what will move the needle. I think it's going to be money. Right now, the regime seems to be running out of cash. This is clearly to me an impact of embargoed funds of Russian banks. They're going to need to shift their cash flow. Vice president Delcy Rodríguez stated that the cost of the financial transactions moving that oil back to Venezuela is 15% of the sale, you tack that on top of these crude discounts, and you have a really serious economic impact. We've seen people saying they would love to trade with the United States again because they wouldn't have



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to incur these deep discounts and would be able to generate revenue. Chávez was so interested in developing this sort of multipolar position moving away from the United States and I think that his timing was amazing because when US sanctions hit he was already channeling a whole bunch of his crude to China and that helped at the time, but I think the secret here is diversification. They're not diversified at all and when you work with these sort of rogue nations that all have their own challenges and that are also competing with you on the energy front, you run into some issues from time to time. It's a very cyclical, opportunistic cycle that you're going through and I think that that's where Maduro is right now. He's having a really difficult time and that moving the needle could be creativity on the part of US.

Penfold: My biggest concern right now with is that the region is changing. It's changing in Mexico. It's going to change even in Colombia. It's not going to be exactly the same situation. We're having elections coming up in Brazil, elections already took place in Chile and Peru, so you have a real challenge for the US because it's a changing environment and in that changing environment the Venezuelan situation is a real challenge, so for me it's not only about sanction policy. It's about engagement in a region where multilateral institutions are not working that well either. And this adds even further challenges. So, for example, let's go back to this visit from the White House to Caracas. No one knows exactly what happened but there was an important conversation that took place there and it seems to me that it was a quid pro quo. Also, the reality is that the White House had to go back and it had to deliver on something and the reality on the Hill and with the Venezuelan opposition is one where most likely they had to water down whatever was on the table and it seems to me beyond any value proposition. The fact is that the kind of leverage that the US and even the opposition have today is much less than what they had three years ago, so you know it's going to be very difficult to implement sanction relief if you're not convinced that this is the right policy toward Venezuela.

Fonseca: I still believe strongly that that there is a preference for engaging with the United States and that largely Venezuelan engagement with China, Russia, Turkey, Iran, etc., has been more of a product of our isolation than their genuine interest in engaging those particular countries. So I think there's still a seeming interest in preference for engaging and doing business with the United States. But survival preempts that interest, which is what's led them to engage other countries and so I still think that the United States has an opportunity to capitalize on the fact that it is the preferred partner for business. Venezuela has figured out how to weather the storm. They're managing to get by and so that helps alleviate some of the immediacy or desperation, but the fact that they're willing to come back to the table was something that the United States has to capitalize on. But, again, the United States has to be very clear in terms of what its expectations are at the table. I'll tell you the one thing that isolation has led to, it's taking a lot non-state influence out of Venezuela. The fact that the private sector is no longer active on the ground I think doesn't bode well for the ability to sort of exercise US influence on the ground. These people-to-people contacts have been diminishing, particularly as people flee Venezuela and families set up roots here. I think that's diminished some of those contacts or at least the familial context going back and forth where there was an opportunity to deepen those if we provided the right provisions to open access. So, I think there's a lot that could be done strategically to get us back on the ground in Venezuela and charging toward the re-institutionalization of democratic norms and governance and having the regime back at the table. I think it is an important step in getting there but again there must be reciprocation on both sides if this is going to truly go forward. But you are seeing clearly behavior that you didn't see



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maybe three years ago, and that is the opposition seemingly is asking the United States to consider getting back to the table because they're also looking for opportunities to coexist in Venezuela.

Gamarra: What should be discussed at the Summit of the Americas regarding Venezuela?

Realuyo: There's huge debate right now in terms of who should or shouldn't be invited to the Summit of the Americas. Not everybody was invited to the Summit for Democracy, which Guatemalan President Alejandro Giammattei reminded us, and he has also just said he will not be attending the Summit of the Americas whether he got the invitation or not. We don't know. I think this calls into question much more fundamental kind of issues regarding these multilateral photo ops with the actual objective. So, we saw just because we've been looking at it so closely the last couple of weeks the NATO alliance. We actually failed in terms of dissuading Putin and creating his grand defensive alliance, so we take that in terms of his invasion of Ukraine and all these different diplomatic, economic, and financial measures that had been taken to try to punish him haven't actually worked. When you look at the Summit of the Americas, obviously we as a community share this aspiration for free and fair democracies through free and fair elections, and if we use that as the paradigm or the framework, Venezuela under Maduro does not qualify and he's not the only one that we're questioning. We also have Cuba and Nicaragua and I'm quite disturbed to see the authoritarian tendencies that are taking place in El Salvador, so the bigger question is what is the objective of the Summit? We're only three weeks away and I've worked many years in government and have staffed many of these summits. Normally by now we've worked out what the deliverables are, which is a very Washington concept, and we're not there so the bigger question then is what is the objective and then if we have this objective of reinforcing democracy, fighting things like corruption, transnational threats like crime, and I think mass migration and irregular migration, it affects every one of the countries that will be represented at the Summit of the Americas. We have to have more clarity and it's quite obvious that Venezuela under Maduro is not cooperating under international norms that promote democracy freedom and the respect for human rights.

Penfold: I think we're in a very interesting critical juncture right now in Venezuela if talks are in fact resumed in Mexico City, but it's going to require massive work, massive diplomatic work in the region from the US from Europe and it's going to require a rethinking and in a different way and how to tackle the current situation, which I think has been very well described but that is going to require a different kind of approach.

Fonseca: We're asked whether or not we truly understand what led to the rise of the Chávez and of course the transition of Maduro, and I think that's been well studied and again it's sometimes hard to remember that Chávez came in with incredible support from Venezuelans, largely looking at a break from the what's going on in the country in the decades leading up to that—particularly among certain elements of society. And the handoff to Maduro was really about continuity more than change. If Petro wins the election in Colombia what happens? My sense is that I think the United States has an incredibly strong relationship with Colombia and I don't see Russia or China displacing that. I think it might increase competition for the United States to be a preferred partner of Colombia and the United States will have to work extra hard to maintain its influence in Colombia because there will be some opening to China and Russia likely, and it



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depends largely on how the United States responds if Petro is in fact elected. I'll point out that recovering democracy is not going to occur overnight. Re-institutionalizing or reestablishing true democratic rules of the game is going to take time. You're talking about institutions that have been purged now over the course of decades, and that all has to be undone and re-institutionalized and that's not going to be something that happens just because Maduro is ousted from power. There's going to be serious structural changes to institutions that I think have to occur.