



**Panel Summary: US Policy Toward Venezuela: What's Next?
February 28th, 2023**

Purpose: Analyze and discuss the strong links between Latin American oil exports and the United States. Panelists discussed the economic and security implications for the U.S. of a deteriorating relationship with Latin America's major oil exporters, including Brazil, Venezuela, Mexico, and emerging new oil exporter Guyana.

Executive Summary: On February 28th, 2023, a panel was held to discuss the history of U.S. – Venezuela relations and discuss realistic paths forward and provide policy recommendations to the Biden administration. 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 Rice University, Acción Solidaria, and Crisis Group, consisting of a 90-minute panel.

Background: Venezuela produced around 2.85 million barrels a day when Nicolas Maduro assumed presidency in 2013. Petroleum prices plunged in the last quarter of 2014, even further through 2016 from about \$100 a barrel to \$25 a barrel. Crude output was negatively impacted by a perfect storm of low prices which really curtailed Petróleos de Venezuela, S.A. (PDVSA) ability to spend any capital expenditure (CAPEX). As climate change moves into the spotlight, Venezuela and LATAM as a whole must move towards renewables and other green energies. There are significant challenges ahead ranging from financial to social if Latin America is to meet its alternative energy goals and gain & maintain carbon neutrality.

Summary

Panel Participants: Francisco Monaldi (Rice University), Feliciano Reyna (Acción Solidaria), Phil Gunson (Crisis Group), Eduardo Gamarra (Florida International University)

Key Points

- Venezuela Energy Market: sanctions on the Venezuelan oil sector began in 2019 when the US banned the export of oil from Venezuela under the maximum pressure policy
 - Venezuela can't find buyers, as the U.S. threatened secondary sanctions to other countries if they bought Venezuelan oil
 - The largest Western player in the Venezuelan oil industry, Chevron, was barred from operating or receiving payments or cargoes from their operations in Venezuela
 - Changed under the Biden administration,; Chevron now exporting gas and importing diluents from the US but it cannot give cash to the Maduro government or a drill new wells; signals a first step in further negotiations
- Foreign Nations in Venezuela:



- Iran: Venezuela is hiring Iran to help them reconstruct you know their refineries, Iran has been instrumental in helping Venezuela to evade U.S. sanctions in two main ways:
 1. Iran provided diluents that used to come from the US and later from Russia. But Russia as a Rosneft was sanctioned and so they stopped doing that
 2. Iran sent its condensate to blend with the extra heavy oil of Venezuela and to be able to export back to China
- Russia: used to be one of the largest players in the Venezuelan oil sector; are not putting any cash in Venezuela at this point
 - Rosneft ceased operations in Venezuela in 2020; still owns good fields in Venezuela, but they produce in a limited area (used to be run by Exxon called Petro Monagas)
- China: is the main place where Venezuelan oil goes; in past 95% of Venezuelan oil before the Chevron license went to China, now it is independent refiners through dark channels
 - Venezuela has debt with China; but most paid when Rosneft was marketeer of Venezuelan oil
- Neither China nor Russia investing much into Venezuela
- Trinidadian and Tobago: T&T government recently announced that they've gotten a license to negotiate with Venezuela to export natural gas from a Venezuelan field close to Trinidad and through Trinidad LNG export facilities
- Sanctions Seem to be Ineffective: historically, it is hard to find examples where sanctions have led to democratic transition; even fewer examples of outright regime change
 - Sanctions are contributing to a dire economic situation, they haven't caused it, but they're exacerbating it; they may make it less likely for Maduro to open up on the political and electoral front because the worse the economy is, the lower his popularity isn't
- Stalled Talks: officially the Maduro government has said that it is not interested in going back to the table until the humanitarian agreement and disbursement of the frozen funds takes place
- Heading Back to Old Ways: Venezuela is heading back into hyperinflation, into economic stagnation and recession soon; the monthly inflation rate in January was around 39%
 - Commercial activity was down by about 17% year on year



- Humanitarian Emergency: the conditions that created the humanitarian emergency in the country are due to a dismantling of the rule of law, years of abuses of power, and vast corruption that have left Venezuela with minimum capacities to act from the public sphere to protect the population
 - We will not see companies investing in or returning to Venezuela if they do not have the proper conditions to operate; to include guarantees of the rule of law and a proper justice system
- Sanctions Caused Further Deterioration: saw human rights reports from 2012-2015 expressing dire situation of the population, sanctions have exacerbated the situation
- Maduro Strategy: to have as divided and fragmented an opposition as possible to confront him during the election; Maduro has amazing levers to get to that result.
- Unified Opposition: best approach is alike to the Unity platform in the Mexico talks, at least in the shorter term; possibility to bring some relief to the Venezuelan people
 - The opposition will have a tough time building a strong and unified alternative to Maduro for the elections
- Scale of Humanitarian Crisis: in all indicators: infrastructure, economic activity, Venezuela has deteriorated drastically; since Maduro came to power, Venezuela has lost 80% approximately of its GDP
- Continued Emigration: many Venezuelans continue to think about emigrating; pressures for Venezuelans to leave the country will continue to exist despite the recent changes if sanctions relief occurs in the oil sector
- Biden Administration Interest Changes: the Ukraine war and it being an energy issue has changed the balance of interest
 - Prisoner exchanges: U.S. citizens are still unjustly in jail in Venezuela and it is a topic of interest to the administration
- Representation: the Maduro government nor the opposition represent Venezuelans; in opinion polls, nearly 40% don't identify with either side; the fate of the country being determined by those who don't represent the majority of the population
 - there is little connection by the opposition with what is going on and with that those who have been forced to migrate or were abroad as part of the diaspora



Actions/Deliverables

- Reframe Thoughts on Solutions and Corruption: it is very easy to call for perfect solutions when you're not involved in the implementation of them; the perfect should not be an enemy of the good
 - Every single humanitarian situation around the world features corruption, impossible to have zero corruption
 - There are alternatives, none of them are great but we have to figure out which ones can alleviate the humanitarian situation in Venezuela and help with the political process to bring Venezuela back as a country that has democracy and respect of human rights
 - Pessimistic about the future, but we must keep doing what we can to improve things, and ensure our efforts are in the right direction
- Evaluate Sanctions Effectiveness: sanctions are a blunderbuss; they're a blunt instrument that often become an end in themselves
 - They have a number of structural problems, but there's also problems with implementation because once you've applied sanctions, it's very, very difficult to lift them.
 - In a lot of cases around the world, when countries go into a transition phase but sanctions persist, the effects of sanctions persist long after the need for them has disappeared; politically and administratively & bureaucratically it is hard to reverse them
- Funding Needed: when we think about the health sector, provision of food, education and electricity, we need billions more, but we are moving forward with this and in this
- Determine Importance of LATAM to Foreign States: with Russia, with China, with Iran, other countries: why is Venezuela important to them?
 - There's the energy aspect in many cases; in the case of Russia, Iran, Cuba, and other sanctioned countries there is a very strong anti-imperialist stance, an anti U.S. stance
 - There is solidarity among them, they have experience in evading and working around sanctions, and they've been very useful to Venezuela

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