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# U.S. VENEZUELA POLICY: MOVING BEYOND SANCTIONS

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During the last week of September 2022, the United States and Venezuela exchanged seven American citizens unjustly imprisoned in Venezuela for two of Nicolás Maduro's nephews who were serving prison sentences in the United States for drug trafficking. This swap was perhaps the most significant concession both countries have made to each other in more than a decade. It could mark the beginning of a thawing of the relationship that could

contribute to a democratic opening in Venezuela, further cooperation in the energy sector and new regional alliances.

However, should the Biden administration's efforts towards a rapprochement with *chavismo*, and its backing of the opposition's efforts to negotiate a path to free and fair elections, continue to be enmeshed in U.S. politics, particularly in congress, and if Maduro fails to make

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substantive electoral concessions, then Venezuela will most likely remain trapped in its political quagmire.

For more than a year, the Venezuelan opposition, backed by the Biden administration, and the Maduro regime have tried to resurrect negotiations in Mexico City to work toward resolving Venezuela's profound political crisis. To date, all efforts have failed. The opposition remains far from obtaining the electoral guarantees that would lead to its stated goal: competitive presidential elections in 2024. Meanwhile, Maduro and his top brass are still heavily sanctioned and rule over a heavily sanctioned country that struggles to export oil, its principal lifeline. If the talks stall for much longer, all parties, including the United States, have much to lose. So, why have all efforts failed and what will it take to strike a deal?

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Since Biden assumed the presidency, U.S. policy towards Venezuela has changed only slightly. Yet the small changes could be significant. One of the key changes has been Washington's use of sanctions as

diplomatic tools to encourage talks between Maduro and the opposition rather than as perpetual punishments for the regime. So far, the United States has eased some restrictions on international oil companies – notably, for Spain's Repsol and Italy's Eni – and removed sanctions against a handful of high-ranking individuals. More significantly, the Biden administration allowed Chevron to negotiate contractual terms with Venezuela that would allow it to work alongside PDVSA, the country's struggling state oil company, to eventually resume oil production and export crude to the United States. To date, however, this potentially transformative agreement has failed to materialize.

The final condition to implement this agreement hinges on approval from the U.S. Treasury Department Office of Foreign Assets Control (OFAC) of a new license to Chevron. The Biden administration's efforts to moderate U.S. policy towards Venezuela are closely monitored, and strongly opposed, by several senior senators on the Foreign Relations Committee, who oppose the deal despite the global energy crisis sparked by Russia's invasion of Ukraine. To defuse criticism, the White House is demanding some initial concessions—that Maduro resume formal

negotiations with the opposition in Mexico City and agree to a significant package of humanitarian aid as a precondition for the issuance of Chevron's license. *Chavismo* has neither agreed to nor rejected the request, but it is aware of the considerable potential revenue that a deal with Chevron would represent.

**“It remains unclear what exactly is holding Maduro back from reengaging in formal negotiations.”**

Venezuela, despite current restrictions, including financial, oil and secondary sanctions, exports more than \$12 billion a year in crude oil. If an oil deal is reached with Chevron, exports could rise to as much as \$18 billion annually, depending on Chevron's ability to commercialize both its own production and that of third parties. There is no doubt that Biden's proposal to relax oil restrictions provides *chavismo* with serious financial incentives to negotiate. Yet it remains unclear what exactly is holding Maduro back from reengaging in formal negotiations. Three different reasons might explain his decision, so far, to pass on the U.S. offer.

First, the regime believes, with reason, that it has defeated the Juan

Guaidó-led opposition and increased its hold on power. Second, it distrusts any White House offer because opposition in Congress could inhibit or reverse any U.S. concessions. Indeed, congressional opposition reinforces Maduro's belief that U.S. policy towards Venezuela is conditioned by domestic politics, most of it related to Florida, similar to U.S. Cuba policy. Third, and most importantly, the triumphs of left-leaning candidates in Chile and Colombia have further changed the region's political landscape. Since taking office in August 2022, for example, Colombia's president has recognized Maduro as Venezuela's legitimate leader, exchanged ambassadors with Venezuela and restored trade relations. Before the election of Gustavo Petro in Colombia, the governments of Mexico, Peru, Bolivia, Argentina and Chile also withdrew their recognition of the Juan Guaidó-led interim government. If, as seems likely, Luiz Inácio Lula da Silva wins the October 30, 2022, run-off in Brazil, U.S. policy towards Venezuela will face a dramatically changed regional dynamic. Therefore, and despite criticism by leftist leaders of Maduro's human rights record, he likely calculates that he will soon have sufficient regional clout to explore a more favorable, Latin America-led solution to



*Photo Credit: Eneas De Troya, Flickr*

the Venezuelan crisis.

That said, *chavismo* might be overplaying its hand. Despite strengthening its position regionally, a deal with the United States is considerably better than no deal, something that the regime might be starting to understand, given the recent prisoner exchange. That is because Washington is perfectly capable of replicating its Cuba policy in Venezuela, leaving sanctions in place for decades whatever the outcome. Moreover, Venezuela's economic recovery would be strengthened by the proposed Chevron deal. After all, if Venezuela is not able to resume crude exports to the United States, its prospect of increasing oil production is close to nil. Due to secondary sanctions, Venezuela provides huge discounts to place its oil in Asia, especially in China. Prior

to the war in Ukraine, Venezuela was selling oil in these markets for 30 percent below market value. Now, it is competing in those markets with Russia, which is also subject to U.S. sanctions, and so it has increased its discount to 40 percent. Not even the recent hike in oil prices can fully compensate for those losses.

**“*Chavismo* might be overplaying its hand.”**

The regime's top officials also face serious judicial risks by dodging negotiations. The United Nations has published, through an independent fact-finding mission, three exhaustive reports detailing how Venezuela's various security agencies were directly involved in extrajudicial executions, arbitrary detentions, torture and systematic persecution of opposition figures. The International

Criminal Court is proceeding with similar investigations. In the United States, criminal indictments accuse many officials and influential political figures of money laundering and drug trafficking. Only a negotiated framework for transitional justice could potentially help these individuals avoid some of these legal risks. The stakes are also high for the White House. Venezuela has traditionally buffered the effect of high oil prices in the Caribbean. In the 2000s, when oil prices peaked at \$120 a barrel, Venezuela provided subsidized fuel to these island nations. Today, for the first time in five decades, Venezuela is unable to ease the socio-economic burdens of the global energy crisis. That might force the United States to provide assistance to avoid an even greater spike in migration.

The political inertia in Venezuela also harms the United States because it benefits U.S. adversaries. U.S. sanctions, for example, lower the price of the oil Beijing buys from Venezuela; provide Russia an ally in the U.S. near abroad; and reinforce Venezuela's ties to Iran, which helps Venezuela bypass U.S. sanctions. U.S. policy has also enhanced Cuba's influence on the Venezuelan military and the regime.

For that reason, the White House appears willing to relax some oil sanctions to persuade the ruling party to reenter negotiations with the opposition. But it is doing so without publicly announcing a change in policy, and it continues to support an interim government that has lost most of its backing in Europe and Latin America. That might be because every time the White House is seen tweaking Venezuela policy, it faces strong pushback from influential U.S. lawmakers. At times, it has even denied policy changes, publicly reinstating its fealty to previous failed policies. That hurts U.S. credibility, and it has led to a reliance on discreet agreements between Caracas and Washington that have not produced fundamental change.

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Going forward, the White House should implement, and publicly acknowledge, a more significant shift in Venezuela policy – and remind critics that the policies of the Trump administration failed to bring about regime change. To do so will either require cooperation with Congress or greater international support from Latin America and Europe. The

White House should also accept that direct diplomatic engagement with the regime is valuable even without progress toward solving the political crisis. For now, the absence of U.S. diplomats in Caracas, and the lack of direct flights between both countries, do not serve U.S. interests. That said, given the regime's desire for political recognition, renewing diplomatic ties might be more effective than sanctions relief in promoting political dialogue. Lastly, the United States must remain committed to promoting democratization in Venezuela, and providing humanitarian aid, even if progress is gradual. After all, with a weak opposition and strengthened regime, a rapid political transition seems unlikely.

Even if the White House adopts these changes, it should recognize that the election of left-leaning leaders in Latin America has major implications for U.S. Venezuela policy. Resuming talks in Mexico City without significant regional involvement makes the architecture of these negotiations extremely vulnerable. By contrast, negotiations that involve strong regional participation but little U.S. involvement are also doomed to fail. For that reason, Washington should not hesitate to lead a process that involves the region's new leaders in efforts to persuade Mad-

uro to negotiate seriously over the conditions for free and fair elections in 2024. Indeed, the participation of these leaders could help convince *chavismo* that negotiations will not leave the movement existentially cornered.

For now, the regime perceives itself as the winner of the country's prolonged and immensely costly political struggle. But it should recognize that the status quo will not rescue Venezuela from its political, social and economic crises. For its part, the opposition in Venezuela must adopt a more cohesive strategy. Perhaps most importantly, its leadership needs to choose a presidential candidate for 2024 that could both win the election and meet the extraordinary challenges of governing this oil-rich, but deeply impoverished state.

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