

VENEZUELA: A PATH OUT OF MISERY

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EXECUTIVE SUMMARY

Since the last report of the Brookings Institution Working Group on Venezuela in April 2017,¹ the crisis in Venezuela has considerably worsened. As of fall 2018, the country is in a rapidly deepening economic and humanitarian crisis, marked by growing scarcity of food, medicine, and basic staples. Despite having one of the world's largest oil reserves, Venezuela's oil production is declining and electricity and water shortages have lasted for weeks in certain areas of the country. Hyperinflation, the product of monumental government mismanagement, has continued to deplete Venezuelan salaries and savings. The consensus among outside observers is that the severe and poorly planned economic measures announced in August 2018 by President Nicolás Maduro will accentuate the crisis.²

In addition to deteriorating economic and humanitarian conditions, state-led repression of political freedoms and the breakdown of the rule of law have also contributed to a massive migration and refugee crisis. According to the United Nations, by mid-July 2018, about 2.3 million Venezuelans had left the country, most of them since 2015. The outflow pace of migrants and refugees is rivaled in recent years only by the Syrian refugee crisis.³

Despite the crisis, Maduro and his closest allies have consolidated power in the face of a divided domestic opposition that has lost faith in the possibility of an electoral solution. Maduro has manipulated local and presidential elections to his favor. The international community is also largely divided into three groups: an anti-Maduro group willing to impose sanctions and, in the case of the Trump administration, threaten military action to pressure the regime to leave power; a moderate group engaged in political pressure to force Maduro to negotiate a peaceful resolution; and a pro-Maduro coalition, led by China, Russia, and Cuba, willing to defend the regime from attempts to dislodge the president.

In this policy brief, we review the roots of Venezuela's spiraling economic crisis, its impact on the humanitarian crisis, how the twin crises have paradoxically strengthened President Maduro's grip on power, and what new steps international actors should take to help address the catastrophe affecting Venezuela and the region.

1 Brookings Institution Working Group on Venezuela, "Venezuela: A Path out of Crisis" (Washington, DC: Brookings Institution, April 2017), <https://www.brookings.edu/research/venezuela-a-path-out-of-crisis/>.

2 Mariana In Zuñiga and Tom Phillips, "Nicolás Maduro's Plan for Venezuela Adds Bewilderment to Despair," *The Guardian*, August 26, 2018, <https://www.theguardian.com/world/2018/aug/26/venezuelan-mass-exodus-continues-amid-economic-turmoil>.

3 There were approximately 2.4 million registered Syrian refugees in the 18 months between January 2013 and June 2014. "Situation Syria Regional Refugee Response," U.N. High Commissioner for Refugees, <https://data2.unhcr.org/en/situations/syria>.

We argue that:

- The international donor community and agencies should support efforts by Colombia and other Latin American states to carry out a coordinated response to the wave of humanitarian refugees exiting Venezuela. This includes accepting more refugees outside of South America and seriously stepping up aid to recipient countries in the region.
- Venezuelan opposition forces, working through the opposition-led National Assembly and other channels, should unify behind a comprehensive plan to repair and restructure the country's institutions. Such a plan should include incentives for moderate regime elements to press for change from within, while steps toward accountability for gross human rights violations move forward. This would provide a clear signal to both domestic and international audiences, such as the International Monetary Fund (IMF) and other international financial institutions, that they should stand ready to assist in a comprehensive post-Maduro economic recovery plan.
- International actors should rally behind a comprehensive strategy, led by Venezuelans, to restore democracy. This should include the creation of a "Friends of Venezuelan Democracy" group to build an international coalition to heighten political and economic pressure on the Maduro regime, strengthen support for U.N. mediation, raise funds to address the humanitarian crisis, and help the opposition pave the way for a post-Maduro future. The strategy should also impose further costs on officials leading the Maduro regime by widening the number of countries participating in targeted sanctions and the number of Venezuelan officials subject to such penalties. It should also encompass financial intermediaries that facilitate corruption in Venezuela and protect high-level officials from the impact of targeted international sanctions.

VENEZUELA GRIPPED BY ECONOMIC DISASTER

The humanitarian crisis created by the Venezuelan regime is the worst in the modern history of the Western Hemisphere. By almost any socio-economic indicator, Venezuela is similar to or worse than countries that have experienced violent conflicts. One of the most straightforward economic indicators summarizes the collapse: Venezuela's GDP has fallen by almost 50 percent since 2013.⁴ This economic mismanagement, rooted in the policies adopted by former President Hugo Chávez, resulted in unsustainable levels of external debt, for which Venezuelans today are paying the toll. Unable to borrow more money from international financial markets, the government has defaulted on many of Venezuela's international debt obligations. The Maduro regime then resorted to addressing the ballooning fiscal deficit through massive monetary expansion. This has resulted in one of the world's longest-lasting hyperinflation episodes on record.⁵ The IMF has estimated that Venezuela's annualized inflation rate will reach 1 million percent by the end of 2018. The financial sanctions imposed by the U.S. government and others, which limit the ability of the country to issue more debt, are—if anything—playing a marginal role.⁶

In a desperate attempt to raise more funds, Maduro and his government have resorted to exotic financial policies such as a government-backed cryptocurrency, ultimately banked against future oil,

diamond, and gold supplies (though recent reports show that the currency is nowhere to be found).⁷ However, attempts to raise sufficient financing abroad will prove unsuccessful unless there is a serious attempt to restructure the current debt, something this government has been unwilling to do, and which U.S. sanctions now make difficult. In the meantime, China and Russia appear willing to extend enough new credit to avert total disaster, or invest enough to prop up Venezuela's declining oil production.⁸

The drop in oil prices in 2014 arguably sharpened the crisis, though it is clearly not the root cause. Even though oil prices have recovered somewhat—in early 2016 reaching more than double the lowest point in 2014—this has not resulted in an improvement of the situation because Venezuela's oil production has dropped dramatically, from roughly 3 million barrels per day (mbpd) in 1999 to about 1.25 mbpd today.⁹ Poor management and maintenance, lack of capital expenditures, and the politicization of PDVSA, Venezuela's national oil company, mean that the Maduro regime is unable to capitalize on rising prices. A large share of production does not generate income for the government. It is used in domestic consumption (which is completely subsidized), given to China and Russia as part of debt repayment, or used to shore up political support in Latin America.¹⁰ Thus, even in the unlikely case that oil prices recover to the levels enjoyed by Chávez, this will not result in an end to the crisis.

4 Gideon Long, "Hollowed-out Venezuela Counts the Cost of Crisis," *Financial Times*, September 4, 2018, <https://www.ft.com/content/55bd21a8-b02e-11e8-8d14-6f049d06439c>.

5 "Hiperinflación en Venezuela: Causas y soluciones," Hiperinflación en Venezuela: causas y soluciones, <http://especiales.prodavinci.com/hiperinflacion>.

6 Max Fisher and Amanda Taub, "How Venezuela Stumbled to the Brink of Collapse," *The New York Times*, January 20, 2018, <https://www.nytimes.com/2017/05/14/world/americas/venezuela-collapse-analysis-interpret.html>; Anthony Faiola, "Venezuela's Inflation Rate May Hit 1,000,000 Percent. Yes, 1 Million," *The Washington Post*, July 24, 2018, https://www.washingtonpost.com/world/venezuelas-inflation-rate-may-hit-1000000-percent-yes-1-million/2018/07/24/90d59086-8f4a-11e8-ae59-01880eac5f1d_story.html.

7 Brian Ellsworth, "Special Report: In Venezuela, New Cryptocurrency Is Nowhere to Be Found," *Reuters*, August 30, 2018, <https://www.reuters.com/article/us-cryptocurrency-venezuela-specialreport/special-report-in-venezuela-new-cryptocurrency-is-nowhere-to-be-found-idUSKCN1LF15U>.

8 "China to Lend Venezuela \$5 Billion as Maduro Visits Beijing," *Bloomberg*, September 13, 2018, <https://www.bloomberg.com/news/articles/2018-09-13/china-to-give-venezuela-5-billion-loan-as-maduro-visits-beijing>.

9 "Monthly Oil Market Report," (Vienna, Austria: Organization of Petroleum Exporting Countries, September 12, 2018), 57, https://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20September%202018.pdf.

10 Keith Johnson, "How Hugo Chávez Blew Up Venezuela's Oil Patch," *Foreign Policy*, July 16, 2018, <https://foreignpolicy.com/2018/07/16/how-venezuela-struck-poor-oil-energy-chavez/>.

As a result of this balance-of-payment disaster, Venezuela has cut its imports by more than 70 percent. This has led to a severe scarcity of food, medicines, and basic staples in a country that has become even more dependent on imports due to a significantly shrinking private sector. Policies such as price controls, exchange rate controls, strangling regulations, and frequent state expropriation of private firms severely degraded the ability of the domestic private sector to supply goods in sufficient quantities.¹¹ The scarcity has created black markets where goods are sold at market prices, accessible only to a small fraction of the population that has access to dollar-denominated income, savings, or remittances.

Eighty-seven percent of households are below the national poverty line, up from less than 50 percent in 1996. Extreme poverty stands at above 60 percent. About three-quarters of the population have lost, involuntarily, an average of 20 pounds, and one-third of the population eats twice per day or less.¹² Health indicators are also dramatically worsening. Lower- and middle-class Venezuelans used to rely upon the public health system, but it has been hit hard by the crisis. Independent sources claim that the infant death rate has increased by at least 30 percent and maternal mortality has gone up 65 percent since the government stopped reporting health outcomes in 2015.¹³ Patients with chronic diseases such as cancer, renal failure, or diabetes cannot access the medicines they need on a regular basis.¹⁴

In the international financial markets, lenders are contemplating ways to hold accountable the Venezuelan government and PDVSA for defaulting on international bond payments. In addition, companies such as ConocoPhillips and Crystallex, which have won arbitration awards against the government, have undertaken legal proceedings to formally seize Venezuela's assets held abroad, such as oil tankers and even the Houston-based Venezuelan-owned oil company Citgo. This process will be long and complicated and will haunt Venezuela for decades.¹⁵

The consensus among economists is that the economic measures announced in early August 2018, which include shaving 5 zeros off of the currency's denominations and pegging it to the Petro cryptocurrency, will not make a difference. They do not attack the root of the problem: the massive distortions in the currency exchange regime, stifling regulations, and frequently arbitrary government controls over the economy. The measures could even accentuate the crisis, or at best, could "stabilize the misery."¹⁶

UNPRECEDENTED MIGRATION AND HUMANITARIAN CRISIS

The worsening humanitarian situation, together with increasing measures of social control and repression, have resulted in the largest migration and refugee crisis the Western Hemisphere has seen in modern history. The last reliable U.N.

11 Dany Bahar and Harold Trinkunas, "10 Things You Should Know about the Current Crisis in Venezuela," *Brookings Institution*, April 24, 2017, <https://www.brookings.edu/blog/order-from-chaos/2017/04/24/10-things-you-should-know-about-the-current-crisis-in-venezuela/>.

12 Vivian Sequera, "Venezuelans report big weight losses in 2017 as hunger hits," *Reuters*, February 21, 2018, <https://www.reuters.com/article/us-venezuela-food/venezuelans-report-big-weight-losses-in-2017-as-hunger-hits-idUSKCN1G52HA>.

13 "Venezuela's Infant Mortality, Maternal Mortality and Malaria Cases Soar," *The Guardian*, May 9, 2017, <https://www.theguardian.com/global-development/2017/may/09/venezuela-public-health-crisis-infant-mortality-maternal-malaria>.

14 Julia Jones and Stefano Pozzebbon, "Venezuela's Health System Is in Worse Condition than Expected, Survey Finds," *CNN*, March 28, 2018, <https://www.cnn.com/2018/03/28/americas/venezuela-hospitals-report/index.html>.

15 Mariana Parraga and Nivedita Bhattacharjee, "ConocoPhillips and Venezuela's PDVSA Reach \$2 Billion Settlement," *Reuters*, August 21, 2018, <https://www.reuters.com/article/us-conocophillips-pdvsa/conocophillips-and-venezuelas-pdvsa-reach-2-billion-settlement-idUSKCN1L517X>; Brian Ellsworth and Deisy Buitrago, "U.S. Court Allows Crystallex to Attach Shares of Venezuela Citgo Owner," *Reuters*, August 10, 2018, <https://www.reuters.com/article/us-venezuela-pdvsa-crystallex/u-s-court-allows-crystallex-to-attach-shares-of-venezuela-citgo-owner-idUSKBN1KV02L>.

16 Benjamin J. Cohen, "Venezuela's 'desperate' Currency Devaluation Won't Save Its Economy from Collapse," *The Conversation*, August 22, 2018, <http://theconversation.com/venezuelas-desperate-currency-devaluation-wont-save-its-economy-from-collapse-101939>.

estimates from mid-2018 report that over 2.3 million Venezuelans have fled, mostly since 2015. In Colombia alone, the number of Venezuelans has likely already reached 1 million people.¹⁷

According to official and unofficial sources, Peru and Ecuador have become a destination for 400,000 and 200,000 Venezuelans, respectively. In addition, about 100,000 are estimated to have migrated to Chile, 100,000 to Argentina, and about 75,000 to Brazil. Other countries in Central and North America, as well as some Caribbean islands, are becoming common destinations for people trying to flee.¹⁸

In the past two years, the main route out of Venezuela has been through Cúcuta, the Colombian city bordering San Antonio del Táchira in Venezuela. From there, many migrants and refugees either stay in Colombia or travel to other destinations by bus. In the past few months, however, it has become more common to hear stories of “caminantes”: Venezuelans without enough money to pay for transportation, walking hundreds of miles throughout the continent in search of a home.¹⁹

A natural way to ameliorate this migration crisis is to address the humanitarian crisis in Venezuela. Yet, despite repeated attempts by many governments in the region and abroad, the Venezuelan regime has rejected offers of humanitarian aid. In fact, Maduro and his regime have repeatedly denied the very

existence of a crisis, blaming the media or foreign governments for spreading lies about the country.²⁰

So far, the migration exodus has sparked modest international assistance for host governments. The United States and the European Union together have committed less than \$150 million to assist with the immediate and medium-term needs of Venezuelans, including the \$48 million announced by Vice President Michael Pence during the United Nations General Assembly in September 2018.²¹ The United Nations, mainly through the U.N. High Commission for Refugees (UNHCR) and the International Organization for Migration (IOM), is working with host governments to assist in dealing with the massive migration flow, and has appointed Eduardo Stein, a respected Guatemalan diplomat, to coordinate the effort.²² The Organization of American States (OAS) has recently set up a task force, co-led by Venezuelan opposition politician David Smolansky, to try to achieve consensus on a regional response to the migration crisis. OAS countries have also tried coordinating their responses through the Lima Group, comprised of the 14 largest Latin American states and Canada, and other forums.²³

This unprecedented flow of migrants is a difficult and sensitive issue for all countries in the region. Scarce resources are inadequate to quickly expand education and public health facilities in areas experiencing the largest inflow of migrants

17 This number relies on a census put together by the Colombian authorities (RAMV) aimed at counting the number of Venezuelans without proper documentation living in Colombia. Even though the calls to self-register clearly stated that there would be no deportations or other repercussions, it is reasonable to assume that many did not register for fear of being returned to Venezuela.

18 “Migration Trends in the Americas: Bolivarian Republic of Venezuela,” (San Jose, Costa Rica: International Organization for Migration, September 2018), https://reliefweb.int/sites/reliefweb.int/files/resources/Tendencias_Migratorias_Nacionales_en_Americas_Venezuela-EN_Septiembre_2018.pdf.

19 Adriana Abramovits, “Así es la dura travesía de los caminantes venezolanos,” *El Espectador*, August 23, 2018, <https://www.elespectador.com/tema-del-dia/asi-es-la-dura-travesia-de-los-caminantes-venezolanos-articulo-807876>.

20 Kejal Vyas and Ryan Dube, “Venezuelans Die as Maduro Government Refuses Medical Aid,” *The Wall Street Journal*, April 6, 2018, <https://www.wsj.com/articles/venezuelans-die-as-maduro-government-refuses-medical-aid-1523025805>.

21 Mike Pence, “Remarks by Vice President Pence at the Regional Migration and Humanitarian Crisis — Flows from Venezuela Event,” (speech, New York, September 25, 2018), <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-regional-migration-humanitarian-crisis-flows-venezuela-event>.

22 “Joint Statement on the appointment of Mr. Eduardo Stein,” U.N. High Commissioner for Refugees, Sept. 19, 2018, <http://www.unhcr.org/en-us/news/press/2018/9/5ba262454/joint-statement-unhcr-iom-appointment-mr-eduardo-stein-joint-special-representative.html>.

23 “Luis Almagro crea un grupo de trabajo en la OEA sobre la migración venezolana,” *El Comercio*, September 5, 2018, <https://elcomercio.pe/mundo/actualidad/luis-almagro-crea-grupo-oea-migracion-venezolana-noticia-554388>.

and refugees. In addition, typical misconceptions about the negative impact of migrants on crime or labor markets have become more widespread, resulting in a few violent, xenophobic incidents. At the same time, many governments have been sympathetic to those Venezuelans fleeing, often facilitating their entry into another country. Most notably, the Colombian government decided to extend temporary work permits to about 450,000 Venezuelans who had entered the country without proper documentation, on top of another 250,000 who had received such permits between 2017 and early 2018. The Chilean government has created a new visa to allow Venezuelans to reside and work in the country. Argentina has eased the requirements for Venezuelans to validate their academic and professional degrees. However, other governments have flip-flopped in both word and action in terms of allowing the entry of Venezuelans. The regional governments of northern Brazil, for example, unsuccessfully requested that the federal government close its border. Ecuador declared that it would require Venezuelans to present a passport to cross the border (a document that most of them do not have because it has become unaffordable to obtain) and later backtracked.²⁴

What is clear by now is that the region needs to put forward a comprehensive strategy to share the burden while also coming together to request more significant donations from the international community.

NO QUICK RESOLUTION IN SIGHT ON DOMESTIC FRONT

Since our last report, President Maduro has faced an increasingly difficult international environment,

but paradoxically has further consolidated power at home, fracturing the Venezuelan opposition and seeing off at least two military conspiracies against him.²⁵ This dynamic makes it difficult to predict when Venezuela's political circumstances will change, peacefully or otherwise. Because of their complicity in everything from corruption to human rights abuses to drug trafficking, senior officials in the Maduro regime see no viable way to relinquish power. Doing so runs the risk that they will be held accountable in domestic, foreign, or international courts. Increased use of targeted international sanctions by the United States and Europe, and political isolation by major Latin American states against Maduro mean that there are few, and mostly unattractive, safe havens for high-level officials who might decide to live off their ill-gotten gains in exile.

Since the peak of its electoral success in the 2015 legislative elections, the Venezuelan opposition has fragmented and dwindled. The Maduro regime first refused to concede that the opposition-controlled legislature should have any real power. It then worked vigorously to sideline the body legally and politically through its control of Venezuela's highly partisan supreme court and through the liberal use of executive decrees to overrule legislators' actions. In the summer of 2017, following a wave of popular protests that were met with vigorous repression, the government unconstitutionally convened a national constituent assembly to take the place of the legislature.²⁶ Opposition boycotts of constituent assembly elections, of many governor and state elections in October 2017, and of a presidential election in May 2018 handed control of almost all of these positions to the Maduro regime. Unsurprisingly, the elections were held under

24 Benjamin N. Gedan and Nicolás Saldías, "Latin America Has an Open-Door Policy for Venezuelan Refugees," *Foreign Policy*, August 23, 2018, <https://foreignpolicy.com/2018/08/23/latin-america-has-an-open-door-policy-for-venezuelan-refugees/>; Krishnadev Calamur, "Latin America Gets Its Own Migrant Crisis," *The Atlantic*, September 23, 2018, <https://www.theatlantic.com/international/archive/2018/09/venezuela-migrants/570979/>.

25 Ethan Bronner, Andrew Rosati, and Fabiola Zerpa, "Inside the Failed Plot to Overthrow Venezuelan President Nicolás Maduro," *Bloomberg*, June 27, 2018, <https://www.bloomberg.com/news/articles/2018-06-27/inside-the-failed-plot-to-overthrow-venezuelan-president-nicolas-maduro>.

26 Harold Trinkunas, "The Tragedy of the Venezuelan Opposition," *Foreign Affairs*, January 5, 2018, <https://www.foreignaffairs.com/articles/venezuela/2018-01-05/tragedy-venezuelan-opposition>.

remarkably unfair conditions and led to credible fraud allegations against the government.²⁷

Increasingly in exile (if not in prison), opposition leaders squabbled over the future direction of their movement, fragmenting the opposition against Maduro. Historically, the opposition was built to win the popular vote by presenting a united front against the Chavistas, but it was mainly composed of personalist parties with vague policy platforms that had little in common. Once it became clear after the 2015 legislative elections that winning at the ballot box no longer mattered in Venezuela (at least for opposition candidates), the opposition fell apart. Decisions about whether to participate in elections have further divided the opposition over the past year.²⁸ More dangerously, there are questions about whether to continue civic organizing and mobilization, with some increasingly and openly calling for a coup d'état or even a U.S.-led international intervention to force Maduro out of power.²⁹

The demise of the civilian opposition has meant that all eyes have turned to Venezuela's military, but there is little reason to expect this institution to provide an answer. With a bloated and highly politicized leadership, institutionally fragmented by Chávez's and Maduro's 'coup-proofing' measures, and riddled with government informants, it is nearly impossible to organize a successful military movement to displace Maduro from power.³⁰ In the past year, at least two credible coup conspiracies have failed, confirming reports that the Venezuelan military is closely surveilled by Venezuela's

Cuban-trained intelligence services. This has pushed regime opponents into increasingly bizarre tactics executed by small groups of conspirators, such as the use of drones to attack President Maduro in August 2018.³¹ Maduro has taken advantage of these failed conspiracies to purge the armed forces by arresting suspected dissident officers.³²

THE INTERNATIONAL TIDE TURNS AGAINST MADURO

While internal political dynamics may favor Maduro, some regional states and others in the international community are increasingly pushing for a return to democracy that includes the departure of Maduro from power. For example, over 50 countries did not recognize Maduro's May 2018 election victory.³³ The real test, however, is whether the international community recognizes Maduro as president beyond January 19, 2019, the constitutional date for the beginning of Venezuela's the next presidential term.

A debate is currently raging over how much foreign actors should intervene in Venezuela's domestic affairs. Earlier failed attempts by international mediators to negotiate a political resolution have confirmed the view that Maduro has dug in his heels for the long-run. The latest controversy involved statements by OAS Secretary General Luis Almagro likening Venezuela to the pre-genocidal conditions in Rwanda and Cambodia and invoking the "responsibility to protect" principle adopted by U.N. member states in 2005.³⁴

27 Francesco Manetto, "Venezuelan Election Fiasco Deepens President Maduro's Isolation," *El País*, May 22, 2018, https://elpais.com/elpais/2018/05/22/inenglish/1526977353_575869.html.

28 Harold Trinkunas, "The Tragedy of the Venezuelan Opposition."

29 Andres Oppenheimer, "A U.S.- Latin American Military Intervention in Venezuela? It's a Long Shot," *Miami Herald*, January 5, 2018, <https://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article193272414.html>.

30 Brian Fonseca, John Polga-Hecimovich, and Harold Trinkunas, "Venezuelan Military Culture" (Miami, FL: Steven J. Green School of International and Public Affairs, Florida International University, May 2016), <https://gordoninstitute.fiu.edu/policy-innovation/military-culture-series/brian-fonseca-john-polga-hecimovich-and-harold-trinkunas-2016-venezuelan-military-culture.pdf>.

31 Nick Waters, "Did Drones Attack Maduro in Caracas?" *Bellingcat*, August 7, 2018, <https://www.bellingcat.com/news/americas/2018/08/07/drones-attack-maduro-caracas/>.

32 Christine Armario, "Foe Accused by Maduro Says Venezuela Military Is Fracturing," *US News & World Report*, August 15, 2018, <https://www.usnews.com/news/world/articles/2018-08-15/foe-accused-by-maduro-says-venezuela-military-is-fracturing>.

33 Miguel Angel Latouche, "Venezuela Is Now a Dictatorship," *The Conversation*, May 24, 2018, <http://theconversation.com/venezuela-is-now-a-dictatorship-96960>.

34 "Luis Almagro: Venezuela Can't Become Another Rwanda," *Americas Quarterly*, September 20, 2018, <https://www.americasquarterly.org/content/luis-almagro-venezuela-cant-become-another-rwanda>.

Answering this question of how much the international community should intervene is becoming increasingly salient as other Latin American states feel the impact of the growing flow of Venezuelan refugees. The Lima Group has stepped up diplomatic pressure for change, but there appears to be little appetite for more coercive action due to the region's long-standing preference for nonintervention and the application of international law.³⁵ The United States, European Union, Canada, Switzerland, and Panama have imposed targeted economic sanctions on senior regime supporters,³⁶ but the impact has not been as great as hoped, in part due to the lack of a clear strategy, messaging, and coordination among the sanctioning countries.

At the more extreme end of the opposition to Maduro, including in Washington, there is increasing discussion of a U.S.-led military intervention to depose the dictator. This has led to repeated rebuttals by those in a position to know the potential costs of an intervention.³⁷ These rebuttals are correct to note that a military strike would lead to intense and widespread diplomatic blowback. In addition, given the parlous security and economic situation in Venezuela, a military intervention would leave the United States on the hook for reconstructing a country that is geographically larger than Iraq, has a similar population, and has already experienced damage

comparable to that caused by major civil conflict, including a massive economic depression and one of the highest homicide rates in the world.³⁸ An intervention authorized by the U.N. Security Council under Chapter VII of the U.N. Charter has not received much consideration in part due to the probable vetoes by Russia and China.

Part of the challenge of pursuing such options is that Maduro is not completely isolated abroad. He continues to receive support from many Caribbean and Central American members of the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA), whose loyalty was bought through transfers of subsidized oil.³⁹ Bolivia and Nicaragua are particularly outspoken regional allies that have blocked the OAS General Assembly from taking collective actions to sanction or isolate the Maduro regime.

In addition, Russia and China play an important role as major financial and diplomatic backers of the regime. At one point, China had loaned over \$50 billion to Venezuela in exchange for future oil shipments and the opportunity to invest in Venezuelan oil fields. A substantial portion of these loans have been repaid, and until earlier in 2018, China had agreed to a grace period on payments to give Venezuela financial breathing room during the current crisis.⁴⁰ Although China has not provided new loans to Venezuela in recent years, the visit of President Maduro to China in

35 Mitra Taj, "Lima Group Says Does Not Recognize Venezuela's Election," *Reuters*, May 21, 2018, <https://www.reuters.com/article/us-venezuela-election-limagroup/lima-group-says-does-not-recognize-venezuelas-election-idUSKCN1IM19G>; "EU Prepares to Hit Venezuela with New Sanctions," *Al Jazeera*, May 28, 2018, <https://www.aljazeera.com/news/2018/05/eu-prepares-hit-venezuela-sanctions-180528140548981.html>.

36 Geoff Ramsey, "Assessing the Use of Targeted Sanctions on Venezuelan Officials and Elites," *Washington Office on Latin America*, March 22, 2018, <https://venezuelablog.org/assessing-use-targeted-sanctions-venezuelan-officials-elites/>.

37 Frank Mora, "What Would a U.S. Intervention in Venezuela Look Like?" *Foreign Affairs*, November 8, 2017, <https://www.foreignaffairs.com/articles/venezuela/2017-11-08/what-would-us-intervention-venezuela-look>.

38 Shannon O'Neil, "A U.S. Military Intervention in Venezuela Would Be a Disaster," *Bloomberg*, September 17, 2018, <https://www.bloomberg.com/view/articles/2018-09-17/a-u-s-military-intervention-in-venezuela-would-be-a-disaster>.

39 Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?" (Washington, DC: Brookings Institution, June 2014), <https://www.brookings.edu/research/the-cuba-venezuela-alliance-the-beginning-of-the-end/>; Tracy Wilkinson, "U.S. Still Hopes to Salvage OAS Resolution on Venezuela," *Los Angeles Times*, June 21, 2018, <http://www.latimes.com/politics/washington/la-na-essential-washington-updates-u-s-still-hopes-to-salvage-oas-1498049227-htmstory.html>.

40 Harold Trinkunas, "Renminbi Diplomacy? The Limits of China's Influence on Latin America's Domestic Politics," (Washington, DC: Brookings Institution, November 2016), <https://www.brookings.edu/research/renminbi-diplomacy-the-limits-of-chinas-influence-on-latin-americas-domestic-politics/>; Brian Ellsworth, "Exclusive: Venezuela Faces Heavy Bill as Grace Period Lapses On China Loans — Sources," *Reuters*, April 27, 2018, <https://www.reuters.com/article/us-venezuela-china/exclusive-venezuela-faces-heavy-bill-as-grace-period-lapses-on-china-loans-sources-idUSKBN1HY2KQ>.

September 2018 reportedly led to new Chinese loans and investments, including \$184 million in financing to drill 300 oil wells.⁴¹ To a lesser extent, Russia has used the oil company Rosneft to provide support, prepaying for billions of dollars of future oil shipments, investing in Venezuelan oil fields through joint ventures, and providing a loan secured by a share of Citgo.⁴² Also important to Venezuelan leaders is China and Russia's support at the United Nations Security Council, where these countries have been able to block U.S. efforts to impose U.N. sanctions on Venezuela.⁴³

With the OAS divided, and Russia and China offering lifelines to Caracas, it comes as little surprise that the U.N.'s political bodies are unable to reach consensus on responding to the crisis. The United States has twice organized informal briefings for the U.N. Security Council on the deteriorating situation in Venezuela (in May and November 2017), with Ambassador Nikki Haley directly linking human rights violations to security threats akin to the situations in Syria, North Korea, South Sudan, Burundi, and Burma.⁴⁴ The recently departed U.N. High Commissioner for Human Rights Zeid al Hussein issued a blunt report in June 2018 documenting credible accounts of extrajudicial killings in anti-crime operations, excessive use of force against demonstrators, arbitrary detentions, and torture.⁴⁵ A February 2018 announcement by the prosecutor of the International Criminal Court (ICC) to open a preliminary examination regarding the use of excessive force against protestors was followed by a May 2018 report by

a panel of international experts convened by the OAS secretary general alleging crimes against humanity. More recently, in an unprecedented action, the leaders of Argentina, Canada, Chile, Colombia, Paraguay, Peru, and France made a direct appeal to the ICC to move forward urgently with prosecuting senior officials in Venezuela for such abuses.⁴⁶ On September 28, 2018, the U.N. Human Rights Council passed a critical resolution by a convincing margin that calls on Caracas to accept humanitarian aid and mandates further reporting by the high commissioner. While these steps demonstrate that the international human rights machinery is hard at work to put pressure on the Maduro regime, it has yet to yield any concrete results.

POLICY RECOMMENDATIONS FOR RESTORING DEMOCRATIC STABILITY IN VENEZUELA

The bottom line is that while Venezuela continues to experience a terrible humanitarian crisis, President Maduro has consolidated his grip on power. With the civilian opposition in disarray and no peaceful constitutional or electoral process available to remove Maduro, Venezuelans are resorting to emigration to address their rapidly deteriorating circumstances. In addition, the lack of a peaceful recourse is increasing the risk of violent attempts to remove Maduro from power, as seen in the recent drone attacks.

Ultimately, the Venezuelan opposition will need to formulate a new consensus for concerted action

41 Ben Blanchard, Cheng Fang, and Chen Aizu, "Venezuela Hands China More Oil Presence, but No Mention of New Funds," *Reuters*, September 14, 2018, <https://www.reuters.com/article/us-china-venezuela/venezuela-hands-china-more-oil-presence-but-no-mention-of-new-funds-idUSKCN1LU1EV>.

42 Marianna Parraga and Alexandra Ulmer, "Special Report: Vladimir's Venezuela - Leveraging Loans to Caracas, Moscow Snaps up Oil Assets," *Reuters*, August 11, 2017, <https://www.reuters.com/article/us-venezuela-russia-oil-specialreport/special-report-vladimirs-venezuela-leveraging-loans-to-caracas-moscow-snaps-up-oil-assets-idUSKBN1AR14U>.

43 Michelle Nichols, "Russia, China, Others Boycott U.S. Meeting at U.N. on Venezuela," *Reuters*, November 14, 2017, <https://www.reuters.com/article/us-venezuela-politics-un/russia-china-others-boycott-u-s-meeting-at-u-n-on-venezuela-idUSKBN1DE056>.

44 Michelle Nichols, "United Nations Security Council turns eye to Venezuela crisis," *Reuters*, May 17, 2017, <https://www.reuters.com/article/us-venezuela-politics-un/united-nations-security-council-turns-eye-to-venezuela-crisis-idUSKCN18D24J>.

45 "Venezuela: Continued impunity amid dismal human rights situation – UN report," U.N. High Commissioner for Human Rights, June 22, 2018, <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=23242&LangID=E>.

46 Ernesto Londoño and Marlise Simons, "Neighbors Refer Venezuela to Criminal Court in 'Historic' Rebuke," *The New York Times*, September 26, 2018, <https://www.nytimes.com/2018/09/26/world/americas/venezuela-international-criminal-court.html>.

against the Maduro regime, preferably on the basis of shared interests rather than simple electioneering. It seems unlikely that the regime itself will change course economically or politically to adopt sensible fiscal policies and restore democracy and the rule of law. This is only likely to happen in the event of a peaceful change of government.

There are limits to what international actors can do to facilitate this process, as it falls to the Venezuelan opposition itself to reconstruct its unity. To begin, opposition members should use their control of the National Assembly, before Maduro tries to shut it down completely, to present a coherent and comprehensive agenda for reform that could serve as a platform for governance if and when they return to power. The National Assembly still has the power to legislate, and it should use it, even if the Maduro regime ignores resulting legislation. This would send a strong signal to Venezuelan society, to moderates currently in government, and to the world, of what a brighter future for Venezuela might look like. The international community should support the opposition in this and other efforts, including by funding what is left of Venezuela's independent media and civil society.

In the short term, international actors can take concerted action to address the humanitarian crisis by providing support to countries receiving Venezuelan migrants. They can also increase costs to the Maduro regime of pursuing its present policies by weakening the financial infrastructure that supports regime corruption and malfeasance, and freezing the illicitly acquired assets of Venezuelan officials or their collaborators.

We make the following specific recommendations.

1. The opposition should issue a post-Maduro plan for governance.

The Venezuelan opposition needs to regroup and begin developing a common platform beyond elections, preferably in the form of legislation passed by the National Assembly outlining the future of a democratic Venezuela. This process,

which is already underway, should include the many talented Venezuelans who have left the country and can play key roles in rebuilding the oil industry, the private sector, and public services. The painstaking process of negotiating the final shape of these laws, regardless of whether the Maduro regime ignores them, will help focus the opposition on concrete outcomes. Although there is a wide range of areas that the National Assembly could focus on, we identify three that would help build a transition back to democracy: transitional justice; attracting Venezuelan capital held abroad to invest in Venezuela; and rebuilding democratic civil-military relations.

Realistically, some form of transitional justice will be necessary in Venezuela for a constructive return to democracy. While it will be infuriating to many in the Venezuelan opposition to see less than full justice implemented, the reality is that those supporting the current regime have no reason to give up power if they have no hope for a future in which their interests are at least somewhat protected. The opposition-led National Assembly should take the politically costly lead on designing a transitional justice law that would spell out what measures regime supporters must take to reduce the legal penalties that they might face after a return to democracy. These measures would likely not apply to internationally sanctioned individuals and egregious abusers found, for example, to have committed crimes against humanity.

In addition to transitional justice, a democratic Venezuela will need some mechanism by which to incentivize Venezuelans to reinvest billions of dollars held abroad back into their country. Here, the tax amnesty implemented by Argentina between 2015 and 2017 may provide a model. In that case, Argentina attracted \$116 billion in reinvestment, approximately 25 percent of the assets estimated to be held abroad by Argentinians. After paying a substantial tax and a fine, assets were allowed to be repatriated, no questions asked. After the program ended, the fines became steeper. In addition to the incentive to repatriate, the plan benefited from

pressure from private banks on their customers to comply with the law so as to avoid legal risks to the banks. Senior government officials and their families could be excluded, as in Argentina, as well as assets held in high-risk or non-cooperating jurisdictions as defined by the Financial Action Task Force.⁴⁷ Although it will be galling to look the other way as money earned from corruption is repatriated, Venezuela will badly need these assets to rebuild the economy.

Any peaceful outcome to the present crisis will require focusing on the future of civil-military relations in Venezuela. The Venezuelan armed forces are top-heavy and their operational capacity and professionalism have been hard hit under the Maduro regime. At many levels, there are credible accusations of links to regional drug trafficking networks. The Maduro regime is much more reliant on the military than Chávez ever was, and any transitional government will need at least tacit support from the armed forces.⁴⁸ Given the very high levels of violence and crime in Venezuela, any transitional government will need help from the armed forces, especially since the lack of professionalism in the Venezuelan police is appalling.

Any future democratic government will undoubtedly have to build an expensive off-ramp to support the quiet retirement of excess senior military officers and the re-professionalization of the armed forces. Spain's civil-military relations after its transition to democracy in 1975 may provide a model. Spain too faced the challenge of an ideologized (albeit right-wing), de-professionalized, low-capacity, and top-heavy armed forces, but 40 years later the armed forces have become completely transformed.⁴⁹ The role of democrats working with those in Spain's armed forces seeking a return to professionalism

was a key to the successful transition, and it may be the case that such an alliance would work in Venezuela as well. Here again, the National Assembly can play a role by passing defense-focused legislation designed to support the re-engineering of the armed forces.

2. Increase and coordinate a more effective humanitarian response.

The conventional wisdom is that as the situation inside Venezuela worsens, the number of migrants and refugees will keep increasing. Officials in the region expect the number of Venezuelans to double within a year's time. What can the international community and the region, in particular, do about this?

First, regional countries, including the United States, should take additional steps to deal with Venezuelan migration as a hemisphere-wide refugee crisis. This requires recognizing fleeing Venezuelans, particularly those without passports, as refugees *prima facie*. It also implies that the receiving countries should commit to providing the basic protections that every refugee receives by law, as well as humanitarian assistance to those in need during the period of integration.

There are several reasons to argue that the current situation should be recognized as a refugee crisis. Even if some scholars would argue that the original 1951 and 1967 documents defining a refugee do not apply to this situation, the 1984 Declaration of Cartagena certainly would. The 1951 and 1967 treaties define a refugee as someone who "has been forced to flee his or her country because of persecution, war or violence," and someone who "has a well-founded fear of persecution for reasons of race, religion, nationality, political opinion or membership in a particular social group."⁵⁰

47 "Argentina Rakes in \$116.8 Billion From Hidden Assets Amnesty," *Bloomberg*, April 4, 2017, <https://www.bloomberg.com/news/articles/2017-04-04/argentina-rakes-in-116-8-billion-from-hidden-assets-amnesty>.

48 Brian Fonseca, John Polga-Hecimovich, and Harold Trinkunas, "Venezuelan Military Culture."

49 Felipe Agüero, *Soldiers, Civilians, and Democracy: Post-Franco Spain in Comparative Perspective* (Baltimore, MD: Johns Hopkins University Press, 1995).

50 "What Is a Refugee? Definition and Meaning," U.N. High Commissioner for Refugees, <https://www.unrefugees.org/refugee-facts/what-is-a-refugee/>.

The Declaration of Cartagena, signed by several countries in Latin America (including Colombia and Venezuela) expands the definition of refugees to individuals fleeing because of massive violations of human rights or disruptions in the public order. The social control of Maduro's regime over the average Venezuelan—such as the attempt to issue the “Fatherland ID” (*Carnet de la Patria*) as a necessary condition to receive pensions, food aid, access to public services, or even buy food or gasoline at subsidized prices—is a form of political persecution. The “Fatherland ID” is used by the regime to push card holders to vote for government candidates or to register their participation in pro-regime political events, with the threat of losing access to subsidized goods and services if they do not overtly support the regime.⁵¹

What is in it for the countries of the region? Declaring a regional refugee crisis will help the region to access additional resources and should come with the creation of an International Fund to Assist Venezuelan Migrants and Refugees by the donor community, which has the capacity to significantly increase donations. Since the beginning of the Syrian refugee crisis in 2012, international donors have provided more than \$33 billion of humanitarian aid to assist the Syrian people. The United States alone has provided over \$7 billion, with about half of that going to countries receiving refugees. This is a much larger amount than the generous (though insufficient) \$150 million that the United States and Europe have given thus far to address the plight of Venezuelan refugees.⁵² Further donations of this magnitude can help the region to provide basic humanitarian assistance to Venezuelan refugees, which we estimate costs about \$3000 per person per year.⁵³ This money

should also help receiving communities to expand local infrastructure and boost local economies, which will facilitate the integration of refugees while providing economic opportunities for the local communities. This fund should aim to collect \$10 billion over the next two years.

Whether Venezuelan migrants or refugees will be an economic burden or an opportunity for the region is a matter of public policy. Thus, a comprehensive response from the region should include the provision of work permits to all Venezuelan refugees. Based on Colombian data provided to the authors, we estimate that the vast majority of migrants and refugees are between the ages of 18 to 50, and thus able to fully participate in the labor force and add to the economy. While this is politically difficult, we base our recommendation on the substantial existing body of economic research on the effects of migration on the labor force. For the most part, negative effects on the jobs and salaries of locals due to the influx of migrants and refugees are negligible (and often even positive).⁵⁴ The consensus among economists is that the negative effect on wages or employment lasts until the capital stock is replenished, which can be accelerated with the collected funds. Moreover, as concerns about migrant-related crime rise, it is important to recall the economic research showing convincingly that access to the labor force is one of the most important factors reducing crime incidence among migrants.

Since research suggests that migrants and refugees tend to be highly entrepreneurial, policies aimed at increasing access to credit and providing them with basic business training will result in the creation of many small-scale businesses. These

51 Antulio Rosales, “Weaponizing Hunger Is a New Low for Venezuelan President Nicolas Maduro,” March 11, 2018, <https://www.theglobeandmail.com/opinion/article-weaponizing-hunger-is-a-new-low-for-venezuelan-president-nicolas/>.

52 Dany Bahar and David Smolansky, “Refugee Status and Aid Would Unleash the Potential of Venezuelan Migrants” *The Washington Post*, September 25, 2018, https://www.washingtonpost.com/news/global-opinions/wp/2018/09/25/refugee-status-and-aid-would-unleash-the-potential-of-venezuelan-migrants/?noredirect=on&utm_term=.e28898f15eea.

53 Dany Bahar and Sebastian Strauss, “Neighbor Nations Can't Bear Costs of Venezuelan Refugee Crisis Alone,” *Brookings Institution*, March 7, 2018, <https://www.brookings.edu/opinions/neighbor-nations-cant-bear-costs-of-venezuelan-refugee-crisis-alone/>.

54 Michael Clemens and Jennifer Hunt, “The Labor Market Effects of Refugee Waves: Reconciling Conflicting Results,” (Cambridge, MA: National Bureau of Economic Research, May 2017), <https://doi.org/10.3386/w23433>.

young businesses can be a source of job creation in a region that has chronically suffered from high levels of unemployment.⁵⁵

The successful integration of these refugees would be beneficial to the local communities receiving them and the region as a whole. As these migrants integrate and contribute to their receiving societies, they will also learn skills that will make them more productive. Therefore, successful integration will also be, perhaps as importantly, a crucial component in the reconstruction of a future democratic Venezuela.

3. Coordinate and target sanctions to crack down on corruption and money laundering.

The United States, the European Union, Switzerland, Canada, and Panama have all implemented targeted sanctions against senior Maduro regime officials. The United States has just extended these sanctions against Venezuela's vice president, first lady, and minister of defense, among others, but not in coordination with other states, lessening their effect. Without a comprehensive effort tied to a political strategy, the impact of targeted sanctions is limited. They largely serve to increase solidarity within President Maduro's inner circle.

These individuals are unlikely to handle financial transactions directly to avoid the impact of these sanctions. They instead act through trusted individuals, shell companies that act as cut-outs (testaferros in Spanish), and money launderers. These individuals, companies, and banks need to continue to be aggressively investigated, and when warranted, prosecuted and sanctioned. Newly announced U.S. prosecutions do just that, including the prosecution of individuals in Miami involved in facilitating \$1.2 billion worth of corruption in PDVSA. Increased scrutiny of shady real estate transactions in South Florida have put pressure on senior

Venezuelan officials and their front men as well. In Europe, authorities in Andorra have charged former Venezuelan officials with money laundering related to corruption in PDVSA. Regional banking centers should join efforts to coordinate investigations into money laundering and corruption associated with the Venezuelan government, as Colombia, Mexico, Panama, and the United States have begun to do.⁵⁶

Even though more should be done, aggressive investigations and prosecutions are already having a chilling effect on the willingness of banks to accept money of questionable origins that is potentially associated with Venezuelan officials. This makes this form of sanctions relatively self-enforcing, at least within the mainstream international financial system. In addition, those associated with such schemes in the past will want to distance themselves from corrupt Venezuelan officials and perhaps even turn state's evidence. Altogether, this directly and indirectly increases the cost to the Maduro regime and its senior officials for continuing on its present authoritarian course by freezing their assets and degrading their network of collaborators. To incentivize middle and lower-ranking officials to break ties with Maduro, the United States could pre-announce a rolling series of targeted sanctions, starting at more senior levels and then moving down the chain of command, that would motivate junior officers to abandon the regime to avoid harm to their own careers and families.⁵⁷

Additional sanctions on Venezuela's oil industry are not necessary given that the chilling effect of current sanctions is already contributing to a collapse in oil production by limiting access to necessary spare parts and capital. Russia and China are already stepping in to take up an expanded role in Venezuela's oil sector, in fact delivering the country's oil industry into the hands of the two most significant U.S. rivals.

55 Dany Bahar and Hillel Rapoport, "Migration, Knowledge Diffusion and the Comparative Advantage of Nations," *The Economic Journal* 128, no. 612 (July 2018): F273-305, <https://doi.org/10.1111/eoj.12450>.

56 "Colombia, U.S., Mexico, Panama Seek to Combat Venezuelan Corruption," *Reuters*, July 12, 2018, <https://uk.reuters.com/article/uk-colombia-venezuela-corruption/colombia-u-s-mexico-panama-seek-to-combat-venezuelan-corruption-idUKKBN1K233L>.

57 Dany Bahar, "Top-down, personal sanctions the best hope for Venezuela," *The Hill*, September 27, 2018, <https://thehill.com/opinion/international/408576-top-down-personal-sanctions-the-best-hope-for-venezuela>.

Instead, the U.S. government must overcome its aversion to providing direct financial assistance to ensure energy stability in the Caribbean and Central America. Long-term Venezuelan financial subsidies for oil purchases by these countries, which have the highest electricity costs in the hemisphere, have earned Maduro a good deal of support at the OAS and other international bodies. As oil prices rise, there is an opportunity to secure support for U.S. policies by filling the void left by Venezuela's limited ability to support its regional allies.

4. Create a Friends of Venezuelan Democracy group.

While the Lima Group and OAS Secretary General Almagro have played an important role in building consensus for political pressure on the Maduro regime, they alone are not sufficient to address the multiplying dangers posed by a failing Venezuela. We recommend that a core collection of states, such as Chile, Canada, Peru, Switzerland, and Germany, take the lead in organizing a Friends of Venezuelan Democracy group. This would serve as a political instrument for advocating peaceful solutions to the crisis in Venezuela, including a more robust response from relevant components of the U.N. system. It would also serve as a focal point to coordinate a 'sticks and carrots' approach, support consensus- and capacity-building for a post-Maduro future, and facilitate dialogue with moderates in Venezuela.

5. Step up the U.N.'s role.

U.N. Secretary General António Guterres has taken an important first step by appointing a U.N. special envoy to address the Venezuelan refugee crisis.⁵⁸ We believe the secretary general should go a step further and appoint a personal envoy to serve as a focal point for the overall crisis in Venezuela. This figure can serve to strengthen the role of the National Assembly on the international stage, with the hope of facilitating a dialogue toward a peaceful resolution to this crisis, if such an

opportunity arises. For a dialogue to be effective, however, the Venezuelan government must provide clear and credible signals of a genuine intent to engage in a process that will likely lead to free and fair elections. These could include release of all political prisoners, lifting the ban on certain figures to run for public office, and recognizing the National Assembly's proper constitutional role. Previous efforts to mediate, which included former presidents and prime ministers of the Dominican Republic, Panama, and Spain, have lost all credibility with the Venezuelan opposition. Vatican-led efforts to find a solution to the stand-off have also fallen short. While it is clear that the Maduro regime is not currently interested in a productive dialogue, a U.N. envoy would keep the door open to fresh conversations with the opposition, the government, and other interested parties, in case that option materializes.

The secretary general himself should get directly involved in leading international efforts to prevent Venezuela's slide into outright internal conflict. He and his envoy should engage key countries like Russia, China, and Cuba to persuade them to become more constructive in finding a peaceful solution or risk incurring more losses. His team would also keep key member states apprised of the situation on the ground and would be available to provide good offices as domestic and international pressure on Maduro builds. Such an appointment would also push Latin American and other states that are reluctant to join a sanctions campaign to invest energy into a diplomatic solution to the crisis.

Building an off-ramp for the Maduro regime will not be easy. In addition to raising the costs on Maduro's inner circle through targeted sanctions and by going after their assets held abroad, there also need to be benefits to transitioning back to democracy. These should include making advanced preparations to offer an economic assistance package designed by the IMF, even though the plan cannot be offered *a priori* without the request of Venezuela. Although

58 "UN names special envoy to handle Venezuela's growing exodus," *Associated Press*, September 19, 2018, <https://www.apnews.com/dbfbc3c31b04442a4510fa492ab4938>.

IMF assistance remains a third rail in many Latin American countries due to its past association with economic hardship, in Venezuela's case the economic contraction associated with structural economic adjustments has already occurred under Maduro's watch. Since the 1990s, the IMF has learned a great deal about how to implement adjustment measures in ways that address the needs of the most vulnerable. In fact, IMF assistance would have an immediate impact on reviving domestic consumption and jump starting economic growth. Aside from this, there should also be other incentives such as humanitarian aid and technical assistance from the European Union, the United States, and Canada.

6. Work collaboratively to forestall a violent outcome.

The alternative to finding a peaceful resolution to the crisis is more violence. This may take the form of common homicidal criminality and outbursts of state repression that Venezuelans experience every day under the Maduro regime. It could take the form of an Arab Spring-style violent popular outburst that triggers a wave of systematic violent repression by government and paramilitary forces, perhaps overtly or covertly supported by Moscow and Havana. Against all odds, a military conspiracy could succeed in displacing Maduro and his inner circle. Or riskiest and most consequential of all, the Trump administration might listen to those lobbying in favor of a U.S.-led intervention in Venezuela.

There is a known risk that the Maduro regime will simply continue to consolidate its hold on power. Increased refugee flows will eventually lead to some miserable new equilibrium in which government revenues are just enough to support a diminished economy for the Venezuelans who remain in the country, while networks of corruption and drug trafficking continue to operate undisturbed. Both Venezuelans and their neighbors are familiar with and reject such an outcome.

There is an unpredictable risk that hyperinflation and the collapse of the domestic economy, combined with rising government repression, will spark a violent popular outburst. Venezuela already experienced one such incident in 1989, known as the *Caracazo*, and conditions are much worse today. While the armed forces were able to ride out the wave of popular protests last year, this year they are in worse shape, hit by a slowly rising tide of desertions, particularly at the more junior ranks that are less able to shield themselves from the poor economy. Members of the military, the police forces, and their families are among those joining the exodus from Venezuela.

Under conditions where Maduro has offered no peaceful way to change the regime's authoritarian direction, there will continue to be conspiracies to remove him within the armed forces. Although highly surveilled, some group, perhaps amongst the less scrutinized junior ranks, may over time develop a desperate and violent plan to overthrow the government. This is particularly worrisome because coups d'état launched by junior officers tend to be more violent and disorganized than those organized by senior officers.⁵⁹ Venezuela's military conspirators just need to get lucky once, while the Maduro regime needs to avert every military conspiracy if it is to survive. Over time, the measures taken to 'coup-proof' the regime may render military officers increasingly hostile to Maduro and his inner circle, adding further pressure to either find a violent way out, or simply leave the military and emigrate.

Finally, it is hard to overstate the risks posed by direct U.S. intervention. These are less associated with the initial kinetic phase of the operation, given the poor capacity and training of the Venezuelan military. On the other hand, one should not dismiss the possibility of entrenched violent resistance posed by irregular paramilitary forces loyal to the Bolivarian cause. More likely, such an operation poses a grave risk to U.S. regional diplomacy because it would be nearly universally rejected

59 Naunihal Singh, *Seizing Power: The Strategic Logic of Military Coups* (Baltimore, MD: Johns Hopkins University Press, 2014).

by Latin American governments. This outcome would set back a generation's achievement of regional peace and collaborative work with U.S. partners in the region. In addition, on the logic of 'you break it, you buy it,' the United States would be principally held responsible for rebuilding a country whose economy has collapsed. As it enters the occupation phase, the U.S. government would have to decide whether to work with the defeated Venezuelan armed forces, an institution tainted by corruption and drug trafficking, or dissolve them with consequences similar to what followed in Iraq after 2003. Either way, U.S. armed forces would be dealing with hundreds of thousands of armed men, whether in organized crime organizations, the militia, or the military, at a time when they are stretched by other important missions in Syria, Afghanistan, and South Korea.⁶⁰

The United States would be better served by working through a group of friends of Venezuela to build an international coalition to heighten political and economic pressure on the Maduro regime, strengthen support for U.N. mediation, raise funds to address the humanitarian crisis, and help the opposition pave the way for a post-Maduro future. If all else fails, and the crisis descends into a full-blown civil war with regional ramifications, the United States, as part of the group of friends, may need to prepare for a more robust intervention.

60 Frank Mora, "What Would a U.S. Intervention in Venezuela Look Like?"; Shannon O'Neil, "A U.S. Military Intervention in Venezuela Would Be a Disaster."

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