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THE VENEZUELA CRISIS: THE MALICIOUS INFLUENCE OF STATE AND CRIMINAL ACTORS

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

SEPTEMBER 13, 2017

Serial No. 115–65

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/ or http://www.gpo.gov/fdsys/

U.S. GOVERNMENT PUBLISHING OFFICE

26–838PDF WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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THE VENEZUELA CRISIS: THE MALICIOUS INFLUENCE OF STATE AND CRIMINAL ACTORS

WEDNESDAY, SEPTEMBER 13, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:08 p.m., in room 2200, Rayburn House Office Building, Hon. Jeff Duncan (chairman of the subcommittee) presiding.

Mr. DUNCAN. A quorum being present, the subcommittee will come to order. I now would like to recognize myself for an opening statement.

Today in Venezuela there are over 600 political prisoners. The country is a failed state and a humanitarian disaster. Since April, more than 125 people have died, over 2,000 have been injured in protests at the hands of the Venezuelan Government. Food, medical supplies, and basic goods remain scarce. The legitimate democratically elected National Assembly has been silence in favor of a sham constituent assembly full of President Maduro's supporters. The previous attorney general has fled the country after publicly opposing Maduro's abuse of power.

Today, Venezuela has entrenched itself as a dictatorship, unmoved by international condemnation and the pleas of its people. The political economic human rights crisis in the country is appalling for the 30 million citizens of Venezuela, and it threatens to destabilize the region.

The United States has very clear interests in Venezuela. We want regional peace without masses of refugee flows or public health threats from rising cases of malaria, diptheria, or Zika. We want to see a democratic country that represents the rule of law and that is accountable to its people. We want to see a country that doesn't use its power to beat up, imprison, torture, and kill its own citizens.

We want to ensure that Venezuela does not become a narcostate that provides safe harbor to terrorists or transnational criminals. We want a stable energy market that promotes energy security. We also want to certify that Venezuela does not become a pawn for Russia, China, or Iran to exploit for their own geopolitical purposes. And bottom line, we care about the Venezuelan people, and

we want to see them prosper. Let me repeat that. We care about the Venezuelan people, and we want to see them prosper.

To those ends, the U.S. Congress has issued public statements in past legislation calling for the Maduro government to return to a democratic order. This subcommittee has held four hearings on Venezuela over the past 2 years. President Trump has affirmed that Venezuela remains a U.S. priority, and his many efforts, combined with Vice President Pence's recent visit to the region, underscore U.S. solidarity with our partners in the region and with the Venezuelan people in our commitment to see the Venezuelan Government end this embrace of tyranny.

I commend President Trumpand his administration for their efforts, and I want to underscore that we support further U.S. and international action to pressure the Maduro regime and to convince those who follow his leadership that they will not succeed in destroying the country.

While the United States under President Trump's leadership has been unwavering in our support for the Venezuelan people, many other countries in Latin America, Europe, and Asia have also demonstrated courage and conviction in jointly condemning the breakdown of democratic order in Venezuela and in offering full support and recognition for the democratically elected National Assembly. I believe it is critical that we continue to speak and act together in our support for the Venezuelan people. Dialogue alone is fruitless without a series of preconditions that level the playing field for democratic actors and without corresponding simultaneous multilateral pressure. Therefore, I strongly urge other countries to continue their efforts to step up said pressure.

Recently, I, along with the ranking member Sires, led a congressional delegation visit, which included Ms. Kelly and Mrs. Torres and Mr. Espaillat of this subcommittee, to the Dominican Republic, Haiti, Colombia, and Peru. In our meetings, we emphasized U.S. congressional commitment to supporting democracy, rule of law, and human rights in Venezuela and urge greater regional cooperation to call out the Maduro government for its reprehensible behavior against its own people and to pressure the Venezuelan Government to restore the country's democratic institutions. Decisions like Mercosur's suspension of Venezuela and recent Lima Declaration, which was signed by 12 Latin American countries, are important steps in that direction.

With that in mind, I strongly urge the European Union to enact sanctions on the Venezuelan dictatorship to cut off another important source of financing and ratchet up pressure on the Maduro regime.

Yet regardless of any strong measure the U.S. or other countries in the Western Hemisphere and the European Union may take against the Maduro government, various state and criminal actors have undermined those measures' effectiveness and blunted our objectives. Cuba, China, Russia, and Iran are the underlying supporters of the Maduro regime.

Beginning with the rise to power of Hugo Chavez, the Cuban dictatorship has exported his system of oppression to Venezuela under the guise of medical doctors and teachers. For their part, Russia and China have funded the expansion of Venezuela's military arse-

nal and invested heavily in Venezuela's corrupt state-owned oil company, PDVSA.

Iran has attempted to strengthen economic and diplomatic ties with Venezuela through visits in 2016 by Iranian President and Foreign Minister. Multiple reports exist of Hezbollah's activities in the country. Just earlier this week, President Maduro met with President Rouhani to strengthen their cooperation.

In addition, criminal organizations also operate in the country with unfettered access, fueling corruption, graft, and an increase in narcotrafficking and other illicit activities. A few years ago, U.S. Government drug trafficking maps showed virtually all suspected drug trafficking flights from South America originated in Venezuela. Today, we are seeing drugs from Venezuela entering neighboring countries as well as heading to the United States.

Yesterday, the State Department affirmed that in Venezuela, drug trafficking organizations have completely penetrated virtually every security, law enforcement, and justice-related institution in the country. And any solution to the Venezuelan crisis requires a solution to the drug trafficking organization presence.

In February 2017, the U.S. imposed sanctions on the Venezuelan Vice President, designating him as a drug kingpin, and revealed the Venezuelan Government's complicity in drug trafficking. Questions remain regarding the Venezuelan Government's ties to foreign terrorist groups and concerns about Russian and Chinese arms falling into the hands of these or other criminal actors.

Today, we want to examine the role these actors play in sustaining the Venezuelan dictatorship and consider what might constitute an effective U.S. and international response.

With that, I will turn to the ranking member for his opening remarks. And I look forward to hearing from our panelists today. I turn to the ranking member for his statement.

[The prepared statement of Mr. Duncan follows:]

Chairman Jeff Duncan
Opening Statement
Foreign Affairs Committee's Subcommittee on the Western Hemisphere
"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"
Wednesday, September 13, 2017 at 2:00 p.m. in Rayburn Room 2200

Today in Venezuela, there are over 600 political prisoners. The country is a failed state and a humanitarian disaster. Since April, more than 125 people have died and over 2,000 have been injured in protests at the hands of the government. Food, medical supplies, and basic goods remain scarce. The legitimate democratically-elected National Assembly has been silenced in favor of a sham constituent assembly full of President Maduro's supporters. The previous Attorney General has fled the country after publicly opposing Maduro's abuse of power. Today, Venezuela has entrenched itself as a dictatorship, unmoved by international condemnation and the pleas of its people. The political, economic, and human rights crisis in the country is appalling for the 30 million citizens of Venezuela, and it threatens to destabilize the region.

The United States has very clear interests in Venezuela. We want regional peace without masses of refugee flows or public health threats from rising cases of malaria, diphtheria, or zika. We want to see a democratic country that respects the rule of law and that is accountable to its people. We want to see a country that doesn't use its power to beat up, prison, torture, and kill its citizens. We want to ensure that Venezuela does not become a narco-state that provides safe harbor to terrorists or transnational criminals. We want a stable energy market that promotes energy security. We also want to certify that Venezuela does not become a pawn for Russia, China, or Iran to exploit for their own geopolitical purposes. We care about the Venezuelan people, and we want to see them prosper.

To those ends, the U.S. Congress has issued public statements and passed legislation calling for the Maduro government to return to a democratic order. This Subcommittee has held

four hearings on Venezuela just over the past two years. President Trump has affirmed that Venezuela remains a U.S. priority, and his many efforts combined with Vice President Pence's recent visit to the region, underscore U.S. solidarity with our partners in the region and with the Venezuelan people in our commitment to see the Venezuelan government end its embrace of tyranny. I commend President Trump and his Administration for their efforts, and I want to underscore that we support further U.S. and international action to pressure the Maduro regime and to convince those who follow his leadership that they will not succeed in destroying the country.

While the U.S. under President Trump's leadership has been unwavering in our support for the Venezuelan people, many other countries in Latin America, Europe, and Asia have also demonstrated courage and conviction in jointly condemning the "breakdown of democratic order in Venezuela" and in offering full support and recognition for the democratically-elected National Assembly. I believe it is critical that we continue to speak – and act – together in our support for the Venezuelan people. Dialogue alone is fruitless without a series of pre-conditions that level the playing field for democratic actors and without corresponding, simultaneous multilateral pressure. Therefore, I strongly urge other countries to continue their efforts to step up the pressure.

Recently, I along with Ranking Member Sires led a Congressional delegation visit, which included Ms. Kelly, Ms. Torres, and Mr. Espaillat of this Subcommittee, to the Dominican Republic, Haiti, Colombia, and Peru. In our meetings, we emphasized U.S. Congressional commitment to supporting democracy, the rule of law, and human rights in Venezuela and urged greater regional cooperation to call out the Maduro government for its reprehensible behavior against its people and to pressure the Venezuelan government to restore the country's democratic

institutions. Decisions like MERCOSUR's suspension of Venezuela and the recent Lima Declaration, which was signed by 12 Latin American countries, are important steps in that direction. With that in mind, I strongly urge the European Union to enact sanctions on the Venezuelan dictatorship to cut off another important source of financing and ratchet up the pressure on the Maduro regime.

Yet, regardless of any strong measure the U.S., other countries in the Western Hemisphere, and the European Union may take against the Maduro government, various state and criminal actors have undermined those measures' effectiveness and blunted our objectives. Cuba, China, Russia, and Iran are the underlying supporters of the Maduro regime. Beginning with the rise to power of Hugo Chavez, the Cuban dictatorship has exported its system of oppression to Venezuela under the guise of medical doctors and teachers. For their part, Russia and China have funded the expansion of Venezuela's military arsenal and invested heavily in Venezuela's corrupt state-owned oil company, PDVSA. Iran has attempted to strengthen economic and diplomatic ties with Venezuela through visits in 2016 by Iranian President and Foreign Minister, and multiple reports exist of Hezbollah's activities in the county. Just earlier this week, President Maduro met with President Rouhani to strengthen their cooperation.

In addition, criminal organizations also operate in the country with unfettered access, fueling corruption, graft, and an increase in narcotrafficking and other illicit activities. A few years ago, U.S. government drug trafficking maps showed virtually all suspected drug trafficking flights from South America originated in Venezuela. Today, we are seeing drugs from Venezuela entering neighboring countries as well as heading to the U.S. Yesterday, the State Department affirmed that in Venezuela, drug trafficking organizations have "completely penetrated virtually

every security, law enforcement, and justice-related institution" in the country and any solution to the Venezuela crisis requires "a solution to the drug trafficking organization presence."

In February 2017, the U.S. imposed sanctions on Venezuela's Vice President, designated him as a drug king, and revealed the Venezuelan government's complicity in drug trafficking. Questions remain regarding the Venezuelan government's ties to foreign terrorist groups and concerns about Russian and Chinese arms falling into the hands of these or other criminal actors. Today, we want to examine the role these actors play in sustaining the Venezuelan dictatorship and consider what might constitute an effective U.S. and international response. With that, I turn to Ranking Member Sires for his opening remarks and look forward to hearing from our witnesses.

Mr. SIRES. Thank you, Chairman, and thank you for holding this timely hearing. Thank you to our witnesses for being here today.

We have watched week after week Maduro continue to expand his authority at the expense of the Venezuelan people. Just last month, the National Constituent Assembly, the fraudulently elected puppet Congress orchestrated by Maduro, approved a Presidential decree giving itself authority to pass legislation, replacing the opposition dominated in legitimate elected National Assembly. Political prisoners continue to be kept under lock and key, while families are unable to access basic necessities such as food or life-saving medicines.

Despite all this, Venezuela continues to enjoy the support of some Latin American and Caribbean nations, in addition to others which help prop up the Maduro autocracy.

When the Organization of the American States recently tried to press Maduro to take concrete steps to improve the human rights situation and restore democratic institutions, the resolution failed because a number of small countries abstained or voted against the measure. It is worth noting that 95 percent of the Western Hemisphere lives in countries that have voted to strongly condemn the Maduro regime's actions. There is a consensus among the majority of the hemisphere, multilateral institutions such as the OAS, the United Nations and the European Union, that Maduro is destroying democracy and violating human rights.

In order to reach a sustainable political situation, it is imperative that we work with our allies in the region and around the world to present a unified condemnation of Maduro's autocratic regime and fight together for a restoration of democracy for the Venezuelan people.

I am encouraged that regional leaders in Brazil, Colombia, Peru, Canada, and many others are criticizing Maduro for this gross abuse of human rights, and hope that more will join their neighbors in calling for a resolution to this crisis and productive engagement with the opposition.

Maduro's descent into authoritarianism has not only jeopardized the lives of innocent Venezuelans; it has also created an environment ripe for dangerous foreign influence from countries such as Iran, Russia, China, and Cuba.

The State Department has already noted that Venezuela is home to several individuals linked to designated foreign terrorist organizations, including Hezbollah. As a continued sponsor of terrorism, Iran's interest in Venezuela should be a concern to the Western Hemisphere. As Cuba continues to imbed itself deep within the Venezuela security network, Chinese and Russian presence in the country's economic activities provide new opportunities for influence within the region.

I believe that it will take a coordinated effort amongst the Western Hemisphere nations to present a viable solution to the ongoing crisis in Venezuela. I am hopeful that more regional partners will come forward in denouncing the Maduro regime.

I am eager to hear how our panelists view the role that external actors play into the gang situation in Venezuela and look forward to their recommendations as we continue to grapple with this complex issue. Thank you.

Mr. DUNCAN. Thank you, Ranking Member Sires.

The Chair will now go to Mr. DeSantis for an opening statement.

Mr. DESANTIS. Well, Mr. Chairman, thank you for having the hearing and your attention to this issue. It is very important.

The more and more we have seen the Venezuela piece, the more and more we can say that the Obama administration deal with Cuba has been a total failure, because Cuba and the Cuban military are driving a lot of the bad things that are happening in Venezuela right now. And, of course, we have these reports of diplomats being harmed in Havana. We still don't have all the facts on that, but I don't know how you can spin that as anything other than an attack. The evidence is just too overwhelming.

So we obviously need to hold Maduro accountable, but we need to hold the Cuban Government accountable too, because they are the root of a lot of these problems. I yield back.

Mr. DUNCAN. I thank the gentleman.

No other members have opening statements.

So before I recognize the panelists, you will notice a lighting system in front of you. Five minutes is what you will be recognized for. When it starts to get down to a minute, the yellow light will come on. And when you run out of time, it will be red. If you could acknowledge that and start wrapping up your statement, it will help us stay on time.

Members, all the bios for the witnesses are in your binders and provided earlier, so I am not going to read those. And once the witnesses offer testimony, all three, we will go into the question-and-answer portion of it, and each member will be recognized for 5 minutes.

So I will start with Mr. Toro. You are recognized for 5 minutes.

STATEMENT OF MR. FRANCISCO TORO, EXECUTIVE EDITOR, CARACAS CHRONICLES

Mr. TORO. Okay. Thank you so much, Chairman Duncan.

I wanted to focus today on the role of Cuba. I think when we talk about foreign influence in Venezuela, it is really Cuba and then everyone else. The influence of Cuba has been so overwhelming.

On Sunday, October 14, in 2007, then President Chavez made a startling statement during his famous Alo Presidente show, which was broadcast from Santa Clara in Cuba then. He was addressing Fidel Castro directly across from him when he said, "Deep down, yes, we are just one single government. Venezuela has two Presidents, but we are one single government. We are advancing toward a confederation of republics."

Now, that is obviously a bit of overstatement. They are separate governments and separate juridical traditions, et cetera, but the ambition that Chavez and Fidel Castro had was something beyond the normal alliance, and we have seen it play out in over the last 10 years in really nefarious ways.

And it is important to understand that Venezuela always had four traditional service branches in the armed forces: The army, navy, air force, and the national guard, which is like a military police. But on Cuban advice, in 2005, a fifth service branch was added called the Milicia Bolivariana, the Bolivarian militia, which

was an avowedly political arm of the ruling party organized, trained, and armed as a military force. Okay.

The Bolivarian militia has been derided over the years as sort of a grannies army, that they don't seem to be much of a fighting force, but there are hundreds of thousands of terrorista political activists under arms. And we have seen this, and in the last couple of years, the Bolivarian militia has become more powerful. President Maduro has made a calculated decision to strengthen the Bolivarian militia.

And what is really concerning about this, and what I think the committee should really sink its teeth into here, is that there have already been a series of leakages of weapons from the Venezuelan military to nonstate actors. Okay?

So we have seen criminal bans in Venezuela that are dedicated to extortion, drug trafficking, but local drug trafficking, buying weapons, buying assault rifles, buying C-4 plastic explosives from the military. And we see the Venezuelan military getting more and more powerful weapons under its control.

Now, early last year, it was reported—Reuters reported that Venezuela had acquired over 5,000 surface-to-air shoulder-mounted MANPADS missiles, heat-seeking missiles that a single person could shoot. Those have been under the control of the Army for the last several years, since they were bought.

We understand that as many as 1,000 of those MANPADS systems could be transferred to the Bolivarian militia in the coming weeks. And while the ARMY has leaky ways of keeping track of its stock of weapons, the militia has no system that we know of to log these weapons.

So while weapons have been subtracted from the Venezuelan army for sale to criminal networks, the Venezuelan army, at least in the Venezuelan security forces know that and have a way of tracking it. Once hundreds or perhaps as many as 1,000 MANPADS are transferred to the control of the militia, you can kiss them good-bye. There is no more tracking them.

A few weeks ago, when there was some tension with the United States following President Trump's declaration, it was very clear that the militia was given assault rifles to take home. There is a question, are we looking at a scenario here where Venezuelan military could be handing political activists surface-to-air missiles, heat-seeking missiles that can bring down an airliner at 20,000 feet to take home?

You have to understand that many of the Bolivarian militia members are rank-and-file Chavista activists. These are people who are often hungry, penniless and hungry. So we would be looking, then, really at a buyers market for these extraordinarily dangerous weapons. And that is a debate that I don't see happening anywhere, really, and that I think that should change.

[The prepared statement of Mr. Toro follows:]

Francisco Toro, Caracas Chronicles
Executive Editor
Written Statement to the
House Committee on Foreign Affairs
For the hearing entitled:
"The Venezuela Crisis: Malicious
Influence of State and Criminal Actors"
on September 13, 2017, 2:00 p.m.

"Deep Down, Just One Single Government"

On Sunday, October 14th, 2007, then President Hugo Chávez made a startling statement. The president was holding his famous *Aló, presidente* TV show from Santa Clara, Cuba. Addressing Fidel Castro, who was in attendance, directly, he said, "deep down, yes, we are just one single government. [...] Venezuela has two presidents, but we are one single government. We are advancing towards a confederation of republics[...]"
On one level Chávez's statement, almost exactly one decade ago, is an obvious overstatement: Venezuela and Cuba had and continue to have separate legal systems, administrative traditions, political cultures and economic outlooks. But the fact that such a statement could be made by one head of state to another underlines the extraordinary closeness of the Cuban-Venezuelan relationship.

What Venezuela and Cuba have is not a mere alliance: it goes much deeper than that. When we think about external influence on Venezuela, we should be clear: though other international players certainly have influence in Venezuela, no other external actor comes close to the Cubans. It's not even close.

Built on the basis of the extraordinary personal fondness between Hugo Chávez and Fidel Castro, the relationship has outlived both men to become a kind of ideological fusion. Remarkably, the smaller, weaker, poorer country in the relationship has long played the leading role in this relationship, with Cuban intelligence and Cuban political mentorship guiding much of Venezuelan statecraft, and successive Venezuelan leaders being careful to consult Havana before making policy decisions of any consequence.

In Cuba, Venezuelan socialism has found a model for how to retain political power indefinitely, how to demobilize opponents and how to keep a measure of international credibility and ideological sympathy abroad in the process. The two countries' leaders agree on the 'what' —keeping power no matter what — while the Venezuelans looks to Cubans for the how.

Four years after Chávez's startling declaration, he was diagnosed with the colorectal cancer that would eventually take his life. In a startling demonstration of ideological devotion, Chávez rejected offers of treatment at some of the leading oncology centers in the world —including the world-famous, high-tech Syrian-Lebanese Hospital in Sao Paolo, Brazil— in favor of far less sophisticated treatment in Cuba. Hugo Chávez believed in the Cubans enough to gamble his life on them — and it's a wager he lost.

Holding the terminally ill patient physically in their grasp gave the Cubans a decisive influence over his successor. It was while he was in Havana that Chávez annointed Nicolás Maduro as his successor. While we cannot know for a fact that role Cuba played in that choice, it *is* clear that Havana could not have hoped for a more pliant replacement.

Maduro as Pro-Cuban Radical

Indeed, it's difficult to overstate the weight the Cuban revolution had on crafting the worldview of Venezuela's current governing clique. President Nicolás Maduro's entire worldview was crafted in Cuba. Maduro was still a teenager when he joined Venezuela's "Liga Socialista" — a fringe, militantly pro-Cuban Marxist Party. As is well known, Maduro never went to university. Instead, as a 24 year old, he spent a year in 1986 and 1987 at the "Escuela Nacional de Cuadros" — the Cuban Communist Party's indoctrination and training school. There, alongside far left political activists and organizers from throughout Latin America, he received a year-long course to master party dogma.

In power, Maduro has surrounded himself largely with pro-Cuban extremists. The ruling clique is top heavy with activists who came up through the Liga Socialista in the 1980s, including the husband and sister team of Jorge and Delcy Rodríguez, now mayor of Caracas and speaker of the National Constituent Assembly respectively. The Rodríguez's father, Jorge, was one of the founders of the Liga Socialista, and one of its martyrs, having died under torture at the hands of the security services in 1976 as they attempted to extract information over the whereabouts of an American businessman the group had kidnapped.

Cuban influence in Venezuela now reaches into every neighborhood, town and village through the so-called Frente Francisco de Miranda, a nationwide network of state sponsored political activists organized into some 14,000 cells. Frente Francisco de Miranda activists perform key "ideological work" —indoctrination and surveillance— all around the country, closely modeled on the Cuban ideological playbook. The head of the Frente Francisco de Miranda, pro-Cuban extremist Erika Farías, is perhaps the most powerful figure in the Venezuelan regime few people have ever heard of. Her modes official title (Minister for Urban Agriculture) and discrete media profile disguise her status as both head of one of the government's most influential mass organizations and a member in good standing of Maduro's inner circle.

But Cuba's engagement in Venezuela is also changing. Five years ago Cuban intelligence agents had a physical presence in virtually every unit of Venezuela's armed forces. That kind of unit-by-unit monitoring generated strong resentment from the Venezuelan officer corps: such close monitoring was an affront to many of them. The Cubans themselves came to see this approach as both unnecessary and counterproductive. Since Chávez's death, Cuba has recalibrated its approach, using its extreme closeness to president Maduro to focus its engagement on the top leadership level.

Today, Cuban intelligence assets run two separate "situation rooms" at Miraflores Palace, where agents process and evaluate intelligence produced by both Cuban and Venezuelan intelligence agencies. Cuban intelligence plays a central role in advising President Maduro, helping him evaluate the political moment and think through strategy and tactics. Top Venezuelan officials frequently travel to Havana to consult over especially transcendent policy decisions. In short, Cuban intelligence used to be everywhere in Venezuela, but these days it's mostly at the top.

Cuba and the Venezuelan Military

Cuba long ago identified the Venezuelan military as a strategic threat to the regime. It's important to grasp that the men and women who serve as Generals and Admirals in the Venezuelan Armed Forces today joined the military as cadets in the early 1980s, long before the rise of chavismo, at a time when the Armed Forces were dedicated to fighting

the communist threat. While many of them have been co-opted through corruption, a level of uncertainty hangs around their ultimate loyalties.

Cuba has been central in developing and implementing chavismo's response to this latent threat. Cuban influence has been crucial in designing and implementing a system to indoctrinate younger recruits and instill a sense of duty to socialist ideals first, and the constitution a distant second. But beyond that, Cuba has helped reorganize the Armed Forces to guarantee ideological conformity.

In 2006, on Cuban advice, Hugo Chávez announced the creation of the so-called Bolivarian Militia. The force was potrayed as a fifth service branch, alongside the four traditional branches: Army, Navy, Air Force and National Guard. The Bolivarian militia was to be an avowedly partisan body: an adjunct to the ruling United Socialist Party of Venezuela with no pretense of political neutrality.

For propaganda purposes, the Bolivarian Militia was portrayed as a response to the threat of a U.S. invasion. In fact, the Militia was created to raise the perceived costs of a traditional coup d'etat on the part of the other service branches. The knowledge that tens of thousands of civilian government partisans would be armed, trained and organized along military lines to defend the regime was designed to dissuade any secret waverers in the military from attempting a coup.

For years, the Bolivarian Militia was derided as a "granny army" — a force made up of out of shape amateurs more interested in the food and other handouts the militia offered than in any serious military training. The derision stung. In 2015, again in response to Cuban advise, President Maduro launched a plan to upgrade the capabilities of the Bolivarian Militia, strengthening its training and upgrading its weaponry.

The Bolivarian Militia as a Proliferation Threat

Militia weaponry and preparedness have improved, but still lags substantially behind other service branches. Made up of civilian part timers rather than professional soldiers, it should be seen as much as a proliferation threat as a security threat. Amid Venezuela's deepening economic depression, the reality is that thousands of increasingly poor and often hungry militia members now have access to sophisticated weapons worth many multiples of their yearly income.

Of particular concern is the thousands of Russian-made Man-Portable Aerial Defense Systems (MANPADS) in the regime's possession. Reuters reported in early 2015, Venezuela has bought more than 5,000 of these sophisticated heat-seeking shoulder-mounted missiles, which are able to bring down aircraft at up to 20,000 ft. altitude.

Sources in Venezuela's intelligence services say President Maduro is moving forward with a plan to transfer as many as 1,000 MANPADS systems from the Army to the Bolivarian Militia. The proliferation concerns involved in this plan are obvious. While the Venezuelan army has problems of its own, and army weapons do sometimes end up in the hands of criminal gangs, it at least has tracking systems in place to allow the diversion of weapons to be noticed and registered. The Bolivarian Militia has neither the experience nor the capabilities to safeguard its most sophisticated weapons.

Just last month, when the Bolivarian Militia decided to hand out AK-103 rifles in preparation for "an imminent U.S. invasion", many militia members were instructed to take the weapons home with them. It is not outside the realm of possibility that

MANPADS systems could be distributed in a similar way following any new episode of diplomatic tensions.

A number of Bolivarian Militia officers in the western state of Zulia are currently being investigated for smuggling sophisticated Dragonov sniper rifles to buyers in Colombia. Even before the most dangerous weapons are transferred to Militia control, weapons diversions is already taking place.

The proliferation threat from MANPADS systems under Militia control is made especially dire by the existence of established illicit smuggling routes between Venezuela and Colombia and the United States. To put it bluntly, it would be relatively straightforward to hide a MANPADS system among the tons of cocaine already being smuggled to the United States from Colombia through Venezuela.

With Militia members increasingly facing outright hunger, just like the rest of the Venezuelan people, any MANPADS buyer in Venezuela is likely to have his pick of willing sellers once those weapons are transferred to the militia.

But proliferation concerns touch the Venezuelan army as well. There are already established contacts between arms sellers in the Venezuelan security services and armed criminal gangs in Aragua State as well as in Western Caracas. Large criminal gangs, known locally as "megabandas" typically seek weapons in order to commit crime, but sometimes sell them on to buyers in Colombia or "rent" them to smaller criminal gangs in non-competing territories that they associate with. Such networks have already obtained grenade launchers, grenades and plastic explosives from Venezuelan army units. Venezuelan intelligence agents are aware of this traffic and seek to monitor it, though they cannot always control it.

To the best of my knowledge, the plan to shift MANPADS systems from the Venezuelan Army to the Bolivarian Militia has been approved but has not yet been implemented. The proliferation threat the plans implies should not be underestimated.

Mr. DUNCAN. Thank you for that. I am sure members will like to delve more into that.

Now we will go to Dr. Ellis for 5 minutes.

STATEMENT OF R. EVAN ELLIS, PH.D., SENIOR ASSOCIATE, AMERICAS PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. ELLIS. Thank you, Chairman Duncan.

Chairman Duncan, Ranking Member Sires, distinguished committee members, thank you for the opportunity to share my analysis with you today. I will summarize what are my written remarks for the committee and would emphasize that these are strictly my own opinions and not those of my employer.

I would like to emphasize how both Russia and China, in a pursuit of their commercial and strategic interests in Venezuela, have provided capital, goods, services, and political backing that has indirectly enabled the populist regime to ignore and ultimately destroy, as you alluded to, the mechanisms of democratic accountability.

Between Russia and China, the PRC, in my judgement, holds the greatest leverage over the fate of Venezuela, with the control of financial instruments and loan-funded projects, as well as flows of goods important to the regime's survival.

First, the PRC has become Venezuela's principal banker, with PDVSA moving current accounts from Portugal's Banco Espirito Santo to China's CITC Bank in August 2014. Venezuela has also stored a portion of its gold reserves in China. Both actions potentially protect Venezuela's assets partially from international legal claims. However, they also give China influence over Venezuela in how it responds to such claims.

Also, the PRC is Venezuela's major source of credit, as is widely known, having extended an estimated $62.2 billion to the regime since 2005 in the form of revolving credit relationships repaid by shipments of Venezuelan oil.

As the majority of international companies have withdrawn from Venezuela, the work performed by Chinese entities funded by such credit has become increasingly critical for building and maintaining the oil, electricity, and transportation infrastructure to get Venezuela's oil to market.

Indeed, just days ago, the China-Venezuela High-Level Mixed Commission met and authorized an additional $2.7 billion in such new projects, including the construction of the Jieyang refinery in China to process Venezuelan heavy oil. China has further provided Venezuela with billions of dollars of military goods on credit, displacing Russia as Venezuela's principal arms supplier. Systems sold, just to name a few, include JYL-1 radars, K-8 fighter trainers, Y-8 and Y-12 transport aircraft, SM-4 self-propelled mortars, SP-5 multiple rocket launchers, VN-1, VN-18, and CS/VP-4 armored combat vehicles, CS/LMG heavy machine guns, plus antisubmarine and antitank weapons, which are, frankly, concern for neighboring Colombia if war should ever break out between the two.

In addition, Chinese arms also include VN-4 armored cars and VN-16 light tanks, which have been very publicly used by the Ven-

ezuela national guard to suppress antiregime demonstrations in recent weeks.

Russia. Russia's activities in Venezuela have been more limited than those of the PRC, yet are still significant. Russia has sold over $11 billion of military hardware to Venezuela since 2006, including 10 Mi-35 attack helicopters, 38 Mi-17 transports, 3 Mi-26 heavy transports, 24 Su-30 fighter aircraft, 100,000 Kalashnikov rifles, 92 T-72 tanks, and approximately 200 BMP-3 and BTR-80 armored personnel carriers.

Russia has also sold, as my colleague rightly alluded to, between 2,000 and 5,000 Igla-S anti-aircraft missiles, which also I would agree with my colleague could gravely threaten civil aviation were they to fall into the hands of terrorists.

Russia has also used its relationship with Venezuela to project a military force into the region. Examples include the deployment of two nuclear capable Tu-160 backfire bombers in 2008, later a flotilla of warships the same year into Venezuela, and another deployment of Tu-160s to Venezuela in October 2013, and farther, the second sending of warships to Venezuela in March 2015 to conduct exercises.

With respect to commercial support, the Russian state-owned company, Rosneft, has been a key financier for the Venezuelan oil sector, providing an estimated $17 billion since 2008. Indeed, as the liquidity crisis in Venezuela has deepened, Rosneft has provided an additional $6 billion in loans to PDVSA for future delivery of oil, in addition to the $1.5 billion that it loaned in December 2016 in exchange for the 49 percent interest in the PDVSA subsidiary, CITGO.

In formulating the U.S. whole-of-government strategy to restore democratic governance to Venezuela, and I also would commend the administration's efforts in that, I believe that the U.S. must structure its sanctions and other actions and strategic communication with an eye to convincing Russia and China that their continued support for Venezuela's anti-U.S. authoritarian regime will not get those countries to a stable, internationally accepted successor, which would legalize and make sustainable the deals that they have struck with those who hijack the Venezuelan state and its resources.

While sanctions should be imposed, in my judgment, broadly and not only against U.S. purchases of Venezuelan petroleum, but also at the regime's access to the international financial system. In that, I concur with your remarks about Europe, Mr. Chairman.

While this course of action is harsh, I believe that it is the best among imperfect options, short of military intervention, to bring about change that most rapidly ends the suffering of the Venezuelan people, and with that same rapidity, would deny Russia and China time to advance their position in the country through their own incremental deals which continue to prop up the regime.

Thank you, Mr. Chairman. Thank you.

[The prepared statement of Mr. Ellis follows:]

R. Evan Ellis

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Center for Strategic and International Studies

Testimony to the Subcommittee on Western Hemisphere Affairs

Foreign Affairs Committee

U.S. House of Representatives

Wednesday, September 13, 2017

"The Influence of Extra-Hemispheric Actors on the Crisis in Venezuela"

Chairman Duncan, ranking member Sires, distinguished committee members, thank you for the opportunity to share my work and thoughts with you today regarding the activities of extra-hemispheric actors in Venezuela and their contributions to the survival of its current regime. The views expressed in this testimony and responses today are my own, and do not necessarily represent the position of my employer, the U.S. Army War College.

The outcome of the ongoing crisis in Venezuela has strategic significance for not only the United States, but also for its global competitors, including Russia and the People's Republic of China (P.R.C.). Both countries have exploited the financial needs and political receptivity of the current Venezuelan regime to gain privileged access to that country's substantial petroleum reserves, mineral wealth, and markets, including for military goods. Reciprocally, Russian and Chinese purchases of Venezuelan petroleum, injections of capital, and other forms of support have exacerbated the current crisis by prolonging the life of the Venezuelan regime beyond the natural limits created by its poor management and anti-democratic practices.

The principal risk regarding Russian and Chinese activities in Venezuela in the near-term is that ***they will exploit the unfolding crisis, including the effect of U.S. sanctions, to deepen their control over Venezuela's resources, and their leverage over the country as an anti-U.S. political and military partner***.

Some type of political transition in Venezuela is likely in the foreseeable future, whether violent or otherwise. Indeed, I believe that both Russia and China would welcome a change in leadership in Caracas, but have fundamentally different objectives from the U.S. through their own engagement in Venezuela, regarding ***what the government should change to***. While the U.S. must be prepared for the violence and exodus of refugees produced by a breakdown of order in the country, it must also be vigilant against a transition which attempts to replace an unstable, undemocratic regime, with a ***better managed, superficially democratic one*** that is closely aligned with, and deeply dependent on Russia and China.

In my testimony today, I will highlight the activities of both the P.R.C. and Russia in Venezuela, including their role in sustaining the present regime, concluding with recommendations for U.S. policymakers regarding how to structure sanctions, other actions, and strategic communications regarding Venezuela so as to most rapidly achieve a transition back to democracy and rule of law, while minimizing the opportunities for Russia and China to exploit the crisis to expand their economic position and political influence over the country.

People's Republic of China

Between Russia and China, it is the P.R.C. which holds the greatest leverage over the fate of the Venezuelan regime, particularly as its access to conventional financial markets and oil sales are reduced by U.S. sanctions. Specifically, the P.R.C. has the money to lend, and controls financial instruments, works projects, and flows of goods in Venezuela important to the regime's survival.[1]

With respect to finance, the P.R.C. has become Venezuela's principal banker. In August 2014, the Venezuelan national oil company PdVSA, which is legally more

vulnerable to the seizure of its global assets than the Venezuelan government, moved its primary banking relationships for petroleum current accounts from the Banco Espirito Santo, in Portugal, to China's CITC Bank.[2]

In addition, since at least 2011, it is believed that the Venezuelan government has maintained a portion of its gold reserves in the P.R.C.[3]

Both actions partially protect Venezuela's assets from international legal claims, but also give China influence over Venezuela through how it handles such claims. Thus, as international legal judgements against PdVSA accumulate in international courts, such as that recently awarded to Crystallex, with associated legal authorizations to seize PdVSA's assets abroad as payment,[4] Chinese financial institutions (with the commitments they have made to follow the rules of the international banking system), will face important decisions regarding how to respond to legal claims regarding assets of PdVSA and the Government of Venezuela, over which they have control.

Beyond gold and current accounts, the P.R.C. is also both Venezuela's principal source of credit, and a key source of a broad range of goods and services fundamental to the economic sustainability of the regime, and its ability to compensate its support base.

The key feature of China's role in the long-term sustainability of the regime is often-mischaracterized revolving credit relationship known popularly as "loans for oil." On one hand, Chinese financial institutions, principally China Development Bank, provide the Venezuelan government a line of credit for products and services principally provided by Chinese companies. When these are delivered, the Chinese suppliers can directly bill, and be paid in Chinese currency (RMB) from Venezuela's line of credit in the Chinese bank. Thus, as long as the Venezuelan government formally acknowledges signs off on receipt of the goods or service (which has not always been the case[5]), the Chinese company can feel secure that it will be paid in a timely fashion.

To pay down Venezuela's line of credit, oil is extracted from Venezuelan oilfields operated as China-PdVSA joint ventures,[6] including the Sinovensa joint venture in the Orinoco tar belt. A Chinese company such as the CNPC subsidy China Oil legally takes

delivery of the product, (generally without it ever leaving Venezuela). Using the prevailing international price for the type of oil received, less a discount, the delivery is credited to Venezuela's account like a credit card payment, reducing its outstanding balance and making these funds potentially available to borrow again in the future, without negotiating a new loan instrument.[7]

Since 2005, Chinese banks may have extended Venezuela as much as $62.2 billion, mostly through the previously described lines of credit.[8] PdVSA has generally lived up to its obligations to provide oil to repay its loans to the P.R.C., although in the past year, it has fallen approximately 3-months behind on such oil deliveries to both China and Russia.[9] Currently, PdVSA is providing CNPC subsidiary China Oil approximately 600,000 barrels of oil per day to pay down past loans, similar to the 741,000 barrels of crude oil sold by Venezuela to U.S. Gulf Coast refineries in 2016, for which PdVSA received hard currency.[10]

Because the repayment period of Venezuela's lines of credit with Chinese banks is typically short (generally 3 years for loan vehicles part of the Heavy Investment Fund), the total money still owed to the P.R.C. is less than many assume, possibly less than $20 billion.[11] Moreover, because the Chinese essentially pump the oil by which they repay loans controlled by their own institutions, the P.R.C.'s risk of default is actually far lower than many assume.

Because the "loans-for-oil" revolving credit system is relatively secure, virtually all P.R.C.-based companies doing business in Venezuela have sought to tie their projects to these accounts, from constructing powerplants, railroads and other construction work, to providing Haier appliances for sale at a discount to poor Venezuelans under the government's program "my well-equipped home," during the run-up to 2012 Venezuelan elections, and on an ongoing basis afterwards.[12]

During the current crisis, such credits have been instrumental in helping the Venezuelan regime obtain material to compensate regime supporters and respond to particular needs, yet have advanced Chinese commercial interests at the same time. A good

example is the sale of 5,239 JAC trucks in 2014,[13] the last of which were delivered in 2016.[14]

As a part of such deals, the P.R.C. has periodically announced the intention to build factories in the country that would contribute to Venezuelan GDP. Examples include commitments by the automaker Chery,[15] the bus manufacturer Yutong,[16] and the cellphone makers Huawei and ZTE.[17] Yet such deals, financed with *Venezuelan government credit*,[18] have arguably benefitted Chinese commercial interests and local partners more than they have created sustainable benefits for the country. It is difficult to find an example of such a plant that is today actually employing Venezuelans and producing products in the country. Nonetheless, in anticipation of such factories which have often not materialized, Chinese vendors have been given privileged access to the Venezuelan market.[19]

With respect to supporting the long-term viability of the Venezuelan regime, as the majority of international companies have withdrawn from the country,[20] or have been forced out with their assets appropriated,[21] the work performed by Chinese companies in sectors such as petroleum, construction, and energy has become increasingly critical for building and maintaining the infrastructure required for the Venezuelan government to maintain production in mature oil fields, to bring its considerable deposits of heavy oil in the Orinoco tar belt on line, and to get that oil market, in order to pay its bills and import the basic necessities of the Venezuelan people.

Beyond the economic relationship, the P.R.C. has also played an increasingly important role in supplying the Maduro regime with military support,[22] including providing, on credit, not only conventional weapons systems and munitions, but also riot control vehicles and other equipment for helping the regime to put down protests.[23]

While the P.R.C. has been cautious not to enter into a cold-war style alliance with Venezuela, in the past decade, it has quietly sold the Venezuelan military a wide variety of military equipment, surpassing even Russia in the past two years as an arms provider.[24] Major conventional systems that it has sold to Venezuela include JYL-1 radars, K-8 fighter-trainers,[25] Y-8 and Y-12 military transport aircraft,[26] as well as more

sophisticated L-15 fighters[27] (not yet delivered). Orders placed with the P.R.C. since 2013, according to the Venezuelan government's own records, include SM-4 self-propelled mortars and SP-5 multiple rocket launchers, VN-1 8x8 infantry combat vehicles,[28] VN-18 and CS/VP4 amphibious vehicles,[29] and CS/LMG heavy machine guns. The P.R.C. has also sold the regime HJ-73D anti-tank weapons. anti-submarine weapons for Venezuelan patrol boats,[30] potentially impacting neighboring Colombia, were a war to break out between Colombia and Venezuela as the situation in Venezuela deteriorates.[31]

Given the role of the regime's "Bolivarian National Guard" in suppressing protests in recent months, and the association of those activities with numerous injuries and fatalities,[32] it is of significance that the largest portion of weapons supplied to Venezuela by the Chinese since 2014 have gone to that organization, including 6x4 trucks from the Chinese manufacturer JAC Tractor, and 9x19 Parabellum pistols.[33] Similarly, the VN-4 armored cars[34] and VN-16 light tanks[35] sold by the P.R.C. to Venezuela, and designed for riot control,[36] have arguably contributed to efforts by Venezuela's current regime to suppress democratic protests.

In addition to P.R.C. military support through providing arms on credit, the country also sponsors attendance by Venezuelan officers in courses at all levels in the P.R.C., from technical training to senior staff colleges, as well as including Venezuelan personnel in the conduct of exercises in the P.R.C.[37] Indeed, most recently, the P.R.C. brought Venezuelan paratroopers[38] to Xinjiang to participate in the "Clear Skies" portion of the multi-national military exercise being held in China in September.[39] The PLA, for its part, has sent Chinese soldiers to participate in training activities in Venezuela, as well as the country's Independence Day parade.[40]

While Chinese arms and military engagement may provide some benefit in helping the Maduro regime to suppress protesters, and may compensate for a small amount of the dissatisfaction within the Venezuelan officer corps over the situation in the country,[41] it is arguably the Chinese defense industry and the People's Liberation Army (PLA) which benefit most from such activities and transactions; Arms sales to Venezuela provide an

opportunity for the PLA to strengthen its political and military-to-military institutional relationship with the Venezuelan regime, improve P.R.C. defense products through field testing under challenging conditions, enhance the PLA's ability to conduct maintenance and training support outside of China with difficult foreign partners, permit it to assess and inculcate good will in Venezuelan officers going to the P.R.C. for training, and demonstrate to other Latin American and Caribbean militaries the products of the Chinese defense industry and the P.R.C.'s ability to support them, helping China to further penetrate the region's defense market with such products and reap the associated benefits, as described in this paragraph.

Finally supplying Venezuela's populist regime with resources for internal security and conventional warfare, the P.R.C. has also played a dominant role in the creation of Venezuela's space sector. Chinese contributions include the construction and launch of two satellites for Venezuela: Venesat 1, launched in October 2009 from China's Xichang Launch Center,[42] and the earth observation satellite VRSS-1, launched in October 2012 from the Jiuquan Launch Center.[43] The P.R.C. has also played an important role in building and equipping the ground communications facilities for those satellites,[44] including the Manuel Rios base in Guarico, and the Luepa facility in Southeastern Bolivar state,[45] as well as training the Venezuelan personnel to operate and administer those facilities.[46]

In the extreme case of a protracted military conflict with the P.R.C. in Asia, PLA experience with Venezuela's military, the technical characteristics of its ports and airfields could facilitate the transition from the absence of Chinese "military bases" in the Western Hemisphere, to PLA use of Venezuelan facilities more rapidly than is commonly assumed.[47]

With respect to the overall relationship, as the medical decline of Hugo Chavez in 2012, and his death from cancer in 2013 cast the continuity of Venezuela's "Bolivarian Socialist" regime into question, the P.R.C. became notably more cautious in extending new lines of credit and appeared to demand more oversight and conditions on projects agreed to under existing lines of credit.[48]

As an indication of its concern, the P.R.C. has engaged in informal talks with individual members of the Venezuelan opposition, presumably seeking guarantees that any future government would honor past contractual commitments and loan obligations.[49] Yet while the Chinese may be seeking to hedge their bets, the modest size of its outstanding debt by comparison to its broader financial portfolio (including its $814 billion Sovereign Wealth Fund[50]), its commercial interest in favorable access to Venezuela's 300 billion barrels of recoverable oil,[51] and its strategic interest in the survival of an anti-U.S. regime in close proximity to U.S. shores, makes the P.R.C. unlikely to take any action that would support the resolution of the crisis on terms favorable to the U.S.

Despite such increasing caution, the P.R.C. has nonetheless quietly continued to prop up the Venezuelan regime by funding new goods and projects from the available credit on existing loan vehicles. Indeed, during a recent meeting of the China-Venezuela High-Level Mixed Commission,[52] the two nations signed 22 agreements involving $2.7 billion in projects, including construction of the Jienyang refinery to process Venezuelan heavy oil.[53] The latter is a particularly egregious example of how the P.R.C. is using the Venezuelan regime's desperation and mismanagement to its benefit. At a moment when the regime is struggling to make loan payments and avoid default month-to-month,[54] and lacks the capital to build the infrastructure to get its own oil out of the ground, the P.R.C. is obliging PdVSA to incur potentially billions of dollars in new debt to construct a refinery *in the P.R.C.*

Russia

Russia's activities in Venezuela have been more limited than those of the P.R.C. in terms of dollar volume and the range of activities, yet are still significant. Beyond providing political and moral support to the Maduro regime,[55] such as criticizing U.S. sanctions against Venezuela[56] and countries which did not recognize Venezuela's new Constituent Assembly,[57] Russian engagement has principally concentrated on arms sales, military exercises, and investments in the petroleum sector.[58]

For Russia, which had largely been absent from Latin America and the Caribbean since the collapse of the former Soviet Union, Venezuela initially seemed an unlikely partner to serve as the cornerstone of the nation's re-engagement with the region. By contrast to Russian Cold War allies Cuba and Nicaragua, Venezuela and its military had been close partners of the U.S. during the period. Yet in 2006, Venezuela presented Russia with an opportunity, which it exploited, to take its first major step to re-insert itself into the region's security affairs; when the U.S. refused to sell Venezuela spare parts for its U.S.-supplied F-16 fighters,[59] and moved to block Venezuela from buying military equipment with U.S. components from Spain,[60] Russia struck a deal with then Venezuelan President Hugo Chavez to supply the country with a range of military equipment from Su-30 fighters[61] to Mi-17 transport helicopters, to rifles and munitions.[62]

Venezuela ultimately purchased over $11 billion in military goods through the Russian arms sales and support organization Rosboronexport.[63] These purchases loosely fall into three groups:[64]

> The first major deal, initiating the relationship, was comprised of military helicopters, fighter aircraft, and Kalashnikov rifles.[65] Russia provided 53 helicopters in this agreement, including both combat and transport platforms. These included 10 Mi-35M2 attack helicopters, and 38 Mi-17V-5 transports, and 3 Mi-26T2 heavy transports.[66] The package further included 24 Su-30 fighter aircraft,[67] plus 100,000 Kalashnikov rifles, as well as a 2006 agreement to build a factory in Venezuela to manufacture more such rifles and ammunition.[68]
>
> The second group, with contracts announced roughly from 2008 through 2011, included a broader range of weapon.[69] Notable items in this group are 92 T-72B1V tanks,[70] approximately 200 BMP-3 and BTR-80 armored personnel carriers,[71] 12 9K58 Smerch multiple rocket systems, 2 S23 120mm self-propelled mortars, 12 Tor-M1 self-propelled air defense systems, Zu-23 anti-aircraft guns, Igla-S man-portable surface-to-air missiles,[72] Bal-E mobile coastal defense missile systems, and Buk-2ME and S-300VM Antey-2500 mobile anti-aircraft

missile systems.[73] It is not clear that all of these systems and munitions were ultimately delivered.

The third group occurred during the period in which then President Hugo Chavez's health was deteriorating, and the economic crisis in Venezuela was deepening, with the consequence that only a portion of the deals were actually consummated.[74] Announced arms sales include an additional 100 T-72 tanks,[75] as well as fast attack boats, submarines, and Yak-130 fighters to replace Venezuela's aging F-5s,[76] and 10 Mi-28 NG attack helicopters.[77] Due to the quantity of Russian helicopters in Venezuela, and the delays involved in sending the platforms or major components to Russia for inspections repairs and upgrades, Russia and Venezuela have also discussed setting up a helicopter maintenance center in the country.[78] This has, however, not yet taken place.

Also of importance at a time when corruption in the Venezuelan regime is facilitating the diversion of its military weapons to black markets throughout the world,[79] since 2008, Russia has sold Venezuela between 2,000[80] to 5,000[81] man-portable Igla-S (Sa-24) anti-aircraft missiles, which could present a significant threat to civil aviation if they fell into the hand of terrorists.[82]

As noted previously, Russia's arms sales to Venezuela, while significant, have been negatively impacted by the nation's deepening financial crisis, which has been reinforced by limits on Russia's own ability to extend Venezuela large amounts of credit to purchase those arms. For example, although in 2015 the Venezuelan regime ordered 13 Su-30 Mk2s[83] to supplement the 24 Su-30s it had already purchased from Russia,[84] the $480 million deal was never consummated, and the funds were reportedly diverted to the maintenance and overhaul of the existing Su-30 fleet. [85]

Beyond arms sales, Russia has collaborated with Venezuela in manner far more directly threatening to the United States, than has the P.R.C., arguably using exercises and other activities with Venezuela to send strategic messages to the United States that if the U.S. involves itself in Russia's "near abroad," then Russia is willing and able to project military force in the U.S. own "backyard."[86]

Russia began such provocative engagements with Venezuela in August 2008, when separatists that it was backing in the Republic of Georgia began a civil war that prompted the U.S. Navy to deploy forces in the Black Sea, in close proximity to Russia itself. To show its displeasure, Russia sent 2 nuclear-capable Tu-160 "backfire" bombers,[87] and later, a naval flotilla lead by the Russian destroyer Peter the Great, to conduct exercises in the Caribbean.[88] Russia again sent two Tu-160s to the region in October 2013 as tension with the U.S. and Europe grew over Russian intervention in its neighbor the Ukraine.[89] Later, in March 2015, as the Ukraine crisis continued to escalate, and in an echo of Russian actions in 2008, the nation sent warships to conduct exercises with Venezuela, again in the Caribbean.[90]

Beyond such symbolically charged deployments to the Caribbean, Russia has also hosted the Venezuelan military in various exercises and other events in Russia itself.[91]

Turning from Russian military engagement with Venezuela to its commercial support, Russia has been a principal source of financial resources for the Venezuelan regime through its activities in the Venezuelan oil sector, second only to the P.R.C. Increasingly, that support has been channeled through one Russian state owned company, Rosneft, headed by sometimes Putin ally and former senior Russian intelligence operative Igor Sechin.[92] Rosneft has provided has an estimated $17 billion in financing and investment to Venezuela's populist regime since 2008.[93] While a number of major Russian companies including Gazprom, Lukoil, TNK, and Surgutneftegaz initially pursued projects in Venezuela including exploration and development of the Junin-6 petroleum block in the Orinoco tar sands,[94] poor results and frustrations dealing with the Venezuelan state led the more commercially-oriented of the Russian oil companies to pull out, with their shares often being bought up by Rosneft.[95] Other Russian companies indirectly involved with the Venezuela oil sector have had similar problems. In April 2017, for example, one such company seized a Venezuelan oil shipment in St. Maarten for repayment of overdue shipping fees.[96]

By contrast to more commercially oriented Russian companies, between 2010 and 2014, Rosneft significantly expanded its stake in the country,[97] investing $1.8 billion to

acquire or expand stakes in joint ventures with PdVSA, including Petromiranda, Petromonogas and Petrovictoria.[98] In 2015, Rosneft committed to expand its investments in the country including growing its stake in Petromonogas from 16.7 to 40%.[99]

Beyond its onshore Rosneft also made initial commitments to participate in the development of natural gas off Venezuela's coast in the Mariscal Sucre field. That investment alone, if realized, could inject an additional $17.9 billion into the country.[100]

As the liquidity crisis in Venezuela has deepened, in order to protect its investments, expand its position, and help keep the Venezuelan regime afloat, Rosneft has injected approximately $6 billion into the country's oil sector in the form of advance payments for future oil deliveries,[101] including at least $1.015 billion provided this year.[102] Such injections of cash are in addition to making a widely-publicized $1.5 billion loan in December 2016, in return for 49% interest in the holding company portion of the company's U.S. subsidiary CITGO.[103] While the funds from Rosneft arguably helped PdVSA avoid bankruptcy, PdVSA's previous commitment of 51% of CITGO's assets in September 2016 to back a bond swap,[104] may have set up a future fight over the company's assets between Rosneft and those who signed onto the bond deal that could lead to legal orders for asset seizures and other actions impacting PdVSA's operations and ability to generate capital, if it finally does default on its loan obligations.

Further adding to Rosneft's problems, its claim on CITGO is uncertain, since the U.S. Committee on Foreign Investment in the United States (CFIUS) is likely to review, and could reject the deal.[105] To manage such risk, Rosneft is reportedly negotiating with PdVSA to swap its equity in CITGO for expanded stakes in Venezuelan oilfields,[106] including a possible stake in the joint venture Petropiar, worth $600 - $800 million.[107]

Recommendations for the U.S.

To most effectively fight for the interests of the Venezuelan people, and the interests of the United States in Venezuela and the region, it is important to apply a whole-of-government strategy, oriented toward restoring democratic governance to Venezuela

and bringing to justice those who have illicitly profited from the country's descent into authoritarianism and economic chaos during the last 18 years of populist rule. At the same time, it is critical that the structure and pace of that plan, and the strategic communication associated with it, minimizes the opportunity for Russia and China to exploit the situation to advance their own commercial and long-term advantage.

In structuring sanctions and other actions and communications regarding Venezuela, U.S. policymakers must recognize that the decision of Russia and China to support, or alternatively, work to undermine, a transition toward democracy in the country, will be influenced by what type of transition or outcome is possible. Beyond appearances, Russia and China are unlikely to truly work toward restoration of democracy and rule of law in Venezuela if they believe that their continued political, economic and military support for its populist regime can enable and guide a transition to a more economically rational, but still anti-U.S., regime, that could be sufficiently accepted by a weary international community, so as to escape from sanctions and legal claims, and able to reintegrate itself into the international financial system and oil economy, with Russia and China holding a major stake.

The United States and others in the international community must thus structure its sanctions, other actions, and strategic communications to convince Russia and China that they will not be able to achieve such an end state, locking in the economic and political position they have achieved in the country to date through a false transition validated by the international community. U.S. actions and communications must convince Russia and China that their best option is to cooperate with the U.S. to achieve a stable, rule-of-law regime in which they will have the opportunity to achieve an equitable commercial position, rather than to work against such a transition as the regime collapses, with the likelihood of incurring grave losses to their current operations in the country, and with great uncertainty about the future.[108]

Based on these principles, I support the continuation and progressive escalation of sanctions against the current Venezuelan regime and specific individuals who have contributed to, and illicitly profited from the hijacking of Venezuelan democracy. Such

sanctions should be coupled with a strong message to Russia and China that we will actively oppose the honoring of contracts granted without the role of Venezuela's constitutionally legitimate, elected national assembly,[109] and that we will not lift sanctions without a clear restoration of Venezuela's democratic order, to include active cooperation by the successor regime with efforts by the U.S. and rest of the international community to bring to justice those who are known to have committed crimes under Venezuelan, U.S. and international law.

- U.S. policymakers should continue to establish clear "red lines" regarding the behavior of the Venezuelan government, and should implement progressively broader sanctions as it crosses them, against the purchase of Venezuelan petroleum and the regime's access to the international financial system. Importantly, such sanctions should not exclude actions that impair the ability of PdVSA to obtain short-term credits for routine petroleum transactions, and even those that affect U.S. Gulf Coast refineries and CITGO. While the United States rightfully does not wish to deepen the suffering of the Venezuelan people or harm its own businesses, the rapid escalation of broad sanctions is the is best among imperfect options, insofar as that this approach has the best prospect of most rapidly ending the suffering of the Venezuelan people. In addition, implementing broad sanctions quickly, in a form that rapidly generates significant impacts, denies Russia and China time to advance their position in Venezuela through incrementally negotiating deals with Venezuelan governments to cede national assets and claims over the country's resources in exchange for quick cash, as the regime becomes more desperate. In addition to such technical considerations, from a strategic communications perspective, the U.S. message will be more compelling among Venezuelans, and within the international community, if the U.S. is not perceived as deliberately choosing less effective sanctions in order to avoid imposing costs on its own companies.

- In parallel with sanctions, the U.S. must coordinate with its partners in the region, and global institutions more broadly, to deny legal status to deals signed between Russia and China (among others) and Venezuelan government entities, which

are inconsistent with the procedures established by the nation's constitution and laws, including where approval is required for such an agreement, but where it has not been granted, by Venezuela's legitimate, democratically elected National Assembly.

- Concurrent with a continued and deepening sanctions regime, the United States should also coordinate with its partners in the region to manage the effects of expanded refugee flows and criminal activity emanating from the collapse of the country's economy and expanding criminality, political violence, and repression there.[110] Such coordination should be particularly focused on those countries most affected or least resourced to address the challenge,[111] including Colombia, Trinidad and Tobago, Aruba, Bonaire, Curacao, and the Dominican Republic. This is particularly important, given that several countries in the Greater and Lesser Antilles have also recently been severely impacted by the passage of Hurricane Irma.

- As part of its pressures on the Venezuelan regime, the U.S. should not, as a principle, offer amnesty to members of the current government in exchange for their cooperation in a transition to democracy, except where strictly necessary to develop criminal cases against more senior officials. While offers of amnesty might accelerate the fall of the Maduro presidency, it would fundamentally undermine the long-term goal of establishing a stable democracy in Venezuela, built around the (now deeply shaken) faith of the Venezuelan people in their government. Political change achieved with the help of amnesties would leave in place a residual element of corrupt leadership and perceptions of impunity in the country even worse than in the pre-populist period. Indeed, such amnesties would send a dangerous signal to those on the right or left in other countries, considering similar strategies of hijacking a state for their own benefits, that the ability of the U.S. to protect democracy and the rule of law in the region is severely limited. Moreover, such amnesties would arguably advance a perception of the U.S. as morally equivalent to China, Russia, and other actors

pursuing their strategic interests, and would thus undermine U.S. efforts to be the partner of choice in the region.

- Finally, to the extent that regime change produces a real return to representative, democratic government in Venezuela and accountability for those who have enriched themselves by hijacking the state, the United States should be prepared to help the new government to succeed. Insofar as that Venezuela is a resource rich country, such assistance does not require large-scale development funding, but rather, helping the new government to purge, reform, and professionalize its military, law enforcement, judicial and other government institutions, in order to restore the confidence of the people, to provide support for the establishment of a new legal and investment framework that would encourage the return of foreign companies and Venezuelan expatriates in a short time horizon, and thus, to begin re-developing the national economy.

What happens in Venezuela, for good or bad, affects the United States. There is no inherent reason why Venezuela cannot be an independent, internationally-engaged well-governed actor, whose own strength and prosperity contributes to the success of the U.S. and the region. It is in the interest of the United States, as well as the Venezuelan people, to work in the most expeditious form possible toward that goal.

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[88] "Nuclear powered "Peter the Great" en route to Venezuela," *MercoPress*, September 22, 2008, http://en.mercopress.com/2008/09/22/nuclear-powered-peter-the-great-en-route-to-venezuela.

[89] "Two Russian Tu-160 strategic bombers deploy in Venezuela after a 13-hour flight across the Pacific," *The Aviationist,* Oct 29 2013, https://theaviationist.com/2013/10/29/tu-160-venezuela/.

[90] José Gregorio Meza, "Rusia participa en ejercicio militar defensivo de Venezuela," *Russia Beyond the Headlines*, March 15, 2015, https://es.rbth.com/internacional/2015/03/15/rusia_participa_en_ejercicio_militar_defensivo_de_venezuela_48259.

[91] Damien Sharkov, "Russian Forces Host China, India and 20 Other Militaries For International Army Games," *Newsweek*, July 24, 2017, http://www.newsweek.com/russian-forces-host-china-india-and-20-other-militaries-international-army-640844.

[92] See "Igor Ivanovich Sechin," *Reuters,* https://www.bloomberg.com/research/stocks/private/person.asp?personId=11019529&privcapId=7828813, Accessed September 5, 2017.

[93] Marianna Parraga and Alexandra Ulmer, "Special Report: Vladimir's Venezuela - Leveraging loans to Caracas, Moscow snaps up oil assets," *Reuters*, August 11, 2017, http://uk.reuters.com/article/us-venezuela-russia-oil-specialreport/special-report-vladimirs-venezuela-leveraging-loans-to-caracas-moscow-snaps-up-oil-assets-idUKKBN1AR14U.

[94] "Oil Production Starts at the Junin-6 Block in Venezuela," *Gazpromneft*, Official website, September 27, 2012, http://www.gazprom-neft.com/press-center/news/612514/.

[95] For the withdraw of Lukoil in 2014, see "Russia's Lukoil sells its stake in Venezuela project to Rosneft -Kommersant," *Reuters,* October 3, 2014, https://af.reuters.com/article/commoditiesNews/idAFL6N0RY0AC20141003. For the withdraw of Surgutneftegas in 2012, see "Russia's Rosneft invests big in Venezuela," *UPI*, January 30, 2013, https://www.upi.com/Russias-Rosneft-invests-big-in-Venezuela/47921359546201/. See also "Surgutneftegas to Sell Share in Junin 6 to Rosneft – Source," *Sputnik News*, September 27, 2012, https://sputniknews.com/business/20120927176247970/.

[96] "Why did Russia seize oil off a Venezuelan cargo ship in the Caribbean?" *The Christian Science Monitor*, April 18, 2017, https://www.csmonitor.com/World/Americas/2017/0418/Why-did-Russia-seize-oil-off-a-Venezuelan-cargo-ship-in-the-Caribbean.

[97] Parraga and Ulmer, "Special Report: Vladimir's Venezuela - Leveraging loans to Caracas, Moscow snaps up oil assets."

[98] "Exclusive: Russia, Venezuela discuss Citgo collateral deal to avoid U.S. sanctions – sources," *Reuters*, July 20, 2017, https://www.reuters.com/article/us-oil-rosneft-citgo-exclusive/exclusive-russia-venezuela-discuss-citgo-collateral-deal-to-avoid-u-s-sanctions-sources-idUSKBN1A52RN.

[99] "Venezuela, Russia's Rosneft agree on $14 billion oil, gas investment," *Reuters*, May 27, 2015, https://www.reuters.com/article/us-venezuela-russia/venezuela-russias-rosneft-agree-on-14-billion-oil-gas-investment-idUSKBN0OC2YF20150528.

[100] "Rosneft Eyes Venezuela Condensate, LNG Exports," *Oil Industry News*, February 22,2016, https://www.oilandgaspeople.com/news/7415/rosneft-eyes-venezuela-condensate-lng-exports/.

[101] "Rosneft says lent Venezuela's state oil firm a total of $6 billion," *Reuters*, August 8, 2017, https://www.reuters.com/article/us-russia-rosneft-essar/rosneft-says-lent-venezuelas-state-oil-firm-a-total-of-6-billion-idUSKBN1AO1RD.

[102] "Rusia le adelantó a Venezuela más de US$1.000 millones a través de la petrolera estatal Rosneft," *BBC*, August 4, 2017, http://www.bbc.com/mundo/noticias-america-latina-40828218.

[103] "Venezuela's PDVSA uses 49.9 pct Citgo stake as loan collateral," *Reuters*, December 23, 2016, https://www.reuters.com/article/venezuela-pdvsa/venezuelas-pdvsa-uses-49-9-pct-citgo-stake-as-loan-collateral-idUSL1N1EI1FO.

[104] Christine Jenkins and Sebastian Boyd, "PDVSA Offers Citgo Backing to Sweeten $7 Billion Bond Swap," *Bloomberg*, September 16, 2016, https://www.bloomberg.com/news/articles/2016-09-16/pdvsa-s-late-friday-swap-surprise-no-pick-up-for-longer-debt.

[105] "US Congress calls for CFIUS review of Rosneft's potential stake in Citgo," *Platts,* April 17, 2017, https://www.platts.com/latest-news/oil/washington/us-congress-calls-for-cfius-review-of-rosnefts-21395865.

[106] "Exclusive: Russia, Venezuela discuss Citgo collateral deal to avoid U.S. sanctions – sources."

[107] Parraga and Ulmer, "Special Report: Vladimir's Venezuela - Leveraging loans to Caracas, Moscow snaps up oil assets."

[108] See Ellis, "China, Russia Increase Leverage in Venezuela Amidst Crisis."

[109] See, for example, Tom DiCristopher and Wilfred Cross, "Venezuela's political opposition finds a new weapon against its leftist dictator," *CNBC,* May 30, 2017, https://www.cnbc.com/2017/05/30/venezuelan-opposition-threatens-not-to-repay-bonds.html.

[110] Similar sentiments were expressed by former head of U.S. Southern Command Admiral James Stavridis. See "It's Time to Plan for Civil War In Venezuela," *Time*, September 7, 2017, http://time.com/4931053/its-time-to-plan-for-civil-war-in-venezuela/.

[111] For a more detailed discussion of the challenge, see R. Evan Ellis, "The Collapse of Venezuela and Its Impact on the Region."

Mr. DUNCAN. Thank you for your testimony.

The Chair will now go to Dr. Trinkunas. Did I pronounce that correct?

STATEMENT OF HAROLD TRINKUNAS, PH.D., SENIOR RESEARCH SCHOLAR AND ASSOCIATE DIRECTOR FOR RESEARCH, CENTER FOR INTERNATIONAL SECURITY AND COOPERATION, FREEMAN SPOGLI INSTITUTE FOR INTERNATIONAL STUDIES, STANFORD UNIVERSITY

Mr. TRINKUNAS. Yes. Yes, you did, Mr. Chairman.

Chairman Duncan, Ranking Member Sires, members of the subcommittee, it really is an honor to be here today to discuss the negative influence of external actors in the crisis in Venezuela. I am providing this testimony in my private capacity as an expert on Venezuela, its politics, and its foreign policy.

Mr. Chairman, Ranking Member Sires, I concur with your assessment of both the situation in Venezuela and U.S. interests at stake here, so I will not dwell on those further.

In my written testimony, which I am summarizing here today, I focus on the role of China, Cuba, Russia, Iran, and illicit nonstate actors in Venezuela. I am happy to go into further detail on those in the Q&A, but I would like to make some broad remarks here before we go into specifics.

The first thing I will say is that each of these actors in Venezuela plays a slightly different role, of course, as I detail in my testimony. But the important thing to note is they are all in Venezuela at the invitation of Hugo Chavez as part of his governing strategy back in the day before he was deceased. Chavez's plan was to use these actors to increase Venezuela's capabilities and to resist U.S. influence.

The thing to keep in mind is when oil was at $120 a barrel, Chavez had the upper hand. Now that oil is at a third to half of that, it is Maduro's aspiration that really makes Venezuela vulnerable.

I would like to make four main points at this time about the negative role of external actors in Venezuela. I concur with you that these actors are principally enablers. They basically provide capabilities to the Venezuelan regime that allow them to pursue catastrophic policies for longer and at less cost to the regime than would otherwise be possible.

The second thing is that the Castro-Chavez policies we now observe in place in Venezuela are primarily designed to benefit President Maduro and his allies. We should not assume that they are the result the ignorance or external influence. They are very much designed to support the regime's coalition, transfer public resources into private pockets, and, in fact, this is involvement in corruption, some officials are linked to drug trafficking, some now are linked to human rights abuses, that these actors cannot afford a transition back to democracy. They fear being held accountable.

That said, I do think that at this point in time, and here I am focused principally on how these actors can keep the present regime in power. Their primary motivation for working with the Maduro government is economic. They want to secure the biggest possible return on their investments for interacting with the Venezuelan regime. Of course, geopolitical interests, ideological inter-

ests, may derive welcome benefits from that participation of Venezuela, but that is relatively secondary to their economic motivation.

With that said, I concur with Dr. Ellis that there may be some opportunities there in the sense that they may fear that these deals that they are making now may be invalidated in the future.

Finally, I would say that not all of these external actors have an equally negative role. I think that if you look at China's involvement over time, they have become more skeptical of the Venezuelan regime. They are more concerned about its ability to pay back the existing loans. They are somewhat disenchanted, as opposed to let's say the case of Russia, which I really do think is playing a very opportunistic role these days, picking up Venezuela's oil assets for pennies on the dollar. There may be an opportunity there that the United States should be exploring.

The final thing I would say is that I concur with you and with the ranking member that we are seeing the most positive external environment for international collaboration to address the crisis in Venezuela since President Maduro took office, a decided shift against the Maduro regime, not just in Latin America, but also increasingly in Europe, and that is something the United States, I agree with you, should capitalize on.

That said, I am skeptical that there are solutions in the short and medium term to the crisis in Venezuela, and that guides a set of recommendations that I would like to make now.

The first is, I do think it is time to begin serious contingency planning to address a full-scale humanitarian crisis in Venezuela. This means collaborating with efforts already underway in Colombia and Brazil to deal with Venezuelan economic and political refugees. It means shoring up the efforts of small island states in the Caribbean, which have already been badly affected by the recent hurricanes. It means increasing monetary assistance to credible civil society organizations that can actually get food and medicines to Venezuelans, maybe initially just on the border, but there may be other opportunities.

And finally, I would say that we should talk to the states, including the ones that have a negative influence, who have significant personnel present in Venezuela, the Chinese, the Cubans to understand exactly what the limits of their support are. Are they willing to support at all costs, no matter what, or is there some room short of that that could be explored?

Second, deepen, accelerate strategic engagement programs in the Caribbean. I commend the subcommittee's work on that. I know you have been doing important work in that area. The time after these hurricanes is, I think, an important time to capitalize on that forward-leaning effort that this subcommittee has supported.

I concur with you on the need to build on the international consensus. Any U.S. diplomacy is magnified if we work with our partners in the region.

And finally, I would consider targeted sanctions against individuals and businesses that are enabling the Maduro regime. The Maduro regime is enabling external actors that have not paid much cost for supporting Venezuela so far, and individual sanctions and

sanctions against businesses might produce less of a diplomatic blowback than general sanctions.

I conclude my remarks there.

[The prepared statement of Mr. Trinkunas follows:]

Testimony

U.S. House of Representatives
Committee on Foreign Affairs
Subcommittee on the Western Hemisphere

"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"
September 13, 2017

Harold A. Trinkunas
Senior Research Scholar and Associate Director for Research
Center for International Security and Cooperation
Freeman Spogli Institute for International Studies
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Chairman Duncan, Ranking Member Sires, and Members of the Subcommittee:

It is an honor to be asked to address the subcommittee on the negative influence of external actors in the crisis in Venezuela. I am providing this testimony in my private capacity as an expert on Venezuela, its politics and its foreign policy. I have conducted research and published peer-reviewed reports, articles and books on Venezuela, particularly on its civil-military relations, throughout my academic career.

The main conclusions I present in this testimony are:

- External actors such as Cuba, Russia, China, and Iran have a negative influence on Venezuela by enabling the Maduro administration to pursue failed policies longer than would otherwise be possible.
- Venezuela's crisis is not solely a result of lack of expertise in the Maduro administration or the negative influence of external actors, but rather government policies selected for the benefit President Maduro and his allies rather than Venezuelans as a whole.
- Because of the involvement of some members of the Maduro administration in corruption, drug trafficking and human rights abuses, they cannot afford the risk that a return to democratic rule in Venezuela would expose them to being held accountable.
- External actors negatively influencing the Venezuelan crisis today are primarily motivated by the pursuit of economic gains.
- Not all external actors discussed here play an equally negative role in the Venezuelan crisis, and some may be open to making a more positive contribution under the right circumstances.
- The negative role of some outside actors notwithstanding, the external environment is now more favorable to international collaboration to contribute to a solution to the Venezuelan crisis than at any time since President Maduro took office in 2013.

The Growing Humanitarian and Political Crisis in Venezuela

The subcommittee is well aware of the deep humanitarian and political crisis in Venezuela. Venezuela's GDP per capita has dropped by 40% since President Maduro took office in 2013.[1] Venezuela's economy may be entering a hyperinflationary period: food and medicines are often scarce and, even when available, frequently unaffordable.[2] This has led to an increasing problem of malnutrition among Venezuelans living in poverty, who in 2016 constituted 81 percent of the population, up from approximately 32 percent in 2013.[3] Venezuela also experiences some of the highest rates of criminal violence in the world, in part because the government relies on criminal gangs known as *colectivos* as part of its informal support base.[4]

Venezuela imports most of its food and consumer products, and imports have fallen from $66 billion in 2012 to $18 billion in 2016. We should expect this figure to fall further for 2017.[5] Venezuela has $4.365 billion in international debt payments scheduled between September and December 2017, and less than $10 billion in foreign reserves, much of it in gold, which is a less liquid type of asset.[6]

The country is now ruled by an authoritarian regime under President Nicolás Maduro that has moved increasingly swiftly to dismantle all the checks and balances on executive power contained in the 1999 constitution. Venezuela's opposition movement won a majority in the National Assembly, the country's legislature, in December 2015 elections but this institution has been sidelined and its powers ignored.[7]

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[1] Ricardo Hausmann, "Venezuela's economic decline is 'sharper than the US Great Depression'," World Economic Forum, July 31, 2017, https://www.weforum.org/agenda/2017/07/venezuela-s-economic-decline-is-sharper-than-the-us-great-depression.

[2] Girish Gupta and Corina Pons, "Venezuela's monthly inflation rises to 34 percent: National Assembly," Reuters, September 7, 2017, http://www.reuters.com/article/us-venezuela-economy/venezuelas-monthly-inflation-rises-to-34-percent-national-assembly-idUSKCN1BI35L.

[3] Luke Graham, "Venezuela's crisis causes its people to cut meals and lose weight," CNBC, February 20, 2017, https://www.cnbc.com/2017/02/20/venezuelas-crisis-cause-its-people-to-cut-meals-and-lose-weight.html; Patrick Gillespie, Marilia Brocchetto, and Paula Newton, "Venezuela: How a rich country collapsed," CNN Money, July 30, 2017, http://money.cnn.com/2017/07/26/news/economy/venezuela-economic-crisis/index.html.

[4] Juan Carlos Garzón and Robert Muggah, "Venezuela's raging homicide epidemic is going unrecorded," Los Angeles Times, March 31, 2017, http://www.latimes.com/opinion/op-ed/la-oe-garzon-muggah-venezuela-violent-crime-statistics-20170331-story.html.

[5] Claire Felter and Danielle Renwick, "Venezuela in Crisis," Council on Foreign Relations, August 2017, https://www.cfr.org/backgrounder/venezuela-crisis/.

[6] Julie Wernau and Carolyn Cui, "Venezuelan Default Fears Rise With Billions in Debt Coming Due Soon – Update," Fox Business News, August 2, 2017, http://www.foxbusiness.com/features/2017/08/02/venezuelan-default-fears-rise-with-billions-in-debt-coming-due-soon-update.html; Russ Dallen, "What & When Are Venezuela's & PDVSA's Bond Debts for 2017," Venezuela Opportunity Fund, 2017, https://isma.com/cms/wp-content/uploads/2017/04/Venezuela-Opportunity-Fund-2017-Venezuela-Bond-Calendar.pdf.

[7] Brookings Institution Working Group on Venezuela, "Venezuela: A Path out of Crisis," The Brookings Institution, Washington D.C., April 2017, https://www.brookings.edu/wp-content/uploads/2017/04/fp_20170405_venezuela_working_paper.pdf.

An opposition-led civil disobedience campaign earlier this year, which involved hundreds of thousands of Venezuelans, has fallen short of achieving political change. This year, over 100 protesters have died at the hands of state security forces and thousands more have been arrested.[8] An illegitimately convened pro-government National Constituent Assembly, elected on July 30, 2017 in voting marred by massive fraud, rules by decree with no limits on its power and no end date yet set for its functions.[9]

How Venezuela Affects the Region and How External Actors Are Influencing the Crisis in Venezuela

The crisis in Venezuela is important not just to Venezuelans, but to the United States and to other countries in the Western Hemisphere. Venezuela is a major crude oil producer and traditionally has been an important supplier to the United States, but it has also become a major consumer of U.S. refined petroleum products in recent years. The crisis also has an effect on the regional economy, particularly on small island states that depend on Venezuela for oil products. As a new and growing source of tens of thousands of migrants and refugees from its humanitarian crisis, Venezuela is now having an impact on its neighbors, particularly Brazil, Colombia, and even nearby islands such as Curacao, Aruba, and Trinidad and Tobago.[10] The United States itself has become a major destination for Venezuelans seeking asylum from harsh political conditions.[11] There is also a security dimension to the crisis: under the administrations of former President Hugo Chávez and President Maduro, Venezuela became an important transit country for illicit drugs being shipped by organized crime groups to United States and Europe. Finally, the breakdown of democracy in Venezuela also places at risk the region's consensus on democracy, a shared norm that both Republican and Democratic administrations have valued in recent decades.

The negative influence of some external actors is an important part of any explanation of how Venezuela has fallen into such a deep crisis. Countries such as Cuba, Russia and China are important enablers of the Maduro regime. However, we should remember above all that the present crisis in Venezuela is the direct result of poor policy choices by President Maduro and his ruling party, not those made by external actors. These external actors were invited into Venezuela by former President Hugo

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[8] Alan Taylor, "Months of Deadly Anti-Government Protests in Venezuela," The Atlantic, June 12, 2017, https://www.theatlantic.com/photo/2017/06/months-of-anti-government-protests-continue-in-venezuela/530031/.

[9] Eugenio Martínez, "Radiografía del fraude de la Constituyente," Diario de las Américas, July 28, 2017, http://www.diariolasamericas.com/america-latina/radiografia-del-fraude-la-constituyente-n4128034; "Smartmatic, la empresa a cargo del sistema de votación en Venezuela, denuncian 'manipulación' en la elección de la Constituyente y el CNE lo niega," BBC Mundo, August 2, 2017, http://www.bbc.com/mundo/noticias-america-latina-40804551.

[10] David Noriega, "People Are Moving Around On Top Of This Powder Keg," Vice News, May 11, 2017, https://news.vice.com/story/venezuelans-are-flooding-into-colombia-and-its-starting-to-feel-like-a-refugee-crisis; Maria Beatriz Nogueira and Maiara Folly, "Brazil's refugee policy needs a radical overhaul un response to Venezuela's crisis," The Guardian, June 15, 2017, https://www.theguardian.com/global-development-professionals-network/2017/jun/15/brazil-refugee-policy-needs-a-radical-overhaul-in-response-to-venezuela-crisis.

[11] Patrick Gillespie, "Thousands of Venezuelans fleeing to the US," CNN Money, May 23, 2017, http://money.cnn.com/2017/05/23/news/economy/venezuela-us-asylum-refugees/index.html.

Chávez as part of his foreign policy strategy. Now mired in crisis and shunned by foreign investors and international lenders, Venezuela is certainly more vulnerable to the negative influence of some external actors, but this is precisely because of unwise decisions by the Chávez and Maduro administrations.

On the other hand, the external environment is now more favorable to international collaboration to contribute to a solution to the crisis than at any time since President Maduro took office in 2013. Regional and global politics in reaction to the crisis in Venezuela are evolving rapidly. Major Latin American countries, once silent on Venezuela's slide into dictatorship, are now openly critical of President Maduro, and they are increasingly joined by partners and allies of the United States in Europe.

There are no easy exits from this crisis. There may in fact be no solution in the short and medium term. In the rest of this testimony, I will outline and explain the negative role played by some external actors under former Venezuelan President Hugo Chávez and current President Nicolás Maduro. But I will also examine how the recent positive turn in regional and global politics offers an opportunity for the United States and its partners to make incremental contributions to help Venezuelans address their political crisis, to reduce the risk of a major regional humanitarian crisis, and to contribute to safeguarding regional stability in the Americas.

The Logic of Venezuelan Foreign Policy: Using Petrodiplomacy to Cement New Partnerships

Former Venezuelan President Hugo Chávez built Venezuela's foreign policy around fostering strong ties with an array of countries and international institutions that were designed to protect his so-called Bolivarian Revolution. To evade U.S. influence in the Organization of American States and increase his own influence in Latin America, Chávez promoted the creation of the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC). At the height of the commodity boom of the 2000s, Hugo Chávez used Venezuela's oil wealth to build a regional network of allies through Petrocaribe, an arrangement that provided subsidized financing for the purchase of Venezuelan oil, mainly by small island states in the Caribbean and Central America.[12]

Chávez also created an alliance with ideologically like-minded leaders such as President Evo Morales of Bolivia and then President Rafael Correa of Ecuador called the Bolivarian Alliance of the Peoples of Our America (ALBA). He built strong ties to center-left leaders in Argentina, Brazil, El Salvador, and Uruguay. Hugo Chávez even subsidized the campaigns of like-minded politicians in countries such as Argentina and Spain.[13]

Deep relationships with Cuba, China and Russia developed during this period because these states enabled Hugo Chávez to pursue his preferred foreign and domestic policies. These countries variously contributed loans to purchase consumer goods, to finance the construction of infrastructure

[12] Harold A. Trinkunas, "The Logic of Venezuelan Foreign Policy during the Chávez Period," in *Venezuela's Petro-Diplomacy: Hugo Chávez's Foreign Policy*, ed. Ralph S. Clem and Anthony P. Maingot (Gainsville: University Press of Florida, 2011), 16–30.

[13] Harold Trinkunas, "International Bolivarianism and Its Influence" (Western Hemisphere Security Analysis Center, Florida International University, June 2011).

projects, and to facilitate the acquisition of weapons for the armed forces. They also provided the trainers, advisors and laborers to make it all work.

These new institutional arrangements and alliances shielded Venezuela from critics in the United States, Europe and Latin America. In particular, political leaders in Latin America had to be mindful of criticism of Venezuela for fear of complicating diplomatic relations with pro-Chávez neighbors or their own domestic politics vis a vis pro-Chávez political parties. This diplomatic legacy still benefits President Maduro today even though the oil wealth on which Hugo Chávez built this network of alliances and international institutions has faded with the fall in world oil prices and decline in Venezuelan oil production. It is most visible in the deadlock in the Organization of American States over addressing the crisis in Venezuela.

The Role of Key External Actors in Venezuela Today: Cuba, China, Russia and Iran

President Maduro's hard left turn towards authoritarianism has been enabled in part by the support provided by Cuba, China and Russia. Although it was once relevant, Iran has less reason to be cooperative today than in the past, has fewer resources to support Venezuela, and it is thus less important to Maduro's immediate political survival. Also present in Venezuela are illicit non-state actors that make a decidedly negative contribution to the dynamics of the present situation and help explain the Maduro regime's desire to hold onto power at all costs.

Cuba: A close relationship with Venezuela is a vital national interest

Cuba has a long and deep association with the current Venezuelan regime, beginning early in the presidency of Hugo Chávez. It has been a highly asymmetrical relationship, with Venezuela providing oil and cash while Cuba provides capabilities to the Venezuelan government: doctors and nurses, agricultural technicians, urban planners, military trainers and intelligence advisors. Reportedly as many as 40,000 Cubans participated in this exchange at the peak of this relationship in 2012, approximately 75% of them medical personnel. Cuba's trade with Venezuela was equivalent to 20.8% of Cuba's GDP and constituted 44% of all Cuba's trade in goods in the same year. The equivalent for Venezuela was much lower (5% in 2012.)[14]

The Cuba-Venezuela economic relationship has diminished as the world price of oil has dropped. Venezuela is now less able to continue subsidizing Cuba's imports due to its declining oil production. At one point in 2016 and 2017, there was an eight month moratorium on Venezuelan oil shipments to Cuba, although they have now resumed at a diminished level.[15]

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[14] Ted Piccone and Harold Trinkunas, "The Cuba-Venezuela Alliance: The Beginning of the End?" (Washington D.C.: Brookings Institution, June 2014), https://www.brookings.edu/wp-content/uploads/2016/06/CubaVenezuela-Alliance-Piccone-Trinkunas.pdf.

[15] Haley Zaremba, "Venezuela's oil industry is collapsing and Cuba is scrambling," Business Insider, June 15, 2017. http://www.businessinsider.com/venezuelas-oil-industry-is-collapsing-and-cuba-is-scrambling-2017-6; Franz von Bergen, "Venezuela cuts oil shipments to Cuba forcing Castro to consider veering to U.S.," Fox News, July 27, 2016, http://www.foxnews.com/world/2016/07/27/venezuela-cuts-oils-shipments-to-cuba-forcing-castros-to-consider-veer-to-us.html; Antonio María Delgado, "Venezuela slashes oil shipments to Cuba, Caribbean in half," Miami

President Raul Castro is reportedly more skeptical of the relationship with Venezuela than his deceased brother Fidel was, although President Maduro has worked hard to maintain the close ties that Chávez had achieved, and Cuban hardliners are reportedly favorable to continuing the existing partnership. Some allege that Cuba influenced President Maduro's plan to call a National Constituent Assembly in 2017, although it is important to remember that Hugo Chávez did much the same in 1999, convening a similar assembly to sweep away Venezuela's pre-1998 democratic institutions and write a new constitution. Maduro may very well simply be copying the playbook of his predecessor and mentor, although it is true that Cuba has been openly supportive of this new constituent assembly.[16]

There are no updated accounts of the number of Cuban personnel still present in Venezuela, but some of them may have been withdrawn given the reduced level of trade between the two countries. The Cuban economy would find it difficult to accommodate a return of these professionals in its present strained circumstances, so those that have been pulled out of Venezuela have likely been redeployed in Africa, the Middle East, or elsewhere in Latin America. The payments by foreign governments for the services of these professionals are an important source of income for the Cuban government. The remaining personnel in Venezuela still provide the Cuban government with an option for influence.

China: Declining financial support for and growing skepticism of the Maduro regime

Venezuela has been one of the largest recipients of Chinese policy bank loans, up to $60 billion since 2007 in exchange for guaranteed deliveries of approximately 500,000 barrels of crude oil per day (totals vary year to year). China has also had a major role in infrastructure projects in Venezuela, following a pattern similar to Ecuador elsewhere in South America and to many countries in Africa. Venezuela also used Chinese loans to finance a massive consumer spending boom on Chinese products to ensure the re-election of Hugo Chávez in 2012.

However, China now finds itself in the frustrating position of being unable, despite its investments and loans, to achieve its preferred outcome: increased Venezuelan oil production. Venezuelan oil production has instead declined every year under Maduro, and it is declining ever more rapidly in 2017 due to poor maintenance, under-investment, incompetent leadership at Venezuela's national oil company PDVSA, and corruption. In my discussions in the fall of 2015 with Chinese officials and scholars knowledgeable about Latin America, they already evidenced bewilderment at why the Venezuelans were so incapable of investing Chinese money productively. Many Chinese infrastructure projects in Venezuela have fallen short of expectations, even of completion, and some of these projects are now shuttered.[17]

Herald, March 26, 2015, http://www.miamiherald.com/news/nation-world/world/americas/venezuela/article16381898.html.

[16] Nora Gámez Torres, "After Maduro's secret trip to Cuba, opposition leader want to know: 'Why did he go?'," Miami Herald, August 17, 2017, http://www.miamiherald.com/news/nation-world/world/americas/cuba/article167768857.html.

[17] Dany Bahar and Harold Trinkunas, "Dim prospects for dialogue in Venezuela," Order from Chaos blog, Foreign Policy Program, Brookings Institution, June 22, 2016, https://www.brookings.edu/blog/order-from-chaos/2016/06/22/dim-prospects-for-dialogue-in-venezuela/.

Venezuela's declining oil production, economic crisis and difficulty in meeting its international financial obligations have forced the Chinese to live with what is effectively a partial default, including an agreed-upon moratorium on debt repayment until January 2018 to allow the Venezuelans to market oil initially allocated for delivery to China to clients who can pay full price, such as the United States.[18]

The Chinese government still hesitates to criticize the Venezuelan regime openly, citing 'South-South solidarity' and a policy of non-intervention. Moreover, Chinese analysts have told me that China does not want to turn on the Maduro regime for fear that this will signal other economic partners in the developing world that China is unreliable. Nevertheless, Chinese banks have been much less forthcoming with new money for the Maduro regime in recent years, and Chinese officials in Caracas have been engaged in quiet talks with the opposition to establish the basis for good relations no matter what the outcome of Venezuela's current crisis. [19]

Russia: Opportunistically acquiring Venezuelan oil assets

Beginning in 2005, the Russian role in Venezuela under Hugo Chávez has been based mainly on the provision of weapons systems for the Venezuelan armed forces, up to $11 billion in orders in total, partially financed with Russian loans.[20] Rosneft, a major Russian oil company, has also attempted to play a part in developing Venezuela's ultra-heavy crude deposits in cooperation with PDVSA, but without much success because it lacks the technology and experience to deal with these challenging types of oil fields.

In 2017, the desperate need of the Maduro regime for foreign currency to pay international debts has led it to conduct a fire sale of state-owned oil assets, initially using CITGO (a U.S.-based oil company owned by the Venezuelan government) to guarantee a $1.5 billion loan from Rosneft.[21] When it appeared that the U.S. government might challenge this deal, Rosneft also sought to guarantee its loans via assets located inside Venezuela, principally shares in existing joint venture companies. It is also considering shares in new joint ventures the Venezuelan government proposes to create.[22]

Rosneft is thus providing a critical lifeline to the Maduro administration during 2017, with outstanding loans of $6 billion, much of which are officially considered pre-payment for future oil

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[18] Patrick Gillespie, "China is cutting off cash to Venezuela," CNN Money, September 30, 2016, http://money.cnn.com/2016/09/30/news/economy/china-venezuela-finance/index.html.

[19] Matt Ferchen, "Can China Help Fix Venezuela?," Carnegie-Tsinghua Center for Global Policy, July 24, 2017, http://carnegietsinghua.org/2017/07/24/can-china-help-fix-venezuela-pub-71564.

[20] R. Evan Ellis, "The New Russian Engagement with Latin America: Strategic Position, Commerce, and Dreams of the Past" (Carlyle Barracks: Strategic Studies Institute and U.S. Army War College Press, June 2015), p. 14, http://ssi.armywarcollege.edu/pdffiles/pub1275.pdf.

[21] "Venezuela's PDVSA uses 49.49 pct Citgo stake as loan collateral," Reuters, December 23, 2016, https://www.reuters.com/article/venezuela-pdvsa/venezuelas-pdvsa-uses-49-9-pct-citgo-stake-as-loan-collateral-idUSL1N1EI1FO.

[22] Graham Kates, "Treasury Secretary: Russia's Citgo deal a "national security issue"," CBS News, May 19, 2017, https://www.cbsnews.com/news/rosneft-citgo-steven-mnuchin-national-security/; Marianna Parraga and Alexandra Ulmer, "Special Report: Vladimir's Venezuela – Leveraging loans to Caracas, Moscow snaps up oil assets," Reuters, August 11, 2017, http://www.reuters.com/article/us-venezuela-russia-oil-specialreport/special-report-vladimirs-venezuela-leveraging-loans-to-caracas-moscow-snaps-up-oil-assets-idUSKBN1AR14U.

deliveries.[23] However, we should keep in mind that Russia has nowhere near the level of financial resources available to China to bail out Venezuela. The Russian interest in Venezuela at this time appears to be largely transactional: purchasing oil assets on the cheap and ensuring that loans are repaid.[24] The geopolitical effect of propping up an anti-American regime in Venezuela is a welcome, but decidedly secondary, benefit.

Iran: increasingly an economic competitor seeking a larger share of global oil markets

Iran is not as relevant to the Maduro regime's ability to manage the present crisis as are Cuba, China and Russia. The Venezuela-Iran relationship was stronger five to ten years ago when Presidents Chávez and Ahmadinejad built a personal relationship and agreed to a number of joint economic projects. The nature and extent of security cooperation during the administrations of these two presidents and how threatening it was to the region and to the United States has also been a subject of debate.[25]

But since Chávez died and Ahmadinejad has left office, the basis for close Iran-Venezuela relations has declined, and there has been little visible progress on joint projects. In addition, with Iran's 2016 return to global oil markets after sanctions were lifted under JCPOA, Venezuela is once again an economic competitor with Iran. This is especially true in India, a traditional market for Iranian crude that now receives up to 300,000 bpd of Venezuelan oil. The current Iranian government has resisted President Maduro's frequent entreaties that OPEC (of which both countries are members) should lower oil production to raise global oil prices by limiting supply. Iran has instead focused on reclaiming market share.[26] With both countries facing financial constraints, extreme ones in the case of Venezuela, there is little prospect for enhanced cooperation at this time, let alone for Iran to help bail out Venezuela. And a bailout is front of mind among Venezuelan government leaders today.

Illicit Transnational Actors: Explaining the Maduro regime's fear of being held of accountable

Venezuela has porous borders, particularly with Colombia. Price controls and foreign exchange controls in Venezuela make a wide range of goods (when available) cheaper than in neighboring Colombia. This has encouraged the development of substantial smuggling networks transporting everything from gasoline to food across this border. Added to this has been the operation of the (now-demobilized) FARC and the (still active) ELN and ELP, Colombian Marxist insurgents that have sometimes used Venezuela for rest and resupply and who also benefit from illicit trafficking. On the border with

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[23] Henry Foy, Robin Wigglesworth, "Venezuela asks to restructure Russian debt," Financial Times, September 8, 2017, https://www.ft.com/content/3eb40f87-7004-3974-b6cf-1c5134de666e.

[24] For thorough review of Rosneft position in Venezuela and Russia's support for the Maduro regime, see "Vladimir's Venezuela," Reuters Graphics, August 11, 2017, http://fingfx.thomsonreuters.com/gfx/rngs/VENEZUELA-RUSSIA-OIL/010050DS0W3/index.html.

[25] Cynthia Arnson, Hālāh Isfandiyārī, and Adam Stubits, eds, *Iran in Latin America: Threat or 'Axis of Annoyance'?* Woodrow Wilson International Center for Scholars, 2010.

[26] Parisa Hafez and Rania El Gamal, "Iran offers no action in support of global oil pact," Reuters, February 17, 2017, http://www.reuters.com/article/us-opec-oil-iran/iran-offers-no-action-in-support-of-global-oil-pact-idUSKCN0VQ17P.

Brazil, illicit gold mining is a significant source of social dislocation among indigenous populations and of environmental degradation.

Not only do illicit actors benefit from porous borders, the Venezuelan armed forces are complicit. They have been tasked by President Maduro with supervising the distribution of subsidized consumer goods, particularly food, and therefore face strong incentives to divert at least part of the products under their control across the border into Colombia where they can be sold at full price. To make matters worse, most of the illicit drugs exported from Colombia by air are sent through Venezuela, some of them reputedly transported with the connivance of senior Venezuelan military officers, the so-called 'Cartel of the Suns', a reference to the rank symbol (a sun) that these admirals and generals use on the shoulder boards of their uniforms. The payments in specie (drugs) to gangs inside Venezuela to help secure and move these products contribute to drug use, violence, crime, and even to the creation of gray zones where illicit actors are the predominant source of local authority.[27]

This toxic brew of illicit actors operating in Venezuela's border zones is of concern to regional actors such as Brazil and Colombia, to Venezuelans living in border territories and criminal-controlled gray zones, and of course to the United States, which is the most important destination for illicit drugs in the world. But we should not lose sight of what this implies for the present crisis in Venezuela. The degree of collusion and even participation by Venezuelan government and military officials in the illicit economy and in transactions with criminal actors creates a very strong incentive for those associated with the Maduro regime to avoid even the remotest possibility of accountability, the likelihood of which would increase with a transition back to democracy.

<u>The Relationship between External Actors and Negative Outcomes in Venezuela</u>

1. *Outside actors act as enablers of the Maduro regime*: Outside actors contribute to President Maduro being able to maintain his ruling coalition on the basis of little more than 15-20% of popular support. In return for access to economic rents, China, Cuba and Russia provide capabilities to the Venezuelan regime that allow it to lower the cost of pursuing bad policies and enable it to pursue these policies longer than would otherwise be sustainable. They provide access to technology, training, mechanisms for social control, consumer goods, medical support, and much more. Moreover, they do so in a way that allows the Maduro regime to avoid interacting with potentially troublesome local constituencies. Why put up with the once-influential Venezuelan Medical Federation when you can employ Cuban doctors? Why debate industrial policies with local manufacturers when you can import goods from China?

2. *Poor policy choices in Venezuela are primarily designed to benefit Maduro and his allies*: Observers should not assume that the Maduro administration's catastrophic policy choices are a result of ignorance or outside actors. They are very much designed to transfer Venezuela's public resources into the private hands of those supporting Maduro in myriad ways, whether it is corruption in defense contracts, arbitrage opportunities around the official exchange rate and

[27] Harold Trinkunas, "Rivalry, Trade and Restraint on the Colombia-Venezuela Border," in Maiah Jaskoski, Arturo C. Sotomayor, and Harold A. Trinkunas, eds., *American Crossings: Border Politics in the Western Hemisphere* (Baltimore, Maryland: Johns Hopkins University Press, 2015), pp. 109-129.

the currency black market, tolerating or participating in drug trafficking, or theft and misappropriation of subsidized products.

3. *The Maduro regime cannot risk being held accountable*: Because of high levels of corruption, collusion or participation in illicit trafficking networks and, increasingly, torture and other human rights violations,[28] those that keep the Maduro regime in power cannot tolerate the prospect of losing power. A substantial number of (although not all) high-ranking regime members cannot imagine a future in which they are not in power, but they are still doing well and their interests are protected. This means that dialogue and confidence-building measures, so often favored by international mediators, are unlikely to work.[29]

4. *Not all external actors are having an equally negative effect*: On the face of it, much of the Chinese relationship with Venezuela does not have to have negative consequences. China has the capacity to build infrastructure and the wherewithal to finance it, and Venezuela needs more infrastructure. The decision of two sovereign states to engage in such a transaction may raise geopolitical hackles in Washington, but it is not necessarily bad for Venezuelans. However, the decision by Chávez and Maduro to waste most of the resources borrowed from China on white elephant construction projects, corruption, and vote buying is entirely their own, the negative consequences of which the Chinese have come to realize, belatedly, with chagrin. Other actors, such as the Iranians, may once have been of greater concern but now have less resources and less reason to cooperate with the Maduro regime.

5. *We should avoid over-connecting the dots*: The confluence of all of these actors with anti-American agendas in one country may appear geopolitically alarming to the casual U.S. or external observer. But each of these actors is involved in Venezuela for their own particular transactional reasons. No conspiracy theory is required to explain their motives. The dominant motivation is economic - how to secure the biggest possible return from interacting with the Venezuelan regime. In a sense, because the 'pie' of resources available to Venezuela is shrinking, there is a competitive dynamic among external actors that makes it difficult for the 'dots' to work together successfully at this time.

Positive Developments in Regional and Global Politics and Opportunities to Address Venezuela's Crisis

Most Venezuelans would like to see a return to democracy, with government conducted under the rule of law and the 1999 constitution.[30] The governments of countries representing over 90 percent of the

[28] Stephanie Nebehay, "U.N. rights boss sees possible 'crimes against humanity' in Venezuela," Reuters, September 11, 2017, https://www.reuters.com/article/us-venezuela-politics-un/u-n-rights-boss-sees-possible-crimes-against-humanity-in-venezuela-idUSKCN1BM0UI.

[29] For more on why dialogue is unlikely to work, see Bahar and Trinkunas, 2016.

[30] Daniel Fermín, "Democracia y protesta en números," July 1, 2017, https://danielfermin.com/2017/07/01/democracia-y-protesta-en-numeros/. 2016-17 polling done for the Latin America Public Opinion Project at Vanderbilt University reported that 80% of Venezuelans polled preferred an electoral solution to the present crisis.

hemisphere's population and GDP, including the United States, would like to see the same. Institutions that once shielded Venezuela from criticism such as UNASUR, ALBA, and CELAC, are now deadlocked and cannot rally support for Maduro. Even countries that were once allies, such as Ecuador, are now voicing limited criticism. Others that were loath to comment because of a diplomatic tradition of non-intervention, such as Brazil and Mexico, are now calling for a return to democracy. Reportedly, Mexico is even considering stepping in to guarantee oil supplies to Petrocaribe members if Venezuela's supplies fail, which might help loosen the current deadlock in the OAS.[31] Mexico's Foreign Minister and Colombia's President have both visited Havana recently for talks on the Venezuelan situation. The European Union and major European powers are now considering sanctions on Venezuela, much as the United States has already implemented.[32] Forty countries around the world have declared the recently convened Venezuelan National Constituent Assembly illegitimate,[33] recognizing the power of the opposition-led legislature elected in 2015 instead.

These are all positive developments that should be capitalized on to help Venezuelans return to living in a democracy. The recent positive turn in regional and world opinion represents an opportunity to build international support for better outcomes in Venezuela. Even the external actors that have thus far enabled the Maduro regime may have been caught off guard by the rapidity of Venezuela's economic collapse and by Maduro's hard left turn in response, as compared to Chávez's more subtle stewardship. But a solution for Venezuela's crisis may not materialize in the medium term, and the United States should plan accordingly. To prepare for what may lie ahead, I make the following recommendations:

1. *Begin contingency planning to address a full scale humanitarian crisis*: This includes collaborating with efforts already underway in Colombia and Brazil, and shoring up the capacity of small island states in the Caribbean, already affected by recent hurricanes, to meet the needs of Venezuelan refugees. The United States should increase monetary assistance to credible civil society organizations and nongovernmental organizations able to deliver food and medicines to Venezuelans. In the context of contingency planning, the United States should also make an effort to regularly meet with countries that have thus far had a negative influence, especially those that have significant numbers of their citizens in Venezuela, such as China and Cuba. This will help the United States clarify whether these countries intend to continue enabling the Maduro regime at all costs, or whether there are opportunities to shift their policies in a more constructive direction.

2. *Deepen and accelerate strategic engagement programs in the Caribbean*: This subcommittee has been diligently pressing the previous and current administration in this direction for some

[31] Gabriel Stargardter, "México analiza remplazar petróleo de Petrocaribe si cae gobierno en Venezuela: fuentes," Reuters, August 23, 2017, https://lta.reuters.com/article/domesticNews/idLTAKCN1B31XW-OUSLD.
[32] "Germany won't rule out EU sanctions against Venezuela," Associated Press, September 6, 2017, https://www.washingtonpost.com/world/europe/germany-wont-rule-out-eu-sanctions-against-venezuela/2017/09/06/0fd3b75a-931b-11e7-8482-8dc9a7af29f9_story.html?utm_term=.dc98144019c2.
[33] "La lista de los 40 países democráticos que hasta el momento desconocieron la Asamblea Constituyente de Venezuela," INFOBAE, September 9, 2017, http://www.infobae.com/america/venezuela/2017/07/31/la-lista-de-los-40-paises-democraticos-que-hasta-el-momento-desconocieron-la-asamblea-constituyente-de-venezuela/.

time, and the U.S.-Caribbean Strategic Engagement Act of 2016 has been a good step forward. But in the wake of recent hurricanes, the United States not only has the opportunity to help the peoples of the Caribbean, but also deepen strategic collaboration with their governments even further. This will also build goodwill in the Caribbean and weaken Venezuela's diplomatic position in the OAS. This effort should include encouraging Mexico to pursue its thus far tentative planning to replace Venezuela as a source of reliable and affordable energy for the small island states of the Caribbean, potentially even for Cuba.

3. *Build on a growing international consensus in favor of a return to democracy in Venezuela*: The effectiveness of any U.S. strategy will be improved if it is backed by a regional consensus. The United States should pursue this development through systematic diplomacy to find common ground among regional leaders. It should also back leaders in the region as they pursue their own initiatives, such as the recent visits by President Santos of Colombia and Mexican Foreign Minister Videgaray to Cuba to discuss the situation in Venezuela.

4. *Consider targeted sanctions against individuals and businesses enabling the Maduro regime:* In addition, as part of a diplomatic strategy to encourage a return to democracy, the United States should develop a list of targeted sanctions, in coordination with other countries whenever possible, against individuals or businesses that act as enablers of the worst policies pursued by the Maduro regime. Major financial institutions are likely to stop working with sanctioned individuals and companies to limit their legal and reputational exposure. External actors exerting a negative influence would thus have an incentive to modify their behavior. This may cause blowback in diplomatic relations with the states of origin of these individuals and businesses, which is why any sanctions should be calibrated against the effect they may have on other U.S. diplomatic objectives.

Mr. DUNCAN. I thank all of our panelists, and great testimony.

Dr. Ellis, the deteriorating economic situation in Venezuela makes investment in the country increasingly risky for anybody, especially as Venezuelan oil production continues to decline. In your opinion, why is Russia willing to take these risks?

Mr. ELLIS. Thank you, Chairman Duncan. I believe that Russia itself is not the one taking the risk, but rather, specific Russian companies, Igor Sechin with Rosneft, presumably with the backing of Vladimir Putin.

I believe, frankly, that in addition to the economic interest, both Russia and China have a long-term strategic interest in having a relatively anti-U.S. actor close to U.S. shores that grants them privilege access, not only to the arms market and the oil market, but other markets as well. And so to the extent that it is in both of those countries' interest to sustain that, you know, the small amount of capital, relatively, that is being invested is a minor price to pay, in my judgment.

Mr. DUNCAN. One thing I have always thought about is, I mean, Russia is a gas station masquerading as a country. They don't need the oil. It is not about that geopolitical dynamic of a natural resource.

So with their investment in PDVSA, if Venezuela defaults on the loans, then, basically, Rosneft will have controlling interest, or 49 percent interest in CITGO. What does that mean?

Mr. ELLIS. That is an excellent question, Mr. Chairman. I believe this illustrates an opportunity in part of the Russian strategy. I think in many ways, Russia became somewhat careless as it advanced the last $6 billion in advance loan payment. And I think at the point in which they put in the money for CITGO, what they failed to understand was that, you know, the degree to which, for example, with CFIUS review, that their ability to actually take control over CITGO holdings in the U.S. could actually be denied.

So I think Russia finds itself in a difficult position, and indeed, public information indicates they are currently negotiating actually to swap the access to CITGO for potentially other assets, which might include Petropiar, which might include expanded access to Petromonagas and others, which really goes to Russia's farther strategy, in my judgment, which is to use Venezuela's time of need, not only to sustain the regime, but to broaden the holdings that they have to Venezuela's 300 billion barrels of oil.

And I think their calculations really come down to whether they think, at the end of the day, I believe that Russia and China as much as everyone else wants to transition away from the Maduro regime. But what they want to transition to is very different. I believe that they are hoping that they can get a transition to an equally anti-U.S. authoritarian regime that will let them legally legitimize their holdings. And so to the extent that they believe that they can get that and not be forced to cooperate with the United States toward a more democratic regime, I think they will still continue to play this game to fund the regime as they have.

Mr. DUNCAN. So you mentioned a lot of the weapons. Is there any possibility those weapons could fall in the hands of the criminal element or the narcoterrorists at all?

Mr. ELLIS. They already have, Mr. Chairman. Especially with respect to small arms. I mean, everything from——

Mr. DUNCAN. Beyond small arms. I am talking about some of the larger, more capable weapons that you mentioned.

Mr. ELLIS. Indeed, as my colleague Mr. Toro also mentioned, one of the particular concerns are the Igla-S anti-aircraft munitions, which, especially to the extent that they are transferred away from the regular Army, there is the opportunity for those to begin to be sold to other people.

So it is certainly that, especially as there is a deterioration in order. And what is particularly concerning not only is the black market sales, but if there is a collapse of order, a split in the military as part of a succession crisis, that becomes one of the moments in which those type of arms could begin to even more rapidly disappear into other hands.

Mr. DUNCAN. My time has expired. I will turn to the ranking member.

Mr. SIRES. Thank you, Chairman.

You know, as I look at Venezuela, I see the same game plan that was implemented in Cuba. First of all, in Cuba, they started out with the Communist assembly. In Venezuela, it is called the National Constituent Assembly. Basically, that is to take away power from any kind of democratic effort to put it in the hands of these groups.

The second step is, basically, to eliminate the opposition. They eliminated the opposition in Cuba. They eliminated the opposition, putting them in jail in Venezuela.

And the third thing is this whole structure of committees that they are setting up throughout the country, where the committees basically tell on the activity of the public, you know, what the people are doing, and then they can go and put them in jail.

So I see the same formula, actually, being implemented in Venezuela. Now, what can we do about it? I think we pretty much have to depend on all the other countries around Venezuela to continue to put the pressure and prohibit them from using the World Bank and so forth. But I think other than that, we are kind of limited on what we can do, you know, in the country. So would you agree with that?

Mr. ELLIS. First of all, Mr. Chairman, I would thoroughly agree. Clearly, not only Hugo Chavez, as my colleagues alluded to, but continuing with Nicolas Maduro, who have continued not only to follow the Cuban playbook, but indeed, have received the benefit of their consultation as well as the active presence of the Cuban DGI, the Avispas Negras, and various other organizations to include those introduced through the doctors. And so if it looks like Cuba, that is not entirely by coincidence.

But beyond that, I actually believe that we are at a unique moment where, although oftentimes sanctions are not effective, sanctions may have a particular opportunity to be effective in this case, specifically because PDVSA is at the brink of a cascading liquidity crisis.

You have a series of events, whereby which, for example, certain bond payments, the $3 billion that are due in October, that if PDVSA goes into technical default, you have a situation where the

creditors, including of course, Rosneft that you alluded to, and the other PDVSA creditors from the bond from last year, as well as other international claimants such as Crystallex and others, all begin to jump on international assets, which effectively shuts down the regime.

I fundamentally believe that there is some point at which, if the money flow that accounts for 96 percent of Venezuela's ability to import the food and medicine it needs for its people is effectively shut down through that international legal battle, you do force a situation in which you may have regime change. And the way that we structure sanctions may impact how that comes about.

Mr. SIRES. Mr. Toro?

Mr. TORO. I think it is important to understand that the U.S. has a lot of leverage. The United States buys 720,000 barrels a day from Venezuela. I read in the Washington Post last month that there is scope for creativity here if people are willing to explore it. It is nowhere written that the United States has to buy this oil. And if it does buy it, you could think creatively about conditioning payments to some kind of mechanism where the National Assembly, the duly-elected National Assembly in Caracas approves the use of those payments. You could think of escrow systems. You could think of different ways of leveraging the fact that, yes, the United States needs this oil. Yes, Venezuela needs to sell this oil, but not under just any old conditions.

Mr. TRINKUNAS. Thank you, Ranking Member Sires. I concur with you that collaboration from the countries in the region is important. We know from sanctions that they are more effective the more that the key parties are present. I also think there is an opportunity to put pressure on individuals and businesses that facilitate and serve as fronts for the officials in the Venezuelan Government that have engaged in corruption or benefit from drug trafficking. Cooperation with regional financial centers, especially in places like Panama would be important. So I do think there is room for creativity both in the kinds of sanctions and then how the earnings of Venezuela——

Mr. SIRES. In terms of the game plan that I described at the beginning of my comments, do you agree with that? Do you see similarities?

Mr. TRINKUNAS. To——

Mr. SIRES. To the Cuban game plan.

Mr. TRINKUNAS. I do think that there is a similar level of effort to achieve authoritarian control. I do see a lot of similarities also to what Hugo Chavez did in 1999. It is just when Hugo Chavez shut down the Congress and the Supreme Court in 1999, it was popular, and now it is not popular. So I don't let the Venezuelans off the hook, sir.

Mr. SIRES. Mr. Toro, do you agree with that game plan that they are implementing?

Mr. TORO. Absolutely. The difference is that in Cuba in the late 1950s and 1960s, they had firing squads, and so things went much more quickly. If you are trying to do the same thing, but you are not going to have firing squads, it is going to take you 17 years or 18 years instead of 6 months or a couple of years. But you see the procession.

And Venezuela now is at a very peculiar point in its history in that it still has an organized independent political opposition hanging on just barely in the Mesa de la Unidad Democratica, in MUD. They are trying to figure out ways to stay relevant and to stay united and to stay cohesive and to stay effective under a lot of pressure.

It is not a given that Venezuela will always have that kind of opposition. Venezuela could end up just like Cuba with only dissidents and not an organized——

Mr. SIRES. My time just ran out, but I do think that Venezuela is going to move on private property in the next year.

Thank you, Chairman.

Mr. DUNCAN. I thank the ranking member.

Now we will go to Mr. DeSantis from Florida.

Mr. DESANTIS. I thank the witnesses.

And just following up on the Cuba stuff. How do the Cuban military officers and soldiers exert power and influence over the Venezuelan military government? Doctor?

Mr. TRINKUNAS. So Venezuela invited in 40,000 Cuban personnel during the Chavez regime. Most of those were doctors, but a significant number were intelligence officers and military advisers. The most important role that they play is really as spies on the activities of the Venezuelan officer corps. It makes it very difficult for anybody in the Venezuelan officer corps to remain independent or nonideological or nonsupportive of the regime. So they have also taught the Venezuelans themselves how to conduct surveillance of their own officers. So it is really in support of maintaining regime control that they play a role.

Mr. DESANTIS. You want to——

Mr. TORO. I think it is important to understand also that I think if we go back 5 years, that was very much the case. You had Cuban military personnel, spies, pretty much in every Venezuelan army unit. And in the last 3 years, that has changed a little bit, because that was generating a lot of resentment inside the Venezuelan military. It is humiliating to be spied on openly by foreigners.

So in the last 3 years, what we have seen there is a move away from this unit-by-unit surveillance. And the way I put it in my written statement is the Cubans used to be everywhere, now they are just at the top. So you have, in Miraflores in the Presidential palace in Caracas, you have the situation room where intelligence gathered mostly by Venezuela, it is a little bit by Cubans, is funneled and analyzed and fed to the top leadership, really by Cubans. So they have become a kind of mechanism for dictatorship, if you want to put it that way. They are playing a consultancy role, but a very high-level consultancy role. High-level decisions are never made without asking the Cubans for advice first, and Venezuelan high regime officials are traveling back and forth to Havana all the time.

Mr. DESANTIS. So the Cuban military officials and intelligence officials, are they shaping the oppression of the Venezuela people and the opposition?

Mr. TORO. Very clearly.

Mr. DESANTIS. And what specifically do they do to do that?

Mr. TORO. Well, it is just day-to-day management of the political crisis. It has taken a lot to break the Venezuelan opposition to set it against the various groups against one another. It has taken a lot to identify the fracture points inside the Venezuelan opposition and play on those.

If you read Venezuelan news over the last couple of days, we have one part of the opposition now at semi-open warfare with another part. That is not casual. That is the result of a Cuban strategy to sow divisions in a very canny kind of way. Because we know that to the degree that the Venezuelan opposition splits, it becomes harder for people like you to put pressure—for the United States to put pressure, because, you know, if half the Venezuelan opposition is accepting the National Constituent Assembly, how exactly does the Lima group or the United States or anyone else get off saying, no, this is an illegitimate assembly?

So I think the Cubans are very good at this kind of work, understand it very well, and have in Nicolas Maduro a real hardliner, I mean, a man whose entire political vision was built in Cuba.

Mr. DESANTIS. So if you did not have any of this Cuban influence and Cuban support, what would that mean for the viability of the Maduro regime?

Mr. TORO. I think to some extent, because Maduro and the inner clique around Maduro, they came up through the Liga Socialista, this Cuban satellite party in Venezuela in the 1970s, but they thought like Cubans. They have been trained to think like—Maduro never went to university, but he did go to the school of international cadres in Havana for a year between 1996 and 1997. That was his university. So he thinks like a Cuban Communist. The inner clique around him thinks like Cuban Communists. And in a way, you know, the Cuban vice has been embedded in the way that the Venezuelan security services do their work and certainly in the way that the leadership clique thinks.

Mr. TRINKUNAS. I would just add that, basically, the Cubans enable President Maduroand his supporters to do what they want to do sort of faster or better or more effectively. But, basically, I agree with Mr. Toro, that this is their preferred course of action. It is not being forced upon them.

Mr. DESANTIS. But it makes their course of action more viable against opposition because of the Cuban support.

Mr. TRINKUNAS. Correct. And, in fact, right now, they are engaged in the strategy of shaping the opposition. It is an opposition that they can easily manage by pruning off the parts they don't want to deal with.

Mr. DESANTIS. Great. Well, I thank you, thank the witnesses. And I yield back.

Mr. DUNCAN. Dr. Ellis, do you want to chime in on that?

Mr. ELLIS. Yes. I just want to say very briefly that, in my judgment, that the Cubans are only able to imperfectly compensate for the bad management of Maduro team. But at the tactical level what becomes critical as the crisis deepens is the DGI and others who are monitoring whether or not there is a fracture in the military. Because I think with that, that element of the support, basically, a collapse can occur more readily with respect to the military split, it is a vehicle for ending the regime.

Mr. DUNCAN. Thank you.

The Chair now will go to Ms. Kelly from Illinois.

Ms. KELLY. Thank you, Mr. Chairman.

While the U.S. has taken action to sanction individuals profiting from the Maduro regime, other nations like China and Russia have enabled Venezuelans actions. Venezuela is accounted for 44 percent of total lending by Chinese banks in the region. For Russia, Venezuela has been a major market for Russian sales, armed sales with over $11 billion in sales since 2001.

Mr. Trinkunas, you stated that most outside actors that trade with Venezuela do so to secure the biggest possible return. As the economic outlook deteriorates in Venezuela, do you expect outside countries to have more interests to exploit a weak state or fear of possible default? And are there any indications that China would inject capital into Venezuela to keep the Communist (ph) government informed?

Mr. TRINKUNAS. That is a very good question, Congresswoman Kelly. And I believe there is a difference between China and Russian on this. I think China has become more reticent in recent years. They are still providing some level of support. They are not willing to totally completely cut and run, because they are concerned about how that would be viewed by other potential and existing partners around the world. They think of themselves as a rising global power, and they know what they do in Venezuela will affect their relations with other countries. So they are reluctant to invest more money, but they don't want to completely leave.

On the other hand, Russia, and specifically Rosneft, have been behaving very opportunistically this year in terms of acquiring stakes in joint ventures in Venezuela, as Dr. Ellis and Mr. Toro explained. The one thing to understand about the Constituent National Assembly, in addition to supporting the completion of authoritarianism in Venezuela, it is a vehicle by which the Maduro regime can try to provide some legal cover for what the Russians, for example, are doing in Venezuela.

Mr. ELLIS. If I could jump in, ma'am. I also believe that China is now continuing to inject capital. The idea that although China has become more cautious and has not extended new loan vehicles; however, it is interesting the current $2.7 billion in new projects that was just authorized last week actually is basically money that was paid down out of one of the existing tranches of one of the heavy investment fund. And so China is proceeding cautiously.

But I also believe that because the majority of those $62.2 billion that were lent was actually lent on generally 3-year repayment terms and largely on a—you know, repaid out of China—out of Venezuelan oil deliveries, that China is not as worried about losing money as many think. As a matter of fact, the amount that could be still owed to Venezuela may be—or to China may be as low as $15 billion. And when you consider the China investment corporation itself has a $900 billion loan portfolio. For China, you know, taking a loss on $15 billion, which is actually only half of the loans that Russia took as a write-down when it wanted to reestablish its own relationships with Cuba.

So my suspicion is that China is continuing to support the regime; it is just doing so in a less overt way than people like Igor Sechin are on the Russian side.

Mr. TORO. We should note that as far as we know, Simon Zerpa, the PDVSA vice president for finance who was named as part of the latest round of OPEC sanctions, is in Beijing now and has been for a couple of weeks negotiating a—trying to negotiate some kind of support deal. The—Beijing is—obviously, it is difficult to get information out. It is hard to know if it is going well or not. We will have much better answers to the question when Mr. Zerpa comes back.

But it should be noted that sanctions, individual sanctions against Simon Zerpa and against the national treasurer, Erick Malpica Flores, the first lady's nephew also, have been very effective in limiting their capacity to look for financing in traditional ways. And so we have Simon Zerpa camping out in Beijing for 2 weeks trying to solve that problem.

Ms. KELLY. I have used up all my time.

Mr. SIRES. You have——

Ms. KELLY. I yield back the balance of my time.

Mr. DUNCAN. She yields back.

So the Chair will go to Mr. Yoho from Florida.

Mr. YOHO. Thank you, Mr. Chairman. Thank you, gentlemen, for being here.

I hail from Florida, so we are very, very concerned with this. We have got—in my past life as a veterinarian—I will always be a veterinarian—and I had several clients from Venezuela, and we have been following this, and it has only deteriorated in this first half of the century.

And it is very disturbing to see what is going on there, from the breakdown of the rule of law, the Communist state that is developing, the dictatorship. The liberties that they had are gone. They are already usurping the property and taking the personal property. And I agree with Mr. Sires that this is the prelude of what Cuba did with the Castro regime.

There are so many different avenues that I am concerned with. You know, the terrorist networks that are developing there from the Middle East, the Chinese influence, the national security—these all tie into national security, but what I see with the CITGO deal that was made with the loan—and I want to touch on that just briefly—if Venezuela defaults, CITGO has three oil refineries here, nine pipelines, and 50 petroleum platforms. Are we to believe that if they were to default, Russia takes that over in this area? Is that something that we would anticipate? Or China, if China were to—if they were to default to China?

Dr. Ellis?

Mr. ELLIS. Yes. Well, first of all, my understanding is there is a pending CFIUS review.

Mr. YOHO. Right.

Mr. ELLIS. And I think, you know, heavy attention to that would be merited to potentially blocking that, and I think there are strong grounds for blocking the takeover by Rosneft of those assets. And I think—my understanding is that out of concern for that po-

tential blockage, Rosneft is actually working right now to switch out those assets for broader assets in Venezuela.

Mr. YOHO. Okay. You know, and we have had personal contacts with people that used to work for the Venezuelan generals that were working with our Government through different agencies, I won't mention them, that have firsthand information that the Vice President Asami, when he was a Foreign Minister, was printing Venezuelan official passports for ISIS and Hezbollah members that were entering our country.

And to me, this is just a very severe national security risk. And I look back at the words of John Kerry when he said the Monroe Doctrine was outdated and not needed. I think we need to bolster it and really put an influence and, you know, make sure we secure the Caribbean base in South America with our policies.

And let's see. The corruption scandals. I mean, they are widespread down there. And you brought up, there are over—Mr. Toro, over 1,000 MANPADS that have gone missing. Is that—did I hear that correctly?

Mr. TORO. No, no. Let me restate. There are 5,900 Russian MANPADS, is the latest information I have, they are under the control of the Venezuelan army. The question is what happens—there is a plan now to shift about 1,000 of them to the Bolivarian militia where they will not be as well safeguarded. And we know that there are contacts between illicit groups, drug trafficking groups, Colombian groups, groups that have expertise shipping drugs from the northern coast of South America to the United States. If you want to hide a MANPADS system, they want to send it to the United States, just hide it under a sack of cocaine. You can do that. So this hasn't happened——

Mr. YOHO. Yes. That is not comforting.

Mr. TORO. It is not comforting. It is deeply concerning, because it is—it is not just that there are these external actors that are very worrying, it is a way they can overlap and interact. If you have the drug trafficking route, because you set it up for illicit narcotics, what else can you put on that?

Mr. YOHO. Mr. Chairman, I have got one more question. Do I have time? I don't have a timer in front of me.

What we have heard is that the Maduro regime, and even Chavez, had the Cuban soldiers around him because he felt they were more loyal to them, because they are a student of Castro's. Do we still find that today? Is the Cuban militia that is around him and the military around him, are they more loyal and protective of Maduro than the Venezuelan generals? What are your opinions on that?

Mr. ELLIS. I have heard similar things. And, you know, to some degree, that may be the case, and it depends on which specific loyalists. One of the difficult issues with many of those, especially the Venezuelan national guard generals, is they have become so deeply entwined in narcotrafficking and other profiteering from the regime's economic, you know, policies that, you know, their fate in many ways is actually tied to Maduro's, although they are looking for transition to a more rational management.

There is also some speculation, though, whether some, for example, the Avispas Negras, the elite Cuban guard, are they actually

guarding Maduro, or are they actually guarding their own, you know, Cuban personnel from the Venezuelans? So that is a little bit of concern.

Mr. YOHO. All right. I yield back.

Thank you, sir.

Mr. DUNCAN. I thank the gentleman.

The Chair will now go to Mr. Espaillat from New York.

Mr. ESPAILLAT. Thank you, Mr. Chairman.

I guess, how many Cubans are there? How many Cuban operatives are there right now in Venezuela? Do you have an approximate number?

Mr. TRINKUNAS. Congressman Espaillat, that is a very good question. The assessment was in 2012 there was about 40,000. However, at that time, Cuba-Venezuela trade was about $7.5 billion, more or less. Trade has dropped to about $2.2 billion. And a lot of those personnel were being paid for by Venezuela through subsidized oil. So those personnel, some likely have been withdrawn just because Venezuela is not paying anymore. In fact, there was a 8-month oil moratorium last year and early this year, that is—Venezuela started shipping oil at a reduced rate. But if those personnel are not in Venezuela, they have likely been redeployed to the Middle East or Africa or elsewhere in Latin America, because that is how—one of the ways that Cuba earns money is through providing those personnel.

Mr. ESPAILLAT. And during the—is there a sign that there is a crack in the wall, if you may, in the military, are there any solid noncorrupt military professionals that are showing signs of potentially objecting to Maduroand his ways?

Mr. TRINKUNAS. Let me just briefly say that there is—the senior leadership is selected for ideological loyalty, and also as Dr. Ellis and I am sure Mr. Toro agree, there is the issue of connections to drug trafficking among the Guardia Nacional. The junior officers are heavily ideologized at the national Bolivarian Military University. It is those middle ranks that have not been completely captured by the revolution, and that is where you see this occasional small uprising, the helicopter, the raid on the base. It is that set of officers that, I think, are sort of most open to all these, but they are being watched.

Mr. TORO. I think it—well, about 4 months ago, there was a video—or 6 months ago, there was a video that, with little notice outside the Venezuelan military, that showed a couple of soldiers outside the main army base in Maracay rummaging through sacks of garbage looking for food. Okay?

The video was not very much noticed outside the military, but inside the military where everyone has WhatsApp, because they are South Americans, it went viral. Everybody inside the military saw it. And there was a moment when people in different units inside the military realized, wow, it is not just in this unit where we don't have quite enough to eat.

For middle-ranking officers, keeping morale and preparedness and just basic discipline in a situation where you can't always feed your troops is very difficult. And for the army, again, trying to secure weapon systems when the troops are hungry is, again, very difficult. So some of the people, I don't doubt—I don't know if you

can find very many people who are not at all corrupt inside the Venezuelan military, but what you can find is many officers who find that the current government setup is unsustainable and find it difficult to understand why they should try to continue to sustain it.

Mr. ESPAILLAT. My last question is, I am kind of losing a little hope on the sanctions positions, because as just stated here, China has been substantially present there and may look to bail them out. And, in fact, if we sanction them, that provide them—provides them with a platform to then go out there and demonize the U.S., and then here comes China and bails them out. So is there any way that we can—what is the objection to not buying their oil, for example? That is a significant part of their economy.

And second, the second question is, what can we do about the international—the smaller countries that have benefited from petro [off mic] that seems to be bailing them out in the international community both at the Organization of American States as well as the United Nations?

Mr. ELLIS. Congressman Espaillat, that is a great question. I strongly believe that we are in a moment where sanctions can make a difference, but only if done right and coordinated with an effective strategic communications, not only to Venezuela, but also to Russia and China.

First of all, I believe that it is actually important that we do sanctions in a relatively quick fashion. I believe that what you said is absolutely on track, that we need to move forward with sanctions that cut off Venezuela's oil flow. Although that will damage U.S. industrial interests, I believe that in some ways that not only doing so shows that we do not have a, you know, moral ambiguity in the game, but it also accelerates the rate at which you force a crisis to the regime.

And, frankly, we also need to signal strongly to China, because China watches this with one eye in the relationship with the United States. And if they believe that we see this as a strategic play on their part, they may or may not be willing to put in that cash. They have been very cautious about that.

I believe also that we do need, as you pointed out—and, of course, Dominican Republic, as you know that—and I was just actually in Santo Domingo just a couple of weeks ago right after your visit, sir, the committee's visit, and was struck by the number of Venezuelans that you see. And so you have this ironic situation in which friendly governments continue to go along with the Venezuelan regime, while at the same time they are suffering from the crisis that is created by the Maduro regime. I think we need to manage that diplomacy carefully through a bit of—you know, through a bit of tough love, if you will.

Mr. DUNCAN. We have time for another round if members would like.

I would like to just raise a point. So under Chavez we saw the Air Caracas flights, Caracas to Tehran, stopping in Beirut. And Beirut is the lead country for Hezbollah. I mean, Party of God, Iranian proxy.

How much activity is Hezbollah conducting in Venezuela? Is there still as much Iranian influence as there was under Chavez

with Maduro? And are we aware whether the Air Caracas Tehran flights are still going on?

Dr. Ellis.

Mr. ELLIS. Chairman, that is a wonderful question. And I believe there are two dimensions to this, the Iranian and the Islamic extremists. And they are overlapping but somewhat separate. Certainly, with the shift from——

Mr. DUNCAN. Some of us think they are one in the same.

Mr. ELLIS. Yes. They are certainly reinforcing. And certainly with the change in style in Iran from President Ahmadinejad to President Rouhani, what you see is at least a low profile.

But I believe that Iran's strategy in the region is fundamentally the same. They are continuing to recruit personnel for the Iranian madrassas from places like Venezuela. They are continuing to introduce Quds Forces into the region, although at a somewhat lower level. They are continuing to work, many of us believe, on missile proliferation.

And one of the concerns is—and I think you have already seen it—with President Rouhani's reelection in Iran, and the freeing up of $150 billion in resources, and indeed the meeting with Maduro just a short time ago, I think you are beginning to see a renewed willingness of Iran to drop a little bit of the caution that it had previously adopted when it was negotiating the end of the sanctions regime.

Related to that, clearly, I am very concerned not only about Hezbollah, but other Islamic radicals. As you rightfully pointed out, Tareck El Aissami, the Vice President, is one of the key people not only in terms of the religious activity, but also with the criminal radicalization.

Hezbollah, both in Syria and Lebanon, but also in Latin America, is a major drug-dealing and money-laundering organization with ties in Colombia, Venezuela, elsewhere, that is reinforced and plays with Iran, but also has their own criminal agenda, which really leads to the growth of illicit networks which fundamentally undermine and threaten the United States.

So I am glad that you brought that up, sir, because that emphasis has received probably less attention than it should recently, the role that is being played.

Mr. DUNCAN. That has been an issue with me, the Iranians' activity in the Western Hemisphere, not just Venezuela. We are not going to take our eye off the ball with the things you mention and what Iran, Quds' Force, their proxy, Hezbollah, are doing here closer to home.

Last question. India, they are buying a lot of oil, I understand. Are they propping up the Maduro government? Is it anything we ought to be looking into?

Mr. Trinkunas, that is fine. Yeah.

Mr. TRINKUNAS. I was just going to make a brief point, that I think India is an interesting signal of the change that you are seeing, I think, in the Iranian relationship. When Iran reentered global oil markets after sanctions were lifted under JCPOA, a competitive dimension was introduced into the Iran-Venezuela relationship because they are competing for markets. And, in fact, India was

traditionally an Iranian market that would later on become a Venezuelan market.

So we shouldn't ignore the fact that there is a new dimension to the Iran-Venezuela relationship where Iran is competing for markets after being locked out for so long.

Mr. ELLIS. Sir, India is a wonderful point. Thank you for bringing it up. And it is interesting because even though India's orientation toward the region, including under Prime Minister Modi, has been relatively apolitical, it is interesting that until the Jieyang refinery comes on in Guangdong, in China, really it is the Reliance Refinery in India that has one of the few capabilities in the world to bring on and process Iranian heavy oil coming out of the Orinoco Tar Belt.

It is also of interest that actually Rosneft has a play, the Russian company, to actually buy a stake in that. And some of us believe that part of Igor Sechin's play is to actually refine Venezuelan oil in India.

But India, to the extent of which—there is probably as much of an impact on Indian potential sanctions and cooperation as there is from U.S. sanction. And so to the degree to which India is willing to cooperate with us toward the Venezuelan regime, that would bring a big deal of help in bringing pressure on the Venezuelan regime.

Mr. DUNCAN. Thank you, gentlemen.

I said earlier Iran and Islamic extremism were one and the same. Maybe not one and the same, but not mutually exclusive, I guess is what I meant by that.

Any other members have any followup questions?

Mr. Yoho.

Mr. YOHO. Thank you again.

What is your recommendation with Goldman Sachs, who bought $2.8 billion in bonds? Is that something that we should discourage from American financial institutions, bailing out a country that suspends or gets rid of their Constitution? Thoughts?

Mr. TORO. I think the latest—well, the first round of financial sanctions is narrowly constructed to prevent that from happening again. It is unfortunate that it happened once. But as I understand it, sanctions will not allow that to happen again.

Mr. YOHO. Okay.

Mr. TRINKUNAS. Congressman Yoho, I think that is a very interesting point, because I think you highlight a mechanism by which you discourage financial institutions in the future of taking the risk of dealing with the Venezuelan Government. You don't have to prevent very many of these actions to discourage many of them.

Mr. YOHO. Make an example out of them. I am a firm believer in that.

One last thing, and I don't know if you touched on this. Again, with the Citgo operations in the United States, and with the Venezuelan Government suspending or changing their Constitution, which I feel is through an illegitimate election and process, would you sanction those companies, the Citgo companies here, and prevent them from processing Venezuelan crude and replacing it with U.S.? And I know you said it would disrupt our system, but I think we could probably fill that fairly quickly.

Mr. TORO. I am a Venezuelan national. I have family and employees and friends there. I cannot support any such move.

And I think it is important to understand clearly the mechanism through which stopping Venezuela from selling oil to the United States is supposed to create pressure. I mean, this is a hunger strategy. This is let us starve out the Venezuelan population, let us put a hard stop to food and medicine imports into Venezuela, and then they will overthrow the government. I don't think that is a viable or defensible strategy.

Mr. YOHO. Dr. Ellis.

Mr. ELLIS. Frankly, I wrestled with a lot of this in my own testimony, because, obviously, we don't want to do anything that hurts either U.S. companies or the Venezuelan people, because at the end of the day our interests are in the well-being of the Venezuelan people.

My two concerns is that a go-slow strategy of individual sanctions, while certainly sending messages, prolong the rate at which you have the suffering of the Venezuelan people while giving Russia and China the opportunity to incrementally bail out and advance their position more and more and more.

Whereas, the faster that we do sanctions, although immediately painful, it creates a situation in which Russia and China do not have the time nor the scope for being able to bail it out. And, frankly, it sends a very strong message not only to companies like Goldman Sachs, but companies such as Citgo as well.

Mr. YOHO. Thank you.

Mr. DUNCAN. I thank the gentleman.

Before we end up, hurricanes have affected a lot of our members on this subcommittee and their districts. So our prayers are out to the State of Florida and Texas. And also to the Caribbean, which we have jurisdiction over, has experienced a lot of damage from the hurricanes. So our prayers are with them, as well.

Pursuant to Committee Rule 7, the members of the subcommittee will be permitted to submit written statements to be included in the official record.

Without objection, the hearing record will remain open for 5 days to allow statements, questions, extraneous materials for the record, subject to the length limitation in the rules.

There being no further business, the subcommittee will stand adjourned.

[Whereupon, at 3:17 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on the Western Hemisphere
Jeff Duncan (R-SC), Chairman

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere in Room 2200 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, September 13, 2017

TIME: 2:00 p.m.

SUBJECT: The Venezuela Crisis: The Malicious Influence of State and Criminal Actors

WITNESSES: R. Evan Ellis, Ph.D.
Senior Associate
Americas Program
Center for Strategic and International Studies

Mr. Francisco Toro
Executive Editor
Caracas Chronicle

Harold Trinkunas, Ph.D.
Senior Research Scholar and Associate Director for Research
Center for International Security and Cooperation
Freeman Spogli Institute for International Studies
Stanford University

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *The Western Hemisphere* HEARING

Day *Wednesday* Date *September 13, 2017* Room *2200 RHOB*

Starting Time *2:08pm* Ending Time *3:17pm*

Recesses [ ] (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Chairman Jeff Duncan

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"

SUBCOMMITTEE MEMBERS PRESENT:

Rep. Duncan, Rep. Sires, Rep. Brooks, Rep. Yoho, Rep. Desantis, Rep. Kelly, Rep. Espaillat

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

N/A

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] No [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Rep. Duncan QFR

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:17pm*

Subcommittee Staff Associate

Francisco Toro

Questions for the Record

House Committee on Foreign Affairs Subcommittee on the Western Hemisphere Hearing
"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"
September 13, 2017 at 2:00 p.m. in Rayburn Room 2200

Chairman Jeff Duncan

TO: ALL WITNESSES

1. Criminal Network Financing of Venezuelan Government. There have been several reports that Venezuelan government officials have engaged in illicit activities, including drug trafficking and support for criminal groups such as the FARC and drug cartels.
   - What role do criminal groups play in Venezuela?

The collapse of law and order in Venezuela is very wide. It varies widely between one area of the country and another, and includes a range of actors.

Of particular concern is the rise of what Venezuelans refer to as "mega-bandas": very large criminal gang networks that now effectively control large swathes of territory, have access to high grade military hardware including sniper rifles, grenade launchers and —potentially— shoulder-mounted surface-to-air missiles. One mega-banda known as "El Tren de Aragua" now effectively controls the whole southern half of Aragua State. Another, known as Juvenal, controls highly populated sections of Western Caracas around the Cota 905 neighborhood. Others control hugely profitable illegal-mining sites across South Eastern Venezuela, where they kick-up what amounts to protection money to the military to be allowed to continue to control the mines.

These mega-bandas have risen to exploit Venezuela's ungoverned spaces. They are not really transnational actors, but they do have the potential to play a politically destabilizing role. In particular, their access to high grade military hardware and their profit-driven orientation should be a proliferation concern to the United States.

The mega-bandas are more closely associated with local narcotics distribution than with international drug trafficking, though in some cases a few have dabbled in the International Drug Trade. My understanding is that mega-banda international drug shipments very rarely exceed the 50 kg. threshold.

But the bigger players in drug trafficking are not mega-bandas, with their concern over controlling territory, but rather specialized drug traffickers with deep connections throughout the Venezuelan state that have turned Caracas, in particular, into a major drug trafficking and money laundering hub. Caracas is attractive for a number of reasons: exchange rate distortions make it a very attractive money laundering destination. Indeed, incongruously amid a terrible economic depresion, Caracas is undergoing something of a luxury construction boom, as drug traffickers snap up local real estate at distressed prices and build high end office and residential developments there.

Caracas is also an attractive space for negotiating drug deals and arranging the logistics of new drugs routes. Highly trained security personnel can be hired for traffickers' security details at, internationally, very attractive prices, and traffickers' connections throughout the state render law enforcement detection concerns minimal. Finally, drug traffickers have by now develped extensive contacts throughout the security forces and the armed forces which allow them to arrange for transshipment to proceed smoothly, at a relatively affordable price.

- Would you describe Venezuela as a narco-state?

As a rule, Venezuelan state actors —in particular in the military— are more often involved in *protecting* and *enabling* drug trafficking arrangements, for a fee, than in personally arranging drugs shipments. I would describe Venezuela as a state riven at every level with complicitous arrangements and understandings with drug traffickers rather than a state run by figures actively dedicated to drug trafficking.

- Many countries in Latin America have uncovered corruption scandals involving illicit funds supporting political campaigns. What role does illicit funding play in propping up Venezuela's government and institutions?

The ruling United Socialist Party of Venezuela (PSUV) has sought to erase any distinction between itself and the Venezuelan state. Financial firewalls between the State Oil Company (PDVSA), the state itself and the ruling party have now faded into insignificance. State resources are used brazenly in favor of PSUV campaigns, for political agitation, to bulk up rallies, etc. Public employees are routinely told they must turn up at political events and stand to be fired if they fail to attend. Busses belonging to public bodies are routinely used to mobilize government supporters to campaign and other political events. The collapse of any kind of separation between PSUV and the state makes it possible to say virtually all of the ruling party's political campaigning is illegally funded using public monies.

In addition, some private organizations (like Brazil's Odebrecht) have been involved in highly visible illegal funding scandals. These scandals have been highly publicized largely because they involve foreign counterparties and are the object of judicial proceedings and intense media interest abroad — mostly in Brazil. While there is much more scrutiny of these funding scandals —which have touched both the government and some opposition figures— it's important to understand that in dollar terms they are dwarfed by the illicit use of Venezuelan state resources.

2. Terrorist Threat in Venezuela.
   - What is the scope of Islamic radicalization in Venezuela? Has Iran attempted to recruit Venezuelans and if so, is there any evidence that these recruits have traveled to the Middle East and returned to Venezuela?

Absence of evidence is not, of course, evidence of absence, but the evidence I've seen linking specifically Hezbollah to the regime is now at least six years old. The suspension of Air Iran's Teheran-Damascus-Caracas flight now six years ago put an end to most of the reports in this regard we had heard while it operated.

It's important to grasp that the large Lebanese and Syrian immigrant community in Venezuela dates back to the 1920s. That community has social links with organizations back home including Hezbollah, but I understand those are often more cultural than political or militant. Hezbollah operates, to a certain extent, as a diaspora community center in Venezuela. That does not mean that certain militant Hezbollah operations don't take place in Venezuela, just that the better analogue here is Sinn Fein/IRA's relationship with the Irish American community in Boston.

R. Evan Ellis, PhD
Response for the Record to Questions for the Record[1]

Submitted by the Honorable Chairman Jeff Duncan
House Committee on Foreign Affairs Subcommittee on the Western Hemisphere Hearing
In conjunction with the hearing
"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"
September 13, 2017 at 2:00 p.m. in Rayburn Room 2200

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1. Criminal Network Financing of Venezuelan Government. There have been several reports that Venezuelan government officials have engaged in illicit activities, including drug trafficking and support for criminal groups such as the FARC and drug cartels.
   - What role do criminal groups play in Venezuela?
   - Would you describe Venezuela as a narco-state?
   - Many countries in Latin America have uncovered corruption scandals involving illicit funds supporting political campaigns. What role does illicit funding play in propping up Venezuela's government and institutions?

Response:
There is anecdotal evidence of a widespread, multifaceted array of criminal activities in Venezuela, and its relationship with the Venezuelan state. The high rate of murders and other crimes in Venezuela, particularly in the greater Caracas area,[1] suggests that in general, criminal groups have overwhelmed the ability of the state to respond to common crime, and operate with relative impunity.

In addition, leaders and other members of criminal and/or terrorist groups are believed to operate in the region, from the FARC,[2] ELN,[3] and various criminal bands in Colombia, to Hezbollah.[4] Senior leaders of the current Venezuelan government and military have been implicated ties to such groups, including Diosdado Cabello,[5] Nestor Reverol,[6] Hugo Carvajal,[7] and others, with accusations by persons who have worked closely with these individuals, such as former security chief of Diosdado Cabello Leamsy Salazar,[8] and legal actions against persons close to those leaders, such as the conviction on drug charges of the nephews of Venezuelan First Lady Cilia Flores.[9]

The distortions introduced by state controls over significant portions of the economy, including gasoline subsidies, the sale of discounted goods in state stores, exchange rate controls, and food distribution by the Venezuelan military has arguably created significant opportunity for graft and collusion with criminal actors by those in control of such resources.[10] The status of neighboring Colombia as a major cocaine producer has created opportunities for Venezuelan National Guard and other military and government officials to profit by allowing, or facilitating the movement of drugs through the country.[11] As the Venezuela crisis has deepened, the regular flow of Venezuelans and others across the nation's borders to Colombia,[12] Trinidad and Tobago,[13] and

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[1] The responses submitted by the author are his own opinion, and do not necessarily represent the position of his institution.

other destinations to work and obtain food and other necessities has created further opportunity for graft for those who control the borders, and those who supervise them.

To the extent that evidence suggests that drugs are flowing through Venezuela with complicity of senior government personnel and relative impunity, Venezuela may be called a narco state. But by the same measure, the level of other criminal activities occurring within its borders with the apparent involvement and complicity of senior government officials suggest that it may be labeled more broadly as a "criminal state."

With respect to illicit funds, as noted previously, there is significant credible evidence of government officials enriching themselves by illicit funds, to possibly include improperly profiting from transactions such as loans, infrastructure projects, and the import of goods and services from external actors such as Venezuela and China, which help to extend the life of the regime. Nonetheless, because competitive elections do not currently play a meaningful role in who governs in Venezuela, it is not meaningful to talk of the role of illicit campaign contributions as supporting the governing party per se.

2. Terrorist Threat in Venezuela.
   - What is the scope of Islamic radicalization in Venezuela? Has Iran attempted to recruit Venezuelans and if so, is there any evidence that these recruits have traveled to the Middle East and returned to Venezuela?

Response:
There are an estimated 250,000 practicing Muslims in Venezuela.[14] There is anecdotal evidence that Venezuelan students have traveled to Iran to attend religious training there, probably financed by the Government of Iran.[15] Given the role that other Iranian officials such as Mosheen Rabani are believed to have played in the recruiting of agents in the region,[16] it is reasonable to believe that some portion of Venezuelan students attending religious programs in Iran have been assessed for suitability for a future relationship with the Iranian regime.

While Iranian Qods forces personnel are also believed to have entered Venezuela, while some Syrians are believed to have traveled through Venezuela and obtained Venezuelan passports,[17] and while Iranian clerics are believed to operate in Venezuelan mosques and cultural centers, I do not have specific information on the level of radicalization that may have occurred within the Venezuelan Muslim community under such influences.

I do not have access to publicly available information regarding the number of persons who have left Venezuela to fight abroad for ISIS. On a per capita basis, the number is probably less than those who have left from Trinidad and Tobago, but the lack of public information provided by the Venezuelan government on such issues makes such an assessment difficult.

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Questions for the Record

House Committee on Foreign Affairs Subcommittee on the Western Hemisphere Hearing
"The Venezuela Crisis: The Malicious Influence of State and Criminal Actors"
September 13, 2017 at 2:00 p.m. in Rayburn Room 2200

Responses to Chairman Jeff Duncan from Harold Trinkunas

1. Criminal Network Financing of Venezuelan Government. There have been several reports that Venezuelan government officials have engaged in illicit activities, including drug trafficking and support for criminal groups such as the FARC and drug cartels.
   - What role do criminal groups play in Venezuela?
   - Would you describe Venezuela as a narco-state?
   - Many countries in Latin America have uncovered corruption scandals involving illicit funds supporting political campaigns. What role does illicit funding play in propping up Venezuela's government and institutions?

   Organized crime is a very serious problem in Venezuela. In parts of the country, criminal organizations are so powerful as to replace the state in the provision of local governance. This has led to a simmering low-level state-criminal conflict between the police and Guardia Nacional and criminal gangs, with the police and Guardia at times operating what are little more than death squads as part of so-called 'Operaciones Liberación del Pueblo' (Liberate the People Operations).

   However, some transnational criminal organizations, such as drug cartels based in Colombia, also operate in Venezuela, with ties documented at the highest levels as stated in the recent designation of Venezuelan Vice President Tareck El Aissami under the U.S. Foreign Narcotics Kingpin Designation Act. The flow of drugs from Colombia via Venezuelan airspace and air strips also raises the suspicion that the Venezuelan military at its most senior levels is collaborating with drug traffickers.

   The Venezuelan government also is suspected of maintaining covert ties with criminal gangs operating in informal settlements (known as 'barrios') in major cities. These gangs are called 'colectivos' (collectives), and they operate as enforcers for the governing party, helping to control poor urban populations. The colectivos are also accused of participating in repressive activities alongside regular police and Guardia Nacional forces during the protests in Venezuela in early 2017.

   But Venezuela's criminal problem is much more than narcotics smuggling. Due to corruption, an enormous gap between the official government-set currency exchange rate and the black market exchange rate, and government-set prices for many consumer goods, there are very strong incentives to engage in smuggling of all kinds. For example, the smuggling of Venezuelan gasoline (where it is so cheap that it is for all practical purposes free) into Colombia (where gasoline is sold at market prices) may be more lucrative than drug trafficking.

   Venezuela has no practical campaign financing system. The regime uses government resources to support the ruling party freely, with little attempt made to separate what are government funds and party funds. When oil prices were still high, government funding was used to fuel popular consumption booms before elections, ensuring the re-election of Hugo Chávez until his death in 2013. This means that even though there are serious allegations of

corruption by international companies such as Odebrecht operating in Venezuela, this is not the core of the campaign financing problem in Venezuela. The real problem is the looting of official resources by the ruling party.

This should all underscore one of the major difficulties facing a return to democracy in Venezuela: many in the ruling party are guilty of something. It may be corruption, drug smuggling, other kinds of smuggling or human rights abuses. However, what they all share is a fear of exiting power. They cannot afford to hand over power to a democratically elected opposition-led government for risk that their past and present crimes will be prosecuted. The fear of being held accountable is what leads to hold on so tightly to power in Venezuela, by almost any means necessary.

2. Terrorist Threat in Venezuela.
   - What is the scope of Islamic radicalization in Venezuela? Has Iran attempted to recruit Venezuelans and if so, is there any evidence that these recruits have traveled to the Middle East and returned to Venezuela?

     Venezuela has a very small Muslim population, perhaps 100-125,000 according to most reports out of a population of nearly 31 million. Most persons of Muslim belief in Venezuela emigrated from Lebanon and Syria in two major waves, first during the fall of the Ottoman Empire after World War I and the second during the Lebanese civil war that started in the 1970s. The country is predominantly Christian: either Catholic (79%) or Protestant (17%). I am aware that some, mostly in the U.S. media, have occasionally alleged that Venezuela faces a problem of Islamic radicalization. However, I have seen almost no serious documented reports of Islamic radicalization in Venezuela in connection to Iran in over twenty years of scholarly work on this country. Saudi Arabia has been a more significant supporter of the Muslim community in Venezuela than Iran, for example.

     Ties between Iran and Venezuela were largely the work of a personal connection between Presidents Hugo Chávez and Mahmoud Ahmadinejad, based on shared anti-Americanism rather than any form of religious ties. With the former dead and the latter out of power, ties between Venezuela and Iran have cooled off. Iran is competing strongly for oil market share now that international sanctions have been lifted under the JCPOA agreement. At times, they are competing directly with Venezuelan oil sales, for example in the Indian market. It is notable that, despite personal visits from Venezuelan President Maduro, Iran has refused to support Venezuela's efforts to convince its OPEC partners to restrain oil production so as to increase oil prices. Revived stronger ties between Iran and Venezuela are unlikely unless oil prices recover sufficiently that both government feel economically secure.

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