

VENEZUELA: OPTIONS FOR U.S. POLICY

HEARING

BEFORE THE

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FIRST SESSION

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VENEZUELA: OPTIONS FOR U.S. POLICY

THURSDAY, MARCH 2, 2017

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:45 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Rubio, Johnson, Flake, Gardner, Young, Cardin, Menendez, Shaheen, Udall, Murphy, Kaine, and Booker.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order. We thank our witnesses for being here today.

This morning, we will discuss U.S. policy toward Venezuela. We will ask our witnesses to address three questions. Maybe that is why we have three witnesses. What are our interests in Venezuela? What policy outcomes should we seek in Venezuela? And what policy tools will get us to that outcome?

Venezuela is a beautiful country with vast resources and talented people, and yet the situation there is very bleak. In 2015, Caracas suffered 119 homicides per 100,000 people, compared to 4.9 per 100,000 here in the United States the same year.

As we will hear today, the mismanagement of Venezuela's economy inflicts shortages, hyperinflation, and unemployment on ordinary Venezuelans. Not only has the Venezuelan Government protected people wanted in the U.S. for drug trafficking, but Venezuela's President has appointed known drug traffickers to high office, such as the current Vice President.

Venezuela's Government blocked an effort by citizens to petition a recall referendum against President Maduro and failed to hold regional elections in December 2016.

The government actively represses dissent. A leading Venezuelan human rights group lists 117 people jailed for political reasons.

This committee has twice enacted legislation authorizing targeted sanctions. And to date, in four separate actions, the U.S. unilaterally imposed targeted visa sanctions on more than 140 Venezuelans, including security forces, for human rights abuses and corruption.

The U.S. has moved to punish violations of our laws. On three occasions, the U.S. has named Venezuelan officials under the drug kingpin statute. These designations include a former Minister of

Defense, a governor, an Army general, a National Guard captain, a member of the National Assembly, and now the Vice President.

The U.S. has indicted high-ranking military officials and investigated criminal money laundering involving Venezuela by a bank in Andorra.

In the Western Hemisphere and Europe, governments have raised growing concern about the situation in Venezuela. However, they have not joined the United States in applying targeted sanctions. Given the standards we apply, our Government has no doubt about criminal activity and corruption in the Venezuelan Government.

Today, I hope we can also evaluate whether sanctions have altered the Venezuelan Government's behavior and why other governments have not joined us in this effort.

The Union of South American Governments supports a political solution through dialogue between the government and opposition. While this effort continues, the mediation faltered when the Venezuelan Government failed to meet its commitments.

Recent polls show that more than 60 percent of Venezuelans polled favor addressing the country's problems through dialogue, and 28 percent favor ending the dialogue. There are differing views in the opposition over this question.

The Organization of American States supported the dialogue, but the Secretary General of the OAS, on the other hand, released a well-documented, critical report on Venezuela and invoked the Inter-American Democratic Charter.

It is worth noting that Ecuador, which is also a polarized country, recently held the first round of its presidential election with OAS observation. And by a margin of less than 1 percent of the vote, Ecuador will proceed to a runoff election, something that is quite surprising and yet very, very positive.

With that, I will turn it over to Senator Cardin for his opening statement.

Again, we thank you for being here and look forward to your testimony and the questioning that will follow.

**STATEMENT OF HON. BEN CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Mr. Chairman, thank you very much for convening this hearing on Venezuela. I join you in welcoming our distinguished panel of witnesses.

I will make the same observation that Senator Menendez made at our last meeting, that it is wonderful to have private sector experts. What we need to do is make sure we follow that up with meeting with the Trump administration officials that are responsible for these policies. Unfortunately, many have yet to be named.

But this hearing is extremely important, and I thank you very much for calling this hearing.

This is a manmade calamity. Venezuela is a beautiful country, and the people should not be suffering the way they are suffering. It is a heartbreaking humanitarian crisis—broken-down hospitals, people starving on the streets, an economy that is in shambles.

This is a failing state, make no mistake about it. And we have a direct United States security interest in reversing what is hap-

pening in Venezuela. The regional stability of countries such as Colombia, Brazil, and our Caribbean countries all are very much directly impacted by the current crisis in Venezuela.

There is one person who is responsible for this, and that is President Maduro. He has become an authoritarian leader, which is unacceptable. He is denying basic rights to its citizens. Their electoral rights are being very much compromised. He stripped the legislature of its constitutional authority. He has political prisoners now ranging in the hundreds.

And equally disturbing, he is administrating a government that is full of corruption.

What is extremely disheartening is that Venezuela's oil wealth is being taken for corruption. What is even more tragic, as people are starving, the government is making money off the food distribution, stealing food from its people in order to fuel the corruption of its government.

That has to shock the world. So we need to take action.

Of course, there is, as the chairman pointed out, widespread government officials involved in narcotics trafficking, which also affects our own country.

So, Mr. Chairman, what is the appropriate role for Congress, as we start this congressional session?

First and foremost is oversight. This hearing is an important part of that oversight, so we can get the information we need in order to be a partner in trying to reverse what is happening in Venezuela.

Secondly, we should look at bipartisan legislation. And I am working on bipartisan legislation with Republican colleagues that would authorize humanitarian assistance, so we can be more effective in helping the people of Venezuela.

That we engage our regional partners—a point that the chairman made is absolutely correct. If we are going to have an effective policy to bring about change in Venezuela, it is one thing for the United States to act, but we have to act with our regional partners, and we have to use multilateral diplomacy, including the OAS. The OAS has to be more effective in restoring democratic governance in Venezuela.

Under the Obama Administration, we have used sanctions. I think the sanctions are important. I think we can strengthen those sanctions. And we can certainly work with other countries to make sure that the sanctions become more effective because other countries enforce and support our use of those sanctions.

So I look forward to hearing from our witnesses as we determine how we can try to change the course in Venezuela. The current course is unacceptable.

The CHAIRMAN. Thank you very much for those comments, and for the rest of the members for being here.

And with that, I would like to introduce our first witness, Dr. David Smilde, currently a professor of social relations at Tulane University who has researched and written extensively about Venezuela.

Thank you for being here today. Did I pronounce your name properly? Thank you so much.

Our second witness today is the Honorable Mark Feierstein, who served as senior director for Western Hemisphere at the NSC under President Obama.

Thank you so much for being here, sir.

Our third witness is Dr. Shannon O'Neil, a senior fellow for Latin American studies and director of the Civil Society Markets and Democracy Program at the Council Foreign on Relations.

We thank you for being here.

If you could each give your testimony in a summarized form in about 5 minutes or so, without objection, your written testimony will be entered in the record. If you would just proceed in the order you were introduced, we would appreciate it.

And if you would begin, Doctor, thank you.

STATEMENT OF DAVID SMILDE, PH.D., CHARLES A. AND LEO M. FAVROT PROFESSOR OF SOCIAL RELATIONS, TULANE UNIVERSITY, SENIOR FELLOW, WASHINGTON OFFICE ON LATIN AMERICA, NEW ORLEANS, LOUISIANA

Dr. SMILDE. Chairman Corker, members of the committee, thank you very much for this opportunity to testify about the Venezuelan crisis and options for U.S. policy.

Venezuela has been a subject of my professional activity for the past 25 years. I first went to Venezuela in 1992 to do dissertation research, and I have been writing about it ever since.

It is also an issue of intense personal interest. In Venezuela, I formed my family, raised my children, and spent 14 of the last 25 years. Many of my closest friends and most valued colleagues are in Venezuela.

With great dismay, I have watched them suffer from a government that has radically mismanaged their economy and society, and is blocking democratic and constitutional efforts at change.

The United States policy towards Venezuela should focus on facilitating the reestablishment of a democracy in which human rights are fully respected, including citizens' rights to decide what kind of government they want and who they want to lead it.

In my view, the program of targeted sanctions rolled out in March 2015 is not the right policy for this goal. While these sanctions definitely provide a signal that the U.S. is against human rights violations, they also fit nicely in the Maduro government's international conspiracy theories, and thereby strengthen its interpretation of events.

Furthermore, rather than being developed in concert with regional partners, the U.S. sanctions have been conceived and imposed unilaterally. Far from spurring regional allies to action, this unilateral character makes it more difficult for them to act with reference to Venezuela.

Finally, while these sanctions have clear targets and can be attributed to concrete behaviors, there is no obvious path for easing or lifting them in response to changes. Thus, they effectively increase the exit costs for these officials and thereby increase their loyalty to the Maduro government.

It might be argued that even if sanctions raise the exit costs of sanctioned officials, this will be outweighed by the deterrent effect on nonsanctioned officials. But the evidence suggests this is not the

case. To the contrary, conditions of human rights and corruption have only gotten worse in the past 2 years.

This failure is not because sanctions went unnoticed in Venezuela. In fact, their rollout in March 2015 was news in Venezuela for weeks and months. And it is not because only seven officials were sanctioned. Deterrence is supposed to work through a social observation effect, and that should be effective whether 7 or 70 officials were sanctioned.

Fortunately, there are policy alternatives.

First, given the marked deterioration of Venezuelan democracy and the diversification of the political tendencies in the region, it is likely that work through multilateral institutions could come together in a way it has not in recent years. OAS Secretary General Luis Almagro's invocation of the Democratic Charter in June 2016 was discussed but put off by OAS member states to see if progress can be made through a dialogue.

Over 6 months has passed, and it is clear that the Venezuelan Government has used the dialogue process to buy time and deflect change. It is time for the Democratic Charter to be taken up again.

The United Nations also has considerable potential to act with reference to Venezuela. A peace-building initiative like the one that was carried out in El Salvador in the late 1980s could be effective. Alternately, the U.N. Secretary General could name a special representative to Venezuela.

There are regional institutions that United States is not part of but which could be supported. Venezuela is on the rocks with Mercosur, but remains a member. Mercosur has a democratic clause aimed at protecting human rights that could still be invoked.

There is also considerable space for bilateral and multilateral diplomacy. I have been encouraged by President Trump's discussions of the Venezuelan case with the Presidents of Argentina, Panama, and Peru. Consulting with regional partners needs to have a central place in the formation of U.S.-Venezuela policy.

A potential group of friends of Venezuela containing diverse countries could be organized to develop common criteria and approaches. Such a group could emerge in the region without U.S. involvement, like the Contadora Group in Central America in the 1980s. If it does, the U.S. would be wise to support it.

Finally, continued efforts at dialogue should be supported. While the October-November dialogue was unfruitful, and the Venezuelan opposition is right to have refused to return to the table under current conditions, it is an option that should remain alive. In an economic or political crisis, having international facilitators with established relationships close by could be vital.

Compared to unilateral actions, the path to diplomacy I am recommending is slow and frustrating. It requires a lot of energy and does not offer flashy optics. But in the long run, it is more likely to succeed and less likely to lead to the unintended consequences of unilateral policies.

Thank you.

[The prepared statement of Dr. Smilde follows:]

PREPARED STATEMENT OF DR. DAVID SMILDE

Chairman Corker and Members of the Committee, thank you very much for the opportunity to testify about the Venezuela crisis and options for U.S. policy. Venezuela has been the central subject of my research over the past 25 years. I first went to Venezuela in 1992 to do dissertation research, and I have never stopped investigating and writing about it.

It is also an issue of intense personal interest. In Venezuela I formed my family, raised my children and spent 14 of the last 25 years. Many of my closest friends and most valued colleagues are still in Venezuela.

For today's purposes, an extensive description of Venezuela's downward spiral in recent years is probably unnecessary. Suffice it to say that in the face of declining oil prices and disastrous mismanagement, the country's economy is all but imploding. Imports in 2016 dropped more than 60 percent from their 2012 levels, leading to dramatic economic contraction, triple digit inflation and widespread scarcity of food and medicine.

Even worse, Venezuelan citizens' desires and efforts to change the country's direction through democratic means have repeatedly been thwarted by the government of President Nicolas Maduro. A landslide opposition win of the National Assembly in December 2015 has largely been negated by a government-controlled Supreme Court that has annulled almost all of the National Assembly's legislative projects and progressively stripped the legislature of its functions. And the opposition's push for a recall referendum on Maduro's presidency—after being forced to jump through the absurd hoops placed in their path by the National Electoral Council—was ultimately suspended indefinitely on the most spurious of grounds. Currently, the country's regional elections have also been indefinitely postponed, and a process underway to revalidate political parties seems destined to abolish most of them.

In other words, Venezuelans are suffering from a government that has radically mismanaged their economy and society, and is blocking all democratic and constitutional efforts at change. In these dire circumstances, the United States' policy towards Venezuela should focus on facilitating the reestablishment of a democracy in which human rights are fully respected, including citizens' right to decide what kind of government they want and who they want to lead it.

The question, of course, is exactly how U.S. policy could help to achieve this outcome, and how to avoid approaches that would be ineffectual or even counterproductive. In weighing this question and considering the options available, it is important to take into account not just the intentions, but also the consequences of U.S. actions and policies. Even policies that are pursued for the best of intentions may prove to be ineffective, or even deleterious to the ultimate goal.

In December 2014 the "Venezuela Defense of Human Rights and Civil Society Extension Act" was signed and in March 2015 it was rolled out with an Executive Order targeting seven Venezuelan officials for sanctions. In my view, this was not the right policy and is not helping the situation of Venezuela.

For good reasons, sanctions have become one of the most important policy instruments in international relations. They represent a tool that is stronger than words but does not resort to violence. Applying sanctions can give a powerful message from one country to another about what kinds of things it finds unacceptable. In the best cases, sanctions can even generate change in the actions of sanctioned actors without armed struggle. All of this is good.

However, the ample research on the matter is quite clear in its findings that sanctions,¹ whether general or targeted, do not work most of the time.² Sanctions can serve to signal displeasure or the highlight values of the sanctioning country. But only in some cases do they actually generate a change in behavior. Researchers argue that there are three important factors that impact the effectiveness of sanctions.

First, while sanctions definitely have a signal moral resolve and disapproval, this works both ways. Sanctions can function to change behavior in contexts that care a lot about the country wielding the sanctions thinks.³ For example, in both South Africa and Serbia, sanctions meant a lot because these countries—including ruling elites—saw the West as an important ally.

But in cases in which there is an existing anti-American ideology, U.S. sanctions can have a "Battle of Britain" effect, whereby those targeted do not relent but instead hunker down and fight against the odds, even converting their resistance into a potent political theme to shore up their domestic support.⁴ An instructive case in point is the 50 years of U.S. sanctions on Cuba, an approach which, far from dislodging the Castro brothers, has facilitated their permanence in power.

Second, sanctions are weaker when they are unilateral.⁵ The more international support and participation sanctions enjoy, the more legitimacy and effectiveness

they are likely to have, and the harder they are to portray as imperialist conspiracies.⁶ The international consensus around sanctions in South Africa, Serbia, and Iran, for example, has been important.

Third, for sanctions to achieve their purposes, they have to have clear and attainable goals,⁷ and the imposing party needs to be able to ease or lift the sanctions if and when the behavior that is the focus of the sanctions changes.⁸ If the sanctions are ends in themselves, with no remedy based on the behavior of those being targeted, then the incentives for cooperation dwindle. On the other hand, if it is clear that those imposing sanctions are prepared to ease or lift them as behavior warrants, then incentives for changed behavior can be strengthened, and the original purposes for imposing sanctions are more likely to be met.

Unfortunately, the current regime of targeted sanctions on Venezuelan officials, is on the wrong side of all three of these factors.

First, these sanctions definitely provide a signal that the U.S. is against what is happening in Venezuela. But they also fit very nicely in Venezuela's anti-imperialist, international conspiracy theories, which seek to explain all of Venezuela's current problems as the result of the United States trying to undermine the country's sovereignty. This line of response was certainly more important 2 years ago when the sanctions were first rolled out and Nicolas Maduro still had the ability to win elections. But rallying around the flag in defiance of U.S. aggression is still important theme in maintaining Maduro's core of support. Indeed, Maduro still has a 20 percent approval rating, which is remarkably high in light of the severe social and economic crises the population is experiencing.

Second, rather than being applied in concert with other partners and enjoying wide international support, the U.S. sanctions have (to date) been conceived and imposed unilaterally. Moreover, their initial implementation through an Executive Order that labeled Venezuela a threat to U.S. national security generated region-wide rejection. Far from spurring allies to action on Venezuela, this framing put them on their heels and made it more difficult and less likely for them to act.

Third, while these sanctions have clear targets and can be attributed to concrete behaviors, which is good, there is no obvious path for easing or lifting them in the response to changed behavior. Moreover, even if the sanctions themselves were to be formally lifted for whatever reason, the underlying accusations of human rights violations and illegal drug trafficking activities would remain and make the person sanctioned assume that, once out of power, they could face extradition to the United States.

This last characteristic is perhaps the most important problem. Instead of creating an incentive to change the behavior of officials who engage in human rights violations or acts of corruption, these sanctions impose a penalty that will carry its heaviest weight if and when the government itself changes. They therefore increase the exit costs of these officials, and increase their loyalty to the Maduro government, to whose survival their own fates are bound more tightly than ever.

The logic of this can be seen in the way President Maduro has made a point of promoting officials who have been put on some sort of U.S. blacklist.

The seven officials sanctioned were not sidelined or ostracized. Rather, they were each rewarded either with lucrative positions in state industries, or as in the following four cases, with positions in the security apparatus.

- General Antonio Benavides Torres was named Chief Commander of the National Guard (Venezuela's branch of the Armed Forces dedicated to domestic security.)
- General Gustavo González López was designated head of the Ministry of Interior and Justice and the head of the intelligence service SEBIN.
- Katherine Harrington was named, a month after being sanctioned, as Vice Minister of Citizen Security and Prevention, serving in that post for 18 months before being removed.
- Manuel Eduardo Pérez Urdaneta is also a Vice Minister of Citizen Security and Prevention.

This is part of a logic whereby Nicolas Maduro builds a core of officials whose loyalty he is sure of because of their high exit costs. It extends beyond these particular sanctions to include others on some kind of U.S. blacklist. In August 2016, General Néstor Reverol was named Minister of Interior and Justice a day after U.S. prosecutors unsealed his indictment on charges of drug trafficking.

We can ask how this logic of sanctions-induced loyalty will play out with Vice President Tarek El Aissami who has been put on the Treasury Department's Kingpin list, leading to similar sanctions. From El Aissami's perspective, a return of fair elections to Venezuela would surely put the opposition in power and likely see him

extradited to the United States. One should assume that he will use all the levers of power to prevent that from happening.

It might be argued that, even if sanctions raise the exist costs of sanctioned officials and tie their fates to the government's maintenance of power, this will be outweighed by the deterrent effect on non-sanctioned officials who might consider human rights violations or acts of corruption.

What is the evidence? In the past 2 years since sanctions were rolled out, the Maduro government has:

- Cracked down on NGOs,⁹
- Convicted and sentenced political prisoner Leopoldo López,¹⁰
- Instituted a violent citizen security initiative accused of over 500 deaths,¹¹
- Used the Supreme Court to neutralize the opposition National Assembly,¹²
- Taken more political prisoners,¹³
- Suspended the recall referendum process,¹⁴
- Failed to fulfill the commitments made in a Vatican-Unasur dialogue process,¹⁵ and
- Put food distribution under military command generating far-reaching corruption.¹⁶

By any standard these are not the consequences the sanctions program was supposed to generate.

This failure is not because only seven officials were sanctioned, and it is not because the sanctions went unnoticed in Venezuela. In fact, their rollout in March 2015 was international news for days and weeks, and news in Venezuela for weeks and months. Nicolas Maduro made sure everyone knew, especially Venezuelan citizens. I suspect that it would be hard to find even a peasant in the Venezuelan countryside who did not know about the U.S. sanctions. Deterrence is supposed to work through a social observation effect, and that should be effective whether 7 or 70 officials were sanctioned.

All of this points the fact that the idea of “pressure” is too simple as our leading metaphor for understanding foreign policy. Pressure can have quite different and contradictory effects, depending on the context.

Of course, I am focusing here on the consequences of sanctions. One entirely legitimate response is that sanctioning human rights abusers and corrupt officials is simply a value position, a moral stance in favor of human rights and against corruption, and should be taken whatever the consequences. This is understandable and indeed taking a stand on values and letting the chips fall where they may is part of what it means to be human.

But when this is the logic behind a policy, it should be represented as such. A policy that is undertaken in the name of values, without regard for the consequences, should not be portrayed as aiming to benefit the people. More to the point of today's discussion, while the United States' program of targeted sanctions in Venezuela may represent an admirable expression of our devotion to protecting human rights, it is actually having negative outcomes for Venezuelan democracy and human rights. The responsibility for these negative outcomes rest squarely on the shoulders of Nicolas Maduro and other Venezuelan officials. But U.S. policy is facilitating them.

Of course doing nothing is not an option; the Venezuela crisis is too grave. From my perspective, policymakers should strive to identify the policy options that express fundamental values and that increase the likelihood of achieving the goal in question, which is the reestablishment of electoral democracy and protection of human rights in Venezuela.

Fortunately, there are alternatives, although none of them are easy or promise instant results. First, given the marked deterioration of Venezuelan democracy, it is likely that work through multilateral institutions could come together in a way it has not in recent years. There are three areas for concerted political action: work through multi-country bodies like the *Organization of American States* (OAS), the *United Nations* (U.N.) and *Union of South American Nations* (UNASUR), work to support governments in the region who can also engage the Venezuelan government, and work to support a meaningful process of dialogue.

OAS Secretary General Luis Almagro's invocation of the Democratic Charter in June 2016 was discussed but put off by OAS member states to see if progress could be made through a dialogue process promoted by UNASUR and later joined by the Vatican. Over 6 months has passed and it is clear that the Venezuelan government has used that dialogue process to buy time and deflect change. I agree with many others that it is time for the Democratic Charter to be taken up again. This time

around, with the Maduro government reneging on electoral democracy, one should expect more consensus to develop among OAS member states on the gravity of the situation in Venezuela. The United States could have an important role in supporting this process. Whether or not the OAS member states come to a consensus, the debate in the OAS will shine a spotlight on the Maduro government and generate important international pressure that extends well beyond U.S. government sanctions.

Furthermore, the United States and other countries could work to strengthen the *InterAmerican Council for Human Rights* (IACHR) which is the preeminent institution for the defense of human rights in the region.

The *United Nations* also has considerable potential to act with reference to Venezuela. A peacebuilding initiative like that which was carried out in El Salvador in the late 1980s could be effective. Alternatively, the U.N. Secretary General could name a Special Representative to Venezuela. These initiatives would not be feasible in the short term as the first would require the consent of the permanent members of the Security Council and both would require the consent of Venezuela. But in the likely case that the Venezuela crisis worsens, that could change. U.S. government advocacy would be key to making them happen.

The *United Nations Human Rights Council* is more cautious than IACHR given that it consists of member states. However, Venezuela is actually a member of the council and that makes it more difficult for it to dismiss its statements as imperialist conspiracies.

There are regional institutions that the United States is not part of but which could be supported. Venezuela is already on the rocks with trade block *Mercosur*. It has effectively been marginalized, while still remaining a member. Mercosur has a Democratic Clause aimed at protecting human rights that could still be invoked. Thus far UNASUR has shown more interest in protecting the interests of incumbent governments than the interests of its countries' citizens. But a more diverse set of leaders in the region could promote the development of institutions and mechanisms to provide proper protections for human rights.

There is also considerable space for bilateral and multilateral diplomacy. I have been encouraged by President Trump's discussions of the Venezuelan case with the presidents of Argentina, Panama, and Peru. Regional partners need to have a lead role in U.S.-Venezuela policy. A group of "Friends of Venezuela" containing diverse countries could be organized to develop common criteria and approaches. Such a group could emerge in the region without U.S. involvement, like the Contadora Group in Central America in the 1980s. If it does, the U.S. would do well to support it.

Finally, continued efforts at dialogue should be supported. While the October-November dialogue was unfruitful, and the Venezuelan opposition is right to refuse to return to the table under current conditions, it is an option that should remain alive. In an economic or political crisis, having international facilitators with established relationships close by could be vital.

It is worth noting that the bad press the *Vatican* has received for the failed dialogue in October and November is unfair and uninformed. Vatican representatives came to Venezuela a month after both the government and the opposition formally invited it, not because of pressure from the U.S. When agreements were made and the government then failed to follow through on its part, Vatican Secretary of State Monsignor Pietro Parolin sent a strong letter putting forward four conditions to continue in the dialogue. When those conditions were not met by January, Vatican representative, Monsignor Claudio Maria Celli returned to Rome.

Dialogue should not be seen as solitary option to be unperturbed by parallel initiatives. If pressure is not exerted from multinational institutions and from domestic political dynamics, the Maduro government will never take dialogue seriously. Other options for addressing the Venezuela crisis should not be put on hold to simply see if dialogue works out.

Furthermore, dialogue should focus primarily on basic issues of democracy, for example recognition of elected officials, release of political prisoners, and most of all an electoral calendar. It should not be used to address basic issues of governance that should be left to democratically elected officials. If democratic freedoms and elections can be secured, Venezuelans can fix the rest for themselves.

Compared to unilateral actions, the path of diplomacy I am recommending is slow and frustrating. It requires a lot of energy, and does not offer flashy optics or dramatic sound-bites. But in the long run it is more likely to succeed and less likely to lead to the unintended negative consequences of so many failed U.S. policies in the past.

Thank you.

Notes

¹Daniel Wagner, "Do Sanctions Work?" The World Post, February 27, 2017, http://www.huffingtonpost.com/daniel-wagner/do-sanctions-work_b_7191464.html.

²One exhaustive review of 200 sanctions programs in the Twentieth Century showed that there was evidence of success in 35% of cases. Gary Clyde Hufbauer, Jeffrey J. Schott, Kimberly Ann Elliott and Barbara Oegg. 2009. *Economic Sanctions Reconsidered*. Peterson Institute for International Economics.

³Kenneth Rogoff, "Opinion: Do economic sanctions work?" Market Watch, January 6, 2015, http://www.marketwatch.com/story/do-economic-sanctions-work-2015-01-06?mod=mw_share_twitter.

⁴Jonathan Marcus, "Analysis: Do economic sanctions work?" BBC News, July 26, 2010, <http://www.bbc.com/news/world-middle-east-10742109>.

⁵Francesco Giunelli. 2013. *The Success of Sanctions: Lessons Learned from the EU Experience*. Burlington, Vermont: Ashgate Publishing Company. Zarate, Juan C. 2013. *Treasury's War: The Unleashing of a New Era of Financial Warfare*. New York, New York: Public Affairs.

⁶Mark Malloch Brown and Harry Gibson, "Do Sanctions Work?" Newsweek, December 22, 2014, <http://www.newsweek.com/do-sanctions-work-293957>.

⁷Carla Anne Robbins, "Why Economic Sanctions Rarely Work," Bloomberg, May 24, 2013, <https://www.bloomberg.com/news/articles/2013-05-23/why-economic-sanctions-rarely-work>. Jonathan Masters, "What are Economic Sanctions," Council on Foreign Relations, February 8, 2017, <http://www.cfr.org/sanctions/economic-sanctions/p36259>.

⁸Mark Malloch Brown and Harry Gibson, "Do Sanctions Work?" Newsweek. Dursun Peksen. 2009. "Better or Worse? The Effect of Economic Sanctions on Human Rights." *Journal of Peace Research* (Sage Publications, Ltd.) 46 (1): 59–77.

⁹Hugo Pérez Hernáiz and David Smilde. June 15, 2015. "Venezuela's Human Rights NGOs Under Fire Again." *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹⁰"WOLA Deplores Venezuelan Court's Conviction and Sentencing of Leopoldo López." September 11, 2015. *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹¹Rebecca Hanson. April 18, 2016. "Human Rights Watch and Provea Release Devastating Report on Venezuelan Citizen Security Initiative." *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹²Hugo Pérez Hernáiz. December 28, 2015. "Conflict of Powers Looms as Venezuela's New Assembly Prepares to Convene." *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹³Hugo Pérez Hernáiz and David Smilde. September 11, 2016. "Mobilized Opposition Faces Arrests and Detentions." *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹⁴"Venezuela's Suspension of Signature Collection is a Dangerous Setback." October 21, 2016. *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹⁵Hugo Pérez Hernáiz. January 9, 2017. "Is Venezuela's Dialogue Dead?" *Venezuelan Politics and Human Rights*. Venezuelablog.tumblr.com.

¹⁶Hannah Dreier and Joshua Goodman. December 28, 2016. "Venezuela Military Trafficking Food as Country Goes Hungry." Associated Press.

The CHAIRMAN. Go ahead, sir. Thank you.

**STATEMENT OF HON. MARK FEIERSTEIN, SENIOR ASSOCIATE,
AMERICAS PROGRAM, CENTER FOR STRATEGIC AND INTER-
NATIONAL STUDIES, WASHINGTON, DC**

Mr. FEIERSTEIN. Chairman Corker, Ranking Member Cardin, and members of the committee, I want to thank you for the opportunity to testify today. Let me begin by commending the committee for holding this hearing.

In a hemisphere otherwise full of opportunities for the United States, there is one glaring crisis that demands action by our government and other countries in the region, and that is the autocratic rule and economic collapse in Venezuela.

The Venezuelan people have been victimized by their government's incompetence and malfeasance. The country with the world's highest oil reserves suffers from the world's highest inflation and deepest decline of GDP. At the same time, military and civilian officials are plundering the country and enriching themselves, siphoning scarce resources and trafficking in illegal drugs.

Venezuelans are already fleeing to Colombia, Brazil, and Caribbean neighbors, and a larger refugee crisis is increasingly likely.

President Nicolas Maduro has compounded his economic misrule with political repression. Scores of political prisoners sit in jail for

exercising their fundamental rights to express themselves freely and assemble peaceably.

The opposition-controlled National Assembly has been stripped of its authority, and electoral authorities quashed a presidential recall referendum and arbitrarily postponed regional elections.

While Maduro denies the existence of an economic crisis and human suffering, the Venezuelan people continue their courageous struggle to restore democracy. In December 2015, voters overcame a skewed electoral process and voted overwhelmingly for opposition candidates for the National Assembly.

Venezuelans have participated in large-scale protests against the government. Millions were prepared to participate in a referendum to unseat Maduro, and the political opposition agreed to participate in a dialogue with the government.

The solution to Venezuela's economic and political crises will largely come from inside Venezuela. An outcome cannot and should not be imposed from the outside. That said, there are important steps the United States should take, in concert with other countries, to help end the suffering of the Venezuelan people and restore respect for democratic norms.

First, the administration should publicly and privately insist that any political transition be peaceful and constitutional. A democratic transition could be achieved by a variety of legitimate means, including by reviving the recall referendum process and moving up next year's presidential elections.

Second, the United States should be clear that the opposition should not be compelled to suspend protests to participate in a dialogue with the government, as other international actors have insisted. The administration should mobilize like-minded countries to warn Venezuelan authorities that anyone who orders or participates in violence against demonstrators will be held accountable by the international community.

Third, the administration should signal it will consider supporting opposition proposals to offer guarantees to government figures who facilitate a democratic transition.

Fourth, the administration should continue to refine the plans ordered by President Obama to deal with a range of contingencies in Venezuela, including a worsening of the humanitarian situation, an increased flow of refugees into neighboring countries, and a transition to a government committed to democracy and economic reform.

Fifth, the Trump administration should encourage other countries to join the United States in imposing sanctions on Venezuelan officials for engaging in massive corruption, abusing human rights, and dismantling democracy.

Finally, the Trump administration should continue Obama administration efforts to build support at the Organization of American States to invoke the American Democratic Charter, which offers tools to defend democracy. OAS member states should impose consequences on the Venezuelan Government for continuing to hold political prisoners, canceling the recall referendum, and shackling the National Assembly.

Such external pressure, combined with domestic mobilization within Venezuela, is essential for any internal dialogue or inter-

national mediation to succeed in bringing about a democratic transition and meaningful economic reform.

Although patience with the Maduro government in the region has been exhausted, invoking the charter will not be easy. Most of the region has preferred to delay action while the Vatican-mediated dialogue between the government and opposition sputters along.

Unfortunately, the Trump administration is poorly positioned to marshal regional efforts to defend democracy. The President's attacks on the American press, judiciary, and critics of his administration have eroded the moral authority of the United States. And the administration's alienation of some of our closest allies, including Mexico, has undermined our ability to organize international efforts in Venezuela.

As noted, there are steps the Trump administration should take to have a positive impact in Venezuela. But unless the President alters his posture domestically and internationally, the United States will sideline itself diplomatically, and advocates for democracy and human rights might have to look to other countries to champion the cause of the embattled Venezuelan people.

Thank you, Mr. Chairman. I look forward to your questions.

[The prepared statement of Mr. Feierstein follows:]

PREPARED STATEMENT OF MARK FEIERSTEIN

Chairman Corker, Ranking Member Cardin, Members of the Committee: Thank you for the opportunity to testify today. Let me begin by commending the Committee for holding this hearing. In a hemisphere full of opportunities for the United States, there is one glaring crisis that demands action by the United States and other countries in the region—the autocratic rule and economic collapse in Venezuela.

As necessary as this hearing is, I think we can all agree it is a shame that Venezuela is overshadowing the many positive developments in Latin America. When Donald Trump took office, relations between the United States and Latin America were better than they had ever been. Mexico and the United States were partners in controlling migration, combating drug trafficking and expanding economic opportunity for Americans and Mexicans alike; more than a decade of bipartisan support for Colombia had positioned its government to end the longest armed conflict in the hemisphere; increased assistance to Central America was beginning to address the factors driving illegal migration to the United States; and steps to normalize relations with Cuba and improve the lives of its people had removed an irritant in hemispheric relations.

Venezuela was the notable exception to the general trend toward more democratic governance and amicable U.S. relations in the region. Rather than address the severe economic and social problems crippling Venezuela, President Nicolas Maduro opted to scapegoat the United States and invent accusations of American political and economic interference. Well before fake news stained the U.S. presidential election, the Venezuelan regime, like other authoritarian governments, made a practice of circulating falsehoods.

The principal victims of the Venezuelan government's incompetence and malfeasance are of course the Venezuelan people. By doubling down on the failed economic policies imposed by the late President Hugo Chavez, Maduro has produced a social cataclysm. The country with the world's highest oil reserves suffers from the world's highest inflation and deepest decline of GDP. Venezuelans spend their days in search of food and medicine. At the same time, military and civilian officials are plundering the country and enriching themselves, siphoning scarce resources and trafficking in illegal drugs. The street of Venezuela are notoriously dangerous, with the country's murder rate the highest in the world. Venezuelans are already fleeing to Colombia, Brazil and Caribbean neighbors, and a larger refugee crisis is increasingly likely.

Maduro has compounded his economic misrule with political repression. Scores of political prisoners sit in jail for exercising their fundamental rights to express themselves freely and assemble peaceably. The opposition-controlled National Assembly has been stripped of its

authority by a pliant Supreme Court. The co-opted electoral authorities quashed a presidential recall referendum and have arbitrarily postponed regional elections that would almost certainly have unseated governors from the ruling socialist movement. Such practices, once common in Latin America, should not be acceptable in a region that is now nearly fully democratic with formal procedures to defend and promote democracy.

While Maduro denies the existence of an economic crisis and human suffering, the Venezuelan people continue their courageous struggle to restore democracy. In December 2015, voters overcame a skewed electoral process and voted overwhelmingly for opposition candidates for the National Assembly. Despite fears of violence and government reprisals, Venezuelans have participated in large-scale protests against the government. Millions were prepared to participate in a referendum to unseat Maduro, despite expected reprisals from the government. And the political opposition, committed to a peaceful transition, agreed to participate in a dialogue with the government, though the regime merely used the process to defuse domestic protests and hold the international community at bay, while buying time to consolidate its stranglehold on power.

The solution to Venezuela's economic and political crises will largely come from inside Venezuela, from the continued mobilization of citizens there and by the actions of those who represent them. A favorable outcome cannot and should not be imposed from the outside. That said, there are important steps the United States should take, in concert with other countries in the region, to help end the suffering of the Venezuelan people and restore respect for democratic norms. The Trump Administration should immediately follow the sanctions it levied against Venezuelan Vice President Tarek El Aissami and an associate for international drug trafficking with the following actions:

First, the Administration should publicly and privately insist that any political transition be peaceful and constitutional. American officials must heed the lessons of the short-lived coup in 2002, when Bush Administration support for Chavez's ouster undermined America's standing in the region and damaged our credibility as a defender of democracy. A democratic transition could be achieved in Venezuela by a variety of legitimate means, including by reviving the presidential recall referendum process or moving up next year's presidential elections.

Second, the United States should be clear that the opposition should not be compelled to suspend protests to participate in a dialogue with the government, as other international actors have insisted. Absent elections, an independent judiciary and a functioning legislature, protests are the only mechanism for Venezuelans to demonstrate their rejection of the government and its policies. The Administration should mobilize likeminded countries to warn Venezuelan authorities that anyone who orders or participates in violence against demonstrators will be held accountable by the international community.

Third, the Administration should signal it would consider supporting opposition proposals to offer guarantees to government figures who facilitate a democratic transition. It is never satisfying when individuals are not held accountable for misdeeds. But such compromises can be necessary to dislodge an authoritarian regime without bloodshed and chaos.

Fourth, the Administration should continue to refine the plans ordered by President Obama to deal with a range of contingencies in Venezuela, including a worsening of the humanitarian situation, an increased flow of refugees into neighboring countries, and a transition to a government committed to democracy and economic reform. Even as pressure is ramped up on the regime, the United States should be poised to provide humanitarian assistance to the Venezuelan people, support U.N. agencies and countries like Colombia to care for refugees, and support the Inter-American Development Bank and other international bodies to promote sound economic policies that restore economic growth, reduce poverty and crime, and help rebuild Venezuela's collapsed health system.

Fifth, the Trump Administration should encourage other countries, and the European Union, to join the United States in imposing sanctions on Venezuelan officials for engaging in massive corruption, abusing human rights and dismantling democracy. Multilateral sanctions are more effective in blocking an individual's assets and travel, and they convey global opprobrium and deprive wrongdoers of the opportunity to portray themselves as martyrs in an anti-imperialist struggle against the United States. When the Obama Administration appropriately sanctioned seven Venezuelan security officials in April 2015, the legislative requirement to find that Venezuela "constitutes an unusual and extraordinary threat to the national security and foreign policy of the United States" led governments in the region to denounce the sanctions and some in the opposition to distance themselves from the U.S. action.

Finally, the Trump Administration should continue Obama Administration efforts to build support at the Organization of American States to invoke the Inter-American Democratic Charter, which offers tools to defend democracy, including Venezuela's potential suspension from the OAS. International approval matters greatly to Venezuela, and the government works mightily to beat back efforts to criticize or isolate it in international fora. In December, after Mercosur, a regional customs union, expelled Venezuela, Foreign Minister Delcy Rodriguez suffered physical injuries when she sought to overpower security guards excluding her from a Mercosur summit.

OAS member states should follow Mercosur's lead, and the bold and principled leadership of Secretary General Luis Almagro, and impose consequences on the Venezuelan government for continuing to hold political prisoners, cancelling the presidential recall referendum, and shackling the National Assembly. Such external pressure, combined with the domestic mobilization of the Venezuelan opposition, is essential for any internal dialogue or international mediation to succeed in bringing about a democratic transition and meaningful economic reform.

Although patience with the Maduro government in the region has been exhausted, invoking the Charter will not be easy. New governments in influential countries like Argentina, Brazil and Peru have been critical of Maduro, but most of the region has preferred to delay action while the Vatican-mediated dialogue between the government and opposition sputters along. Countries in the Americas are also generally disinclined to weigh in on the internal affairs of their neighbors, and Venezuela has silenced many Caribbean governments with its provision of discounted petroleum.

Unfortunately, the Trump Administration is poorly positioned to marshal regional efforts to defend democracy. Notwithstanding the President's meeting with the wife of Leopoldo Lopez and his call to release the prominent political prisoner, Trump and his team have evinced little interest in human rights and democratic norms overseas. Moreover, the President's attacks on the American press, judiciary and critics of his Administration have eroded the moral authority of the United States. As former President George W. Bush said this week, "It's hard to tell others to have independent press when we're not willing to have one ourselves."

The Trump's administration's alienation of some of our closest allies has also undermined our ability to organize international efforts on Venezuela. Mexico, an important actor in the region and in the OAS, is less inclined to collaborate with Washington after Trump's bullying and denigration of the country. The lack of respect accorded Mexico has also made it more difficult for other countries in the region to team up with the United States to confront another Latin American country. Trump even created an opening for Maduro to express solidarity with Mexico and try to isolate the United States in the region. EU members, meanwhile, are bristling at Trump's disparagement of the organization and see the President himself as a threat to democratic values.

As noted, there are steps the Trump Administration should take to have a positive impact in Venezuela. But unless the President alters his posture domestically and internationally, the United States will sideline itself diplomatically, and advocates for democracy and human rights might need to look to other countries to champion the cause of the embattled Venezuelan people.

The CHAIRMAN. Dr. O'Neil.

STATEMENT OF SHANNON O'NEIL, PH.D., NELSON AND DAVID ROCKEFELLER SENIOR FELLOW FOR LATIN AMERICA AND DIRECTOR OF THE CIVIL SOCIETY, MARKETS, AND DEMOCRACY PROGRAM, COUNCIL ON FOREIGN RELATIONS, NEW YORK, NEW YORK

Dr. O'NEIL. Good morning. Mr. Chairman, ranking member, and other members of the committee, thank you very much for the invitation to testify today.

As has already been noted, Venezuelan is facing unprecedented economic, political, social, and humanitarian crises. Once the wealthiest country in South America, today the majority of the population lives in extreme penury, unable to find basic food and medicines or to keep themselves and their families safe. One of the region's longest standing democracies, it has fallen into authoritarianism.

Now, this economic and political decline matters for the United States, challenging the prosperity, the security, and the democracy in the Western Hemisphere.

Venezuela remains an important oil supplier linked to U.S. refineries. The government's openness and, in some cases, active collaboration with drug traffickers, organized crime networks, and other nefarious actors undermines U.S. regional security efforts.

Venezuela's humanitarian crisis is spurring the exodus of tens of thousands of refugees, straining the resources and the potential stability of Venezuela's neighbors. Its repressive politics are an affront to and in contradiction with the longstanding democratic norms within the region.

Now while change will likely have to come from within the nation, there are things the United States can do to support reformers and to prepare to alleviate the suffering of the Venezuelan people, if and when a shift happens. So let me lay out briefly these policy options.

The first are sets of unilateral measures. And here, these include sanctions as well as a CFIUS investigation here in the United States.

On sanctions, the United States should use targeted individual sanctions against government wrongdoers. Through the State Department and Treasury Department, the U.S. can ban human rights abusers and corrupt officials from entering the country and from using our financial system.

And as opposed to blanket sanctions, which would hurt the larger population, these targeted efforts are more effective in circumscribing the lives and livelihoods of the guilty. And they are the right thing to do, upholding our domestic and international laws.

The United States can and should also delve into Venezuela's recent financial transactions and, specifically, its use of U.S.-based Citgo assets to collateralize its loans.

CFIUS should investigate bond purchases by the Russian state-controlled oil company Rosneft, who may, in the case of default, actually gain majority control of this critical refinery infrastructure here in the United States.

Multilateral initiatives are perhaps more important and potentially more fruitful as a means to influence Venezuela. Now this will mean working behind the scenes to galvanize opposition and condemnation for the Maduro regime. This will be more effective than U.S. efforts alone, as it will be much harder for the Venezuelan Government to dismiss the criticisms and the actions of its South American neighbors as imperialist overreach.

And such a coalition is much more possible today than in any time in the recent past, due both to the accelerating repression and the breaking of the last democratic norms in Venezuela, and due to the very different stances of South America's recently elected leaders, particularly in Peru, in Brazil, and in Argentina.

The OAS remains a venue and an instrument to focus these efforts. The U.S. should call on the organization to again invoke the Inter-American charter, and to evaluate Venezuela's democratic credentials and its compliance with them. And this could lead potentially to sanctions and suspension of Venezuela from this multilateral body.

And then finally, the United States should begin preparing for change. If the Maduro regime is forced out or it collapses, the country will likely face humanitarian, economic, and financial chaos. And there are two particular things the United States can start preparing for.

The first is a wave of refugees. This will hit Venezuela's neighbors the hardest, Brazil, Colombia, Guyana, nearby Caribbean nations. It is important to help them with money, with supplies, potentially with personnel, and to back international NGOs and multilateral efforts to ease the suffering of these people.

The second aspect to prepare for is a restructuring of Venezuela's finances and its economy. A new government will need to renegotiate \$140 billion worth of external debt, whether or not the government has already defaulted upon it or not. And this massive undertaking will likely require an IMF rescue package and the backing of the international community and creditors.

The U.S. will be vital in facilitating this as well as in helping a new government make the tough economic policy choices to turn the economy around. These will include freeing the exchange rate, reintroducing market prices, creating sustainable policies for the poor, and rooting out corruption.

And though this is complicated, the faster it occurs, the faster Venezuela's economy will grow again.

For those who care about Venezuela and its people, it can seem that the United States' hands are tied. Nevertheless, and despite the lack of immediate results, it is important to put in the time-consuming and quite delicate work of diplomacy, building a regional coalition to pressure and to condemn the actions of the current Venezuelan regime.

It is also important to prepare for change, however, that may come. And at the current juncture, these efforts are vital for both helping Venezuela's reformers in the country today and for bettering the lives of its citizens in the future.

Thank you.

[The prepared statement of Dr. O'Neil follows:]

PREPARED STATEMENT OF SHANNON K. O'NEIL

Chairman Corker, Ranking Member Cardin, and Members of the Committee: Thank you for the invitation to testify today. I am grateful for the Committee's interest in Latin America and am pleased to have this opportunity to discuss U.S. policy options in Venezuela. As always, I am eager to hear your advice and counsel.

Today Venezuela and its people face economic, political, and humanitarian crises. The economy has shrunk by nearly 30 percent over the last 4 years, declines often seen only in wartime. The value of the bolivar, the official currency, erodes daily, undercut by some of the highest inflation rates in the world. Poverty, which fell during the 2000s, has now surpassed pre-Chavez levels, with over 3 out of every 4 Venezuelans living in dire straits, and half of the nation suffering in extreme penury. A recent study by three prominent Venezuelan universities found that most Venezuelans can no longer meet the recommended 2,000 calories a day; 75 percent of the population reported significant weight loss in the last year alone.¹ Once South America's richest nation, the majority now live in conditions on par or worse than citizens in Bangladesh, the Democratic Republic of Congo, or Mozambique.

Every day there are too many stories of the sick going without care, of hospitals without basic medicines and equipment, of treatable diseases becoming death sentences. The few statistics and surveys available show that infant mortality, deaths during childbirth, and malnutrition have skyrocketed.

This economic devastation results from steep declines both in oil prices and in production, as world markets and local mismanagement have undermined Ven-

ezuela's traditional cash cow. With prices more than halving since 2014 and output down over one million barrels from 2000 production highs, government income has fallen precipitously.

It also reflects over a decade of broader economic interventions, undercutting the private sector through exchange rate and monetary controls, bureaucratic rules, and outright expropriations. Non-oil exports have fallen from roughly a quarter of products sold abroad in the 1990s to less than 4 percent today. Venezuela increasingly no longer makes the basic products its citizens need to survive.

Added to these costs for economic growth and prosperity is widespread corruption. Independent estimates suggest over \$60 billion has been stolen since 2003. Whether arbitraging the official and unofficial exchange rates for personal gain, selling government purchased foodstuffs on the black market, or straightforward theft, this systemic graft has impoverished Venezuela's people and its economy.

CHANCES OF DEFAULT

Many economists and investors don't believe the current economic status quo can last. The government owes \$140 billion in external debt—roughly equivalent to its dollar denominated GDP. 2017 interest and principal obligations of ten billion equal current reserves. Venezuela's state-controlled oil company *Petróleos de Venezuela, S.A.* (PDVSA) was late last November making payments on \$404 million in coupons—signaling the extreme cash crunch it faces.

So far the government has been able to meet its external financial promises despite the dire financial circumstances. The government has consistently chosen debt repayment over other obligations, including the provision of basic goods. Imports of food and medicines have fallen by 50 percent and 67 percent respectively over the last year; total imports are now less than \$20 billion, roughly a third of the nation's 2012 bill. The government has resorted to a mix of blaming the private sector, lifting price controls on specific goods, and systematically repressing dissent to deal with the public desperation and outcry.

The government has also relied on asset sales and financial reengineering to stay on good terms with its creditors. It negotiated new and extended terms on oil payments due to the Chinese, its largest outside creditor. In the final quarter of 2016 it swapped nearly \$3 billion in PDVSA bonds for longer maturities, and raised an additional \$1.5 billion from Russia's oil company Rosneft. It also placed another \$5 billion in long term debt with undisclosed buyers. If oil prices rise in 2017—as most expect—the government's hard currency, and subsequent capacity to pay, will increase.

Taken together, while it will be quite difficult, there is a good chance the government can financially muddle through the coming year's payments, lessening this potential trigger for political change.

U.S. NATIONAL INTERESTS IN VENEZUELA

Venezuela's fate matters for the United States as it affects economics, security, and democracy in the Western Hemisphere.

Economically, instability in Venezuela's oil production has risks for the U.S. refining industry and for global prices. For decades Venezuela's crude oil came north, mostly destined for Southeastern and Texan refineries. These flows have lessened in recent years as the nation's output has fallen and as more is sent to China and India. Still, it represents some \$15 billion of business annually.² And Venezuela remains the third largest oil producer in the hemisphere; disruptions could hike prices.

In terms of security, Venezuela's willingness to permit drug traffickers, organized crime networks, potential terrorists, and other nefarious actors within its borders affects U.S. national security as well. Reports show that Colombia's *Bandas Criminales* (BACRIM), Revolutionary Armed Forces of Colombia (FARC), and National Liberation Army (ELN) all operate in the country, as do Mexico's Sinaloa and Zeta cartels. The nation has become a preferred drug smuggling route out of South America, with cocaine heading to the United States through Central America and the Eastern Caribbean, and to Europe through West Africa. The Venezuelan government effectively ended anti-narcotics cooperation a decade ago; since then Drug Enforcement Administration (DEA) and Department of Justice (DOJ) investigations point to active collusion and collaboration between prominent government officials and drug traffickers.

Venezuela matters importantly for regional stability. Its economic and authoritarian slide has the potential to undermine its neighbors. Both Brazil and Colombia are already dealing with escalating migrant and refugee flows, as tens of thousands of Venezuelans make their way across the borders in search of food, medicine, and

a new start. Colombia in particular could face a quick escalation in displaced persons, given the roughly five million people of Colombian origin that reside in Venezuela. Most were refugees from Colombia's historic violence, now they may return to escape that permeating their new country. A flood of individuals could undermine one of the United States' strongest regional allies as it works to implement its historic peace process. And Venezuela is threatening the very sovereignty of its neighbor Guyana, reigniting long standing claims to its Essequibo region, roughly 40 percent of its current territory, and its newfound offshore oil.

Finally, Venezuela's authoritarian turn contradicts long held U.S. ideals and foreign policy goals. The crackdown on basic political and civil rights run directly counter to U.S. policy objectives to uphold and promote democracy, both a good in and of itself as well as for the salutary effects for stability, peace, and development. It also flouts the will of the Venezuelan people, witnessed in the overwhelming support for the opposition in the December 2015 legislative elections.

POLICY OPTIONS

Despite this worrisome state of democratic erosion and humanitarian trauma, and the negative ramifications for the United States and its regional partners, U.S. policy levers to change the current status quo are limited. A significant shift, if it occurs, will likely come from within. Nevertheless, the United States should continue to investigate and to reveal the criminal behavior of Venezuelan officials, work to increase pressure on and condemnation of the regime in multilateral venues, and prepare to constructively aid a receptive future government.

Targeted Sanctions

The United States has and should continue to use targeted sanctions against human rights abusers, drug traffickers, and corrupt officials. Over the last 10 years the State Department has revoked the visa of over 60 officials for human rights abuses or support of terrorist and drug trafficking organizations; the Office of Foreign Assets Control (OFAC) has sanctioned seven Venezuelans, mostly military officers, for human rights abuses and undemocratic practices, and recently another 15 individuals for drug trafficking and colluding with terrorists—among them Venezuela's Vice President Tareck El Aissami. These are important actions as they deny these individuals access to the United States and the benefits of its financial system. These sanctions also send an important message—reaffirming that the United States can and will uphold international norms and rules. Targeting individuals avoids the humanitarian costs of country sanctions, which intensify the hardships facing the broader population while leaving its leaders relatively unscathed.

Expanding the use of targeted sanctions, while the right thing to do in terms of justice, is unlikely to bring any real change to Venezuela's political or economic status quo. If anything, it will lead the individuals to refuse to negotiate or compromise, given that a change of government could affect their own personal freedom.

CFIUS Review of Recent Financial Transactions Concerning CITGO

The late 2016 bond offering to Rosneft, giving them 49.9 percent of PDVSA subsidiary Citgo holdings in the case of default, coincides with ongoing speculation that Rosneft holds a material amount of other recently restructured PDVSA bonds also collateralized by Citgo assets. If the latter is true, then in the event of a comprehensive default, Rosneft looks in position to take over a majority controlling stake in the U.S. based subsidiary. The Committee on Foreign Investment in the United States (CFIUS) should begin a review concerning the potential acquisition (through a debt default) of these critical infrastructure assets by the state controlled Russian oil company.

Rally Other Nations To Pressure the Nicolas Maduro Regime

A second potentially fruitful policy approach is encouraging other nations to join together and take the lead in condemning Venezuela's authoritarianism. South America's democracies in particular—considered allies rather than “yankee” enemies—have more leverage, their criticisms harder to dismiss.

Electoral changes over the last 18 months make such critiques more likely. Peru's Pedro Pablo Kuczynski, Argentina's Mauricio Macri, and Brazil's Michel Temer have all supported the recall referendum efforts to end Maduro's mandate. They have also publicly condemned the imprisonment of political opponents and limits on freedom of expression. Mercosur, the South American economic bloc, voted to suspend Venezuela for its human rights abuses and democratic failings. Add to this Venezuela's diminishing ability to “rent friends” by providing free and subsidized oil, as it has to many Caribbean and Central American nations in the past, and it opens up the possibility of a broader regional effort.

The United States has an opportunity, through careful and consistent diplomacy, to unite these individual expressions of concern and acts of censure into a more powerful opposition to the Maduro government and its authoritarian tactics.

One of the most fruitful avenues is the Organization of American States (OAS). Last May Secretary General Luis Almagro invoked the organization's Inter-American Democratic Charter, calling on its member states to review Venezuela's adherence to democracy and detailing its transgressions in a 132-page report. At the time the United States and others deferred in support of dialogue, including that led by the Vatican sanctioned Jose Luis Rodriguez Zapatero and others. As these negotiations have now failed, largely due to the Venezuelan government's recalcitrance, the United States should adopt a harder line within the OAS, galvanizing support for a Democratic Charter review and building the two-thirds majority vote required for Venezuela's suspension from the multilateral body.

As the United States works to expand a coalition for change, China can and should play an important role. Having lent some \$60 billion over the last decade to keep the government afloat, it retains significant sway. There are signs that China's leadership is becoming increasingly concerned about Venezuela's stability; slowing the pace of new lending, of rollovers of existing government obligations, and even meeting with opposition leaders. The State and Treasury departments should begin preliminary conversations with their Chinese counterparts, who may become more willing to press the Venezuelan government in the case of a debt default.

Prepare for Change

While change will likely come from the actions of Venezuelans themselves, the United States can and should prepare to help stave off the worst of a further deterioration and to help enable the nation to recover its economic footing. To address the humanitarian costs, the U.S. government should begin working with Colombia, Brazil, Guyana, and nearby Caribbean nations that may receive hundreds of thousands if not millions of Venezuelans fleeing repression or chaos. The United States can help protect and care for these refugees, sending funds, civilian personnel, and equipment to help Venezuela's neighboring governments, U.N. organizations, and U.S. and foreign nongovernmental organizations (NGOs) address the crisis.

The United States should also begin preparing to help a future receptive government deal with the economic and financial chaos. A new administration will quickly have to let the exchange rate float (given the exhaustion of international reserves), let domestic prices rise to reflect supply and demand, and rebuild an effective social safety net. It will also have to restructure the \$140 billion in sovereign and PDVSA debt. The U.S. government has an important role to play in bringing in and helping the International Monetary Fund (IMF) define the dimensions of a rescue package, and in helping coordinate with China, Russia, and other interested parties. The faster and more comprehensive a deal is, the sooner Venezuela can bring back the economic growth necessary to alleviate the worst of its citizens' suffering.

Venezuela's economic, political, and social situation represents both a regional problem and a global affront to democratic values. As such it should be a priority for the current U.S. government, which should invest in the necessarily complex, time consuming, and fragile diplomatic processes to push for change, as well as to prepare for the day when it in fact may come.

Notes

¹National Survey of Living Conditions (ENCOVI), 2016

²U.S. Trade Representative, 2015

The CHAIRMAN. Thank you so much. I am going to reserve my time for interjections and turn to our ranking member, Ben Cardin.

Senator CARDIN. Thank you, Mr. Chairman, and thank all three of you for your testimony.

We have not heard a lot about getting humanitarian aid into Venezuela. We have an immediate problem, and I am not sure we have an answer for dealing with the people who are suffering in the country because of the ineffectiveness of their government to be concerned about this humanitarian crisis.

We look at ways in which we can change the direction here, and it starts with the governance. When you have a corrupt government, it is going to be very difficult to see international organizations willing to come in to help refinance their economy. Even

though they have wealth, it is going to be difficult to figure out how that takes place unless they have basic changes in the way their government is doing business. We do not see any indication that that is taking place.

You have made a couple suggestions. One is that we need to work with our regional partners, which I fully agree, so let us start with OAS, which is the entire region, as to whether it is realistic that the Democratic Charter provisions can, in fact, lead to a change in Venezuela. Ultimately, it will require us to have the threat of at least two-thirds of the countries, if we are going to be able to invoke the charter with some teeth.

What is the likelihood that OAS could be effective as a real force in bringing about change by the President Maduro government?

Mr. Feierstein.

Mr. FEIERSTEIN. Well, thank you very much for that question. Actually, I can hit on your two other points as well.

First, with regard to humanitarian assistance, under the Obama administration, USAID, in fact, did put together a contingency plan to provide assistance, if and when the Venezuelan Government is willing to receive it. USAID has a warehouse in Miami that is prepared to provide assistance. I know international organizations are prepared as well.

There has been some dialogue between the government and the American Development Bank with regard to reform, though, frankly, at fairly lower levels. There is no indication at senior levels that they are inclined at serious attempts of economic reform.

With regard to the OAS, I think that we are much better positioned now than we were a couple years ago, and that is because of some changes in some key governments in the region—Argentina, Peru, Brazil. There was a reference to Ecuador, a potential change there as well.

I think that patience has clearly run out with Maduro. I think countries are more inclined now to take action. There has been a hesitation to do so as long as the dialogue was alive, and as long as the Vatican was engaged.

One of the challenges has been with regard to the Caribbean countries, which receive significant petroleum assistance from Venezuela, and that has somewhat silenced them, and there have been some divisions within the Caribbean.

That said, I am hopeful in the coming months that, as the situation deteriorates in Venezuela, and as it becomes clear that the dialogue cannot be successful unless there is more pressure—I think there needs to be three forms of pressure. There needs to be domestic mobilization within Venezuela in the form of protest. I think there need to be additional sanctions applied by the United States and other countries. I think there needs to be action within the OAS, including a threat of suspension of Venezuela from the organization, if it does not comply with the Inter-American Democratic Charter.

Senator CARDIN. Dr. O’Neil, what countries in the region do you think are most likely to join in a strong effort, including the OAS invoking the Democratic Charter, or joining us in sanctions? Which countries should we be looking to?

Dr. O'NEIL. Sure. We have heard from the leadership of Peru. Pedro Pablo Kuczynski, the new President, has come out forcefully condemning the regime. We have heard from Mauricio Macri in Argentina as well, statements particularly opposing political prisoners and the lack of freedom of expression there.

We have heard from others, and there have been agreements that have been signed. We have seen Mercosur actually suspend Venezuela from the Mercosur bloc, especially led by Paraguay as the most vocal opponent of what was happening in Venezuela.

So I do think there are strong voices there. We have also seen several foreign ministers, including Mexico, Colombia, and others, sign a memorandum, again condemning the limits on political freedom in Venezuela.

Senator CARDIN. Will they join us in sanctions?

Dr. O'NEIL. I think some of them will, if we build this diplomatic coalition. And that will take a lot of hard work.

I would say that the current tensions, particularly with Mexico, between the United States and Mexico, and the language going back and forth, is hurting our cause to build this coalition. I think Latin American countries, on the one side, they see us as unreliable partners, turning on one of our closest allies, just here in the last couple months.

So there is a challenge there. Do you step up and introduce sanctions or agree to sanctions when you are worried about where the United States might turn the next day?

And the other thing that is happening in Mexico I want to put on the table is actually much of the hostility or the tensions that are happening in the relationship has been strengthening the leftist candidate there in the upcoming 2018 presidential elections, Lopez Obrador. And he and many of his advisers actually have been on the record in the last few weeks supporting the Maduro regime.

So it is possible that some of our—we may lose a potential ally in this situation with Venezuela.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Yes, sir.

Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

I want to concentrate on the national security concerns as it relates to the United States here.

Dr. O'Neil, in your testimony, you said Venezuela is willing to permit drug traffickers, organized crime networks, and potential terrorists. But I want to start with the current and potential refugee flow.

What is the current refugee flow out of Venezuela? And if we anticipate a collapse in the Maduro government, that it would increase, why is it not increasing now?

Dr. O'NEIL. We have seen tens of thousands of individuals leaving Venezuela. Some are going into Brazil. Many are going into Colombia. We have seen them fleeing to nearby Caribbean islands, so fleeing by boat as well. So many people are leaving.

There is, I think, a potential for a much larger refugee crisis. And partly, the borders have been closed at various times by the Venezuelan Government, by the military, so it is difficult to leave.

In part, they do not have the resources to leave. You actually need resources often to leave countries.

But I think there is a pending crisis. One is if we see a further deterioration on the economic side of things or we see a further increase in violence, a sort of collapse of the state.

One of the populations I think is most vulnerable or most likely to move is a large population in Venezuela, roughly 5 million Venezuelans who are actually of Colombian origin. Those Colombians came actually to flee violence in their own country from the FARC and from the challenges there. Many were made citizens, actually, by Hugo Chavez in 2008–2009, when he was holding a referendum and they voted for him, supporting him in the referendum.

But now you can imagine those populations with strong ties back to Colombia might leave, if given the ability and chance, and if things deteriorate more fully. And that creates problems for stability for Colombia, particularly when Colombia is in a very fragile place.

When they are trying to implement their new peace process, when they are trying to bring back the FARC and others into the fold, imagine dealing with this humanitarian crisis.

Senator JOHNSON. So who are the bad actors outside the hemisphere and within the hemisphere that also represent a security problem for us? The drug traffickers, transnational criminal organizations, potential terrorists, I mean, who is setting up shop there? Who is utilizing the failed state that could threaten our homeland?

Dr. O'NEIL. Most of them are drug trafficking networks. They are drug trafficking networks that bring cocaine or coca out of Colombia, out of other Andean countries there that are now using Venezuela as a transit point, a transit point that comes up through Central America and the Caribbean to the United States, a transit point that sends cocaine to West Africa and then up into Europe.

Those are the main elements that are using this brown state, as you might say, the ungoverned spaces for their advantage.

Senator JOHNSON. Again, those who would be the bad actors within the hemisphere, the drug cartels. What about outside the hemisphere? I mean, are we seeing potential terrorist organizations, any ties, for example, to Islamist terrorists?

Dr. O'NEIL. I have seen a few reports that there are some elements, but I have not seen a more systematic entrance of those groups into Venezuela.

Senator JOHNSON. Would any of the other witnesses care to comment on my questions?

Dr. SMILDE. I have seen a number of reports in the press about these terrorist groups, and this has been going on for a long time, this type of information.

All serious investigations I have seen have not found substantive substance to that. I mean, I think there is an issue of the possibility of people being trained in the Middle East, being trained and coming back, and then trying to enter the United States. But as far as actual terrorist groups setting up shop in Latin America, I have not seen credible reports of that.

Senator JOHNSON. So, again, let me go back to the refugee flow. To summarize I think what Dr. O'Neil is saying, so the Venezuelan Government is doing a pretty good job of keeping its citizens there,

preventing them from leaving, and/or it just has not gotten bad enough? I mean, it is pretty bad, right?

Mr. Feierstein, would you like to comment on that?

Mr. FEIERSTEIN. Sure. What we have seen so far is most Venezuelans who have left tend to leave to pick up some basic goods, food and medicine, principally in Colombia, and then they return home.

That said, as Shannon noted, we have seen an increasing flow of refugees to other countries. I think we do need to be prepared to support Colombia in the event of a significant flow.

Senator JOHNSON. What would a significant flow be? I mean, what are you concerned about? Are you talking about hundreds of thousands? Tens of thousands?

Mr. FEIERSTEIN. Potentially, if you had a social implosion in Colombia—I am sorry, in Venezuela, if the economy deteriorated enough, if you did have violence and civil conflict, you could potentially get those sorts of numbers.

The Colombian Government has been preparing for that. In the Obama administration, we did put together some contingency plans to support Colombia. We worked with a number of U.N. agencies as well to but those efforts in place to prepare for that. We are certainly hoping it does not come to that, but that is something we certainly need to prepare for.

Senator JOHNSON. How much worse could it get? At what point does that trigger a refugee flow?

Mr. FEIERSTEIN. Look, we are already talking about—

Senator JOHNSON. It is pretty bad, right?

Mr. FEIERSTEIN. I mean, we are already talking about a country with, as I noted, the highest inflation rate in the world, the deepest economic recession, and the highest murder rate in the world.

There is a concern that the country will default on its debt later this year. They have made a number of debt payments over the last couple years, thanks in large part to significant loans from China and from Russia.

If they were to default, that would deepen the economic crisis. So far, they have been prioritizing paying their debts over importing food and medicine, but it is not clear how much longer they can go on.

A lot will depend on the price of petroleum, frankly. It has risen a bit, and that has given them some breathing space.

Senator JOHNSON. But again, we are primarily concerned about refugee flow into Colombia.

Mr. FEIERSTEIN. Yes.

Senator JOHNSON. Okay.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, sir.

Senator Menendez.

Senator MENENDEZ. Mr. Chairman, thank you for holding a timely hearing. I am particularly pleased to see that the full committee is engaged in Western Hemisphere issues, because sometimes, in the midst of all of our global challenges, we lose sight of our neighbors to the south, which has immediate national security and national interest questions. I appreciate you calling for a full hearing on a timely topic.

Along with a few others on this committee, I have been intimately involved and paying close attention to Venezuela for some time, and watching with alarm as Nicolas Maduro has followed in the repressive and brutal steps of previous dictatorships.

I want to take the opportunity of this hearing to call out names of individuals who suffer every day inside of Venezuela. They are the Vaclav Havels, the Lech Walesas, the Aleksandr Solzhenitsyns of their time in Venezuela. Over 100 political prisoners: Leopoldo Lopez, a leading opposition leader whose only crime is peaceful protests, now 3 years in jail in a sham process; Antonio Ledezma, the mayor of Caracas; Daniel Ceballos, the former mayor of Caracas; Joshua Holt, an American citizen, a former missionary who married a Venezuelan woman, is accused of being a spy.

These are just some of the examples of those who are languishing under an authoritarian regime. And I think we must be clear in naming the regime, which once had the faint promise of democratization, a dictatorship, because that is what it is.

We have long talked about one exception to a region of democracies in the hemisphere, but tragically, Maduro has changed that.

I get real concern when I see Cuba's influence in Venezuela. If you go to the airport in Venezuela, most of the agents who will shake you down are Cuban agents. Cuban intelligence has permeated every part of Venezuela's Government. And so it is not benign what they do in the hemisphere beyond their own country.

Unfortunately, while well-intentioned, the Vatican-brokered peace talks have failed. They succeeded, in my view—I think they were well-intentioned. But they only gave Maduro more time to dismantle democratic institutions, to jail more political opponents, and to drive Venezuela's economy further into the ground.

I appreciate that the new Secretary General of the OAS, Mr. Almagro, has acknowledged as much and called for elections now instead of waiting until 2018, which will only give Maduro more time to consolidate his grip on power.

But the humanitarian situation is dire. Children are dying of completely preventable diseases. Shelves are empty of basic food and medicine. It is past time not only for the Democratic Charter to have been called into play but to actually be put into action.

If Venezuela is not a place where the Democratic Charter is going to be invoked and actually pursued by the countries of the hemisphere, then the charter is really of no consequence whatsoever.

For anyone questioning whether there are significant implications for the United States of Venezuela's dictatorship or potential economic collapse, I think we have heard several of them here, there are more asylum-seekers to the United States from Venezuela than any other country in the world right now. A breakdown of democratic institutions, including the separation of powers and independent judiciary, has increased corruption. It has made it easier for drug and human traffickers, something I know the chairman cares about, to operate through the country. And, as we all know, the administration, which I applaud, has named the Vice President as a foreign narcotics kingpin.

Now I am pleased to have led a bipartisan and bicameral letter with my colleagues urging the administration to take actions

against the administration, and I look forward for a continuing engagement. But I hope we can work together to hold human rights violators and drug traffickers, send a clear message, if you are going to violate the rights of others inside of Venezuela, know that you are next. Know that you are next.

And while the Maduro regime may have sanctioned me and forbidden my entry into Venezuela, it will not stop me from pursuing this issue.

So I have one question, a question I posed to both Secretaries Tillerson and Mnuchin, and I would like to get your take on it.

Venezuela's state-owned oil company, PDVSA, and its subsidiary Citgo, which has energy infrastructure in the United States, are under extreme financial pressure and may not be able to pay their bills in the near future. Under a recent deal, 49.9 percent of Citgo was mortgaged to Rosneft, the Russian government-owned oil company run by Vladimir Putin's crony, Igor Sechin.

It is also possible that Rosneft acquired other PDVSA bonds on the open market that could bring their ownership potential to over 50 percent.

If Citgo defaults on its debts, Rosneft, an entity currently under American sanctions because of Russia's belligerent behavior, could come to own a majority stake in strategic U.S. energy infrastructure, including three refineries and several pipelines.

Given the close ties between Rosneft and Putin, Putin's interest in undermining the United States, and Putin's willingness to use energy as a weapon, does this potential deal concern you? Should a sanctioned Russian company have control over critical U.S. energy infrastructure? I would hate to see Rosneft be the sign hanging over Fenway Park.

Senator SHAHEEN. Me too.

Senator MENENDEZ. There we go.

Dr. O'NEIL. Well, I concur with your reading, and I actually think this is an area where the Committee on Foreign Investment in the United States, CFIUS, should actually step forward and proactively begin to investigate this. It usually happens in cases of potential acquisitions, as we have seen in many other cases. But here, given the stipulations and these various bonds which you lay out well, it seems there is a potential acquisition through default. Particularly since many economists, many investors, believe that there will be a default sometime in the relevant future, this is something that I think would be important for the United States Government through CFIUS to begin investigating.

Senator MENENDEZ. Any of you have a view on that? Do you have any disagreement with it?

So, for the record, you are both shaking your head no.

The CHAIRMAN. I think you laid the case out so well, no one can disagree.

Senator MENENDEZ. Since, Mr. Chairman, we have to rely on private panels for now, at least I want to get the benefit of an understanding of those private panel views.

So I thank the chairman for his courtesy.

The CHAIRMAN. We set aside a good portion of this work period to deal with confirmations. And it is unfortunate we have only one

Ambassador, and we are waiting for Johnny Isakson to get back to vote on him, and we have none others to process.

I do not think there are even any waiting, after the batch we have now on the floor. So we do need to move on and, hopefully—

Senator MENENDEZ. Mr. Chairman, my comments are not directed to you.

The CHAIRMAN. No, I did not take it that way.

Senator MENENDEZ. They are just to the administration, because I think we can chew and walk gum. I know that my dear colleague Senator Young had a comment for me last week. I wish he was here.

We can chew gum and walk at the same time, which means, as we are going through cabinet officials, it does not mean we could not get nominations that this committee, on a bipartisan basis, has generally processed very quickly.

The CHAIRMAN. I could not agree more, and, hopefully, those will be forthcoming.

Senator Rubio.

Senator RUBIO. I want to thank you for holding this hearing. I think this might be the first time the full committee has done a hearing on Venezuela in a long time, and this is an issue I have talked about for a long time. It affects South Florida where I live. As you can imagine, there is a significant—I want to just touch on a couple points made here, and they will probably lead to some questions or further commentary.

On the sanctions piece, just know I listened to your testimony, and I understand the argument. I do. It is kind of one of the arguments that is often made about unilateral sanctions. I would just encourage you to think about it a little bit differently.

The sanctions, the purpose of the sanctions, are not necessarily to influence a change in government. Here is the dynamic that is different when it comes to Venezuela.

Many of these individuals, to just speak in the plainest terms, they are stealing money, or having access to ill-gotten gain because of their access to the government. And then they invest it, for example, in South Florida.

I mean, I see them every weekend. You go to the fancy mall, they are walking up and down. They are laughing at us.

So the problem really is about protecting the assets of the people of Venezuela that have been stolen and invested into the United States for the profit of these individuals. We just want to make sure that those assets that, quite frankly, should belong to the Venezuelan people are available when Venezuela is free, and so that they can be held accountable by Venezuelan justice or whatever it may be.

It is important because there are a bunch of cronies that surround the current government who have taken their role in government or their access to powerful people in government and used it to get access to funds. Then they buy these mansions, horses, jets. I mean, it is outrageous.

And I just think it is important for that to be available to the Venezuelan people, because it is their money. It does not belong to these people.

I do think there is value in the stigma. I can tell you that for a lot of the people in the opposition in Venezuela to know that these people that laugh at them every day and are on television every night attacking them on the state-run stations that are being called out by the United States is powerful.

So I would ask you to consider that as part of it.

The exit thing is real. I mean, it is true that these people are now figuring to themselves, we might as well stay here until the end, because there is nowhere else for us to go. I think that was going to be a problem anyway, one way or the other. There are not that many countries they can go to, probably, except for Cuba, at this point, and that is not necessarily a great place to live, given the current government, especially.

Mr. Feierstein, you talked about the OAS. I agree. And I actually think that Peru, Mexico, Brazil, Argentina, have all expressed concern.

I would also say, and I echo the point that Senator Menendez made, I do not know why we have an OAS if it does not defend democracy. That is the very purpose of it.

And I do hope it becomes a priority for this administration, and that we use the leverage that we have. You talk about some of the things that have happened under this administration undermining our credibility in the region. I do not disagree. I disagree with many of the things that have happened, and I wish they would not have occurred.

I would also say to you, however, it was deeply demoralizing to the opposition in Venezuela to see Tom Shannon in Haiti taking Twitter pictures with Diosdado Cabello, who is maybe not formally but informally the second most powerful man in Venezuela. To see an American official of that rank taking pictures in Haiti with his arm around him is deeply demoralizing to some who have suffered at the hands of these people.

Recently, Senator Menendez and I met with Lilian Tintori, who, as you know, whose husband has been in jail for a long time. I want people to understand what she has been subjected to.

When she goes to prison to visit her husband who is in jail for doing nothing—nothing other than being against the government—they strip her naked. They force her to take all her clothes off in front of the male prison guards who mock her and laugh at her.

And by the way, the President received her at the Oval Office and took a picture with her and put it up on Twitter, which, for this President, is a pretty powerful thing, and I am glad he did that. It was important.

And she returned to Venezuela. So Diosdado Cabello mocks her every single day. So for people like that, it was really demoralizing to see Tom Shannon there doing what he did, and the administration, at that period of time. It just was hurtful, and I think problematic on the dialogue, and that is what I wanted to get to.

I do believe it was well-intentioned, but I think Maduro used it to do two things. Number one, delay any sort of OAS action until he can get past December, because of the referendum period. Now there is a referendum, he will be replaced by the Vice President as opposed to a new election. So it played right into his hands.

He used it to divide the opposition, pitted them against each other. They threatened members of the opposition. If they did not participate in the dialogue, their relatives would be punished. Some people would not put up with that. Some people do not want to see their kids mistreated.

I really think it is important for the United States to publicly announce that we think the dialogue is over, especially as long as there are political prisoners, and really to be aggressive on the OAS front.

On the USAID piece, there is a reason why we are not in there. They do not let us. The Venezuelan Government does not allow open aid because they deny that there is an emergency.

So that is the point that I wanted to get back to. Why do we need an OAS if it is incapable? And I am in favor of the OAS. I want there to be an OAS. But why even have one if it cannot act in a situation where the courts, the electoral commission, the press, all is controlled by the President or the fake President of Venezuela, and the assembly is not even allowed to meet and pass laws. That is not a democracy.

What is the purpose of the OAS, if it cannot act in a case such as Venezuela?

Mr. FEIERSTEIN. Thank you for those comments, Senator.

First, with regard to sanctions, I very much agree with you on the value of sanctions.

With regard to the OAS, I think it is important to underscore the leadership of the Secretary General. He has detailed extensively what is going on in Venezuela, tried to mobilize countries in the region to take action.

As I noted before, I think we are better positioned now than we were a couple years ago because of changes in certain governments in the regions, as we talked about—Argentina, Peru, Brazil, and others.

I believe that, again, in the coming months, I think that there will be an opportunity to invoke the charter to threaten the suspension of Venezuela from the organization.

And we need three forms of pressure for the dialogue to succeed. I agree with you the dialogue has not succeeded. The government has used it to buy time to diffuse domestic protest, to keep the international community at bay.

But if the opposition is able to mobilize internally, if we are able to apply additional sanctions, and, ideally, multilateralize them, and if we are able to mobilize countries in the OAS to invoke the charter to threaten the suspension of Venezuela from the OAS, I think then there would be greater prospects for a positive outcome in Venezuela.

The CHAIRMAN. We good? Any other comments? Any dissenting comments?

Dr. SMILDE. I would make a couple comments.

Thank you, Senator Rubio, for your comments. I strongly sympathize and support the idea of freezing the assets. I think that is a noble cause and has a good rationale to it. And I agree that, any way you look at it, there is going to be an issue of exit costs, as you suggest.

What I think is that this type of sanctions program simply increases those exit costs and makes it that much more difficult for there to be some sort of transition. I do not oppose sanctions in every case, just as a matter of principle.

But I think if you look at, for example, Mark's testimony, he mentions there the issue of guarantees for government figures who facilitate a democratic transition, some sort of escape clause, some sort of legislation that could make some sort of provision that would make it interesting or make it feasible for some of these figures to think, well, if I take a different track, maybe things will be different for me.

And I think the other issue is the multilateral element of it. I think if you can get things to be multilateral through diplomacy with our regional partners, then I think that really takes a lot of the edge off of sort of anti-imperialistic rhetoric that is used against them.

On the issue of aid, I think it is a really, really difficult issue in the Venezuelan Government. If you can think of it from their ideological perspective, they are a government that supposedly prioritizes the well-being of people and providing for people. That is sort of their hook. And so to have humanitarian aid is very difficult for them. It is a touchy political issue.

But the dialogue agreement, it is actually part of the dialogue agreement. They already agreed to allow the Catholic Church in Caritas to bring in humanitarian aid. I think that would be the place to push, push on that existing agreement and say that this has to happen. But it is a very difficult issue.

The CHAIRMAN. We are really running over. If you have a really salient comment, you can make it, but—

Mr. FEIERSTEIN. It is exceedingly salient, Senator.

But, no, just with regard to the antiimperialist rhetoric, look, I think it is always preferable if we operate multilaterally. The Venezuelan Government is always going to use antiimperialist rhetoric, whether we act or not act.

And they are going to invent things. They are very good with fake news. They are very good with alternative facts.

And the fact is, it does not work for them. They have 80 to 90 percent of the people in Venezuela reject the government. And I think we need to act, ideally, in concert with other countries, but alone, if necessary.

The CHAIRMAN. Thank you.

Senator Udall.

Senator UDALL. Thank you, Chairman Corker.

I did not vote in favor of increased sanctions against Venezuela. I thought then and I believe now they are counterproductive and could lead to further entrenchment of the current Venezuelan regime. And that is exactly what happened.

The Venezuelan people, many who oppose the government, are suffering. They are going without food, without medicine, without power, without the essentials. A truly democratic government would be at risk from a mass protest, but that is not what we have.

And yet the Chavez-Maduro regime is still in power, avoiding accountability. Demagogues like Maduro need a scapegoat, and now the U.S. sanctions are his scapegoat.

Mr. Smilde, are you clear that taking a hardline approach to Venezuela will likely lead to a Cubanization of our policies there?

I just visited Cuba last week with a bipartisan delegation, Senator Cochran, Senator Leahy. And I can report to you that not only has the embargo been a complete failure, but it continues to give Cubans an excuse for the poor state of their economy. However, that has begun to change with U.S. engagement.

As to Venezuela, can you outline what role you think the Foreign Relations Committee or others should take to encourage a multilateral effort to ensure that elections are held in 2018 and to prevent a Cubanization of policies in Venezuela?

Dr. SMILDE. I think that is a good way to put it, and I think there are a lot of differences between Cuba and Venezuela. There is more of a democratic tradition in Venezuela than there was in Cuba.

The sanctions that are being proposed are targeted instead of the whole Nation, so I think that makes it somewhat different.

But there is clearly a threat of Cubanization in the government, in the security apparatus, and I think in our approach to Cuba.

I think trying to isolate Venezuela, trying to raise barriers through sanctions, is not the right approach. I think a better approach is to engage Venezuela. I think also working with regional partners, whether that—I fully support pushing for the Democratic Charter in the OAS. I also think trying to work with regional partners, some sort of group of friends, working with some of the other multilateral agencies in South America, I think could also facilitate it.

What I envision—I simply do not think that sanctions are going to be effective in facilitating a democratic transition. What I do think would be effective is if the region comes together, if there are coordinated efforts among these different regional partners, these different multilateral agencies, all to exercise pressure together and have some sort of common criteria.

I know that is very difficult. I know that takes a lot of work, and it takes a lot of patience. But that is the only thing. That is only way I can imagine things taking a better turn in Venezuela.

Senator UDALL. Dr. O'Neil, would you agree that, in Venezuela, different factions now view the situation as a zero-sum game, making governance increasingly difficult? And, in a way, asking the question again that I asked him, what are the suggestions you would make in terms of having a democratic transition and getting people to pull together?

Dr. O'NEIL. I think it has been a zero-sum game for quite a while for many of these players, both those within the government and then some, of course, outside of the government.

My view is that actually targeted sanctions, many of the ones that we have put in place I think are useful. We use these kinds of sanctions against corrupt individuals, against human rights abusers from countries all over the world, whether Africa, Russia, or other places. And these types of things, calling out, naming and shaming, and denying them access to the United States or to assets here I actually think is useful.

I am not sure—to me, it does not change their calculations. Many of these have been involved deeply in drug trafficking rings or

other illegal activities, and I am not sure it changes their calculation in terms of staying or going. I do not believe it does. But I appreciate the different points of view on this issue.

I do think that blanket sanctions on the country or on particular sectors would be counterproductive in trying to find a transition or compromise between the various forces within Venezuela.

Whether or not there is enough of a critical mass in the center that is willing to compromise, to come together, I think that is really a question that we do not know. As everyone has said here, and I would concur with this, the dialogue, with the best of intentions, failed to find that center, and so now we need to find a different path.

To me, the most potentially fruitful path is this one that is a multilateral path that, and I think it needs to be guided by the OAS, because that is an instrument that we have to pull this together.

I do think, as in the past historically in Latin America, and I think today, the United States will have to play a role in leading that. There are many countries I think could be brought on board and have said that they have opposed aspects of what the Maduro regime has been doing. But our leadership will be crucial in pulling that together.

So I think we need to work with the Secretary General in the OAS as well as other countries to try to bring that together. Whether it will be successful or not, we will have to see. But I do think it is our best chance in creating a peaceful transition at this point.

Senator UDALL. And, obviously, as others have said, Mr. Chairman, we really need to take a hard look at OAS reform. Thank you very much.

The CHAIRMAN. This is my first interjection. We were there in July 2015. I am not sanctioned, for some reason.

And it is absolutely the most tragic situation to have a country with such resources and people, and to be having people lined up around stores just to get toilet paper, I mean, it is an incredible thing to see how mismanaged the country is.

To Senator Udall's question, the targeted sanctions that are in place, however, they are not generating the economic issues that they are dealing with in any way. Is that fair to say?

The flipside though is, the zero-sum game that he pointed out, I mean, we have tremendous empathy for the political prisoners, 117 of them, the wife who was just here recently, what she is going through to see her husband, I mean, we have empathy for all of that.

In fairness, it has been a zero-sum game for some time. Do you want to expand on that a little bit?

Mr. FEIERSTEIN. Thank you for that question, Senator. That is a very important issue.

In a previous life, I worked as a pollster, and I conducted public opinion polls in Venezuela. And we found, this is a few years back, we found actually that Venezuela was the most polarized country in the world, and a lot had to do with Hugo Chavez at the time. I imagine the same is true today with President Maduro.

And we think our country is polarized. It is nothing compared to Venezuela.

That said, I think there is the opportunity to build a more moderate center there. The opposition is often branded as right-wing extremists. That is false. But even around, if you look at the Chavista movement, and people around Maduro, there are people around him who have been genuinely open to dialogue. There are people around him who have been open to economic reform.

Now, they have been sidelined, unfortunately. But I think, over time, the opposition has come to realize the importance of incorporating moderate Chavistas into their movement. They need to understand the genuine appeal that President Chavez had and the reasons for it. And they do understand that and appreciate that.

So I think that there is an opportunity for moderate leaders in the opposition to build a broader coalition that would represent more than just a rejection of the current government and its policies, but a genuine affirmative movement in favor of particular social and economic policies.

The CHAIRMAN. Mr. Smilde.

Dr. SMILDE. Yes. Thank you for the question.

I think, in terms of polarizing on both sides, I think there is a strong sense in which that is true. For many people, this is the zero-sum game. But I think that gets overplayed somewhat, I think on both sides of the spectrum.

Within the opposition, of course, there is a strong contingent which really thinks in terms of regime change, and they think in terms of provoking street protests that somehow are miraculously going to get rid of the government. But I think there is also an electoral wing, which I think actually has been the dominant wing for the past 2 years. It really has been quite active since 2006 already.

Those believe that elections, that this is a transition that has to happen democratically and that can happen through elections, I think those are actually the majority within the opposition, and they have dominated definitely in 2015–2016.

I think on the side of Chavismo, it is a little bit more complex, because Chavismo is very reduced now. It is approximately, the last numbers I have seen, it is about 20 percent of the population supports Chavismo. This is basically people who work in the government or that are somehow mobilized in Chavista movements or somehow have a strong Chavista identity.

And here with these people, I would say that the antiimperialist rhetoric I think still actually provides a strong coordinating ideology. So I think it is still actually quite important, as unconvincing as it may seem to us.

The polls also show something quite interesting. While Maduro has approximately 20 percent support, still about 50 percent, almost 50 percent of the population, still has a positive view of Hugo Chavez. So that, of course, is down from when he died when it was 70 to 80 percent, but that is still 50 percent.

So there is 30 percent of the population there that somehow identify as Chavista but do not support the Maduro government or somehow said, “I do not support this.”

So I think that, actually, the people who do not see Venezuela as a zero-sum game are actually the majority in the middle.

The CHAIRMAN. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman.

And I know, Mr. Feierstein, you talked about the importance of regional partners to move Venezuela. I think actually all of you have done that since I got here.

What does our policy toward Mexico do? Does that have any impact on our efforts to try to move, the policy of the new administration toward Mexico, does that have any impact on our ability to move other partners in the region to try to help address what is happening in Venezuela?

Mr. FEIERSTEIN. Well, thank you, Senator. That is a particularly important question.

And, unfortunately, it does have an impact and very much of a negative impact. I think it makes it, one, more difficult for Mexico to align with the United States. Mexico is a very important actor in the region. Within the context of the OAS, we need Mexico to help mobilize other countries.

And I think there is a political cost now within Mexico to be seen as aligning with the United States, even on a case like Venezuela. Mexico previously had been I think inclined to potentially take action along with us.

I think it also has created a certain solidarity in the region with Mexico and, unfortunately, revived this north-south dynamic that we thought we had buried decades ago. President Maduro even tried to take advantage of the rift between the United States and Mexico by aligning himself with Mexico.

So I think it has made it more complicated. And in fact, I would broaden it as well. I mean, we have talked about multilateralizing the sanctions, additional sanctions will not likely come within Latin America. They will come from the European Union, for example.

And when I was in the White House, this is an issue I raised with EU counterparts. They were not inclined at the time to take action.

But while we are offending EU members and disparaging the organization, it makes a lot more difficult, obviously, then to try to get them to line up with us with regard to Venezuela.

So I think, overall, to the extent to which we are offending allies, it is going to undercut our efforts not only in Venezuela but more broadly as well.

Senator SHAHEEN. Thank you.

Do the rest of you agree with that?

Dr. SMILDE. Let me just say that I think, yes, I agree with everything Mark just said. I think if you look at it beyond that, the interesting way to think about this is that deteriorating relations between the United States and Mexico, I heard one analyst say, has made Mexico Latin American again.

And I think one thing to keep an eye on in U.S.-Latin American relations is the degree to which a more difficult relationship with Latin America could actually spur more integration within Latin America and could conceivably get them to work together on some issues like Venezuela. I cannot say that I see that happening right

now, but it is definitely something that, if you look at the different stresses and pressures, that that could be happening in the coming years.

Senator SHAHEEN. Dr. O'Neil.

Dr. O'NEIL. I would say I agree with the way Mark presented it. And I think this is a challenge. If there are tensions between the United States and Mexico, who for the last 30 years had been cooperative and very close partners on all sorts of things—economic issues, security issues, people, the communities that span the border—if you start seeing rifts there and then you are trying behind the scenes to galvanize first a majority and then a two-thirds majority potentially to vote in the OAS to sanction or suspend Venezuela, it is hard when you have these other issues on the side.

So I do think it is affecting not just how Mexico might participate in that but the way other countries will as well.

Senator SHAHEEN. Thank you all. I totally agree.

You talked about a couple different things that could be done outside of sanctions. Senator Rubio talked about freezing assets. But what other steps could we take? What would American leadership on Venezuela look like in your opinion, and in a way that would provide opportunities for other countries to follow us?

Dr. O'NEIL. I think a challenge for us is it would be most effective if it is other countries that are leading out front. As Mark has said, if it is not something that is actually happening, Maduro and his colleagues will make it up. So it is not as if we are just providing them fodder. But if you have Peru or Brazil or Argentina or other trade partners, close partners, leading, the United States can be part of it. But I think it is quite important, as we try to form a coalition, that others are out front rather than putting us in the front.

Sometimes, as Mark has said, you need to take unilateral action, and that is what these targeted sanctions have been. But I do think, as we look toward the next several months or couple years, can we get others to step up that we would follow them and participate rather than us being out front?

Senator SHAHEEN. And if the OAS is not really an option at this point for leadership there, who do we think is? If we have Mexico off the table, and we have the OAS off the table, now you have talked about Argentina and Brazil and Peru having more positive leadership now. But is there a likely candidate who could take the lead here?

Mr. FEIERSTEIN. Yes, the most vocal, with regard to this issue, have been Argentina and Peru. President Macri has been very strong, President Kuczynski as well. But there are a host of other countries that have particularly strong views with regard to Venezuela—Paraguay, for example, Panama, and others.

So I think there is the potential for a majority coalition within the OAS in the coming months, if we are skillful diplomatically.

Senator SHAHEEN. Thank you.

The CHAIRMAN. Thank you.

Senator Kaine and then Senator Rubio.

Senator KAINE. Thank you, Mr. Chairman.

Thanks to the witnesses.

I am going to go back to the discussion about the zero-sum game, because I think you were getting out my point, what I wanted to ask you about, in different ways.

I was at the Vatican last week, dealing with them on a couple things, and talked to the Foreign Minister, Archbishop Gallagher, about the work that the Vatican has tried to do in the dialogue, and they are very discouraged in it too.

Obviously, the blame lies heavily with the government. But one of the comments they also made is their feeling about the fractured nature of the opposition.

You cannot really blame an opposition. If you are under tremendous pressure, there are going to be fractures. That is what they try to do to you. But it would seem that one of the ways we ought to be looking at this are what are the things that we could do that could help create or accelerate more cohesion among the 80 percent of the population that does not support Maduro? What ideas would you have for us on that?

Mr. FEIERSTEIN. Thank you, Senator. That is a key issue. I appreciate you raising that.

I do think I agree with you that it is a little unfair to the opposition to characterize them that way. And I think it is important to underscore how much success they have had in many ways. I mean, they mobilized people for an election in 2015, and they took two-thirds of the National Assembly seats.

And we are talking here not about an opposition that has never been in power. I mean, these are people who have worked very effectively as mayors, as governors, as members of the National Assembly. In many ways, they have been quite skillful. They came together in a coalition called the MUD, which in that way have been able to operate within the context of the dialogue as well as participate in elections.

So I think, actually, if you compare it with other democratic movements around the world, I think, arguably, there is less fracture within the opposition than there may have been in other cases. And to be sure, there are differences in tactic, differences in approach. You know the opposition ideologically runs from center-left to center-right. But I think that is a healthy thing. I think they should probably be getting a lot more credit than they have gotten so far.

Dr. O'NEIL. I agree that the opposition, while fractured, I am not sure it is fractured as is somehow put out there. In particular, you saw during the referendum drive every hurdle that was put in front of them was surpassed, or many of them, until the final court decision.

But one thing that has in the past in Venezuela brought the opposition together is elections, a mechanism that you are pushing toward a particular goal. So as we look forward for 2017, there is a party registration process that is about to begin, and there are questions about who may or may not qualify there, and if the national electoral committee will actually play fair, in that sense. That is something that you could rally together different groups, if it is seen unfair in terms of qualifications.

And then we have pending elections that did not happen at the end of last year, regional elections that may or may not be put on the table.

So I think, internally, a push for elections, because that is a constitutional mechanism for parties to participate in democracy. And perhaps outside as well, we can be pushing for these parts. Even though we know democracy is not existent there anymore, but can we push for elections? And that is something at least to galvanize those who are not in power today.

Senator KAINE. Okay. Thanks.

Dr. Smilde.

Dr. SMILDE. Thank you for your question, Senator Kaine.

I think the Venezuelan opposition has suffered from two long-term problems. On the one hand, the problem that is most known to everybody is the problem of coordination. It has a problem with leadership, in the sense that it has four or five people that all have roughly the same amount of support, all have presidential ambitions, and have a hard time cooperating, for the reasons we all understand. They all have ambitions, and it often ends up with sort of a solution of noncooperation.

The other issue that is less known is a long-term deficit in actually engaging the population and actually going out and doing work in the communities. There are some notable exceptions, but actually engaging people beyond their base in the urban middle classes.

Those two problems, I think, have kind of come and gone. If you think 2015, they did a really admirable job in overcoming the problem of coordination. They stuck together, and they swept the national legislature elections. That was no easy task.

But the thing is I think they really sort of benefited from what would be called *voto de castigo*, from a punishment vote, more than actually having put forward a platform. So they still have this problem of engaging the population, of actually going out and figuring out what people want, listening to people.

I think if you look at the reforms that have just happened in the MUD, they just restructured, and they put a big emphasis on this, a big emphasis on having outreach and having social outreach. And that, we will have to see how it plays out. But that promise to resolve that engagement problem—but the leadership issue is still there. It actually seems a little worse than a new structure, the problem with coordination.

I think going back again to the polling, the opposition is actually doing pretty well. They are above 50 percent in most of the polling, which is good for any coalition. But on the other side of it, Maduro only has 20 percent. So there is a 30 percent deficit there of people who are not mobilized.

I really think that if the opposition could come together and could unify and have one leadership and have a clear leadership with a clear message engaging the population, they could sweep the board.

The CHAIRMAN. Thank you. I know Senator Rubio and Senator Menendez had some follow-up questions.

Senator RUBIO. A couple quick comments to set the table for my question.

By the way, I just wanted to point this out. Since Ms. Tintori came to the White House, Leopoldo Lopez has been cut off from his lawyers and his family for 8 days. So that is the way they react.

A lot of my colleagues have expressed concern about a humanitarian collapse. I think every indication is they will default in April, potentially, on their debt, maybe May, and that would be catastrophic.

Now here is the thing I want to say. All this talk about the opposition, and you have already touched on it in some of your testimony, all three of you, so it is just important to remind everybody, it is important we do not ascribe—there is not a civil war. This is not Syria. The opposition we are talking about happens to be the majority party in the National Assembly. That is what we are talking about here.

And when we are talking about street protests and all this sort of thing that is happening, and zero-sum games, it is important everybody understand what they are asking for is all within the framework of the current Constitution of Venezuela, the Chavez Constitution.

For example, they went out and collected 10 times the number of signatures they needed under the Constitution for a referendum to recall the President, and that was denied them.

Imagine for a moment, we are members here and we want to travel, and President Trump denies you a visa to travel abroad. They are doing that to members of the National Assembly.

So the opposition is not a guerrilla group that is armed out in the mountains attacking government troops. These are elected individuals, the majority, despite extraordinary fraud and state-run media. Now they kicked CNN out.

So I think it is important for everybody to understand, this opposition that we keep talking about that is fractured, they are fractured in Europe. They have people out of power in Germany and France and all these other places. They have multiple parties as well. This is a democracy. It is how it works.

But they are the majority party in the National Assembly. It is not an armed opposition group. It is a political movement asking for its rights under the current and existing Constitution, primarily a referendum and elections.

And I think that is really, really important for people to understand. This is not the Syrian civil war, which leads me to the question.

If the President or the Secretary of State were here right now and they were to ask you what is the number one thing that we need to do right now in Venezuela? What is the concrete measure that we can focus on? Would you agree that at this moment, because we are not going to get 10 things, one thing would be to use all of the energy that we have and all of the influence that we have to serve as a catalyst for action at the Organization of American States to invoke the Democratic Charter because of what I just outlined with regard to no respect for the current Constitution? Is that not the single most concrete thing we can do in the short term to provide the pressure necessary so that elections are allowed and the Venezuelan people can decide what kind of government they want?

Because I think we are going to get one thing, and that is what I hope we can focus everybody on, and I would love to have that be a bipartisan committee consensus, that that is what we should be pushing for. Perhaps you disagree.

But is that the one recommendation? And if not, what would it be?

Mr. FEIERSTEIN. Yes.

Dr. O'NEIL. I agree. It should be that.

Dr. SMILDE. Yes, that is what I mentioned first.

Senator RUBIO. Well, then, great. And I would just close by saying that among all the other things—we do not have a representative at the OAS. That is the next—hopefully, we will have somebody who will be there representing us. We need to have somebody there.

And I think Menendez would be great. He does not want to do it, but I just nominated you for the OAS, but I do not want to lose him in the Senate.

But that really is a priority.

The CHAIRMAN. I agree 100 percent.

Senator Menendez.

Senator MENENDEZ. Thank you.

There would be a lot of people who would be happy to see me leave the Senate.

[Laughter.]

Senator MENENDEZ. Dr. Smilde, I just have to pursue something with you, because I need to understand this.

So the dialogue, was the dialogue a success?

Dr. SMILDE. No, I think the dialogue was a failure.

Senator MENENDEZ. And the dialogue was an attempt at engagement, right?

Dr. SMILDE. Yes, it was. But I think these things come and go. I mean, I think you cannot see it as dialogue that just ended. These things always come and go, and they have short-term impacts.

I think, clearly, it allowed the Maduro government, it gave it some breathing room. It allowed them to deflect change. But it also I think brought a lot of discrediting to the Maduro government. That has an impact in the creation of consensus in the region.

So in that sense, these dialogue processes can have successes even in—

Senator MENENDEZ. So I heard my colleague talk about the Cubanization of the policy as it relates to Venezuela, so Europe has for decades engaged in dialogue with the Castro regime, has it not?

Dr. SMILDE. Yes.

Senator MENENDEZ. Latin America has for decades engaged in dialogue with the Castro regime, has it not?

Dr. SMILDE. Yes.

Senator MENENDEZ. Canada for a couple decades has engaged in dialogue with the Castro regime, has it not?

Dr. SMILDE. Yes.

Senator MENENDEZ. And is the Castro regime any less repressive?

Dr. SMILDE. No, because I think the United States has not engaged in dialogue.

Senator MENENDEZ. It is amazing that the whole world—

Dr. SMILDE. But its next-door neighbor—

Senator MENENDEZ. —except for the United States can engage—I believe in American exceptionalism in so many ways. But when the whole world is engaging in dialogue with a country for decades; when there is unlimited travel by Europeans, Latin Americans, Canadians; when there are investments by those countries in Cuba; and yet the average Cuban cannot be hired directly by that foreign entity—it is pretty amazing to me.

I think I am all for engagement, but I think where WOLA, I do not quite understand it, is engagement with dictatorships that basically own everything and do not want to give it up. And so I do not quite understand that view, because I have not found too many dictators that willingly, through engagement, give up their powers.

So it bewilders me, at times. So I try to understand that as a successful strategic view. When it comes to a dictatorship, I do not see it. I have not seen it happen, and it has not succeeded.

Dr. SMILDE. Yes, I think WOLA has had a long-term policy on Cuba that is very similar to the policy on Venezuela, and that is that, on the one hand, imposing the embargo, just like we impose sanctions in Venezuela, and on the other hand, denouncing human rights.

And it is our view that isolation does not facilitate human rights. Rather, engagement—of course, there are no magic bullets. In fact, in the Venezuelan case, from the beginning, I was opposed to the dialogue in the terms that it was undertaken, because I thought it should have been accompanied with continued pressure in the OAS as well as continued street mobilization on the part of the opposition, because I think dialogue by itself, on its own, is not going to be taken seriously by the Venezuelan Government.

So I do not think dialogue is a magic bullet, but I think as one part of a multilateral press, I think it—

Senator MENENDEZ. That might be different. We might come to an agreement on that.

But I very often hear dialogue held in and of itself in the abstract as a way in which we get dictators to give up that which they own 100 percent of. And that is not—in my experience in 25 years, they do not do that easily.

Can I ask you, would you provide to the committee when WOLA last spoke about human rights inside Cuba?

Dr. SMILDE. I am sorry, I do not work on the Cuba policy.

Senator MENENDEZ. If you could ask WOLA to submit it for the record, I would love to see it.

Dr. SMILDE. Okay.

Senator MENENDEZ. Thank you.

[The response to Senator Menendez's question follows:]

I have consulted with my WOLA colleagues, and wanted to forward the following:

1) WOLA program director Geoff Thale testified in both 2015 and 2016 before the subcommittee on Africa, Global Health, Global Human Rights and International Organizations of the House Foreign Affairs Committee, on the human rights situation in Cuba. Both testimonies are attached. The 2016 testimony notes “Cuba has serious human rights problems. There is only one legal political party. Cuba falls far short of international human rights standards on freedom of speech, freedom of the press, and freedom of association.” The 2015 testimony is similar and notes that “Regime opponents are subject to harassment and arbitrary short term detentions

... Cuba should end its restrictions on political parties, freedom of speech, and freedom of assembly.”

2) This testimony reflects our general view. WOLA’s publications, commentaries, and statements on Cuba have been consistent, since the program’s inception in 1995 in expressing concern about the human rights situation in Cuba, while arguing that U.S. sanctions on Cuba have been counterproductive. While WOLA does not argue that engagement is a magic bullet, we believe that engagement is more likely to create an environment in which human rights improvements will take place. We have made this argument—both the human rights criticism and the critique of the embargo as an effective human rights strategy—repeatedly, including in testimony that commented on the human rights situation in Cuba before the House Ways and Means Committee in 2010 and in a March 2016 commentary that discusses human rights problems in Cuba, entitled “Can U.S. Engagement with Cuba Encourage Improvements in Human Rights and Political Freedoms Effective U.S. Role?”

I hope this is responsive to Senator Menendez’s request. WOLA would be happy to provide additional information about its views on Cuba and Cuba policy.

The CHAIRMAN. Senator Cardin.

Senator CARDIN. I just want to make some observations.

I do not think any of us are against dialogue. We want to have conversations. But I remember one of my first battles on human rights dealt, when I was a state legislator, working on sanctions against apartheid government of South Africa.

And I just remember the conversations back then that we need to engage, we do not need to isolate. And but for the actions of imposing sanctions against South Africa, I think it could have been bloodier and longer before the governments changed.

So I am for dialogue, but I think you have to go from a point of view of strength, and you have to be willing to act in order to get the type of dialogue that can bring about results.

So I appreciate the fact that we have not been as effective as we need to be. That is clear. But I would not give up on trying to find more pressure points that we can put on the Venezuelan Government so that dialogue can lead to real change.

And I thank our witnesses very much for their participation.

The CHAIRMAN. I want to thank you also for being here. There will be some additional follow-up questions, and we will keep the record open until the close of business Monday. If you could respond to them fairly quickly, we would appreciate it. You know, the Western Hemisphere has had tremendous progress in recent times, and I appreciate your focus here today and helping us on Venezuela. And we still have the issue with Cuba. It would be quite a breakthrough if somehow or another these countries would return to—Venezuela would return to a full democracy.

We thank you for your help in thinking about how we might put the pressure on and also energize others to help us in that regard.

And with that, the meeting is adjourned. Thank you.

[Whereupon, at 12:12 p.m., the hearing was adjourned.]