

Washington Remains Committed to Venezuela's Transition

by Allison Fedirka - February 19, 2024

It's no secret that the United States wants regime change in Venezuela. Since 2019, Washington has intensified its efforts toward that end by boosting support for the political opposition, backing a parallel government and employing sanctions against the state's most lucrative businesses. But none of these efforts has produced Washington's desired result – and any future ones will likewise encounter strict limitations.

Washington's interest in Venezuela lies in its interest in securing the Western Hemisphere. Venezuela's position in the Caribbean basin, its ties to Cuba, its anti-U.S. alignment and its status as a major drug trafficking country make it uniquely suited to potentially disrupt hemispheric security. For the U.S., a secure Caribbean engenders maritime trade, reduces illicit business flows and keeps adversaries at a comfortable distance. Instability in Venezuela, then, threatens vital U.S. interests. Under the government of President Nicolas Maduro, Venezuela has grown markedly less stable, and it shows no sign of stabilizing – not with the U.S. sanctions regime against it, and not with its few allies financially unable to assist it. The status quo will continue to spur emigration, social unrest, nationalist sentiment and political radicalization, so Washington wants to make sure whoever replaces Maduro isn't indifferent or hostile to U.S. considerations.

Sanctions have been Washington's tool of choice for forcing Caracas' hand. The U.S. first employed them in 2014 to target high-profile individuals. In 2018, Washington added state-run companies such as oil firm PDVSA and various financial transactions to the list. This latter round proved particularly costly to the Venezuelan economy, so the next year the U.S. began to allow select energy companies to conduct business with Venezuela under specific conditions. It was not until October 2023 that the U.S. government issued a six-month suspension of all sanctions against Venezuelan state-owned companies and financial transactions – a result of a political agreement between the Maduro government and the opposition known as the Barbados accords, which also called for free and fair elections. Yet at the beginning of 2024, Maduro disqualified the candidacy of the winner of the opposition's primary, calling into question his fealty to the Barbados accords. In response, the U.S. reimposed sanctions on Minerven, the state-run gold company, and threatened to reimpose sanctions on the oil industry by April 18 if no conclusive progress has been made.

Notably, American businesses are against the sanctions. Heavyweights like Chevron, Fidelity Investments, T. Rowe Price and Greylock Capital have much to gain in Venezuela and have thus advocated easing sanctions, arguing that it's in Washington's best interest that private U.S. firms are free to counter foreign competitors.

Last year, for example, Russian prospecting company RosGeo signed an agreement with PDVSA that develops technical advising, vocational training and geophysical prospecting for oil and gas deposits. This opens the door for Russian ships to conduct studies off the Venezuelan coast in the Caribbean basin. Certain Wall Street financial firms warned that investors from Qatar, the United Arab Emirates and Cyprus – all places known for funneling Russian money – had purchased billions of dollars worth of Venezuelan bonds. In response, the U.S. government allowed bond purchases to continue instead of sanctioning them again with the gold mining licenses.

Also factoring into Washington's Venezuela policy is the need to preserve other relationships in the region. ExxonMobil, for example, has said it plans to drill in Guyana this year. And though it said it would do so in uncontested waters (Venezuela disputes the ownership of some offshore oil wells) the announcement nonetheless triggered Venezuela to again deploy a small number of troops to Guyana's border. Washington is all but forced to side with Guyana, but it has no interest in a military intervention, which would alienate Washington from the rest of Latin America. To help share the responsibility of stabilizing Venezuela, Washington turned to Colombia and Brazil. Brasilia led talks at the start of this year to help reduce border tensions between Venezuela and Guyana. And Colombian politics, not to mention its close ties with both the U.S. and Venezuela, makes Bogota a key player in facilitating a political resolution in Venezuela.

This latter point is particularly important because Venezuela's domestic political landscape is among the biggest constraints to improving bilateral ties with the U.S. The Maduro government came to office as the hand-picked successor of Hugo Chavez. Maduro still holds a grip on power through a series of economic, illicit, political and security networks, and he still controls virtually the entire state apparatus. But the country's dramatic economic decline created political fissures within the once-united Chavista camp centered on Maduro supporters, traditionalists and reformers. Maduro supporters agree with the government's more aggressive foreign policy and are generally content to turn a blind eye to the domestic crackdowns that have occurred to keep political support in line. Traditional Chavistas criticize Maduro for corruption and mismanagement. They favor a return to the political and economic structures that are consistent with Chavez's original intentions. This camp finds its support largely among the military and lower classes. The reformists support a more pragmatic approach. Many of them studied overseas and come from the middle class and business

class in Venezuela. Their pro-business stance leads to a more pragmatic and technocratic approach to governance.

Then there is the opposition, led by Maria Corina Machado. She presents as a technocrat in that she studied finance and public policy both domestically and overseas, but her activism took off in 2013 after Chavez's death. She is a harsh critic of Maduro and traditional Chavismo. Her political platform calls for systematic reform by reducing the role of state companies, lowering welfare payments, promoting the private sector and weakening the executive's power. In terms of political capital, she has no rival in the opposition. Her hardline stance has endeared her to the public but has made her a target for the regime.

If the U.S. wants to engage Venezuela, it needs to engage all three groups. It can't afford to completely circumvent those who control state institutions, nor can it ignore the institutional reformists who, along with the pro-democracy open-economy opposition, would be the vanguard of a political transition, which needs to find a way to allow Maduro to save face. Machado's rhetoric indicates that she understands Maduro's position and that there is a greater need to move forward than to retaliate.

All these moving pieces will weigh on Washington's decision on whether it will renew sanctions on Venezuela's oil sector come April 18. As the political drama unfolds, the U.S. will adjust its calculus – for instance, by determining if it will punish Venezuela for imprisoning political activists and expelling U.N. human rights officials. Washington remains committed to a political transition in Venezuela that includes allowing opposition candidates to run for office, announcing electoral calendars and formally inviting election observers from the European Union. But its resolve is not absolute; even the U.S. must operate within its constraints.

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