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VENEZUELA'S CRISIS: IMPLICATIONS FOR THE REGION

HEARING

BEFORE THE

SUBCOMMITTEE ON
THE WESTERN HEMISPHERE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
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CONTENTS

Page

WITNESSES

The Honorable Michael Kozak, Deputy Assistant Secretary, Bureau of Democracy, Human Rights, and Labor, U.S. Department of State 5
Ms. Annie Pforzheimer, Acting Deputy Assistant Secretary, Bureau of Western Hemisphere Affairs, U.S. Department of State 11
Mr. John Smith, Acting Director, Office of Foreign Assets Control, U.S. Department of the Treasury 19
Mr. John Andersen, Deputy Assistant Secretary for the Western Hemisphere, U.S. Department of Commerce 23

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Michael Kozak: Prepared statement 7
Ms. Annie Pforzheimer: Prepared statement 13
Mr. John Smith: Prepared statement 21
Mr. John Andersen: Prepared statement 25

APPENDIX

Hearing notice 48
Hearing minutes 49
The Honorable Ileana Ros-Lehtinen, a Representative in Congress from the State of Florida: Material submitted for the record 50

VENEZUELA'S CRISIS: IMPLICATIONS FOR THE REGION

WEDNESDAY, JUNE 22, 2016

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

The committee met, pursuant to notice, at 1 o'clock p.m., in room 2172 Rayburn House Office Building, Hon. Jeff Duncan (chairman of the subcommittee) presiding.

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

Venezuela—today we begin to examine the deteriorating situation in Venezuela which has regressed into a severe economic, political and human rights crisis.

This hearing follows the subcommittee's field hearing in Miami last November on human rights abuses in Venezuela and Cuba when we heard testimony from victims of abuse at the hands of Maduro and the Castro government.

Our purpose in meeting today is to understand the situation in Venezuela and the impact on U.S. businesses operating in the country and the Obama administration's policies and actions on this issue both within the OAS, or Organization of American States, and the region at large.

Since the founding of our country the United States has supported freedom for all people around the world and I want the people of Venezuela to know that United States stands with you right now.

You are the ones who are suffering the most from this crisis and I applaud your courage to pursue freedom, justice and democracy through the constitutional channels which you have.

The situation in Venezuela today is truly heartbreaking. Despite possessing rich natural resources and the largest oil reserves in the world, Venezuela is going through an extremely severe economic crisis.

Last year, Venezuela's economy contracted 7 percent and today multiple economic forecasts are projecting that the country will default on both sovereign debt and the debt of the state-owned oil company PDVSA.

In fact, according to Venezuela's Central Bank data, its external debt is estimated to be $185 billion. To put that in perspective, Argentina's 2001 default was a little over $100 billion.

This year, Venezuela's economy is projecting a negative 8 percent growth, an inflation of 720 percent. Right now, 76 percent of the population is unemployed and last month Venezuela saw its largest monthly oil production decline, according to OPEC.

Today, there are widespread shortages of energy, food and medicine. The Maduro government has been rationing electricity, recently ordering a 5-day weekend for the public sector to save electricity.

Food shortages affect 80 percent of the population, which wait an average of 4 hours in line to obtain basic foodstuffs.

Nine out of ten homes do not eat three meals a day. This situation has led to more than 50 food riots and deaths of at least five people.

In response, the government launched a program to distribute goods door to door. But this program has essentially amounted to government control over who eats and who doesn't in Venezuela.

When Venezuelans visit hospitals, medicine is missing 80 percent of the time. Sadly, this is affecting the most vulnerable. Infant mortality has increased 100 times since 2012 largely because hospitals cannot operate incubators where there is no power.

Venezuela also reported over 400,000 cases of the Zika virus, but the government has done very little to respond. The crisis has extended to other aspects of social and political life in Venezuela.

The people have not been silent. Spontaneous social unrest, multiple lootings, violence and widespread protests even in traditional Chavista strongholds are occurring daily. The Observatory of Social Conflict, a local NGO, found that there were 52 lootings and 641 protests just last month, which is a 37 percent increase compared to the same time last year.

Large groups of armed criminal gangs also control vast swaths of territory in urban areas, terrorizing populations and leading one of the highest murder rates in the world.

Not only has the government failed to respond well, it has also committed widespread human rights abuses and undermined democracy in the country.

This horrific crisis in Venezuela has led to a surge in the number of Venezuelans seeking asylum in the United States and I am concerned about the migration implications for the region at large.

In February 2014, anti-government protests throughout the country sparked brutality from security forces. The Maduro government violated and suppressed the protests, killing at least 43 people, injuring 800 more and arresting 300 others.

Today, the government has imprisoned over 4,000 people for political purposes and there are also at least 93 political prisoners in Venezuela including oppositional leader Leopoldo Lopez.

Only a few weeks ago the national police fired tear gas on protestors who were chanting, "We want food." In response to these events and the Venezuelan government's support for terrorism, the U.S. imposed sanctions, visa restrictions or assets freezes on a few Venezuelan companies for supporting Iran, two Venezuelan individuals for supporting Hezbollah, several Venezuelans for drug trafficking, and 62 Venezuelan individuals for corruption and human rights abuses.

Recently, the Obama administration imposed sanctions on seven Venezuelan individuals for human rights abuses. However, the Obama administration could do much, much more.

Today, many government officials in Venezuela who are directly responsible for human rights abuses, the deterioration of democratic institutions, public corruption, and drug trafficking remain free to access U.S. financial systems.

This is not right. And in view of the especially horrendous situation in Venezuela right now, the Obama administration should be doing more to resolve the humanitarian crisis, support a democratic outcome and ensure that those responsible for committing human rights abuses and subverting democratic institutions no longer receive access to the U.S. financial system, at the very least.

Last week, Secretary Kerry announced that the United States and Venezuela would launch high-level diplomatic talks and that U.S. would lead talks between the Maduro government and the opposition.

This week, Ambassador Thomas Shannon is in Venezuela for these talks. In ambiguous and confusing language, the Obama administration is supporting dialogue efforts, the OAS secretary general's efforts to invoke democratic charter, and the recall referendum in Venezuela.

Yet, the Obama administration has simultaneously rewarded President Maduro with diplomatic talks and affirmed publicly that the U.S. does not support suspending Venezuela from the OAS.

I want to note that after Secretary Kerry's announcement last week Venezuela's national guard brazenly arrested two opposition activists, Francisco Marquez and Gabriel San Miguel over the weekend. Both remain detained and have been denied access to legal counsel.

Marquez is a U.S. citizen. These men should be released immediately, as should all political prisoners at the very least, before Ambassador Shannon meets with President Maduro this week.

The United States sent conflicting messages to the world about Venezuela that do not make sense. The Maduro government controls the presidency, a majority of municipalities, the supreme court, the military leadership and PDVSA leadership, not to mention most of the media. Only the National Assembly is controlled by an opposition and it has been undermined time and again by Maduro's supreme court.

Democracy is failing in Venezuela, and Venezuela does not have time to waste. So far, only OAS Secretary General Almagro has stood firm on these points.

The administration should have greater courage of conviction to send a clear U.S. message—release all the political prisoners, accept humanitarian aid, hold a recall referendum this year, and submit to the Venezuelan people's wishes to resolve this crisis.

So I look forward to hearing from our witnesses today about these issues and I will now turn to the ranking member from New Jersey, Mr. Sires, for his opening remarks.

Mr. SIRES. Thank you, Mr. Chairman, for holding this hearing and thank you to our witnesses from the State Department, Treasury Department, the Department of Commerce for being here to discuss the Venezuela crisis and its implications for the Americas.

Under the administration of President Nicolas Maduro, the political, social and economic situation in Venezuela has deteriorated to a very dangerous and destabilizing level.

Widespread corruption, political harassment and economic crisis have caused a number of Venezuelans seeking asylum in the United States to soar. In March of this year, the number of Venezuelan asylum seekers was second only to China nationals in submitting asylum requests to the United States.

With over 1,300 Venezuelans' applications submitted, the current political and economic chaos is also destroying Venezuela's once-improving education system. The education professionals are fleeing the country, leaving many of Venezuela's 7 million public students without qualified teachers and depriving these young people of the opportunity to better lives through education.

Venezuela's health system has also been subject to severe budget cuts with hospitals lacking everything from basic supplies and medication to being unable to provide life-saving cancer treatments.

These cuts are occurring just as Venezuela is facing one of the worst outbreaks of Zika in South America. Food shortages have led to riots, protests and looting around the country that have resulted in the death of several people shot by police and security officials.

In response to these challenges, Maduro and his cronies have used intimidation and strong-arm tactics to suppress political opponents instead of working to provide basic necessities like food and medicine to the Venezuelan people.

In 2014, the government violently suppressed political protests, resulting in the death of at least 43 people. In the aftermath of December 2015, legislative elections that brought the opposition, Democratic Unity Roundtable party, to power, Maduro has done everything he can to thwart the power of the National Assembly, most notably by jailing opposition leader Leopoldo Lopez and using Venezuela's supreme court to block any of the laws approved by the legislative since he took office in January.

Fed up with Maduro's oppressive tactics and lack of response to the suffering and the starvation of the Venezuelan people, opposition efforts are now focused on recalling President Maduro in a national referendum.

The National Electoral Council finally released forms needed to bring the process of seeking a recall referendum but only after several opposition National Assembly legislators chained themselves to the Electoral Council's office to protest the body's refusal to provide the paperwork.

As we call can see, the challenges in Venezuela are rapidly increasing and, unfortunately, Maduro's actions are only hurting the lives of innocent Venezuelan people.

I look forward to hearing from our witnesses, their views on the crisis and hear what real options the U.S. has to help steer Venezuela away from its path of destruction and bring peace to its people.

Thank you.

Mr. DUNCAN. I thank the ranking member and other members, and put written statements in the record. Witnesses, I am glad you are here today. I look forward to this hearing.

You each will be given 5 minutes. There is a lighting system in front of you. When it is approaching red—it will turn yellow and then red. When it gets around red let us try to wrap it up.

If you hear a slight tapping of the gavel that means wrap it up there so we can move on. We are on a tight time crunch here with the ranking member and I would love to get to as much as we can.

So let us just jump right into Venezuela. Ambassador Kozak, you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE MICHAEL KOZAK, DEPUTY ASSISTANT SECRETARY, BUREAU OF DEMOCRACY, HUMAN RIGHTS, AND LABOR, U.S. DEPARTMENT OF STATE

Mr. KOZAK. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Sires and members of the committee, we thank you for holding this timely hearing focused on the crisis in Venezuela, which you both very well described in your opening statements.

We are increasingly concerned about the deteriorating human rights climate in Venezuela and we are encouraging Venezuelan civil society to continue to defend human rights and fundamental freedoms despite the significant challenges it faces.

As you mentioned, the opposition won a two-thirds super majority in the National Assembly on December 6, 2015. The assembly legislated an amnesty and national reconciliation bill that would have provided mechanisms for the release of political prisoners including Leopoldo Lopez.

But President Maduro's United Socialist Party used the executive and political judicial branches of the government to block all legislation and to reduce the National Assembly's authorities to essentially nothing.

According to this scheme, the Venezuelan supreme court declared the amnesty and national reconciliation bill unconstitutional. Let me state here once again our view that the government should release immediately all those imprisoned for their political beliefs.

The crisis cannot be solved with the democratic political leaders jailed for their political beliefs.

The crisis in Venezuela is self-induced by the Maduro administration. The economic crisis results from years of bad economic decisions. The political crisis is the product of centralization of power.

President Maduro's party has disregarded the rule of law and basic tenets of democracy. It has also disregarded international commitments to protect human rights and fundamental freedoms.

President Maduro declared a full state of emergency to expand his powers and restrict freedom of assembly. In recent weeks, national guard soldiers and police in riot gear have blocked roads throughout the country and metro stations near the national electoral council offices.

President Maduro and his party have politicized the judiciary. Judge Maria Lourdes Afiuni was charged with corruption and abuse of authority after not convicting a prisoner on politicized charges—in other words, for doing her job.

She was arrested, jailed, and brutally treated 6 years ago. Thirteen hearings have been held since then. No evidence has ever

been adduced that she committed any crime. She had never been convicted or sentenced.

Nevertheless, she continues to be subjected to what they call conditional release. This restricts her movement and ability to talk to the media or use social media, even though the law in Venezuela states that such measures may not last more than 2 years.

There is substantial evidence of the systematic scheme of the government to torture that involves judges, prosecutors and jailers. Venezuelan NGO Foro Penal counts 81 political prisoners behind bars. Twenty-six of them are in deteriorating health.

On September 10, 2015, Judge Susanna Barreiros found Leopoldo Lopez, the leader of the opposition party Popular Will, guilty on counts of public incitement, damage to property, fire damage and association for conspiracy related to the February 2014 protest.

This was supposedly for transmitting subliminally messages to the crowd. The judge issued a sentence of 13 years and 9 months in prison, almost the maximum allowed by law. The 14-month trial was marked by lack of due process and shows abuse of the judicial system to punish government critics.

The judge accepted more than 100 witnesses for the prosecution. She rejected all but two for the defense. She deliberated less than 1 hour before announcing her decision to convict.

So we call once again for the immediate release of Leopoldo Lopez and all the other political prisoners.

The ability of the press to publish freely and for Venezuelans to speak their minds has crumbled in the face of government actions.

President Maduro's administration has used a potent combination of politicized libel laws, media content regulations, legal harassment and physical intimidation to silence independent media.

The ruling party uses force and arbitrarily detains protestors who peacefully assemble to express their views, controls media outlets, deprives newspapers of newsprint needed to inform the public and prosecutes journalists and editors.

I am going to skip a little bit to compress this, Mr. Chairman, and if I can submit the whole thing for the record, if that is useful.

I thought I would shift now to talking about what we have been trying to do about this.

Mr. DUNCAN. Okay. Your time is starting to expire, sir. Hurry.

Mr. KOZAK. I will then submit the rest for the record, sir.

Thank you.

[The prepared statement of Mr. Kozak follows:]

Testimony of
Ambassador Michael Kozak
House Subcommittee on the Western Hemisphere
June 22, 2016

Chairman Duncan, Ranking Member Sires, and Members of the Committee, thank you for holding this timely hearing focused on the crisis in Venezuela. We are increasingly concerned about the deteriorating human rights climate in Venezuela, and are encouraging Venezuelan civil society to continue to defend human rights and fundamental freedoms despite significant challenges.

Since the opposition won a two-thirds "super–majority" in the National Assembly on December 6, 2015the Assembly began to legislate an Amnesty and National Reconciliation bill that would have provided mechanisms for the release of political prisoners. Let me state here, once again, our view that the government should release immediately all those imprisoned for their political beliefs. Sadly, President Maduro's United Socialist Party has used the executive and judicial branches of government to block all legislation and reduce National Assembly authorities. The Venezuelan Supreme Court declared the Amnesty and National Reconciliation bill unconstitutional.

The crisis in Venezuela is self-induced by the Maduro administration. The economic crisis results from years of bad decisions, and the political crisis is the product of the centralization of power. Maduro's party has disregarded the rule of law, basic tenets of democracy, and international commitments to protect human rights and fundamental freedoms. President Maduro declared a full state of emergency to expand his powers and restrict freedom of assembly. In recent weeks, National Guard soldiers and police in riot gear have blocked roads and metro stations near National Electoral Council offices throughout the country.

Especially troublesome is the fact that Maduro and his party have politicized the judiciary. For example, take the case of Judge Maria Lourdes Afiuni, who was charged with corruption and abuse of authority after not convicting a prisoner on politicized charges. Since her arrest more than six years ago 13 hearings have been held despite no evidence that she committed a crime. Afiuni has never been convicted or sentenced, but continues to be subjected to conditional release that restricts her movement and ability to talk to media or use social media, although the law states that such measures may not last more than two years.

According to Venezuelan NGO Foro Penal, there is substantial evidence of a systematic scheme of government torture that involves judges, prosecutors, and jailers. Foro Penal counts 81 political prisoners behind bars, 26 of whom are in deteriorating health. We know that on September 10, 2015, Judge Susana Barreiros found Leopoldo Lopez, the opposition Popular Will party leader and former mayor of Caracas's Chacao municipality, guilty on counts of public incitement, damage to property, fire damage, and association for conspiracy related to the February 2014 protests. The judge issued a sentence of 13 years and nine months in prison, almost the maximum allowed by law. The 14-month trial was marked by lack of due process and shows abuse of the judicial system to punish government critics. Barreiros accepted more than 100 witnesses for the prosecution and rejected all but two for the defense. She deliberated less than one hour before announcing her decision to convict Lopez. We call once again for the immediate release of Lopez and all other political prisoners.

The ability of the press to publish freely and for Venezuelans to speak their minds has crumbled in the face of government actions. President Maduro's administration has used a potent combination of politicized libel laws, media content regulations, legal harassment, and physical intimidation to silence independent media, while the ruling party uses force and arbitrarily detains protesters who peacefully assemble to express their views. It controls media outlets, deprives newspapers of the newsprint needed to inform the public, and prosecutes journalists and editors.

On March 11, David Natera Febres, owner of Bolivar state's weekly newspaper *Correo del Caroní,* was sentenced to four years in jail for a series of investigative articles that uncovered corruption in the state-owned mining company. Natera is under house arrest and must check in with a judge every two weeks. The harassment of the independent newspaper and Natera started more than five years ago as government officials denied the newspaper access to dollars to purchase newsprint, forcing it to publish more infrequently.

In May 2015, a Venezuelan judge prohibited 22 news executives from three independent media outlets from leaving the country due to a defamation lawsuit filed by then-National Assembly President Diosdado Cabello, after the outlets reprinted a story from the Spanish daily *ABC* that linked him to drug trafficking.

These are only a few of the cases demonstrating how the judiciary has been politicized to suppress independent voices.

U.S. Policy

The United States has consistently called for all sides within Venezuela to peacefully respect democratic norms and values, while U.S. officials at all levels have pressed the government of Venezuela to live up to its international human rights commitments and respect Venezuela's own constitution. We have called out the government's abuses, and are working with like-minded nations, and in multilateral fora such as the UN Human Rights Council, to press the government of Venezuela for reform.

In the midst of intimidation and aggression by the executive branch and Maduro's party, U.S. programs have strengthened the ability of civil society to advocate for human rights and press for government accountability. Our support facilitates the ability of civil society to give voice to social and economic concerns. Our assistance to Venezuela is nonpartisan, promoting democratic ideals and principles as opposed to political ideology or affiliation. We want the people of Venezuela to decide how their country is governed.

We are pleased that we have been joined by others in calling out abuses and urging the Venezuelan government to respect human rights. For example, the UN High Commissioner for Human Rights, the Inter-American Commission on Human Rights, the European Union, the governments of Canada, Italy, Norway and Spain, plus 24 Ibero-American presidents and Archbishop Desmond Tutu, as well as hundreds of parliamentarians, have all called for the release of political prisoners and respect for human rights in Venezuela.

We will continue to work closely with other governments in the region--including Argentina, Brazil, Chile, Colombia, Paraguay, Peru, and Uruguay --to support greater political space in Venezuela, and to call on the Venezuelan government to live up to the hemisphere's shared commitment to democracy, as articulated in the OAS Charter, the Inter-American Democratic Charter, and other fundamental instruments related to democracy and human rights. This includes supporting the dialogue led by former Spanish Prime Minister Zapatero, former Dominican President Fernandez, and former Panamanian President Torrijos, and at the same time reaffirming our call for a fair and timely recall referendum, in accordance with the Venezuelan constitution.

Our Interim Permanent Representative to the OAS, Michael J. Fitzpatrick, reiterated at the Special Permanent Council meetings -- held on May 5 and June 1 -- our deep concern about the need to respect the separation of powers, due process,

fundamental freedoms, and human rights in Venezuela, and the urgent need for dialogue. At the June 1 Permanent Council, member states approved, by consensus, a declaration offering Venezuela a course of action to assist in the search for solutions to the situation through open and inclusive dialogue among all political and social actors.

Regarding support for civil society, in the last two years numerous members of the Administration -- including Vice President Biden, Secretary Kerry, Ambassador Samantha Power, Assistant Secretary Tom Malinowski, and Assistant Secretary Roberta Jacobson -- have met with Lilian Tintori, the wife of Leopoldo Lopez. These same officials have issued statements in support of Leopoldo Lopez, Caracas Mayor Antonio Ledezma, former San Cristobal Mayor Daniel Ceballos, and the dozens of others imprisoned for their political beliefs in Venezuela.

I am also pleased to report that our Assistant Secretary for Democracy, Human Rights, and Labor, Tom Malinowski, presented the 2015 Human Rights Defenders Award to representatives of the Venezuelan civil society group Foro Penal, for its courageous work assisting victims of human rights violations.

As my colleague from the Treasury Department will explain, we have used such legislative tools as the Venezuela Defense of Human Rights and Civil Society Act to further our human rights and governance efforts. Under INA 212(a)(3)(C) we have restricted the visas for 62 Venezuelan government officials, and some family members, believed to be responsible for or complicit in human rights abuses and public corruption.

And so, we are confident that our message-- that human rights abusers and those who profit from public corruption, and their families, are not welcome in the United States--- has been noticed at the highest levels within the Venezuelan government.

In conclusion, Venezuela is a party to international human rights agreements, and the Venezuelan people deserve better from their government. They deserve a government that respects their rights, protects fundamental freedoms, and governs by the just rule of law. It should be up to the people of Venezuela to determine what shape a rights-respecting government should take, but a rights-respecting government is Venezuela's best opportunity for stability and prosperity.

Mr. DUNCAN. Ms. Pforzheimer. Is that right, Pforzheimer? Okay. You are recognized for 5 minutes.

STATEMENT OF MS. ANNIE PFORZHEIMER, ACTING DEPUTY ASSISTANT SECRETARY, BUREAU OF WESTERN HEMISPHERE AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. PFORZHEIMER. Thank you very much.

Chairman Duncan, Ranking Member Sires, members of the committee, thank you for inviting me to participate in today's hearing on Venezuela. I appreciate your interest in Venezuela and your support for U.S. assistance in our policies there.

We share Congress' deep concerns about the situation in Venezuela including the worsening shortages in food and medicine.

We are troubled by credible and independent reports of 85 percent of the medicines on the World Health Organization's list of essential medicines are not available at pharmacies and hospitals while many others are scarce.

The International Monetary Fund predicts the macroeconomic picture will continue to worsen with estimates of 700 percent inflation and GDP contraction of over 8 percent this year.

These dire conditions are a direct result of the Venezuelan government's economic mismanagement and misguided policy decisions. A sustainable remedy can only come about through meaningful dialogue including between the executive branch and the legislature.

However, since January we have witnessed instead how the executive and judicial branches have stripped away and undermined the National Assembly's constitutionally guaranteed responsibilities. These actions have eroded the separation of powers enshrined in the Venezuelan constitution.

For example, the legislature's authority to call ministers to hearings similar to this one to ask their executive branch to explain its decisions was blocked by President Maduro on May 2nd.

We remain deeply concerned about these efforts. The State Department has taken steps to impose visa restrictions on more than 60 individuals believed to be responsible for, complicity in undermining democratic governance, engaging corruption or committing human rights abuses.

Certain family members of such individuals can be affected by these actions. We will continue to evaluate further actions against those who undermine democratic governance and the rule of law, commit human rights abuses and line their pockets with public moneys.

At the OAS General Assembly in Santo Domingo last week, Secretary Kerry expressed our commitment to working with all OAS members states to remedy the deeply troubling situation in Venezuela.

He emphasized the need for dialogue and renewed calls for the Venezuelan government to release political prisoners, respect freedom of expression at assembly, alleviate shortages of food and medicine and to honor constitutional mechanisms including a fair and timely recall referendum.

On June 15th in Santo Domingo, 15 foreign ministers signed a statement of strong support for the efforts of former Spanish Prime

Minister Zapatero, former Dominican President Fernandez and former Panamanian President Torrijos to promote an inclusive political dialogue and the fair and timely implementation of constitutional mechanisms.

This week, the OAS is continuing its focus on Venezuela's situation in the framework of the Inter-American Democratic Charter.

The region must work collectively and demonstrate the leadership necessary to address the erosion of democratic institutions in Venezuela.

As Ambassador Kozak said, we continue to call on the Venezuelan government to release those who have been in prison solely for their political beliefs. Rather than intimidating or imprisoning its critics, we believe the Venezuelan government should focus on finding real solutions through dialogue.

The Venezuelan constitution guarantees the citizens of Venezuela the right to pursue a recall referendum if they so choose. We have seen some very slow progress by the National Electoral Council to allow a recall referendum to move to its next step.

As we heard today, the council is scheduled to validate signatures of those expressing support for a recall referendum. This important process offers an opportunity for the Venezuelan people to express their political will in a constitutional, peaceful, and democratic manner.

We favor Venezuelan solutions to Venezuelan problems with the support of the region. We are prepared to continue to use all appropriate tools in our toolkit and we will continue to call attention to all actions that undermine democratic principles.

We did just that at the OAS General Assembly and we will continue to do so at the OAS permanent council meetings including the one yesterday and the one that is scheduled tomorrow.

We will continue to work closely with Congress and others in the region to support greater political expression in Venezuela and encourage the Venezuelan government to comply with its human rights obligations and live up to its commitment to democracy.

Mr. Chairman, I would like to end by saying that we sincerely appreciate the House Committee on Foreign Affairs' contribution to the promotion and protection of human rights in Venezuela, the strong and bipartisan cooperation among this committee's members and staff to support the U.S. Government championing of democracy and human rights in our hemisphere including the right to freedom of expression is a great credit to our country.

Thank you, and I look forward to answering your questions.

[The prepared statement of Ms. Pforzheimer follows:]

TESTIMONY OF
ANNIE PFORZHEIMER
ACTING DEPUTY ASSISTANT SECRETARY
BUREAU OF WESTERN HEMISPHERE AFFAIRS
U.S. DEPARTMENT OF STATE
BEFORE
THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE
HOUSE COMMITTEE ON FOREIGN AFFAIRS
JUNE 22, 2016

Chairman Duncan, Ranking Member Sires, Members of the Committee, thank you for inviting me to participate in today's hearing on Venezuela. I appreciate your interest in Venezuela and your support for U.S. assistance and our policies there.

We share Congress's deep concerns about the situation in Venezuela, including worsening shortages of food and medicine. We are troubled by credible and independent reports that 85 percent of medicines on the World Health Organization's list of essential medicines are not available at pharmacies and hospitals, while many other medicines are scarce or hard to find. The Venezuelan people, including vulnerable populations such as children, persons with disabilities, and the elderly are not able to access the basic medicine and health services they need. In the face of a burgeoning Zika crisis, Venezuelans cannot find mosquito repellant. The International Monetary Fund predicts the macroeconomic picture will continue to worsen, with estimates of 700 percent inflation and GDP contraction of eight percent this year.

These dire conditions are a direct result of the Venezuelan government's economic mismanagement and misguided policy decisions. A sustainable remedy can only come about through meaningful dialogue, including between the executive branch and the legislature and the willingness to make the necessary decisions to right the economic ship.

In the December 6, 2015 legislative elections, voters expressed their overwhelming desire for a change in the direction of their country. Opposition candidates won a two-thirds majority of seats. Since then, however, we have witnessed how the executive and judicial branches have stripped away, undermined, and diluted the National Assembly's constitutionally guaranteed functions and responsibilities.

The legislature's authority to call ministers to hearings similar to this one we are at now, in order to ask their executive branch to explain its decisions, was blocked by an executive order from President Maduro on May 2. This was President Maduro's response to the legislature's efforts to hold accountable former and current food ministers for the scarcity crisis. President Maduro and his allies have threatened lawmakers to discourage them from traveling abroad to raise awareness of Venezuela's struggles. The country's Supreme Court has interfered with the independence of the National Assembly to set its own agenda and prevented it from examining certain issues falling under the purview of the other four branches of government, such as Central Bank data and budget allocations. We remain deeply concerned about these efforts to

undermine the democratic separation of powers enshrined in Venezuela's constitution.

The Department has taken steps to impose visa restrictions on more than 60 individuals believed to be responsible for or complicit in undermining democratic governance, including corruption, and human rights abuses. Certain family members of such individuals can be affected by these actions. We will continue to evaluate further actions against those who undermine democratic governance, commit human rights abuses, and line their pockets with public monies.

We continue to call on the Venezuelan government to release those who have been imprisoned solely for their political beliefs, including opposition leaders Leopoldo Lopez, Daniel Ceballos, and Antonio Ledezma, Judge Maria Lourdes Afiuni, student protesters, and many others. Rather than intimidating and imprisoning its critics, we believe the Venezuelan government should focus on finding real solutions for Venezuela's problems through dialogue.

At the OAS General Assembly on June 14, Secretary Kerry expressed our commitment to working with all OAS member states to help Venezuelans remedy the deeply troubling situation in Venezuela. He emphasized the need for dialogue in Venezuela that would ultimately address the political, economic, social, and humanitarian dimensions of the crisis. The Secretary renewed calls for the Venezuelan government to release political prisoners, respect freedom of expression and assembly, alleviate shortages of food and medicine, and to honor constitutional

mechanisms, including a fair and timely recall referendum. It is clear: resolving the challenges that 30 million Venezuelans face will require an inclusive, meaningful discussion within Venezuela that addresses political prisoners, the role of the legislature, and economic reforms, and that advances the recall referendum. In Santo Domingo on June 15, fifteen foreign ministers signed a statement of strong support for the efforts of former Spanish Prime Minister Zapatero, former Dominican President Fernandez, and former Panamanian President Torrijos to promote a timely, national, inclusive, and effective political dialogue, encouraging respect for separation of powers, rule of law and democratic institutions, and the fair and timely implementation of constitutional mechanisms.

All of this illustrates how important it is for the region to work collectively and demonstrate the leadership necessary to address the erosion of democratic institutions in Venezuela, and uphold our region's commitment to act in concert in the defense of democracy and human rights in the Americas when they are threatened.

The Venezuelan constitution guarantees Venezuelans the right to pursue a recall referendum if they so choose. We have seen some recent, albeit unreasonably and intentionally slow, progress by the National Electoral Council to allow a constitutional process, a recall referendum, to move to its next step. As we are here today, the National Electoral Council is scheduled to validate signatures of those expressing support for a recall referendum. At the same time, we have heard troubling remarks from President Maduro and his allies dismissing the

possibility of a recall this year. The recall referendum process offers the best opportunity for the Venezuelan people to express their political will in a constitutional, peaceful, and democratic manner. Given rising social and political tensions, it is urgent that the recall effort advance without delay.

We continue to call on the Venezuelan executive branch to respect the institution of the National Assembly and to engage with Venezuelans across the political spectrum. We are joined by countries and organizations in the region, the European Union, the Vatican, and others, in calling for dialogue in Venezuela to identify lasting solutions to complex challenges that the Venezuelan people face. The Secretary and other senior officials have discussed our concerns about the situation in Venezuela with their counterparts throughout the hemisphere and with other key interlocutors.

I would like to be clear: we want to see a prosperous and stable Venezuela. We remain committed to maintaining our strong and lasting ties with the people of Venezuela. We favor Venezuelan solutions to Venezuelan problems, with the support of the region. We are prepared to continue to use all appropriate tools in our toolkit, and we will continue to call attention to human rights abuses and other actions that undermine democratic principles. We did just that at the OAS General Assembly June 13-15 and will continue to do so at future OAS Permanent Council meetings. We were encouraged to hear member states united in their calls for dialogue, including Canada, Dominica, Colombia, Bolivia, Nicaragua, and Ecuador, to name a few.

We will continue to work closely with Congress and others in the region to support greater political expression in Venezuela, and to encourage the Venezuelan government to comply with its human rights obligations and live up to its commitment to democracy, as articulated in the Universal Declaration on Human Rights, International Covenant on Civil and Political Rights, the OAS Charter, the Inter American Democratic Charter, and other important global instruments.

Mr. Chairman, I would like to end by saying that we sincerely appreciate the House Committee on Foreign Affairs' contributions to the promotion and protection of human rights in Venezuela. The strong, bipartisan cooperation among this Committee's Members and staff to support the U.S. government's championing of democracy and human rights, including the right to freedom of expression, throughout the hemisphere is a credit to our great country.

Thank you and I look forward to answering your questions.

Mr. DUNCAN. Thank you so much.

Mr. Smith, you are recognized for 5 minutes.

STATEMENT OF MR. JOHN SMITH, ACTING DIRECTOR, OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF THE TREASURY

Mr. SMITH. Thank you, Mr. Chairman.

Chairman Duncan, Ranking Member Sires, members of the committee, thank you for inviting me to appear before you today to discuss conditions in Venezuela, particularly as they pertain to regional stability and U.S. interests.

As acting director of the Treasury Department's Office of Foreign Assets Control, I will address the administration's implementation of sanctions measures as mandated by the Venezuelan Defense of Human Rights and Civil Society Act of 2014 and implemented by Executive Order 13692.

As the committee may recall, the sanctions implemented by the Executive order stem from the government of Venezuela's human rights abuses, persecution of political opponents, curtailment of press freedoms and the exacerbating presences of significant public corruption in Venezuela in 2014.

The following year, after signing the legislation passed by this body, President Obama issued Executive Order 13692 sanctioning seven individuals associated with various organs of the Venezuelan government by blocking their property and interests in property that are come within the United States or within the possession or control of U.S. persons.

Individuals who meet the criteria for economic sanctions are also subject to visa restrictions. In addition to blocking criteria targeting the activity mentioned above, the Executive order includes several status-based blocking criteria.

Current and former Venezuelan government officials, for example, are subject to sanctions upon identification by the secretary of the treasury in consultation with the secretary of state.

Similar mechanisms have complemented our conduct-based authorities in other programs and fit well in the fluid Venezuelan context. Our Venezuelan sanctions target only the individuals we have designated under the Executive order and not the people of Venezuela as a whole.

This deliberate approach reflects a desire to make the best possible use of the targeting authority provided under the Executive order. That authority is not exclusively focused on the human rights abuses that took place in 2014 but encompasses other serious human rights abuses, significant acts of violence and actions that prohibit, limit or penalize the exercise of freedoms of expression and peaceful assembly in Venezuela.

The resulting flexibility to respond to repression in real time is crucial, both as a symbolic deterrent and as a practical matter if circumstances require swift action.

The targeted measures currently in place are tailored to specifically pressure bad actors and demonstrate two key points. The first is that the United States is working to see democracy and human rights protected and preserved in Venezuela.

The second is that neighbors—as neighbors who care deeply about the Venezuelan people, we are concerned about the country's current economic situation and have no desire to exacerbate it.

That is why our sanctions target neither the Venezuelan people nor their government as a whole. What we do not want is for those who would threaten and undermine democracy in their home country to be able to use the U.S. financial system of advance their nefarious purposes.

We continue to monitor the situation in Venezuela closely and work with our colleagues across the interagency including in the Departments of State and Commerce to evaluate policy options in line with U.S. foreign policy objectives and national security interests.

The United States remains deeply concerned about the situation in Venezuela. This March, President Obama reinforced our ability to combat political repression and public corruption in Venezuela when he renewed the national emergency and corresponding sanctions implemented under Executive Order 13692.

For our part, we in the Office of Foreign Assets Control stand ready to act with the powerful tools available to us if and when conditions call for it and action would be consistent with U.S. efforts to coordinate with regional governments to address the situation in Venezuela.

Thank you, and I am happy to answer any questions.

[The prepared statement of Mr. Smith follows:]

EMBARGOED FOR DELIVERY

Written Testimony of the Acting Director of the U.S. Department of the Treasury's Office of Foreign Assets Control, John E. Smith, Before the Western Hemisphere Subcommittee of the House Committee on Foreign Affairs

June 22, 2016

Venezuela Sanctions Program

Chairman Duncan, Ranking Member Sires, distinguished members of the committee, thank you for inviting me to appear before you today to discuss conditions in Venezuela, particularly as they pertain to regional stability and U.S. interests. As Acting Director of the Treasury Department's Office of Foreign Assets Control, I will address the Administration's implementation of sanctions measures, as mandated by the Venezuela Defense of Human Rights and Civil Society Act of 2014 and implemented by Executive Order (E.O.) 13692.

Executive Order 13692

As the Committee may recall, the sanctions implemented by E.O. 13692 stem from the Government of Venezuela's human rights abuses, persecution of political opponents, curtailment of press freedoms, and the exacerbating presences of significant public corruption in Venezuela in 2014. The following year, after signing the legislation passed by this body, President Obama issued E.O. 13692, sanctioning seven individuals associated with various organs of the Venezuelan government by blocking their property and interests in property that are in or that come within the United States or within the possession or control of any U.S. person. Individuals who meet the criteria for economic sanctions are also subject to visa restrictions.

In addition to blocking criteria targeting the activity mentioned above, the E.O. includes several "status-based" blocking criteria. Current and former Venezuelan government officials, for example, are subject to sanctions upon identification by the Secretary of the Treasury, in consultation with the Secretary of State. Similar mechanisms have complemented our "conduct-based" authorities in other programs, and fit well in the fluid Venezuelan context.

The State of Sanctions on Venezuela Today

Our Venezuela sanctions target only the individuals we have designated under the E.O. and not the people of Venezuela as a whole. This deliberate approach reflects a desire to make the best possible use of the targeting authority provided under E.O. 13692. That authority is not exclusively focused on the human rights abuses that took place in 2014, but encompasses other serious human rights abuses, significant acts of violence, and actions that prohibit, limit, or penalize the exercise of freedoms of expression and peaceful assembly in Venezuela. The resulting flexibility to respond to repression in real time is crucial, both as a symbolic deterrent and as a practical matter if circumstances require swift action.

The targeted measures currently in place are tailored to specifically pressure bad actors and demonstrate two key points. The first is that the United States is working to see democracy and human rights protected and preserved in Venezuela. The second is that, as neighbors who care

deeply about the Venezuelan people, we are concerned about the country's current economic situation, and have no desire to exacerbate it. That is why our sanctions target neither the Venezuelan people nor their government as a whole. What we do not want is for those who would threaten and undermine democracy in their home country to be able to use the U.S. financial system to advance their nefarious purposes.

We continue to monitor the situation in Venezuela closely and work with our colleagues across the interagency, including in the Departments of State and Commerce, to evaluate policy options in line with U.S. foreign policy objectives and national security interests.

Public Corruption

Venezuela's public funds are dwindling. Control over the relatively small amount of remaining public funds is considered a valuable asset, and there are illicit actors willing to pay dearly to exert undue influence over these funds. To balance incentives and discourage chicanery, President Obama, through E.O. 13692, has authorized the Secretary of the Treasury, in consultation with the Secretary of State, to impose sanctions on any person he has determined to have a hand in public corruption by senior Venezuelan government officials. This measure is consistent with the rest of the E.O. in encouraging commitment to the public good, with a particular emphasis on prudent stewardship of the country's resources.

Conclusion

The United States remains deeply concerned about the situation in Venezuela. This March, President Obama reinforced our ability to harness that dynamic to combat political repression and public corruption in Venezuela when he renewed the national emergency and corresponding sanctions implemented under E.O. 13692. For our part, we in the Office of Foreign Assets Control stand ready to act with the powerful tools available to us if and when conditions call for it and action would be consistent with U.S. efforts to coordinate with regional governments to address the situation in Venezuela. Thank you.

Mr. DUNCAN. Thank you. These two names are easier than the first two. Mr. Andersen, you are recognized for 5 minutes.

STATEMENT OF MR. JOHN ANDERSEN, DEPUTY ASSISTANT SECRETARY FOR THE WESTERN HEMISPHERE, U.S. DEPARTMENT OF COMMERCE

Mr. ANDERSEN. Thank you very much, Mr. Chairman.

Chairman Duncan, Ranking Member Sires and members of the committee, thank you for the opportunity to speak to you today about the ongoing crisis in Venezuela and its impact on our commercial relationship.

The Department of Commerce's International Trade Administration is one of the primary agencies responsible for strengthening the competitiveness of U.S. industry in the global marketplace, promoting U.S. exports, monitoring compliance with U.S. trade agreements and enforcing U.S. trade laws.

ITA's efforts are driven by the needs of our primary constituency—the U.S. business community. For more than 15 years Venezuela's anti-market orientation has complicated our commercial relations, making it harder for U.S. companies to do business in Venezuela.

We have advised our clients to be mindful of the considerable challenges they will encounter when assessing the Venezuelan market.

On January 1, 2012, the Commerce Department closed its commercial office in Caracas in recognition that an active export promotion program in such a difficult market was no longer cost effective.

Under the last President Hugo Chavez, the government nationalized domestic and foreign-owned private enterprises, undermined private property rights and violated contractual agreements.

Under his successor, Mr. Maduro, the government has continued to threaten the private sector by accusing companies of price gauging and hoarding products, warning of additional government seizures in the face of these baseless accusations.

Dependence on oil exports, which provide 95 percent of Venezuela's foreign exchange earnings, had long masked the damaging effects of Venezuela's command control of the economy and its protectionist anti-competitive policies.

Given the decline in oil prices, it is not surprising that the IMF estimates that Venezuela's economy is likely to contract by 8 percent this year and that inflation could reach a staggering 720 percent.

Let me spend a few moments putting Venezuela into a broader regional perspective. Since the global financial crisis, we have seen a growing bifurcation in the Western Hemisphere between nations that adopted market-friendly economic policies and those that have chosen a different path.

The nations that have chosen the former are continuing to enjoy economic growth despite a difficult global economic environment. In Latin America, this trend is best exemplified by the Pacific Alliance, which was established in 2012 by Chile, Colombia, Mexico and Peru.

The Pacific Alliance shares our vision that being open to world trade is more advantageous if combined with the creation of a deeper regional market to take better advantage of economies of scale.

All four Pacific Alliance countries are projected to experience economic growth in 2016 as well as year over year growth through 2018. Not coincidentally, those four countries are also U.S. FTA partners.

Those nations that have chosen the latter path, with Venezuela as the extreme example, are experiencing economic decline. For example, Ecuador's economy is projected to contract by 4.5 percent this year and Argentina's, due to the previous government's economic policies, is projected to contract by 1 percent.

In short, the countries in our hemisphere that share an economic vision similar to our own, our FTA partners, including those that are part of the Pacific Alliance, or the Trans-Pacific Partnership—TPP—are faring much better and are poised to enjoy greater economic success than those that chose a different path.

When you compare the results of our vision of open economies that engage with the world by establishing common rules, standards and values, it is looking bright. We continue to work with countries in the hemisphere to create a shared agenda for growth.

This is why the Obama administration is working with Congress, the business community and other stakeholders to raise awareness about the benefits of the TPP. Despite its name, five of the 12 TPP partners are in his hemisphere.

TPP will help solidify our vision for mutually inclusive hemispheric growth by raising standards across the region in a manner that reflects our core values, strong labor protections, a cleaner environment, enhanced intellectual property rights and many more.

TPP's commitments to facilitating trade will in particular help SME's interglobal markets, which brings me back to Venezuela. None of us can predict how this current crisis will end.

Despite the severity of the economic and political turmoil and the very real human suffering that accompanies it, there is potential that positive change can come for the people of Venezuela.

We at Commerce will be prepared to help U.S. companies be a part of this change.

Thank you.

[The prepared statement of Mr. Andersen follows:]

Statement of John Andersen
Deputy Assistant Secretary of Commerce for the Western Hemisphere
International Trade Administration
U.S. Department of Commerce
before
The House Committee on Foreign Affairs Subcommittee on the Western Hemisphere

"Venezuela's Crisis: Implications for the Region"
June 22, 2016

Chairman Duncan, Ranking Member Sires, and members of the Committee, thank you for the opportunity to speak here today and to discuss how the ongoing crisis in Venezuela impacts the U.S.-Venezuela commercial relationship.

The Department of Commerce's International Trade Administration (ITA) is one of the primary agencies responsible for strengthening the competitiveness of U.S. industry in the global market, promoting U.S. exports, monitoring compliance with U.S. trade agreements, and enforcing U.S. trade laws. ITA's efforts are driven by the needs of our primary constituency – the U.S. business community.

ITA's commercial service staff in over 100 locations across the U.S. and in 75 markets around the world – including 13 countries in the Western Hemisphere – is dedicated to helping companies enter new markets and expand in current ones. The Western Hemisphere contains five of our top twenty-five priority export markets, representing nearly 39 percent of our total world exports. The 33 economies in the region account for nearly 45 percent of U.S. exports, totaling roughly $668.9 billion dollars. Areas where we are seeing the most opportunities in the region are in the healthcare, energy and infrastructure sectors.

For more than 15 years, Venezuela's anti-market orientation has complicated U.S.-Venezuela commercial relations and made it harder for U.S. businesses to operate in Venezuela. We have advised U.S. exporters to, and investors in, Venezuela to be mindful of the considerable challenges when assessing opportunities in the Venezuelan market.

Doing business in Venezuela means building considerable risk into business plans – including, concerns over the possibility of expropriation by the Venezuelan government; an overvalued currency; the chance for further currency devaluations; potential non-payment due to foreign exchange controls; and, concerns over political and economic instability.

On January 1, 2012, the Commerce Department (Commerce) closed its Commercial Office in the U.S. Embassy in Caracas – in recognition that an active export promotion program did not serve U.S. commercial interests. During that period, Commerce closed a number of

commercial offices around the world for budgetary reasons and in an effort to streamline operations. In the region, Commerce also closed offices in Quito and Vancouver.

From a commercial and economic perspective, what we are seeing in Venezuela is the rejection of open market principles that have driven growth, prosperity, and poverty reduction throughout the world. Dependence on oil exports, which provides 95% of Venezuela's foreign-exchange earnings, had long masked the damaging effects of Venezuela's command controlled economy and the protectionist, anti-competitive policies the government has promulgated for almost two decades.

Since 1999, under the leadership of the late President Hugo Chávez, the Venezuelan government has nationalized private enterprises run by both domestic and foreign investors, undermined private-property rights, and violated contractual agreements, all with the effect of severely constraining private-sector activity. Under his successor, President Maduro, the government has continued to encroach on the private sector by accusing companies of price-gouging and hoarding products. The Maduro government has further limited the amount of foreign exchange available to businesses.

The tight foreign exchange controls have paved the way to the current shortage of dollars, impacting companies' ability to pay their foreign suppliers for imports of raw materials and inputs. Venezuela's strict currency control system also makes it difficult for companies to repatriate profits or import finished goods. As a result of these anti-market policies, American companies have been forced to write off billions of dollars to maintain a presence in a market where they worked hard to build a loyal customer base and to compete for market share. Some U.S. firms have abandoned the market while many others remain out of a sense of loyalty to their Venezuelan employees and the local communities.

Given these policies, and with oil prices having dropped precipitously from their peak to current levels, it is not surprising that Venezuela is one of the worst performing economies in the world today. Venezuela's economy is likely to contract by eight percent this year and inflation could reach a stunning 720 percent according to the latest projections from the International Monetary Fund.[1]

The resulting effect on trade has been significant. U.S. goods exports to Venezuela dropped by over $4 billion dollars from 2011 to 2015. U.S. imports of Venezuelan goods dropped by $27.7 billion dollars over the same period. Roughly 84.7 percent of these imports were petroleum products alone. However, the United States remains Venezuela's most important trading partner, claiming 35 percent of Venezuela's exports, primarily petroleum and petroleum products, and 24 percent of its imports.

[1] https://blog-imfdirect.imf.org/2016/01/22/latin-america-and-the-caribbean-in-2016-adjusting-to-a-harsher-reality/

While Venezuela faces a number of difficult challenges, it helps to take a step back and look at it from a regional perspective. Since the global financial crisis we have seen a growing bifurcation of the Western Hemisphere between nations that embraced globalization and those that attempted to isolate themselves from its effects.

One the one hand, there are nations that share a vision similar to our own—one of "open regionalism"— the idea that opening up to world trade is more advantageous if combined with the creation of a deeper regional market, in order to take advantage of economies of scale. In Latin America, this is best signified by the Pacific Alliance which was officially established in 2012 by Chile, Colombia, Mexico, and Peru. Not coincidentally, those four countries are also U.S. Free Trade Agreement (FTA) partners.

At the same time, a counter-agenda of protectionism, state-centered fiscal policy, and anti-competitive measures emerged in other countries, with Venezuela as its most extreme example. The results have been similar, albeit less drastic, for the other nations in the region who chose similar economic paths. For example:

- Ecuador's economy, which is also highly dependent on oil and other commodity revenue, is projected to contract by 4.5 percent this year.[2]

- Argentina's economy, due in large part to the previous government's policies, is projected to contract by one percent.[3]

- That being said, the people of Argentina have chosen a new course and the new Macri administration is moving decisively away from an agenda of protectionism, state-centered fiscal policy, and anti-competitive measures.

Conversely, all four Pacific Alliance countries are projected to experience economic growth in 2016, as well as year-over-year growth through 2018. As for our Dominican Republic–Central America Free Trade Agreement (CAFTA-DR) partner markets, they are projected to experience collective GDP growth this year of just over 4 percent.

Now, all of this leads to a critical point. The countries in our hemisphere that share an economic vision similar to our own—like our FTA partners in the region and the nations involved in Trans-Pacific Partnership (TPP) and the Pacific Alliance—are faring much better than those nations that chose to take a more protectionist and anti-competitive path.

[2] https://blog-imfdirect.imf.org/2016/01/22/latin-america-and-the-caribbean-in-2016-adjusting-to-a-harsher-reality/

[3] https://blog-imfdirect.imf.org/2016/01/22/latin-america-and-the-caribbean-in-2016-adjusting-to-a-harsher-reality/

Not surprisingly, these nations have embraced sound market policies rooted in open trade and investment flows and limiting state intervention in the economy. They are pursuing a growth agenda that increases flows of goods, services, and investment; but also catalyzes the diversification of production in the value-added elements of economies, becoming less susceptible to boom-bust commodity cycles. When you compare the results, our vision of open economies that engage with the world by establishing common rules, standards, and values, is looking bright.

The Commerce Department continues to work with countries in the hemisphere to create a shared agenda for growth. This is most apparent in the free trade agreements the U.S. has negotiated with over ten countries throughout the region. While these agreements have helped to support this vision, we know the future is unpredictable. Domestic and international circumstances regularly arise that could lead countries to take a different course. This is why the Obama administration is working with Congress, the business community, and other stakeholders to raise awareness about the benefits of TPP.

TPP is putting pressure on those countries in the hemisphere that have pursued more protectionist policies and maintained relatively closed economies. In a world where TPP is completed, that puts those nations at risk of being left behind as our innovators and small businesses start to do more business with Mexico, Canada, Chile, and Peru.

TPP will help solidify our vision for mutually inclusive growth in the hemisphere by raising standards across the region in a manner that reflects some of our core values: strong labor protections, a clean environment, intellectual property rights, and many more.

And even in Venezuela, despite the severity of the economic and political turmoil and the humanitarian dimensions of the crisis that accompanies it, there is the potential that positive change can come for the people of Venezuela and to the benefit of the region as a whole.

Mr. DUNCAN. Thank you.

Let the record show this is a very well attended hearing. How many people in the audience are with staff or are staff members from one of the panelists? Just raise your hand.

The reason I ask that I had a homeland security hearing one time and the room was packed. Well, I had two panels. When panel one got up to leave, everybody in the room left. They were all staffers.

The reason I say that is I am pleased that the room is full with folks that are interested in the issue of Venezuela and that you are not just here as a congressional staffer or a staffer of the panelists—that you truly are interested in the plight of the Venezuelan people, the possible changes in the Venezuelan government and what it may—the kind of impact I may have on the region. So I appreciate you participating with that.

Let us jump right in. Ms. Pforzheimer, why is the administration pursuing high-level diplomatic talks with the Maduro government when the Maduro government has such a blatant record of controlling all facets of the government with the exception of the legislature now?

They commit gross human rights abuses. They stifle the rule of law and freedom of the press. I thought Mr. Andersen's comments were great there. Why would we reward such a government with high-level diplomatic talks—the highest level with the exception to executive?

This is Secretary Kerry and now the Ambassador. So why are we rewarding the Maduro government when they continue the abuses on the Venezuelan people?

Ms. PFORZHEIMER. Sir, thank you for your question.

As you noted, Under Secretary Tom Shannon is in Caracas today. His meetings are with an extremely broad range of Venezuelans. He is having a human rights roundtable. He is talking to members of the legislature, members of the opposition and he is speaking with the government.

We would not perhaps characterize it as a reward in that he will be raising very strong concerns with the government and Secretary Kerry raised such concerns with Foreign Minister Rodriguez.

We said to them directly that political prisoners need to be released, that the legislative assembly needs——

Mr. DUNCAN. Secretary Kerry has said that to the Maduro government?

Ms. PFORZHEIMER. Yes, sir.

Mr. DUNCAN. Let us contrast this real quick. Wouldn't you say America is known as a champion against human rights abuses in general?

Ms. PFORZHEIMER. Yes, sir.

Mr. DUNCAN. So Secretary Kerry tells the Maduro government you need to release the political prisoners. We negotiated with Iran for almost 2 years without ever making that precondition.

We just normalized relations with Cuba without making that precondition. I am glad he is doing it but we need to juxtapose those policies with Iran and with Cuba. There is a little bit of difference between the administration's actions here.

So I am glad he did that and I will let you continue.

Ms. PFORZHEIMER. Thank you, sir.

He also raised that, of course, during the public session at the Organization of American States and Under Secretary Shannon is raising our concerns directly with President Maduro and his government.

Mr. DUNCAN. I am glad he is doing that. I think it is important. Before we go in and negotiate the Iranian nuclear deal, before we normalize relations with Cuba, before we have high-level talks with a government like the Maduro government that we say, you know what, you have political prisoners or you have Americans in prison for various reasons. These ought to be preconditions that the administration puts on the government if they want engagement with the United States on these important issues.

The Venezuelan people are hungry. The Venezuelan people don't have access to peaceably assemble and petition the government for redress of grievances and hopefully they will in a recall election. Hopefully, that will happen. Time will tell.

Mr. Smith, U.S. sanctioned Iran. We have had U.S. sanctions on Iran and Venezuela institutions. Now, you testified before the House Committee on Foreign Affairs back in February that your office uses sanctions to counter Iranian security threats by preventing them access to U.S. financial systems.

Among the Iranian entities that your office imposed sanctions on is the Joint Iran-Venezuela Bank. Has your office investigated other banned Iranian financial institutions that may be accessing U.S. financial markets via Venezuela?

Mr. SMITH. Sir, yes. OFAC acts as an instrument of U.S. national security and foreign policy and we do investigate what we see as the evidence. We follow the evidence across the world where our sanctions programs occur.

Mr. DUNCAN. Okay. Thank you.

So a simpler question to all of you—what is it going to take? What is it going to take to change—to have changes happen in Venezuela?

Is it going to take a new government? And that is going to take a recall but it may take the imposition of democratic standards by the OAS may start the ball rolling. Is it going to take oil prices coming back up? I honestly believe that one net benefit 10 years from now, looking back on what OPEC is doing to put the Bakken and U.S. energy renaissance out of business is the positive impact it is having on the Maduro government and we may see regime change in Venezuela that ultimately benefits the Venezuelan people.

That may be a positive impact of the OPEC policies. But what is it going to take? Is it going to take change of the Maduro government through a recall?

Is it going to take oil revenues going back up for whatever reason to provide the economic resources the Maduro government can continue using to prop up a stable economy?

Is it going to take an end of the El Nino drought and replenish water in a lake so they can provide electricity? What is it going to take?

I would love to hear your thoughts on that, and Ambassador, I will start with you. I am going to come all the way across.

Mr. KOZAK. Okay. Thank you, Mr. Chairman.

My own view is it is going to take—you have got to get changes in the policies that the Venezuelan government is following. Now, whether this government changes its policies radically or the government gets changed out to a government that has different policies, that remains to be seen.

But what they have so far refused to do is pretty much change anything. There is pressure internally building up on them, which you well described. All the consequences of their own action has generated a lot of internal political pressure.

There is a growing international pressure on them, as you saw with the OAS resolution or joint statement that was passed in Santo Domingo where a number of countries in the region that weren't so concerned before now are expressing concern in joining us and doing it.

The other element of what it takes, though, is how do you have—what is the mechanism for translating that pressure into a result and that is—we really have been pushing two possible ones.

One is the recall referendum which, unfortunately, has been repeatedly delayed by manipulations of the government. And the other is trying to get some kind of serious negotiation going between the elected members of the assembly and the elected government to see if they can come up with a package of policy changes.

Again, the government so far has not done that. The concern is that if you don't do one of those things to bring about a change in policy that it goes on and on and on until something breaks and then you don't have a peaceful course correction on the part of the Venezuelan government but you just have a chaotic mess at the end.

And so that is why we are putting our efforts into trying to create those vehicles for translating that pressure into a result. But it remains to be seen how that is going to work out.

Mr. DUNCAN. Let us go to Ms. Pforzheimer.

Ms. PFORZHEIMER. Thank you, sir.

I agree with Mike about the vehicles. We are looking at the vehicle of dialogue, the vehicle of the recall referendum and, of course, the regional pressure.

But I just want to state that we look at two big goals—a sustainable solution in Venezuela, sustainable economic recovery, and we look at Venezuelans having their constitutional rights restored.

And we want political prisoners released, we want the legislative assembly to have the rights and the separation of powers that is legitimate and under the constitution.

Mr. DUNCAN. So saying that, don't you think that the U.S. position of the OAS should be standing up for those democratic ideals?

Ms. PFORZHEIMER. Sir, I do agree with that and I believe that we are——

Mr. DUNCAN. Is that the official U.S. policy at the OAS?

Ms. PFORZHEIMER. We support at this point all of those policies to support the constitutional measure of a recall referendum and we support a dialogue as it is effective and useful.

Mr. DUNCAN. Is Mr. Fitzpatrick's position of the OAS going to be that the United States supports democratic institutions and prin-

ciples within Venezuela and that a recall election should happen? Is that going to be the U.S.' position at the OAS?

Ms. PFORZHEIMER. Sir, we believe that the recall process should proceed as the Venezuelan people want it to.

Mr. DUNCAN. Okay. I think the Venezuelan people want that. I think the Maduro government is actually putting it off. But I just want to make sure that we were clear about the U.S. position at the OAS.

I will go to Mr. Smith. What is it going to take?

Mr. SMITH. Sir, I would say that is a question of foreign policy and I defer to my State Department colleagues. We are here to offer to be an instrument of U.S. national security and foreign policy objectives.

But, again, when it comes to the foreign policy I defer to the State Department.

Mr. ANDERSEN. Yes, Mr. Chairman. Thank you for that question.

I agree with the comments made by my State Department colleagues. We all want to see a prosperous and stable Venezuela, a Venezuela that maintains our strong and lasting ties with the Venezuelan people.

When a resolution is achieved, and we do hope one will be, we at Commerce Department, working with the U.S. business community, can and will play an important role in ensuring a longer-term solution.

Mr. DUNCAN. Thank you.

We will probably have time for another round of questions.

Mr. Sires is on a tight schedule. I will yield to him for as much time as he needs.

Mr. SIRES. Thank you, Mr. Chairman. You know, I keep hearing about the OAS. They have yet to be successful on anything since they got first created.

I mean, what initiative are they going to do? You know, it is just amazing to me we keep referring to OAS, OAS, and the track record of success is very little.

Then you have the people in the region. As long as these people are dependent on PetroCaribe, how much more pressure are they going to put on Venezuela?

And so far, the only country that I heard that—maybe I am wrong—has been Argentina that has spoken up about what is going on in Venezuela.

And these negotiations I think are just stalling. The Venezuela government is stalling—stalling and waiting and waiting to see what happens, and the fact that you have 30,000 Cubans in Venezuela running the security apparatus, dependent on PetroCaribe oil, I mean, I just think that they are trying to prolong this and prolong it and prolong it—that somehow people are going to get tired and when people get tired they are going to start moving in and taking all these corporations over and become the state's, similar to Cuba, because that is how it started.

I was there. I saw how it began, little by little. And this business of having a supreme court that he created is nothing more to stop any efforts from continued democracy in Venezuela.

So I do hope that maybe there is, and I am wrong and these negotiations are going to lead into something. But I find that very dif-

ficult, and I was wondering is the Venezuela and Colombia border still open or closed? Because I know it is impacting Colombia also.

Ms. PFORZHEIMER. Sir, the border is closed. However, there is some movement, especially for humanitarian purposes.

Mr. SIRES. One more question. Can you assess to me—do you think Maduro is going to last the rest of the year?

Ms. PFORZHEIMER. Sir, I have no way of assessing that. I know that he has some incredibly difficult economic choices ahead about making payments on loans and having enough money to import foodstuffs for his people and that many analysts have said that this year is incredibly difficult for the Venezuelan economy as we see it is already difficult for the people.

Mr. SIRES. Mr. Andersen, what do you think?

Mr. ANDERSEN. I would have the same response. I mean, I don't think—as I said in my testimony, none of us I think know at this point how this may end.

Mr. SIRES. The reason I ask that is are we prepared in case something happens in Venezuela to respond to a situation in Venezuela so it doesn't get out of hand? Are we making any plans? Are we considering the possibility that he may have to step down and maybe there is chaos?

Ms. PFORZHEIMER. Sir, we would be very ready to work with the international community if that were the case. There are many humanitarian agencies international—the World Food Program, Food and Agriculture Association and the Pan-American Health Organization—that are ready to help in Venezuela if they are asked and we are ready to consider support.

Mr. SIRES. Are we receiving any intel or are we working with the Venezuelan community in Florida, which is probably the largest, on getting information on what is actually going on in the country or we just go by what we read and what people say? Do we have meetings with different leaders of the Venezuelan community?

Ms. PFORZHEIMER. Speaking for myself, I meet with a very wide range of people both U.S. and Venezuelan citizens.

Mr. SIRES. Ambassador?

Mr. KOZAK. Yes, the same here. We have meetings with human rights groups that are very active in Venezuela. I would also note we have a functioning U.S. Embassy there that does a lot of reporting on these very issues.

So they are giving us ground truth and they are in contact with a lot of the—not only the opposition political parties but with the NGOs in Venezuela so and the business community. So it is more than just talking to the government. We have got that whole range.

Mr. SIRES. These are the people that are basically promoting democracy and human rights within Venezuela—the people that you are working with?

Mr. KOZAK. Yes, sir.

Mr. SIRES. Can you tell me what country are the most dependent on PetroCaribe in the region? Because one of the reasons I voted for the export of oil is because I felt that this country could play the same type of role that Venezuela is playing.

I want to be an exporter of energy so we don't have to have a country like Venezuela have these people under their thumb with the energy.

A lot of my colleagues don't agree with that. But the problem here is which countries are so dependent on Venezuela for their oil?

Ms. PFORZHEIMER. Sir, overall most of the countries that are the most dependent are in the Caribbean and the U.S. is very interested in working with Caribbean nations on diversifying their energy source.

That dependence is a little bit less in this era of lower oil prices and this is the moment for them to consider other sources of energy, and Vice President Biden has met with Caribbean leaders to encourage them to consider and act now where we have a little breathing room.

Mr. SIRES. And the last thing I want to say is are we tracking Iran's—are still flights into Venezuela? Are there many flights still there or are there no flights anymore or if they venture into Venezuela where is it at?

Ms. PFORZHEIMER. This is an issue that we follow closely and I don't have details about their specific flights into Venezuela. But we remain very vigilant about any of the implications of Iran in the whole hemisphere.

Mr. SIRES. Mr. Smith, you talk about security. Is that what you were talking about before?

Mr. SMITH. We continue to follow Iran's activities and follow the intelligence, the law enforcement information, classified to unclassified, all sources.

Mr. SIRES. And what does your intel tell you?

Mr. SMITH. I couldn't speak—honestly, I don't have today the answer to that question. But I couldn't even speak about intel in this open setting. But it is something that we—if there were specific questions we can take those back and provide in a different setting.

Mr. SIRES. Classified hearing—a classified briefing, right?

Mr. SMITH. If there were specific questions in that regard.

Mr. SIRES. Mr. Chairman, thank you very much.

Mr. DUNCAN. I thank you, Ranking Member.

And now we will go to Mr. Donovan for 5 minutes.

Mr. DONOVAN. Thank you, Mr. Chairman.

Mr. Smith, I wanted to ask you, are the sanctions that we have imposed on Venezuela actually working and if there is an assessment how do we assess whether our sanctions that we impose on countries are actually successful or not?

Mr. SMITH. I think I would say that the sanctions were working across the board on the variety of objectives that we have.

We have imposed sanctions involving Venezuelan actors, individuals, and entities across a wide variety of programs in the past year.

It includes the Kingpin Act for narcotics trafficking activities, WMD for weapons of mass destruction activities, counter terrorism as well as under the Venezuelan sanctions program itself.

And so I think all of those serve the message of calling out bad activity, alerting the U.S. financial system and the international financial system of the bad individuals and entities—the bad actors—that we think should be cut off.

So in that respect, I think very much sanctions are having the effect that they intended. Of course, sanctions—the ultimate goal

of a sanctions program is to change the behavior, change the behavior not only of the individuals and entities but also of Venezuela as a whole and that still has not occurred.

Obviously, there are still concerns with the country but I think we have succeeded in calling out the bad activity that we needed to call out.

Mr. DONOVAN. When we impose sanctions, are they for a length of time? Is there an expiration date of those sanctions or is it until we see that change of behavior you just spoke of?

Mr. SMITH. It is a combination. We don't have a certain specified length of time that sanctions last. We do want to make sure that the information is still current, that individuals and entities are still engaging in bad behavior, and if we see a change of behavior then we can remove them from the list as we do regularly.

Mr. DONOVAN. One of the things I wanted to ask you about is the periodic reports that you submit to Congress and how difficult it is for Congress to have oversight because of the reports.

I think in a 6-month period I have seen 20 different reports. They have different time frames in which they measure the success of the sanctions.

There is no single, like, comprehensive report from OFAC that would allow congressional oversight to the effect of what the sanctions are doing to those countries and those entities that we impose them on.

Is there any plan to make the—this easier for Congress to recognize either the successes or the failures of the policies that we have imposing sanctions?

Mr. SMITH. We haven't considered a single report largely because we are dealing with dozens of reports to Congress that we do on an annual basis. I think there are over 100 reports a year that we do to Congress across a range of sanctions programs.

And so they take away—every time we do an additional report they take away some of the resources that we would spend investigating an actor.

But we believe that the reports are very important so that Congress can continue to be informed of our activities. We have not considered a single report largely because we are doing so many of the reports that Congress has mandated across the various programs.

I think we could consider working with Congress if there would be a way to do a single report as opposed to all the separate ones. That would certainly be a resource savings from our perspective.

Mr. DONOVAN. Thank you, sir.

Mr. Chairman, I yield back the remainder of my time.

Mr. DUNCAN. Thank you.

Let us see, no Democrats on this side so we will now go to Mr. Yoho for 5 minutes.

Mr. YOHO. Mr. Chairman, I appreciate and I appreciate you guys being here discussing this in the Western Hemisphere. This is so dear to us and so—I mean, just to see that country fall apart like it has.

And I, you know, live in Florida and being a veterinarian we had a lot of Venezuelan clients and we have watched the progression of it going from a great country, and I have been there in its

heydays, to see where it is today and just seeing it fall apart and properties being confiscated. People can't get stuff on their shelves in the grocery store, ensuing chaos that we see coming.

With that said, the U.S. should leverage the U.S. Department of State and U.S. Department of Defense connections with militaries around the region to stress the Venezuelan security forces.

Their obligation to uphold the constitution and democracy in respect to human rights—what is the U.S. doing to communicate this message to the Venezuelan military and people in the other countries in that area? Whoever wants to take that on.

Ms. PFORZHEIMER. Thank you, sir.

I think I would find that difficult to discuss instead of——

Mr. YOHO. Okay.

Ms. PFORZHEIMER [continuing]. Deferring to my colleagues from the Department of Defense.

Mr. YOHO. That is fair enough. Let me ask you this. What influence does Cuba have on the situation in Venezuela and what effect does the Obama administration's so-called normalization of relationships with Cuba have on the Maduro government as far as the path that they see forward, if they see one? And I hope it is a short one.

Ms. PFORZHEIMER. Sir, thank you. The U.S. raises, as I noted, human rights issues with Venezuela. We have asked the region to speak out with us to call for dialogue, to call for the release of political prisoners and we also would hope that Cuba would use whatever influence it does have to do the same.

However, our conversation with Cuba is conducted on a bilateral basis and it is separate from the work that we are doing with the region through the OAS.

Mr. YOHO. Okay. Let me ask you this.

Do you see Maduro hanging on to last threads of power? Because he saw the U.S. soften relationships with Cuba has he felt empowered from that?

Mr. KOZAK. I might take a shot at that, Mr. Chairman.

I used to head our interests section in Cuba 15 years ago so I know them a bit. The Cubans have managed to hang on to power because they had other people outside subsidizing them—the Soviets and, more recently, the Venezuelans.

And so I think probably the effect has been a little bit the opposite, that the Venezuelans are seeing that the Cubans are able to help them in sort of having tens of thousands, as Mr. Sires mentioned, of people there—medical and security type people.

Mr. YOHO. Right.

Mr. KOZAK. But they are not able to help them economically. Instead, they are a drain on them and their ideological bent has gotten a little confused with their discussions with us.

So Cuba has a big role to play precisely because they have all those people on the ground.

But I don't think that the parallel—certainly the two leaders have tried to drive things in the same direction but they don't have that outside——

Mr. YOHO. Well, what I was hoping to get out of that was in South America there are several countries that are anti-American

or leaning to the pink type of governments away from Western forms of government.

And when they see people like Castro, you know, getting these releases or release from our State Department, I didn't know if that emboldened Maduro to do what he does and hang on instead of fighting internally to fix it internally, thinking there—or versus thinking, you know, if we just stay strong America is going to come in and soften these sanctions and I think that would send the whole—a wrong signal to that area.

We were with Chairman Duncan and we went to South America and we talked a lot of the—four of the five Presidents in the countries we went to and we brought this up as a concern—is this going to empower Cuba and if so is that going to influence Maduro to keep doing what he is doing.

And I think what I want to end with, Mr. Chairman, is let this be entered into the record that a socialism type of government with a dictatorial leader like Maduro is not a viable form of government in the 21st century and people prosper where liberties and freedoms are protected, not where human dreams and initiatives are silenced by repressive government.

Thank you.

Mr. DUNCAN. Thank you. Without objection, so ordered.

So we have time for another round of questions if you all have anything else you would like to ask. I am going to jump right back in.

On to Mr. Andersen—first off, you mentioned I thought was interesting—the Argentine government, the economic predictions which I think will be proven to be low based on the Macri's imposition of more free market and I think you are going to see an improvement in Argentina.

But you were talking about Argentina and sort of—I don't know if you were juxtaposing those or whether you were comparing them on a similar——

Mr. ANDERSEN. Thank you, Mr. Chairman. Sorry for the confusion.

The point I was trying to make is that economies in our hemisphere who have followed a similar approach to Venezuela and I was making specific reference to the previous Argentine government, not the current one.

We share your view completely with the trajectory with the friendship, with the relationship with the current Argentine government. But those who have followed a policy that is not market friendly, that it has caused economic hardship to companies, have not been open to the world economy are the ones who are doing much more poorly in this hemisphere.

Mr. DUNCAN. Absolutely. I think the Kirchner government and more socialist policies of big government top-down approach, Keynesian economics, just don't work. I think what you are going to see more free market—with the Macri government in Argentina you are going to see prosperous days ahead.

So I think what a lot of the problems we are experiencing in Venezuela right now are because of that same Marxist philosophy.

So let us talk about energy. Energy is a passion of mine. I think energy is a segue to hemispheric stability, economic opportunity

and what we heard—you heard Mr. Yoho talk about travelling to Latin America, to a number of countries.

Energy was on their minds as well, whether their own access with their own development of their energy resources, and Argentina is a good example of what Macri wants to do with his energy there, how the Argentine people felt about the pipeline that now imports natural gas from Chile was originally built to export natural gas to Chile.

They would love to see Argentina be an exporting country once again from Paraguay, wanting to develop the gas fields in up along the Bolivian border. So energy is on the minds of the folks there.

I spoke last week to the Caribbean nations. Energy is on their minds, what PetroCaribe may or may not be able to deliver in the future—an opportunity for American industry to step into any void left by PetroCaribe.

So energy is definitely an economic driver. But as oil prices remain low, is it possible for the Venezuelan economy to recover without oil prices going back up, as I mentioned earlier? And Mr. Andersen, that is to you and then I will open it back up to anyone.

Mr. ANDERSEN. Well, thank you again for that question.

I am not in a position to speculate on what the price may mean in terms of oil or energy for—whether the Maduro government—what will happen to it.

I would point out that the—clearly, the position that they find themselves in has been exacerbated by the price currently in energy. But this was a long time coming from very anti-market policies for nationalizing companies, for the whole range of bad economic choices they have made over the succeeding years.

Mr. DUNCAN. I think you hit on something. We see Pemex in Mexico denationalization are at least loosening there. We see corruption with Petrobras. We see a state-owned oil company like in Venezuela have troubles.

I don't know what the price point is for the Maduro government to actually start—the economy start benefiting from oil revenues. I don't know what the price point is there.

But I do know it is hurting them right now, as you say. Ms. Pforzheimer, you wanted to jump in on that?

Ms. PFORZHEIMER. Thank you very much.

I don't know the exact price point either but I do know that the Maduro government spent a great deal of time over the last year trying to work with OPEC nations to get the price raised and at some points we heard that they thought $100 a barrel would work best.

We also note, as Mr. Andersen does, that mismanagement and corruption are just as much part of the problem with respect to the energy sector as the actual world price of oil.

Mr. DUNCAN. Yes. Anyone else like to talk about energy prices—energy issues? There are about 500 U.S. companies that are represented in Venezuela and largely in the oil and gas industry but not all.

How easy or difficult is it to conduct day to day business in Venezuela? Mr. Andersen.

Mr. ANDERSEN. Thank you, Mr. Chairman. I think you——

Mr. DUNCAN. In June 2016, okay?

Mr. ANDERSEN. And I think you referenced some of those concerns in your oral statement, that it is extremely difficult for U.S. companies who are in Venezuela to do business in Venezuela from a range of issues—from currency issues, from issues on the price of imports across the board.

So it is an extremely difficult environment that they work in, and as I also referenced in my testimony a number of them that do stay stay also because they have spent decades developing this market.

They stay out of a sense of loyalty to their Venezuelan employees and to their local communities and they are, quite honestly—many of them have targets on their back, quite literally, because of their being accused, as I indicated, of hoarding and price gauging in some cases by the current administration.

Mr. DUNCAN. Ms. Pforzheimer, what are the regional implications of—from the administration's standpoint do you see with the bad economic situation and the bad government situation in Venezuela?

We heard from Caribbean nations that are concerned about PetroCaribe and commitments made and, of course, Maduro went to Jamaica and said they were going to reinvest in refineries there and bring them up to speed and I wonder where he is going to get the money without borrowing it from China.

But so when we think about Caribbean nations, can you broaden that? What are some of the other implications that we may not be thinking about when Surinam or Guyana or Colombia and the FARC and Panama and trade and—so enlighten me from the administration's standpoint, what are some of the implications that you all see from this deteriorating situation there?

Ms. PFORZHEIMER. Thank you for the question.

We are concerned overall about the deterioration, as you point out, and I would really just name two areas. One is what you have noted—the dependence of the Caribbean in different degrees on PetroCaribe and PetroCaribe funding and I think our response and their response, more importantly, is that they know they have to get out from that dependence. They must diversify their sources of energy.

The other area of concern that, you know, we have heard, although not at any concerted pitch is that of possible migration. The Caribbean islands that are closest to Venezuela, the Dutch Islands or the border with Colombia are points that those countries are watching very, very carefully and they are raising their concerns directly with the Venezuelan government.

Mr. DUNCAN. Right. So what else can the U.S. be doing at the OAS to promote democracy in Venezuela?

Ms. PFORZHEIMER. So tomorrow's meeting is, in our view, a very important inflection point. Secretary General Almagro published an incredibly long and detailed and thorough examination of the Inter-American Democratic Charter as applied to the situation in Venezuela.

He is seeking the opportunity to speak with member states about that report and we hope he gets that opportunity tomorrow. We could see the formation of something like a group of friends from the OAS member states who would also try to work with the par-

ties in Venezuela and urge them to seek a sustainable solution there.

Mr. DUNCAN. But within the OAS itself, you have got an Argentine plan or model. You got Almagro. So it would be interesting to see what happens tomorrow. I agree with you on that.

I am going to recognize a former chairman of the committee and now chairwoman of the Middle East and North Africa Subcommittee, Ms. Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and I deeply apologize for coming so late today. I had the opportunity to speak on the House floor this morning about Venezuela and I hope that you get a chance to view my remarks.

But I had a few questions. Thank you so much for your leadership on this issue of freedom and fairness for the people of Venezuela.

And as you know, Mr. Chairman, in September of last year I was joined by 19 of my colleagues in sending a bipartisan letter to Secretary Kerry and Secretary Lu urging the administration to enforce a bill that I passed along with all of our colleagues and Senator Marco Rubio, the Venezuela Defense of Human Rights and Civil Society Act, and we asked the secretaries to enforce this bill and apply sanctions on regime officials in the Venezuelan court system in response to the unjust sentencing of Venezuela activist and political prisoner Leopoldo Lopez.

If I could ask the witnesses, Mr. Chairman, what justification do they have for not carrying out and implementing these sanctions for this miscarriage of justice and what is the dollar amount of the assets seized of the seven individuals that you have sanctioned.

And I am going to continue on the subject of sanctions. I am aware that State has pulled some visas due to human rights violations and if they could tell us how many visas the State Department has pulled and who are these individuals.

So much of this is done in secret. We just don't know what is happening. And last week at the OAS meeting in the Dominican Republic, Secretary Kerry stated that Venezuela should follow its own constitution and hold a fair and timely recall referendum.

And I wanted to ask our witnesses if Secretary Kerry believes or expects that it will happen this year.

And lastly, Maduro has stated that he is ready to exchange Ambassadors and I think that this is a big mistake by our State Department because it will look as if we are legitimizing an illegitimate regime and I wanted to ask the witnesses will the State Department nominate someone this year to be Ambassador to Venezuela.

And I was—lastly, Mr. Chairman, I had the opportunity to meet with some wonderful young people who are here in the audience today representing the youth of Venezuela and they gave me a summary of the facts of Valencia, a state in Venezuela, and gave me a list of individuals they believe should be on the sanctioned individual list and I wanted to ask our witnesses if they will be adding some names to this list.

And Mr. Chairman, with your indulgence, if I could put this letter as part of the record and if I could put—if I could hand this document to our officials to see if—we have given them so many

good suggestions of really bad actors in Venezuela who deserve to be sanctioned.

They want to come to the United States. We should just not let them come. We have got a bill that became a law that, sadly, has not been implemented.

So thank you, Mr. Chairman.

Mr. DUNCAN. Without objection.

Ms. ROS-LEHTINEN. And I would love to get their responses, whoever would like to respond. Thank you. Thank you, ma'am.

Ms. PFORZHEIMER. Thank you very much for your questions. I will address some of them and ask my colleague from OFAC to address others.

Ms. ROS-LEHTINEN. Good. Thank you.

Ms. PFORZHEIMER. Thank you very much. Thank you about your question regarding future sanctions. This is an important tool that we can use, we have used.

At this point, we are still assessing the utility and we would consider any public or diplomatic or legally available method to address the injustices in Venezuela.

Ms. ROS-LEHTINEN. If I could just follow up with that. So this bill became a law. So not that we needed to even pass it because the administration had this authority already.

We just wanted to nudge them along, and you have heard of individuals who are violating the human rights of Venezuelan nationals. And what would it take to add people to the list?

I hope that it doesn't take more deaths. The Maduro regime is already responsible for so many deaths in Venezuela.

What more do we need to do so that we can add names to the people who will not be allowed into the United States whose assets will be frozen, whose bank accounts will be frozen? What more needs to be done?

Ms. PFORZHEIMER. Thank you, ma'am. We are assessing—we will continually assess the utility of the sanctions, tools at our disposal. And also, as you noted and has been noted by the chairman, there have been visa revocations that have occurred and are still occurring.

Ms. ROS-LEHTINEN. Can you tell me how many visas were pulled?

Ms. PFORZHEIMER. There have been over 60 visas.

Ms. ROS-LEHTINEN. And are you making those public?

Ms. PFORZHEIMER. Due to visa confidentiality rules, we would not be making public the names of the people whose visas were revoked.

Ms. ROS-LEHTINEN. And how about the sanctioned individuals?

Ms. PFORZHEIMER. Those are——

Ms. ROS-LEHTINEN. When was the last time that someone had been sanctioned from Venezuela?

Mr. SMITH. Ma'am, thank you for the questions and I know there are a number of them and I think came to the OFAC one so I will go down the list, if I may.

I will first start off by thanking Congress for its leadership in this area because I think the statute was particularly important and helpful in helping us craft and work with the rest of the administration to craft an Executive order to build off the statute and

to actually implement the—some of the sanctions that came from that.

I will also thank you all because I think we have continued to receive information from various Members of Congress and staff through NGOs or other groups and we continue to look at that information as we build packages.

When you ask about when was the last time when the President issued the Executive order in March 2015 those were the seven individuals that received economic sanctions——

Ms. ROS-LEHTINEN. And since March 2015?

Mr. SMITH. We have not frozen any additional assets. We have not issued additional sanctions freezing assets——

Ms. ROS-LEHTINEN. But you do agree that there have been egregious human rights violations that have occurred in Venezuela since March 2015 or do you not think that that is true?

Good to see you.

Mr. KOZAK. Nice to see you.

Ms. ROS-LEHTINEN. Old friend for many years.

Mr. KOZAK. Yes, indeed. A pleasure.

I might jump back because we are talking both with the sanctions under the—that involve assets which have a much higher standard of proof and so on and then the visas that my colleague mentioned.

The visa ban has continued on. Every so often we will do another trench. We have got more in the works right now, and while we can't—as Annie mentioned, we can't give names under the visa laws, we have said that these have included ministers in the government, senior presidential advisors, judicial and law enforcement personnel at high levels.

So, you know, and they know who they are and I think, more importantly, a lot of their colleagues know who they are and we have seen—I mean, one of the reasons you did is, one, is to punish people for their bad behavior but the other is to deter other people from the same kinds of behavior and we have seen evidence of that working.

Ms. ROS-LEHTINEN. And when bad behavior—if I could interrupt and I will leave with this—bad behavior means that they have given orders to violate the human rights——

Mr. KOZAK. Absolutely.

Ms. ROS-LEHTINEN [continuing]. Of Venezuelan natives. I mean, it is not coming late to class.

Mr. KOZAK. No, exactly. The visa——

Ms. ROS-LEHTINEN. Ordering the killing of students, unarmed.

Mr. KOZAK [continuing]. Is within two categories, basically. One is just that—really serious violations of human rights such as putting people away for nothing other than their opinion and the other is public corruption.

Ms. ROS-LEHTINEN. Violations that can be proven and we have given—with all due respect and I will end with this, so much evidence, Mr. Chairman, and I just feel like we are letting the people of Venezuela down when we don't use the laws to the fullest extent.

Mr. DUNCAN. It is following a pattern, though.

Ms. ROS-LEHTINEN. It is, sir.

Mr. DUNCAN. We are letting people of Cuba down.

Ms. ROS-LEHTINEN. Amen.

Mr. DUNCAN. Now we are letting the people of Venezuela down.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Mr. DUNCAN. Yes. Thank you.

Ms. ROS-LEHTINEN. Thank you, sir. Thank you.

Mr. DUNCAN. Thank you. You always do a great job. You are welcome, too. I will go down to Mr. Yoho for a follow-up.

Mr. YOHO. Thank you, Mr. Chairman. I appreciate the extended time and I thank you guys for sitting here.

With Venezuela collapsing like they are—their economy, their infrastructure and there is that social explosion of people wanting the changes in there—what are the potential ramifications for that region?

Do you see it destabilizing any of the surrounding countries? And if you answered that earlier I apologize.

Ms. PFORZHEIMER. Thank you for the question.

It is something that we watch and we are working with our Embassies in region—in countries that are in the region with Venezuela.

We noted—I noted two areas of concern. One is the economic implications that could occur to the Caribbean, which has been very dependent on the Venezuelan energy and our efforts to work with them to diversify their sources of energy.

And the other is the possibility of any kind of migration of people leaving Venezuela and that could be—that could affect the islands that are close by, the Dutch Islands, or Colombia.

Mr. YOHO. And that is one of my follow-up questions. What are the humanitarian refugee migration flow risks to the surrounding countries? Are they prepared for that?

And then, you know, with the Maduro regime or government not liking us too much or the disdain they have for us, at what point can we intervene humanitarian wise and do we have that set up and do we have metrics I assume we had already set up, right?

Ms. PFORZHEIMER. I think in—to answer your second question first that it is important if there were any kind of humanitarian intervention that it be multilateral. I think that is the most important function of the agencies that are set up to assess food needs, to give emergency help to children like UNICEF, and we are active participants in those organizations.

So we would look to them to assess the needs and the conditions for any kind of humanitarian assistance.

Mr. YOHO. Let me ask you a pointed question. Is there any plans on relocating any of the Venezuelan refugees to Guantanamo in there where we had the tent city back in—back when we had it?

And I ask that question because I was down there and there was talk of that, of an infrastructure going in. Is that something you can comment on?

Ms. PFORZHEIMER. I don't think, first of all, that I should comment on something that would be under Department of Defense authorities. But I have absolutely no information about anything like that.

Mr. YOHO. All right. Let me ask you this.

With the void that is happening in that government in Venezuela, who do you see fulfilling that void? You know, do we have to worry about a Libya in the Western Hemisphere with ISIS coming in?

We know the connections between Iran, Hezbollah, Russia and China, and the reports I have read that are public knowledge is that ISIS has been through there, that Venezuela has been complicit in faking passports of people of Middle Eastern status—ISIS status—faking passports so that they can cross through from here to Canada, from there through Mexico, through Canada. Do you have any activity down there now that we need to know about?

Ms. PFORZHEIMER. Thank you. First and foremost, I think that our law enforcement colleagues who are not here today are best placed to talk about any kind of controls that would be appropriate to what you are describing.

But we, as the U.S. Government, would watch any kind of indications of that nature very carefully. As far as the idea of vacuum, you know, the opposition is looking for a constitutional peaceful mechanism to express their concerns.

Mr. YOHO. That is only if they are allowed to go through the process that they are set up to do and with 1.4 million people's signature verified on the recall, you know, things can fall apart real quickly and then chaos breaks out and I—all we have to do is look back at Syria and see the way that started and where it is today and we don't need that in the Western Hemisphere.

So with that, Mr. Chairman, I am going to yield back and I appreciate the opportunity and thank you all for being here.

Mr. DUNCAN. I want to thank you and I will thank all the members that participated. Great questions, great dialogue. I want to thank the witnesses for being here today as well. I think we have—we have opened a number of lines of thought and I hope we will continue the dialogue because the Venezuelan people need us to continue the dialogue.

If you think about—it has only been, what, 20 years or less since Chavez took over and the changes—I think about pre-Chavez Venezuela and Chavez and Venezuela in June 2016.

As I said earlier, it is heartbreaking for the Venezuelan people when you think about the resources that are available there, the country that Venezuela can be and that we yearn for it to be once again and can be with democratic principles and ideals in place and followed.

It is not that they don't have a constitution, not that they don't have a legislature or not, not that they don't have different branches of government, not that they don't have democratic principles in existence but you have to follow those.

So thank you and I look forward to tomorrow and the OAS hearing—meeting, rather—and what may develop on these different lines of thought and tracks that it looks like others are going down.

So we will conclude, and pursuant to Rule 7 the members of the subcommittee will be permitted to submit written statements to be included in the official record.

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

We had some items that were submitted for the record earlier, and there being no further business we will stand adjourned.

[Whereupon, at 2:19 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

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

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

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on the Western Hemisphere in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, June 22, 2016

TIME: 1:00 p.m.

SUBJECT: Venezuela's Crisis: Implications for the Region

WITNESSES: The Honorable Michael Kozak
Deputy Assistant Secretary
Bureau of Democracy, Human Rights, and Labor
U.S. Department of State

Ms. Annie Pforzheimer
Acting Deputy Assistant Secretary
Bureau of Western Hemisphere Affairs
U.S. Department of State

Mr. John Smith
Acting Director
Office of Foreign Assets Control
U.S. Department of the Treasury

Mr. John Andersen
Deputy Assistant Secretary for the Western Hemisphere
U.S. Department of Commerce

By Direction of the Chairman

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

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Western Hemisphere* HEARING

Day *Wednesday* Date *June 22, 2016* Room *2172*

Starting Time *1:00 p.m.* Ending Time *2:19 p.m.*

Recesses *N/A* (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)
Chairman Jeff Duncan

Check all of the following that apply:

Open Session ☑
Executive (closed) Session ☐
Televised ☑

Electronically Recorded (taped) ☑
Stenographic Record ☑

TITLE OF HEARING:
Venezuela's Crisis: Implications for the Region

SUBCOMMITTEE MEMBERS PRESENT:
Rep. Jeff Duncan, Rep. Albio Sires, Rep. Daniel Donovan, Rep. Ileana Ros-Lehtinen, Rep. Ted Yoho

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

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

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

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *2:19 p.m.*

Subcommittee Staff Director

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE ILEANA ROS-LEHTINEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

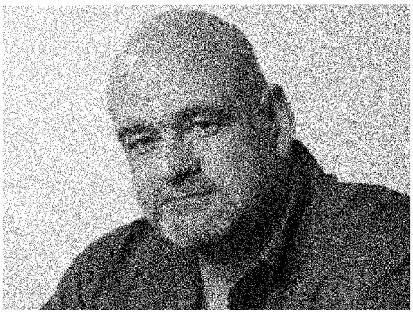
SUMMARY OF THE FACTS
OF FEBRUARY 18th, 2014 IN
VALENCIA, STATE OF CARABOBO, VENEZUELA

Elaborated By:

DIMITRY BELOV

SALIM DAHER

Governor Francisco Ameliach



- Co-founder of MBR-200 (Moviemiento Bolivariano Revolucinario 200) [Revolutionary Bolivarion Movement 200] alongside Hugo Chavez.

- Graduated from Venezuelan Military Academy

- Has served as Congressman to the National Assembly, President to the National Assembly, National Campaign Coordinator for Hugo Chavez's 2006 Presidential Campaign, Minister to the Office of the President and current Governor of the state of Carabobo.

Arquimedes Herrera Russo

- Retired Brigadier General, graduated in the same class as Governor Francisco Ameliach

- Head of "Comando Regional 2" (CORE 2) [Regional Command 2 (CORE 2)]

- Secretary of Security to the State of Carabobo



Wednesday February 12, 2014 marked the start of a movement in Venezuela called "La Salida" (The Exit) which demonstrated to the Venezuelan regime, the high level of rejection it possessed within the population. In the city of Valencia capital of the State of Carabobo,it is estimated to have been the greatest and largest street demonstration to have ever taken place in the city.

- February 12, 2014. 2:30 pm. The demonstration continues despite the call to end it on behalf of the organizers once having undergone its planned route and having reached its endpoint. The calls to end the demonstration came on the part of local organizers, community leaders and Pro-Democracy activists such as the lawyer and University of Carabobo Secretary Dr. Pablo Aure (There is a video where he is recorded calling for the protest to end at its final checkpoint). The tens of thousands of people do not heed the call and decide to mobilize through the primary interstate highway of the city and finally position themselves in a local roundabout in the sector of "Guaparo" and a local distributor in the sector of "El Trigal" to continue protesting.

- February 12, 2014. around 12:00 pm: The National Guard (led in Carabobo, under command of Brigadier General Arquimedes Herrera Russo, head of "Comando Regional (CORE) 2"(Regional Command No. 2), Secretary of Security to the state of Carabobo and classmate of the governor of the state, retired army Major Francisco Ameliach) ordered the repression of the protests that continued. Circumventing any regular procedure and acting with excessive violence, the National Guard applied torture and sexual abuse of detainees in different raids. A young man, Juan Carrasco was one of the many victims.

Carabobo protests continued through the following days in residential and commercial areas.

Monday February 17, 2014 at around midday, two undercover agentsunder command of the governor of Carabobo, warn and threaten local activist Dimitry Belov, during a protest at the corner of the Bolivar and Cedeno Avenues. Officials warn Mr. Belov, that the protesters not march on the streets near the Capitol where the regional government operates. Failure to do so "would force them to unleash their people (mercenaries and paramilitary groups) out in the streets."

- February 17, 2014 around 7pm: in response to the march having taken place that day as well as the one planned for the day after, the governor of the State of Carabobo and retired military Mayor, Francisco Ameliach issues the following command / threat via the social network Twitter: "UBCH (Unidad de Batalla "Hugo Chávez") a prepararse para el contra ataquefulminante, Diosdado dará la orden #GringosYFascistasRespeten" (UBCH {Hugo Chavez Battle Unit} prepare for the fulminant counterattack, Diosdado [Cabello] will give the order #GringosAndFascsistsRespect)

Tuesday February 18, 2014. In regards to the presentation in court of Leopoldo Lopez (national opposition leader) alocal aggrupation composed of several civil activists, students and partisan leaders in Carabobo, then called "Pueblo y Estudiantes" (People and Students) later reconceived as "Junta Patriotica Jose Felix Rivas" (Jose Felix Rivas Patriotic Junta) call for a peaceful demonstration in Carabobo, which would occur exactly on the intersection of the Bolivar and Cedeno avenues.

- February 18, 2014 in the morning: dozens of motor bikers associated with the paramilitary groups of the Venezuelan regime are seen entering theRegional Command No. 2 (CORE2). There are testimonies that attest to the fact that these motor bikers were mercenaries paid large sums of money and provided with small arms from within the (CORE 2) in order to carry out an attack on the protesters concentrated in the Bolivar and Cedeno Avenues.

- February 18, 2014 in hours of the afternoon: These same motor bikers along with individuals linked to the regional government opened fire on the peaceful concentration that took place in the Cedeno and Bolivar avenue resulting in one deadperson, shot in the head and several others having suffered gunshot wounds. The dead person was local beauty queen Genesis Carmona.

In the weeks that followed, several other protesters were killed both on the part of National Guard officials and the local, pro-government paramilitary groups.

The following content serves as evidence to corroborate the aforementioned facts:

Pro-government Mercenaries opening fire upon protesters in Cedeno Avenue: https://youtu.be/_b93tA7foqw

Pro-government Mercenaries entering the Regional Command No. 2: https://youtu.be/gzEGJAgAz-w

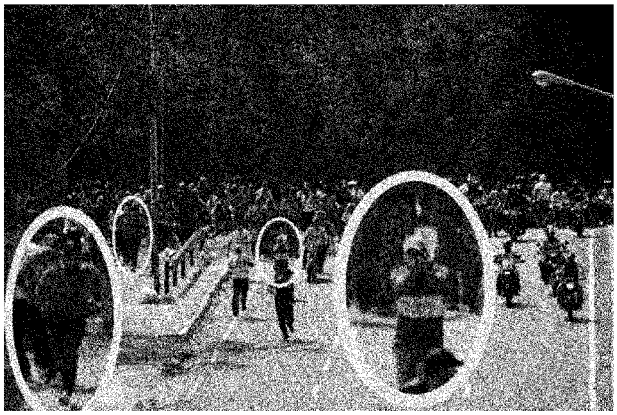
Governor Francisco Ameliach addressing and ordering pro-government groups to attack protesters: https://youtu.be/jgMhhU-iMNU



Governor of Carabobo Francisco Ameliach issuing a threat via the social network Twitter. (February 17th, 2014)



Protest in Cedeno Avenue (February 17th, 2014)



Pro-government mercenaries opening fire upon protesters in Cedeno Avenue (February 17th, 2014)

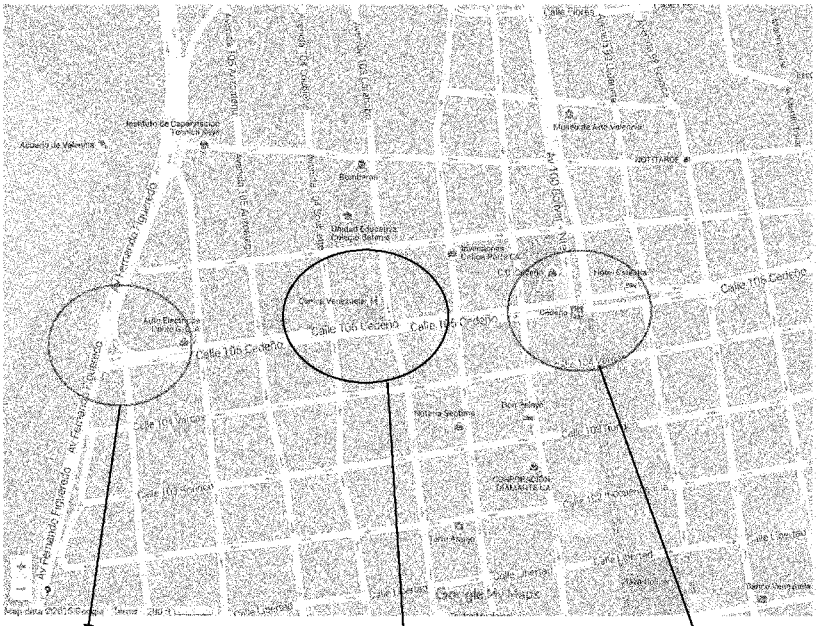


Mercenaries opening fire upon protesters in Cedeno Avenue (February 17th, 2014)



Genesis Carmona, assassinated by a shot to the head (February 17th, 2014)





The site where the pro-government guerrillas started approaching the opposition demonstration.

Site where the pro-government groups can be seen opening fire upon protesters.

Intersection between the Bolivar and Cedeno Avenues where the demonstration concentrated in.