

The Latest in Venezuela's Ongoing Political Crisis

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Two Presidents, One Country

The standoff between Nicolas Maduro, who retains de facto power in Venezuela, and Juan Guaidó, the National Assembly leader recognized by the United States and other countries as the interim president of Venezuela, remains volatile and fluid.

A growing number of countries have signaled their support for Guaidó, while the U.S. Government continues to take an outsized role in leading the international response. On Monday, January 28, President Donald Trump announced severe sanctions against Venezuela's state-owned oil and natural gas company, Petroleos de Venezuela S.A. (PDVSA), which will undoubtedly increase economic pressure on Maduro's regime.

So far, Guaidó has been adept at keeping the opposition energized and maintaining international pressure on Maduro. He has leveraged international support to take control of Venezuelan personnel and resources abroad to enhance public perceptions that he is the country's legitimate leader. For example, he was able to block Maduro's attempts to withdrawal Venezuela's gold reserves from the Bank of England, and has appointed new diplomatic representatives to the United States and several countries in Latin America. Despite these moves, Maduro has managed to retain the loyalty of the armed forces and control of the government apparatus within Venezuela.

While there are many potential scenarios to catalogue as the power struggle continues, there are at least three contingencies U.S. companies should plan for:

1. **A quick collapse of the Maduro regime.** If this were to happen – for example, by Maduro's exit from the country or an about-face by the military—it could arguably turn out to be the most peaceful transition. The majority of Venezuelans would welcome a transition period leading to new elections, although there would be pockets of resistance from Venezuelans loyal to the Chavez legacy.
2. **Protests peter out.** If the protests and sustained international pressure fail to dislodge Maduro, the Venezuelan public might once again give up and resign themselves to living under Maduro or migrating. This has happened numerous times over the past few years, as the opposition has been unable to sustain large-scale protests. This time, however, there would not necessarily be a return to the status quo. Maduro's position would remain precarious given his increasing international isolation and the broad popular support Guaidó seems to enjoy.
3. **A protracted conflict.** This could be the most dangerous scenario, with continued protests by the opposition while the Maduro regime holds together with the backing of the armed forces. Such a stalemate could last for some time, with the risk of violence emanating from multiple actors

increasing dramatically. At its worst, this scenario could manifest in civil strife, with high levels of violence, social instability, and an even greater collapse of state and civil institutions.

Implications and Outlook for U.S. Companies

- **U.S. companies with local presence in Venezuela need to consider the physical safety of their employees.** In the days leading up to Guaidó's proclamation, there were numerous documented confrontations between opposition protesters and government forces, which included the National Police and well-armed militia groups actively working to suppress opposition protesters through intimidation and violence. Since the proclamation, social unrest has escalated, and over 40 deaths and multiple disappearances have been reported. In the struggle for power, Maduro may call on supporters to take to the streets to violently defend against what he describes as a U.S.-led coup or he may lose control of their actions all together. Should the situation continue to deteriorate, companies should not discount the possibility that employees and properties of U.S. businesses could find themselves caught in the middle of violent protest or subject to random, disorganized acts of violence.
- **However, Maduro's regime is less likely to systematically target U.S. companies in the near-term.** Given the diminishing international legitimacy of his regime, Maduro is desperately trying to deescalate social, political, and international tensions. Immediate actions against U.S. companies will likely be considered counterproductive to their efforts to push for a new round of negotiations with the opposition, a solution supported by Mexico and Uruguay. In fact, Maduro's regime could make the opposite calculation – that is, he could seek to embrace U.S. and other foreign companies as way of downplaying the threat to his regime and demonstrating to the international community that he remains in control. However, if the crisis becomes a protracted stalemate or deteriorates further, Maduro's calculus could change. In this scenario, Maduro, who would likely retain the support of China and Russia, could decide to abandon a de-escalation strategy and instead lash out at U.S. businesses to stoke nationalist sentiment and try to bolster domestic support.
- **New sanctions and ongoing impacts on business activities related to Venezuela.** On January 28, the U.S. Government issued new sanctions against PDVSA, Venezuela's state oil company, blocking all transactions by U.S. companies and effectively cutting off the country's main source of revenue. This ratchets up the economic pressure on the Maduro regime significantly and represents the most concrete step yet by the U.S. to try to force a transfer of power to Guaidó. The USG also made clear in announcing the measures that it is open to lifting the sanctions should this transfer occur. Given the fluidity of the situation, affected U.S. companies are advised to closely monitor USG guidance and maintain a dialogue with the U.S. Departments of Treasury and State as the situation evolves. Furthermore, U.S. companies in other sectors that require ongoing dialogue with Venezuelan government agencies may be placed in the challenging position of needing to continue to engage with the Maduro government, which the Trump administration does not recognize, but which retains de facto power. The State Department and other agencies have not yet developed guidance for dealing with actors in Maduro's regime who are not part of

U.S. Treasury Department's Office of Foreign Asset Control (OFAC's) sanctions lists. As such, at least in the in the short-term, companies should expect flexibility from the U.S. government.

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