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The Challenges of U.S.'s Maximum Pressure Policy

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The comprehensive sanctions on the Maduro administration have become the centerpiece of the U.S. strategy for Venezuela. Yet, the “maximum pressure” policy revolved around sanctions dramatically deepened the severe economic crisis and intensified the suffering of the Venezuelan people. The sanctions have also failed in forcing Maduro to leave power. Meanwhile, less attention has been paid to the role of the illicit and corruption networks and their transnational implications flourishing in the midst of Venezuela’s crisis.

The increased U.S. sanctions have significantly increased the opaque dealings of the Venezuelan government with several U.S. adversaries. The Maduro administration has apparently taken advantage of the sanctions. It is believed that the Venezuelan government utilizes corruption and other illicit revenues to ensure the loyalty of the elites and security forces to be able to remain in power. While the mounting sanctions enabled Venezuelan corruption to flourish, the number of foreign elements increasingly engulfed in illicit trade and corruption networks established with the Maduro government. The overuse of sanctions seems to risk incentivizing the international actors to benefit from risky but lucrative opportunities in Venezuela by setting up shady financial mechanisms and schemes.

Especially, the transnational relations of Venezuela became less transparent amid rising sanctions. The web of illicit activities at the transnational level has increasingly become a financial resource that the Maduro administration needs to survive. At this point, the increasing involvement of the two countries in the cash-strapped South American country is drawing attention: Iran and Turkey.

Both Iran and Turkey recently defied the U.S. maximum pressure campaign to oust the Maduro regime. These two countries have become Maduro's allies, particularly in the sale of illicit gold and other business, which remain key sources of support for Maduro and his cronies. The great appeal of Venezuela under the current regime for these actors lies in its corrupt nature. Several investigations and reports exposed that the Venezuelan economy and foreign trade under the Maduro administration have become a center of alternative banking, rampant corruption, money laundering, and drug trafficking in which several senior officials are involved.

Under pressure from sanctions, Maduro has just turned to illegal gold mining to maintain the economy afloat and shore up loyalty among the regime members. Turkey has become the largest importer of gold from Venezuela, receiving \$900 million in gold in the first nine months of 2018. Venezuelan gold has been shipped to Turkey for refinement. In return, Turkey provided consumer staples for Venezuela such as pasta, sunflower oil, wheat flour, red lentils, and powdered milk for Venezuela. Although the scope and content of the opaque financial dealings were not sufficiently documented, the U.S. Treasury Department investigation revealed how the gold-for-food mechanism between the two countries helped the Maduro administration make huge profits from the government-funded contracts.

The booming relationship between Turkey and Venezuela, indeed, seems to have dipped into more illegal waters beyond mere corruption schemes. A Turkish mafia leader, Sedat Peker, claimed that a former Turkish Prime Minister's son went to Venezuela to set up a new cocaine-trafficking route to Turkey shortly after a seizure of 4.9 tons of cocaine shipment in Colombia last year. The government has not launched any investigation yet about the allegations regarding the new cocaine route in Venezuela. Nevertheless, the allegations could be another possible angle of the shady business, enabling the personal enrichment of senior officials in both Turkey and Venezuela.

Another critical actor is Iran that recently reappeared as a crucial partner for the Venezuelan government. Similar to Ankara, Tehran appeared to take a central role in Venezuela's illicit finance flows. The Venezuelan government has paid Iran with gold in exchange for fuel in recent months. The Venezuelan government appeared to orchestrate a swap with Iran

involving gold for gasoline products similar to Venezuela's gold-for-food trade with Turkey. At least nine tons of gold, worth about \$500 million, flew off to Iran through jets owned by the Tehran-based carrier Mahan Air while Iranian oil tankers steamed toward Venezuela at a time when fuel shortages have spread throughout the country.

At the heart of the Maduro regime schemes with Iran and Turkey is Alex Saab, Maduro's key facilitator. It is revealed that Saab developed several schemes through shell companies running from Latin America to the Middle East that directly implicated senior government officials and ran a vast money-laundering network. Apparently, these transactions, which occurred in a non-transparent manner, hid the flows between the parties in fictitious trade transactions. There is not enough information to quantify the revenue from these various illicit activities or to understand the ways such revenue is used. That said, several investigations exposed that the Venezuelan government allegedly siphoned off millions of dollars through the multilayered schemes built on non-transparency, which led the regime members illicit enrichment on both sides.

These are only a few of the nodes in a much broader global network. Apparently, the excessive use of sanctions has not only caused immense human suffering but also incentivized the authoritarian actors to benefit from the non-transparency. These sanctions end up hurting the people while the military and political elites in the country remain largely shielded from the economic crisis by relying on corrupt means and the circumvention of traditional financial mechanisms.

Considering these examples, it is worth noting that the U.S. over-reliance on sanctions as an instrument of statecraft needs to be reconsidered. At least, the Biden administration could start using the sanctions more strategically by coordinating several international actors for a more comprehensive and assertive approach to tackling the regime's illicit activities with other pariahs.

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