CENTER FOR ECONOMIC AND POLICY RESEARCH

# Economic Sanctions as Collective Punishment: The Case of Venezuela

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# Executive Summary

This paper looks at some of the most important impacts of the economic sanctions imposed on Venezuela by the US government since August of 2017. It finds that most of the impact of these sanctions has not been on the government but on the civilian population.

The sanctions reduced the public's caloric intake, increased disease and mortality (for both adults and infants), and displaced millions of Venezuelans who fled the country as a result of the worsening economic depression and hyperinflation. They exacerbated Venezuela's economic crisis and made it nearly impossible to stabilize the economy, contributing further to excess deaths. All of these impacts disproportionately harmed the poorest and most vulnerable Venezuelans.

Even more severe and destructive than the broad economic sanctions of August 2017 were the sanctions imposed by executive order on January 28, 2019 and subsequent executive orders this year; and the recognition of a parallel government, which as shown below, created a whole new set of financial and trade sanctions that are even more constricting than the executive orders themselves.

We find that the sanctions have inflicted, and increasingly inflict, very serious harm to human life and health, including an estimated more than 40,000 deaths from 2017–2018; and that these sanctions would fit the definition of collective punishment of the civilian population as described in both the Geneva and Hague international conventions, to which the US is a signatory. They are also illegal under international law and treaties which the US has signed, and would appear to violate US law as well.

## The August 2017 Sanctions

The August 2017 sanctions prohibited the Venezuelan government from borrowing in US financial markets. This prevented the government from restructuring its foreign debt, because any debt restructuring requires the issuance of new bonds in exchange for the existing debt. Thus, these sanctions prevented the economy from recovering from a deep recession which had already taken a large toll on the population, which along with the economy was more vulnerable to these sanctions and the ones that followed as a result of the economic crisis. Real GDP had already declined by about 24.7 percent from 2013 through 2016, and consumer price inflation for January to August 2017 was probably somewhere between 758 percent and 1,350 percent at an annual rate.

It is important to emphasize that nearly all of the foreign exchange that is needed to import medicine, food, medical equipment, spare parts and equipment needed for electricity generation, water systems, or transportation, is received by the Venezuelan economy through the government's revenue from the export of oil. Thus, any sanctions that reduce export earnings, and therefore government revenue, thereby reduce the imports of these essential and, in many cases, life-saving goods.

The August 2017 sanctions adversely impacted oil production in Venezuela. But following the August 2017 executive order, oil production crashed, falling at more than three times the rate of the previous twenty months. This would be expected from the loss of credit and therefore the ability to cover maintenance and operations and carry out new investments necessary to maintain production levels. This acceleration in the rate of decline of oil production would imply a loss of $6 billion in oil revenue over the ensuing year.

This by itself is an enormous loss of foreign exchange, relative to the country's need for essential imports. Imports of food and medicine for 2018 were just $2.6 billion. Total imports of goods for 2018 were about $10 billion.

The loss of so many billions of dollars of foreign exchange and government revenues was very likely the main shock that pushed the economy from its high inflation, when the August 2017 sanctions were implemented, into the hyperinflation that followed.

Other executive decisions made by the Trump administration resulted in the closure of Venezuelan accounts in financial institutions, loss of access to credit, and other financial restrictions that have had severe negative impacts on oil production as well as the economy, as detailed in this paper.

## Sanctions in 2019

The most immediate impact of the January sanctions was to cut off Venezuela from its largest oil market, the United States, which had bought 35.6 percent of Venezuela's oil exports in 2018, or about 586,000 barrels per day on average. In the week of March 15, US imports of Venezuelan oil fell to zero for the first time, and they remained at zero for another two weeks before rebounding to a fraction of their 2018 average.

The Trump administration also intervened to pressure other countries, including India, not to buy the oil that had been previously imported by the US. For example, on March 28, Reuters reported that "[t]he United States has instructed oil trading houses and refiners around the world to further cut dealings with Venezuela or face sanctions themselves, even if the trades are not prohibited by published US sanctions…"

These threats are effective because the US government can sanction foreign financial institutions who do not comply with its demands.

As a result of these and other efforts Venezuela's oil production declined by 130,000 barrels per day from January to February. In the six months prior, it was declining by an average of 20,500 barrels per day. Then in March it fell another 289,000 barrels per day, for a total of 431,000 barrels per day. This is an economically devastating 36.4 percent plunge in oil production just since the January sanctions.

This drop, if maintained over the next year, would cut another $6.8 billion from Venezuela's available foreign exchange earnings. This is about 21 percent of export earnings from 2018. However, oil export revenues in 2019 are projected to fall by a cataclysmic and unprecedented 67.2 percent from 2018, as a result of the impact of tightening sanctions.

The January sanctions also froze many billions of dollars of Venezuelan assets that could have been sold in order to maintain essential and life-saving imports, or to stabilize the economy. These included most of the government's $9 billion in reserves that are in gold; trade credits worth an estimated $3.4 billion; and CITGO, with estimated net assets of $5.2 billion.

After the January sanctions and the recognition of Guaidó as "interim president" — which made him, according to the Trump administration and other governments recognizing the parallel government — the legal owner of any funds transferred or goods bought by the Venezuelan government, Venezuela's access to correspondent banks for international transactions was mostly wiped out. This included access to necessary credits for imports of medicine, food, and other essential goods.

The sanctions have also contributed substantially to the length and economic damage of power outages, including the severe electricity crises in March.

For example, the sanctions have limited Venezuela's access to diesel fuel, which is needed for its backup thermal generators. Further, Venezuela's electrical sector relies upon equipment provided by international suppliers such as General Electric. The sanctions prevented the Venezuelan government from paying these companies, thereby increasing reliance on hydroelectric power generation.

## The Impact of Sanctions on Human Life and Health

One result of the sanctions, as described above, is to deprive the Venezuelan economy of many billions of dollars of foreign exchange needed to pay for essential and life-saving imports. The sanctions implemented in 2019, including the recognition of a parallel government, accelerated this deprivation and also cut off Venezuela from most of the international payments system, thus ending much of the country's access to these essential imports including medicine and food — even those that could normally be bought with available dollars. There is no doubt that all of these sanctions since August 2017 have had severe impacts on human life and health.

According to the National Survey on Living Conditions (ENCOVI by its acronym in Spanish), an annual survey of living conditions administered by three Venezuelan universities, there was a 31 percent increase in general mortality from 2017 to 2018. This would imply an increase of more than 40,000 deaths.

More than 300,000 people were estimated to be at risk because of lack of access to medicines or treatment. This includes an estimated 80,000 people with HIV who have not had antiretroviral treatment since 2017, 16,000 people who need dialysis, 16,000 people with cancer, and 4 million with diabetes and hypertension (many of whom cannot obtain insulin or cardiovascular medicine).
These numbers by themselves virtually guarantee that the current sanctions, which are much more severe than those implemented before this year, are a death sentence for tens of thousands of Venezuelans. This is especially true if the projected 67 percent drop in oil revenue materializes in 2019.

The accelerating economic collapse that current sanctions have locked in assure further impacts on health, and premature deaths. For example, the increasing collapse of export revenue — and therefore imports — has also created massive public health problems in the areas of water and sanitation. The electricity crisis has also impacted hospitals and health care.

Food imports have dropped sharply along with overall imports; in 2018 they were estimated at just $2.46 billion, as compared with $11.2 billion in 2013. They can be expected to plummet further in 2019, along with imports generally, contributing to malnutrition and stunting in children.

The United Nations finds that the groups most vulnerable to the accelerating crisis include children and adolescents (including many who can no longer attend school); people who are in poverty or extreme poverty; pregnant and nursing women; older persons; indigenous people; people in need of protection; women and adolescent girls at risk; people with disabilities; and people who identify as lesbian, gay, bisexual, transgender, or intersex.

## Illegality of the Sanctions

The unilateral sanctions imposed by the Trump administration are illegal under the Charter of the Organization of American States (OAS), especially articles 19 and 20 of Chapter IV. They are also illegal under international human rights law, as well as treaties signed by the United States.

The sanctions also violate US law. Each executive order since March 2015 declares that the United States is suffering from a "national emergency" because of the situation in Venezuela. This is required by US law in order to impose such sanctions, and the national emergency is invoked under the 1976 National Emergencies Act. This is the same law that President Trump invoked in February 2019 when declaring a national emergency to circumvent Congressional appropriation for funds to build a wall along the border with Mexico.

The executive order also states, as required by law, that Venezuela presents "an unusual and extraordinary threat to the national security" of the United States. There is no foundation in fact for either of these declarations.

# Introduction

President Trump issued executive order 13808 on August 25, 2017, imposing broad economic sanctions on Venezuela. The sanctions were described by many observers as an instrument of pressure on the government.[1] At the time the pressure was described as necessary in order to encourage the government of Venezuela to respect human rights.[2] However, threats of military action from President Trump himself indicated that the Administration's real goal was regime change.[3]

It soon became clear that the sanctions imposed by this executive order — as well as other measures taken by the Trump administration — would have most of their impact not on the government but on the general population of Venezuela. The sanctions reduced the public's caloric intake, increased disease and mortality (for both adults and infants), and displaced millions of Venezuelans who fled the country as a result of the worsening economic depression and hyperinflation. The sanctions exacerbated Venezuela's economic crisis and made it nearly impossible to stabilize the economy, contributing further to excess deaths. All of these impacts disproportionately harmed the poorest and most vulnerable Venezuelans.

Even more severe and destructive sanctions were instituted by executive order 13857 of January 28, 2019 and subsequent executive orders the same year; and the recognition of a parallel government, which as shown below, created a whole new set of financial and trade sanctions that are even more constricting than the executive orders themselves. Statements from the administration indicated that the purpose of the sanctions was to provoke a military rebellion to topple the government.[4]

This paper examines these economic sanctions and their impact on the Venezuelan economy and the population, including the most vulnerable. We find that the sanctions have inflicted, and continue to inflict, very serious harm to human life and health, including an estimated more than 40,000 deaths from 2017–2018; and that these sanctions would fit the definition of collective punishment of the civilian population as described in both the Geneva and Hague international conventions, to which the US is a signatory. They are also illegal under international law and treaties which the US has signed, and would appear to violate US law as well.

1 See, e.g., Krauss (2017).
2 Associated Press (2017).
3 The New York Times (2017).
4 Cohen, Spetalnick, and Rampton (2019).

# The August 2017 sanctions

By August of 2017, when the Trump administration issued its executive order imposing broad financial sanctions on Venezuela, the economy had already been in recession for more than three years. Although there has not been official government data for these indicators since 2015, the best available estimates were that real GDP had declined by 24.3 percent from 2014 through 2016, and consumer price inflation for January to August 2017 was probably somewhere between 758 percent and 1,350 percent at an annual rate.[5]

The August 2017 sanctions prohibited the Venezuelan government from borrowing in US financial markets. This had a number of immediate impacts. First, it prevented the government from restructuring its foreign debt, because any debt restructuring requires the issuance of new bonds in exchange for the existing debt. Although the August 2017 sanctions technically affect only the US financial system, in practice they were effective outside of the US financial system as well because 1) the restructuring is negotiated with groups of bondholders, which would invariably include US bondholders; 2) financial institutions outside the US financial system had good reason to fear that there would be further sanctions affecting them, and this did indeed happen within a year and a half (see below).

Prior to the August 2017 sanctions, the debt that was up for restructuring was the debt of the state oil company, PDVSA. The sovereign debt (from the government) could not be restructured after the opposition won a majority of the National Assembly in 2015. This is because the opposition leadership of the National Assembly stated that it would not approve any new foreign borrowing by the government. Without this approval, new government bonds from a restructuring would be of questionable legality under Venezuelan law, and the opposition pledged not to pay them if they were to come to power. On that basis, a restructuring of government debt was impossible at that time.[6]

Nonetheless the PDVSA debt at that time totaled roughly $30 billion, on which $7.1 billion in principal and interest was due over the next two years; much of this debt service could have been postponed with the restructuring of the PDVSA debt that was being negotiated before the August 2017 sanctions. These sanctions also prohibited CITGO, the PDVSA affiliate that has some 5,500 gas stations in the US, from repatriating profits to Venezuela. From 2015 through 2017, CITGO provided approximately $2.5 billion in dividends to PDVSA.[7]

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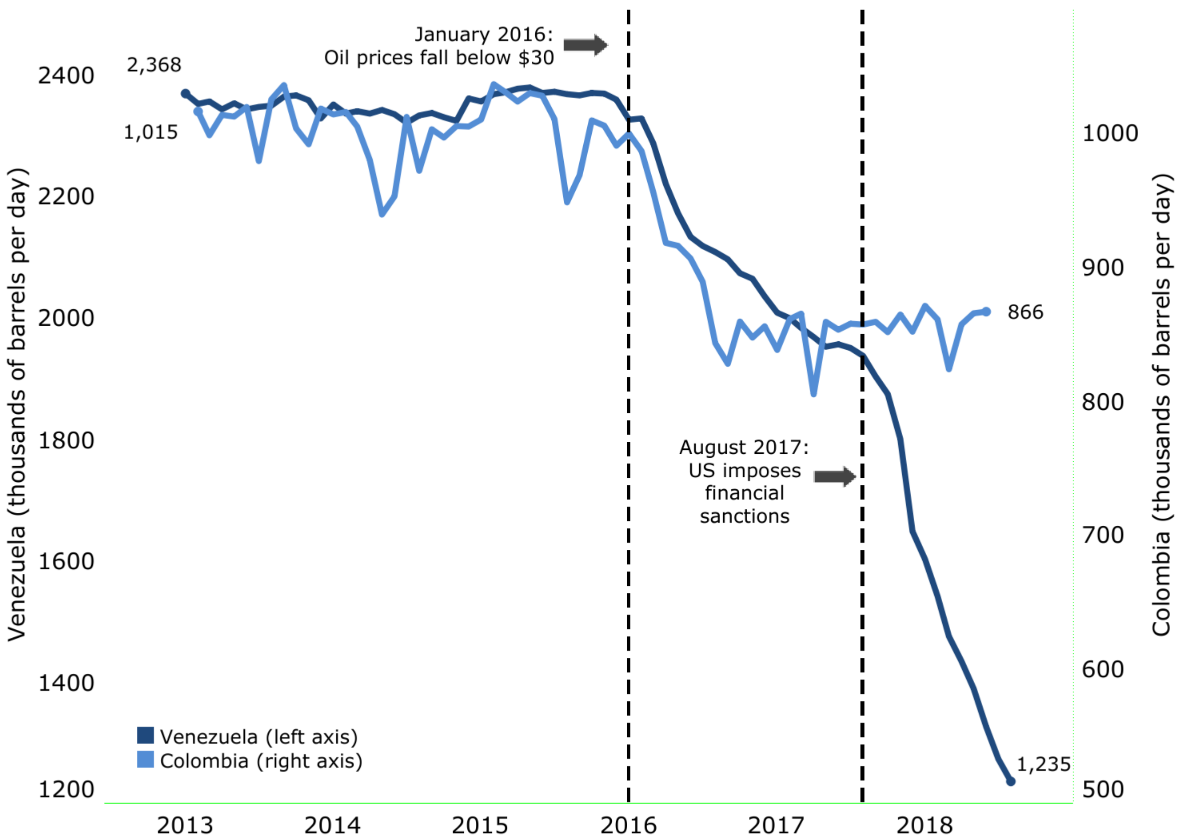
5 Upper and lower bounds are year-over-year average inflation for 2017, measured by the National Assembly (upper) and CENDA (lower). Torino Economics (2019).
6 DiChristopher and Frost (2017); Chinea and Ulmer (2016).
7 Parraga and Ngai (2017).

Even more costly to the economy and the population, the August 2017 sanctions adversely impacted oil production in Venezuela. **Figure 1** shows oil production in Venezuela and Colombia, in thousands of barrels per day, from 2013–18. Both countries' production declined at about the same rate from the beginning of 2016, after a sharp fall in oil prices. But following the August 2017 executive order, oil production crashed, falling at more than three times the rate of the previous twenty months. This would be expected from the loss of credit and therefore the ability to cover maintenance and operations and carry out new investments necessary to maintain production levels. This acceleration in the rate of decline of oil production would imply a loss of $6 billion in oil revenue over the ensuing year.

**FIGURE 1**
**Venezuela and Colombia Oil Production, 2013–18**




Sources and note: OPEC (2019), OPEC Secondary Sources; US Energy Information Administration (2018). Adapted from Rodríguez (2018).

This by itself is an enormous loss of foreign exchange, relative to the country's need for essential imports. Imports of food and medicine for 2018 were just $2.6 billion. Total imports of goods for 2018 were about $10 billion.

Annual oil production fell by 30.1 percent in 2018, as compared with 11.5 percent in 2017.[8] The difference in this rate of decline implies a loss of approximately $8.4 billion in foreign exchange that was increasingly desperately needed for essential imports such as medicine and food.

It is important to emphasize that nearly all of the foreign exchange that is needed to import medicine, food, medical equipment, spare parts and equipment needed for electricity generation, water systems, or transportation, is received by the Venezuelan economy through the government's revenue from the export of oil. Thus, any sanctions that reduce export earnings, and therefore government revenue, thereby reduce the imports of these essential and, in many cases, life-saving goods.

The loss of so many billions of dollars of foreign exchange and government revenues was very likely the main shock that pushed the economy from its high inflation, when the August 2017 sanctions were implemented, into the hyperinflation that followed. It is common in the history of hyperinflations that they are triggered by a large external shock to government revenues and the balance of payments, as happened to Venezuela following the implementation of these sanctions.

On September 20, 2017, less than a month after the August 25 sanctions, the US Treasury Department's Financial Crimes Enforcement Network issued an "Advisory to Financial Institutions on Widespread Political Corruption in Venezuela."[9] It stated that "all Venezuelan government agencies and bodies, including SOEs [State Owned Enterprises], appear vulnerable to public corruption and money laundering," and reminded US financial institutions of their regulatory obligations to "take reasonable, risk-based steps to identify and limit any exposure they may have to funds and other assets associated with Venezuelan public corruption."[10]

Francisco Rodríguez, Chief Economist at Torino Capital, argues that the warning from US Treasury may have been even more important than the August executive order because it resulted in the closure of Venezuelan accounts in financial institutions, loss of access to credit, and other financial restrictions that have had severe negative impacts on oil production as well as the economy.[11]

The above example illustrates how serious economic damage — with resultant human costs — can be inflicted without attracting public or media attention. For this reason, the damage described here from the Trump administration's sanctions in 2017 likely understates significantly the actual harm caused.

8 Torino Economics (2019).
9 Financial Crimes Enforcement Network (2017).
10 Ibid.
11 Rodríguez (2018).

## Sanctions in 2019

This has certainly been the case for the series of executive orders that began on January 28, which followed the Trump administration's and allies' recognition of Juan Guaidó as "interim president" of Venezuela. Here we must include not only the sanctions that were explicitly mandated by these executive orders but also the sanctions that were implied, and activated, by the recognition of a parallel government; and additional sanctions resulting from further statements, threats, or actions from the executive branch of the United States.

If we look at the combined impact of all of these actions, we find that they drastically reduced the ability of Venezuela to produce and sell oil and to sell any foreign assets of the government, the most important of which were frozen and/or confiscated; and also to use whatever foreign exchange that the country is still able to earn to buy essential imports. For these reasons, a baseline projection of Venezuela's real GDP shows an astounding and unprecedented decline of 37.4 percent in 2019, as compared to 16.7 percent in 2018.[12] Imports of goods are projected to fall by 39.4 percent, from $10 billion to $6.1 billion.[13] More than 1.9 million people are expected to leave the country,[14] and the impacts on human life and health (described below) are expected to be even more severe than what happened last year.

The most immediate impact of the January sanctions was to cut off Venezuela from its largest oil market, the United States, which had bought 35.6 percent of Venezuela's oil exports in 2018,[15] or about 586,000 barrels per day on average.[16] In the week of March 15, imports of Venezuelan oil fell to zero for the first time, and they remained there for another two weeks before there was a rebound for one week to 139,000 barrels per day, then 71,000 barrels per day.[17]

The Trump administration also intervened to pressure other countries, including India, not to buy the oil that had been previously imported by the US. On March 28, Reuters reported:

> The United States has instructed oil trading houses and refiners around the world to further cut dealings with Venezuela or face sanctions themselves, even if the trades are not prohibited by published US sanctions, three sources familiar with the matter said. …

12 Torino Economics (2019).
13 Ibid.
14 United Nations (2019).
15 Ibid.
16 US Energy Information Administration (2019a).
17 US Energy Information Administration (2019b).

> The US Treasury's Office of Foreign Assets Control (OFAC) announced a ban in early February on the use of its financial system in oil deals with Venezuela after April.
>
> But as recently as this week, the US State department has called up foreign firms to say that the scope of the sanctions is wider.
>
> The sources said that the State Department made clear that any kind of oil trade, whether it be direct, indirect or barter, would be considered a breach.[18]

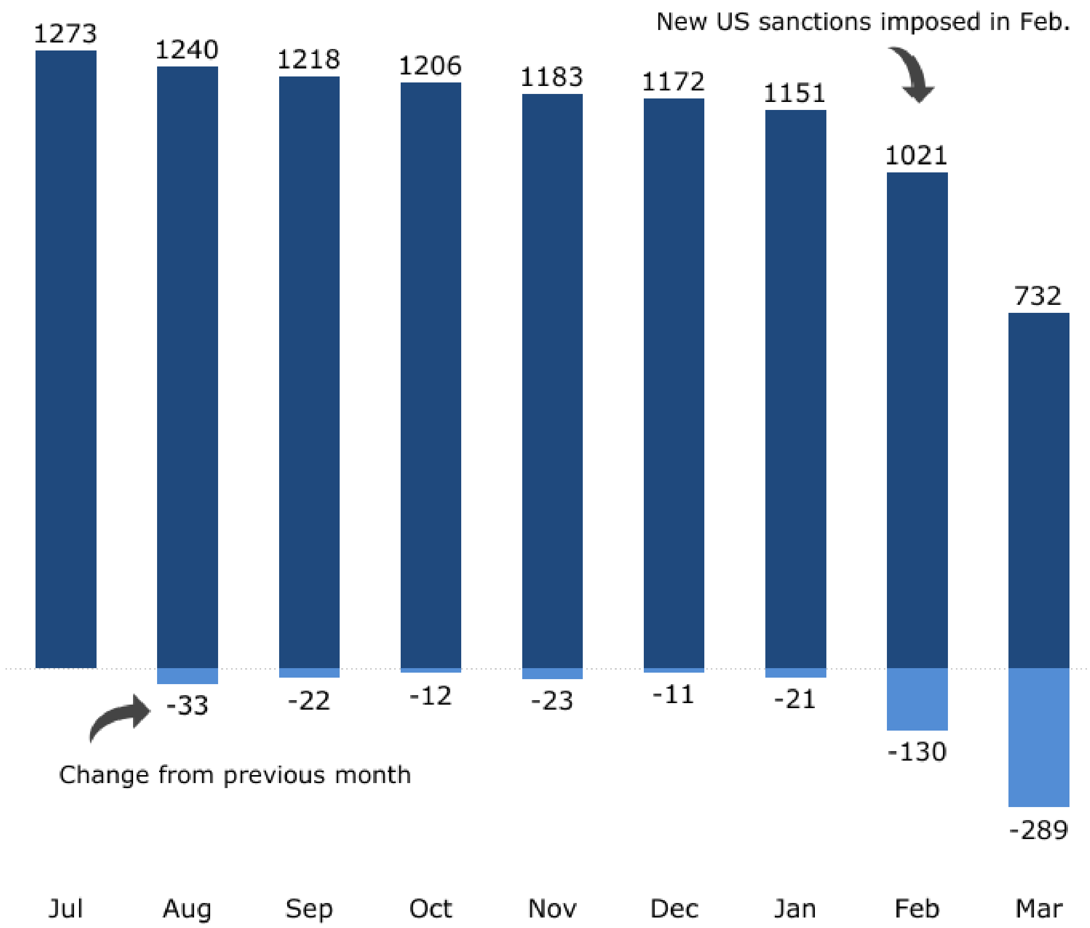
It is important to note that these threats are effective because the US government can sanction foreign financial institutions who disobey its instructions. Thus in February even Gazprom, which is majority owned by the Russian government, froze the accounts of PDVSA and cut off transactions with the company, under threat of sanctions from the Trump administration.[19] Reuters also noted that "Washington is particularly keen to end deliveries of gasoline and refined products used to dilute Venezuela's heavy crude oil to make it suitable for export."[20] This could impact another 300,000 barrels per day of Venezuelan oil production.[21]

As a result of these efforts, oil that Venezuela was producing piled up, filling storage facilities and then tankers. The resulting lack of markets and available space to store oil seems to be the main cause of a sharp drop in oil production in February.[22] As can be seen in **Figure 2**, Venezuela's oil production declined by 130,000 barrels per day from January to February. In the six months prior, it was declining by an average of 20,500 barrels per day. Then in March it fell another 289,000 barrels per day, for a total of 431,000 barrels per day.

18 Paine and Zhdannikov (2019).
19 Voronova (2019).
20 Paine and Zhdannikov (2019).
21 Ibid.
22 Kassai and Zerpa (2019).

**FIGURE 2**

**Venezuela's Oil Production Fell by 289,000 Barrels per Day in March, the Second Month Impacted by New US Sanctions**




Source: OPEC (2019), OPEC Secondary Sources.

This drop, if maintained over the next year, would cut another $6.8 billion from Venezuela's available foreign exchange earnings.[23] This is about 21 percent of export earnings from 2018. However, Rodríguez projects oil exports in 2019 to fall by a cataclysmic and unprecedented 67.2 percent from 2018, as a result of the impact of tightening sanctions.[24]

The January sanctions included PDVSA in the US Treasury Department's Office of Foreign Assets Control (OFAC) list of Specially Designated Nationals (SDN) and Blocked Persons.[25] This froze the US assets of PDVSA and prohibited Americans from doing business with it. With the recognition of Juan Guaidó as interim president, the US government blocked Venezuela from access to CITGO,

23 Estimated loss based upon price of Venezuela oil basket as of March 19, 2019 ($57.75). OPEC (2019).
24 This includes forecast price changes, i.e. it is forecast export revenue. Torino Economics (2019).
25 US Department of the Treasury (2019).

thus taking an estimated $5.2 billion in net assets away from the government of Venezuela.[26] Most of the government's $9 billion in foreign reserves are in the form of gold; the sanctions make it very difficult to sell this gold.

On April 10 Bloomberg reported that the IMF had suspended the Venezuelan government's access to nearly $400 million in Special Drawing Rights (SDRs), another source of liquidity, "citing political chaos since National Assembly President Juan Guaidó claimed in January that he was the nation's rightful leader."[27]

Other Venezuelan foreign assets have been confiscated by governments closely allied to the US, including $1.2 billion in gold that was held at the Bank of England[28] and a fertilizer company in Colombia, Monómeros, valued at $269 million.[29] The government also has some $6.5 billion in trade credits, from energy cooperation agreements, which could be marketable at an estimated $3.4 billion, in order to get cash for essential imports.[30] However, such asset sales are also mostly precluded because of the US sanctions. In some cases, sizeable payments from countries who participated in Venezuela's Petrocaribe program and attempted to pay have, apparently, been blocked — for example a recent $115 million attempted payment from Jamaica.[31]

On the other side of the equation — the purchase of imports — the Trump administration has dealt the public health and safety of the population a serious blow by incapacitating Venezuela's means of payment for the imports that it can buy with the cash flow that remains. Of course, this directly reduces the population's access to essential imports such as medicines and food. The Trump administration is able to do this by various means that prohibit or reduce both the public and private sector's access to the international system of payments.

Financial institutions, both public and private, use a system of correspondent banks located in other countries in order to pay for international transactions. US sanctions have taken the Federal Reserve and all US financial institutions out of Venezuela's options for making international payments. The risk of running afoul of US sanctions had, since at least 2017, led more and more correspondent banks to discontinue these correspondent banking services.

For example, in November 2017, more than a year before the most severe sanctions (those implemented since January 2019), Venezuela was using a small bank in Puerto Rico as an intermediary

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26 Torino Economics (2019).
27 Arrioja and Bartenstein (2019).
28 Laya, Bronner, and Ross (2019).
29 Torino Economics (2019).
30 Ibid.
31 Craham (2019).

to process payments for food and medicine. Reuters reported that the institution, Italbank, had discontinued these services and closed an account with Venezuela's central bank because of "concerns about reputational risk."[32] But after the January sanctions and the recognition of Guaidó — which made him, according to the Trump administration and other governments recognizing the parallel government — the legal owner of any funds transferred or goods bought by the Venezuelan government, Venezuela's access to correspondent banks for international transactions was mostly wiped out. This included access to necessary credits for imports of medicine, food, and other essential goods.

Venezuela also suffered a severe electricity crisis in March. A baseline estimate from Rodríguez forecasts Venezuela losing a total of 6.4 percent of GDP in 2019 from this crisis; this assumes blackouts per month amounting to about 35 percent of what happened in March. The causes of the blackouts are not fully known, although there is evidence that a brush fire in close proximity to lines transmitting power from the Guri hydroelectric dam, which supplies 75 percent of Venezuela's electricity, contributed to the initial loss of power.[33] However, there is no doubt that the economic sanctions contributed substantially to the length and economic damage of power outages.

For example, the sanctions have limited Venezuela's access to diesel fuel, which is needed for its backup thermal generators. Further, Venezuela's electrical sector relies upon equipment provided by international suppliers such as General Electric. The sanctions prevented the Venezuelan government from paying these companies, thereby increasing reliance on hydroelectric power generation.[34]

# The Impact of Sanctions on Human Life and Health

One result of the sanctions, as described above, is to deprive the Venezuelan economy of many billions of dollars of foreign exchange needed to pay for essential and lifesaving imports. The sanctions implemented in 2019, including the recognition of a parallel government, accelerated this deprivation and also cut off Venezuela from most of the international payments system, thus ending much of the country's access to these essential imports including medicine and food — even those that could normally be bought with available dollars. There is no doubt that all of these sanctions since August 2017 have had severe impacts on human life and health.

32 Pons (2017).
33 Associated Press (2019).
34 Rodríguez and Rodríguez (2019).

While it is impossible to specify the counterfactual — what would have happened if there were no sanctions — we can first look at some of the deterioration of health indicators (including health care and health-related infrastructure and capacity) between 2017 and 2018.

According to the National Survey on Living Conditions (ENCOVI by its acronym in Spanish), an annual survey of living conditions administered by three Venezuelan universities, there was a 31 percent increase in general mortality from 2017 to 2018.[35] This would imply an increase of more than 40,000 deaths.[36] This would be a large loss of civilian life even in an armed conflict, and it is virtually certain that the US economic sanctions made a substantial contribution to these deaths. The percentage of deaths due to the sanctions is difficult to estimate because the counterfactual is unknowable, but it is worth noting that the counterfactual in the absence of sanctions could even be that mortality would have been reduced (see below), in the event that an economic recovery would have taken place.

Since these are annual statistics, they would not take into account the impact of the sanctions during the last four months of 2017. As noted above, the impact of the August 2017 sanctions on the collapse of oil production and therefore access to imports was quite immediate, so we would expect some of the increased mortality to show up in 2017.

In 2018 the Venezuela Pharmaceutical Federation reported that shortages of essential medicines were 85 percent.[37] According to a September 2018 study by CodeVida and Provea, more than 300,000 people were at risk because of lack of access to medicines or treatment. This includes an estimated 80,000 people with HIV who have not had antiretroviral treatment since 2017, 16,000 people who need dialysis, 16,000 people with cancer, and 4 million with diabetes and hypertension (many of whom cannot obtain insulin or cardiovascular medicine).[38]

These numbers by themselves virtually guarantee that the current sanctions, which are much more severe than those implemented before this year, are a death sentence for tens of thousands of people who cannot leave the country to find medicines elsewhere. This is especially true if the projected 67 percent drop in oil revenue materializes in 2019.

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35 The ENCOVI 2018 survey has not been made public; the mortality statistic cited here is from the UN Report. United Nations (2019).
36 This is based on a mortality rate of 5.609 per 1,000 people and a population of 30.491 million in 2017 and 29.187 million in 2018. World Bank (2016) and IMF (2019).
37 United Nations (2019).
38 Coalición de Organizaciones por el Derecho a la Saludo y a la Vida (CodeVida) and Programa Venezolano de Educación Acción en Derechos Humanos (Provea) (2018).

But the accelerating economic collapse that current sanctions have locked in have many more impacts on health and premature deaths. According to the Venezuelan Medical Federation, some 22,000 doctors — about one third of the total — have left the country.[39] As migration accelerates in 2019 due to the tightening sanctions, more of these health professionals, as well as others with necessary technical skills, will leave Venezuela.

According to the March 2019 UN Report "Venezuela: Overview of Priority Humanitarian Needs," ENCOVI surveys find that due to malnutrition, some 22 percent of children under five are stunted.[40] Food imports have dropped sharply along with overall imports; in 2018 they were estimated at just $2.46 billion, as compared with $11.2 billion in 2013.[41] They can be expected to plummet further in 2019, along with imports generally.

The increasing collapse of export revenue and therefore imports has also created massive public health problems in the areas of water and sanitation. The most recent UN Report notes that "lack of access to water, soap, chlorine and other hygiene inhibits hand washing and household water treatment" and that "households not connected to the water network are using improperly treated and unsafe surface water and wells."[42] CodeVida found that for 2018, "79 percent of health facilities experience shortages in water supply,"[43] while ENCOVI reports that 61 percent of schools "are in communities without daily access to potable water."[44]

The electricity crisis has also impacted hospitals and health care. It is not known how many people have died as a result of power failures in hospitals, but during the March blackouts there were press reports of fatalities due to loss of electricity.[45] As noted above, the sanctions contributed substantially to the duration and impact of the blackouts.

The UN Report finds that the groups most vulnerable to the accelerating crisis include children and adolescents (including many who can no longer attend school); people who are in poverty or extreme poverty; pregnant and nursing women; older persons; indigenous people; people in need of protection; women and adolescent girls at risk; people with disabilities; and people who identify as lesbian, gay, bisexual, transgender, or intersex.

39 United Nations (2019).
40 The underlying data from ENCOVI is not publicly available. United Nations (2019).
41 Data from Torino Economics (2019).
42 United Nations (2019).
43 CodeVida and Provea (2018).
44 United Nations (2019).
45 Gutierrez and Ramos (2019).

## The Illegality and Intent of Unilateral Economic Sanctions

The unilateral sanctions imposed by the Trump administration are illegal under the Charter of the Organization of American States (OAS). There are many provisions in the Charter that prohibit these sanctions, but among the most clear and unambiguous are articles 19 and 20 of Chapter IV:

> Article 19
> No State or group of States has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any other State. The foregoing principle prohibits not only armed force but also any other form of interference or attempted threat against the personality of the State or against its political, economic, and cultural elements.
>
> Article 20
> No State may use or encourage the use of coercive measures of an economic or political character in order to force the sovereign will of another State and obtain from it advantages of any kind.[46]

The Trump administration's sanctions clearly violate both of these articles of the OAS Charter. With regard to article 19, the US administration is directly interfering in the internal affairs of Venezuela. This is especially true in light of administration officials' statements and actions indicating that their goal is the overthrow of the Venezuelan government. In discussing US policy in Venezuela, including military threats, Vice President Mike Pence has repeatedly said "Maduro must go."[47] On February 8, Reuters reported that the United States was "holding direct communications with members of Venezuela's military urging them to abandon President Nicolás Maduro and is also preparing new sanctions aimed at increasing pressure on him," citing a senior White House official.[48]

Perhaps even more striking was this exchange between Associated Press reporter Matthew Lee and US Secretary of State Mike Pompeo on March 11, 2019:

> MATTHEW LEE: Are you satisfied with the pace of the momentum behind Guaidó and his leadership? …

46 Organization of American States (OAS) (1993).
47 See, e.g., Pence (2019).
48 Cohen, Spetalnick, and Rampton (2019).

> MIKE POMPEO: Well, we wish things could go faster, but I'm very confident that the tide is moving in the direction of the Venezuelan people and will continue to do so. It doesn't take much for you to see what's really going on there. The circle is tightening, the humanitarian crisis is increasing by the hour. I talked with our senior person on the ground there in Venezuela last night, at 7:00 or 8:00 last night. You can see the increasing pain and suffering that the Venezuelan people are suffering from.[49]

While the Trump administration has consistently maintained that the humanitarian crisis in Venezuela is solely the result of the government's economic policies, this exchange tells a different story. "The circle is tightening, the humanitarian crisis is increasing by the hour. … You can see the increasing pain and suffering" — this appears to refer to the impact of the sanctions, not something that has taken place over years of economic failure. Furthermore, it implies that the pain and suffering being inflicted upon the civilian population may not be collateral damage but actually part of the strategy to topple the government.

With regard to article 20, which outlaws "coercive measures of an economic or political character" to obtain "advantages of any kind," there are reports indicating such intent from both President Trump and National Security Adviser John Bolton. In a recent book by Andrew McCabe, former acting FBI director, Trump is quoted as saying "That's the country we should be going to war with. They have all that oil and they're right on our back door."[50]

In January, Bolton stated that "We're in conversation with major American companies now. … It will make a big difference to the United States economically if we could have American oil companies really invest in and produce the oil capabilities in Venezuela."[51]

A number of legal scholars have argued that economic sanctions of this type are in violation of international law, including the UN Charter and international human rights law.[52] It seems obvious that sanctions which cause widespread hunger and disease, and increased mortality, would violate human rights law.[53]

It is worth noting that both the Hague and Geneva Conventions, to which the US is a signatory, prohibit collective punishment of civilians. Although these treaties apply only during wartime, UN

49 Pompeo (2019); The Real News Network (2019).
50 McCabe (2019).
51 Hennigan (2019).
52 See e.g., Happold and Eden, eds. (2016) and Shagabutdinova nd Berejikian (2007).
53 Office of the High Commissioner for Human Rights (UN Human Rights) (2018b).

human rights experts have argued that it does not make sense that civilians should only have this protection during situations of armed conflict.[54]

The sanctions also violate US law. Each executive order since March 2015 declares that the United States is suffering from a "national emergency" because of the situation in Venezuela. This is required by US law in order to impose such sanctions, and the national emergency is invoked under the 1976 National Emergencies Act. This is the same law that President Trump invoked in February 2019 when declaring a national emergency to circumvent Congressional appropriation for funds to build a wall along the border with Mexico. A number of states and public interest organizations have sued the Trump administration over this maneuver with regard to the border wall.

Of course, it is quite clear that Venezuela has not created any national emergency for the United States. The executive order also states, as required by law, that Venezuela presents "an unusual and extraordinary threat to the national security" of the United States. This also has no basis in fact. It is not clear what can be done to enforce the law with regard to these false declarations — US courts have been very reticent to enforce laws in ways that conflict with the foreign policy decisions of the president, even when they appear to violate the constitution.[55]

## Depression, Hyperinflation, and Sanctions: Blocking Economic Recovery

As noted previously, the Venezuelan economy was already in a deep recession for three years when the August 2017 sanctions were imposed, with inflation running at somewhere between 758 percent and 1,350 percent at an annual rate. Proponents of the sanctions argue that the economy would have continued to collapse even without the sanctions that have deprived the economy of many billions of dollars of foreign exchange. (Although it certainly would not have collapsed at the same rate.) While many counterfactuals are possible, it is worth looking at what could have been done to get rid of hyperinflation and stabilize the economy, and how the sanctions affect these options — including going forward.

The classic definition of hyperinflation in the economic literature is 50 percent per month, or about 13,000 percent annually.[56] There have been seven episodes of hyperinflation in Latin America since

54 See e.g., Office of the High Commissioner for Human Rights (UN Human Rights) (2018a).
55 See e.g., Franck (1992); Bradley and Morrison (2012).
56 Cagan (1956).

World War II.[57] In all of these cases, the government eventually adopted a program to get rid of the hyperinflation. The median duration of hyperinflation was about four months.

In a situation of hyperinflation, people increasingly lose confidence in the domestic currency and do not want to hold it. Therefore, at some point the hyperinflation becomes a self-fulfilling prophecy. However, the dynamic that is created can make it possible to get rid of hyperinflation easier and more quickly than taming much lower, but still high, inflation. This happens when, as a result of the hyperinflation, people cease to look at prices in the domestic currency, and instead look to the exchange rate for pricing. At that point, stabilizing the exchange rate can quickly stabilize domestic prices. For example, in the Bolivian hyperinflation of 1985, hyperinflation was brought under control within 10 days.[58] This Exchange-Rate-Based Stabilization (ERBS) was done by creating a new exchange rate system with full convertibility and a managed float of the currency. Following that, in order to change expectations and maintain price stability, the government also had to undertake serious fiscal and monetary reforms.

Could Venezuela have adopted such a program in the absence of US economic sanctions? It is certainly possible. Venezuela would not necessarily have needed outside help to have enough reserves to create a new exchange rate system.[59] Nor was there any need for further austerity to stabilize the balance of payments; by 2016 imports had already fallen by more than 80 percent from their 2012 level.[60]

To the extent that the government did need to borrow — or provide collateral for a debt restructuring — Venezuela should have been able to securitize some of their 300 billion barrels of oil in the ground. With unimpeded access to the international financial system, there would be some price — even it if were only a small fraction of current prices — at which the potential return would balance the risk of non-payment and would attract investors. These contracts are less difficult to arrange than in the past, as the ability of investors to collect judgements for such assets has increased substantially in recent years.[61] And for a government that wants to avoid an economic collapse, selling off some fraction of its oil in the ground at a very low price would be worthwhile, especially since these reserves are more than it could hope to export in a century. Thus, in the absence of sanctions, a government with these

57 Hanke and Krus (2013).
58 See Sachs (1987).
59 Their economy has long reached the point where domestic liquidity is so low that it would take less than $2 billion to match all of the money in circulation at the black market exchange rate.
60 Torino Economics (2019).
61 UNCTAD (2018).

vast oil reserves (in addition to other minerals) would be expected to have the ability to avoid this kind of an economic crisis.[62]

Again, we can never know what the counterfactual would have been. But what we can know is that the sanctions made such a stabilization program practically impossible. Most immediately, they prevented a debt restructuring that would be necessary to resolve Venezuela's balance of payments crisis. The sanctions also prevented the government from pursuing an ERBS program because a peg to the dollar would require access to the dollar-based financial system, which the sanctions have cut off as much as possible. The whole idea of restoring confidence in the domestic currency while stabilizing the exchange rate would seem impossible when a foreign power is cutting off as much of the country's dollar revenue as it can, freezing and confiscating international assets, and, as the Trump administration has done for nearly two years, pledging to do much more of these things — not to mention threatening to take military action.

Thus one of the most important impacts of the sanctions, in terms of its effects on human life and health, is to lock Venezuela into a downward economic spiral. For this reason, it is important to note that when we look at, for example, the estimated more than 40,000 excess deaths that occurred just from 2017 to 2018, the counterfactual possibility in the absence of sanctions is not just zero excess deaths, but actually a reduction in mortality and other improvements in health indicators. That is because an economic recovery could have already begun in the absence of economic sanctions.

And conversely, the death toll going forward this year, if the sanctions remain in place, is almost certainly going to be vastly higher than anything we have seen previously, given the highly accelerated rate of decline of oil production and therefore the availability of essential imports, and also the accelerated decline of income per person.

62 According to sources at two major US financial institutions, in 2016 gold swaps which would have provided loans collateralized by Venezuela's gold reserves were rejected under pressure from the US Treasury department.

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