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Strategic Engagement in Venezuela: Advancing U.S. Interests Under an America-First Agenda

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Executive Summary

As President-elect Donald Trump prepares to take office and implement his America-first agenda, he faces a series of global crises, including Venezuela's economic and political turmoil—a critical factor in achieving his immigration and energy policy objectives. The core challenge lies in the U.S.'s lack of meaningful leverage to influence Venezuela's trajectory, exacerbated by the absence of influential state and non-state actors on the ground.

To address this, U.S. policymakers should consider pragmatic short-term compromises on advancing American values to secure long-term strategic leverage through the American private sector. Instead of relying solely on blanket sanctions that ultimately disadvantage American companies and fail to produce the desired foreign policy outcomes, targeted licenses enabling U.S. firms to operate in Venezuela—reinforced by stringent secondary sanctions—can better advance U.S. interests and influence over the mid to long term.

This memo outlines a targeted strategy to replace the failed maximum pressure approach with an America-first sanctions policy.

The proposed framework integrates targeted sanctions, strategic economic engagement, and enhanced diplomatic efforts to stabilize Venezuela, foster regional stability, combat corruption, and reinforce U.S. influence. Further, any engagement should be predicated on Venezuela releasing illegal detainees and accepting deportations back to the country.

Introduction

Some policymakers continue to push for a return to maximum pressure. However, this approach failed to achieve its objectives during the first Trump Administration and, along with the policy shortcomings of the Biden Administration, exacerbated Venezuela's economic and humanitarian crises while pushing the country closer to America's geopolitical adversaries—Russia, China, and Iran. Centered on sweeping sanctions, maximum pressure proved ineffective in steering the Venezuelan regime toward stated American policy goals. This failure is evident in the outcome of the July 28th 2024 election and the subsequent repressive measures against the opposition.

Meanwhile, Venezuela continues to produce and sell oil with the support of America's most significant competitors.

This policy position paper proposes a different approach—an America-first sanctions policy. Rather than removing sanctions altogether, this strategy maintains targeted sanctions paired with a return to the enforcement of secondary measures that will benefit U.S. businesses and allies while restricting America's adversaries. Sanctions are a hammer in

America's foreign policy toolbox: on their own, they are designed to break things, but when paired with a chisel (e.g., specific licenses for American businesses), they gain the precision to shape outcomes more effectively. The granting of specific licenses exclusively for U.S. companies in strategic sectors such as oil and gas, something the Biden Administration rightfully integrated into its policy post General License (GL) 44 but failed to leverage strategically, will secure affordable energy imports, complement U.S. production, and curb inflation. Moreover, it will include regulatory measures that ensure direct economic benefits for the U.S. while also acquiring strategic leverage on the ground. This approach aims to stabilize Venezuela's economy, reduce migration pressures, and address immediate humanitarian needs through U.S.-led frameworks promoting financial transparency. By fostering regional cooperation, this strategy targets the root causes of instability and creates a foundation for sustainable socio-economic recovery.

The policy also incorporates and complements enhanced U.S. diplomatic engagement and multilateral efforts to promote democratic governance. Facilitating Venezuelan energy exports through U.S.-aligned channels will not only support regional economies but also strengthen the dollar's role as the global reserve currency. Careful oversight of debt restructuring and asset privatization will ensure that Venezuela's recovery aligns with U.S. strategic interests, preventing rival powers from gaining further influence.

The approach of engaging Venezuela, despite its autocratic and repressive nature, builds on established precedent where the U.S. takes a realist approach in dealing with repressive regimes to advance its national interests while promoting democratic values and human rights over time. Despite ongoing human rights concerns, engagement with Saudi Arabia underscores the prioritization of energy security and regional stability. Similarly, the U.S. is deepening its partnership with Vietnam to counter Chinese influence in the Indo-Pacific. It maintains strategic relationships with Egypt and Qatar, even as these regimes suppress political opposition. These examples illustrate that direct engagement does not equate to endorsing autocratic regimes but can be a pragmatic tool to further America's strategic objectives.

This America-first sanctions policy represents a pragmatic alternative to the failed maximum pressure approach and is guided by a recognition that economic activity in Venezuela is zero-sum; every barrel of oil produced or sold by an American company is one that is not by America's strategic competitors. This approach offers a comprehensive framework for engaging Venezuela, advancing U.S. interests, fostering regional stability, and building leverage to ensure long-term influence.

Context

Venezuela remains one of the largest exporters of hydrocarbons to the U.S. and holds a pivotal role in global energy markets. However, previous sanctions inadvertently strengthened the influence of strategic competitors such as China, Russia, and Iran in Venezuela's energy sector while exacerbating the country's economic collapse.

The collapse of Venezuela's economy has intensified the migration crisis, disrupted regional economies in the Caribbean and Central America, and weakened the global role of the U.S. dollar as businesses bypassed U.S. financial systems. A new, targeted sanctions regime is essential to restore U.S. influence, address humanitarian challenges, and mitigate adverse regional impacts.

Policy Framework Overview

The proposed America-first sanctions policy integrates targeted sanctions, secondary measures, and enhanced diplomatic engagement to advance U.S. strategic goals in Venezuela. Key objectives include:

- Stabilizing Venezuela's economy to reduce migration pressures.
- Reasserting U.S. influence in Venezuela's energy sector.
- Strengthening regional stability while countering adversarial influence.
- Promoting democratic governance and human rights through direct engagement.

Policy Components

Limited Strategic U.S. Specific Licenses

Retaining asset-blocking sanctions that target key Venezuelan entities and individuals while granting specific licenses to U.S. companies ensures the U.S. has a gatekeeper role for access to strategic resources. Financial sanctions will prohibit transactions unless processed through U.S. institutions, enhancing transparency and curbing corruption.

Secondary Sanctions and Competitor Restrictions

Secondary sanctions will deter foreign entities from engaging with Venezuelan industries unless they adhere to U.S. regulations, limiting the influence of strategic competitors. Under the November 2018 Executive Order 13850, secondary sanctions may be imposed on an institution that has "materially assisted, sponsored, or provided financial, material or technological support for, or goods or services to or in support of" blocked persons, including Petroleos de Venezuela S.A. (PdVSA) or its subsidiaries. Such sanctions were imposed during the first Trump Administration under the maximum pressure campaign, but that policy was abandoned in the Biden Administration.

Achieving Tariff-Like Policy Outcomes

Requiring foreign entities who want to operate in Venezuela to conduct such activity through its U.S. subsidiary or affiliates to be eligible for a specific license would act as a form of tariff by generating revenue through taxes and regulating foreign trade by ensuring compliance with U.S. standards. These mechanisms function as an enforcement tool to ensure alignment with U.S. policy interests while providing economic advantages to American companies.

Economic Stabilization and Migration Mitigation

Stabilizing Venezuela's economy will promote job creation and reduce migration pressures, weakening transnational criminal organizations profiting from the crisis. Economic recovery can be supported without relinquishing oversight by allowing U.S. companies to operate in strategic sectors. Furthermore, positioning the U.S. as a conduit for Venezuelan energy exports will strengthen regional economies and alleviate migration drivers, reinforcing regional stability.

Debt Control and Asset Privatization

To safeguard U.S. leverage over Venezuela's assets, the policy recommends applying sanctions to unauthorized debt negotiations and granting exclusive rights to the Venezuela Creditor Committee, dominated by U.S. firms. This ensures that privatization of assets aligns with U.S. strategic and economic goals, preventing adversaries from gaining control over critical resources.Accelerating the privatization process will shift control of the industry from PDVSA to private entities, reducing opportunities for corruption and ensuring that U.S. interests remain represented, while denying adversaries the chance to exploit Venezuela's resources for strategic gain. Venezuela is already in the process of privatizing PDVSA assets.

Strengthening Diplomatic Presence

Strengthening the U.S. diplomatic presence, including reopening the American embassy, will reinforce efforts to support democratic governance and promote human rights. A renewed diplomatic footprint in Caracas will also provide avenues for direct engagement with civil society and opposition groups, fostering conditions conducive to long-term stability.

Recommendations

To implement this framework effectively, the following recommendations outline steps to reassert U.S. influence in Venezuela while addressing potential challenges.

Retain Sanctions but Increase Issuing Specific Licenses

The policy recommends retaining existing sanctions while maintaining specific licenses and issuing new ones to U.S. companies in strategic sectors. These licenses will ensure American firms retain a competitive advantage in Venezuela's evolving economic landscape.

Enforce Secondary Sanctions

To address the influence of strategic competitors, secondary sanctions should be expanded to penalize foreign entities engaging with Venezuelan industries when a licensed U.S. affiliate does not conduct activities. This approach will deter adversaries while reinforcing compliance with U.S. standards.

Mandate Financial Oversight

All financial transactions involving Venezuela's energy sector should be required to occur through U.S. financial institutions under specific licenses to ensure transparency and oversight. This mandate will minimize corruption within Venezuela's financial systems while reinforcing the central role of the U.S. dollar in international commerce.

Facilitate Energy Exports

The U.S. should be the primary conduit for Venezuelan energy exports to the Caribbean Basin and Central America. By usurping programs like PetroCaribe, the U.S. can alleviate regional economic hardships, reduce migration pressures, and strengthen geopolitical ties.

Control Debt Negotiations

Sanctions should be applied to unauthorized debt negotiations and privatization efforts involving non-U.S. entities. Exclusive rights to negotiate with the Maduro administration should be granted to the Venezuela Creditor Committee to protect U.S. interests.

Reopen the American Embassy

Reopening the American embassy will provide an essential platform to support democratic reforms and human rights initiatives. This presence will also encourage greater corporate social responsibility from U.S. firms operating in Venezuela.

Considerations and Risks

Among the most important considerations is that any engagement must be contingent on Venezuela releasing illegal detainees and accepting deportations—key priorities for the incoming Trump Administration. To ensure a sustainable and inclusive approach, the U.S. should maintain active engagement with Venezuela's opposition, civil society, and diaspora, reinforcing a broad coalition for democratic change. While this policy offers a strong framework, it also carries significant risks. Retaliatory actions by adversarial nations, such as China or Russia, could deepen their ties with Venezuela, undermining U.S. objectives. Moreover, without targeted exemptions, sanctions could unintentionally worsen economic hardships for ordinary Venezuelans, hindering the timely delivery of humanitarian aid, particularly in the short term. Lastly, it is crucial to acknowledge that Maduro is not a passive actor; his decisions will heavily influence whether these provisions are ultimately accepted (i.e., the reopening of an American Embassy in Caracas). It is clear, however, that Maduro prefers to do business with the U.S. as evidenced by Chevron and other American businesses that have been given control over key assets in Venezuela.

Conclusion

The current U.S. policy on Venezuela reflects a short-sighted approach that sidelines American entities rather than effectively cutting off funding to the regime—An American-last approach. Meanwhile, strategic competitors like China, Russia, and others are actively bolstering the Maduro regime, positioning themselves to reap long-term benefits. To counter this, the U.S. must adopt a forward-looking strategy that prioritizes long-term success through pragmatic, short-term compromises. By enabling targeted engagement and empowering the American private sector, this policy ensures the U.S. can outcompete its rivals and maintain influence over Venezuela's assets and future. This policy was written to align with the America-first platform of the incoming Trump Administration and is designed to acquire leverage in Venezuela so that U.S. can promote meaningful change aligned with American values over the mid to long term while safeguarding U.S. interests.

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