

- Judith Kelley: Hello and welcome to Policy 360. I'm Judith Kelley, dean of the Sanford School of Public Policy. Venezuela is in the midst of a catastrophic economic crisis. According to Forbes, Venezuela's yearly annual inflation reached 80,000% in 2018, up from 2,400% the year before. The hyper-inflation was so intense that officials revalued the currency at a rate of 100,000 to one, and even after that, the exchange rate with the U.S. dollar is still nearly 3,300 to one. People are spending hundreds of dollars on basic necessities and many still go hungry. And now, on top of this economic hardship, two men are both claiming to have the right to be president. My next guest is Patrick Duddy, and he has plenty of experience with the divisiveness of Venezuelan politics and with the concerns of the people. He previously served as U.S. Ambassador to Venezuela and is currently the Director of Duke University's Center for Latin American and Caribbean Studies. Welcome to Policy 360.
- Patrick Duddy: Thank you. It's a pleasure to be with you.
- Judith Kelley: Could you briefly describe the issue with the presidency? How can two men both claim to be in charge?
- Patrick Duddy: Nicolás Maduro was elected initially, in a disputed election, following the death of Hugo Chávez in 2013. Now, while that election was disputed, he was largely accepted by the region and the wider world, as the legitimate president of Venezuela, until last spring. Now, in the last couple of years, as support for the Maduro government collapsed along with the economy, the government has become or became, increasingly authoritarian. Last May's presidential election was widely seen as a sham and almost immediately following the election, many of the countries of the region, as well as the United States and others, all said they would not recognize the results of that election, which, theoretically, returned Maduro to office.
- Patrick Duddy: Now, the term, which began in 2013, ended July 10. As far as, now most of the western democracies are concerned, that was the last day on which Nicolás Maduro had any legitimate claim to be president of Venezuela. The constitution of Venezuela says that in the absence of an elected president or faced with someone attempting to usurp power, the president of the legislature, and that is, Juan Guaidó, at the moment, becomes the interim president until elections can be held. And that's where we are today. Juan Guaidó has been recognized by something approaching 50 nations, most of the western democracies, as the legitimate president. Nicolás Maduro insists that he is still president and he, at least to this point, continues to enjoy the support of the military, also of Russia and China, but a very little of the public.
- Judith Kelley: And what about the general bureaucracy? So his support is in the military, but the bureaucracy, the day to day running of the government, do they answer to him?
- Patrick Duddy: Many of them do, but he's brought in a lot of military officers to head up different ministries and some of the state governments and indeed, one of my

colleagues at the Council on Foreign Relations insists that, in many respects, it has become, in the last several years, a military government.

Judith Kelley: So, let's talk a little bit about the last five years and what really has happened because many countries become totalitarian in various ways, but the decline of Venezuela has really been precipitous. What has happened?

Patrick Duddy: You're entirely correct. It's been precipitous and its collapse is essentially unprecedented in the history of South America. A country that, when Hugo Chávez was elected in 1998, was pumping 3.2 million plus barrels of oil a day, is now producing fewer than 1.2 million barrels a day. In other words, they've lost, effectively, two-thirds of their production. And, it is really the only source of foreign exchange and is the principal source of support for the government. As oil production has collapsed, food has become scarce, medical services have declined, the availability of medicines has become critical. The water system, the electrical grid, virtually all of the systems of the government, as well as things like food supply and distribution, have begun to spiral out of control. This has, in turn, precipitated an immense wave of refugees. Approximately three million in the last couple of years, have fled to the neighboring countries of Columbia, Brazil, Ecuador, Peru, et cetera.

Judith Kelley: And the oil production has dropped so drastically because of lack of capacity to run it or management issues or lack of demand or, what drove that decline?

Patrick Duddy: Not lack of demand. Not lack of demand. A couple of things. First, an astounding level of mismanagement and incompetence, but also, corruption. The history, of course, of this collapse begins more than a decade ago when the then president Hugo Chávez began replacing petroleum sector professionals with political loyalists. But, in recent years, it's been a matter of diverting resources, failing to re-invest. Much of any country's oil sector is capital intensive. And in order to keep the sector productive, a lot of the money that is generated by the sale of oil has to be folded back into the industry. That has not been happening. In addition, the country has made it all but impossible for foreign investors. And so, they've dismissed a lot of their own capable professionals, this is following a general strike early in the new millennium. They have expropriated and nationalized many operations. At one moment, for instance, a supplier of oil rigs from the United States brought a series of oil rigs in. When the country wasn't paying the bills and they started to ... they announced that they would therefore, be moving their equipment, the government seized the equipment. Well, following something like that, who brings new equipment into the country?

Judith Kelley: Not very many?

Patrick Duddy: Not very many. So, essentially, you've had mismanagement, incompetence, corruption, and bad policy.

Judith Kelley: And it's not a coincidence that countries like Russia remain supportive, because there's an oil relationship there.

Patrick Duddy: Yes. Russia, initially, was, particularly when I was there as ambassador, was more prominent for arms sales. But they have become increasingly active in the oil sector and China has been active in that sector for a long time. Now, both China and Russia have indicated their continuing support for Nicolás Maduro and perhaps that support will prove durable. My own sense is, that it will not prove unconditional if, in fact, current trends continue and it is clear that Maduro will eventually be forced out.

Judith Kelley: Was it surprising to you, how many countries have supported Juan Guaidó?

Patrick Duddy: Not really, not really. In part, I think there have been two or three things to keep in mind. There have been massive demonstrations in Venezuela, several key moments. Those demonstrations largely collapsed, because there was no single figure around which the opposition could rally and in the absence of international support, this is 2014 and even more notably in 2017, this time, clearly, with the emergence of Juan Guaidó, whose emergence was really only possible, in part, because so many countries of the region had already said they would not recognize a second mandate for Maduro.

Patrick Duddy: So, when he emerged, it really changed the reality on the ground. And, the other factor here, that I think is interesting is that the U.S. was very quick to recognize Juan Guaidó and U.S. recognition of him, seemed to precipitate an avalanche of statements from other countries in the region and in Europe. I think that is more than symbolically significant. It signaled that the U.S. was really willing to risk something to try, and help Juan Guaidó restore democracy and the form that help has taken so far, has been sanctions on the oil sector, which are more complicated than some people understand.

Judith Kelley: Right, because oil is still technically flowing.

Patrick Duddy: It is flowing, but the U.S. has been trying to make sure that the oil rents, that is to say the income from the oil, eventually is directed to Juan Guaidó and his nascent administration. The other thing that we've done, along with others, is we have shipped massive amounts of humanitarian aid, most of which is, at the moment, waiting in Cúcuta, in Colombia, because the circumstances on the ground in Venezuela are very, very serious.

Judith Kelley: So, the humanitarian aid is held up at the border and Maduro does not want to let it in. What is his strategy here? Is it just a show of power, just likes to watch people starve? What's his motive?

Patrick Duddy: Well, I think that he perceives two things here. In the first instance, acknowledgement that there is a humanitarian crisis. The fact to acknowledge is the failure of his government to take care of the most basic needs of the

populace and he doesn't want to do that. And the second thing is, he understands implicitly that the arrival of this aid will ultimately go down to the credit of Juan Guaidó and he can't afford that either.

Judith Kelley: And then, it's coming from the U.S.-

Patrick Duddy: Well, it's not just coming from the U.S. but it's coming from the U.S. as well as others. A lot of it is being managed through the U.S. and the U.S. Agency for International Development.

Judith Kelley: If Cuba was sending the aid, maybe they would be more receptive.

Patrick Duddy: Right, and in fact, even in recent days, Cuba, which largely depends on Venezuela for much of its oil, which they get it virtually no cost, Cuba actually received a shipment of building supplies and other things from Venezuela to help them recover from some recent storm damage.

Patrick Duddy: You know, the Cuba issue is interesting. I've emphasized in other fora, that there are three key countries, which have been supportive of Nicolás Maduro: Russia, China and Cuba. What I know is, for Russia and for China, they can afford to make a calculation, to do, if you will, a cost-benefit analysis. They have investments, but the survival of the Maduro regime is not a matter of existential importance for either China or Russia. It's a different calculation for Cuba, which has a lot of people on the ground, including security people, because their economy will be in very, very bad shape if the oil shipments from Venezuela end or if they are suddenly required to pay market price.

Judith Kelley: So, Cuba is clearly affected by what is going on, but why should the average American care? How is America affected?

Patrick Duddy: Well, the entire Western Hemisphere is increasingly integrated. This is something that I think is frequently missed in our larger discussion of our relationships around them, with Latin America and North America. Forty-two, 43% of all U.S. manufacturing exports, for instance, go to the Western Hemisphere. We've invested decades of effort and billions and billions of dollars in trying to promote the consolidation of democracy and forge productive economic relations with the countries of the region, and we do this because we understand that it's in our interest to have prosperous, democratic partners. What we can see, with what's going on in Venezuela right now, is that the state of Venezuela, which is essentially flirting with failed state status, has begun to damage the economies and to cause friction with a whole series of other countries. This is clearly not in the interest of those countries, many of which, most of which, are in fact, partners with the United States through free-trade agreements or other associations and whose welfare and well-being can eventually affect our own.

- Judith Kelley: That makes sense. So, the situation is really dire. It's been dire before and some of the things we see now have happened before. As a matter of fact, you, yourself were in Venezuela the last time there was an expulsion of diplomatic staff and as you and I talked about, you were, you still have the status of the last ambassador which to me sounds like the title of a good spy novel or something like that. So you have some familiarity with the whole ... with staff being expelled from Venezuela in 2008. So can you tell us a little bit about that? What goes on in an embassy when you're expelled and did you immediately start packing or did you start negotiating and how did the issue you were part of play out?
- Patrick Duddy: Well, interestingly enough, I was actually not in Venezuela when my expulsion was announced by Hugo Chávez in an extraordinarily vulgar nationally publicized speech to a huge crowd. I was accompanying my wife, who was having surgery in Washington at the time. The management of the embassy immediately devolved to a chargee, in this case, my deputy, and that is typically what happens. When one is declared, as I was, persona non-grata, that does not break relations with the country, that only expels that individual, and in my case, my expulsion was partially done in solidarity with the Bolivian president's decision to expel the U.S. Ambassador from Bolivia, but also, to some degree, related to various accusations that the Embassy was up to various nefarious activities. Always, interesting to me was that we were constantly being accused of this, while also, continuing to be the largest market for Venezuela and their oil. We never stopped buying, nor did we even threaten to do so. So, the government clearly couldn't afford to break relations.
- Patrick Duddy: Now, when we recognized Juan Guaidó, initially, Nicolás Maduro said, I'm breaking relations with the United States.
- Judith Kelley: Completely, everybody was told to leave, right?
- Patrick Duddy: But he actually walked back from that-
- Judith Kelley: Yes, pretty quickly, within a couple of days.
- Patrick Duddy: Almost immediately. And so, both we and the Venezuelans continue to have some staff in our respective capitols.
- Judith Kelley: Why do you think he expelled and then why do you think he walked back so quickly? What was going on?
- Patrick Duddy: That's an interesting question. Because you know, even in my experience, and I returned to Venezuela after my expulsion, I'm the only U.S. Ambassador, apparently, ever to be formally declared to be persona non grata and expelled from a country, to return to the same country in the same capacity, accredited to the same government. I think a part of what happened with me, as well as a part of what's going on right now, is recognition on the part of the Maduro

government that, notwithstanding the difficulties of the moment, we are a key factor and he continues to recognize that he has to have a channel for communicating with the U.S. government.

Judith Kelley: So, we talked a little bit about Russia and China before and that they're both supporting Maduro and both have economic investments there. Do you see this turning into sort of a potential proxy situation where Venezuela becomes a proxy for conflict between Russia and China on one side and the West on the other side? Is this a scenario?

Patrick Duddy: Well, that's a question that lots of people are asking right now. I would suggest, in the first instance, that China's position is somewhat more heavily caveated than Russia's at the moment. I think there may be an element in Russia's insistence on supporting Maduro, an element of a warning or, at least, a symbolic gesture to remind the U.S. and the nations of the west, that Russia still has strategic reach and that just as we, the United States and others, are active in the Black Sea, for instance, that Russia can be active in the Western Hemisphere, at least to this point. To this point, I don't see this emerging as the first front in a new Cold War. Because I don't think that the Russians are in a position or are so vested in the survival of the Maduro regime that they would want to draw a line in the sand in this hemisphere.

Patrick Duddy: But they do have substantial interest there and they have sold major weapon systems. So this is not a superficial relationship. But I don't think it is yet, the sort of relationship around which they would build a whole new foreign policy vis-à-vis the United States and the west.

Judith Kelley: Also, it's not like we don't have other countries capable of serving as proxies of that divide at the moment.

Patrick Duddy: Exactly.

Judith Kelley: So, what about inside Venezuela? Is there potential that this devolves into civil war? And, if so, who's going to be fighting whom?

Patrick Duddy: I think we're in a very, very dangerous moment. Part of what makes it so dangerous is that the people who are overwhelmingly in favor of a change, and most of whom recognize Juan Guaidó as the legitimate president, are not armed. The government has a monopoly on force. The question is, is that monopoly monolithic? There are actually multiple groups which are armed and organized, and they may not all, in fact, understand the current situation in the same way, so that you have, for instance, the conventional uniformed services, the army, navy, and air force. And as a separate element, you have the national guard. And then, there are also these vigilante groups that are largely associated with the government and are based in some of the very, very poor neighborhoods, called Colectivos. And then, finally, in some of the rural areas, you have militias. The militias, they are organized and loosely trained, but I've

noted in the past, that they do not hold or control their own weapons. If they begin to distribute weapons, if the Maduro government begins to distribute weapons to the militia, I think that will signal increased danger as those militias have been constituted to be loyal to the president. Initially they were formed by Hugo Chávez and they are largely outside the chain of command for the conventional military.

Judith Kelley: But all of this can presumably only ignite if there are external powers that are willing to feed this.

Patrick Duddy: Well, what's happening is, we've already seen, for instance, the Venezuelan military attache in Washington, recognize Juan Guaidó as the legitimate president. Another general in Venezuela has done the same thing, reportedly a police commandant or commander for a region, just the other day, announced that he would not deploy his uniformed police service, police groups to repress demonstrators.

Judith Kelley: So there are some cracks.

Patrick Duddy: So, what people worry about is possible divisions within the various uniform services as it's quite clear that, if things get out of hand, the government, such as it is, de facto government of Nicolás Maduro, might try to order uniformed services into the streets to repress demonstrators. If some units comply and others don't, then the potential rises for conflict within the country.

Judith Kelley: What, in your view, is the best thing that the United States can do right now, from a policy perspective?

Patrick Duddy: We need to continue to work with the countries of the region, we need to find ways to get humanitarian assistance to the Venezuelan people, and we need to do what we can, not only to see that the de facto government of Nicolás Maduro is deprived of the resources from the oil sales to countries outside of the region, but also to convince other countries in Europe and around the region, to take similar measures. Circumstances are very, very difficult on the ground. The U.S., until very recently, declined to impose sanctions on the oil sector, specifically because the U.S. didn't want to make life any harder for the average Venezuelan than it already was. Things have become so much worse now, and to some degree, the oil sector has become so much more important, that if we wish to see democracy restored and human rights respected, the country's political institutions rebuilt, we have had to take those steps. But, I think it's important that we not act unilaterally, that we understand that we have partners in this effort, in a group of countries called the Group of Lima, which represent most of the population of South America. We also have the support of the Secretary General of the OAS and we need to recognize the importance of that support.

Judith Kelley: So, when you get up in the morning and you think about Venezuela, and you say, oh, I hope X hasn't happened. What is the thing that you are most worried about triggering further deterioration at this point?

Patrick Duddy: Violence against demonstrators. Violence against demonstrators, further loss of life. The government has periodically repressed demonstrators pretty ruthlessly but we have not yet seen, and probably have not seen since 1989, in Venezuela, sort of a generalized chaos with really significant levels of violence, nationwide. There was an episode of this in 1989, it's known as the Caracazo. We haven't seen that, but it was a very, very bad episode for Venezuela and I think what we, both those of us who are now observing this situation, and those in the policy community, across the board, we all want to see this resolved without violence.

Judith Kelley: Well, thank you so much for sharing your insights with us on this very, very hot topic.

Patrick Duddy: Thank you.

Judith Kelley: Patrick Duddy is the former U.S. Ambassador to Venezuela and currently serves as the Director for Duke's Center for Latin American and Caribbean Studies. We'll be back in a couple of weeks with another edition of Policy 360. I'm Judith Kelley.