



# MADURO'S LAST STAND

Venezuela's Survival Through the Bolivarian Joint  
Criminal Enterprise

**Douglas Farah and  
Caitlyn Yates**

IBI Consultants, LLC and  
National Defense University (INSS)  
May 2019

## Table of Contents

<b>LIST OF TERMS</b> .....	2
<b>EXECUTIVE SUMMARY</b> .....	3
<b>INTRODUCTION</b> .....	4
<b>TYOLOGIES</b> .....	6
FALSIFIED OIL SALES .....	7
CYCLICAL FIXED ASSET PURCHASES .....	9
ILLEGAL MINING.....	11
FALSIFIED INFRASTRUCTURE PROJECTS.....	13
BANK TO BANK TRANSFERS .....	15
<b>HUMAN AND ECONOMIC IMPACT</b> .....	16
<b>CONCLUSIONS</b> .....	18
<b>ENDNOTES</b> .....	19

## List of Terms

<b>ALBA</b>	Bolivarian Alliance for the Peoples of Our America
<b>BJCE</b>	Bolivarian Joint Criminal Enterprise
<b>ELN</b>	National Liberation Army (Colombia)
<b>FARC</b>	Armed Revolutionary Forces of Colombia
<b>FCPA</b>	Foreign Corrupt Practices Act
<b>FMLN</b>	Farabundi Martí National Liberation Front (El Salvador)
<b>FOIA</b>	Freedom of Information Act
<b>FSLN</b>	Sandinista National Liberation Front
<b>IAHCR</b>	Inter-American Commission on Human Rights
<b>OAS</b>	Organization of American States
<b>PDVSA</b>	Petróleos de Venezuela
<b>TOC</b>	Transnational Organized Criminal groups
<b>UNHCR</b>	United Nations High Commission for Refugees
<b>USSOUTHCOM</b>	United States Southern Combatant Command

### Disclaimer

This report is in part funded in support of DAS-D Counternarcotics and Global Threats (CNGT) through the Institute for National Security Studies at the National Defense University. This is a research product and does not necessarily represent the views of the National Defense University, the Department of Defense, or any part of the U.S. government.

### Cover Photo

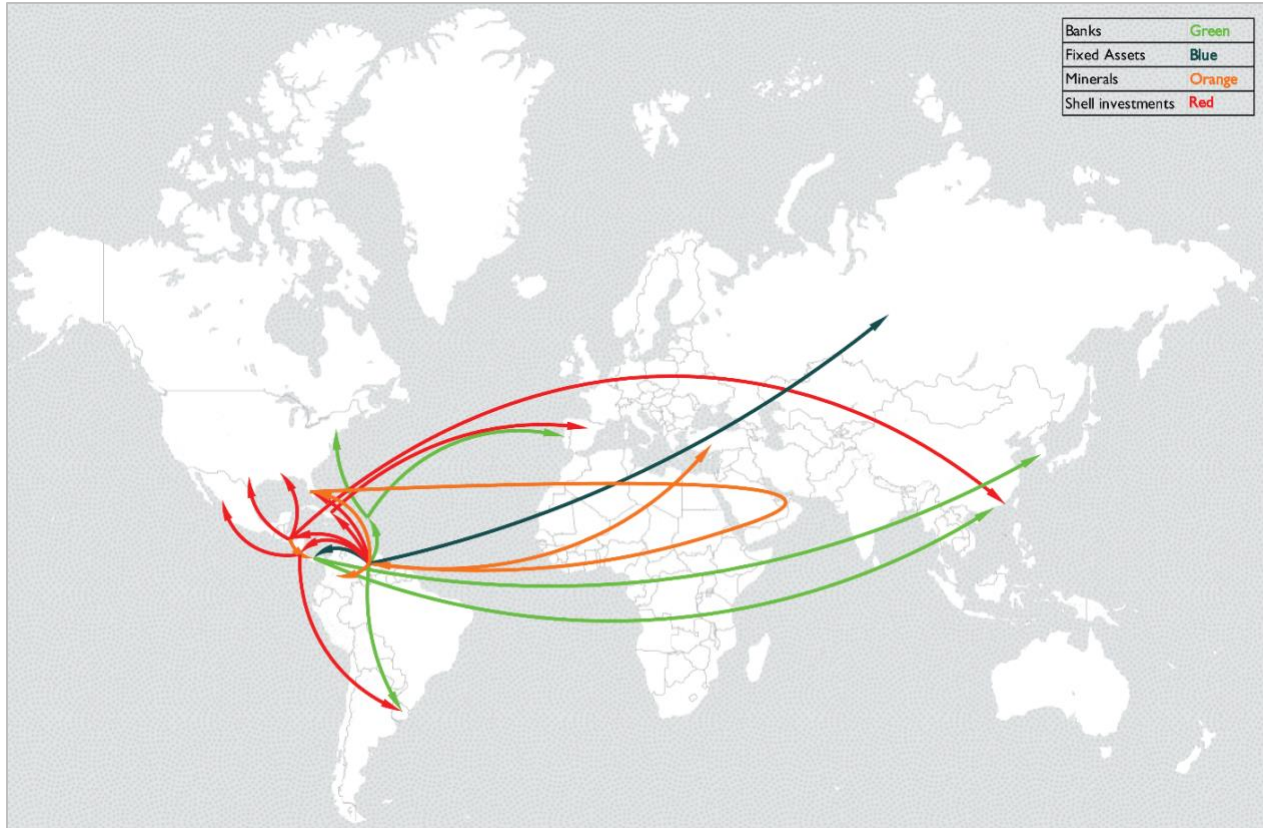
Cover photograph by EneasMx is licensed under CC by Attribution-Share Alike 4.0 International. This report does not necessarily reflect the views of the photographer.  
<https://creativecommons.org/licenses/by-sa/4.0/deed.en>

## **Executive Summary**

In 1998, the Venezuelan people elected Hugo Chávez, initiating a regional movement known as the Bolivarian Revolution. In an effort to isolate the United States and promote his “Socialism for the 21<sup>st</sup> Century” political project, Chávez systematically consolidated power in the executive branch. He in turn transformed PDVSA – the Venezuelan national oil company – into a multi-billion dollar regional enterprise operating in concert with sympathetic political leaders, economic elites and criminal organizations. While Chávez led the project, he was aided by the political leadership in Cuba, Nicaragua, Bolivia, Ecuador, Suriname and El Salvador. Over the past 20 years, this criminal network grew to encompass several dozen individuals and hundreds of front companies. Nicolas Maduro then warmly inherited this criminal regime in 2013 after Chávez’s death. Twenty years after the political project’s inception, the network spans the globe, from El Salvador to the United States, from Russia to Hong Kong, and across several offshore financial havens in between.

Yet even after the United States’ sanctioned hundreds of individuals and entities on charges like drug trafficking and money laundering, Maduro continues to serve as Venezuela’s de facto leader. The results of this criminal regime culminated in a Venezuelan economy that shrunk by more than 50 percent while at least 10.5 percent of the Venezuelan population now live as refugees. This increasingly visible crisis imposes enormous costs on regional neighbors. Meanwhile, the illicitly laundered funds undermine the rule of law and democracy, wreak havoc on the legal economies, strengthen corrupt autocratic regimes, and create spaces where transnational organized criminal networks thrive. While the dynamics of joint criminal activities in Venezuela remain largely unchanged, the Maduro regime is increasingly feeling the domestic and international pressure for regime change.

This report highlights the scale of what we call the Bolivarian Joint Criminal Enterprise. Here we highlight some of the criminal typologies used by the network and explore the wider impact of this network’s actions. The brief compiles fieldwork conducted over five years in 11 countries and augments this qualitative analysis with open source research and data analysis. Ultimately, we argue that the Bolivarian Joint Criminal Enterprise is not a single entity, but rather a network of allied companies, regional structures, and historically linked individuals operating across the globe. Unless the network is attacked from multiple points simultaneously, the alliance will survive and morph into a more dispersed and sophisticated operation.



*Figure 1: map of the goods and assets flow for the Bolivarian Joint Criminal Enterprise*

## Introduction

On July 26, 2018, 12 individuals tied to Venezuela’s state oil company PDVSA were charged in the Southern District of Florida with conspiracy to launder \$1.2 billion from the oil company through U.S. banks, brokerage firms, and real estate investment companies.<sup>1</sup> The criminal complaint detailed at least one tool in the Venezuelan government’s criminal toolbox to move significant sums of money to safe harbor over the last decade. While the complaint (and its subsequent convictions) are important, this case represents only one facet of the manner in which funds have been illicitly moved by state structures since the Bolivarian Revolution was launched with Hugo Chávez’s election.<sup>2</sup>

With the guidance of Fidel Castro<sup>3</sup>, Hugo Chávez was elected to be Venezuela’s president in 1998 as a folk hero following his failed 1992 coup d’état.<sup>4</sup> Chávez’s Bolivarian project was, from its inception, an effort to create a new economic and political model for Latin America, while simultaneously engaging in political and economic warfare against the influence of the United States. This vision for creating “21<sup>st</sup> Century Socialism” included creating, at least in spirit, a political union comprised of Venezuela, Colombia, Panama, Ecuador, Peru and Bolivia.<sup>5</sup> He ran on a highly popular anti-corruption and populist platform and viewed Venezuela’s vast oil wealth as a financial means to this anticipated political end.

With oil prices high, and a broad disillusionment with the region’s historic ruling elite, Chávez seized the moment to launch his populist movement across the region. In doing so, between 2005

and 2010 he successfully helped finance the presidential campaigns of likeminded radical populist authoritarian strongmen. These leaders included Evo Morales (Bolivia), Rafael Correa (Ecuador), Mel Zelaya (Honduras), Daniel Ortega (Nicaragua), Mauricio Funes – financed by José Luis Merino<sup>6</sup> (El Salvador), and Desi Bouterse (Suriname). Chávez also maintained strong relationships with the leftist Luiz Inácio Lula da Silva government in Brazil and the radical populist government of Cristina Fernández de Kirchner in Argentina.

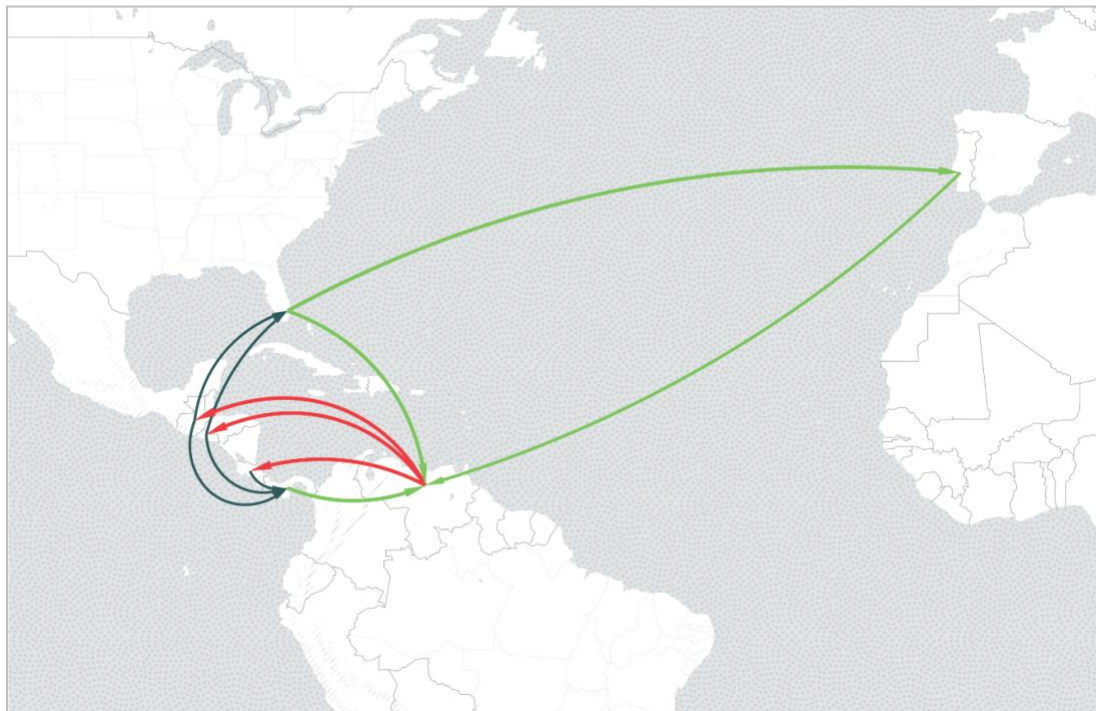
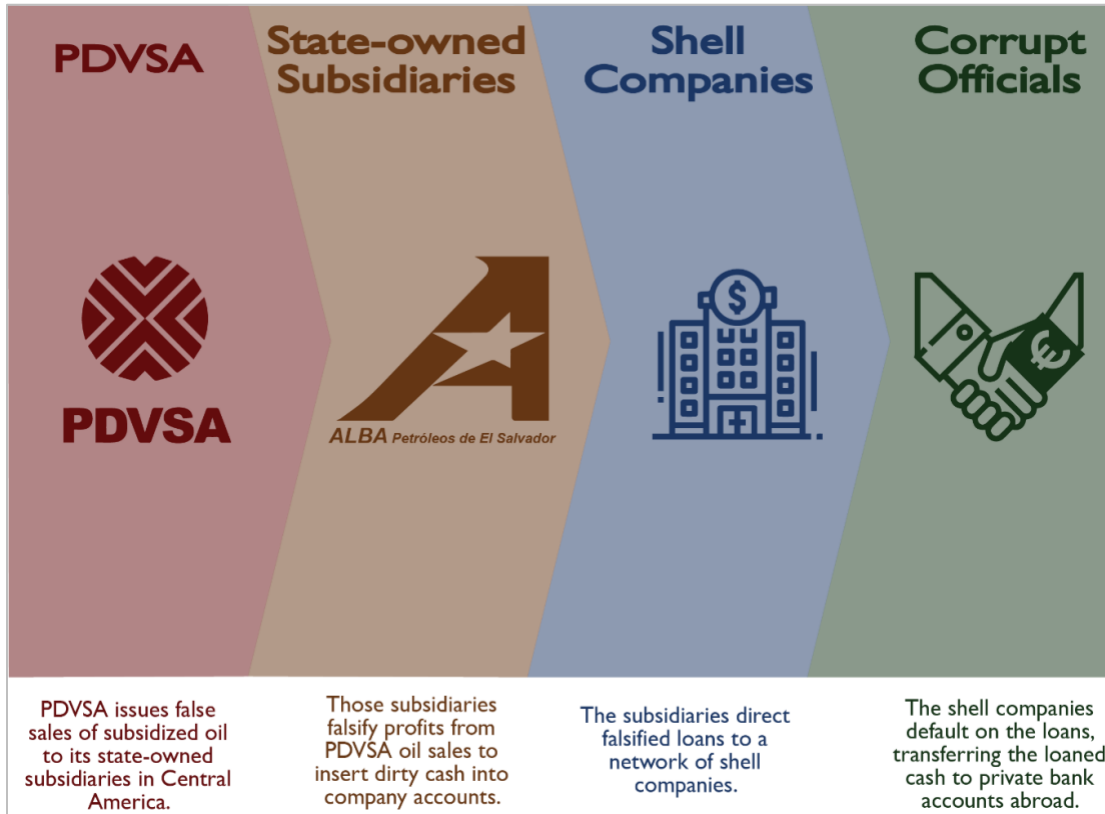
It is no coincidence that most of the Bolivarian member states leaders also shared histories fighting in support of far left armed guerilla forces. While the Bolivarian Revolution institutionally began in 1998, the roots of this movement began decades earlier, with Nicaragua's Sandinista National Liberation Front (*FSLN*), El Salvador's Farabundo Marti National Liberation Front (*FMLN*), the Cuban Revolution, and the Revolutionary Armed Forces of Colombia (*FARC*).<sup>7</sup> Decades later, the memories and relationships developed during these civil conflicts brought a deep bond of trust among the newly-empowered leaders. Chávez's stature in the Bolivarian group was derived in part from his military experience and guerilla ideology, but mostly from his willingness to spend billions of PDVSA dollars across the hemisphere.<sup>8</sup>

This alliance of Bolivarian states together with the FARC have coalesced into what we define as the Bolivarian Joint Criminal Enterprise – or a consortium of criminalized states and non-state actors working in concert with shared objectives. This joint criminal enterprise has not only taken billions of dollars from Venezuelan state coffers, but also used PDVSA as the central structure for money laundering and corruption throughout the region. The criminal portfolio used by those in this movement has continued to diversify as oil prices dropped and PDVSA's production stalled. Such conditions forced incoming president Nicolas Maduro to rely even more on activities like cocaine trafficking and illicit gold production, but even with PDVSA's decline the regime continues to function as a criminal operation.<sup>9</sup>

This report offers an overview of a facet of the complex, global, and frequently state-sponsored criminal enterprise. We base our findings on five years of field research and document collection across 11 countries, as well as an open source data mining and link analysis. We argue that the Bolivarian Joint Criminal Enterprise should be understood as a network of networks – not as isolated set of unrelated activities in different Latin American countries. In total we identified 181 individuals and 176 companies operating in at least 26 countries. The sum of this criminal actions is not fully known, but a recent investigation by a Latin American journalist consortium found that Venezuela siphoned \$28 billion out of PDVSA.<sup>10</sup> We have traced at least \$10 billion in Venezuela-related funds that moved through this criminal network between 2007-2018.

Ultimately, we argue that the most difficult challenge to dismantling the Bolivarian Joint Criminal Enterprise is in tackling the network's diversified criminal portfolio and global reach. We examine only five of the many criminal typologies under which the group engages, including fictitious oil sales and loans; physical asset purchases; fictitious state mega infrastructure projects; illegal gold mining; and bank to bank transfers. We ultimately argue that despite U.S. economic sanctions, growing international condemnation, and a lack of political legitimacy, the Maduro regime has not collapsed and may not for a significant period of time. Actions like designating PDVSA and senior leaders are critical. However, the network's ability to adapt and diversify their criminal portfolio means that money continues to flow into the regime's coffers.

# Typologies



Figures 2 and 3: flow chart and distribution map for falsified oil sale typology

## **Falsified Oil Sales**

Falsified oil sale schemes are the foundation upon which the Bolivarian Joint Criminal Enterprise began. Venezuela's PDVSA is the majority shareholder in several regional oil subsidiaries through its PDV Caribe branch. PDV Caribe owns 60 percent of Alba Petróleos in El Salvador and 51 percent of Albanisa in Nicaragua.<sup>11</sup> The Venezuelan company's control of each company involved in the ALBA consortium allows for funds to move through the Venezuelan company to its Central American subsidiaries with ease. Moreover, the sums of money moving through PDV Caribe are significant.

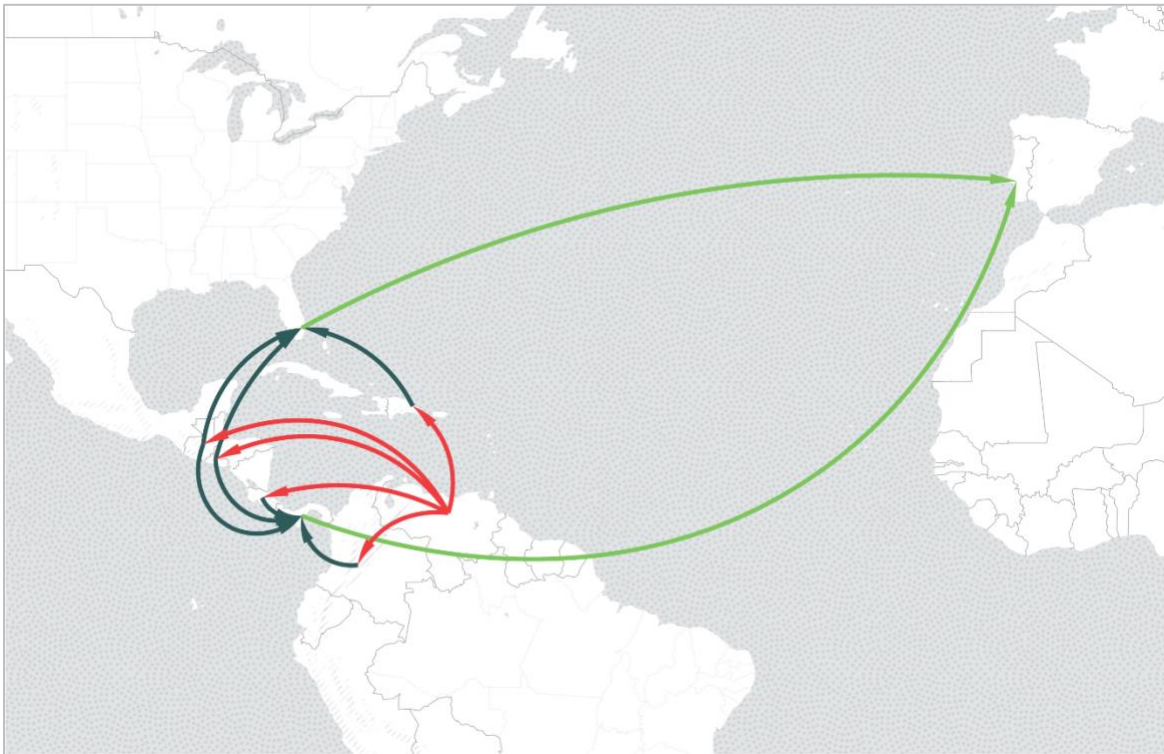
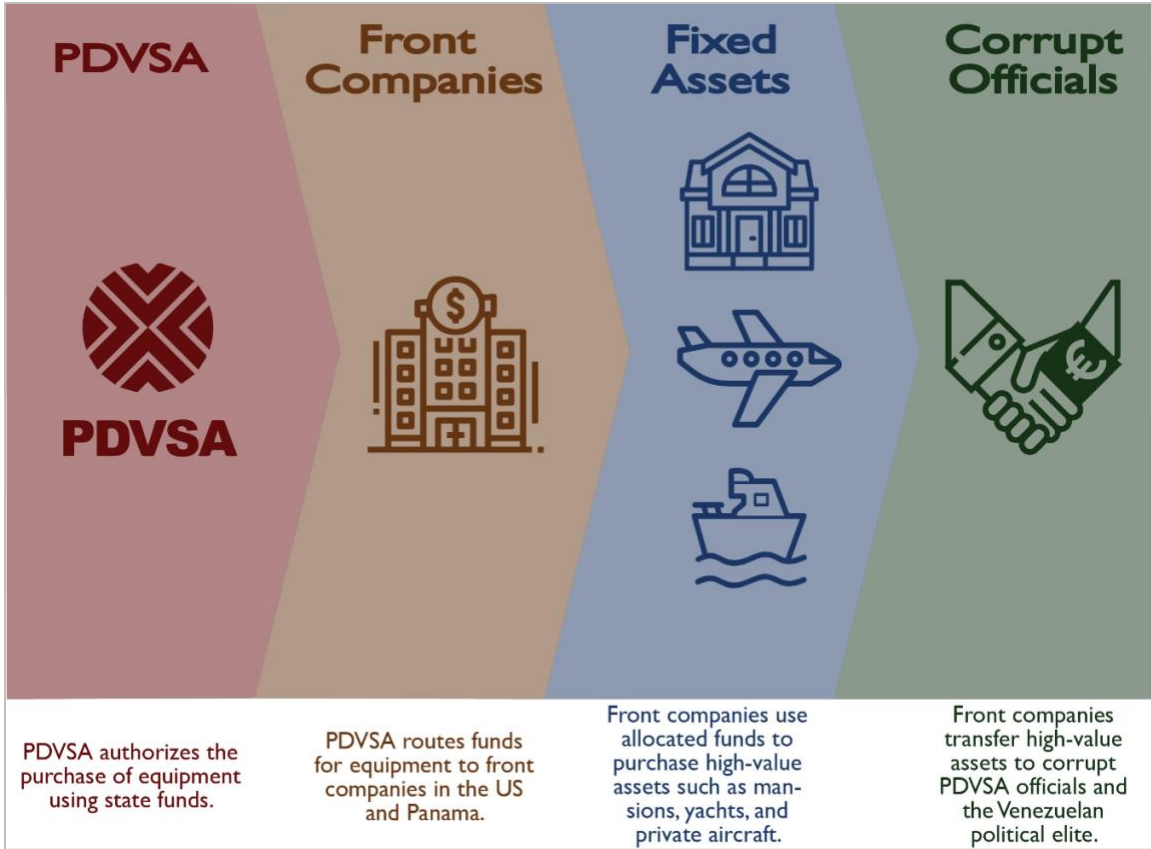
Author interviews with individuals close to Alba Petróleos found that the subsidiary received virtually no oil from PDVSA between 2010 and 2017, yet the Salvadoran subsidiary recorded incomes of approximately \$200 million a year – totaling around \$1.2 billion through that examined timeframe. In Nicaragua, Albanisa did receive some oil from PDVSA, but the Nicaraguan subsidiary still received funds far outvaluing the imports. In Albanisa's case, the money provided totaled \$400 million to \$600 million a year, or \$4 billion to \$6 billion in illicit funds over the past decade.<sup>12</sup> These slush funds were handled by a small number of political elites even though the funds accounted for between 16 and 20 percent of the national budget in Nicaragua and 15 percent of El Salvador's budget each year.

Yet, the funds never passed through a congressional budget allocation process or any accountability mechanism.<sup>13</sup> To create a corresponding paper trail, both Alba Petróleos and Albanisa established dozens of front companies and enterprises investing heavily – at least on paper – in food production, financial institutions, airlines, think tanks, alternative energy projects, land acquisitions, gasoline stations, and other activities. All of these companies reportedly operated under the Alba banner and included interlocking corporate directorships, though seldom meeting the legal requirements for financial reporting. In both cases, interlocking networks of political party stalwarts, senior government officials and PDVSA officials run the subsidiary agencies.<sup>14</sup> Most notably though, most of the projects that the oil companies claim to fund, do not physically exist or produce any goods or services.

In the case of Alba Petróleos, Jose Luis Merino (El Salvador's Deputy Minister of Foreign Affairs for Investment and Financial Development and former FMLN commander) and a few other trusted front men and straw owners then set up a series of companies with interlocking ownership structures in Panama. From there, Alba Petróleos and its related companies loaned eight Panamanian companies under their control at least \$1.1 billion between 2007-2017.<sup>15</sup> These companies in turn moved the money to financial safe havens in the Caribbean and Europe including: the British Virgin Islands, the Cayman Islands, Belize, Switzerland, and Russia. Finally, they declared most of the debt unrecoverable.

In Nicaragua's case, Albanisa's funds are not as well traced because the Ortega regime systematically failed to file the required information and allowed only a few trusted people access to the financial records. However, the investigative website *Confidencial*<sup>16</sup> and other investigators documented parts of the structure, which used similar methods to create dozens of front companies, including a bank (which will be discussed later in the report), for Albanisa to store funds while moving the money offshore.<sup>17</sup>





*Figures 4 and 5: flow chart and distribution map for cyclical fixed asset purchases*

## Cyclical Fixed Asset Purchases

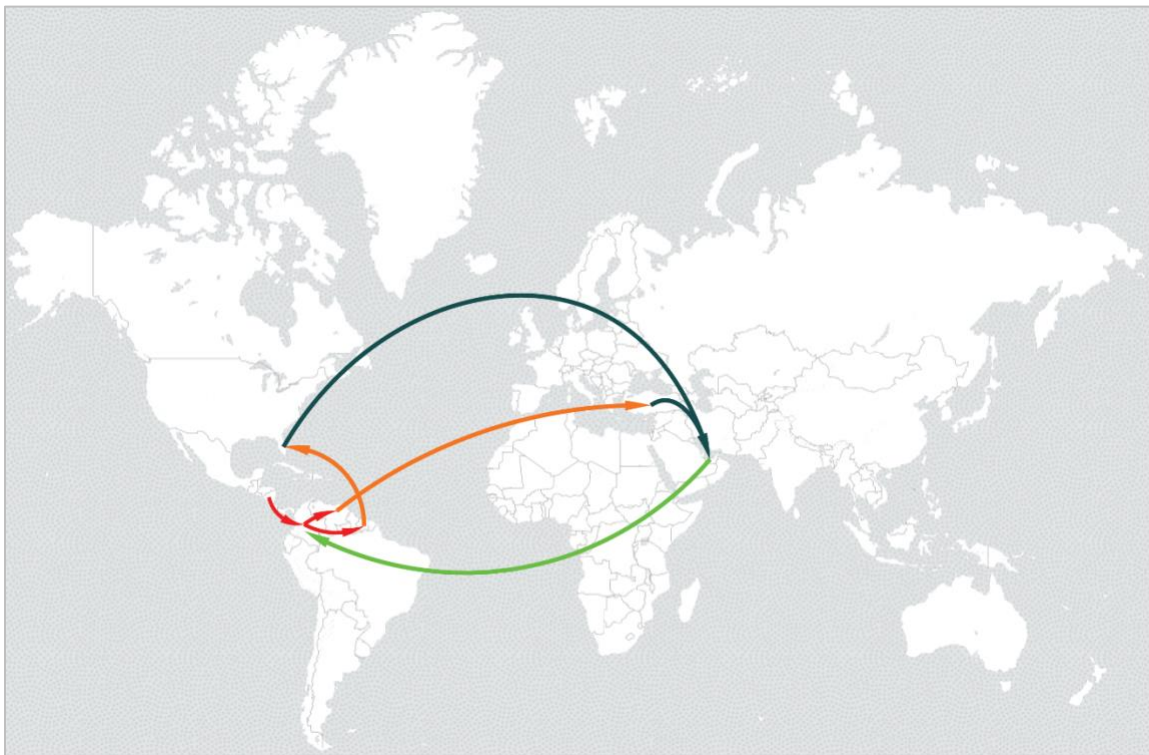
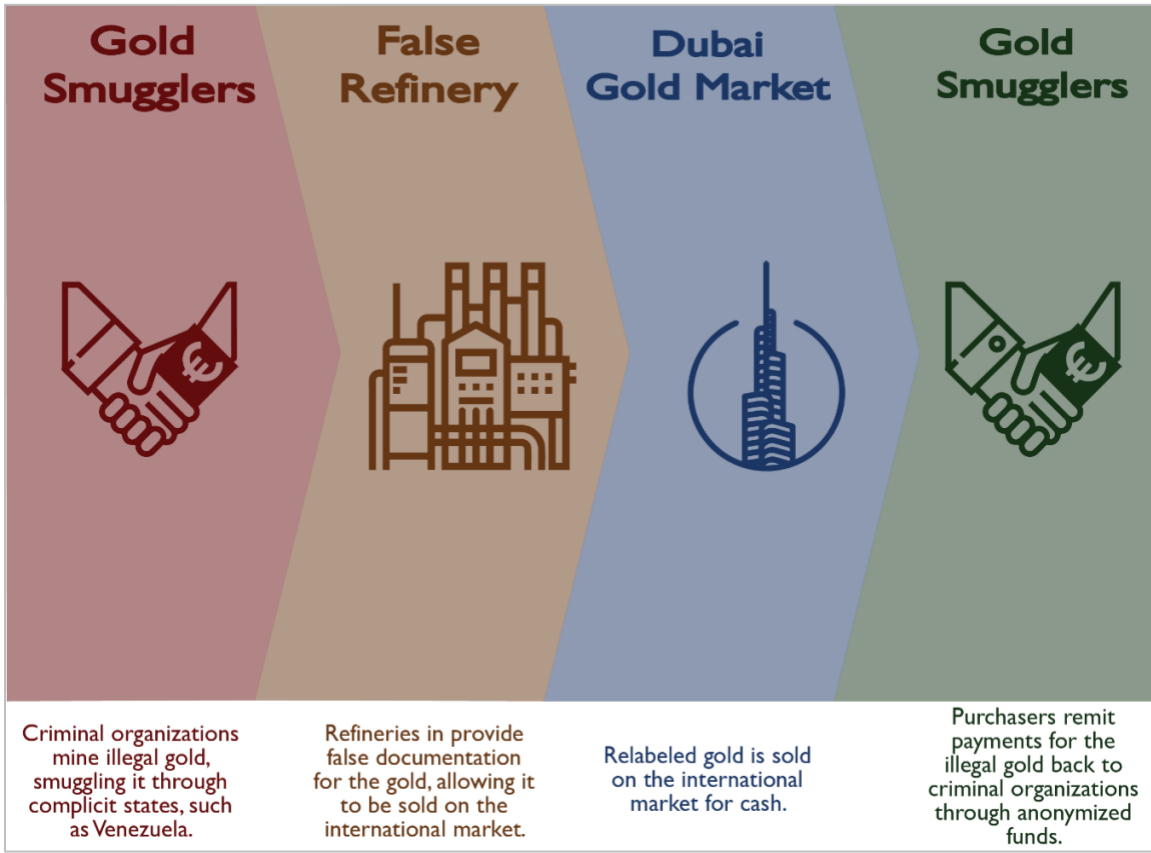
On August 16, 2018 Venezuelan news broadcasting owner Raul Gorrín was charged with conspiracy to violate the Foreign Corrupt Practices Act (FCPA), conspiracy to commit money laundering, and money laundering.<sup>18</sup> Gorrin pleaded guilty to all charges. This case serves as one example of how a fixed assets scheme can launder Venezuelan state funds out of the country and into financial safe havens or otherwise desirable third country locations. In the Bolivarian Joint Criminal Enterprise, the final destination of fixed asset practices is often the United States.

In total, 12 conspirators were named in the complaint for a foreign-currency exchange system scheme where the Venezuelan bolivar currency was traded for a fixed U.S. dollar price significantly higher than the official exchange rate. The scheme allegedly laundered between \$1.2 and \$2.4 billion through the U.S. financial system over the course of four years,<sup>19</sup> Gorrin's participation in the scheme totaled about US\$ 159 million.<sup>20</sup> While this scheme began only in 2014, Gorrin's involvement dates back to 2008 when he first began paying bribes to retain business contracts.<sup>21</sup> As he was a trusted partner for corrupt Venezuelan officials, Gorrin paid bribes and laundered funds over at least the last decade through PDVSA bank accounts that could operate in dollars without being subject to exchange controls or banking restrictions.

The exchange rate manipulation criminal typology gave regime insiders access to scarce dollars at highly preferential rates. Those involved were then instructed to take the dollars out of Venezuela, often disguised as funds for imports or earnings from exports. The exchange controls for normal citizens was necessary because unprecedented inflation made the local currency, the Bolivar, worth less every day and the regime was desperate to collect as many dollars (or anything other than Bolivars).

Much of this money first moved through the United States, into Switzerland, and then back to the United States. To conceal the origin of the funds, Gorrin moved money through front companies, including acquiring the Dominican bank Banco Peravia, to conceal the origin of the funds.<sup>22</sup> From there, Gorrin obscured the origin of the laundered funds through real estate investments or the purchase of other fixed, tangible assets.<sup>23</sup> The indictment found that among the purchases that Gorrin made with laundered funds, he purchased "approximately three jets, a yacht, multiple champion horses and numerous high-end watches."<sup>24</sup> As the funds were no longer in cash or an otherwise traceable form, the laundering scheme was more difficult to detect than if the moneys continued moving through banks or observable financial transactions.

As a result of his guilty plea, in November 2018, at least 24 of Gorrin's properties (located in the states of New York and Florida) were seized.<sup>25</sup> The seven condominiums in New York alone, have an estimated value of \$40 million.<sup>26</sup> Authorities also seized 17 prize horses and several luxury vehicles.<sup>27</sup> In this case, as in most instances of this criminal typology, Gorrín was one of multiple participants, each carrying out one part of a larger whole. This continues to serve as a common criminal typology in several countries for the Bolivarian Joint Criminal Enterprise.



Figures 6 and 7: flow chart and distribution map for illegal mining typologies.

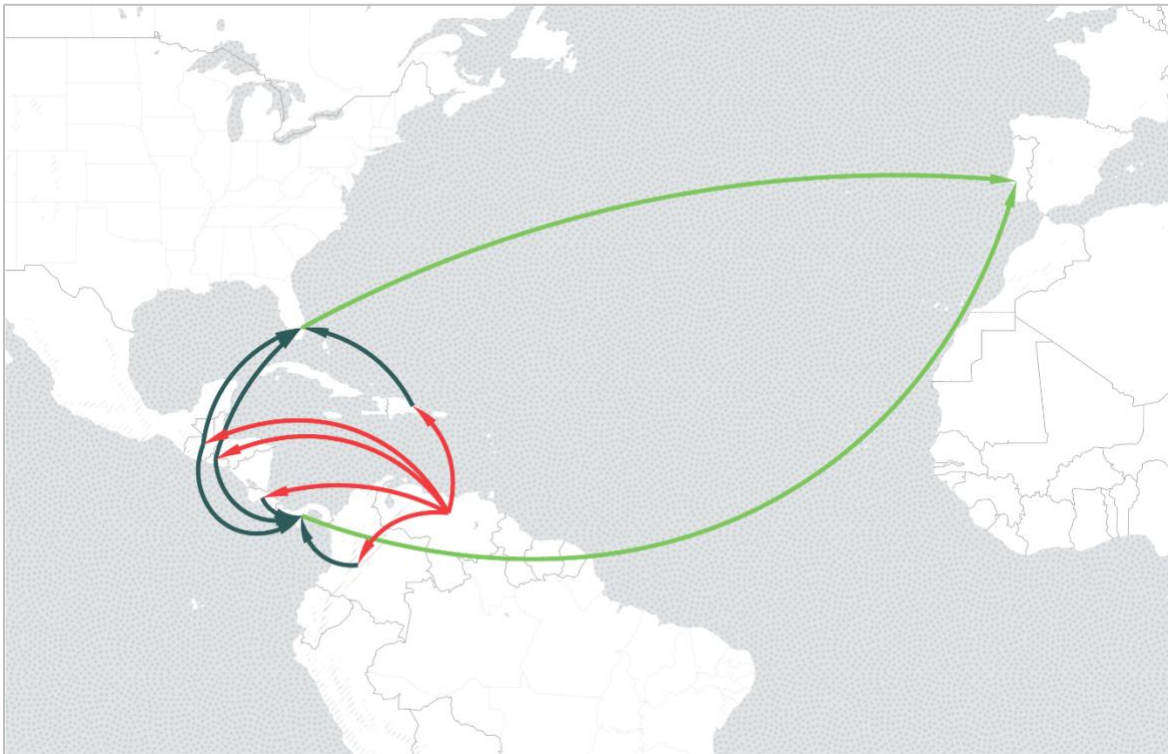
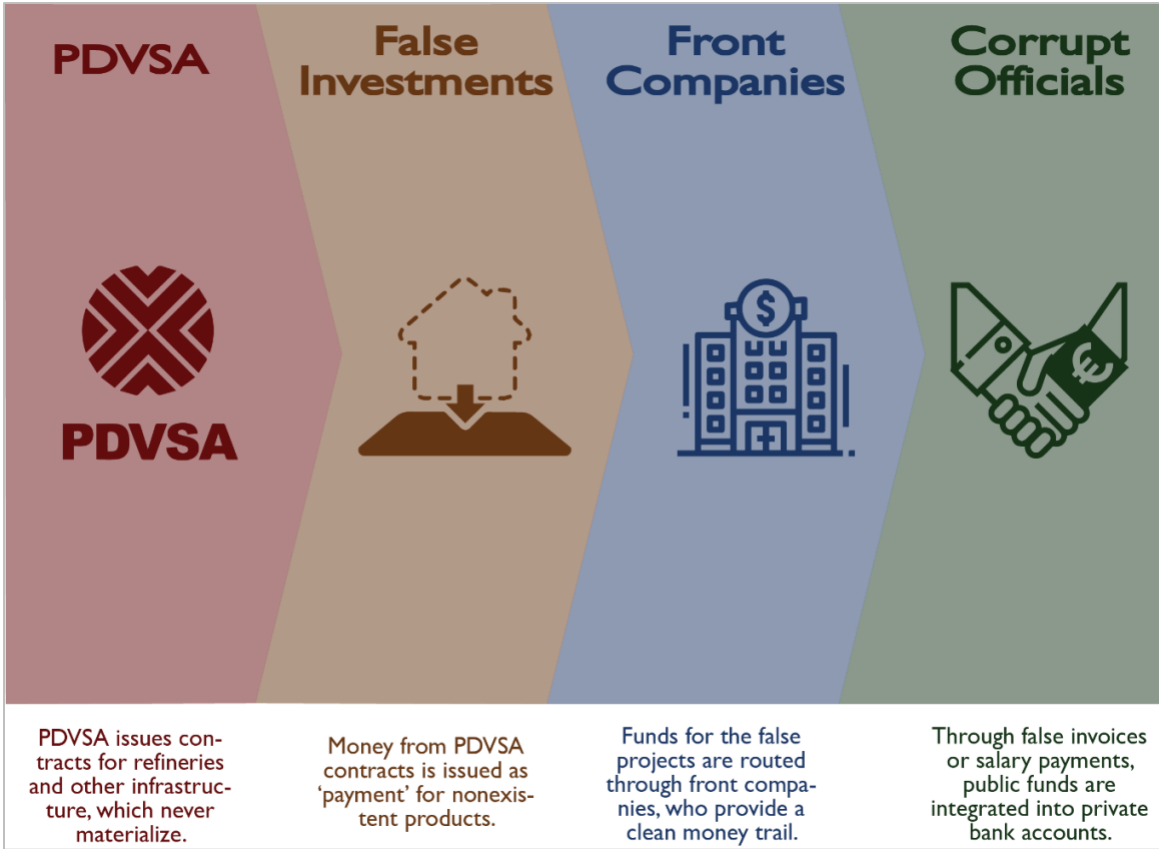
## Illegal Mining

In recent years, the Bolivarian Joint Criminal Enterprise has diversified their operations into the illicit gold mining industry for profit and as a way to launder the proceeds of multiple illicit revenue streams through an underregulated industry. This is to say that the Enterprise's decision to mine gold is at least in part due to the high prices of gold on the international market, the ease with which gold can be moved and converted to cash, and the low risk of detection for illegal gold transactions.<sup>28</sup> The clearest example of the illicitly mined gold scheme in relation to this criminal enterprise is the Kaloti Suriname Mint House (KSMH) operating near Paramaribo, Suriname. Inaugurated in 2015, the company maintains a partnership between Suriname and Kaloti Precious Metals of the United Arab Emirates.<sup>29</sup> The KSMH operates under the protection of president Desi Bouterse, a convicted cocaine trafficker, long-time weapons supplier to the FARC, and an individual who was elected with financial support from Chávez.<sup>30</sup>

KSMH, an economically irrational, largely fictitious project that on paper cost \$20 million, is in the most isolated country in the hemisphere. There is no competitive advantage to gold dealers from gold producing countries, who all ship their gold to Miami or Europe on daily direct commercial flights. Yet while Suriname produces roughly 28 tons of gold a year, the refinery was to have the capacity to refine 60 tons of gold. Multiple site visits in June 2016 to the KSMH in the town of Wit Santi near the country's one international airport, found that no such refinery existed. In fact, the building that reportedly housed the project gave no indication of commercial activities. Interviews with gold dealers in Suriname confirmed the lack of the refinery.

What makes the KSMH so valuable, is the ease with which the Bolivarian Joint Criminal Enterprise can export their gold as originating in Suriname, disguising the real origin of the metal and avoiding scrutiny and sanctions. The gold moving through KSMH is unlikely to be legally produced in other South American countries but is ideal for accommodating illicit flows of resources and the accompanying laundering. In addition, IBI Consultants fieldwork found that KSMH, now officially charged with certifying Suriname's gold exports, likely also exports non-existent gold, certifying exports without any gold actually being moved. In practice then, one can obtain a certificate of gold exports from Suriname without having to export any gold, creating a mechanism for justifying cash deposits that would otherwise be suspect.<sup>31</sup>

As the movement of Bolivarian funds are under scrutiny, the Maduro regime is an ever more popular choice of activity to acquire cash that would otherwise be blocked by financial sanctions. In 2018 alone, the Venezuelan state sold 73.2 tons of gold in Turkey and the United Arab Emirates, with some of the gold ending up as far away as Uganda. Given that the Venezuelan Central Bank's gold reserves grew by 11 tons in 2018 despite the ongoing selloff, it is likely that a significant amount of the commodity was mined illegally by dissident groups of the FARC and ELN.<sup>32</sup> The sale of illegally mined gold, diamonds, coltan and other easy to distribute commodities that are otherwise difficult to trace, are an increasingly important criminal typology for the Bolivarian Joint Criminal Enterprise.



*Figures 8 and 9: flow chart and distribution map for falsified infrastructure projects.*

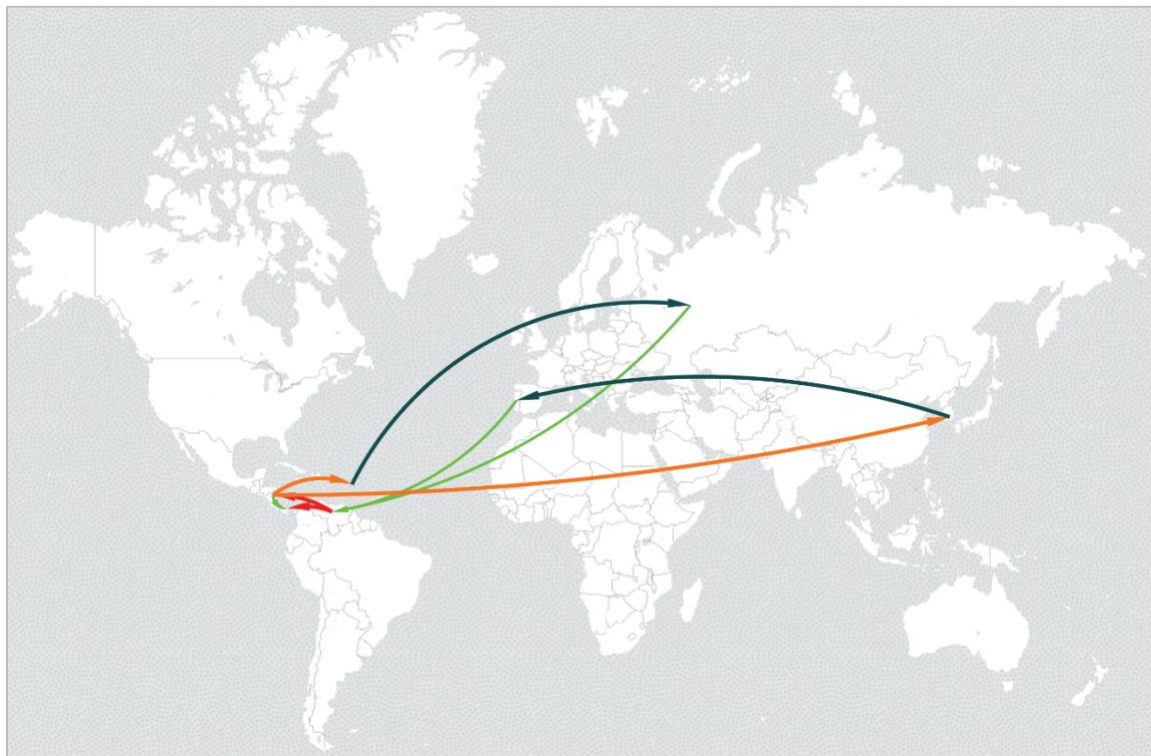
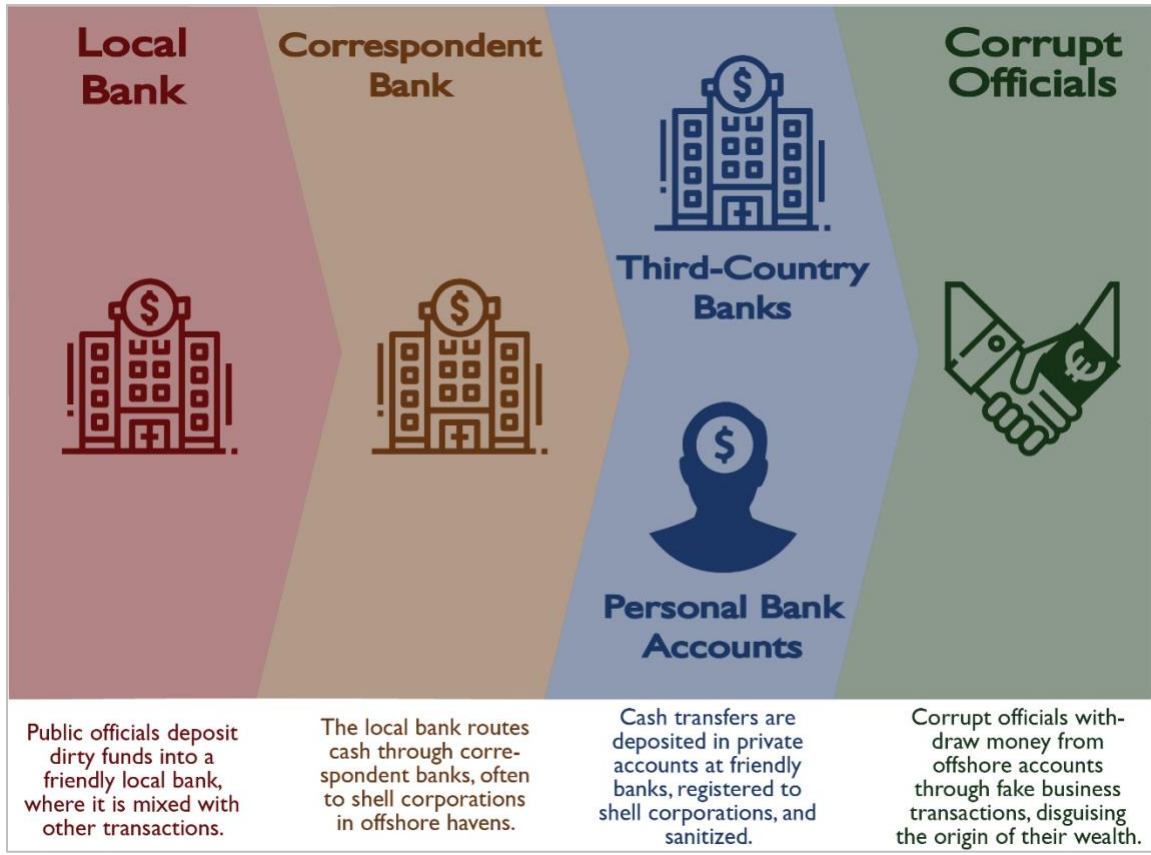
## Falsified Infrastructure Projects

The transfer of large sums of state money through non-existent infrastructure projects, is an important methodology used by criminalized states to launder funds. Because the state allocates the funds towards these projects and controls the state's investigative bodies, oversight and accountability by state watchdogs are non-existent. Neither PDVSA, nor its Central American subsidiaries, could be investigated by tax auditors, law enforcement or financial control entities because all were under the control of the state whose leaders allowed the operations to go forward and who benefitted themselves from the activities. As this criminal typology has been perfected over time, this is now one of the most effective and least risky methodologies for the Bolivarian Joint Criminal Enterprise to use.

One of the largest of these cases, was the signature program announced between Albanisa and PDVSA in Nicaragua. In 2007, Presidents Chávez and Ortega jointly laid the ceremonial stone where Nicaragua was to build a large oil refinery to refine PDVSA's heavy crude petroleum. The presidents announced the project would cost an estimated \$6.6 billion,<sup>33</sup> an absurd and economically irrational amount of money for such a venture. Grandly named "The Supreme Dream of Bolívar" (*Supremo Sueño de Bolívar*), the refinery on paper received an initial \$32 million in start-up funding in 2008 and an additional \$60 million over the following three years. In 2012 and 2013, the program received an additional \$341.2 million.<sup>34</sup> Since 2013, the exact sum of money dedicated this project is not known but the Venezuelan and Nicaraguan governments apportioned several tens of millions of dollars through 2015. At the point, the financial paper trail ended.<sup>35</sup>

Yet the nearly half a billion dollars in paper investments that have already moved through this project, have left few visible results. Multiple site visits between 2014 and 2016 found only an empty field with a few storage tanks and a sagging wooden fence, with no signs of a refinery other than a few rusting storage tanks. In reality, the criminalized financial chain moved the funds from PDVSA through its Albanisa subsidiary and then redistributed the funds as payments for non-existent work and materials to a series of contracting companies linked to Ortega and Chávez governments. These front companies then moved the now untraceable "clean" money back into the control of the Nicaraguan and Venezuelan criminal structures.<sup>36</sup>

While the refinery was one of the largest, fictitious state-to-state infrastructure projects uncovered in our field research, it was just one of dozens of similar enterprises that ultimately laundered hundreds of millions of dollars with the support of the Bolivarian Joint Criminal Enterprise. Other large projects included contracts for oil drilling that never took place, the construction of a vaccination plant that never produced a vaccine, a solar panel factory that produced no panels, a water bottling company that produced no bottled water, and dozens of other enterprises throughout the region. This continues to be one of the most frequently used criminal typologies by the Enterprise today.



Figures 10 and 11: flow chart and distribution map for bank to bank transfers typology.

## Bank to Bank Transfers

The final criminal typology explored in this report are bank to bank transfers. By early 2014, the flow of illicit funds flowing through the PDVSA network was at its peak. This flood of cash began to overwhelm the PDVSA Central American structure and the physical amount of dollar bills in circulation made layering the money in traditional banking structures almost impossible, at least without setting off alarms. This abundance of resources forced the enterprise to opt for a bold solution available to states engaging in criminal activities. Nicaragua created their own bank under Nicaraguan state protection. This bank was controlled by President Ortega and overseen by his most trusted financial associates, who already controlled the Albanisa consortium.

In October 2014, Nicaraguan authorities officially registered Banco Corporativo (Bancorp) as a financial entity, co-locating the bank in the same office as Albanisa. The bank's inaugural statement said the institution would specialize in trusts and money management services, and local news outlets reported the bank was owned by Albanisa.<sup>37</sup> Yet the bank carried out few normal banking activities, opting not to offer checking accounts, loans or mortgages among their repertoire of financial tools.

However, Bancorp did host a \$1.5 billion trust from Albanisa and related companies and \$1 billion in other trusts<sup>38</sup>. This newly minted financial institution's activities appeared so unusual that the leaders of Nicaragua's established banking sector met with U.S Embassy officials to emphasize their professional distance from the Bancorp entity.<sup>39</sup> Concerns grew when Bancorp received \$16 million in cash deposits in the month of December of 2016 alone.<sup>40</sup> Alarms were set off though when the bank declared that its deposits grew to \$340 million in 2017 – a 237 percent increase from the year before, despite a lack of clients or clear business activity.<sup>41</sup>

One of Bancorp's most significant anomalies though is the lack of correspondent banking relationships with any bank with access to the U.S. financial system. In essence, this cuts the bank off from the ability to carry out business in most of the world. IBI Consultants field research found that Bancorp, as a workaround to move the money out of Nicaragua, opened an account in a Panama branch of an Asian bank with branches in Hong Kong, South Korea, and Panama. Funds from the Bolivarian Joint Criminal Enterprise were then transferred from Nicaragua into Bancorp's account with the Asian bank in Panama, before ultimately landing in the Hong Kong branch. In Hong Kong, funds were sanitized and layered into different accounts controlled by Ortega and his allies. Money could then easily be moved from Hong Kong and wired anywhere in the world, including the United States.

This bank to bank transfer mechanism then changed in January 2019, when the United States sanctioned Bancorp.<sup>42</sup> In response, President Ortega then opted for his most bold option yet (at least regarding banking). He fast-tracked a legislative proposal through Nicaragua's national assembly, controlled by Ortega's FSLN party, for the Nicaraguan state to buy Bancorp for about \$23 million and convert it into Nicaragua's Central Bank. The move passed, thus amalgamating Bancorp's existing funds and making it more difficult to identify and cut off the flow of illicit monies in Nicaragua's banking system.



## Human and Economic Impact

The human costs of the Bolivarian Joint Criminal Enterprise's actions are brutal, but at least to some extent measurable. In 2018, Venezuela's inflation rate surpassed 1 million percent and the International Monetary Fund (IMF) estimates this rate to soar past 10 million percent by the end of 2019.<sup>43</sup> Moreover, a 2017 Venezuelan study estimated that the average Venezuelan citizen lost 24.1 pounds that year given the country's food shortages.<sup>44</sup> Finally, the Inter-American Commission on Human Rights (IAHCR) estimated that only 20 percent of needed medicines needed were still readily accessible to Venezuelans in 2018.<sup>45</sup> The systemic lack of food and medicine are just two types of human rights abuses committed by the Maduro regime.<sup>46</sup>

Widespread and increasing U.S. sanctions against Venezuelan state companies and associated individuals have been blamed by some for the humanitarian catastrophe. However, the effects of these actions on the average Venezuelan have likely been marginal. Estimates on sanctions' damage towards the Venezuelan people are scarce but one estimate, found that between September 2017 and September 2018, U.S. sanctions resulted in approximately \$6 billion in Venezuelan losses.<sup>47</sup> The effects accelerated since January 2019, when the U.S. announced sanctions against PDVSA. However, S&P Global estimates that this sanction cut Venezuelan crude production by more than 50 percent in February – a loss of about \$6 million in revenue per day.<sup>48</sup> While significant, these losses are marginal to the costs explored in this section. Moreover, such revenues would likely be distributed among the political elites whose support is vital to the Maduro regime, not to the Venezuelan people. In short, the regime's systematic looting and mismanagement brought the formal economy to its knees, not targeted sanctions.

A possible metric of the crisis is through the refugee exodus and the costs associated with forced migration. Beginning in 2014 – and shortly after Maduro's election – an exodus of refugees left Venezuela, primarily to regional neighbors. The United Nations High Commissioner on Refugees (UNHCR) estimates that by January 2019, at least 3.4 million Venezuelan refugees or 10.5 percent of Venezuela's population (as measured in 2014) lived outside of their country.<sup>49</sup> This makes Venezuela's refugee crisis the largest mass forced migration in the history of Latin America and on par to match or exceed Syrian refugee flows in coming years.<sup>50</sup> Colombia is the most affected by the crisis in sheer numbers. The UNHCR estimates that prior to the border between Colombia and Venezuela closing in late February 2019, some 5,000 Venezuelans entered Colombia every day.<sup>51</sup> The other countries that are most affected by sheer refugee flow numbers are Peru and Ecuador.

While Venezuela's western neighbors are hosting more refugees in raw numbers, some of the smallest countries in the Western Hemisphere host a proportionally more refugees compared to their populations. Curacao hosts 16,147 (per 100,000) Venezuelan refugees which is approximately eight times higher than Colombia. Aruba follows closely at 15,200 and the third country most proportionally affected country is Venezuela's eastern neighbor, Guyana, with 4,500. The Venezuelan refugee crisis affects the entire hemisphere and should therefore be considered when analyzing the broader costs of this crisis. The UNHCR is requesting \$201 million for refugee resettlement costs,<sup>52</sup> and the United Nations is requesting an additional \$738 million in humanitarian aid for 2019.<sup>53</sup> It is reasonable to assume, that humanitarian aid and resettlement costs associated with the Venezuelan crisis will be at least \$1.5 billion.



**Figure 12:** Venezuelan refugee rates per 100,000 residents in Latin American host countries through February 2019 (Source: United Nations High Commissioner on Refugees)

Another set of costs associated with this crisis is the external debt owed by Venezuela to foreign countries and international organizations, which will have to be repaid with interest. As of early 2019, Venezuela owed China roughly \$20 billion.<sup>54</sup> They owed Russia’s state owned oil company, Rosneft, approximately \$2.3 billion. Other estimates suggest that Venezuela’s total outstanding external debt is about \$100 billion.<sup>55</sup> As a result, we contend that Venezuela debt equals between \$22.3 billion and \$100 billion. A third set of cost estimates, as we previously mentioned, are the funds laundered by the Bolivarian Joint Criminal Enterprise which we estimate to be \$10 billion between 2007-2018. This is a low range estimate compared to recent report estimating \$28 billion.<sup>56</sup> One person interviewed for this report, who was directly involved in the movement of PDVSA funds, estimated that the figure is closer to \$43 billion.<sup>57</sup> We therefore estimate between \$10 and \$43 billion in state funds were siphoned out of Venezuela’s.

Finally, according to Venezuela’s National Assembly (which is run by the opposition), Venezuela’s economy shrank by 53 percent between 2013 and 2019.<sup>58</sup> While recognizing that these losses are likely reported with bias and are imprecise, it is possible to approximate

economic losses based on Venezuela's previous GDP output. In 2013, Venezuela's economy generated approximately \$381 billion in GDP.<sup>59</sup> Assuming an average 8 to 8.5 percent decline in GDP per year since 2013, Venezuela lost between \$411 and \$434 billion in GDP from 2013 through 2018. This estimate more strongly favors the position of Venezuela's opposition, but it serves as an approximation on economic losses given the lack of official government reporting.

A sum of the costs incurred by the Bolivarian Joint Criminal Enterprise and Venezuela's subsequent economic decline resulted in costs between \$473 billion and \$633 billion since Maduro took office in 2013. As a result, the Venezuelan political elite's actions created a spiraling effect with severe secondary and tertiary financial effects on the Venezuelan population. The estimates of Venezuela's crisis are both incomplete and imprecise, but they do demonstrate the magnitude of the Venezuelan situation. Moreover, much of the actions, and subsequent results would not have been possible without the assistance of a much broader network of illicit actors operating in positions of power from around the world.

## **Conclusions**

This report highlights the interconnectedness of different actors and economic mechanisms that facilitate the enterprise's endurance, albeit currently in a weakened state. The Bolivarian Joint Criminal Enterprise is a unique structure built on direct state participation in criminal behavior operating across multiple economic spheres and enforcement jurisdictions. This criminal portfolio draws on support from state entities, licit businesses and organized criminal groups. The result is a complex criminal operation that undermines the rule of law, democratic governance and U.S. alliances throughout the Western Hemisphere.

The Bolivarian structure has proven to be resilient and adaptable, with multiple redundant capabilities. Operationally, when one facet of the criminal network is pressured, the Bolivarian Joint Criminal Enterprise is adept at shifting operations to new areas or finding new allies, often feeding off the different strengths and connections of the Enterprise's shared history and common goals. The U.S. government has recently undertaken a more holistic and united effort to confront these criminal actors, yielding significant results. Efforts to channel some of the funds flowing from PDVSA and the Bolivarian banking structure to the legitimately-recognized Guaidó government – and out of the hands of the Maduro regime – are innovative and necessary. But, as former USSOUTHCOM commander Admiral James Stavridis said: “it takes a network to fight a network”.

The key to combatting this network, we argue, is in integrating the authorities and capabilities across the U.S. government, and in collaboration with trusted partners like Colombia, to tackle the Bolivarian network's reach. This approach includes combining the resources and authorities of the departments of Treasury, State, Justice, Homeland Security, and Defense along with the intelligence community to confront multiple nodes of the Enterprise. However, tackling the Bolivarian Joint Criminal Enterprise also requires responses to actors in countries beyond Venezuela and to embracing a more robust and long-term engagement with politically aligned partner nations in the Western Hemisphere. As the Bolivarian Revolution ideological drivers have been largely discredited, this is an opportunity for the United States to boldly engage the region and tackle the reach and complexity that this criminal enterprise encompasses.

## Endnotes

---

- <sup>1</sup> “Two Members of Billion-Dollar Venezuelan Money Laundering Scheme Arrested.” *U.S. Department of Justice*. 25 July 2018.
- <sup>2</sup> Based on research and field interviews with individuals with direct knowledge of PDVSA’s financial structure, IBI consultants estimates that approximately \$10 to \$43 billion have been laundered out of Venezuela in the last decade.
- <sup>3</sup> Peter Millard, Cindy Hoffman, Marisa Gertz, and Jeremy CF Lin. “The Rise and Fall of Chavismo in Venezuela.” *Bloomberg*. 16 February 2019.
- <sup>4</sup> Diana Jean Schemo. “Venezuelan Pulls off Revolution at the Polls.” *The New York Times*. 9 December 2013.
- <sup>5</sup> American Expansion – U.S.A. and Gran Colombia. *Public Broadcasting Service*.
- <sup>6</sup> José Luis Merino, an ex-combatant in the FMLN’s Communist Party faction during the war, never ran for president but continues to control and finance the FMLN. Merino currently serves as El Salvador’s Deputy Minister of Investment and Financial Development. See: Cristian Meléndez. “José L. Merino para diputado con fuero de viceministro.” *La Prensa Gráfica*. December 23, 2017.
- <sup>7</sup> All of the leaders of these political parties also fought in the civil and revolutionary wars of their countries with the exception of former Salvadoran president Mauricio Funes, who was a figurehead. The activities and operations of the FMLN party is primarily controlled by Merino, who was a combat veteran.
- <sup>8</sup> Julia E. Sweig, “What Hugo Chávez Built: The Legacy of Latin American ‘Chavismo,’” *The Atlantic*, January 14, 2013.
- <sup>9</sup> William Neuman. “Venezuela Give Chávez Protégé Narrow Victory.” *The New York Times*. 13 April 2013.
- <sup>10</sup> “Petrofraude: El descalabro continental chavista con dinero de los venezolanos.” *Conectas*.
- <sup>11</sup> “PDVSA in the World.”
- <sup>12</sup> Carlos F. Chamorro and Carlos Salinas Maldonado, “Las cuentas secretas de Albanisa,” *Confidencial*, March 5, 2011; and Carlos F. Chamorro, “Los Petrodólares de Venezuela: Desvió de más de tres mil millones de dólares de la cooperación venezolana a las arcas de Daniel Ortega,” *Confidencial*, June 11, 2015. Accessed at: <https://confidencial.atavist.com/los-petrodlares-de-venezuela918v4>.
- <sup>13</sup> Farah, “Convergence in Criminalized States: The New Paradigm,” *Ibid*.
- <sup>14</sup> Both conglomerates announced many of their company formations and their directorships publicly. The author is in possession of the original registration documents for most of the companies that are no longer publicly available..
- <sup>15</sup> IBI Consultants conducted interviews with members of Panama’s Financial Intelligence Unit, U.S. officials, sources with direct knowledge of Alba Petróleos operations. Antonio Soriano. “Funcionarios, sociedades de ALBA y empresarios, en listado de los deudores,” *El Mundo*, November 27, 2017.
- <sup>16</sup> Carlos F. Chamorro, “The Right to Know About Albanisa: Where are the \$3.5 billion and who is behind the new capital?” *Confidencial*, April 14, 2016.
- <sup>17</sup> Antonio Soriano, “Alba Petróleos envió \$165.9 millones a Panamá,” *El Mundo*, April 12, 2016.
- <sup>18</sup> “Venezuelan Billionaire News Network Owner, Former Venezuelan National Treasurer and Former Owner of Dominican Republic Bank Charted in Money Laundering Conspiracy Involving Over \$1 Billion in Bribes.” U.S. Department of Justice. November 20, 2018.
- <sup>19</sup> *United States of America v. Francisco Convit Guruceaga, et. al. Ibid*.
- <sup>20</sup> “Quién es Raúl Gorrín, el magnate de Venezuela acusado en EE.UU. de lavar millones de dólares junto a un exguardaespalda de Hugo Chávez.” *BBC Mundo*. November 21, 2018.
- <sup>21</sup> *United States v. Raul Gorrin Belesario (2018)*.
- <sup>22</sup> “Venezuelan Billionaire News Network Owner, Former Venezuelan National Treasurer and Former Owner of Dominican Republic Bank Charted in Money Laundering Conspiracy Involving Over \$1 Billion in Bribes.” *Ibid*.
- <sup>23</sup> Jay Weaver and Antonio Maria Delgado. “Venezuelan TV mogul with U.S. real estate fortune charged in South Florida.” *Miami Herald*. November 21, 2018.
- <sup>24</sup> *United States v. Raul Gorrin Belesario (2018)*. *Ibid*, page 5.
- <sup>25</sup> *United States v. Raul Gorrin Belesario (2018)*. *Ibid*, page 15-16.
- <sup>26</sup> Jennifer Gould Keil, Adam Schrader, and Bruce Golding. “Luxury NYC apartments tied to \$2.4B Venezuelan ‘boligarchs’ currency scam.” *NY Post*. February 11, 2019.
- <sup>27</sup> Jay Weaver and Antonio María Delgado. *Ibid*.
- <sup>28</sup> Douglas Farah and Kathryn Babineau, “A Strategic Overview of Latin America: Identifying New Convergence Centers, Forgotten Territories, and Vital Hubs for Transnational Organized Crime,” *Strategic Perspectives*, 28, INSS, National Defense University, January 2019.
- <sup>29</sup> Kaloti Opens Suriname’s First Gold Refinery.” *Kaloti Precious Metals*. March 3, 2015.

- 
- <sup>30</sup> Kaloti UAE was delisted from the Dubai gold exchange for not meeting the exchange's standards and was accused of accepting gold that was misrepresented by the supplier with false documentation. See: Simon Bowers. "Billion dollar gold market in Dubai where not all was as it seemed." *The Guardian*. February 25, 2016.
- <sup>31</sup> Douglas Farah and Kathryn Babineau, "Suriname: The Paradigm of a Criminalized State," Center for a Secure Free Society, March 2017.
- <sup>32</sup> Lorena Meléndez and Lisseth Boon, "How Venezuela's Stolen Gold Ended Up in Turkey, Uganda and Beyond," *InSight Crime*, March 21, 2019.
- <sup>33</sup> Gisella Canales Ewest, "Sueño Supremo de Bolívar costar \$6.620 millones," *La Prensa*, September 9, 2012.
- <sup>34</sup> José Denis Cruz, "El Supremo Sueño de Bolívar no avanza," *La Prensa*, March 25, 2013.
- <sup>35</sup> IBI Consultants field interviews.
- <sup>36</sup> The funding for the refinery comes from IBI Consultant field research, document collection and multiple interviews with sources directly involved in the operations.
- <sup>37</sup> "¿Nuevo banco en Nicaragua, nerviosos los actuales?" *La Jornada*, September 17, 2014; and Raúl Arévalo Alemán, "Nació el Banco Corporativo Bancorp: Es propiedad de la empresa Alba de Nicaragua (Albanisa)," *La Jornada*, June 10, 2015.
- <sup>38</sup> The existence of the trusts was first revealed in a white paper by Freedom House in 2018, A private bank audit in possession of the author in 2018 found the total sum in trusts held by Bancorp was of \$2.6 billion. "Albanisa: Cooperación Venezolana en Nicaragua 2008-2017." *Freedom House*. 2018.
- <sup>39</sup> IBI Consultants interviews with U.S. Embassy officials in Managua, Nicaragua, 2016.
- <sup>40</sup> Iván Olivares, "Depósitos de BanCorp crecieron 236% en diciembre," *Confidencial*, January 29, 2018.
- <sup>41</sup> *Ibid*.
- <sup>42</sup> "Bancorp of Nicaragua reached by U.S. sanctions to PDVSA and Albanisa," *Havana Times*, February 19, 2019.
- <sup>43</sup> Patricia Laya and Andrew Rosati. "Venezuela's 2018 Inflation to Hit 1.37 million percent, IMF Says." *Bloomberg*. October 8, 2018.
- <sup>44</sup> Patricia Laya. "Venezuela's Maduro Feasts on Steak, Smokes Cigars at Salt Bae Restaurant." *Bloomberg*. September 17, 2018.
- <sup>45</sup> "Venezuela: Human Rights Exports Say Health System in Crisis." *Inter-American Commission on Human Rights*. October 1, 2018.
- <sup>46</sup> "Venezuela: Events of 2018." *Human Rights Watch*. 2019.
- <sup>47</sup> Joe Emersberger. "Trump's Economic Sanctions Have Cost Venezuela About \$6BN Since August 2017." *Venezuela Analysis*. September 27, 2018.
- <sup>48</sup> Brian Schedi and Jeff Mower. "Factbox: PDVSA sanctions affect flows, accelerating output declines." *S&P Global*. February 13, 2019.
- <sup>49</sup> "Refugiados y migrantes de Venezuela" *ACNUR*. February 1, 2019.
- <sup>50</sup> Ishaan Tharoor. "Venezuela's refugee exodus is the biggest crisis in the hemisphere." *The Washington Post*. August 23, 2018.
- <sup>51</sup> "Venezuela Situation: Responding to the Needs of People Displaced from Venezuela." *United Nations High Commissioner on Refugees*. 2019.
- <sup>52</sup> "Venezuela Situation: Responding to the Needs of People Displaced from Venezuela." *Ibid*.
- <sup>53</sup> Stephanie Nebehay. "U.N. seeks \$738 million to help Venezuela's neighbors handle migrant flood." *Reuters*. December 4, 2018.
- <sup>54</sup> Stephen Kaplan and Michael Penfold. "China and Russia have deep financial ties to Venezuela. Here's what's at stake." *The Washington Post*. February 22, 2019.
- <sup>55</sup> "The World Factbook: Country Comparison Debt – External." *Central Intelligence Agency*. 2017.
- <sup>56</sup> "Petrofraude: El descalabro continental chavista con dinero de los venezolanos." *Ibid*.
- <sup>57</sup> Farah interview with source in Panama City, Panama, December 2018.
- <sup>58</sup> Peter Millard, Cindy Hoffman, Marisa Gertz, and Jeremy CF Lin. *Ibid*.
- <sup>59</sup> "World Bank: GDP (current US\$)." *World Bank*.