Sanctions and Venezuelan Migration

Francisco Rodríguez[1]

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EXECUTIVE SUMMARY

This paper examines the potential impact of different US economic sanctions policies on Venezuelan migration flows. I explore three scenarios that deviate from the current status quo, where selected companies are permitted to conduct transactions with Venezuela's state-owned oil sector. My analysis finds that sanctions significantly influence migration patterns by disrupting oil revenues, which fund imports critical to productivity in the non-oil sector. In the absence of any changes in policy, I estimate that approximately 800 thousand Venezuelans will leave the country over the course of the next five years. Reimposing maximum pressure sanctions would lead that number to increase by around 200,000 to a total of around one million emigrants. In contrast, lifting all economic sanctions would reduce Venezuelan emigration over the course of the next five years to less than 20,000 persons. The consequences of maximum pressure sanctions relative to a baseline of no sanctions would be to drive one million more Venezuelans out of their country in coming years. If the US aims to address the Venezuelan migrant crisis effectively, a reconsideration of economic sanctions is likely to be much more effective than a return to maximum pressure strategies.

Introduction

Since 2022, the Biden administration has loosened some sanctions on Venezuela initially imposed during Donald Trump's presidency. This included the November 2022 issuance of General License 41, allowing Chevron to sell Venezuelan oil in the US. In October 2023, this policy expanded under General License 44, permitting broader industry participation. However, in April 2024, the license was allowed to expire after the government of Nicolás Maduro was accused of violating the Barbados agreements on electoral conditions. In July 2024 Venezuelan electoral authorities declared Maduro the winner of presidential elections despite clear and convincing evidence in the form of tally sheets for more than 80% of polling stations indicating that challenger Edmundo González had won by a more than two to one margin.

This shift in policy has reignited debates over the effectiveness of sanctions. While some advocate

[1] Rice Family Professor of the Practice of Public and International Affairs, Josef Korbel School of International Studies, University of Denver.

for revoking licenses to pressure the Maduro government, others argue that the "maximum pressure" strategy has failed to achieve meaningful political change. This paper contributes to this debate by analyzing how different sanctions policies might influence Venezuelan migration flows, estimating their impact on economic growth and the resulting emigration patterns.

Context and Background

Venezuela's political polarization gained particular intensity with Hugo Chávez's election in 1998 and subsequent 1999 constitutional reforms, which consolidated power in the executive branch. This led to conflicts over oil revenues, an oil strike, and a recession, culminating in Chávez's victory in the 2004 recall referendum. Under Nicolás Maduro's presidency (since 2013), economic mismanagement, falling oil prices, and import cuts sparked a deep crisis. The opposition's 2015 National Assembly victory intensified efforts to block Maduro's access to international financing and push for sanctions.

Sanctions evolved through distinct phases. A high-pressure period from January 2019 to February 2020 saw sanctions restricting government financing and targeting PDVSA, while secondary sanctions authority—allowing the US to punish non-US entities for business with Venezuela—was used sparingly, mainly against vessels transporting oil to Cuba. In a maximum-pressure period, from February 2020 to November 2022, the US actively deployed secondary sanctions to deter international firms from engaging with Venezuela. This included sanctioning subsidiaries of Russia's Rosneft and Mexican firms facilitating oil-for-essentials deals. The broad enforcement of secondary sanctions led companies like India's Reliance to halt oil transactions with Venezuela, deepening the country's economic isolation. During a moderate-pressure period, beginning in November 2022, the Biden administration eased sanctions, allowing Chevron and other firms to operate in Venezuela's oil sector. Despite this relaxation, the underlying secondary sanctions framework continues to deter broader international engagement.

Sanctions and Economic Collapse

Between 2012 and 2020, Venezuela's per capita GDP plunged by 71%, marking the largest peacetime economic contraction in recorded history. To understand this collapse, I use growth accounting decompositions and econometric models designed to infer causal relationships. I estimate that sanctions reduced oil production by approximately 50%, based on estimates from synthetic control methods, panel regressions, and firm-level analyses. Integrating these findings into a growth model, I estimate that 56% of the GDP contraction resulted from sanctions, loss of external funding, and intensified political conflict. Without these factors, Venezuela's economy would have contracted by 32%, severe but historically typical for countries facing external shocks and poor economic policies.

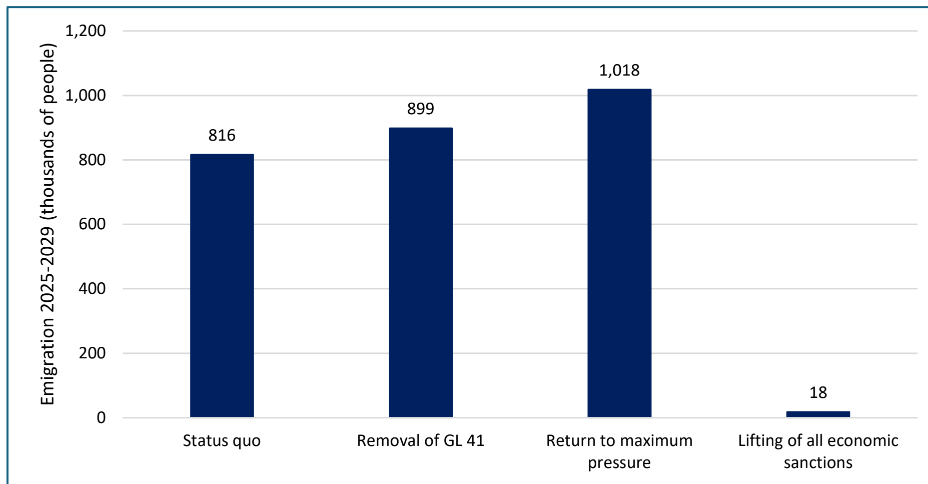
Economic Shocks and Migration

Venezuela's mass emigration coincided with its severe economic collapse, suggesting the crisis as the primary driver. The literature on income and migration indicates a consensus that economic crises

cause short-term surges in migration. This effect is distinct from the long-term relationship between development and emigration, where gradual income growth may also increase migration due to improved opportunities and aspirations. In contrast, Venezuela's rapid GDP collapse—71% over eight years—predictably resulted in large, immediate increases in emigration.

To quantify the effect of income shocks on migration, I conducted panel data regressions using emigration rates, GDP growth, and population data from 1960 to 2019. For countries in crisis, a 10% GDP decline is associated with an increase in the emigration rate by 0.2-0.3 percentage points. In Venezuela's case, a 10% GDP decline could increase the emigration rate by up to 0.5 percentage points, representing a near-doubling of current emigration rates. These findings highlight how severe economic downturns, exacerbated by sanctions, can rapidly trigger mass emigration.

Figure 1: Migration impact of alternative sanctions scenarios.



Impact on Migration of Alternative Sanctions Scenarios

I simulated four sanctions scenarios to estimate their impact on Venezuelan migration flows. Under the status quo, where current policies remain unchanged, the economy is projected to grow at 2.0% annually, leading to around 816,000 emigrants over the next five years (2025-2029). If the US revokes General License 41, oil production would decline, reducing GDP growth by 1.6 percentage points annually and increasing emigration by around 80,000 people.

A return to maximum pressure sanctions would cause GDP to decline by 19% relative to the baseline, resulting in around one million emigrants over the next five years. This scenario represents an increase of approximately 200,000 emigrants compared to the status quo. In contrast, lifting all economic sanctions would lead to a significant economic recovery. Oil production would rise to 1.66 million barrels per day by 2029, and GDP would grow by 17.8% annually. Emigration flows would drop dramatically to around 18,000 people, effectively returning to pre-crisis levels or even prompting return migration.

These results underscore the profound impact of sanctions on migration. The difference between maximum pressure sanctions and the lifting of all sanctions amounts to one million additional

emigrants over five years. This stark contrast highlights that if policymakers aim to address the root causes of Venezuela's migration crisis, removing economic sanctions is likely to be one of the most effective possible strategies. Such a policy shift could alleviate the economic collapse, restore growth, and significantly reduce migration pressures.

Rethinking pressure and engagement

While some maintain that sanctions should continue to be used as a tool to pressure the Maduro regime toward political change, the evidence suggests that this approach is ineffective and harmful to the well-being of Venezuelans. Sanctions have demonstrably contributed to Venezuela's economic collapse and the ensuing migration crisis, with politically induced foreign policy measures explaining around half of the country's decline in living standards since 2012. Although sanctions are intended to weaken the regime, they have instead deepened the suffering of ordinary Venezuelans without achieving the desired political outcomes. Extensive research shows that internal factors, such as cohesive opposition strategies and regime fissures, rather than external economic pressure, are key determinants of democratization. Even if sanctions could lead to political change, the ethical cost of inflicting widespread harm on vulnerable populations raises profound moral concerns. If the goal is to address the root causes of Venezuela's migration crisis and alleviate human suffering, lifting economic sanctions represents the most pragmatic and humane policy choice. This approach not only offers the best chance for economic recovery but also aligns with broader principles of ethical foreign policy and respect for human well-being.