

Practice Update

A Shifting Landscape: Recent Developments Raise Questions about Venezuela's Future

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The recent ascension of Venezuelan National Assembly president and opposition figure, Juan Guaidó, as interim president of the republic has raised legitimate questions regarding the future composition of the Venezuelan government and control over vital assets, such as state oil company Petróleos de Venezuela SA (PDVSA).

Although contested President Nicolás Maduro retains effective control over the Venezuelan state and military, the United States has moved swiftly in concert with more than 50 hemispheric neighbors and European allies to recognize Mr. Guaidó as Venezuela's legitimate president. The Trump administration has further moved to impose sweeping sanctions on senior members of the Maduro-led government, PDVSA, and other critical assets in an effort to further destabilize Mr. Maduro.

While the outcome in Venezuela is still uncertain, Mr. Guaidó, aligned with the United States and the other countries providing assistance, imposed a February 23 deadline for Mr. Maduro to allow the entry of humanitarian food, medicine, and other supplies that are stockpiled along the Colombian-Venezuelan border at Cúcuta, Colombia. A planned international music concert to call attention to the

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situation on the border is scheduled for later this week.

The prospect of political change raises a number of important questions for foreign investors:

- **Sanctions compliance:** The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) recently published new federal regulations detailing sanctions on Venezuelan individuals and companies and related licenses authorizing certain transactions. Companies subject to U.S. jurisdiction that engage in commercial activity in Venezuela (or are contemplating such activity) should take immediate steps to ensure full compliance with applicable sanctions regulations.
- **Contract enforcement and serviceability:** Foreign investors with current dealings in Venezuela may face challenges enforcing the terms of their contracts with Venezuelan counterparts and/or living up to their contractual obligations in light of the ongoing political turmoil and sanctions.
- **Debt:** Some Venezuelan debt instruments are also subject to U.S. Sanctions. Imminent liquidity constraints stemming from lost productivity due to ongoing political unrest or recently-announced sanctions, may further undermine Venezuelan borrowers and issuers' ability to repay loans or service outstanding bonds. Any change in who controls the Venezuelan state will increase uncertainty for lenders and Venezuelan bondholders.
- **Government relations:** Venezuela has recently emerged as a top global foreign policy priority for the United States and a potent political issue in Florida. This complexity, coupled with the uncertainty regarding Venezuela's future political landscape, presents several significant government relations challenges for both U.S. and third-country investors.

Akerman is closely monitoring the situation in Venezuela and has assembled a multidisciplinary team to address clients' questions and concerns. The team draws on the strength of Akerman's Latin America practice, as well as other practice areas, such as oil & gas, energy, banking and finance, international trade and customs, government affairs, and tax and arbitration.

Akerman will continue to focus on the latest Venezuela-related developments and provide timely updates on the topics outlined above with leading subject matter experts.

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