

Calendar No. 189

116TH CONGRESS }
1st Session }

SENATE

{ REPORT
116-85

VENEZUELA CONTRACTING
RESTRICTION ACT

—
R E P O R T

OF THE

COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 1151

TO PROHIBIT CONTRACTING WITH PERSONS THAT HAVE
BUSINESS OPERATIONS WITH THE MADURO REGIME, AND FOR
OTHER PURPOSES



SEPTEMBER 10, 2019.—Ordered to be printed

—
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VENEZUELA CONTRACTING RESTRICTION ACT

SEPTEMBER 10, 2019.—Ordered to be printed

Mr. JOHNSON, from the Committee on Homeland Security and
Governmental Affairs, submitted the following

R E P O R T

[To accompany S. 1151]

[Including cost estimate of the Congressional Budget Office]

The Committee on Homeland Security and Governmental Affairs, to which was referred the bill (S. 1151) to prohibit contracting with persons that have business operations with the Maduro regime, and for other purposes, having considered the same, reports favorably thereon with an amendment (in the nature of a substitute) and recommends that the bill, as amended, do pass.

CONTENTS

	Page
I. Purpose and Summary	1
II. Background and Need for the Legislation	2
III. Legislative History	3
IV. Section-by-Section Analysis	3
V. Evaluation of Regulatory Impact	4
VI. Congressional Budget Office Cost Estimate	4
VII. Changes in Existing Law Made by the Bill, as Reported	5

I. PURPOSE AND SUMMARY

The purpose of S. 1151, the Venezuelan Contracting Restriction Act, is to prohibit Federal agencies from contracting for the procurement of goods or services with any person that has business operations with an authority of the government of Venezuela that is not recognized as the legitimate government of Venezuela by the United States Government. This prohibition does not apply to contracts that support United States Government activities in Venezuela, to those who have a valid license from the Office of Foreign Assets Control, or to contracts related to the American diplomatic mission in Venezuela. The legislation also provides exceptions for

instances where the Secretary of State determines that the business operations with the illegitimate Venezuelan government are necessary for the provision of humanitarian assistance, disaster relief, other urgent life-saving measures, noncombatant evacuations, or is otherwise in the national security interests of the United States.

II. BACKGROUND AND THE NEED FOR LEGISLATION

Nicolas Maduro was elected President of Venezuela on April 14, 2013, following the death of former Socialist Party President Hugo Chavez. Under Maduro, the Venezuelan government has abused the rights of the Venezuelan people through violence, control, repression and by cracking down on public demonstrations.¹ Security forces have repressed opposition parties through detention, military prosecution, and the excessive use of force against protestors.² Opponents and critics of the regime risk being detained, imprisoned, tortured, and assassinated.³ According to a 2019 United Nations Human Rights report, Venezuelan security forces killed at least 5,287 people during security operations, alleging “resistance to authority.” Between January 1, 2019, and May 19, 2019, another 1,569 people were killed.⁴

In addition to committing pervasive human rights abuses, Maduro’s regime has exploited the economy and engaged in widespread corruption.⁵ Despite having among the world’s largest oil reserves, millions of Venezuelans starve because the government fails to import sufficient food for the Venezuelan people, engages in rampant corruption of the food distribution program, and rejects offers of humanitarian aid.⁶ Maduro’s regime has been compared to a criminal organization,⁷ is involved in drug trafficking, money laundering,⁸ illegal gold transfers,⁹ and is said to associate with terrorist groups.¹⁰ For years, Maduro’s inner circle has enriched themselves by capitalizing on a network of corruption while his people struggle to survive.¹¹

¹ Human Rights Watch, World Report 2017: Events of 2016, 661–668, https://www.hrw.org/sites/default/files/world_report_download/wr2017-web.pdf.

² *Id.*

³ *Id.*

⁴ Press Release, Office of the High Commissioner, United Nations, UN Human Rights report of Venezuela urges immediate measures to halt and remedy grave rights violations (July 4, 2019), <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=24788&LangID=E>.

⁵ Fact Sheet, Office of the Spokesperson, U.S. Department of State, Nicolás Maduro: Corruption and Chaos in Venezuela (Aug. 6, 2019), <https://www.state.gov/nicolas-maduro-corruption-and-chaos-in-venezuela-2/>.

⁶ *Id.*; Siobhan O’Grady, *The U.S. says Maduro is blocking aid to starving people. The Venezuelan says his people aren’t beggars*, Wash. Post (Feb. 8, 2019), <https://www.washingtonpost.com/world/2019/02/08/us-says-maduro-is-blocking-aid-starving-people-venezuelan-says-his-people-arent-beggars/>.

⁷ Antonio María Delgado, Jim Wyss, *Study finds Venezuela criminal enterprise is blunting effects of U.S. sanctions*, Miami Herald (May 15, 2019, 5:37 PM), <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article230420019.html>.

⁸ Lesley Wroughton, *U.S. accuses Maduro, Venezuelan party official of drug trade profiteering*, Reuters (May 18, 2018, 3:09 PM), <https://www.reuters.com/article/us-usa-venezuela-sanctions/us-accuses-maduro-venezuelan-party-official-of-drug-trade-profiteering-idUSKCN1J2JZ>.

⁹ Pamela Kalkman, *These are the refineries processing Venezuela’s “blood gold”—and helping Maduro stay in power*, Miami Herald (July 23, 2019, 8:00 AM), <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article232452267.html>.

¹⁰ *Venezuela Is Terrorist Sanctuary: Colombian President*, U.S. News (July 29, 2019), <https://www.usnews.com/news/world/articles/2019-07-29/venezuela-is-terrorist-sanctuary-colombian-president>.

¹¹ Marta Oliver Craviotto, *How Miami, a major destination for Venezuelan gold, is helping prop up Maduro’s regime*, Miami Herald (July 23, 2019, 8:00 AM), <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article230669164.html>; see

The United States has sanctioned entities affiliated with the Maduro regime,¹² while allowing transactions with the legitimate Venezuelan government, the Interim President Juan Guaido and the Venezuelan National Assembly. Sanctions are enforced through the Office of Foreign Assets Control (OFAC) and State Department diplomatic actions. However, U.S. dollars continue to flow to Maduro despite OFAC restrictions. One factor is that current law does not prevent U.S. contractors from both doing business with Maduro while also contracting with the U.S. Government unless they are businesses specifically identified by OFAC as prohibited from doing so.

The Venezuelan Contracting Restriction Act closes this loophole. It complements existing efforts, such as sanctions, by prohibiting an executive agency from entering into a contract for the procurement of goods or services with any person that has business operations with the illegitimate government of the Maduro regime, as well as any successor governments not recognized as legitimate by the United States. The bill outlines particular exceptions.

III. LEGISLATIVE HISTORY

S. 1151 was introduced on April 11, 2019, by Senators Rick Scott (R-FL), Marco Rubio (R-FL), and Tom Cotton (R-AL).

The bill was referred to the Committee on Homeland Security and Governmental Affairs. The Committee considered S. 1151 at a business meeting on June 19, 2019. S. 1151 passed by voice vote *en bloc* as amended by a substitute amendment offered by Senator Scott, with Senators Johnson, Portman, Paul, Lankford, Romney, Scott, Enzi, Hawley, Peters, Carper, Hassan, Sinema, and Rosen present.

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL, AS REPORTED

Section 1. Short title

This section establishes the short title of the bill as the “Venezuelan Contracting Restriction Act of 2019.”

Section 2. Prohibition on contracting with persons that have business operations with the Maduro regime

This section prohibits Federal agencies from contracting for goods and service with any person that engages in significant business operations with an authority of the Government of Venezuela that is not recognized as the legitimate Government of Venezuela. This prohibition does not apply to contracts that support United States Government activities in Venezuela, to those who have a valid license from the Office of Foreign Assets Control, or to contracts related to the American diplomatic mission in Venezuela.

This section also provides exceptions for instances where the Secretary of State determines that the business operations with the illegitimate Venezuelan government are necessary for the provision of humanitarian assistance, disaster relief, other urgent life-saving

also, Fact Sheet, Office of the Spokesperson, U.S. Department of State, Nicolás Maduro: Corruption and Chaos in Venezuela (Aug. 6, 2019), <https://www.state.gov/nicolas-maduro-corruption-and-chaos-in-venezuela-2/>.

¹² Press Release, U.S. Department of Treasury, Treasury Sanctions Nicholas Maduro’s Son for Serving in Venezuela’s Illegitimate Government (June 28, 2019), <https://home.treasury.gov/news/press-releases/sm719>.

measures, noncombatant evacuations, or is otherwise in the national security interests of the United States. It requires that Congress be notified of any exception for those reasons.

Finally, the bill provides that the Secretary of State may waive the prohibition after determining it is in the national interest to do so.

V. EVALUATION OF REGULATORY IMPACT

Pursuant to the requirements of paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has considered the regulatory impact of this bill and determined that the bill will have no regulatory impact within the meaning of the rules. The Committee agrees with the Congressional Budget Office's statement that the bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

VI. CONGRESSIONAL BUDGET OFFICE COST ESTIMATES

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 16, 2019.

Hon. RON JOHNSON,
Chairman, Committee on Homeland Security and Governmental Affairs, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1151, the Venezuelan Contracting Restriction Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Chinmayee Balabhadrapatruni and Matthew Pickford.

Sincerely,

PHILLIP L. SWAGEL,
Director.

Enclosure.

S. 1151, Venezuelan Contracting Restriction Act			
As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on June 19, 2019			
By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Deficit Effect	0	0	0
Spending Subject to Appropriation (Outlays)	0	0	0
Statutory pay-as-you-go procedures apply?	No	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

n.e. = not estimated; * = between -\$500,000 and \$500,000

S. 1151 would prohibit any executive agency from entering into a contract with any person that has business operations with any authority of the Venezuelan government that is not recognized as the legitimate government by the United States.

CBO is unaware of any contracts that executive agencies have with entities associated with the Venezuelan government. CBO estimates that implementing S. 1151 would not change spending by any federal agency.

The CBO staff contacts for this estimate are Chinmayee Balabhadrapatruni and Matthew Pickford. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

Because S. 1151 would not repeal or amend any provision of current law, it would make no changes in existing law within the meaning of clauses (a) and (b) of paragraph XXVI of the Standing Rules of the Senate.