

In an audacious move on the evening of January 2, 2026, U.S. forces entered Venezuela, captured President Nicolas Maduro, and brought him to the U.S. for trial on drug trafficking and other charges. During prior months, the U.S. had amassed a formidable naval force in the Caribbean, gunned down drug shipment vessels, and offered free passage to President Maduro. As the drug interdiction episodes unfolded, few people thought the “end game” would be the physical extraction of a sitting head of state. Clearly, the raid will have repercussions for Venezuela, Latin America, the U.S., and the global geopolitical balance.

History

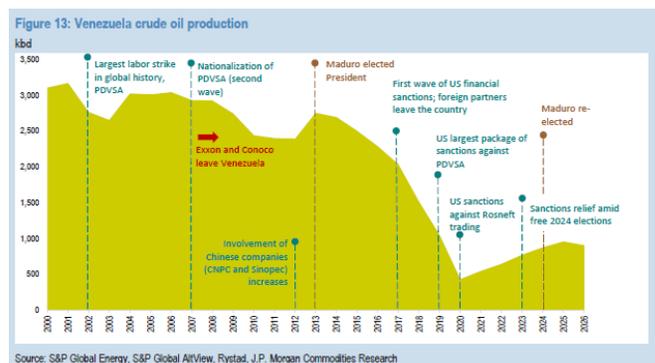
Venezuela has a turbulent political history. During most of the 20th century military leaders exerted power and the country experienced various successful coups in the 1940s and 1950s. Periods of democracy interspersed with periods of military rule prevented the country from establishing durable institutions and democratic governance. Venezuela’s vast oil reserves began to be exploited early in the 20th century and by the 1970s the country was producing about 3 million barrels per day via concessions granted to most of the world’s oil majors. In 1976, the oil industry was nationalized, and all foreign companies were forced to become minority partners in the fields they were operating. The country’s national oil company Petroleos de Venezuela, S.A. (PDVSA) became the majority owner and the de facto manager, with the Ministry of Petroleum (previously Ministry of Mines and Energy), of Venezuela’s hydrocarbons policy.

In 1992, following episodes of domestic protests and violence related to high inflation and economic malaise, Hugo Chavez attempted a coup. He was unsuccessful, arrested, and jailed for about two years. After his release he founded a political party and was eventually elected president in 1998. He took power in early 1999. Chavez, an avowed socialist, aligned himself with other authoritarian leftist regimes like Cuba, Nicaragua, Bolivia, and Russia. After adopting a new constitution, he started eroding democratic guardrails by taking control of the military, the judiciary, and the levers of economic power. Following the autocrat playbook, he deployed thugs to harass citizens and took control of the media. Soon enough, he expropriated private property, including from the remaining oil companies, he nationalized the electric utilities, and he centralized the production and distribution of food, medicine, and other daily necessities.

Chavez died of cancer in March 2013 and was unable to take possession for his 4th presidential term. Vice President Nicolas Maduro took over and ruled until his capture on January 2, 2026. President Maduro’s administration was fraught with accusations of corruption, drug dealing, and electoral fraud. In fact, most Venezuelans believe Mr. Maduro was defeated in the country’s July 2024 presidential elections and he remained in power illegitimately.

Current Economic Conditions

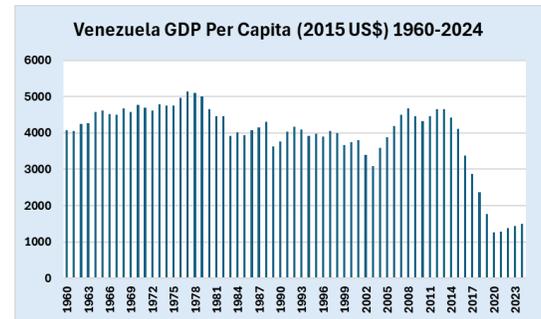
Despite efforts by various administrations to diversify the country’s economy, Venezuela remained completely dependent on oil. Estimates indicate over 90% of the country’s exports are tied to oil and more than 50% of the government’s revenues depend on hydrocarbon extraction and sales. When Chavez took over Venezuela was producing over 3 million barrels of oil per day. After 26 years of mismanagement, corruption, and underinvestment, the country is barely producing 1 million per day. Furthermore,



Source: JP Morgan Global Markets Strategy November 24, 2025

massive budget deficits caused rampant inflation, food shortages, and lack of bare necessities.

Economic sanctions imposed by the U.S. and other western nations played a role in constraining economic activity. However, the decline commenced under the Chavez administration and accelerated since then given rampant corruption, mismanagement, and lack of capital. Furthermore, restrictions on personal freedom and the usurpation of property led millions to emigrate, especially those with wealth and professional skills. Estimates put the exodus from the country at around 8 to 9 million people, or a quarter of the population. It is remarkable that despite losing a quarter of the population, Venezuela's real GDP per capita declined by nearly 60% since Chavez and Maduro took over. IMF 2025 estimates for nominal GDP per capita place Venezuela behind perennially impoverished countries like Honduras and Bolivia, despite possessing enormous mineral wealth. As a useful comparison, in 2000, around the time Chavez took office, Venezuela had GDP per capita of nearly USD \$4,800, while the U.S. had about USD \$36,000. In the IMF's 2025 rank, the U.S. appears at USD \$89,600 while Venezuela declined to USD \$3,100.



Source: World Development Indicators, World Bank

Political Outlook

In July 2024, Venezuela held a presidential election. Despite an overwhelming victory in a primary held in late 2023, the nation's most recognized opposition politician, Maria Corina Machado, was not allowed to run. The country's supreme court, already controlled by the Maduro administration, upheld a previously imposed ban on fabricated fraud and tax evasion charges. Instead, she supported, and helped orchestrate, the candidacy of a well-respected politician named Edmundo Gonzalez. All evidence, including from the Electoral Council's vote counting technology, and many international electoral watch groups showed Gonzalez won in a landslide. Maduro refused to recognize the results, claiming they were fraudulent and forced the Electoral Council to declare him the winner without providing evidence. The U.S. was joined by many other countries in refusing to recognize Maduro as the legitimately elected president of Venezuela. Ignoring civilian protests and external pressure, Maduro declared himself winner and promptly set out to arrest Gonzalez. Gonzalez fled to Spain and Machado was forced into hiding.

The Trump Administration appears to have endorsed a "transitional administration" under the leadership of Delcy Rodriguez, Maduro's Vice President. Another avowed socialist, Rodriguez appears to be acquiescing to Trump's demands regarding the management of the country's oil and other matters. It is still unclear if Rodriguez and other Maduro government officials, including military personnel, are acting out of expediency and self-preservation or a genuine desire to shift course. Either way, the leaders are known to be corrupt, involved in narcotrafficking and willing to use violence to retain power. An ideal outcome would be to lay the groundwork for a new and free election in which the people can elect a person they truly want to lead to county's restoration.

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Geopolitics

After years of global "jockeying," the world's ideological superpowers attempted to exert their influence on other countries to gain political and economic benefits. Through loans, coercion, and often corrupt practices, countries like China, Russia, Cuba, and Iran extended their spheres of influence and dominion over other nations' economies. In Latin America, Venezuela became an ideal target with its mineral wealth and financial dependency.

Maduro's capture and the transitional administration's capitulation to Trump's terms severed arrangements the world perceived to be settled. While much is left to be played out, the U.S. raid made a forceful statement about hemispheric influence and control. Although leaders of Colombia, Brazil, and other Latin American nations expressed their displeasure, it was evident they understood the implications of a geopolitical reset. Exiled Venezuelans were jubilant with Maduro's arrest, and citizens of countries hosting them applauded the possibility that they could return to their country.

It is too early to tell how other nations will react to the Venezuelan incursion. Certainly, the precedent can be used by rogue nations to justify incursions or worse against enemies and neighbors. President Trump's willingness to deploy military force in Venezuela, Iran, and Syria has sent a forceful message that the U.S. will protect its interests. While this may temper near-term actions by some nations, it is easy to envision a proliferation of skirmishes that become impossible to control. Furthermore, autocratic leaders find ways to retain power longer than democratically elected ones. The U.S. has generally preferred diplomacy over force to further its interests and our adversaries know this.

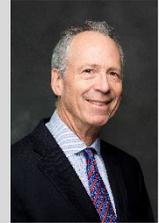
In an ironic twist, and perhaps purely coincidence, anti-regime demonstrations broke out in Iran and amongst Cuban refugees. Last year we applauded the fall of Syria's autocratic ruler, Bashar al-Assad. In our Commentary we noted the opportunity the world had to weaken the grip authoritarian leaders had on their citizens. While Venezuela may not be the worst perpetrator of violence against its people, it ranks high in economic decay and the related humanitarian crisis. Many will disagree with the actions taken by the U.S. in Venezuela, but an entire nation will celebrate if the country can be put on a path toward restoration.



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