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Chair of Geopolitical Scenarios and Political Risk

Chronicle of a Catastrophe Foretold:

The rise and fall of Venezuela through the path of oil

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To mom and dad,

and everything they have done for me.

To Carlo,

my rock.

Introduction

As of today, Venezuela is the country with the largest proven oil reserves of the world. Yet, the economy of the country has slowed down to unprecedented levels, the oil sector is decaying, and refineries stopped working. Standards of living are crippled by food and energy shortages. Around 5 million of Venezuelan citizens fled the country in recent years, hoping to find a shelter and better living conditions in neighboring counties, as well as in the United States and in Europe. How did the Venezuelan context become so tragic?

The research argues that the current situation is the consequence of a deep-rooted, systemic crisis that finds its origins at the beginning of the 20th century, right after Venezuelan oil reserves were discovered. As a matter of fact, the long-term role of the oil industry in structuring the institutional structure of the country will be analyzed, underlining the determining influence that the presence of oil has deployed along the history of Venezuela. The course of history and events will be traced following the oil *fil rouge* and discerning how the valuable resource has been the cornerstone of policies and institutional processes that have shaped the development of the country and slowly paved the path to what it is today.

The first chapter of this work analyzes the events and the institutional changes that have shaped Venezuela throughout the Twentieth century. The evolution process of the country cannot, at any time, be detached from the course of oil. From the early years of the century, with the discovery of valuable subsoil resources, the country undertook a path of rapid development and increasing wealth. Of course, the presence of oil reserves in a country with poor technological equipment was immediately targeted by multinational oil companies. Intense foreign exploitation paired with the Venezuelan weak institutionalization, often despotic, resulted into a scheme of wild concessions on the oil fields from the state in exchange for the profits of producing and selling crude.

Critical junctures such as the First and the Second World War offered Venezuela the opportunity to enter the international scenario and confirm its positioning as prosperous producing country. During the mid-1940s, the country experienced its first taste of democracy with a coalition government which tried to provide the fundaments of both civilian politics and oil concessions regulation. By asserting its interests, Venezuela managed to increase profits and enrich the coffers of the state. Moreover, considerably high oil prices provoked copious waves of wealth that launched the country at the top of international ranking for modernization and luxury. Behind the splendid façade, however, several issues were paving their own irreversible path. The Venezuelan economy was completely oil-oriented; agriculture was neglected, and staples had to be imported; any productive activity became unnecessary, as the state provided jobs and services. This tendency of the government to subsidize every aspect of life fomented a circle of critic unproductivity and corruption. It seemed that everything was possible for Venezuelans. But when oil prices began to dwindle, Venezuela went down into pieces. By the end of the 1980s, the country entered the worst recession period in its entire history.

The second chapter examines the rise of Hugo Chávez and his innovative vision for the country. He promoted the Bolivarian Revolution, that entailed the launch of the Socialism of the 21st Century, a radical rupture from the previous institutional order. The years of Chávez were marked by an oil-boom period (2002-2008) that contributed to enhancing the project that the leader had for his homeland. The President relied on high oil revenues to implement new policies aimed at reducing poverty and inequalities. On the other hand, he squandered the fortunes of the country without reasoning about their sustainability or future impact.

The third chapter analyzes the international projection of Venezuela under the administration of Chávez in relation to the generous oil bonanza of those years. With Chávez, Venezuela affirmed its position as leader of regional integration and vibrant promoter of initiatives of South-South Cooperation, as opposed to the traditional system of North-South Cooperation. The main tool of Venezuelan ambitions was oil. The first decade of the 21st century saw oil diplomacy reach its peak in the Latin American and Caribbean region thanks to the launch of several projects that encompassed the selling and exchanging of Venezuelan oil for goods and services. Several agreements were ratified that helped deepen the ties of the Bolivarian Republic in the region and strengthen its position as a powerful geopolitical center.

In the fourth and last chapter, the current situation of Venezuela is addressed as a multifaced crisis that comprises several critical levels. The framework employed in the last chapter attempts to examine each aspect of the crisis separately from the others, although they are all deeply intertwined and interrelated. Initially, the political aspect is briefly explained in order to illustrate the gridlock that is deteriorating Venezuelan politics. The challenge between the ruling government of Maduro, deemed illegitimate by a great part of the international community and Venezuelan citizens, and the interim President, opposition leader Juan Guaidó, has provided nothing but further instability, fibrillation, and detrimental dynamics. Consequently, the humanitarian crisis is presented, along with the humanitarian concern of the international community for the health and protection of the Venezuelan people. The steep decline in living standards of the latest years, has pushed Venezuelans to flee to other countries. The copious flows of migrants and refugees in neighboring countries have caused an increasingly destabilizing context in which countries are struggling to cope with the issue. Afterward, the economic context is described in the wake of a collapse of prices since Maduro took office in 2014. The termination of a period of oil bonanza unveiled years of economic mismanagement and unsuitable fiscal policies that left the country with an unbearable debt and a shattered financial outlook. Additionally, economic sanctions from the United States have worsened off the situation, barring the country from engaging in financial transaction with external entities and blocking the export of oil, the only Venezuelan source of revenue. The isolation of Venezuela sought by the U.S. diplomatic strategy has been partially circumvented thanks to the support of Venezuelan allies such as Cuba, Russia, Iran, and China, which have provided both financial aid and subsistence. The most impacted sector has obviously been the oil industry. After the sanctions system entered into force, it has been progressively more difficult to export oil. Hence, production declined, maintenance on refineries stopped and the industry is lacking essential products and resources to continue its activities.

Hopes for the future of Venezuela lie in the will of the contending parts to find a negotiated solution to the political gridlock and overcome the impasse that has been causing detrimental consequences on the population. The international community could assist the transitional process and monitor the framework under which it would take place. As of today, the expectations for a negotiated solution are low. New parliamentary elections are being called by officials of Maduro for the next December 2020. This move is a clear attempt at conquering the only democratic herald left in Venezuela, the National Assembly. The Guaidó-led opposition has vehemently opposed the decision, claiming the impossibility of holding free and fair elections. Developments in the next few months will be crucial.

Chapter 1: The oil factor during the 20th Century

1.1 Shaping Venezuela: from rural wasteland to petro-state

Venezuela, for the first years of the twentieth century, appeared as a vast rural land where agriculture represented the main economic activity and illiteracy was widespread among the population. The country was led by the strongman Juan Vicente Gómez, a wealthy, longsighted man who had promptly decided to seize the power forcibly in 1908 while the president, Castro Cipriano, was on a trip to Paris. Five years in his presidency, life in Venezuela took a favorable turn: in 1913, the first oil field was discovered in Venezuela by the completion of the drilling of well Burbui 1 in Guanoco. The operation had been guided by the Caribbean Oil Company, a subsidiary of Dutch Royal Shell and majority owner of the transnational New York & Bermudez Company. As geological exploration continued in order to find other subsoil oil reserves, the companies were finally able to discover the deposit of Zumaque [1], where a 135-meter-deep well was successfully drilled until the precious oil spewed. The outflow of oil from well Zumaque reached an initial production rate of 250 barrels a day, determining the identification of the first Venezuelan oil deposit of world relevance, the Mene Grande. Oil was a blessing for the dictatorship of Gómez.

The oil industry had started in the United States, more specifically Pennsylvania, about sixty years before and in after few years from the discoveries, Venezuela turned into the second-largest oil producer after the US and the first oil exporter worldwide. Soon enough, Venezuela was treated as the personal property of Gómez, the President being the landlord. He would control every aspect and business transaction related to oil, use the revenues to build his personal fortune and, at the same time, empower the state treasury. For instance, Gómez directly arranged concessions to foreign

[1] The well of Zumaque was named after the indigenous word for a shrub that used to grow in the location of the drilling.

companies in order to search for oil without paying taxes or royalties but demanding in turn back-up for his dictatorship. This tendency was enforced in 1922 when Gómez let the representative of the major oil companies present in the country (Shell, Standard Oil and Gulf) redraft the existing oil concession provisions and tailor the new one to their better interests. The Petroleum Law designed in 1922 allowed foreign investors to harness oil resources for unlimited amounts and long periods of time.

Incipient revenues from oil exploitation radically changed life for the population: roads and infrastructures were built; the first banks were created, and workers of the oil field were rewarded with considerable high wages. Another consequence of incoming oil revenue came forth by 1930 as the Great Depression kicked in worldwide. Venezuela experienced a sudden appreciation of the bolivar against the dollar making the currency of the country one of the strongest of the world. Moreover, the United States had decided to further weaken the dollar, reaching the point to which the dollar was worth less than half of the amount that it was worth in the early 1930 in relation to the Bolivarian currency[2] . Even though a strong currency was 'very popular politically' (Gallegos, 2019), it meant disastrous repercussions for the agricultural and manufacturing sector. Their products had become prohibitively expensive for importers to buy and for local consumers to purchase. On the other hand, imports of every kind of product resulted to be the most convenient choice for Venezuelan consumers. The rural sector sunk as landowners sold their fields and sought occupation in the emerging third sector- finance, real estate, economic negotiations-, while peasants migrated to the cities and reversed on the oil sector. According to several reports conducted by advisers of the US State Department, Caracas, the capital, had become one of the most expensive cities of the world due to its overvalued currency. Every sector, product, and factor remuneration heavily depended on the growing oil wealth. As Raul Gallegos finely noted in *Crude Nation*, Venezuela was living the first steps of what would be widely known as the Dutch disease[3]: a paradoxical circumstance in which the discovery and

[2] In the first period of the 1930s one dollar was worth 7.75 bolivars.
[3] The expression was coined in 1977 by The Economist magazine, in reference to the crisis that had hit the Netherlands after the discovery of massive natural gas deposits in Slochten, in the province of Groningen, in 1959.

exploitation of a natural resource in a country boost the earnings proceeding from that sector and, at the same time, destroy a country's broader economy.

However, the Venezuelan economic upsurge did not last long. The country had stayed afloat during both World War I and the Great Depression thanks to the overvaluation of the bolivar. But it did not get as lucky when World War II approached. The disruption of global trade and business relations dragged the Venezuelan economy into a deep crisis since it was extremely import-reliant, and several products were no longer available on the international market. The response of the government, at that time guided by President Isaías Medina Angarita- former Minister of Defense- was to impose price limits on transportation services and on basic consumers' goods. But the real challenge consisted in facing the foreign oil companies that had taken advantages of the ill-gotten concessions arranged with Gómez and had continued drilling and pumping crude undisturbed for many years. The people of Venezuela, now conscious of the valuable potential of crude production, claimed more favorable terms for the country that was hosting those operations, as well as a just repartition of the wealth originating from them. Thus, President Medina started negotiations with the firms and sought support of the American President F.D. Roosevelt, asking him to play the mediator between the interests of Venezuela and the ones of the companies[4]. There were important background reasons for which Roosevelt could not afford to refuse. In 1939, Venezuela had signed the Treaty of Trade Reciprocity with the United States, based on the fact that the latter was the first trading partner of Venezuela (Grisanti, 2015). It encompassed a reduction by half in the levies imposed by U.S. Customs to the imports of crude oil from Venezuela, while the United States erased quantitative restrictions up to 90 percent of the exports of the country. During the War, Venezuela offered a substantial help to the Allies and actively contributed to their victory by providing them with energy supplies, accounting for a production of 563.000 barrels per day (Grisanti, 2015). Along with the concern of Roosevelt of promoting democratic values to neighboring countries, there was also a strategic vision underlying his decision to honor

[4] The Standard Oil from New Jersey and the Dutch Royal Shell were the main companies producing in Venezuela.

the requests of Medina. As a matter of fact, Mexico had nationalized its oil sector in 1938 and the US administration could not let the same to happen in Venezuela (Gallegos, 2019). The Roosevelt Administration made it clear that, in any controversy with Venezuela that emerged from the reluctance of the companies to adapt, the Standard Oil (the main American oil company operating on the field) could not count on the support of Washington. The companies recognized the importance of doing business in the country and feared the possibility of losing their position. For this reason, they soon agreed to comply with the requests of the local government. To facilitate talks, the US, under the proposal of Under-Secretary of State Sumner Welles, recommended the names of independent consultants to the Venezuelan government, among which figured the name of Herbert Hoover Jr., son of the former president and acclaimed geologist, who could help the country strengthen its negotiating position with regard to the companies.

The legacy of this period is well enshrined in the Petroleum Law. In 1943, President Medina appointed a commission with the task of drafting a new set of oil regulations. The legislative framework that emerged was considered an historic, stable accord aimed at encouraging foreign investments in the country by the endeavoring of legal security and the strengthening of contractual stability towards the concession holders. The revision of the pre-existing hydrocarbon legislation encompassed a fifty-fifty profit-sharing deal with the oil companies, so that Venezuela was able to benefit for half of the companies' net profit through the imposition of royalties and taxes on oil extraction and production activities. Venezuela understood that it had the power of bargaining the conditions of oil concessions, in order to intensify taxation on foreign companies when the country was in need. As the expert Larry Lynn Karl wrote in the seminal work *The Paradox of Plenty*, Venezuela had officially transformed in a petro-state[5].

1.2 The Trienio (1945-1948)

[5] A petro-state is a country whose economy is extremely dependent on the extraction, production, and export of oil. It usually presents a malfunctioning public sector and unaccountable institutions. Economic and political power in petro-states is heavily concentrated in the hands of an elite.

The years of Medina came to an end in 1945 when a small group of the military ousted the President and made him go into exile. That event marked the beginning of the *Trienio*, a period of three years (1945-1948) during which the fundamentals for new civilian policies and management strategies were established. The power was seized by a revolutionary junta led by a vibrant lawmaker, Rómulo Betancourt, who had fiercely opposed the previous government. Betancourt was the leader of Acción Democrática (AD), a new political organization that had been founded in 1941. AD was the leading force of the coalition, since it had managed in a short period of time to define its structure, transitioning from an unorganized exiled student movement to a hierarchical, well centered organization with a charismatic guiding elite on top (Buxton, 2019). Along the process, AD confirmed its expansion through actions that represented the premature appearance of alignment and fusion between state and party interests

As Minister of Development, the coalition chose Pérez Alfonzo, a lawmaker who had strongly opposed the fifty-fifty deal because it did not actually benefit Venezuela with the expected returns. Thus, he arranged the redivision of rents by levying new taxes to balance the losses of Venezuela and strived to capture part of the revenues accrued from the downstream sectors of the industry: refining, transportation, and sale. The pursuit of these objectives allowed a considerable amount of wealth to be collected in the national treasury. By 1948, the income of the government experienced a six-fold increase in comparison to what it was in 1942. Oil constituted around the 60 percent of the income of the government; the economy was practically based upon oil earnings. Under Betancourt, the fifty- fifty was strongly secured to the Venezuelan legacy. It is also worth noting that the government had been able to export the fifty-fifty principle to the Middle East. In fact, Pérez Alfonzo realized that it was more convenient for oil companies to do business there and it represented a serious threat for Venezuela. A delegation of the Venezuelan government flew to Saudi Arabia to promote the adoption of the deal and raise their taxes. Obviously, this move was not made out of pure generosity. On the contrary, it was staged as a strategic approach in order to equalize the terms of doing business both in Venezuela and in the Middle East and avoid the latter to be more attractive for foreign investments.

During the *Trienio*, further steps in the democratization process of the country were achieved. In 1946, the revolutionary AD-led junta appointed a national constituent assembly whose task was to redraft the existing constitution. The new fundamental chart envisaged the adoption of universal suffrage, the extension of labor rights, as well as the regulation of social and rural organization. A year later, Venezuelans elected their first democratically chosen leader, Rómulo Gallegos. But the prosperous years of the *Trienio* abruptly came to an end in 1948, just eight months after the election of Gallegos. A military coup formed by the same unsatisfied faction that overthrew Medina three years before ousted the government of Gallegos by what was later known as the 'telephone coup', since Gallegos was alerted by phone that the military had occupied the presidential palace (Gallegos, 2019). Acción Democrática was forced to flee, and its leaders were imprisoned. The coup represented a disruption of the path that the previous government had tried to settle through deep changes and compromises. Even the oil companies found that to be disappointing[6] since it threatened to eradicate both the progresses made in creating a solid relationship with the democratic government and the advancements achieved in establishing the terms for business.

For the purpose of this research, it is relevant to highlight some of the consequences that, according to Buxton, emerged from the dominance and trajectory of AD during the Trienio and negatively influenced the institutional path of the country (Buxton, 2019). Firstly, the Venezuelan state continued to act as a landlord, a rentier organized structure in which the national income was generated by the redivision of the profits of foreign-led activities and through the levying of taxes. Hence, the state could afford to merely hold the monopoly over its subsoil resources and deliberately decide not to invest in productive activities. Secondly, the parallel course of democratization and favorable oil regulatory policies promoted the idea among Venezuelans that citizenship came along with a distributive obligation of the state. Moreover, oil revenues allowed AD to avoid fiscal policy debates and perpetrate its *policlasista* approach by reconciling incompatible class claims within a

[6] Arthur Proudfit, representative of the Jersey's Creole in Venezuela, declared the coup to be 'disheartening and disappointing'.

moderate, centrist policy method. Similarly, problems of re-distribution in a wider context of inequalities of land, resources and influence inherited from the colonial past were circumvented, favoring instead the interests of ‘white-gloved’ upper-class people, mighty landlords and powerful business families[7].

The coup signed the beginning of a 10-years hiatus that meant the returning of military control and undemocratic dynamics. Nonetheless, the years of the *Trienio* proved to be crucial in changing the society and political scenario of Venezuela through groundbreaking measures and organizational features that would endure upheavals and events and predict that democracy would prevail again.

1.3 Rise and fall of a dictator

Since the coup of 1948, a military junta ruled the country. Among the faction of young officials that staged the overthrow, one in particular managed to stand out: General Marcos Pérez Jiménez. After few years of guiding the junta from behind, in 1952 he seized the power by fixing the outcome of the elections and eventually proclaiming himself the President of Venezuela. The dictatorship of Pérez Jiménez, which officially lasted for five years and two months, was a period of political repression and strong statal intervention in the public and private life (Da Silva P., 2013).

From the economic point of view, instead, Venezuela was living a prosperous moment. Since the end of WWII, the demand of oil had increased globally to sustain the economic postwar upsurge and geopolitical conflicts in the Middle East had caused an increase in oil prices. As a consequence of remarkable events, such as the nationalization of the oil industry in Iran in 1951 and the one of the Suez Canal by the President of Egypt Nasser, copious flows of oil revenues poured into the treasury of Venezuela. During the regime of the dictator foreign investments had tripled in the country (Coronil, 1997). Companies could easily invest, collect their profits, and take them home in hard currency. Pérez Jiménez had no interest in raising taxes. Income tax rates were extremely low, and so they were for oil companies, which were

[7] i.e. the Vollmer, Boulton, Phelps, Blohm, Mendoza and Delfino families.

exempted from the pressure of a further tax increase. The government objective was rather production- oriented; the bestowal of concessions to greedy oil firms expanded and, reversely, oversight upon the companies' work shrank, allowing them to declare a lesser amount of oil than they actually produced and sold. (Coronil, 1997). The dictator was strongly motivated to give Venezuela a prominent role in the international scenario by transforming the country into a modern nation. Firstly, he changed the name of the country from United States of Venezuela to Republic of Venezuela. Then, he founded brand new state-owned companies that embraced every industrial sector (from steel and aluminum production, to the acquisition of mining and petrochemical branches). At the same time, he promoted a great plan for public works, like schools and hospitals. He also completed the construction of several roads, freeways[8], viaducts, and tunnels that traversed the mountains, getting the plaudits of both Venezuelans and foreigners. However, the biggest animosity of Pérez Jiménez was directed at the construction of luxury hotels that would catch the interest of foreign visitors and investors in the broader environment of a modern Venezuela. The military also benefited from the grandiosity ambitions of Pérez Jiménez. He honored his category with a renewed military club that included all sorts of comforts: marble floors, a movie theater with a 450-person capacity, two pools, a gymnasium. It was the indisputable symbol of the power that the military had acquired in the institutional hierarchy of the country. Moreover, the luxuries of Venezuela attracted the first flows of immigrants from continental Europe (France, Spain, Italy, Portugal) who were leaving their war-torn country in search of a new life beyond the ocean.

The splendor did not last long. Venezuela was affected by poverty and inequality. As Karl reported in the *Paradox of Plenty*, during the regime of Pérez Jiménez, the 2 percent of Venezuelan society held half of the national total income. The administration was inept and corrupt; the lavish projects of the dictator turned out to be inefficient and wasteful. Public disaffection spread among every social stratus. The low-income class was disappointed with the cuts in social spending, while the business class felt betrayed when

[8] The most famous roadway was the one that connected the capital of Caracas with the airport in La Guaira, by the coast. It measured nearly 170 kilometers.

the President decided to reduce corporate subsidies. However, the despot was holding on to its position and showed no intention of letting it go. When in 1957 the premises of the scheduled elections threatened to obstruct his protraction in power due to a common discontent, he turned the elections into a simple plebiscitary decision to confirm its administration. That is when part of the military, especially the navy and the air-force, unhappy with the President's favoritism towards his army underlings and extreme dissipation of the government budget, forced him to resign and flee the country.

1.4 Let there be democracy

The overthrow of Pérez Jiménez did not mean an automatic return to civilian politics. After a long tradition of despotic rule Venezuela was not ready for such challenging task. Apart from the three years interlude (1945-1948) where a democratic attempt was encouraged by the work of Acción Democrática, the country was used to political instability, mostly typified by strongmen, and repeated coups. Venezuelan had learnt how to take advantage of an oil-dependent economy. The overvalued bolivar allowed them to import any kind of product; they enjoyed low taxes and cheap refills of gasoline and relied on profuse government subsidies. Therefore, a democratic framework was not their priority when political debate opened. This was the scenario that political leaders had to struggle with after the coup. The political parties that were banned by Pérez Jiménez remerged in a spirit of cooperation and unity. In fact, the result came along in the form of a pact between the three main parties of the country. It was known as the Punto Fijo Pact and brought together the political objectives of Acción Democrática, the Christian Democratic Independent Political Organization Committee (COPEI), and the central leftist Republican Democratic Union (URD). Only the Communist Party of Venezuela was excluded from the coalition since the Cold War was already forcing countries to choose sides. The interest of Venezuela was to ensure and foster American investments in the country. Thus, the communist participation to the new government had to be prevented. The tripartite agreement envisaged the respect for electoral results, the redistribution of cabinet posts in an equal manner among the participants and the pursuit of similar objectives in business policies. In 1958, Rómulo Betancourt, the leader of the democratic revolutionary junta of the Trienio, was elected President of Venezuela. In his previous government, he had asked Pérez Alfonzo, as Minister of Development, to address the issue of raising taxes for oil companies and improve the profits for Venezuela. This time, he called him back to occupy the recently created position of oil minister. After more than ten years away from his country, he could not help but notice the noxious dynamics of an economy and institutions that relied uniquely on oil riches, promoting a culture of neglect and waste (Gallegos, 2019). Nonetheless, he was firmly convinced that Venezuela should have the last word on how the oil industry was managed and oil reserves exploited. During the years in exile, he focused on the study of the oil business, trying to find the way of putting Venezuela in control of the production and sale of its oil. He was concerned that the Seven Sisters[9], the seven most powerful transnational oil companies at that time, dominated the 80 per cent of the petroleum industry worldwide. Working cohesively as a cartel, they were able to decide the amount of oil to produce, the destination of the sale and the prices on the market. The group was so powerful that it could impose extremely low prices in order to damage oil-rich countries. Moreover, in the late 1950s, a lowered worldwide oil demand worsened the position of Venezuela among the producing countries. The contraction of the demand curve triggered in the United States the adoption of an oil import control program, which was made mandatory by President Eisenhower in 1959 through an Executive Order. The reason behind this decision was to protect domestic producer from the decline in oil demand worldwide. However, the program of quotas did not include Canada, which could continue to ship oil in the Unites States at a normal pace. The effects of this action were amplified by the announcement of further restrictive measures against Venezuela's sales in 1960.

[9] The Seven Sisters included the Anglo-Iranian Oil Company (originally Anglo-Persian; now BP), Royal Dutch Shell, the Standard Oil Company of California (SoCal, later Chevron), Gulf Oil (now merged into Chevron), Texaco (now merged into Chevron), Standard Oil Company of New Jersey (Esso), Standard Oil Company of New York (Socony, later Mobil, now part of ExxonMobil).

As a response, Pérez Alfonzo promoted the idea among other producing countries like Saudi Arabia, Iran, Iraq and Kuwait of a secret agreement intended to protect oil prices from the abusive power of the foreign companies, establish state-owned oil companies, and increase the share of profits for national governments by imposing a sixty-forty deal in their favor. The turning point arrived in 1960 when the Seven Sisters agreed to a dramatic reduction of the price for crude. It was by then that the five aforementioned oil producing countries give birth to the Organization of the Petroleum Exporting Countries (OPEC), a permanent intergovernmental organization emerged as the result of the Baghdad Conference held between the 10th and 14th of September 1960. The objective of OPEC was to co-ordinate and consolidate petroleum policies among Member Countries, in order to assure fair and stable prices for oil producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry (Opec.org, 2019). Venezuela, endeavored by the diplomatic accomplishment of Pérez Alfonzo, was practically a founder of the most prestigious cartel of oil exporting countries.

As the accord flourished in the Middle East, Betancourt was leading a country that was performing an outstanding economic growth at a pace of 5 per cent per year. The urban areas were flooded with people migrating from the rural fields. As the cities filled with fancy buildings and skyscrapers, the peripheries prepared to harbor the poorest sections of the social hierarchy. The agricultural sector was the most impacted from those changes, since people had no interest in working the lands, up to the point that the governments had to resort to imports of basic goods such as corn, rice, wheat and eggs. Nonetheless, the Venezuelan economy was still too fragile and too little diversified to employ a greater part of the population. Thus, the government had to intervene by subsidizing and providing jobs and services to lower income classes. The amount of social spending, which included subsidies in education, sanitation, health, reached in the 1970s the 31.4 per cent of total government spending, almost six-fold of what it was under the rule of Gomez (Karl, 1997). In some sectors, such incipient interventions turned to be unproductive and detrimental. The more Venezuela invested in health, the more infant mortality rose, and life expectancy worsened. As the scholar Arnoldo Gabaldón put it, “it was one of the strangest phenomena in the history of health. The more money was spent, the less progress was obtained”.

High levels of public spending generated an apparently commendable growth cycle based on demand-led expansionary policies. This in turn secured popular loyalty to AD and COPEI and the confidence of elite groups in political settlements. The pacted democracy of *Puntofijismo* succeeded, in its own peculiar way, in stabilizing the political scenario of the country but also institutionalized the convergence of power in the hands of a restricted elite, dominated by the President, whose final word was crucial in the distribution of favors and money. The government especially retained a firm control on oil riches and determined who was granted access to them. Accordingly, oil rents substituted political accountability: the government would distribute wealth and avoid taxing its citizens and they would let it pursue its political and economic strategies. Only one group in the society could not benefit from the favors of the government and was the same group that opposed resistance to the pacted democracy: the communists. They had been alienated from the leadership and marginalized in the building process of the pacted democracy. In the 1960s, the Revolution inaugurated by Fidel Castro in Cuba galvanized their cause and inspired them to take up arms against the government. They tried to sabotage the system by compromising oil pipelines, kidnapping cargo ships, and bombing popular buildings. Still, leftist resistance was uncapable of stopping Caracas from blossoming with luxury shops and hotels. The oil business in the early 1960s was as thriving as ever, despite the attacks. [10] Venezuelans instead were far too involved in the corrupted system that lured them with a strong purchasing power and subsidies. Lastly, the military was

Table 15.2 *Venezuela's oil output 1956–72*
(000 *b/d, annual average*)

1956	2,463.5	1966	3,369.9
1960	2,846.6	1968	3,605.5
1962	3,200.0	1970	3,706.8
1964	3,391.8	1972	3,227.4

Source: US Department of Energy, *Energy Statistics*, 1972.

Figure 1 Venezuela's oil output 1956-72

[10] See Figure 1. Source: Philip, G. (1982). The nationalization of oil in Venezuela. Oil and Politics in Latin America, p. 295

concentrated in hindering the guerrilla assaults from the leftist factions to actually supervise the government.

The victory of AD in the 1963 elections came as no surprise. The administration of President Leoni was focused on ensuring an essential continuity in oil policy and was followed by the creation of another government coalition. In the wake of Pérez Alfonzo, the administration tried to raise tax rates for foreign companies; they showed, however, unexpected resistance, forcing the government to face a period of internal crisis. This event was mostly due to changed conditions on the international market compared to the early 1960s. Two specific reasons seemed to be strongly related to this dynamic. First, an oil glut caused by international oversupply made oil prices drop, along with 'posted prices'[11] of the concessionaries. The posted price was the price of oil that concessionaries issued on the marked and used as a reference for future transactions. Thus, the posted price determined the volume of revenues for both foreign oil companies and oil producing countries, according to the fifty-fifty redistribution principle. Venezuela did not have a system of tax reference standards, therefore its business relied on the price at which crude oil was sold on the market. This system was very costly for Venezuela since depended on several factors and was open to wide fluctuations. As a matter of fact, in 1965 total government revenue from oil had declined in the face of company price cutting. Moreover, thanks to technological advancements, capital expenditure from oil companies sank steeply after 1959 with the result that the value of the oil settlements also dropped off. In 1958 the oil firms had produced 2.6 million barrels of oil per day from capital valued at $2,302m.; in 1966 they reached an output of 3.4 million barrels daily from $ 1,922m. of invested capital. Company profitability escalated as rates of return on capital increased from 16.8% in 1958 to 31.11% in 1966. These substantial changes were the reason behind the adoption of a substantial tax package in 1966 by the Leoni administration. The government in fact set a tax reference standard for future use and for back-taxes[12], and also a selective tax on profits of more than 15% on net assets (Philip, 1982). Rapidly, an opposition front emerged to stop the

[11] Posted prices consist in the prices at which market actors are willing to buy or sell a particular commodity.
[12] Taxes owed for prior commitments.

embracement of such unfavorable terms. It was composed by the right-wing parties, the oil companies and Federcámeras, the lobby of businessmen. They all put great pressure on the administration, which soon offered to renegotiate. Finally, an agreement was reached on all key points. The companies concurred to pay a total of $ 155m. in back-taxes over a five-year period. The government would set tax reference prices but would not further meddle with the business action of the companies. The selective tax was withdrawn but the ordinary tax on profits was raised so than the government would gain 3 percent to its own profit share.

1.5 Saudi Venezuela and its demise

The discourse of bargain between governments and oil companies was a constant feature in the history of Venezuela since the discovery of its valuable resources. The negotiation intensified during the 1960s and in the early 1970s, as the balance of power in the international oil business began to shift from the dominance of oil companies to the interests of oil producing countries. However, the situation changed in 1973, when an unexpected shock hit Venezuela and the entire world. In October of that year, Arab oil producers announced an embargo of oil transferred to Canada, the Netherlands, the United Kingdom and the United States in response to the support they offered to Israel in the Yom Kippur War. The embargo lasted five months and had great repercussions on the entire Western hemisphere. During this period oil prices reached astounding high levels. Venezuela saw the profits earned from oil triple in one year, up to US$ 10 billion. Pérez Alfonzo, who no longer held the position of oil minister but whose prominence was still recognized, warned the country that such incontrollable flow of petrodollars was excessive for the broken Venezuelan economy to absorb. He suggested to cut oil output and control state spending in order to allow the country to digest the wealth inflows. The presidential elections of 1973 brought to the forefront of the unstable stage of Venezuela the charismatic figure of Carlos Andrés Pérez, energetic representative of AD and eager to solve the question on how to manage the enormous revenues from oil. In fact, he immediately asked the Congress to grant him special powers to legislate by decree and save time in administering the money. His objective was to handle "abundance with a mentality of scarcity" and to use the oil bonanza as a tool to pursue economic development and international recognition. The overabundance of liquidity allowed the adoption of higher wages, the creation of new social services and jobs wherever there was a possibility. The cash in circulation, however, amounted to three times the economic growth rate of the country. Therefore, the difficulty in absorbing the money translated into an increase of prices. The first year in office of Carlos Andrés Pérez experienced the doubling of inflation to 11.6 per cent. A large part of the population could no longer afford to buy basic goods, thus the President established fixed prices for a basket of products to fix the issue.

Inflation was out of control, in a way that people realized that the money they had decided to save in bank accounts had lost its value. It was clear that spending money was more cleaver than keeping it in the bank. Venezuelans had once again the opportunity to import the finest products from Europe, invest in luxury items and exotic restaurants. Caracas was renowned as one of the most elegant destinations of the world to the extent that Air France appointed a supersonic jet to fly from Paris to the Venezuelan capital in only six hours. The extravaganza of the 1970s was worth the people of Venezuela the epithet of "Saudi Venezuelans" for their taste for expensive things and disproportionate consumerism.

As far as the oil industry was concerned, the President moved to nationalize the oil sector, as himself had promised to do 'within two years' from his election. For this purpose, he appointed a commission to explore ways to nationalize the oil industry and also to address the claims of the opposition. In the meantime, in 1974 the government nationalized the iron industry as a kind of experimental attempt before the more complex oil question was faced. In December 1974, the government issued the draft for the nationalization law, which was approved by the Congress eight months later and finally made effective from January 1st of 1976. It envisioned that all prior concessionaries would be replaced by new oil companies, which in turn would be directed by a holding company owned by the state, Petróleos de Venezuela, or PDVSA.

They would maintain the structure and functions of the transnational companies that had worked there previously, and also the Venezuelans employees that previously covered a leading position. This move permitted some sort of continuity with the period of the monopoly of foreign companies since the leaders of the newly created state-owned companies had spent their formation years in the multinational corporations.

The relationship between Venezuelan democratic governments and oil foreign companies, however, did experience some problems along the year. The relatively smooth 1958-73 period was doomed to be finite. Oil companies continued to carry out investments they had already arranged, but production was certainly going to fall due to a prior imposition of taxes from the government. Indeed, between 1971 and 1974 disinvestment grew in Venezuela and output dropped off sharply. By the beginning of the 1970s these problems became part of bigger changes in the international markets; Venezuela, leader of OPEC and supporter of the interests of producing countries, resumed control on the pricing of oil, as well as on the explorations and sale. Between 1970 and 1975 the situation in Venezuela evolved quickly and the nationalist cause emerged as the winner. By that time, oil companies stopped investing in a sector that soon would be controlled by the state and decided to compromise.

In the 1980s, the abundance of the previous decade began to vanish. In fact, the oversupply of oil on the international market had caused a decrease in demand and a drop off in prices. Venezuelan earnings from oil also dwindled but the government seemed not to care. In decades of rising oil prices and copious wealth accruing into the state coffers, neither the leading class nor the rest of Venezuelan had stopped to reason about the concrete possibility of an economic downturn. Thus, when the crisis hit, nobody was ready to respond. The president in charge at that time, Luis Herrera Campins, instead of opting for austerity measures to cope with the critical situation chose to encourage the public spending by allowing the debt of the country to quadrupled with foreign and domestic banks (De Krivoy, 2002). Then, he plundered the savings of the oil state-owned company, Petróleos de Venezuela, taking around US$ 6 billion. Campins finally ordered to devaluate the bolivar against the US dollar on the day that was later known as the Black Friday. In 1983, Venezuela experienced its first currency crisis since Venezuelans, eager to maintain the value of their savings, started exchanging bolivars into any other hard currency. Therefore, President Campins imposed capital controls, restricting the ability of the citizens to acquire foreign currencies. He funded RECADI (Oficina de Régimen de Cambio Diferencial), a system of supervision of currency exchanges, and established that it should sell the dollar reserves at two different exchange rates, 4.3 and 6 bolivars per dollar.

Venezuelans did not fully understand the real danger ahead. They were accustomed to a lavish way of life, in which there was no need to invest in productive activities. In the end, it was more rewarding – and effortless- to wait for the spoils of the government. Campins was forced to face the problem: the state could no longer distribute jobs and subsidies. Venezuelans turned to RECADI to obtain, through corruption, more dollars than they were meant to. Holding dollars represented the only opportunity for them to survive by importing goods, from food to raw materials. In this downward spiral, RECADI became the center of a huge corruption scandal under the presidency of Jaime Lusinchi, who took power in 1984. The institution was discovered to sell dollars at the preferential rate, which was meant to allow imports of basic goods, to Venezuelans who sold them instead on the black market for several more bolivars.

In 1988, inflation in Venezuela reached 35 per cent. Once again, controls on prices of essential products were introduced and saving money in bank accounts was risky. As basic goods disappeared from the stores and materialized in the black market, protests increased. In 1989, unrest among Venezuelans grew to the point of taking a bloody turn. In the same year, Carlos Andrés Pérez was called once again to guide the country, in the hope that he would know how to bring Venezuela back to the splendor of the early 1970s. But the years of plenty were over and Venezuela was running out of money. The country was so indebted that, at one point, it was compelled to use around 40 cents of any dollar gained from selling oil to pay its debts (Karl, 1997). The worst recession in Venezuelan history was experienced in 1989, as gross domestic product contracted by 9 percent and inflation topped 84.4 percent[13]. Contrary to what was expected, Pérez announced a package of hard measures (locally known as the *paquete*) to be adopted immediately and asked the International Monetary Fund to open a financial lifeline. RECADI was dismissed and the exchange rate was freed. Consequently, the bolivar's value fell by 61 percent against the dollar, making prices of consumers' goods spike. The government could no longer afford to subsidize services. The cost of electricity and gasoline increased by 100 percent and it was an expense that Venezuela had never had to bear. Protests spread all over the country and lasted for ten days during which cars were destroyed, buses were set on fire and riots increased. Those infamous days were later recognized as *El Caracazo*, named after the city which suffered the most: Caracas.

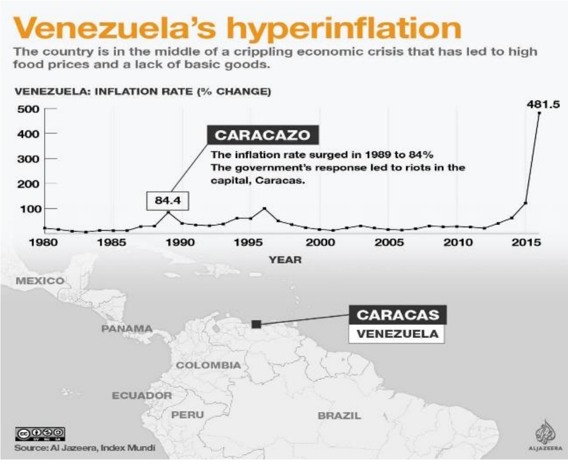


Figure 3 Inflation rate in Venezuela in 1989

For the first time, Venezuelans became aware of the condition of profound uncertainty they were living. However, the wound was still too fresh for them to rationalize the causes of such dramatic turnout. Thus, they pinned it on the system of rampant corruption and bribes that had involved both politicians and citizens. President Lusinchi was forced to flee the country after the scandal of RECADI, tormented by corruption charges. One can ultimately deduce that corruption constituted a significant part of the demise of Venezuela, but it did not represent the main factor. Economic mismanagement of resources and oil revenues was the real issue haunting Venezuela. Previous governments, without distinction between military juntas and democratic coalitions, had never explored the concept of saving

[13] See Figure 2. Al Jazeera News (2017). Venezuela's worst economic crisis: What went wrong? [online] Aljazeera.com. Available at: https://www.aljazeera.com/indepth/features/2017/05/venezuela-worst-economic-crisis-wrong-170501063130120.html

money for future less prosperous years. Instead, they all spent wildly with oil prices on the rise.

The second mandate of Pérez was considered to be the most dramatic in Venezuelan democratic history. In 1992, the military attempted twice to overthrow the government. Although the coups failed, they demonstrated that unrest in the country was growing and the military was ready to take the reins. The life of Pérez was spared but his empire was crumbling. A year later, in 1993, President Pérez was accused of embezzlement by the attorney general and the Supreme Court of Venezuela agreed to impeach him. The return of Pérez in 1989 had been invoked with great vigor but hopes were violently crushed. The Punto Fijo years marked a milestone for the democratic history of Venezuela. Since 1958 and for 40 years, the main parties of the country agreed to compromise to provide country with stability and prosperity. However, the measures taken along this period often lacked a long-term outlook and relied instead on the short-term cost-benefit balance. Incredibly high oil prices offered the opportunity of great profits without the necessity of investing in productive activities. The absence of regulation in how such profits were managed led to their distribution at the government's discretion, which incentivized corruption and bribing. A plethora of mounting issues erupted all at once announcing that the country had reached a breaking point. Profound changes were needed, and the revolution was on its way.

Chapter 2: The Bolivarian Revolution

2.1 The last *Libertador* and his revolution

This chapter analyzes the historical process of social change in Venezuela within the broader crisis of neoliberal hegemony and the delegitimization of the Punto Fijo democracy, through to the election of President Chávez and his Fifth Republic Movement (MVR). Since Chávez was first elected in 1998, he pursued an anti-neoliberal rhetoric that inaugurated the beginning of the implementation of a counter-hegemonic alternative strongly based on a new kind of participatory democracy. The institutional reforms and processes that have been promoted since Chávez came to power will be examined in order to understand the framework that has been built to allow the establishment of rearranged power relations towards the development of the Bolivarian Revolution. The popular uprising of *El Caracazo*, brought to the forefront the increasing discontent of the population with the Punto Fijo pacted democracy and defined a breakthrough in the difficult endeavor for a compelling alternative (Lander, 2007). It represented the first extensive indication of skepticism in relations to the dominant hegemony and diminishing consent for neoliberal economic trends and liberal democracy.

According to Roberts, during the 1990s poverty affected an absolute majority of the population who were systematically excluded from the model of neoliberal development. Only in 1989 the poverty rate surged from 46 per cent to 62 per cent and extreme poverty from 14 per cent to 30 per cent (Roberts 2003). By the mid-1990s, these numbers had increased to 66 per cent of the population living in poverty and 36 per cent in extreme poverty. Furthermore, a decrease of nearly 40 per cent was reported in the real wages of citizens. Society was distinctly divided between a small, enriched elite who represented only 10 per cent of the population and the remaining 90 per cent who remained excluded from social, economic, and political spheres. Therefore, 'the majority were experiencing ever-decreasing socio-economic prospects and enjoying virtually no political representation (Smilde, 2011:6).

In this environment, Chávez and the Bolivarian Revolutionary Movement moved their first steps. The Bolivarian Revolutionary movement (MBR-200) had been secretly emerging within the Venezuelan army in the 1980s promoted by Chávez and supported by his fellow military officers. The movement rejected the established political order, endorsed the interpretation of Chávez on the philosophy behind the figure of Simón Bolívar- the *Libertador* who led Venezuela and other South American countries towards independence from Spain in the 19th century- and claimed the overthrow of the existing pacted democracy. Chávez had joined the army in the 1970s, when Venezuela was busy fighting violent guerrilla attacks from leftist groups inspired by the Castro revolution in Cuba. In 1992, Chávez was the lieutenant colonel and the mastermind behind the failed coup attempt against the government of Carlos Andrés Pérez, for which he was imprisoned for the next two years. As he was released in 1994, he began the process that would have brought him to the presidency of Venezuela and founded the Movement of the Fifth Republic (MVR). The movement was strongly critical of the current situation of the country in terms of inequalities and poverty and such criticisms were broadly supported by the impoverished masses. In December 1998, Chávez was elected President by 56 per cent of the vote and a year later he changed the Constitution through a popular consultation that agreed with 71 per cent of consents. The main idea of the new Constitution and subsequent elections of 2000 was to declare a clean break with the past and approve the new political vision of Chávez. The Fifth Republic was a pledge for fundamental changed; the first symbolic one was to rename Venezuela as the Bolivarian Republic of Venezuela. The profound dedication of Chávez to bring fundamental changes in the Venezuelan corrupted society and the charismatic aura around his figure have granted him the recognition of being a Latin American symbol of populist leadership. Although scholars agree upon the difficulty of defining populism due to its several acceptations, some of them concurred that Chávez responds to the minimal political definition of populism (Weyland, 2001), (Roberts 1995; 2002), (Torre (2000). It involves a charismatic attitude of finding a direct connection between the voters and the leader, unmediated by formal institutions or structured parties; an ever-growing Manichean discourse that antagonizes the sovereignty of the people (*el soberano*) and the corrupted elite. The main claims of Chávez were meant, in fact, to speak for the majority of the population which was living in extreme poverty and could not benefit from the wealth of the upper classes. For this reason, the Chávez administration devised an ambitious project that could break with the crystalized structures of the past and pursue brand-new policies through a left-leaning tendency to social and economic reforms and an aspirational approach to a new type of socialism (later Socialism of the 21st Century). The revolutionary wind in Venezuela, however, was not detached from the regional surrounding. As a matter of fact, the *Chavismo* movement stands in the middle of a broader context that involved several countries of Latin America at the beginning of the 21st century. Scholars defined is as a ‘pink tide’ (Lievesley, G. and Ludlam, S. 2009) to underline the turn to the left of many Latin American country after decades of neoliberal hegemony. After the landslide victory of Chávez in 1998 in Venezuela, voters in countries such as Argentina, Brazil, Chile, Uruguay, Bolivia, Ecuador, Nicaragua, and Guatemala, have chosen leaders who have promised in their campaigns to alleviate poverty and reintroduce full state capacity to overcome the consequences of two decades of damaging neoliberal structural adjustment policies. Overall, there has been a re-evaluation of political ideology in the Latin American context of neoliberal crisis and the state is back on the agenda as the key player in social transition. In the case of Venezuela, both those aspects are clear.

2.2 The Constitution of the masses

The redrafting of the Constitution was meant to implement the legislative basis for an ambitious structural reform program, especially in relation to the duty of the state for its people. The notion of participatory democracy was central to this Bolivarian dream, a routine and "protagonistic" common dedication to policy creation, application, and service delivery. The definition of protagonistic democracy found democratic freedom to be central to achieving economic equality and vice versa. Where the top-down model of liberal democracy (and Puntofijismo) tried to eliminate public involvement and separate the state from social unrest, protagonist democracy sought to establish the conditions for daily engagement and bottom-up control (Hellinger and Smilde 2011; Ellner and Tinker Salas 2007).

In the early years of Chávez in power there was still no sign of Socialism for the 21st century but there was a great endeavor in pursuing an alternative to the neoliberal hegemony of the previous decades. As a matter of fact, there had been a re-considering of political ideology in the Latin American environment of neo-liberal crisis and the state had been brought back to the forefront as the key player in social transition. In the case of Venezuela all of these elements were present. In the first speech President Chávez gave in February 1999, he said: ‘our project is neither statist nor neo-liberal; we are exploring the middle ground: ...as much state as necessary and as much market as possible'. The idea was to break with the past political tradition and find an exceptional third way to lift the country up and tackle poverty. The policies of the Chávez government at that time were marked by two main features that distanced themselves from the neoliberal standards; redistributive measures that deliver state resources, mainly derived from oil, to the poorest social strata, and participatory policies thought to improve citizens' active participation in the social organization and politics.

The first project after the elections for the ratification of the new Constitution was Plan Bolivar in 2000. It is important to highlight that this initiative was made possible thanks to growing oil revenues that gave the government the opportunity to collect sufficient funds to prompt a remarkable public work strategy. The Plan aimed at addressing the overwhelming social inequalities and marginalization of the Punto Fijo years by relying on the new constitutional guarantees. It encompassed a significant number of rapid social policy programs and infrastructural projects to ignite social development (Raby 2006). Plan Bolívar invested hundreds of millions of dollars on programs such as urban bonification, public school construction, road development, affordable health services, and street market delivery of nutritious food. According to Chávez, the key goal of the plan was to establish a "civil-military coalition," which would save the armed forces from their 1989 *Caracazo* involvement and put them back into line with the wishes and will of the people (Harnecker 2005, 74–5). Scholars and leaders of the opposition were concerned about the potential of the system to blur the boundary lines between civil and military spheres and circumvent state and local governments; military officers obtained support directly from the executive branch and were not forced to communicate with local public officials while preparing or implementing programs. Plan Bolivar was originally expected to run for six months (Trinkunas, 2002) but was later extended. It was slowly phased out after about three years in favor of standard government services administered by public authorities and municipal councils, nearly all of which, however, were now under the control of Chavista loyalist.

2.3 The Laws of discontent

In November 2001 the National Assembly, filled with loyalists of Chávez, gave the President extraordinary authority to pass a set of legislation during the period of one year. He launched a package of 49 new Laws under this Enabling Act in November 2002. The "Enabling Act" effectively removed the right of the elected to wield much influence over the executive and offered President Chávez a very powerful weapon to erode the economic base of the Venezuelan upper class, which was his conventional political foe. In fact, the Enabling Act further empowered President Chávez to implement economic and social policies that were inherently inimical to international investment. In brief, President Chávez, taking advantage of his enormous influence and the collapse of the mainstream political parties and contrary to what he was proclaiming, had given himself powers that were inconsistent with the Constitution of Venezuela and possibly crippling the possible democratic and economic stability of Venezuela.

Scholars argued that these legislations, which involved land reforms and strategies to discourage the privatization of social care programs, as well as a new controversial hydrocarbon law, represented the preferential way of redirecting constitutional restraints in his favor and were the first concrete sign that Chávez was pursuing a revolutionary policy. First of all, political opponents lost their seat as soon as the Constitution was ratified, and the new National Assembly was formed. Secondly, through the land reform, the state was granted the power to seize large, waste landholdings and redistribute them to farmers in smaller portions. The reason behind this decision was to promote agriculture and staple production.

The bone of contention, however, was over oil revenues management and the control of the oil state company, PDVSA. Chávez, with its nationalistic rhetoric, accused PDVSA in his presidential campaign of being a "state within the state," functioning with almost total sovereignty and in the interests of the bourgeoisie rather than the Venezuelan people. The management of the company did not adjust when the oil industry was nationalized in 1976. Much of the executives were Venezuelan nationals who had previously worked with multinational firms like Shell and Exxon and maintained their anti-statist, multinational ethos, and policies. The Ministry of Mines (MEM) was meant to have absolute control of the Company but had little impact in fact. PDVSA could run with almost full autonomy from its owner, the state. For this reason, among the package of the Enabling Laws, it was comprised the most important and controversial Hydrocarbon Law which aimed at preventing the privatization of the oil industry and bringing the industry under more strict government control rather than in the hands of old elites. The 2001 Hydrocarbon Law tried to ensure a 51 per cent share for the company in the new oil production and exploitation, and increase the revenues coming from royalties upon private firms from 16 per cent to at least 30 per cent (Kozloff 2007; Gott 2005). The legislation also mandated PDVSA to report its accounts in the expectation that this would allow the government to track, at least in principle, whether or not the company was pursuing its previous strategy of diverting profits abroad and transferring its foreign debt to PDVSA to minimize income (Mommer 2003).

According to Chávez and his advisors, PDVSA had strengthened its ties with foreign oil companies farther than desired. In fact, since the nationalization of the oil industry in 1976, foreign firms had found their way to penetrate once again the Venezuelan oil business with favorable terms. In the 1990s, the recession had led the state-owned company to initiate a program called *Apertura Petrolera* [14](Oil Opening) aimed at attracting foreign investments and know-how to reinvigorate the sector. By landing generous deals with foreign companies, Venezuela found its way to increase oil production, which increased up to 3 million barrels a day. Overproduction, however, caused frictions with OPEC, since Venezuela had surpassed the assigned quota and, by doing so, was pushing the market dynamics to depress oil prices.

The immediate issue that led to the successful election of Hugo Chávez in 1998 was surely his decision to appoint a constituent assembly to draft a new

[14] The term Apertura Petrolera stands for the process of privatization that involved the activities of exploration, exploitation, distribution, and sale of hydrocarbon resources since the beginning of the 1990s in Venezuela. The policy of 'El Gran Viraje' (the Big Turn) was promoted by Carlos Andrés Pérez to attract investments through the de-nationalization of crucial industries. The oil sector was one of them.

constitution, but the prospect of innovative oil policies made a major contribution to his success. During the Apertura years, the technocratic elite had predicted that oil prices would spike up in the following period. Nevertheless, in 1998, after oil prices collapsed as a consequence of the Asian financial crisis, PDVSA managers experienced a deterioration of their revenues as the basket price for Venezuelan crude fell by a consistent one-third.

In the nationalistic vision of President Chávez, it was more important to maintain good relations with the members of OPEC cartel than boosting production and attract larger shares of the American market (Gallegos, 2019). Therefore, he launched a diplomatic offensive to endeavor the work of OPEC. In September 2000, Chávez hosted in Caracas what was only the second OPEC heads of state summit in the history of the organization. The speeches and the final statement from the leaders of the Member States referred to "unfair terms of trade" used internationally and made clear the need to address poverty and global inequalities. More importantly, the conference proved to be a resounding success in restoring and strengthening the cooperation between oil-producing countries in limiting production in order to defend oil prices from extreme oscillations (OPEC, n.d.). The OPEC summit was meant to threaten the emphasis of PDVSA on production, but it did not intend to jeopardize foreign participation in oil production. Chávez and his Movimiento Quinta República (Fifth Republic Movement — MVR) saw the *Apertura* as a "contemporary chapter in the strategy of accumulation of wealth, accumulation of power and concentration of people" (MVR, 1999). It called for a reassessment of internationalization and recommitment to OPEC, a review of the tax laws on hydrocarbons and a strengthening of the skills of OPEC, correction of the generous conditions of the Opening to foreign investors, and incentivization of private national capital in the oil sector. Yet, Chávez himself did not immediately give priority to changes in fiscal affairs and the management of the business and this confusion is reflected in the early appointments to the presidency of PDVSA. Alí Rodriguez Araque, former guerrilla fighter and member of a small circle of intellectuals at the Universidad de los Andes, was appointed to the Ministry of Oil, but oil policy management remained largely in the hands of PDVSA.

As a matter of fact, what preoccupied Chavez the most was the autonomy of PDVSA in the way it was run and its independence from political dynamics. Formally, the state owned PDVSA, but the company had managed to curb the amount of money it gave to the government and preferred to save it in its coffers, enlarging its business abroad by the purchase of Citgo (Citgo Petroleum Corporation)[15] in the United States.

As it has been briefly mentioned before, the decisive turn of events came in November 2001, when Chávez used the powers given by the Congress to pass a new oil law that fundamentally revamped the terms on which investments, mainly international, could henceforth access the Venezuelan subsoil. Two main provisions modified the fiscal framework and focused on obtaining majority ownership (not just membership of the management committee) of joint projects. This were considered frontal attacks at the Opening era.

In an attempt to assert his control over the company, Chávez replaced the higher positions in PDVSA with his fellow supporters and loyalist, who totally lacked knowledge and experience in the oil business and dismissed all of the top executives of the company who had pushed for privatization and opposed the Hydrocarbon Act of 2001. Surging opposition to the moves of Chávez transformed quickly in mass demonstrations that flooded the streets of Venezuela. Such unrest led in early 2002 to a coup that ousted Chávez from power for 48 hours, until the military restored the order. In December 2002, the clash radicalized, leading the employees of PDVSA to announce a two-month strike and provoke the freezing of the oil industry. While the conflict materialized between capital and labor on the surface, the actual source of contention was between capital and rented property (the rentier state). The work stoppage or, as the Chavistas labeled it, the "sabotage" has put PDVSA into direct conflict with the territorial control of the subsoil by the state. Rodríguez Araque, who was appointed after the coup as president of PDVSA, stated that the government was protecting the national "legitimate right to profit from the extraction of the resource" on the grounds that the state had the right to be the "owner of the natural resources". The PDVSA

[15] Citgo Petroleum Corporation is a company that works in the USA in the field of refining, transporting, and selling petrochemicals. PDVSA purchased fifty percent of the company in 1986, and the rest in 1990.

officials, he said, allied themselves with "foreign subjects who represented perfectly identifiable interests" and supported the view of “oil as a natural resource and a common good of humanity that should be freely available to it” (PDVSA, 2004: 3). Now, he said, PDVSA was going to mark the "beginning of a new country" (*patria nueva*). Later, in 2006, he would raise the stake asking foreign companies working on Venezuelan soil to "migrate" according the 2001 hydrocarbon law and claiming that Venezuelan shares should be at least 60 per cent. All multinational companies, except Conoco-Phillips and Exxon-Mobil, signed a deal and payed their compensations in order to complete the migration. These two firms, instead, decided to summon Venezuela to international arbitration, but early arbitral findings suggested that they have been in breach of main contract clauses (Boué, 2014).

While the blockage eventually failed to topple the regime, primarily due to large-scale mobilizations by Chávez regime backers, the economic effect was significant. The country ran out of gasoline; crude exports dropped off and caused a loss of billions of dollars revenues. This second effort to overthrow the Chávez government signaled the culmination of the conciliatory atmosphere and the adoption of a revolutionary program along the lines of social democracy and sponsored the beginning of the radicalization of the Chávez movement. Attempts to destabilize the government motivated his followers and increased their appetite and confidence in the prospect of more drastic reforms. That, combined with the establishment of left-leaning governments in Ecuador and Brazil, meant that the Chávez administration was in a position of power to adopt a more progressive policy. Rising oil sales due to the spike in dividends from overseas oil income, as well as the worldwide rise of oil prices caused by the supply limits agreed by the Organization of Petroleum Producing Countries (OPEC), meant that enough resources had been collected to facilitate the redistribution of oil profits. It was in this environment that the Chávez administration introduced an extensive plan of outreach programs known as Social Missions.

The Missions were implemented as a means of by-passing the old state bureaucracy and fulfill the grand project of the president. In 2008, over 25 separate Missions were promoted in the fields of health, education, diet, housing, jobs, and identification cards that allowed residents to have greater access to social programs including social security. The Missions highlight the increasingly left-leaning trajectory of the broader Chavista socio-economic development plan. They consisted in a series of programs that sought to achieving the overall aim of the Chávez administration to eradicate poverty by 2021, known as the Christ Mission (Misión Cristo). Between 2003 and 2005, they were granted billions of dollars in funds, and the equivalent of the 3.5 per cent of GDP according to some figures (Corrales and Penfold 2007). Such investments made them the highest financed social programs of the overall project envisioned for the achieving of the Bolivarian Revolution and one of the most remarkable efforts for poverty alleviation in Latin America in the last two decades.

One of the earliest Missions was the Cuban medical mission located in the broader context of the Cooperation Agreement (the Integral Cooperation Agreement between the Republic of Cuba and the Bolivarian Republic of Venezuela) signed in October 2000 by Chávez and Castro. In April 2003, the Libertador municipality in Caracas invited Cuban doctors to help set up a program of popular clinics. The system was followed by the creation of local health committees (Comités de Salud), community groups composed of volunteers from the area who were tasked with caring for the services, clinic personnel, and supplying residents with input. Within months, the national government extended the initiative to the rest of the world, with the result that more than 10,000 doctors were deployed. Chávez officially launched the initiative as the *Barrio Adentro* Mission on 14 December 2003.

Another salient program of the first years in office was geared towards literacy. In 2000, the government made an initial effort to eliminate illiteracy by introducing the Bolivarian Literacy Program under the supervision of the Ministry of Education. Initially, the results of this effort were scarce, with only 200,000 people being educated in two years. The government, disappointed with the slow pace of progress, set up a new initiative in May 2003, the Emergency Literacy Plan. Taking advantage of the strong ties with Cuba and drawing inspiration by the Cuban literacy program, Chávez allowed Cuban educators to go to Venezuela and help citizens refine their curriculum, train Venezuelan volunteers, and provide supplies. On 1 July 2003 the program, renamed as the Robinson Mission, was formally launched. According to the government, the essential goal of teaching millions of Venezuelans to read and write was achieved in December 2003 and by 2005 Chávez declared the country "free from illiteracy." The success of the Robinson Mission allowed the Chavez administration to expand the program and include elementary remedial education (Robinson Mission II), as well as to initiate new programs covering remedial high school (Ribas Mission) and university (Sucre Mission).

Two main events inflated the Missions with additional impulse. The first of those was the 2002–3 general strike. The government had been forced to make drastic efforts to counter food shortages, fuel shortages, the temporary closure of supermarkets and other key points in the distribution chain. On the fundaments of the popular markets created under Plan Bolívar, the government embarked, in April 2003, on a new mission known as the Mercal Mission, in which a chain of government-subsidized supermarkets and street markets were established. They offered a range of subsidized food and other basic goods at reduced prices, up to 40 per cent lower than the regular ones on the market. The second reason was embodied by the possibility of recall elections, in the wake of increasing pressure inflicted on the government by the opposition in May 2003. Therefore, Chávez felt compelled to deliver on its socio-economic growth commitments. The Missions represented his main tool to enforce and achieve those improvements. Much of the implementation and extension of the core missions – Barrio Adentro, the Educational Missions (Robinson, Ribas, and Sucre), Mercal, and Vuelvan Caras, a work training initiative with a special emphasis on establishing state-financed economic cooperatives – took place between May 2003 and June 2004.

	Date of Presidential Decree	Purpose	Number of Participants (date of estimate)
Barrio Adentro	April 2003	Health care	12.5 million adults (2007)
Sucre	July 2003	Decentralized university education	250,000 students (2005)
Robinson II	October 2003	Remedial primary education	1.5 million students (2005)
Ribas	November 2003	Remedial secondary education	600,000 students (2005)
Mercal	January 2004	Subsidized food	8.7 million adults (2007)

Note: Estimates for Barrio Adentro and Mercal are not the number of visits but the number of unique users.
Sources: Campos 2006; Hawkins 2010; Hawkins et al. forthcoming; author's calculations from 2007 AmericasBarometer survey.

Figure 5 Main Missions launched by Chavez between 2003 and 2004

Partly due to the Missions, President Chávez managed to triumph over his lowest level of support since taking office (around 45 per cent 12 months before the August 2004 recall referendum) and to secure his victory over the critical referendum for its confirmation with more than 59 per cent of the vote. Of course, the missions represented the core of the common popularity of the president and were used on a clientelistic basis. They were purposefully created under the incumbent pressure to win the recall referendum and perpetrate President Chávez in power. Moreover, they were financed by diverting oil revenues from PDVSA to a fund that was closely controlled by the administration. The unexpected oil income that Venezuela received after the 2002-03 disorders allowed the government to expand widely the aim of these programs and implement them over a short time.

While the Missions exemplify the left-leaning approach of Chavismo to economic policies, they also provide us with a blatant illustration of the unique system designed by president Chavez and his administration to enshrine the fusion between state intervention through the use of public funds and public policy. The Missions are a particularly appropriate exemplification for this analysis, since they represent what is known in political science as "discretionary spending programs". In fact, the financing of these governmental initiatives was managed by a select number of elected officials, typically those supporting the chief executive, who were the only ones to actually understand the allocation and distribution of the same. The Missions were primarily financed by oil revenues seized from the state-owned company, PDVSA, either directly or by executive-supervised state development banks, and without routine parliamentary budgetary control. Although the successes of the Missions were transmitted extensively by the national media with comprehensive details on the projects, the administration made sure that no data and facts would be accessible on the Internet, in official journals, or even through written requests at government offices.

2.5 Socialism of the 21st Century

Even though the inclination of President Chávez towards left-leaning ideas had been clear since the early years in office, his official conversion to socialism did not take place until six years into his administration. In fact, it was in January 2005, at the 5th World Social Forum[16] that he declared that he was planning to implement the "Socialism of the 21st Century." Before that moment he had mentioned in his public speeches the necessity of accomplishing the objective of a "Bolivarian Revolution". At first, the Bolivarian Revolution was essentially a revolutionary and essentially nationalistic movement that aimed to protect Venezuela from the predatory forces of neo-liberalism. The movement definitely had radical social justice tendencies from the start, but it was not socialist, in the sense that it rejected capitalism in favor of a modern, fairer, and more egalitarian economic structure. The claims of Chávez in relation to the socialism of the 21st century would aspire to bring a rupture with the socialism of the previous century. Although Chávez vaguely explained how distinct this new model would be, he suggested that it would not be a collective model as practiced in the Soviet Union and Eastern Europe or as practiced in Cuba. Rather it would be a more pluralistic and less state-centered socialism.

The first steps Chávez moved for the realization of his idea of socialism were related to breaking free from the constraints of capitalism, a system dominated by private interests. Firstly, he managed throughout the years to nullify the presence and power of the old bourgeois elite by transferring their business and properties to the state, and combined it with a weakened dependency of the country from private capital by allowing incipient oil revenues replace foreign investment. Secondly, through the new Constitution, he started a new tradition of participatory democracy. Conclusively, he opted for the reduction of the military repressive action upon the civilian population, promoting a vision in which the military stands by the population in a civil-military alliance. The first aspect is the most significant for the research, as it highlights the Chávez government made use of oil spoils to pursue his political economic anti-capitalist initiatives. That is, the oil

[16] The World Social Forum is an annual gathering of civil society representatives, which bring together NGOs, advocacy campaigns and social movements. It is devoted to promoting an alternative vision of the world through the implementation of a counter-hegemonic-globalization vision.

revenues of Venezuela, which nearly tripled on an annual per capita basis from $226 in 1998 to $728 in 2005, represented a gift that offered the administration a considerable amount of independence from the power of private capital holders to trigger investment abstentions. Moreover, the smart maneuver of introducing capital controls in early 2003 greatly extended the freedom of the government from private property. While most leftist governments of the Latin American *pink tide* were constantly faced with the alternative of pursuing progressive policies and thus alienating investments, thereby endangering the economic balance or neglecting progressive policies and pushing private investment, the Chávez government was largely freed from this dilemma thanks to his most valuable resource. The enormous proceeds from oil allowed the government to invest, implement ambitious tax policies and legislation, and intensify social spending, without having to worry about capital loss or reduction in investments. That independence, combined with the gradual self-destruction of the opposition (through the coup attempt first, the strikes in the oil sector, and the unsuccessful recall referendum) was the main vector for the implementation of ever more anti-capitalistic measures by Chávez and his administration. The mixing of the three factors allowed the President to pursue policies that evidently broke from private ownership over the means of production, opposed market-steered allocation and distribution of resources, and sought a more egalitarian model of economic governance. This type of socialism, however, has encountered several obstacles for the Chávez administration to realize. As far as the domestic situation was concerned, the opposition played a determining role in the course of the *chavista* presidency. The numerous attempts to bring down the administration, although unsuccessful, contributed to create unrest in the country, as well as to radicalize the response of the government towards the dissentients.

Of course, the presidency of Chávez was accompanied along the years by a major issue that has also defined some salient moments of his time in office. The core of contention was the management of the oil industry and the re-appropriation of resources by the state after decades of technocratic leadership. The radical positions assumed by Chávez brough to the forefront of the Venezuelan scenario the intrinsic dilemma between a Westphalian concept of territorial sovereignty and a neoliberal vision for the transnational governance of energy resources. The liberal regime classically sees subsoil resources as a free gift of nature waiting for extraction. Ideally, these 'gifts' are owned by the collectivity, but only before they are found and considered ‘property’ of the state that has been blessed with those. Chávez, in order to assert the ownership of the Venezuelan subsoil resources raised taxes and royalties and invited foreign investors to reallocate their business elsewhere. From the opposition point of view, these moves would have led to a marginalization of the country from ‘the circuits of global capital’ (Hellinger, 2007) and, thus, to further impoverishment.

As a founding member of OPEC, Venezuela led the Third World post-colonial campaign to claim the political sovereignty of oil-producing countries over the privileges of extractive industries. Chávez promoted the work of the alliance of producing countries and pushed to broaden the scope of OPEC to oversee and coordinate the actions of landowner states participating in the risky game with multinational energy firms, consumer countries and oil companies (Mommer, 2002). From the viewpoint of the host country, the subsoil should be a deposit of exhaustible sources of wealth meriting compensation and granting the owner nation a ground rent. Hence, Hugo Chávez resumed the control of PDVSA, took diplomatic lead in resurrecting OPEC, and pursued his vision of Socialism of the 21st Century through appropriated ground rentals. His accomplishment was the establishment of territorial hegemony over the subsoil of Venezuela. He directed revenues, although often seized autonomously from PDVSA, to those socially and economically excluded from the society and, through his foreign policies, sought to reduce the pressure of rising oil prices on those least able to bear it. He challenged and rolled back the capitalist vision of making the subsoil resources of the Global South a free gift of nature to transnational finance and preserved them under the control of the owner, the state.

Chapter 3: The diplomacy of oil

3.1 The international projection of Venezuela

The previous chapters dealt with the roots of the relationship between Venezuela and its oil resources since their discovery in the early 1900s. A relationship that resulted to be extremely reliant on the oil factor and has determined the development of institutions and policies. The aim of those chapters was, in fact, to show how oil abundance has influenced every aspect of society and domestic affairs. Since Chávez took over the country in 1998, the revolution he sponsored with vibrant rhetoric and populistic emphasis has indeed brought about a remarkable rupture with the past of the country. What has not changed, however, is the dependence on the oil factor for the implementation of the promised reforms. It is relevant to the purpose of this research to understand the maneuvers of Chávez at the domestic level in order to comprehend the projection of the country in the international scenario, as both internal and foreign policies were strongly intertwined and reoriented during his administration.

Although for decades Venezuela had enjoyed the relevance that oil gave the country internationally and used it to ramp up its influence, with Colonel Hugo Chávez in power, oil became the key tool of a far more ambitious policy than in the past. A policy that for the first time in its history expressed the explicit ambition of Venezuela to lead a front of countries united by a strong nationalist drive and a farther more radical hostility to the United States and its Western allies, not only in the proximity of Latin America , but also in the Middle East, Asia and several other countries of the Global South. Often ignited with radical terms and supported by generous aid, this policy allowed Caracas to find new allies, but it also attracted the criticisms of many and a widespread reputation for unreliability (Zanatta, 2012). Along the process, Chávez took a distinctly geopolitical and military approach to foreign and regional issues; he maintained a deep antagonism with the United States (even though the United States was the largest purchaser of Venezuelan oil) and sought the creation of a Latin American Community of Nations capable of counteracting the hegemonic power and growth of the United States.

The reinvention of the Venezuelan foreign policy that Chávez introduced was fundamentally associated with two strategic factors. The first consisted in the necessity to assert his power at the domestic level, since the political disorders in the years before had led to an attempted coup against him in 2002. The second was the ambition to make Venezuela not only a regionally committed actor but also an international relevant player, through the establishment of a broad network and a series of valuable alliances. At the beginning of the 21^{st} century, a steady increase in oil prices favored the realization of these objectives. As a matter of fact, there was a gradual rapprochement with Cuba between 2002 and 2004, the years in which the Social Missions were at their apex and the Cuban expertise had been solicited.

The idea of building the Socialism for the 21^{st} century in the regional context was the impulse behind the establishment of the Bolivarian Alternative of the Americas (later, Bolivarian Alliance for the Peoples of the Americas–ALBA) and the launching of Petro Caribe, as an oil-based aid program aimed at assisting neighboring countries. Chávez also was one of the leaders supporting the creation of the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC), all with the objective of strengthening the revolutionary project in Venezuela and the region, and of offsetting any interference by the United States.

As noted by Carlos Romero (2010), the Bolivarian government established a network of international initiatives that would rely on three interrelated stages. First, the geopolitical reallocation of the country intended to pursue bilateral ties that would be enshrined in a definite anti-West, mainly anti-American framework, investing in new alliances with extra-regional actors such as Russia, China, and Iran that could support Venezuela in the construction of a new multipolar international system free from the U.S. international dominance. Secondly, and in strong relation with the first stage, the Chávez administration arranged a platform of South–South cooperation founded on ideological affinities and supported by oil benefits, to grant the country a significant role, mainly in the Latin American and Caribbean region. Third, Chávez revealed a large-scale strategy of political solidarity with social movements and organizations, non-governmental organizations

(NGOs), scholars, and media that approved the Bolivarian project. These groups were granted financial, logistical, and ideological aid from Caracas (Egana, 2009). Chávez considered it the "diplomacy of the peoples" (*diplomacia de los pueblos*), a new type of diplomacy that allowed the establishing of a "social power" to complement the strategies of traditional state power (Corrales, 2011). The main example of how these three stages are interrelated can be seen in ALBA, which was an intergovernmental organization that gathered regional actors with ideological affinities. Within this structure, several distinctive features of the chavista foreign policy emerged, especially in terms of a determined geopolitical and ideological vision of the international system mainly based on military and geostrategic confrontation. The Venezuelan President conceived international matters in an optic of conflict with the United States, considered as an imperialistic, hegemonic, and pervasive power that menaced the stability of the region and the entire world. The end of the Cold War had marked the disintegration of the bipolar system and, consequently, the prevailing of the Western system, of which the United States were the best expression. The political scientist Francis Fukuyama pointed out in his famous work 'The end of history and the last man' (1992) that humanity, by choosing liberal democracy and neoliberal principles over the obscurantism of communism, had reached the highest point in its evolution and achieved the best form of human government. Of course, Chávez, whose background had left-leaning ties and was profoundly inspired by socialism, could not remotely agree with the common belief of a Western model supremacy. Therefore, he insisted for the diversification of political, military, and commercial relations with countries that shared his sentiment of anti-Americanism, particularly Iran and Russia, with whom he eventually instituted military cooperation and arms-sales agreements (Silva, 2011, pp. 254–255), and with China, mostly as far as the commercial and financial sphere were concerned. Such bilateral relations formed part of a plan that relied on the necessity of developing alliances and increasing the military capacity of the country in order to be able to respond to the hypothetical intervention by the United States. Chávez strongly sustained the need of a multipolar order based on the repulsion of the post-Cold War global order that had seen the dominance of American unipolarism.

For Chávez, this situation had produced an imbalanced accumulation of power toward the United States and, therefore, “alternative poles of power” should be created to counterbalance the deficit. A multipolar world, for Chávez, meant the pursue of an independent foreign policy displayed through tighter relations with countries such as Cuba, China, Brazil, Iran, and Russia, with the objective of breaking the constraints of unipolarism. Venezuela, under the rule of Chávez, also became the promoter of ‘the Bolivarian dream to constitute a great Confederation of racially mixed nations’, for the “Bolivarian integration”. Moreover, the war on neo-liberalism became a major goal of the Bolivarian agenda of foreign relations. Chávez fiercely rejected the adoption of neoliberal policies domestically but also opposed their diffusion in the region. In the Manichean world of a populist there is always an enemy, and, in that case, the United States were the one.

As a matter of fact, ALBA was established in 2004 in order to oppose the Free Trade Area of the Americas (FTAA) launched by the United States. The Bolivarian Alternative was soon renamed the Bolivarian Alliance of the Peoples of the Americas, after several Caribbean and Central and South American countries invested in the program of Chávez. The aim was to use oil resources to strengthen interdependence and exchanges among these countries in the framework of a “non-commercialist,” South–South cooperation solidarity. The project was immediately enriched with several other initiatives, from Petro Caribe, a program based on oil cooperation program, to the creation of the Bank of the South for the members of UNASUR to oppose the influence of the International Monetary Fund–IMF, which would make loans available for socially directed plans. Other investments were made for the establishment of Telesur, a media network for news from the South in 2005, and the proposition to build a gas pipeline (*Gasoducto del Sur*) which would connect Venezuela, Brazil, and Argentina (Hirst, 2012). The main aspiration of President Chávez was to convert ALBA into the pulsing center of Latin American integration. However, the path was often rough since regional actors showed reluctance to the process of “albanization” at the core of the institution, preferring instead to maintain as main referent the sub-regional integration organizations such as the Andean Community of Nations (CAN), the Central American Integration System

(SICA), and Mercosur. Brazil, the South American giant, managed to circumvent the process of albanization of the new South American integration sentiment by working in favor of UNASUR, but applying a cautious and discrete strategy of cooptation, cooperation, and assimilation of the proposals of the Bolivarian President (Burgues, 2010). In 2004, Chávez called for the creation of an armed Latin American force and for the establishment of an Organización del Atlántico Sur (OTAS, Organization of the South Atlantic) as a counterpart of the North Atlantic Treaty Organization (NATO), but Brazil surpassed his proposal by promoting in 2008 the creation of the South American Council for Defense (SADC) within the context of UNASUR. The Brazilian Minister of Defense Nelson Jobim substituted the NATO-tailored alliance with a council appointed to strengthen the dialogue and coordination on defense among the members, promoting mutual trust, and acting as a mechanism for the prevention of conflicts (Rodrigues & Rodrigues, 2011), under the clarification that the armed forces of the member countries ought to be under civilian control. Despite the divergence between the two proposals, the South American member countries of ALBA, including Venezuela, eventually agreed to the Brazilian idea. Among the regional allies of Venezuela, it is worth mentioning Cuba. The Caribbean island became not only one of the most affectionate and referenced political allies of Bolivarian Venezuela but also a remarkable commercial partner in the context of ALBA.

3.2 Initiatives of South-South cooperation

South — South Cooperation (SSC) has become a significant trend in the field of International Relations in the 21st century as opposed to the previously diffused concept of North South cooperation. The latter is often referred to a system external economic aid or assistance to development from developed countries to developing ones. On the other hand, SSC is intended as a multidimensional structure where the economic, political, and technical levels are strongly interrelated with the objective of bringing together the commonalities of developing countries and increasing their bargaining power against the influence of developed countries. Political and economic cooperation efforts and technical support initiatives of this kind can be dated back to the 1960s, when the Bandung Conference of Non-Aligned Countries in the context of the Cold War or the United Nations Committee on Trade and Development (UNCTAD) under the aegis of Raúl Prebisch were founded (Braveboy-Wagner 2009; Prebisch 1954, 1969). Moreover, with the rise of the BRICS, and China in particular, and the advent of a new phase of high oil prices, an intense participation of middle-income states in cooperative efforts with other Global South nations has been recorded. Venezuela became a vibrant leader of the SSC context under the Hugo Chávez administration. However, initiatives of SSC are definitely not a novelty in the Venezuelan foreign policy agenda. In fact, since the 1960s, Caracas had sustained partnerships and strengthened ties in order to create a solid, broad arena in which it could assert its power by relaying on its most valuable weapon: oil. Manuel Pérez Guerrero (1911—1985), a close adviser of presidents Romulo Betancourt and Carlos André Pérez, has represented a relevant figure in the deployment of SSC initiatives during the 1960s and beyond. He was influential in the creation the Organization of United Nations Educational, Scientific and Cultural Organization (UNESCO), and covered the position of first executive secretary of the Technical Assistance Committee of Developing Countries of the United Nations. He was then elected president of the Economic and Social Council of the United Nations (ECOSOC) for the years 1967—1969 and became Secretary of the Conference of the Nations United Nations on Trade and Development (UNCTAD) between 1969 and 1974 as successor to Raúl Prebisch. He pushed for the creation of Generalized System of Preferences and the approval of the Least Developed Countries Category (LDC).

The Caribbean Basin was the most coveted area for Caracas to exert its influence. President Rafael Caldera favored tighter relations with the English-Speaking Caribbean countries during his administration in the mid-1960s. His Minister of Foreign Affairs Aristides Calvani was a keen promoter of a closer approach to the Caribbean, a region of critical importance for Venezuela. During the administration of Carlos Andrés Pérez, Venezuela used its oil riches to give an ulterior boost to its ambition of obtaining a leading position in the region. He signed the Puerto Ordaz Agreement in 1979 and, a year later, his successor Luis Herrera Campins ratified the San José Agreement. The Puerto Ordaz Agreement allowed Venezuela to sell oil under special arrangements to Caribbean countries. Similarly, the San José Oil Pact, envisioned an agreement between Venezuela and Mexico, which at that time also strived for a prominent position in the region, to supply oil at favorable prices to several Central American and Caribbean countries, as well as to finance and offer technical expertise for infrastructure plans. Both Puerto Ordaz Agreement and San José Agreement were intended to project and expand the Venezuelan narrative and interests in the Caribbean Basin. In an environment destabilized by decolonization movements of the Caribbean islands, revolutionary civil wars in Central America and the growing Cuban dominance in the region (even in Venezuelan neighboring countries such as Grenada and Guyana) in the 1970s and early 1980s, President Pérez resorted to oil diplomacy as a tool to promote the national interest. At that time, cooperation was related to the idea of defense of democracy that was considered of utmost importance for both Venezuelan domestic and foreign policy goals. As a matter of fact, the aim was to safeguard the stability of the Caribbean region since it was essential for the national security of Venezuela and also for its economy because the Caribbean Sea represented the main trade route for the exports of Venezuelan oil. Hence, Carlos Andrés Pérez was considered the instituter of the oil diplomacy, namely the art of negotiating and exerting the power of a country in international relations thanks to the endowment of a valuable resource such as oil.

Therefore, it is safe to affirm that the foreign policy of Venezuela, even before the ascendance to power of Hugo Chávez, encompassed several coherent initiatives to enhance SSC in the region and outside. In fact, besides the projects envisioned for the Caribbean Basin, the years of Puntofijismo determined the effort of Venezuela to become a leading global actor. Venezuela was founder and inspirer of the Organization of Petroleum Exporting Countries and it was member of UNCTAD since its early years in 1960s. During the Cold War, the country became a member of the Non-Aligned Movement and during the Pérez administration the creation of the New International Economic Order (NIEO) for the interests of Third World countries was vigorously backed. Pérez also inaugurated a tradition of close relations with African countries- it is known his collaboration and friendship with the Tanzanian President Julius Nyerere- and with the European emergent democracies[17]. However, according to scholars such Juan Carlos Puig (Puig 1980) and Helio Jaguaribe (Jaguaribe 1979), those policies were primarily autonomist, namely they would not aspire to cause a breach with the capitalist international system or with the United States but, instead, sought increasing independence for Third World and developing countries.

The new foreign policy sponsored by Colonel Hugo Chávez strived to achieve a rupture with the previous order, but it maintained the tradition of oil diplomacy initiated by Carlos Pérez during the 1970s. One first example was the Caracas Energy Cooperation Agreement (*Acuerdo de Cooperación Energética de Caracas*) signed on 28 October 2000 and proposed by the Chávez government which benefited ten Caribbean states: Costa Rica, El Salvador, Haiti, Honduras, Panama, Dominican Republic, Jamaica, Guatemala, Nicaragua and Belize. Cuba did not sign in the convention immediately, but later that year it signed a particular agreement. The agreement envisaged that the terms of the new Agreement would work in parallel with the San José Pact instead of suppressing it, and would expand the list of beneficiaries, the amount of oil allocated and the financial terms. Yet, the main difference between the Caracas Agreement and the San José Pact was that Venezuela was the only supplier and Mexico was not included this time. In regard to the San José agreement, Chávez claimed that it became "too rigid" and that the reluctance presented by Mexico to insert other countries in the program (especially Cuba) was one of his motivations to launch this new initiative. Through this new agreement, Venezuela "contributed 80.000 extra barrels of oil daily with a financing of up to 15 years, with a grace period of one year, and an interest rate of 2% for the portion of the financed bill" (Serbin 2006: 86). To justify that this agreement would not be counterproductive for Venezuela, International Affairs Minister Jorge Valero stated that "we don't give away 80,000 barrels of oil. We sell oil barrels, the difference is that the payment formulae are more tolerable, more concessional. The interest rates, for example, are lower than the LIBOR

[17] Carlos Andrés Pérez supported the democratic transition in Spain. During his first mandate, he was vice-president of the Socialist International and made everything possible to help the representatives of the Spanish socialist party (PSOE) work from exile. Immediately after the death of Dictator Franco, he offered his presidential plane to Felipe Gonzalez, main exponent of PSOE, and accompanied him back to Spain.

[London Interbank Offered Rate], meaning that...they would have a less disturbing effect on the financial structures of the borrower.'[18]

As emerged from the table, the relationship between Cuba and Venezuela was deeper in comparison with the relationship of Venezuela with other countries of the region, especially since the arrival of Chávez (Serbin 2006; Romero 2010). Venezuela expressed its ambition to include Cuba and other countries in the agreement during the renovation of the San José Agreement in August 1999, but the renovation signed by Chávez and Ernesto Zedillo (President of Mexico) did not incorporate the amendments proposed by Venezuela. As noted earlier, Venezuela conceived another energy program in 2000, which excluded Mexico and included a total of 10 countries. However, a few days later, on 30 October of the same year, Chávez and Fidel Castro, President of Cuba, signed the Integral Cooperation Convention between Venezuela and Cuba. This convention was based on the Caracas Agreement, but included two additional remarkable elements: a five-year period and the inclusion of a payment mechanism based on the trade of goods and services in exchange for oil. The initial oil supply was of 53,000 barrels per day. This amount was later amplified: Cuba received between 90,000 and 98,000 barrels per day, covering up to 54% of the island oil need (Serbin 2006: 85). Venezuela sold oil to Cuba at a maximum fixed price is US$ 27 per barrel, which meant less than half of the international oil price of 2006 (USD$68). In 2005, that difference in price entailed a subsidy of a thousand million (Serbin 2006: 86). Since 2002, the barrels of oil sold to Cuba have been paid as follows: 'half in 90 days after purchase and the rest in 25 years, with a 2-year grace period,

Country	Barrels per Day
Cuba	98,000[28]
Dominican Republic	20,000
Guatemala	10,000
Costa Rica	8,000
Panama	8,000
El Salvador	8,000
Jamaica	7,400
Haiti	6,500
Honduras	5,000
Nicaragua	1,600
Belize	600
Total	**173,100**

Source: Efemerides de Venezuela 2000; Serbin 2006: 85.

Figure 6 Energy Cooperation Agreement of Caracas

[18] Efermeridades venezolanas, 2000.

including the cost of transportation and insurance....In exchange, Cuba has sent more than 13,000 Cuban workers to Venezuela, mostly health workers (doctors, nurses and paramedics) and sports sectors – first as a kind of barter, and then since 2003, in payments for professional services that reached roughly US$4.4 billion in 2007 (Romero 2010: 108). According to Carlos Romero, the energy cooperation agreements between Venezuela and Cuba increased considerably the volume of trade relations between the two countries. As a matter of fact, relations between Cuba and Venezuela grew from US$ 388.2 million in 1998, reached US$ 464 million in 1999, US$ 2.5 billion in 2005, US$ 3.2 billion in 2006 and US$ 7.1 billion in 2007, achieving around the 45 % of the total trade in goods and services of the island" (Romero 2010: 109).

3.3 The dawn of Latin American integration: ALBA

Despite ALBA-TCP was launched by Hugo Chávez in opposition to the Free Trade Area for the Americas (FTAA), the Bolivarian Alliance for the Americas (ALBA corresponds to its Spanish acronym) evolved immediately into a political weapon that relied on the promises of social powers to allow Venezuela to become the leader of the anti-American coalition in the region. Strengthening political ties and promoting trust through the funding of social development projects, ALBA favored the creation of an environment where countries and their respective leaders increasingly refused to oppose publicly to the proposals of the Bolivarian President. In fact, ALBA was meant to provide copious economic aid to

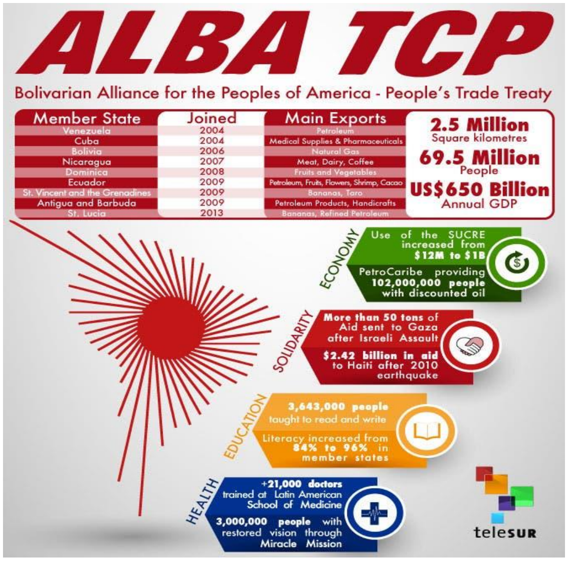


Figure 7 ALBA- TCP

several countries in Latin American and the Caribbean, in exchange for their support for its policies. Today, ALBA is composed by nine member states. Besides Venezuela, it counts on Antigua and Barbuda, Cuba, Dominica, Grenada, Nicaragua, Saint Kittis and Nevis, Saint Lucia, Saint Vincent and the Grenadines. It also has three observer nations, such as Haiti, Iran, and Syria and three members withdrew in the last decade: Honduras in 2010, Ecuador in 2018 and Bolivia in 2019.

In this context, it is safe to state that ALBA drew its fundaments from the tradition of external projection of the country, but it is to be inserted into the revolutionary vision of Chávez for the regional and international order. Mainly, the objective of ALBA was to represent the herald of resistance and repulsion towards the American influence in the region and also to provide the alternative to every kind of U.S-led commercial initiatives. Since the 1990s, the United States had tried to conclude the project of a free trade area with the Latin American and Caribbean countries, known as the Free Trade Area for the Americas (FTAA), as a natural complement to the North American Free Trade Agreement (NAFTA) signed by the USA, Canada and Mexico in 1992. Therefore, in 2001, Venezuela and Cuba reasoned about the creation of a project that could oppose the FTAA. It would be an economic alliance, but it would pursue a precise political agenda. This initiative was ultimately anchored in 2004, when Hugo Chávez and Fidel Castro signed an agreement that committed Venezuela and Cuba to engage in a mutual exchange, respectively, of oil and medical and educational resources.

The structure of ALBA presented several components such as a proposed regional currency, a bank, and its own media channels. Each component was designed with a singular purpose, but they all aimed at the same objective: achieving an alternative system to the one imprinted on the American mechanism. The currency introduced by ALBA was the SUCRE (Spanish acronym for Unified System for the Regional Compensation of Payments); it aimed at operating as a hard currency, but it did only for virtual transactions. In October 2009, the SUCRE Constitutive Treaty was ratified during the 7th Presidential Summit of the ALBA-TCP by the presidents of Bolivia, Cuba, Ecuador, Honduras, Nicaragua, and Venezuela, and was formally established in February 2010. The proposal represented an effort to decrease the level of dependency of the ALBA members on the American currency for intraregional exchanges. This framework, envisioned by the ALBA-TCP member states in response to the global financial crisis of 2008, was also a main tool for stimulating further economic integration in the regional context through new productive connections between rather fragmented economies, pursuant to the principles of ALBA, such as 'cooperation, solidarity, reciprocity and respect for national sovereignty'. The Bank of ALBA, which initially claimed to have over $1 billion in capital, was intended to grant loans for states to embark in infrastructural, health, education, and social development projects. The Bank was established in 2008 and was presented by Chávez as a valid alternative to the International Monetary Fund (IMF) and World Bank, introducing it as "a political instrument for social and economic development which breaks with capitalist concepts." Differently from the World Bank or the IMF, the Bank of ALBA would not impose conditions on loans and function on a consensus basis of all members, and a rotation for the presidency among the member states.

While the main reason for Venezuela to launch ALBA was primarily political and ideological, its leverage with the countries that agreed to participate in this alliance was the ability to provide them with economic advantages and support. The ALBA Bank was not exactly an institution meant to cope with financial crisis but rather a supplier of economic resources for countries in the Caribbean Basin to afford projects in areas such as health, education, energy. The financial dimension was deployed mostly at bilateral level. Thus, Venezuela provided 8.6 billion of US dollars in aid to Argentina between 2005 and 2008 by covering its sovereign bonds. Venezuela also purchased $300 million in Ecuadorean sovereign bonds in 2005 and $100 million in Paraguay debt in 2007. Venezuela became the first provider of economic assistance to ALBA countries when they were in need. In 2006, when the US stopped purchasing soybeans from Bolivia and thus Cuba and Venezuela began importing them within the ALBA framework. ALBA also assisted Bolivia in bettering its natural gas sector and Cuba, on the other hand, offered the assistance of doctors and teachers to Bolivia. Moreover, Venezuela provided aid to the Bolivian military, cattle ranches, microfinance projects and urban sanitation companies (Romero, 2007). Nicaragua, since Daniel Ortega took office in 2007, received from Venezuela an estimated $250 million in aid in 2010 and around $125 million in previous two years. In August 2007, Ecuador and Venezuela signed a Memorandum of Understanding (MoU) for the creation of an oil refinery, known as the Pacific Petrochemical Complex, developed by Refineria del Pacifico Eloy Alfaro RDP-CEM, a joint venture (JV) of the national oil company of Ecuador Petroecuador (51%) and the Venezuelan oil company PDVSA (49%). Observer states also received aid from Caracas. Paraguay, with no proven oil reserves and dependence on imports for the domestic consumption of oil, received millions of dollars in aid from Chávez and professionals to help it explore reserves. Uruguay received considerable economic support from ALBA. Besides receiving an estimated 40,000 barrels/day of oil at discounted prices, it also got funding to expand an existing refinery and the crude oil needed to run it.

ALBA-TCP varied in its structure and behavior from earlier regional agreements. Although the San José Energy Agreement and the Caracas Agreement presented some features of financing for development projects, their primary role was to sell oil to the Central American and Caribbean states on preferential terms. ALBA-TCP, by comparison, develops as an 'integral' bloc of collaboration where the participating nations may share and exchange goods, resources, human resources, and expertise. Moreover, according to some scholars, ALBA is more than a regional pact since it aimed at changing the balance of power globally. In the essay "ALBA as an instrument of Soft-Balancing", Alfredo Toro (2011) argues that ALBA is a soft-balancing instrument designed to postpone, frustrate, and disrupt the dominant position of the United States in Latin America and the Caribbean. Under this concept of regional unification and self-determination, Toro asserts that ALBA aspire to become an antidote to American hegemony by two distinct forms: first, instead of adopting a capitalist approach, its goal is to reinforce the state and not the market; and second, unlike other foreign lending organizations, ALBA and the ALBA Bank do not enforce harsh conditions. Thus, the purpose of ALBA was to become a valid alternative to the conventional international trade market. According to Altman Borbón, however, the open counter hegemonic stance of ALBA is what makes it less appealing to neighboring countries than other regional agreements. A significant remark made by Altman Borbón is that "while the previous agreements were focused on a policy of trade, not assistance, ALBA was more rooted on the principle of barter rather than free trade" (Altamann Borbón 2015:4). This means that the dynamics that come with exports, obligations and loans are not the prevalent in this arrangement since it is based on the exchange of goods under a competitive advantage, which extremely evident with Venezuela allocating oil and its derivatives and Cuba exporting health specialists.

3.4 Petro Caribe

In 2005 Venezuela launched a new Energy Cooperation Agreement, Petro Caribe, which differed from ALBA but was integrated into its structure. In fact, the Petro Caribe website recited " the existence of Petro Caribe (or Petro America or Petro Sur) cannot be appreciated until the importance of ALBA is first acknowledged." It also clarified that Petro Caribe was deemed to be part of the drift in foreign policy undertook by Venezuela and introduced in the integrationist drive suggested by ALBA. There were two major distinctions between ALBA and Petro Caribe. Firstly, the main purpose of Petro Caribe was to export oil to the states that were part of the agreement on concessional terms, while ALBA was a comprehensive trading scheme that included the sale of products and services of all sorts. Secondly, unlike ALBA, where all of the contributing countries served as both donors and beneficiaries, lenders, and borrowers, the Petro Caribe agreement placed Venezuela in the position of only lender (supplier) and the participating countries in the position of borrowers (receivers). Through Petro Caribe, Venezuela sold oil at subsidized rates to Caribbean and Central American countries. According to Andres Serbin, Petro Caribe enhanced the terms of the Caracas Agreement of 2000, as the terms of Petro Caribe were more favorable than the previous ones: the contracting countries had 15 years to pay their contributions, two years to deposit the first payment and an average interest rate of 2%. (Serbin: 87, 2006). The subsidized part of the supplied oil (US$ 3,000 million) constituted a saving of US$ 1.4 billion for the receiving countries. This saving would allow the receiving countries to spend more in social and development programs. There were 18 signatories to the agreement: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Grenada, Guyana, Jamaica, Dominican Republic, St. Kitts and Nevis, St. Vincent and the Grenadines (signed in 2005); Haiti and Nicaragua (signed in 2007); Honduras signed in 2008; Guatemala signed in 2012 and El Salvador signed in 2014. Much like the ALBA Agreement was justified as a response to the asymmetries and inequalities of globalization and, more specifically, to the U.S.-led Free Trade Area Agreement, Petro Caribe was legitimized by its purpose to address asymmetries in energy consumption and access, in the light of an energy shortage caused by rising hydrocarbon costs. This condition was, in fact, adversely affecting non-producing nations, where energy bills represented a substantial part of their economic balances and was increasingly boosting the poverty level of the population.

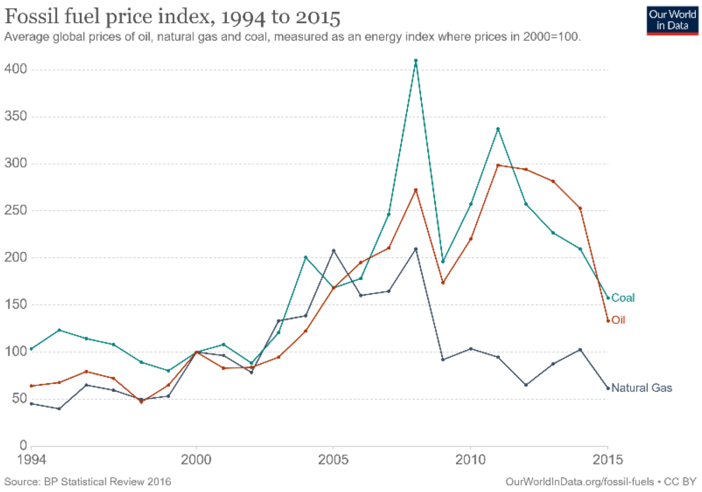


Figure 8 Average oil prices 1994-2015

The financing lines of Petro Caribe worked as follows: the proposed financial line envisaged up to 50 per cent off the oil receipt, in relation to the crude price. The financing can last up to 25 years, with two years of grace, and the interest rate could be lowered to 1 per cent if the price of oil surpassed US$ 40 a barrel. Thus, if the international oil price reached US$ 40 per barrel, then the prior financing terms were still valid. But if the price of the barrel went below US$ 40, "the timeframe for commodity payment would be 17 years, with a two-year grace period and a 2 percent interest rate, while short-term payment foresees a period of 30 to 90 days" (SELA 2015: 13).

Price per Barrel in US$	% to Finance	Condition
> 15	5	2-year grace period 17 years to pay at a 2% interest rate
>20	10	
>22	15	
>24	20	
>30	25	
>40	30	2-year grace period 25 years to pay at a 1% interest rate
>50	40	
>80	50	
>100	60	
>150	70	

Source: SELA 2015: 13.

Figure 9 Petro Caribe lines of Financing

The Petro Caribe Agreement specified the importance of establishing an enterprise to manage operational capacity of the agreement. As a subsidiary of PDVSA, PDV Caribe was established "to support the joint planning, coordination and production of transport , storage, distribution and marketing capabilities of hydrocarbons through a direct, stable and efficient means of supply for the Caribbean and Central American countries; to facilitate infrastructure projects leading to sovereign management of oil; to strengthen technological cooperation, technical practice, and operations related to the conservation of energy; and to oversee required transportation in order to fulfill contracts through PDV Marina and/or Transalba, shipping company that supports Petro Caribe operations"[19]. In addition to PDV Caribe, the agreement also stipulated that there would be needed the establishment of public bodies to perform energy operations, and for this reason, Venezuela proposed technical assistance to locate such bodies in the Member States. Through PDV Caribe, the

Share Composition Of The Joint Ventures Created		
ALBA Petro Caribe (Belize Energy) Limited	55% PDV Caribe, S.A.	45% Belize Petroleum And Energy Limited
PDV Caribe (Dominica) LTD	55% PDV Caribe, S.A.	45% Dominica National Petroleum Company LTD
PDV Grenada LTD	55% PDV Caribe, S.A.	45% Petrocaribe Grenada LTD
Petrojam Limited	49% PDV Caribe, S.A.	51% Petroleum Corporation Of Jamaica
ALBA De Nicaragua, Sociedad Anonima	51% PDV Caribe, S.A.	49% Empresa Nicaraguense De Petroleo (Petronic)
PDV St. Kitts Nevis Limited	55% PDV Caribe, S.A.	45% St. Kitts Nevis Energy Company Limited
Pdv Saint Vincent And The Grenadines Ltd	55% PDV Caribe, S.A.	45% Petro Caribé St. Vincent And The Grenadines (Svg) Limited
Refineria Dominicana De Petróleo, S.A.	49% PDV Caribe, S.A.	51% Dominican State
Societe D´Investissement Petion Bolivar, S.A.	51% PDV Caribe, S.A.	49% Haitian State
Alba Petróleos El Salvador, S.E.M	60% PDV Caribe, S.A.	40% ENEPASA
Pdvsa Cuba, S.A.	100 % Pdv Caribe	-
Cuvenpetrol, S.A.	49% Pdvsa Cuba, S.A.	51% Comercial Cupet, S.A.
Transportes Del Alba Inc.	50% Pdvsa Cuba, S.A.	50% Internacional Maritima, S.A.
Trocana World Inc.	50% Pdvsa Cuba, S.A.	50% Wagoneer International Limited
Tovase Development Corp.	50% Pdvsa Cuba, S.A.	50% Variation Limited
Cuvenpeq, S.A.	14% Pdvsa Cuba, S.A.	51% Grupo Empresarial De La Industria Química (Geiq) 35% Pequiven, S.A.

Figure 10 Petro Caribe joint ventures

[19] Petróleos de Venezuela, S.A. (PDVSA). 2005. "PDV Caribe."

Venezuelan state managed to buy a portion of the state oil firms of its lenders. As seen in Table 8, PDV Caribe acquired approximately half of foreign state-owned firms, but in the case of Cuba, a PDVSA branch was established in La Habana, 100 per cent of which was owned by PDV Caribe.

As noted earlier, the relationship between Cuba and Venezuela stood out from the rest of the signatories. After the *Acuerdo de Caracas* was established in 2000, Cuba and Venezuela signed their specific agreement days later. According to the study "Evolution of the Petro Caribe Energy Cooperation Agreement" prepared by SELA, "Cuba is considered a de facto member of Petro Caribe because while supply and trade with Cuba are carried out under this Arrangement, they are contractually extracted from the Comprehensive Cooperation Agreement (CIC) signed in 2000 between Venezuela and Cuba. Indeed, Cuba was the country with the highest existing limit, 98,000 barrels a day (SELA 2015: 8). Since 2005, the regular quota of oil shipped to Cuba rose to a total of 153,000 barrels resulting from "98,000 barrels through the Integral Cooperation Agreement (of bilateral character) plus 55,000 barrels through Petro Caribe, amounting to 90 percent of the total intake of Cuba of approximately 170,000 barrels per day."

The main feature connecting Petro Caribe to ALBA was the funding of development projects through schemes such as the ALBA Caribe Fund (ACF), "which consisted of money from the savings generated by the funding of the oil bill and foreign trade, as well as coming from financial and non-financial assets."[20] The Fund was opened with a US$ 50 million-worth Venezuelan donation, which expanded to US$ 112 million, funding projects in ten countries in the region: Antigua and Barbuda, Belize, Cuba, Dominica, Granada, Guyana, Haiti, San Vincent, Saint Cristobal and Nieves, Grenadines and Nicaragua. The ACF was used for services and initiatives that addressed problems related to health, education, housing and local economic growth and medium-size enterprises. In the official website of Petro Caribe, it was reported that by 2009 179 million US dollars had been allocated to 85 projects in 11 countries in the region and 29 million to 3 projects regarding electricity. At the IX Summit of Heads of State and Government of Petro Caribe held in

[20] Petro Caribe. 2009. "ALBA Caribbean Fund."

Caracas in March 2015, the Summit ratified its agreement to 'enable the extension of the ALBA Caribbean Fund by an additional two hundred million dollars, to promote socio-productive growth in the Caribbean countries and to finance the advancement of complementary oil' (SELA, 2015:11).

Another proposal under Petro Caribe and related to ALBA-TCP is the Complementary Economic Zone (PEZ) covering the 21 countries that are part of both Petro Caribe and ALBA: 'In May 2013, at the Ninth Ministerial Council of Petro Caribe, it was decided that an Ad Hoc Committee should be set up to establish the technological and legal framework for the development of a Petro Caribe.

In order to increase and diversify intra-regional trade, improve manufacturing industries, encourage social participation, and foster growth, the Caribbean Economic Zone (PEZ). St. Vincent & Grenadines, Venezuela, the Dominican Republic, Nicaragua, and Haiti make up the permanent commission. At the first meeting of the Ad Hoc Community a Committee was formed to operate in the five fields of transport and connectivity, leisure, networking, development, trade and migration, social and cultural events. The Petro Caribe Management Study 2015 reports that each will resolve the following issues:

Area	Issue
Social and Cultural Structuring Programs	Universalization of education; universalization of health; food Security and Sovereignty; promotion of Social Participation; cultural Identity.
Transportation and Communications	Legal assessment of existing integration mechanisms, and exchange of necessary information; identification of concrete projects: evaluation of civil aviation alliances in the Eastern Caribbean, as a pilot project that enables the establishment of cargo and passenger routes.
Productive Networking	Legal and tariff assessment of the existing integration mechanisms, and exchange of necessary information; Include Technical Assistance and Cooperation Programs; Coordination between the universities of the region, not only from the academic point of view; Identify alternative forms of production
Program for Tourism	Legal assessment of the existing integration mechanisms and exchange of necessary information; Carry out a diagnosis of the main difficulties that the Member States face to develop tourism; Identify tourism related projects that encourage an increase in the flow of tourists from the region.
Program for Trade and Integration	Legal assessment of the existing integration mechanisms and exchange of necessary information; Exchange of trade statistics. Assessment of existing tariffs structures in the region; Make an inventory of existing potentials; Continue fostering and deepening the Petro Caribe Fair Trade Mechanism. Establish a list of priority goods and services that may; be subject to trade compensations for payment of their long-term oil bill; Establish an automatic quota allocation mechanism by country, of products of origin, to be compensated against the long term oil bill.

Source: Petro Caribe Management Report 2015.

Figure 11 Petro Caribe Economic Zone Areas of Investment

In the 1970s, oil diplomacy first appeared in Venezuelan foreign policy due to the oil boom of those years. As a major oil producer and exporter, the Venezuelan government was in possession of enough economic resources to be able to allocate some of them internationally and play a leading role in foreign relations. Venezuela distributed loans to Central American and Caribbean states between 1974-76 through a cash-loan plan under low interest rates, longer maturity terms and lower oil prices than the international market could offer. Yet, at that time it was not envisaged a scheme with fixed quotas, factor that was later included in the San José Arrangement and in Petro Caribe. In fact, under the San José Agreement, Venezuela was not completely empowered to take a counter-hegemonic stance since the Agreement only allowed to sell oil at concessional prices, and the role of supplier was intended to be shared with Mexico. As noted earlier, when Chávez attempted to implement improvements in the Agreement (such as having Cuba among the recipients), Mexico did not accept them. The subsequent energy agreements, however, reflected the emergence of Venezuela as a powerful lender, as they consolidated the oil-diplomacy activity and sharp counter-hegemonic stance undertaken by the country. Venezuela took the lead in allocating more barrels of oil and granting further concessions to its creditors with the adoption of the Caracas Agreement and the bilateral oil deal with Cuba. Nevertheless, ALBA and Petro Caribe represented the main counter-hegemonic efforts since these negotiations publicly proclaimed their opposition to the neoliberal international order; they avowed to be an alternative for Central American and Caribbean countries thanks their generous payment facilities and weak conditionalities. The substitutive role to which Venezuela was committed was particularly important for Cuba which had been under the U.S. embargo for years and, through ALBA and Petro Caribe, could finally recover its own dimension in foreign trade.

ALBA-TCP was established and flourished within the project of a revolutionary foreign policy agenda by Hugo Chávez. Moreover, as pointed out by Burges (2007), this structure is a reflection of a counter-hegemonic process. It was first developed as a response to the Americas Free Trade Area (FTAA), which Chávez described as another form of American imperialism.

ALBA-TCP, by comparison, would be developed within Latin America and for Latin America only. In addition to market trade, the definition also involved the exchanging of political and social ideals, which is precisely what Cox (Cox, 1993) considers essential for a counter-hegemonic practice: a systemic reform that incorporates the economic, social, and political realms. While the efficacy of ALBA is challenged because of its restricted participation and scope of operation, by 2016 this bloc has grown from two actors (Venezuela and Cuba) to 11 members. As noted earlier, this bloc has a real internal exchange mechanism based mostly on oil and food, maintain a left-wing political ideology among its participants, and has seen its partnership in international organizations such as the OAS. While Petro Caribe was established as a separate arrangement, ALBA is its base and they often intertwined (for example, when members of Petro Caribe make their payments on products serving to support ALBA institutions, such as ALBA Food). And the most critical difference between Petro Caribe and ALBA is the primarily present loan portion at Petro Caribe. Members of Petro Caribe build a coalition united by a shared loan, even if the loan is canceled the alliance remains.

3.5 Assessing the financial aspects of ALBA and Petro Caribe

ALBA and Petro Caribe were the material realizations of a revolutionary foreign policy and an ambitious international projection of Venezuela. However, their successful completion was mostly due to a phase of oil prices surge that gave the Bolivarian Republic a significant boost in its projects. An 'oil boom' is characterized by a period of continuous oil price increase (in inflation-adjusted terms) culminating in a new historical high. By this metric, the longest and most lucrative of the three oil booms in Venezuela since the early 1970s, came to an end in 2008. In the aftermath of the latest oil bonanza, it is relevant to analyze the complexities of the Venezuelan economy and present the threats that the country faced when the boom era terminated. Thus, it is crucial to demonstrate the regional dependency crystalized on the concessional oil export programs (Petro Caribe and other ALBA flows) of

Venezuela, with the aim of calculating the effects of a crisis originating from the source on the Latin American and Caribbean countries depending from it.

In general, for an oil-producing nation, the greatest problem is how to manage its oil resources efficiently, without squandering the proceeds. Oil is exhaustible, and thus, oil earnings will naturally dry up at some point. One main problem for fiscal policy, however, is to determine how to divide government resources (including, especially, oil wealth) through decades, concentrating first on the long term. This challenge, representing a concern for intergenerational stability and general financial prudence, should be resolved by pursuing a fiscal strategy that maintains government wealth — adequately described to include oil. Analogous to traditional permanent income claims, wealth protection allows expenditure to be limited to permanent income or, in this case, to the tacit return on government capital for each period. However, a government of an oil country faces tremendous confusion about its oil resources. Because of fluctuations in oil prices, the instability of oil sales is troublesome, especially for short-run macro-fiscal management. But it is the uncertainty about oil resources itself, which emerges from uncertainties regarding concerns such as the future course of oil markets, the scale of oil reserves and the cost of producing them, that is most relevant for long-term purposes. Just as an uptick in volatility would usually cause a customer to make more cautious purchasing choices, confusion about oil reserves would cause a government to follow a more cautious fiscal strategy for precautionary purposes than would be the case if those variables were understood for sure.

As it has already been mentioned, in Venezuelan history, there are three intervals in which the world oil price soared to a new record high: the first in 1971–74; the second, 1978–80; and the third in the period of 2002–08. The first period (1971–74) was the shortest and also was the time during which the Venezuelan government had the slightest amount of direct administrative power over the energy resources of the country. The 1970s were also the years of oil nationalization in Venezuela and it had just started when oil prices quadrupled. Despite the tremendous rise in oil prices, the non-oil deficit remained largely confined (at 8.7 per cent of GDP), resulting in low annual inflation, moderate real exchange rate appreciation, and good economic growth. Venezuela experienced significantly higher inflation after the second (1978–80) boom — the potential result of non-oil deficits[21] exceeding 25 per cent of GDP inevitably accommodated by monetary expansion. The sharp rise in imports (as reflected in the reserves of months of imports) alongside the relatively smaller scale of the boom (as reflected in years of oil price appreciation) left the economy in a weakened status. The subsequent low reserves and debt growth left the economy vulnerable to interest-rate shock of the early 1980s that resulted in a debt crisis in Venezuela.

The beginning of the third and longest of the three oil booms- lasted seven years- can be roughly dated back to 2002. The unprecedented duration and intensity of this bonanza allowed large deficits alongside accumulation of assets. The annual fiscal deficits above 25 per cent of GDP raised inflation and strengthened the real exchange rate, reducing Venezuelan competitiveness in non-oil tradable goods and increasing reliance on imports. Annual surges in the public-sector wage became inevitable as oil prices rose ever higher, pushing further the Venezuelan wage-price spiral and stressing an already chronically unproductive non-oil economy. While the public sector reported an accumulation of assets, roughly half of these were kept outside the

	1971–74	1978–80	2002–08
Peak Year (Annual Average Price)	**1974**	**1979**	**2008**
Change in Period Oil Price			
USD Current (US$)	9.8	23.1	72.7
USD Constant (cum %)	407	121	227
Years of Price Growth	4	3	7
GDP Growth After Peak	6.1	-2.0	…
(in percent, unless otherwise indicated)			
Inflation in last year	11.7	12.3	30.9
Avg annual inflation	4.2	11.2	22.1
REER Appreciation	5.3	-8.9	40.0
Non-oil Deficit	-8.7	-26.3	-27.5
Reserves (& Assets, USD m)	2,476	7,713	68,226
M1/Reserves	4.3	5.1	2.4
M1/GDP	9.3	18.5	24.0
Reserves/GDP	9.1	15.4	21.8
Reserves/Imports (in months)	10.5	8.9	16.6

Source: Asce https://www.ascecuba.org/asce_proceedings/the-venezuela-risks-for-petrocaribe-and-alba-countries/

Figure 12 Oil booms in Venezuela

[21] Non-oil deficit makes clear that revenue excludes oil income and provides the most useful indicator for measuring the direction and sustainability of fiscal policy of an oil-rich country.

central bank and were deemed of questionable quality. For example, sovereign lenders in Venezuela, such as China, collateralized loans with future oil proceeds rather than returns on assets kept in "trust funds" such as Fonden (an offshore government investment fund used for asset accumulation).

	2002–08	2009–12	2002–12
Exports, f.o.b.	380	313	693
Imports, f.o.b.	-197	-186	-383
Other	-48	-81	-129
Current Acct Surplus	135	46	181
Capital Flows	-104	-57	-161
FDI	2	1	4
Other flows	-107	-58	-165
Errors and Omissions[a]	-14	-25	-39
Subtotal Flows	17	-36	-19
Δ Official Reserves	17	-36	-19
Memo:			
Δ External Debt	18	62	80

a. Includes US$12.2 bn in reserves transferred to Fonden.

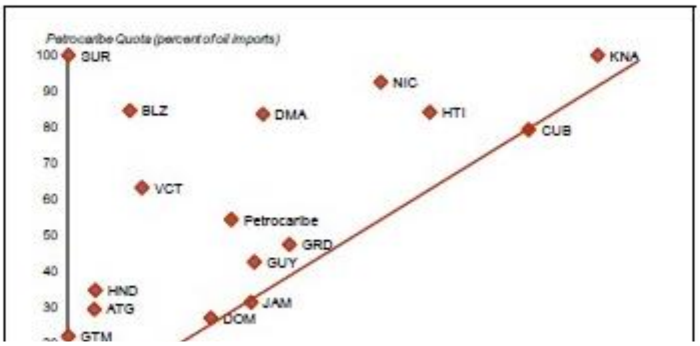
Source: Asce https://www.ascecuba.org/asce_proceedings/the-venezuela-risks-for-petrocaribe-and-alba-countries/

Figure 13 Dollars Inflows and Outflows in Venezuela

Notwithstanding the intensity and duration of the 2002–08 oil bonanza, the Venezuelan authorities saved a little. Figure 11 displays the average dollar movements into and out of Venezuela during the last decade, while the price of oil rose and stabilized afterwards. The overall exports of Venezuela in the four-year post-boom period (2009–12) amounted to $313 billion, in comparison to the $380 billion export sales in the 2002–08 seven-year boom period. Revenues have maintained the large stagnation in real oil prices achieved since 2008. Nevertheless, from the boom years, imports and other current account outflows increased, leaving just $46 billion in export revenues. After "saving" only $46 billion from exports during 2009–12, Venezuela diverted $82 billion from the government, mixing outflows, errors, and omissions from capital account. The net loss in reserves in the years following the oil bonanza which ended in 2008 was therefore $36 billion.

These premises are crucial to achieve a full understanding of the context in which ALBA and Petro Caribe worked. Since the early 2000s, ALBA and Petro Caribe committed to offering concessional funding to several Central American and Caribbean (CAC) countries for oil imports from Venezuela (historically the terms were 25–year maturity, 2–year grace, 2% interest). The conditions for funding fluctuated with the international oil price, becoming more attractive as oil prices grew. Other provisions correlated with this facility envisaged borrowing authorities to commit to invest in social spending and development projects. Moreover, there were included other arrangements that encouraged borrowing countries to make barter payments, such as repaying oil imports with agricultural products or other exports, clearly at non-market prices. Although some of the terms of financing came under scrutiny and experienced a review in 2013, since the end of the oil boom in 2008, the organizations remained largely unchanged. In fact, Petro Caribe flows persisted throughout the global financial crisis, amid a reversal in oil-price levels that led to fiscal change caused by devaluation and a decline in GDP. This underlined a clear political determination by the Venezuelan authorities on the projects and life of Petro Caribe and ALBA.

Petro Caribe helped some Central American and Caribbean countries survive the economic recession that affected them through a number of ways, including falling commodity prices, international credit cuts and disruption in tourism. The financing programs were, indeed, country-specific and relied on a bilaterally negotiated oil import quota with Venezuela (agreed in thousands of barrels a day, bpd). Venezuela also offered support through the framework of ALBA (Bolivarian Replacement for Our America, a loose democratic confederation of countries led by Venezuela and Cuba). Cuba and the Dominican Republic are (by GDP) the largest signatories, and with the largest oil bills. The smaller members collectively represent only the 1.5 per cent of overall exports of Venezuelan crude. However, the total of oil imports by the member countries of Petro Caribe accounted for around 20 per cent of Venezuelan oil exports, with every member country spending on average 10 per cent of GDP on annual oil imports. Figure 12 displays the Petro Caribe oil quota and usage by member countries and indicates the



Source: Asce https://www.ascecuba.org/asce_proceedings/the-venezuela-risks-for-petrocaribe-and-alba-countries/

Figure 14 Petro Caribe oil quotas and use relative dependency of each country to the termination of such agreement. Nonetheless, some member countries did not use their allocated quotas or only used a small percentage. For 2008–10, total Petro Caribe flows have been calculated at US$ 2.5 billion per year, and since 2005, they cumulatively exceed US$ 10 billion. However, this calculation does not include ALBA-related flows which encompassed the financing from Venezuela to the partners of ALBA for technical assistance, services, and expertise-transfers.

Throughout the years, Petrocaribe and ALBA have become relevant venues for cooperation in Central America and the Caribbean, despite some reluctance from some sectors within these countries which argue that such cooperation also envisages pressure to follow a political and ideological commitment to approach 21st century socialism and the Bolivarian model promoted by the Venezuelan government (Altmann, 2011). For example, former President of Costa Rica, Oscar Arias, assessed that ALBA constituted a tool of greater cooperation for Central America than the United States and the European Union. It has therefore been argued that a kind of modern Venezuelan "imperialism" was developing in the region, alongside the lines of the concept of "sub-imperialism" emerged in the 1970s and 80s (Arellano, 2008). Of course, the Venezuelan government saw the Caribbean as an important area for projecting the continental and global aspiration of President Chávez for his country. As far as the Caribbean is concerned, it is worth noting that owing to its anti-imperialist rhetoric, this leadership deepened certain fundamental divisions and tended to promote conflict as a tool for reform (Arellano, 2011). The integration process in the region was further cemented by the development of the Coalition of Latin American and Caribbean States (CELAC), which was completed at the end of 2011, after a small delay caused by the illness of President Chávez. With respect to this new body, it should be remembered that Caracas tried to create a new environment for diplomatic dialog and political cooperation outside the United States and Canada. In fact, CELAC strongly resembled the Organization of American States (OAS) and included the participation of 33 states, with the exclusion of the two North American countries. With regard to Petrocaribe, despite official estimates issued by the government, many criticisms have been raised about whether member countries received their assigned quotas and whether agreements that had been negotiated were actually implemented, pointing out that Cuba, being the main recipients has been reselling part of its oil quota on the international market (Rojas, 2011a). In addition, it is worth questioning the long-term sustainability of the program, considering the high costs that its maintenance requires. The question became more pressing in the aftermath of the global financial crisis, considering the collapse in oil prices and the fact that Venezuela would need a greater portion of oil revenues for domestic matters, in particular for the purpose of supporting the reelection bid of President Chávez of 2012, which was carried on despite his worsening health condition.

In this context, the financial statements of PDVSA announced the Petrocaribe agreements and the Caracas Energy Agreement produced losses on crude oil shipments ranging from 455,000 barrels to 514,000 barrels per day during the 2008-2010 period (Rojas, 2011a). In an attempt to decrease the debt of the member countries to Venezuela, PDVSA decreased the volume of taxes owed by the receiving countries, thus decreasing the tax amount paid by the state oil company to the Venezuelan coffers. Around 2011, Nicaragua, Jamaica, the Dominican Republic, and Guyana were the nations with the highest debts (Rojas, 2011a). PDVSA admitted that several of its allies lacked the financial resources to commit to the proposed development programs, pushing Venezuela to pay the full costs (El Universal, 14-6-2011). The main concern, in fact, was whether the government of President Chávez would be able to continue these policies in the near term, in the light of the economic, regional, and domestic realities of today. Yet, already in 2010, some warning signals emerged of a development that would lead to a fall in the leadership of Venezuela, not just in the Caribbean but even in Latin America and also internationally. Thus, two potential alternatives were proposed: either enhanced geographic alienation due to the intellectual and political rigidity of President Chávez, or, on the opposite, expanding and increasing the power of his government (Arellano, 2008). The most optimistic version, in line with the promises of the Venezuelan government, envisioned the likelihood that, faced with the relentless reality of high levels of poverty and injustice in the country, the rhetoric of ALBA and Petrocaribe would gain more support in the region, especially from political forces and parties with political affinities.

A more realistic and insightful version already saw the leadership of Venezuela become constrained and weakened due to the heavy reliance of the Caribbean countries on its financial resources in a scenario of increasingly uncertain domestic environment, and an international context where oil prices rendered it difficult to continue subsidizing large-scale energy financing. This latter possibility assumed that the intellectual rigidity of the Venezuelan administration made adjustment mechanisms more complicated, hence provoking a rejection in the region of that rigid school of thinking and contributing to further disintegration and instability in the country.

Chapter 4: The geopolitical implications of a crisis

4.1 The political gridlock

In October 2012, Chávez secured reelection for a fourth term as President with a turnout of 81 per cent, beating the Democratic Unity Roundtable (MUD) opposition coalition led by Henrique Capriles.[22] Economic future of the country and domestic stability were proclaimed as the priorities during the campaign, as the country was dealing with chronic shortages of basic goods and a persistently high rate of violence. The final result was 54 percent in favor of Chávez to 44 percent for Capriles — a narrower victory for Chávez than in previous years, but a larger gap between the two candidates than most observers would have predicted.[23] Chavez vowed to keep guiding the country throughout the road to the Bolivarian Revolution and named the Minister of foreign affairs Nicolas Maduro as Vice President on October 11, concurrently to the circulation of rumors began to circulate about the health state of the President.

Few months later, in December 2012, Chávez announced that his illness had returned. He went to Cuba to undergo surgery, telling the nation that Vice

[22] Venezuela's Chavez Era, Council on Foreign Relations. Available at https://www.cfr.org/timeline/venezuelas-chavez-era.
[23] Council on Foreign Relations. (n.d.). Venezuela's Chavez Era. [online] Available at: https://www.cfr.org/timeline/venezuelas-chavez-era.

President Nicolás Maduro should be the choice of the Chavistas, in the case he we would no longer be able to serve as President. In January 2013, Chávez missed the inauguration of his term, triggering a widespread debate about whether he was still legitimately President of Venezuela. The following weeks were characterized by confusion and protesters claimed transparency about the condition of Chávez. On February 18, Chávez returned to Caracas and announced via Twitter that he would begin his treatment in Venezuela. On March 5, Maduro declared that Chávez had passed. New elections were scheduled to take place in thirty days. After the death of Chávez, a vibrant presidential campaign saw acting president Nicolas Maduro and opposition representative Henrique Capriles struggling for the role of leader of the country. Early polls showed that the hand-picked successor of Chávez was favored with a double-digit margin, but the elections of April 14th gave Maduro a remarkably narrow victory, with just 50.6 per cent against the 49.1 per cent of Capriles.[24] The opposition suspected massive irregularities during the election process and protested against the result while Maduro sought to fortify his position. Demonstrations flooded the streets of Caracas but were violently crushed by security forces and allied civic groups which limited freedom of expression and assembly. In 2014, the clashes between pro-Maduro wings and student-led protests caused the death of 43 people and left 800 wounded.[25] Maduro dictated the incarceration of opposition leaders for allegedly encouraging unrest, among them Leopoldo López, the leader of the Popular Will (VP) faction. Opposition attempts to replace President Maduro through a national referendum were opposed by any means possible. At that point, part of the opposition, with the exception of the VP party, launched negotiations with the government with the mediation of the Vatican, of former Spanish presidents, the Dominican Republic, Panama and the President of the Union of South American Nations. However, the opposition abandoned the talks by December 2016, due to the unwillingness of the Maduro government to fulfill its commitments.

[24] Council on Foreign Relations. (n.d.). Venezuela's Chavez Era. [online] Available at: https://www.cfr.org/timeline/venezuelas-chavez-era.

[25] Congress.gov. (2020). CRS Reports. [online] Available at: https://crsreports.congress.gov [Accessed 21 Sep. 2020].

Following domestic demonstrations and strong manifest discontent from the international community, President Maduro ordered the Supreme Court to reconsider the decision of conducting itself the legislative functions. On the other hand, in April 2017, the government barred the twice presidential candidate Henrique Capriles from running for office for 15 the next years, fueling further demonstrations. The opposition launched huge strike against the government from March to July 2017, calling on President Maduro to free political prisoners, reinstate the separation of powers and organize a new presidential election.

In May 2017, President Maduro declared that he would appoint a Constituent Assembly to amend the Constitution and held elections to choose delegates to that Assembly on July the 30th. The Supreme Court ruled that Maduro could convene the assembly without holding a popular referendum first (as required by the Constitution). The opposition boycotted the elections, claiming that they were unconstitutional. Despite the sabotage of the opposition, the government arranged the election of a 545-member National Constituent Assembly (ANC) in July 2017, which declared itself the new legislative body of Venezuela. With the opposition in disarray, President Maduro sought to crystalize his power, blaming U.S. sanctions for the economic troubles in the region. Then, Maduro dismissed the President of Petróleos de Venezuela S.A. and the oil Minister and ordered their arrested under corruption charges. To fill both vacancies, he named a General with little expertise in the oil sector, asserting the control of the military over the economic sphere.

In a climate of repression, new presidential elections were organized in December 2018 which proved to be minimally competitive. Maduro obtained the 67 percent of the vote, but the turnout was almost half of what had been in 2013 (46%).[26] Maduro began his second term on the 10th of January 2019. Following accusations of fraud and manipulation of the elections of 2018, his authority was contested both domestically and internationally. In fact, it was not accepted as valid by the United States, the European Union (EU), the Group of Seven (G-7) and most Western Hemisphere countries. They

[26] Congress.gov. (2020). CRS Reports. [online] Available at: https://crsreports.congress.gov [Accessed 21 Sep. 2020].

consider the National Assembly as the only democratic institution in Venezuela. On 5 January 2019, Juan Guaidó, a 35-year-old engineer of the VP group, was voted by the National Assembly as its president. Guaidó declared in mid-January that he was ready to serve as interim president until new elections were held. Endorsed by a huge turnout for the demonstrations which he called for, on January 23rd of 2019, Guaidó took office. The USA, and more than 50 other countries immediately recognized Guaidó as Venezuelan interim president. In 2019, two high-profile but ultimately unsuccessful attempts were coordinated by supporters of Guaidó to get security forces to abandon Maduro: in February, supporters of Guaidó tried to bring into the country emergency aid across the borders that Maduro had closed; on April 30 Guaidó called for a civil-military rebellion. The idea was that, backed by his international supporters and supported by a widespread opposition to the regime, his protests would cause a wave of defections within the military and the subsequent fleeing of Maduro. Unfortunately, those expectations did not materialize. Apart from the support to the strikes of former chief of the national intelligence agency (General Manuel Christopher Figuera), the high-ranking military command remained loyal to Maduro. In fact, the relationship between Maduro and the armed forces that continued to back him during the toughest times. Military officials benefited from corruption, drug-trafficking and other illicit actions. Moreover, the Venezuelan intelligence, trained and financed by Cuba, detained and tortured dissidents within the military. A naval officer, accused by the government of plotting rebellion in June 2019, died after being tortured in custody.

International observers hoped that the exploratory talks mediated by Norway would help the opposition and the government of Venezuela overcome the stalemate that is hindering the country. The opposition, aware of the failure of previous efforts at the mediation table that only helped to reinforce the action of the government, demanded the call for new presidential elections within a fair timeline to be the starting point for negotiations. Maduro has responded firmly, criticizing the opposition for boycotting the 2018 presidential vote, and now calling on elections to revamp the control of the opposition in the legislature. Thus, expectations dramatically fell after Maduro stopped attending the negotiations in response to new U.S. sanctions.

Guaidó currently maintains international diplomatic support – as demonstrated by his three-week diplomatic tour in early 2020, during which he and President Trump have allegedly discussed ways "to speed up a democratic transition in Venezuela"[27]—but his hold on the domestic political situation appears to be waning.

The Coronavirus Pandemic (COVID-19) and the strict implementation of a national quarantine by the Maduro government have since March 2020 reduced the freedom of Guaidó and his supporters to demonstrate and mobilize publicly. Guaidó was widely criticized in Venezuela after reports emerged that he may have allowed a plan that resulted in a failed armed raid against Maduro initiated by U.S. mercenaries (who have been sentenced in Venezuela) and former Venezuelan soldiers from Colombia in early May 2020[28].

During 2020, Maduro has sought to secure parliamentary support in the National Assembly by convoking new elections. In January 2020, Maduro persuaded opposition representatives from minor groups to vote for his party, allegedly offering bribes, and elect Luis Parra as chair of the National Assembly. This stripped Guaidó of his already fading constitutional right to the de facto presidency of the Assembly. The commotion escalated quickly: Guaidó claimed he was obstructed from entering the national assembly and was recorded climbing the fence of the building; however, other opposition members allegedly entered freely, and many of them voted for Parra. Later that day, Guaidó promoted a parallel vote in the headquarters of an opposition newspaper, El Nacional, that confirmed him as national assembly president. A week later, on 13 January, the US asserted its position by assessing additional sanctions on several opposition members who had voted for Parra, as well as on Parra himself. Behind these circumstances hides a highly marked divergence within the opposition, between those who still believe that a regime change is possible and those who are prone to arrange with Maduro the terms of political solution to the crisis of Venezuela. Guaidó represents

[27] The White House, "Statement from the Press Secretary on the Visit of Interim President Juan Guaidó of Bolivarian Republic of Venezuela," February 5, 2020

[28] Known as Operation Gideon, the raid was an unsuccessful attempt perpetrated by Venezuelan dissidents and an American private military group meant to infiltrate Venezuela by sea and oust Maduro from his position

the first group, but with the failed regime-change strategy and a waning confidence in a possible short-term success, his initiative is starting to lose grip and appeal to Venezuelans.

The Venezuelan crisis has also divided the international community on the formulation of a single strategy in response to it. Juan Guaidó is recognized as interim president by the United States, Canada, most of the Member States of the European Union (EU), Australia , Japan, Israel, South Korea, and 16 Western Hemisphere countries which advocate for negotiated transition of power from Maduro to an elected, democratic government. Meanwhile, Russia, China, Cuba, Turkey, Iran, and others are backing the presidency of Maduro and his claim to power. The crisis has generated a third community of countries — including Mexico, Norway, Uruguay, and several Caribbean nations — which declared themselves neutral. Some analysts argue that the negotiation attempt of the Norway-mediated dialogue in 2019 was doomed to fail due to divisions among global powers. According to these analysts, without interference from their key external partners (China and Russia for Maduro, the United States, and the EU for Guaidó), the opposing sides of Venezuela would not have opted for negotiations. Canada, Switzerland, and the EU have denounced anti-democratic actions of the government and issued targeted sanctions against members of the Maduro administration, being the most recent EU sanctions issued in June 2020. However, these countries did not enforce extensive economic sanctions, as the United States did. These countries actually favor a diplomatic approach to the conflict and are opposed to military action in Venezuela. Since February 2019, the EU-backed International Contact Group which comprises Argentina, Costa Rica, Ecuador, France , Germany , Italy, the Netherlands, Panama, Portugal , Spain, Sweden , the United Kingdom, and Uruguay, has tried to "establish the necessary guarantees for a reliable democratic process within the earliest time frame possible"[29] and impulse the delivery of humanitarian assistance to Venezuela. The EU is calling for a delay in the parliamentary polls due in December 2020 and has declined to monitor the elections under the current

[29] As "necessary guarantees" are intended a new electoral council, the releasing political prisoners, and ending bans on political parties and candidates.

circumstances.[30] The OAS under the leadership of Secretary-General Luis Almagro has been strongly involved in Venezuela, although some member states, including Caribbean Community nations, asserted that Almagro has supported too blatantly Guaidó and the opposition. Nevertheless, resolutions obtained enough votes (19 out of 34 member states) to declare the 2018 reelection of Maduro illegitimate (June 2018) and not to accept the validity of his second term (January 2019).[31] In June 2020 the OAS adopted a resolution opposing the actions of the Maduro-allied Supreme Court. Among the participants of the OAS, there are 13 countries who are involved in the Lima Group, a group founded in August 2017 to speed up the Venezuelan transition to democracy. On August 14, the Lima Group released a "firm rejection of the announcement by the illegitimate regime of the holding of parliamentary elections without minimum guarantees."[32] In addition, eleven OAS member states that are parties to the Inter-American Treaty of Reciprocal Assistance (Rio Treaty) have assigned targeted sanctions and travel bans on some officials of Maduro.

Maduro is supported by Russia, China, Cuba, Turkey, Iran, and a few other nations. Russia and China have been barring the U.N. Security Council from recognizing the government of Guaidó. In particular, Russia offered help to the failing oil industry in Venezuela, supported Venezuela circumvent U.S. oil sanctions, and sent military troops and weapons, causing harsh criticism from the United States. In Venezuela, Moscow has both economic and geostrategic interests; it has used the Latin American country as a means through which it distributes propaganda and media divulgation.[33] It can be argued that the role of China in Venezuela is mainly financial. Nonetheless, political support has been demonstrated by the Chinese with the export of

[30] "EU Refuses to Monitor Venezuelan Election, Urges Delay," AP, August 11, 2020
[31] The Organization of American States (OAS) claims 18 votes to approve a resolution of the Permanent Council. In June 2018, 19 out of 34 member states passed a resolution stating that the May 2018 presidential election in Venezuela lacked legitimacy and allowing countries to take measures, including sanctions, necessary to improve the return to democracy. In January 2019, the same 19 states approved a resolution that refused the legitimacy of the second term of Maduro; called for new presidential elections; and urged all member states to adopt diplomatic, political, and financial sanctions.
[32] The 13 countries include Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Honduras, Panama, Paraguay, and Peru. https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/response_conflictreponse_conflits/crisis-crises/venezuela.aspx?lang=eng
[33] U.S. Department of State, Report to Congress on Threat Assessment of Russian-Venezuelan Security Cooperation as required by Section 165(b)(2) of the VERDAD Act of 2019, contained within Div. J of P.L. 116-94, February 24, 2020

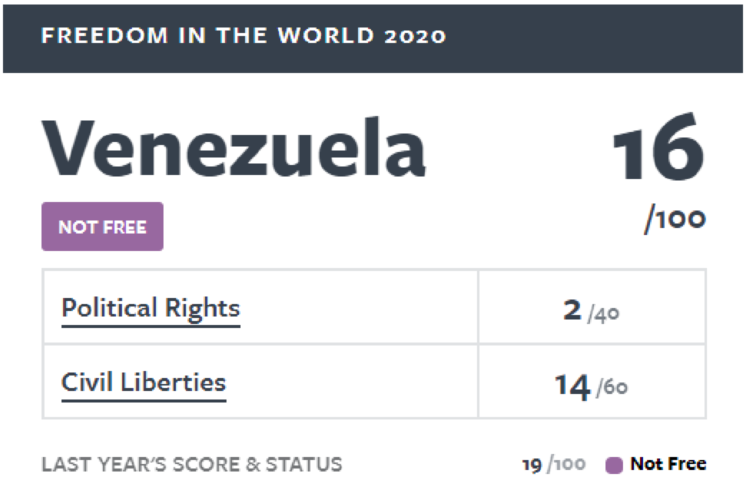
technologies that would help the Maduro government track its people, censor their opponents on social media and elsewhere, and deprive of services and food those who do not vote in favor of the regime. Cuba supported the Maduro government with military and intelligence assistance, in return for subsidized oil. In 2019, Secretary of State Mike Pompeo maintained that there were around 2,300 Cuban security staff in Venezuela involved in supplying Maduro with defense and educating Venezuelan security forces in "torture methods, domestic surveillance strategies, and repression mechanisms."[34] The major foreign financial backers of the Maduro regime, China and Russia, continue to support it, even though they have not provided financing recently. During the pandemic, they have both contributed with humanitarian aid, food, and medicines in exchange for oil. China recently decided to authorize the government of Maduro to delay its repayment of $19 billion of previous loans in oil supplies throughout the end of 2020. Turkey has purchased large quantities of Venezuelan gold despite US sanctions. Iran has been sending fuel tankers in exchange for gold, despite the sanctions pending on both countries. Moreover, it offered humanitarian relief, helped restore an oil refinery, and set up a conglomerate of supermarkets in Venezuela.[35] The imposition of sanctions from the U.S. has limited access to licit income from the Maduro administration. Therefore, illegal linkages between Venezuela and criminal actors in some of those countries have become more evident.

4.2 The humanitarian concern for the people of Venezuela

[34] U.S. Department of State, Secretary of State Michael R. Pompeo, "Interview with Margaret Brennan of CBS Face the Nation," May 5, 2019; and U.S. Department of State, Secretary of State Michael R. Pompeo, "Remarks to the Press," March 11, 2019

[35] El Pais, https://elpais.com/internacional/2020-08-05/la-geopolitica-de-un-supermercado-irani-en-caracas.html?fbclid=IwAR2Uhu54pKfLnZ4R9O77petJKeLDEhBYsFORDXjlfUKO47bcHAcsRObwCVM

Human rights organizations and international observers have voiced alarm about the degradation of democratic standards and mounting challenges to the freedom of press and expression and of in Venezuela for more than a decade. Under President Maduro, the respect for of human rights in Venezuela has declined steeply in comparison to the previous administration of President Chávez. According to Freedom House (2020), the international NGO dealing with the estimation of democracy in the world, Venezuela fell from ‘partly free’ under Chavez, to ‘not free’ since Maduro. Violations have, in fact, escalated as security forces and affiliated civilian armed groups (*colectivos*) have been mobilized to violently suppress demonstrations. In August 2017, the UN Office of the High Commissioner for Human Rights (OHCHR) released a study on Venezuelan on the violation perpetrated by security forces and human rights abuses against demonstrators.[36] A year later, it issued another report in which the abuses committed by the militias were documented thoroughly and involved detailed information on the severity of the health and food crisis and the continuing impunity in cases of crimes committed by officials against the protesters.[37] Venezuela is the country with the highest rates of homicide and crime victimization in Latin America and the Caribbean, which in turn is the region with the highest rates of homicide worldwide. Despite the critic conditions of the country, the homicide rate reportedly declined between 2016 and 2020. According to the Venezuelan



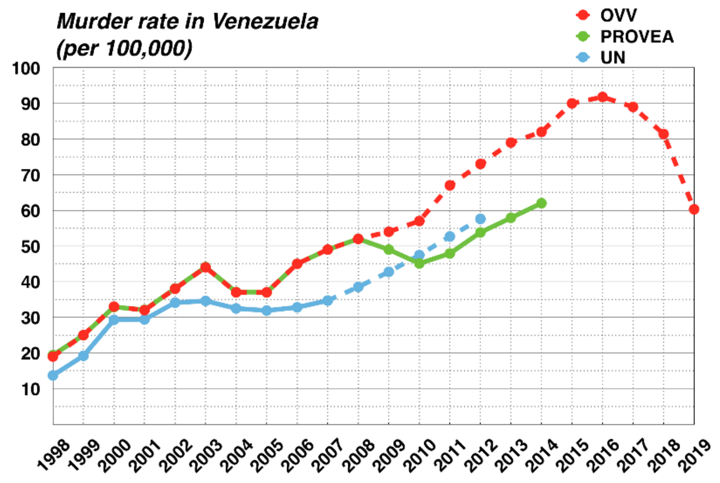
Source: Freedom House https://freedomhouse.org/explore-the-map?type=fiw&year=2020&country=VEN

Figure 15 Indicator of democratic freedom in Venezuela in 2020

[36] OHCHR, Human Rights Violations and Abuses in the Context of Protests in the Bolivarian Republic of Venezuela from 1 April to 31 July 2017, August 30, 2017

[37] OHCHR, Venezuela: Continued Impunity amid Dismal Human Rights Situation, June 22, 2018

Violence Observatory, the homicide rate in Venezuela decreased in 2019 (60.3 homicides per 100,000 people) relative to a rate of 81.4 per 100,000 people in 2018, and 90.2 in 2016, partly due to the decrease in the presence of territorial control by some criminal groups. Security forces have also implemented militarized public security policies which have culminated in extrajudicial killings and other significant human rights violations. U.N. High Commissioner for Human Rights Michelle Bachelet visited Venezuela in June 2019. Her office later released a study outlining a series of serious human rights abuses conducted by the Maduro administration, including reports that security forces enacted around 6,800 extrajudicial killings from January 2018 to May 2019[38]. The report highlighted how intelligence services detained and tortured elements considered rivals, including military officers and opposition representatives, and how the Maduro government "violates its obligations to guarantee food and health rights,"[39] particularly those of "indigenous peoples". [40]



Sources: Observatorio de Violencia Venezolano (OVV), UN, Programa Venezolano de Educacion en Derechos Humanos (PROVEA)

Figure 16 Homicide rate in Venezuela

Analysts believe violence in Venezuela will intensify as Maduro tries to take control of the National Assembly. According to Foro Penal, as of 24 August 2020, there were an estimated 386 political prisoners in Venezuela, with the figure remaining relatively constant as some political prisoners are freed (but still under surveillance) and others are detained.[41] The intelligence police of

[38] OHCHR, Report of the United Nations High Commissioner for Human Rights on the Situation of Human Rights in Bolivarian Republic of Venezuela, Annual Report no. A/HRC/41/18, July 5, 2019.
[39] OHCHR, "UN Human Rights Report on Venezuela Urges Immediate Measures to Halt and Remedy Grave Rights Violations," press release, July 4, 2019.
[40] OHCHR Venezuela Human Rights Report, 2019
[41] Foro Penal, https://foropenal.com/presos-politicos/

Maduro is currently detaining five senators, the chief of staff of Guaidó and a popular activist. The Supreme Court has taken away the immunity of many lawmakers, others have been arrested and eventually monitored by the government, went into exile or have found asylum in a foreign embassy (including Leopoldo Lopez, representative of VP who is currently under protection in the Spanish embassy). Security forces have also arrested doctors and journalists that opposed the response of the government to COVID-19 pandemic, as well as some migrants returning to their country accused of being infected. Additionally, some prisoners were arbitrarily put in detention under corruption charges. Among them figure six former Citgo executives, five of whom have dual U.S. citizenship, and one is an American permanent resident incarcerated since 2017. Two of those people were released into house arrest in July 2020 after a meeting with Maduro on their behalf by former U.S. Ambassador to the United Nations, Bill Richardson. Two Americans were also arrested in May for engaging in the failed coup attempt against Maduro (Operation Gideon) and were sentenced to 20 years in jail, despite the efforts of the Ambassador.

Several countries urged the U.N. Human Rights Council in September 2017 to accept the outcry of High Commissioner for an international inquiry into the abuses identified in the U.N. Report on Venezuela in August 2017. In September 2018, The Human Rights Council adopted a resolution on Venezuela expressing "its greatest concern" about the severe abuses of human rights described in the previous reports, calling on the government to accept humanitarian aid and allowing an OHCHR inquiry for the situation in Venezuela. The Human Rights Council approved a Resolution in September 2019 to condemn human rights violations committed by the Maduro government and to set up an independent fact-finding commission in Venezuela with a one-year mandate. Human rights organizations have commended this progress and are asking the Human Rights Council to expand the mandate of the mission. The election of Venezuela in October 2019 to a three-year seat on the Human Rights Council, which started in January 2020, is feared to be weakening support and work of the mission. In addition to the OHCHR, former Venezuelan officials, the Organization of American States (OAS) and some neighboring countries requested the

International Criminal Court for specific human rights investigations on the violations performed by the Maduro administration. In February 2018, the ICC prosecutor opened a formal enquiry.

4.3 Humanitarian aid for food and medical supplies

Well before the COVID-19 pandemic, the Venezuelans were facing a humanitarian crisis due to energy shortages, lack of medication, food, and access to social care. In addition to the dramatic situation, there were political repression, hyperinflation, income cuts and extreme poverty. The number of Venezuelans living in poverty rose from 48.4 per cent in 2014 to 96 per cent in 2019 (80 per cent in severe poverty), according to household surveys. Millions are in need of humanitarian aid, especially pregnant and nursing mothers, those people with chronic diseases, indigenous populations, refugees, children under the age of five, and people with special needs[42]. In February 2020, The UN World Food Program (WFP) issued an estimate finding out that as of mid-2019 more than 9.3 million Venezuelans were food insecure, 7 million of which (24.4 percent of the population) were moderately food insecure and 2.3 million (7.9 percent of the population) were food insecure. Population) is highly food insecure.[43] Many Venezuelans indicated that the issue was the inaccessibility food costs rather than scarcity in food supply. The WFP assessment also showed that 25 per cent of households surveyed did not have sufficient access to potable water and reported intermittent interruptions in the supply of electricity and gas. The following electric blackouts of 2019 deepened criticism in Venezuela, determining restrictions of access to electricity and clean water and further incentivizing health degradation. The International Red Cross and Red Crescent Societies reported that those power outages contributed on several occasions to the collapsing of the health system , especially of emergency care and facilities such as dialysis machines.[44] Even before the pandemic, overall health

[42] U.N. Office for the Coordination of Humanitarian Affairs (UNOCHA), "Venezuela: Humanitarian Response Aims to Assist 4.5 Million People in 2020," August 3, 2020
[43] World Food Program (WFP), "Venezuela Food Security Assessment: Main Findings," February 23, 2020
[44] International Federation of Red Cross and Red Crescent Societies (IFRC), "Venezuela: Health Emergency – Sixmonth Update, October 23, 2019.

conditions of the country, particularly in child and maternity mortality rates, had severely declined. Previously Eradicated illnesses like diphtheria and measles have now returned and represent a big concern.

While the Maduro government refused significant quantities of humanitarian aid in 2018, it approved U.N. humanitarian entities and partners to access the country with substantial aid, starting from 2019. The U.N. Office for the Coordination of Humanitarian Affairs (UNOCHA) has developed its coordinated framework with regional hubs around the country. The Coordination and Assistance Coordination Unit, headed by the U.N. resident Coordinator, was established in February 2019 to ease humanitarian cooperation operations. As of August 2020, the humanitarian area had extended to 129 active entities with 234 programs being implemented[45]. A needs assessment for Venezuela conducted in March 2019 revealed major humanitarian concerns across the country that had affected an estimated 7 million people. This appraisal culminated in the establishment of the first Humanitarian Response Plan (HRP) for Venezuela in July 2019 and the launch of an appeal for $223 million. The HRP is a joint initiative by UNOCHA and the participating partners to mobilize and organize a response for the vulnerable people in the country, providing assistance in the areas of health, water, sanitation and hygiene, food, shelter, and protection. The HRP for 2020 requests for $762.5 million, of which $674.6 million is for updated humanitarian needs and $87.9 million is for the COVID-19 pandemic. The 2020 HRP builds on the 2019 initiatives, integrates the plan with the health and socio-economic impacts of the COVID-19 pandemic and aims at assisting 4.5 million of the most vulnerable people in the country. However, the challenges introduced by COVID-19 added up to existing organizational difficulties due to large discrepancies in information on humanitarian needs, lack of funding, restricted response capacity, and bureaucratic impediments, such as the permanent suspension of registration of nongovernmental organizations have contributed to hindering the implementation of the program. Energy shortages, power outages, outdated infrastructures, unreliable access to sanitation, and security challenges, mainly along the

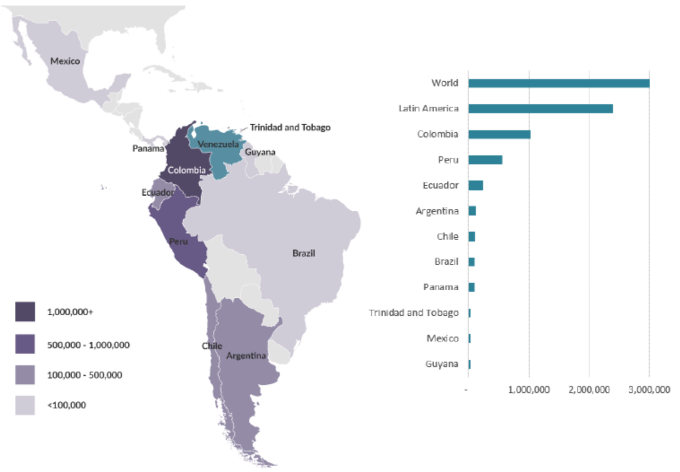
[45] UNOCHA, "Venezuela: Humanitarian Response Aims to Assist 4.5 Million People in 2020," August 3, 2020

border and in rural areas, have continued to threaten humanitarian access and assistance distribution from the partners.

The International Federation of Red Cross and Red Crescent Societies has expanded humanitarian efforts within the country in 2019, in cooperation with the Venezuelan Red Cross and with the support of both the interim president Guaidó and Maduro. The efforts of the Red Cross Movement have concentrated on several aspects of health services in the Venezuelan public health sector, such as access to primary care facilities and the needs of the most disadvantaged communities. With the beginning of COVID-19, the International Committee of the Red Cross and the Venezuelan Red Cross have also focused on health care workers around the country by delivering medical equipment, renovating and building hand-washing stations in medical centers and providing guidance on preventive behavior.

4.4 The Venezuelan diaspora

The political turmoil of Venezuela, alongside the instable socio-economic situation and the humanitarian crisis have catalyzed the largest external displacement crisis in the recent history of Latin America. According to the International Organization for Migration, more than 5.1 million Venezuelans have fled the country in the latest years. Approximately 4.3 million (around 85 percent) of the migrants are hosted in Latin American and Caribbean countries, such as Colombia (more than 1.8 million), Peru (829,708), Chile (455,494), Ecuador (362,857), Argentina (179,069), Brazil



Source: Migration Policy Institute, https://www.migrationpolicy.org/article/top-10-2018-issue-1-venezuelan-crisis-deepens-south-america-braces-more-arrivals-and

Figure 17 Displacement of Venezuelan in Latin America and the World

(264,617) and Panama (121,123). The displacement crisis has affected the equilibrium of the entire region since neighboring countries, especially Colombia- the first recipient country-, have been deeply signed by the massive migration flows. Thousands of Venezuelans travel on foot across different South American countries. Many of them escape the country without knowing their final destination. Venezuelan refugees and migrants who are forced to leave the country explore different roots- sometimes by land, other by plane or by sea- to reach their destination, often placing their lives at risk. Lately, a greater number of migrants are using sea routes compared to the previous years because they are considered fastest to reach the Caribbean islands. Even though the U.N. High Commissioner for Refugees (UNHCR) does not consider the majority of Venezuelans as refugees, it estimates that a great number of Venezuelan citizens are in need humanitarian relief, diplomatic security, and opportunity to regularize their status. Before the start of COVID-19, UNHCR and the International Organization for Migration (IOM) predicted that the number of Venezuelan refugees and migrants could exceed over 5.5 million by the end of 2020, although the total number of displacements is likely to be affected by border closures, quarantine measures and other limits imposed on travels due to the epidemic.

The migration of Venezuelans has been an unparalleled refugee problem for the Western Hemisphere. The 17 countries of the region have been under pressure to review their respective migration and asylum policies and discuss the legal status of Venezuelans who left their country. In neighboring nations, more than 2.5 million (around 50 per cent) Venezuelans lacked identification papers, leaving them vulnerable to abuses from traffickers and smugglers. Therefore, in this context, it may happen that emigration numbers reported by the origin country appear to vary from those reported by receiving countries. Cross-country differences in methods of counting make official estimates and comparisons difficult, a challenge that has been also acknowledge by several UN entities (UNHCR, IOM). Moreover, the transitory feature of migration flows makes it challenging to make correct calculations. A study published by the Colombian government showed that only 5 per cent of Venezuelans surveyed expected to remain indefinitely in

Colombia, while 23 per cent said they would only remain for a few months in Colombia. According to the same study, a *'población flotante'* (floating population) traveling from country to country makes up 69 percent of those crossing the border.[46] This report suggests that those migrants could theoretically be counted several times if they continue travelling between countries. On the other hand, more people who are not included in polls or census reports are potentially fleeing Venezuela. Official border crossing data might also be misleading, since the border between Venezuela and Colombia is extremely porous. To make it more difficult, the IOM has announced that 1.6 million Venezuelans are in possession of a Border Mobility Card, a document that enables them to travel freely between the two countries whose borders are adjacent. Finally, it is difficult to record refugees who are homeless in the first place or criminals who avoid the identification process in purpose. Indeed, due to fear of retaliation by deportation or unfavorable encounters with state officials in their country of origin, they have several reasons to be suspicious of engaging in the attempts of the recipient state to collect information.

As of today, the Venezuelan exodus registers second only to the Syrian one, underlining the severity of the critic processes of adjustment that the second-largest displacement worldwide is causing in the region. As noted before, most of the migrants (80 per cent) chose to flee to neighboring countries. Those who have migrated to Europe- mostly to Spain- and the United States have done so during an expanded period of time and not in a single substantial flow, as it happened with the Syrian and Afghan flows to Europe in 2015-16, or the Central American exodus to the U.S. in 2014 and 2019.[47]

So far, the recipient countries have balanced the massive impact of Venezuelans migrants reasonably well, even with modest foreign support. Latin American countries have increasingly opened their borders to those fleeing Venezuela, given them access to basic schooling and health care, and sought to absorb them into their economies and local populations. The

[46]El Espectador, https://www.elespectador.com/noticias/el-mundo/cancilleria-y-oim-hacen-publica-radiografia-de-la-migracion-venezolana/

[47] Selee A., Bolter J., (2020). Could Venezuela's Loss Be Latin America's Gain? [online] Foreign Policy. Available at: https://foreignpolicy.com/2020/02/07/could-venezuelas-loss-be-latin-americas-gain/ [Accessed 16 Sep. 2020].

response is not, however, always flawless. There are some permanent hurdles to register for education, find a career, obtain medical treatment, or find a technical degree recognized, as a report from the Migration Policy Institute revealed.[48] However, the overall reaction has been much more versatile than elsewhere in the world and the findings of the study suggest that a good part of Venezuelan adults have managed to find a job in the countries they have migrated to. Of course, the absence of a language barrier in countries other than Brazil and Guyana encourages the incorporation in the labor market.

The response provided to the crisis of Latin American has often come from the single national governments which have elaborated, on many occasions, the solution that better suited their particular reality, resorting to self-reliance, and preferring short-term legal status and integration over the granting of the refugee status. Thus, governments have mainly considered Venezuelans as migrants rather than as refugees, with the exception of Brazil and Mexico, where more than 20,000 and 8,000 Venezuelans respectively have been granted asylum. In many countries, this is due primarily to the lack of fully developed asylum programs, but also because governments are concerned about causing a backlash from host populations dealing with the status of the most impoverished Venezuelans. For example, Colombia has granted special temporary residency visas to almost 600,000 Venezuelans, while Peru has done the same for more than 400,000 migrants, and Brazil for almost 100,000.[49] Colombia has made further steps forward by establishing a special work-based permit for those with a formal career in the country. Instead, Ecuador has introduced an outreaching program to allow temporary residency permits to many undocumented Venezuelans residing in the country.

Overall, most Venezuelan migrants in Latin America have even less rights than refugees elsewhere in the world - at most, they get temporary visas to stay and work in host countries- , but in fact most have been able to easily find jobs, accommodation, schooling and basic health care. They often start from the bottom of the hierarchy, but rather than being recognized as a refugees they are absorbed into local communities. They may have fewer

[48] MPI, https://www.migrationpolicy.org/research/latam-caribbean-responses-venezuelan-nicaraguan-migration
[49] Seele, A. Bolter, J. (2020). Could Venezuela's Loss Be Latin America's Gain? [online] Foreign Policy. Available at: https://foreignpolicy.com/2020/02/07/could-venezuelas-loss-be-latin-americas-gain/ [Accessed 16 Sep. 2020].

formal guarantees than those given refugee status elsewhere in the world, but, in fact, they could access to greater means of creating a new life. It is worth noting that that borders in the Caribbean region are extremely porous and, thus, they are easy to overcome for those who are desperately trying to leave their country. For this reason, Latin America has a tradition of regional mobility arrangements and a broad legislation on refugees, but, until the Venezuelan exodus, this regimen had not been truly tested.

Studies suggest that the receiving countries are benefiting from this movement of people. The Chilean Central Bank estimated a surge in the growth of the country due to the arrival of more than 370,000 Venezuelans, who are enlarging the labor force and providing additional human capital. In Peru, where more than 850,000 Venezuelans have settled, surveys from the World Bank and private bank BBVA have shown similar findings. In part, this is because the Venezuelan migrant community is highly educated in comparison to the native population. For example, in Chile, just over 20 per cent of the adult population had an advanced degree — either graduate studies or a specialized certificate — in 2017 compared to more than 50 per cent of Venezuelans who had it. The gap is closer in Peru where the 31 per cent of the working-age population of the country had an advanced degree in 2018, compared to 42 per cent of among Venezuelans. Countries in the region are increasingly exploring ways to recognize professional qualifications obtained outside their borders in order to take advantage of the potential that Venezuelan doctors, dentists, nurses, teachers, engineers, and other professionals could offer.

However, while these migrant flows might have significant net benefits for the economies hosting countries, they could also contribute to putting major pressures on public resources, creating housing shortages in some regions, and raising perceptions of work competition. It is widely demonstrated, for example, that this movement provides an aggregate advantage to the economies of receiving countries, but in some specific industries, such as manufacturing, where the labor supply is expanding, wages are consequently depreciating. With the latest arrivals, classrooms and emergency rooms that were already overcrowded in many Latin American cities have only become more congested. Recent polls have revealed that people from the major host cities are growing unsatisfied of the constant arrivals. The lack of information of when this influx will stop is compounding public frustration and subsequent political pressure on governments. In reaction to this changing perception, many governments have introduced limits on the entry of Venezuelans over the past year, and in many countries even provisional legal status is becoming more difficult to obtain. Those restraints did not actually stop the flows, on the contrary, it contributed to increasingly illegal entries. A year ago, most Venezuelans living in neighboring countries obtained some sort of legal status from their host government; today, the number is halved. This dynamic could exacerbate the issue of inequalities in host communities rather than solving it, as migrants who lack legal papers are more incline to work for lower pay or illegally. Ironically, what made the Latin American response so popular at the beginning — its local, integrated existence, with little presence or interference from the international community — may in reality be troublesome for the future. As the cost of providing schooling, health care and housing for tens of thousands of new migrants increases — and as workers are fearing job competition from crescent numbers of Venezuelan immigrants — it would be deemed necessary for the international community to intervene and alleviate the burden of providing education , health care and housing services.

4.5 The impact of COVID-19

In mid-March 2020, the COVID-19 pandemic that erupted in the world and in Venezuela has entailed a complicated dimension to the already dramatic humanitarian crisis of the region. Vulnerable, displaced people live in environments that make them especially vulnerable to COVID-19 and, thus, create a major issue to containment challenges. The Pan American Health Organization and the UN Children's Fund have coordinated the international response to COVID-19 in Venezuela, prioritizing capacity-building assistance for clinics as well as for food, water and sanitation initiatives for vulnerable populations.[50] In neighboring countries, UNHCR and IOM have aimed to meet the urgent public health needs of refugees and migrants as well as of those who are displaced as a result of the outbreak of the pandemic. As of August 2020, it is estimated that as many as 95,000 Venezuelans may have attempted to return to Venezuela, particularly from Colombia, as a consequence of the loss of a shelter and the economic collapse due to the pandemic. Venezuelan returnees, a new demographic concern for the humanitarian response, encountered difficulties on both sides of the border, especially facing the absence of a systematic protocol of return. Several Venezuelans have evidently illegally crossed the border, which appears to be extremely dangerous owing to the presence of armed groups. Venezuelan returnees, arriving mainly from the borders that Venezuela shares with Brazil and Colombia, are to be quarantined for 14 days in temporary shelters. Although some essential assistance is given at points of entry (including health screenings, access to water and sanitation services, and food kits), humanitarian organizations have expressed concern about the ability and commitment of Venezuela to maintain adequate quarantine and health protection along the process of reintegration of returnees, since abuses on returning migrants from security forces have been reported.[51]

4.6 International Humanitarian Response for the region

UNHCR and IOM have been appointed by the U.N. Secretary-General to coordinate the international response to the needs of the displaced Venezuelans and host countries and governments in the region, among others UN entities, NGOs (national and international), the Red Cross Community, religious and civil society organizations. The Regional Interagency Coordination Platform is designed to offer a shared humanitarian aid structure. In December 2018, UNHCR and IOM unveiled the 2019 Regional Refugee and Migrant Response Plan (RMRP), the first of its kind in the Americas: it encompassed an organized and coordinated approach and an

[50] UNOCHA, Humanitarian Response Plan with Humanitarian Needs Overview: Venezuela, July 2020
[51] Kurmanaev A., Herrera I., and Urdaneta S., "Venezuela Deploys Security Forces in Coronavirus Crackdown," New York Times, August 19, 2020

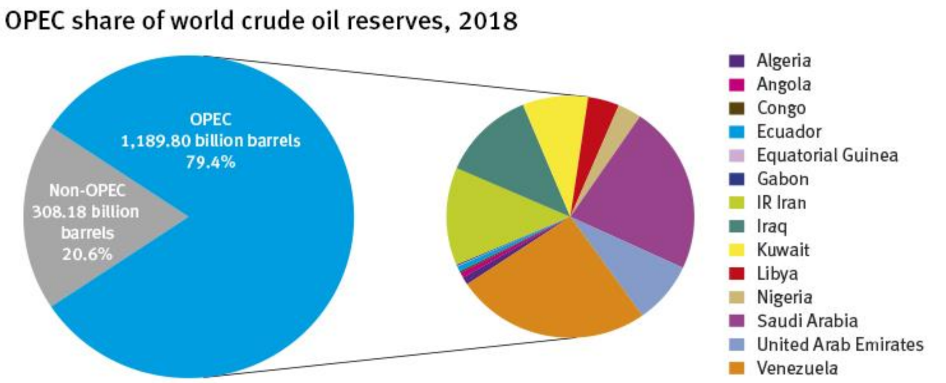
appeal for $738 million in funding to help over 2 million Venezuelans in the country, and half a million people in host communities. The provided resources were different by country but overall included financing for reception centers and accommodation options; emergency relief goods, such as emergency food aid, clean drinking water and hygiene supplies; legal help with petitions for asylum and other matters; protection from abuse and exploitation; and the establishment of temporary employment services and educational opportunities. The 2020 RMRP introduced in December 2019 called for $1.35 billion to expand on these efforts to meet the need of 4 million of the most vulnerable people in 17 countries of Latin America and the Caribbean.[52] As of July 2020, the budget for RMRP was revised and the request rose to $1.4 billion, $968.8 million of which was meant for adjusted humanitarian needs and $438.8 million was for COVID-19.

The Quito Process, a regional cooperation mechanism that has periodically gathered countries hosting Venezuelans since 2018, has helped balancing policies among host countries and donors, expand the scope of humanitarian assistance and encourage response to refugees and migrants across the region. The European Commission, UNHCR, and IOM co-chaired the International Solidarity Conference on the Venezuelan Refugee and Migrant Situation held in Brussels, Belgium, on 28-29 October 2019. The conference aimed at raising global awareness of the regional refugee and migrant crisis in Venezuela and spotlighted the aspects of the response provided by host countries and local societies, insisted on the need for international assistance and cooperation, and endorsed the establishment of public-private partnerships. Based on this gathering, donors promised $2.79 billion at the International Conference of Donors in Solidarity with Venezuelan Refugees and Migrants in Latin America and the Caribbean on 26 May 2020.

4.7 The economic catastrophe

[52] U.N. Coordination Platform for Refugees and Migrants from Venezuela, Response for Venezuelans (RV4), Refugee and Migrant Response Plan 2020: January – December 2020, December 2019

Since Nicolás Maduro took over in Venezuela in 2013, the country has lived years of terror and despair, marked by constant political turmoil, violence, and degrading conditions of living for its citizens. The humanitarian and migration crisis that developed as a consequence of the dramatic domestic situation and have been raising deep concern within the international community, in the region and beyond. How did Venezuela go from being one of the most prosperous countries worldwide to one of the poorest? The underpinning political crisis and fall in oil prices since 2014 have certainly represented two main factors of the catastrophe that followed. However, the issues root back to years of economic mismanagement and unsuitable policies. As of today, Venezuela has the largest oil proven reserves of the world and the economy, since the early 1900s, has been built on oil.



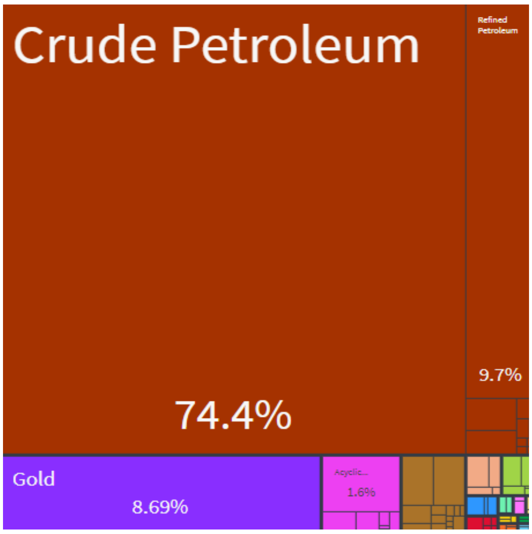
OPEC proven crude oil reserves, at end 2018 (billion barrels, OPEC share)

Venezuela	302.81	25.5%	Kuwait	101.50	8.5%	Algeria	12.20	1.0%	Gabon	2.00	0.2%
Saudi Arabia	267.03	22.4%	UAE	97.80	8.2%	Ecuador	8.27	0.7%	Equatorial Guinea	1.10	0.1%
IR Iran	155.60	13.1%	Libya	48.36	4.1%	Angola	8.16	0.7%			
Iraq	145.02	12.2%	Nigeria	36.97	3.1%	Congo	2.98	0.3%			

Source: OPEC Annual Statistical Bulletin 2019.

Figure 18 Proven crude oil reserves

Oil revenues finance the government expenditure and around 90% of the total Venezuelan exports are constituted by oil. After years of economic mismanagement under President Hugo Chávez, Venezuela was not well prepared to handle the dramatic decline in oil prices of 2014. As a matter of fact, during the administration of President Maduro economic conditions have worsened quickly. The extremely desperate fiscal position of the country reached the apex in November 2017, when the government declared it would aim to restructure its debt.



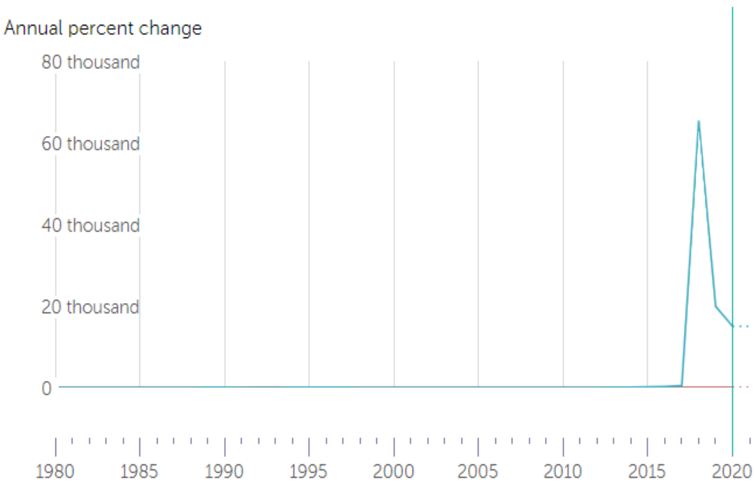
Source: OEC, https://oec.world/en/profile/country/ven

Figure 19 Venezuelan exports in 2018

During the 2000s Venezuela benefited from the oil price boom. Oil price was $10 a barrel when Hugo Chávez took office in 1999. Over the next few years, oil prices grew rapidly, hitting a high of $133 per barrel in July 2008. Between 1999 and 2015, the Venezuelan government earned nearly $ 900 billion from petroleum exports, with about half ($450 billion) obtained between 2007 and 2012, during the second term of Chávez. The oil bonanza was used by the President to invest massively on welfare services and extend subsidies on energy and food. As a share of GDP, social investment rose from 28 per cent to 40 per cent between 2000 and 2013, a far greater increase than in other major economies of Latin America. Chávez borrowed from future oil exports during the years of his administration (1999-2013), deepening the budget deficit of the country. Between 2000 and 2012, the public debt of Venezuela more than doubled, from 28 percent of GDP to 58 percent of GDP. In addition, Chávez used oil to exert his influence in the region. Petro Caribe is the main demonstration since it enabled Caribbean and Latin American countries to buy oil at prices considerably below the market level. Moreover, the government of Chávez has participated in massive expropriations and nationalizations, contributing to lowering the number of private enterprises from 14,000 in 1998 to 9,000 in 2011. Substantial government spending on social services helped Chávez win political favor and bring down the poverty rates of the country from 37 per cent in 2005 to 25 per cent in 2012. However, systemic economic mismanagement has long-term consequences. Government spending was not aimed at initiatives that may have led to improving economic efficiency, productivity and reducing oil dependency. Expropriations and nationalizations prevented international investment, which, consequently, provoked a barrier to the transfer of knowledge and resources into the region. Business distortions were created by the introduction of price controls and manipulated exchange rates and the private market was constrained.

In April 2013, when Nicolás Maduro was elected President, he inherited economic policies which were generally perceived as unrealistic and excessively dependent on oil export proceeds. The Maduro Administration was ill-equipped to ease the blow to the Venezuelan economy when oil prices collapsed in 2014. While several other commodity companies took advantage of the wealthy years to develop foreign exchange reserves or sovereign funds to offset the potential risks from significant changes in commodity prices, no such stabilization mechanism was introduced by the Chávez government in prevention of a possible future decline in oil prices. On the contrary, Chávez built his fortune hoping that oil prices would remain high.

The collapse in oil prices led to a drastic decline in budget revenues and, alongside the policy decisions of the administration, triggered a severe economic crisis, to the extent that it has been considered the greatest economic collapse of the last 45 years and twice the size of the Great Recession of the US



Source: https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEOWORLD/VEN

Figure 20 Inflation rate Venezuela

in the 1930s.[53] Between 2014 and 2019, the Venezuelan economy is reported to have collapsed by about 66 per cent. Imports, on which Venezuela relied for a wide range of consumers goods, fell by 80 per cent. The fall in oil prices weakened public finances, but instead of adjusting fiscal policies through tax collection and budget cuts, the administration of Maduro further worsened the situation by printing money and favoring inflation. The monetization of the deficit through the introduction of money into the economy, provoked a severe case of hyperinflation, which caused an increase in consumer prices of around 17,000 per cent in 2019 and drastically reduced the value of savings and wages. The government attempted to reduce inflation through price controls, but these measures have been largely unsuccessful in lowering costs, as supplies dried up immediately and sales have shifted to the black market. Despite the tight finances, the Maduro government has committed to repaying its debts, in fear of the legal challenges of creditors that troubled Argentina for more than a decade since its default in 2001 and firms that could seize Venezuelan assets. The commitment of President Maduro to repay the debt came at a high cost: the government tightened limits on access to foreign exchange in order to fulfill its trade obligations, introduced price caps, and slashed imports.

4.8 The Venezuelan most valuable asset

The nation, which borrowed heavily during the boom years of the 2000s, has defaulted on all its bonds, although it continues to repay its debts to its major financial backers China and Russia. Venezuela is facing various legal threats from private creditors and corporations trying to acquire Venezuelan assets. In 2019, the Treasury Department acted to secure Citgo, a U.S.-based unit of PDVSA and also the most valuable asset of Venezuela, from being seized during legal challenges against Venezuela in order to preserve the asset until the transitional government is on power. Citgo owns refineries in Texas, Illinois, and Louisiana and 48 product terminals and a pipeline that serve the purpose of delivering the commodity to the clients. In 2016, PDVSA

[53] Congress.gov. (2020). CRS Reports. [online] Available at: https://crsreports.congress.gov [Accessed 21 Sep. 2020].

leveraged the Citgo asset to support PDVSA to promote new investments. The ownership of Citgo was positioned as collateral for two separate debt issuances: bonds issued to private creditors, and a loan from Rosneft, a Russian oil company. In addition, companies that had sued Venezuela, such as Crystallex, have been awarded by legal judgments with expropriation acts that include taking control of and liquidating Citgo assets. In February 2019, the U.S.-recognized Guaidó government named a new board of directors to oversee Citgo, effectively excluding PDVSA from the decision-making process of U.S.-located firm. Among the financial and legal battles that Citgo is facing, PDVSA 2020 Bonds, Rosneft Loan to PDVSA, Crystallex Legal Judgment and U.S. Defense Contractor are encompassed.

PDVSA 2020 Bonds account for 50.1 percent of Citgo collateral. In October 2016, PDVSA released bonds for about $3.4 billion to separate lenders. A majority equity interest in Citgo had been pledged as collateral for the bonds, and if the bonds fell into default the creditors would have legal claim on the company. An interest payment for the bonds was due in April 2019. The payment was delayed, but it was given a 30-day grace period for the payment. Because of the U.S. imposed sanctions, the Maduro-controlled PDVSA-the original bond issuer- was prohibited from making bond payments. A PDVSA board named by Guaidó, however, agreed to pay the $71 million interest payment, in order to maintain the ownership of Citgo in case the opposition gained control of the government of Venezuela. On October 24 of 2019, the Office of Foreign Assets Control (OFAC) of the Treasury Department amended General License # 5 related to the PDVSA 2020 bonds to preclude bondholders from collecting on their collateral (Citgo shares) until January 22, 2020, even though those bonds were likely to enter in default. The provisional government made no deposit of $913 million due on October 28, 2019, which caused a default on those bonds. Legal attorneys for the provisional government launched a complaint against the holders of those bonds, alleging that the debt was to be considered "null" since it had never been accepted by the National Assembly under Venezuelan law and, thus, was void. The transitional government signed an agreement with bondholders in November 2019 to stop them from taking Citgo until May 2020. The shield for Citgo was consequently extended by OFAC until October 20, 2020.

PDVSA promised 49.9% of the assets of Citgo as collateral for a $1.5 billion loan provided in December 2016 by the Russian energy firm Rosneft. This process ignited a geopolitical game between the U.S., Russia and Venezuela since the Members of Congress acknowledged the threat for national security coming from a Russian firm formally owning a large portion of the U.S.-based Citgo subsidiary. The U.S. government has helped the interim government of Guaidó secure the assets of Citgo since the main concern is that, by failing and splitting, the Citgo bases on American soil would go to the Russians as a collateral.

Crystallex Legal Judgment is worth $1.2 billion against PDV Holding, a parent company of Citgo. In 2018, a U.S. federal court decided that Crystallex, headquartered in Canada, could seize shares in of PDV Holding, the U.S.-based parent company, as an award for winning the arbitration against the company. The award originates from the appropriation of Venezuela of assets of Canadian miners in 2011. Crystallex has stated that its intention is to take control of Citgo shares and to sell them as a means to obtain the arbitration award for cash. The advisers of Guaidó claimed that sanctions will prohibit Crystallex from seizing Citgo assets, and a waiver from OFAC will be needed. OFAC limited the right of claims to capture the Venezuelan U.S.-based properties without clear permission. The litigation is continuing.

U.S. Defense Contractor: Huntington Ingalls Companies, Inc., a U.S. defense contractor, demands restitution for non-payment for renovations to two of Venezuelan warships, which started decades earlier, before U.S.-Venezuelan relations became adversarial under President Chavez. The contractor is seeking to pursue Citgo shares to collect the award of a $138 million judgement.

4.9 The challenges of the Maduro government

Initially, the Maduro government was reluctant to face the economic downturn and recognize the role of the government in favoring it. Instead, it immediately pointed out to trade war initiated by the U.S. with the establishment of sanctions against the country. Small attempts to resolve the situation, such as the introduction of price controls and a new digital currency (the petro) proved unsuccessful. Price controls led to the expansion of the black market.

In August 2018, the government first recognized its position in causing hyperinflation, and introduced new measures to resolve the economic crisis, such as the launch of a new "sovereign bolívar," which stripped five zeros from the bolívar and bringing the government deficit to zero; hastening tax collection; and establishing a wage rise of over 3,000 per cent. However, many of these measures were not enforced by the administration, despite the promises. The Maduro government even promised to pay international vendors and contracts in Chinese Yuan to avoid U.S. sanctions, and switched to the Andean Development Organization, a development agency in Latin America, and the U.N. to finance new ventures related to the energy field. In early 2020, Venezuelan business owners announced that the Maduro government approved some free-market changes as a way to promote economic development, including the first initial public offering of the country in over a decade, even if it encompassed the respect of price controls and the embracing of the new digital currency.

Since Venezuela entered the international market in the early 1900s by exporting its oil, the country has gradually become more dependent from the American dollar; Venezuelans consumers and companies have been using U.S. dollars for day-to-day purchases, and annual remittances from families overseas of around $4 billion are to be taken into account. To analyze the tight link between Venezuela and the dollar, it is necessary to understand the concept of petrodollar. The petrodollar is every US dollar charged in return for oil to the oil-exporting countries. Being the dollar is the preeminent currency in the world, most financial sales are priced in dollars, including the sale of crude. Therefore, oil-exporting nations earn dollars from their exports, not their own currencies. Moreover, most of the crude-exporting nations have their own oil industries. This ties their national income on the value of the American currency. When it declines, so do their profits. It also common that some of these oil exporting countries peg their currencies to the dollar. That way, if the value of the dollar decreases, so does the cost of all their imported goods and services. This helps these nations prevent major inflation or deflation spikes.

Therefore, three weeks after the U.S. imposed their first financial sanctions on Venezuela in 2017 in an attempt to cripple the economy and destabilize the Maduro administration, Caracas declared that it would no longer accept or transfer dollar payments. The Venezuelan President launched an attempt at circumventing his own personal US embargo by hinting that all oil-producing countries should negotiate the development of a new currency basket for the trade of oil and its refined products. He also described crude oil paper futures trading as having a detrimental influence on the oil industry, since it has weakened attempts of OPEC to manage prices. To combat such "speculation," Maduro suggested an alternate currency basket, one that is not focused on the reserve currency of world but contains the Yuan, Ruble, and other currencies and that would minimize the potential detrimental effect of futures trading. Since then, the Maduro government partnered with its allies to reduce the effects of U.S. sanctions. In early 2020, Russia was managing more than two-thirds of Venezuelan crude oil and the United Arab Emirates imported about $1 billion of gold from the country since sanctions were levied on its gold industry in late 2018.

In the spring of 2020, Venezuela faced two new economic challenges: the pandemic of COVID-19, and the oil price wars. The government and its economy were already profoundly crippled when the pandemic hit the country. Social distancing directive have undermined economic activities, even though, for many Venezuelans, it is impossible to obey since they were forced to work small, crowded spaces of the informal sector to make a living. Around the same period, a war between Russia, Saudi Arabia over oil prices led global oil prices to crash, making Venezuela become the collateral damage of the war. In April, representatives of the Organization of Petroleum Exporting Countries (OPEC) and their non-OPEC allies (OPEC+) convened in Vienna to decide coordinate action in the sector of oil as the effect of the pandemic was causing a drastic drop in the global oil demand. Saudi Arabia proposed that members should jointly cut their oil supply by around 1 million barrels a day, and Russia about 500,000 barrels a day. This would prevent oil prices from falling further. Russia refused to enact the cut and Saudi Arabia responded by crushing its export prices in order to launch a trade war with Russia. That took down the price per barrel of about 30% — the largest one-day decline since 1991.

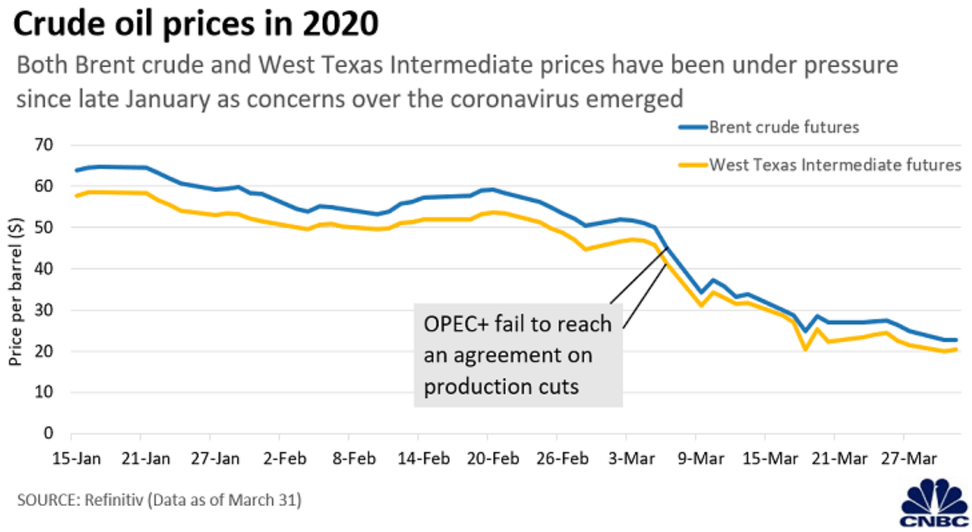


Figure 21 Crude oil prices in 2020

In this environment and as a consequence of a combination of factors, the weak structure of Venezuelan oil industry collapsed during the pandemic. The negligence of Caracas, declining infrastructures, and a severe lack of financing in essential maintenance and construction activities have caused Venezuelan oil production to tumble precipitously during the last decade to less of a sixth of the 2.3 million barrels extracted daily during 2009. According to the August 2020 Monthly Oil Market Survey from OPEC, the oil production of Venezuela had fell to an average of 339,000 barrels per day during July.

The demise of the hydrocarbon industry of the Latin American country has led the economy to crash. According to the IMF, Venezuelan GDP decreased by 35 percent during 2019 and is expected to decrease by 15 percent in 2020 and by another 5 percent in 2021. As a consequence, what was one the most developed Latin American nations is now one of the poorest in the region. Caracas, once considered the gem of the region, has lost its splendor and, along with it, its reputation as the South American mecca for oil executives, businessmen and visitors.

The Maduro government has introduced a range of policies to respond to the economic problems since March 2020. It reinstated price limits on several basic food items; raised gas prices for the first time in two decades; and lifted long-standing restrictions on gold, diamonds, and mining in the Amazon rivers (where mining was already taking place illegally). The administration approached the International Monetary Fund (IMF) for a $5 billion emergency loan but it was denied due to differences among IMF representatives about the legitimacy of the Venezuelan leader. Then, the President claimed the move of $1 billion of its gold reserves deposited at the Bank of England (the central bank of the United Kingdom) to the U.N. Development Program to finance the humanitarian response to COVID-19. UK courts ruled against the transition of money because Maduro is not recognized by the UK as the legitimate leader of Venezuela. Currently, the government is appealing the ruling in the UK legal system.

The economic future for Venezuela is grim, with no simple outcome on the horizon due to the absence of a rapid solution to the stalling political crisis. The Maduro government remains loathe in implementing policies generally perceived by analysts as necessary to revive the economy: lifting price controls, establishing an independent central bank, entering an IMF agreement that could allow wider financial assistance, and restructuring its debt with private bondholders.

4.10 The U.S sanctions system against Venezuela

Historically, the United States had strong ties with Venezuela, being the latter one of the largest U.S. provider of foreign oil. As it was previously pointed out, under the Chávez administration, tensions with the United States grew stronger and, under the Maduro government, precipitated. U.S. observers have been worried for more than a decade about the degradation of human rights and institutional governance in Venezuela, as well as about the lack of bilateral counter-narcotics and counter-terrorism coordination initiatives. As the government of Maduro has become increasingly repressive, the Obama and Trump administrations have resorted to sanctions, initially targeting individual officials of the regime, the government of Maduro itself, and then targeting larger economic sectors and entities supporting the regime.

The U.S. policy strategy against Venezuela has been gradually toughened after the U.S. government stopped acknowledging Maduro as the rightful President of Venezuela in January 2019, following his illegitimate victory in May 2018. The Trump Administration has aligned its activities with Interim President Guaidó and the approximately 60 nations accepting his guidance in January 2019. U.S. policy has deployed several diplomatic attempts to help Guaidó and weaken Maduro. It has tailored sanctions and imposed visa revocations on Maduro government officials and their families along with larger restrictions on the economy and government; has provided assistance to the Venezuelan people and the transitional government; and has stepped up to close off the streams of illegal income of the Maduro regime. In early 2019, President Trump and other senior officials indicated the possibility of U.S. military involvement in Venezuela.[54] However, those statements became rarer after U.S. allies (the EU and the Lima Group) and members of Congress voiced resistance to that possibility.

The Administration released a 'democratic transition framework' under the endorsement of Guaidó in March 2020. The plan envisages the lifting of certain sanctions in exchange for the liberation of political prisoners from, the removal of international military forces from the country and the authorization for the formation of a State Council with the aim of fulfilling presidential duties until new elections are hold. While Maduro-aligned players in Venezuela are pushing for elections, on 14 August 2020, the United States and representatives of the Lima Community, the EU and the International Contact Community released a statement supporting the establishment of a transitional government to conduct presidential elections.

In reaction to the practices of the Venezuelan government and Venezuelan officers, the United States has steadily employed sanctions as a negotiating weapon. As the Venezuelan diplomatic and economic situation has deepened, sanctions on Venezuela were greatly increased by the Trump Administration,

[54] The White House, "Remarks by President Trump to the Venezuelan American Community," February 18, 2019.

drawing on both existing provisions and new executive orders. Starting in August 2017, certain executive orders instituted financial sanctions against the Maduro government (including PDVSA), established economic sanctions against business sectors, and banned unlicensed transactions with the Maduro government. As grounds for extending U.S. sanctions, the Administration has cited the human rights violations of the Maduro regime, usurpation of authority by the National Assembly, and rampant corruption. More than 1,000 visas have been withdrawn by the State Department since January 2019, including those of current and former Venezuelan officials and their relatives. The Department of the Treasury has placed financial sanctions on a total of almost 150 persons allegedly related to Venezuela with charges of terrorism, narcotraffic, abuses of civil and human rights and corruption. Financial sanctions were established, trying to limit the government of Maduro and the state oil company, PDVSA, to access the U.S. capital markets, with the inclusion of certain provisions meant to reduce effects on Venezuelans and U.S. commercial interests. Any transition using the Venezuelan cryptocurrency (the petro) was banned, along with the prohibition of purchasing Venezuelan debt or accounts. Moreover, sectoral restrictions blocked funds and barred unlicensed transfers with PDVSA, the Venezuelan Central Bank, and the national gold mining company. Finally, sanctions on the Maduro administration froze Venezuelan assets in the United States banned negotiations with the government unless it involved efforts to offer aid to the citizens of Venezuela. Financial sanctions and visa limitations on non-US countries were also allowed.

The U.S. Administration has worked with the EU and Canada on its targeted sanctions policies. The Rio Treaty has represented the framework through which the U.S. has coordinated activities and initiatives to prosecute Maduro officials in Latin America and the Caribbean.

Since 2017, the Trump Administration has greatly raised economic leverage on Venezuela and Cuba, for supporting Venezuela. The impact of the U.S. sanctions on the Venezuelan economy is difficult to discern from the already critic economic collapse of country due to decades of revenue mismanagement and detrimental fiscal policies. Between 2017 and 2019, the economy of Venezuela collapsed by an average of 23.4 per cent each year, oil production dropped by about 60 per cent, inflation rose to 17,000 per cent, and annual government budget deficits exceeded 20 per cent of GDP. The government of Maduro has defaulted on all its debts, and U.S. sanctions prohibit debt negotiations with creditors.

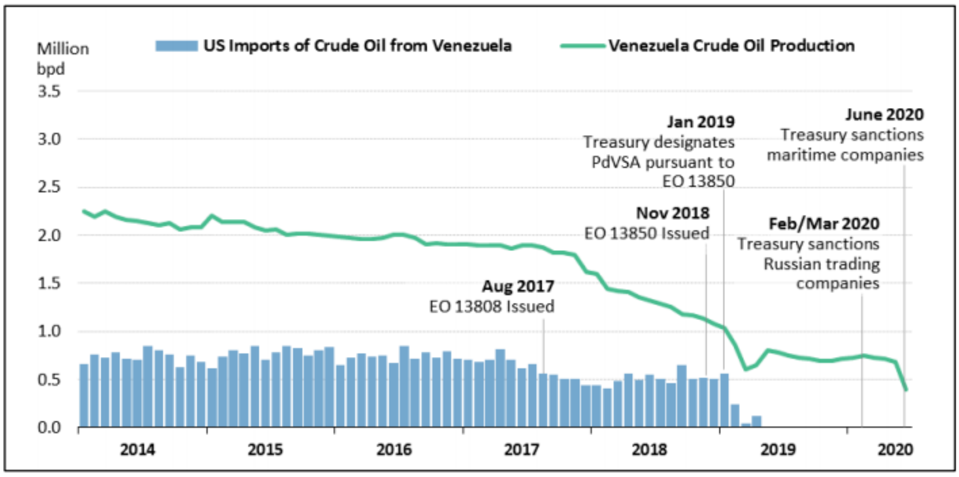
As far as the political consequences of the sanctions are concerned, the imposition of targeted sanctions on people in the Maduro government has not persuaded them to leave Maduro or modified the actions of the entities being sanctioned. In spite of the exceedingly desperate economic condition in the country, tougher U.S. sanctions implemented since 2017 have failed to push Maduro to leave office. On the contrary, they have offered a scapegoat for Maduro to blame American sanctions for the economic troubles of the country, including for the most recent shortages of gasoline during the pandemic. U.N. officials, analysts and some members of Congress have advised the Administration to relax financial and sectoral sanctions on Venezuela, even if Maduro stays in government, so that the country can address the consequences of COVID-19. The Administration, which has continued to enforce sanctions even during the pandemic, has confirmed that U.S. sanctions against Venezuela contain broad provisions and permits to allow the pandemic to be faced with humanitarian aid, food, and medicines.

4.11 How U.S. Economic Sanctions affected the Venezuelan oil industry

The petroleum sector of Venezuela is a vital element for the economy of the country. Estimates for the 2019 calendar year reveal that oil sales accounted for almost 99 per cent of the export earnings of Venezuela.[55] Due to the relevance that this sector has for the economy of Venezuela, it was the one that U.S. economic sanctions wanted to hit the most. Oil production in Venezuela has progressively fallen annually since 2006, when the total production exceeded 3.3 million barrels per day. This downward trend in production has mainly been caused by insufficient investment in and

[55] Organization of the Petroleum Exporting Countries (OPEC), Venezuela Facts and Figures, at https://www.opec.org/opec_web/en/about_us/171.htm

mismanagement of the oil production capital of the country, and policies such as subsidization of the domestic market and some exports, as well as continuous changes in the fiscal and regulatory mechanisms for oil production. After 2017, sanctions levied by the US targeting the Venezuelan oil industry and PDVSA have intensified the fall in oil production.



Sources: Venezuela's crude oil production from Energy Intelligence Group's Oil Market Intelligence publication, accessed from the Bloomberg Terminal (subscription required). U.S. imports of Venezuelan crude oil from the Energy Information Administration.

Notes: PdVSA = Petroleos de Venezuela S.A.; E.O. = executive order; bpd = barrels per day.

Figure 22 Venezuelan oil production and US imports

The Executive Order 13850 imposed the prohibition for individuals to engage in transactions with any person charged with promoting 'deceptive activities or corruption' related to the Venezuelan Government (including PDVSA). Economic sanctions, which target the oil sector, are product of statutory and executive orders from national security authorities. Oil-related sanctions have primarily concentrated on three operations since 2017: (1) access to short-term debt funding and cash distribution; (2) trade in commodities between the United States and Venezuela; and (3) transactions between Venezuela and non-U.S. oil purchasers.

Since August 2017, under Executive Order 13808, PDVSA has been barred from participating in transactions with U.S. persons or entities for new debt with a maturity of more than 90 days. This constraint has led to difficulties for PDVSA in paying for oil-related facilities and in purchasing equipment for the processing of oil. Such limitations have possibly led to the rapid downturn in the oil production of Venezuela. Furthermore, the Executive Order includes a clause preventing PDVSA from receiving cash dividends from its Citgo refining and marketing affiliates located in the United States. As of January 2019, PDVSA was introduced to the U.S. Treasury Specifically Designated Nationals list, determining the effective termination of petroleum exchange between the United States and Venezuela. The result of this provision was a petroleum supply restriction to which both actors had to adjust. Historically, the U.S.-Venezuela oil trade had been bilateral and usually consisted of exports of crude oil from Venezuela and exports of crude oil and refined products from the U.S. Recently, crude oil exports from Venezuela have dominated this trade relationship, since they present some features that are perfectly suited for the constitution of several U.S. refineries. The termination of the exchange activity in January 2019 forced U.S. refiners to either import such varieties of crude oil and other intermediate petroleum products from other sources or adjust refining operations to handle other ranges of crude oil blends. Hence, temporary price dislocations were reported and expressed in price differentials from the oil price benchmark used in the U.S. area of the Gulf Coast. Trade sanctions on Venezuela also barred PDVSA from buying U.S. oil diluents, light crude oil and some refined products. In fact, PDVSA used U.S diluents to facilitate shipment and refining of his crude oil which presents high viscosity features. As a result, PDVSA started importing diluents from other sources and changed crude oil refining and distribution processes due to the limited access to diluent materials.

The outlook for the Venezuelan oil market at this time is very unpredictable. As shown in Figure 20, production and exchange imply a steadily deteriorating economy, and studies suggest the state of refining, shipping, and processing establishments are decaying. Present conditions on the oil market (i.e. comparatively low prices, unstable supply / demand balance) favor the activity of the United States to continue applying severe sanctions to Venezuela. Global current dynamics could improve in the future, and, at that point, Venezuela could resume its activity in the oil sector to the fullest. However, the potential of the oil industry in Venezuela to recover rapidly to pre-sanction levels is doubtful and may entail significant quantities of investment and human resources. For the oil sector to begin the recovery process, given the damaged operational conditions, high level expertise, engineering activities, and other technical skills would be needed. New investments would probably entail the deployment of the appropriate workforce and the procurement of the technology, facilities and supplies required to revitalize oil production, transport, and processing properties. The future of the oil industry in Venezuela is unclear as the political environment remain unstable and the country is torn by a deepening humanitarian crisis. A thorough reform of the regulatory and monetary systems will be needed, the fundaments of the oil industry should be revised, and a global environmental framework should be considered before the allocation of further investments in the Venezuelan oil sector is established.

4.12 The foreign allies of Maduro and their geopolitical game

Following the sanctions and subsequent interruption of U.S-Venezuela crude-related exchanges, Venezuela has been seeking alternative purchasers for oil quantities historically destined to the United States and alternative sources for diluents and other petroleum goods. Crude oil from Venezuela has continued to be supplied to consumers in China, India, Cuba, and other nations. PDVSA purchased non-U.S. diluents and other petroleum products from allied countries, such as Russia. The U.S. have, therefore, improved efforts to further limit exchanges of PDVSA oil with non-U.S. Entities. Sanctions have been imposed to oil shipping vessels and trading firms, as well as to any barter transactions that provided PDVSA with alternative oil export outlets and alternative petroleum import sources. These acts include:

(1) banning dealings with shipping vessels operated by PDVSA;

(2) punishing vessels that bring Venezuelan oil to Cuba;

(3) sanctioning two Swiss-incorporated oil trading companies — Rosneft Trading S.A. And TNK Foreign Trade S.A.124—controlled by the Russian Rosneft Oil Company;

(4) other shipping firms and vessels;

(5) sanctioning entities and individuals for violations of sanctions linked to the alleged "oil-for-food" scheme.[56]

Those gradually increasing sanctions have made it tougher for Venezuela to import and export crude oil with the expectation of raising financial strain on PDVSA and the government of Maduro. From January 2017 to June 2020, the Venezuelan monthly crude oil exports decreased by around 90 per cent. Oil development and trade opportunities for Venezuela are unclear. Venezuelan crude oil trade has been affected by international sanctions aimed at punishing PDVSA. The state-owned company has taken steps that may lead to improve relations with purchases outside of the sanctions-related trade restrictions. In the short term, the production and trading of Venezuelan crude oil will undoubtedly be dependent to current sanction system designed by the U.S to isolate the country.

President Maduro announced an 'energy emergency' in February 2020 and appointed a commission to work on raising the output of PDVSA. The government stated that PDVSA plans to generate an annual average of 2 million barrels a day. Nonetheless, the output of crude oil of the country has been decreasing for several years and has been below 1 million barrels per day since early 2019. Maduro appointed a new leader to PDVSA and the oil ministry since the declaration of February 2020 and has reportedly considered enhance reforms on parts of the oil sector to encourage foreign investments. Some U.S. firms were allowed to continue operating in Venezuela under a General License (GL) granted and extended annually by OFAC. Chevron, Halliburton, Schlumberger, Baker Hughes, and Weatherford International were previously approved to continue collaborating with PDVSA to retain their oil-related activities in Venezuela. However, in April 2020, OFAC changed the GL and only permitted activities related to necessary "protection or security" for the safeguard of Venezuelan assets. This move could result in less oil production from facilities owned by such firms in the country.

Increased punitive pressure on the Venezuelan oil market has resulted in intensified interactions between Caracas and Teheran, two oil producing

[56] U.S. Department of the Treasury, “Treasury Targets Sanctions Evasion Network Supporting Corrupt Venezuelan Actors,” press release, June 18, 2020

countries and sworn enemies and the U.S. subject to stringent economic sanctions. In May 2020, five vessels supplied Venezuela with Iranian gasoline and other petroleum products. Furthermore, Iran had provided Venezuela with facilities, materials, and technical skills to support operations at PDVSA refinery. Those steps had sparked questions in the U.S. and around the Western Hemisphere about a strengthening relationship between two nations that consistently harbored anti-U.S. sentiments. The U.S. Department of Justice (DOJ) raised complaint by filing a lawsuit and obtaining a warrant to block and inspect four Iranian tankers exporting oil to Venezuela. On August 14, 2020, U.S. authorities announced the seizure of such tankers carrying more than 1 million barrels of petroleum products. By sending these tankers, Iran intended to challenge the efforts of the U.S. in attempting to remove the Maduro government and restore democracy in Venezuela. This act of defiance has generated an outsized reaction for a gesture that can be framed into the general picture of historical relations between Iran and Venezuela. In fact, as analysts have noted, the two countries have had strong political and diplomatic ties for decades, especially under the administration of Chávez. Following the Iranian revolution of 1979, the two countries, both founding members of the Petroleum Exporting Countries Organization (OPEC), have maintained bilateral relations. Venezuela was one of the first countries to recognize the new Iranian Regime after the shah was overthrown in 1979. The cooperation of the countries was limited to the oil sector for the next two decades. However, this partnership intensified as Chávez became President. There were hundreds of official visits between the Chávez and the Khatami and Ahmadinejad administrations between 2001 and 2013. An approximate 300 agreements of different nature and importance were signed by the two nations, ranging from collaborating on low-income housing projects to the establishment of plants and car factories. They also set up a joint development fund and opened a development bank under the Export Development Bank (EDBI) system of Iran. By 2012, Iranian contributions and loans in Venezuela were estimated at $15 billion. However, many of these projects extinguished before they were finished. In 2014, a car factory that Chávez believed will manufacture 25,000 units per annum delivered less than 2,000 units. A cement plant, announced in 2005, did not commence production until 2012. Several of these activities were allegedly used to promote illegal practices. For example, in 2008, Turkish officials confiscated 22 Iranian containers bound for Venezuela, classified as 'tractor parts,' but actually carrying materials for a laboratory of explosives. The EDBI was sanctioned for alleged ties to the nuclear weapons program of Iran by the United States and the European Union. Nonetheless, the development activities sponsored by Iran in Venezuela improved the reputation of and promoted his anti-imperialist agenda in the region. On the other hand, Venezuela slowly became a bridge to Iran for political and economic penetration into Latin America. Chávez introduced the Iranians to his regional allies and opened contact networks that led to agreements between Ahmadinejad and the governments of Ecuador, Bolivia, and Nicaragua. As Iran faced growing financial isolation due to U.S. sanctions, Venezuela helped open economic relations through its Bolivarian Alliance with the Americas (ALBA). After Chávez died in 2013, the relationship between Iran and Venezuela started to dwindle. The two nations, after all, have very few regions of natural commonality. Amid the wave of falling oil prices, President Rouhani stopped prioritizing Venezuela. Maduro was unable to establish the kind of alliance with Iran that Chávez envisioned for the two countries. Although the fuel shipments through Iranian vessels reflected a strong statement of renewed engagement between the two nations, that move is to be collocated into a grater framework of historical bilateral ties between the two countries. The U.S. perceived the act as a true defiance attempt from Iran and Venezuela, which are both severely affected by the sanctions and diplomatically isolated. However, other than being a clear claim of opposition to the U.S.-led system of sanctions, the shipments were materially too small to satiate the energy demand of Venezuela, and Iran is institutionally and economically unable to represent a reliable source of financing and support for the Maduro government.

The US has faced considerable criticism since the start of the pandemic in March for upholding its sanctions regime in Venezuela where the pandemic is expected to aggravate the already dire humanitarian emergency. Several U.S. strategic rivals — including China, Russia, Turkey, Cuba, and Iran — have publicly opposed U.S. sanctions policies and solidified their partnerships with the Maduro administration, providing crucial humanitarian and medical aid in the midst of the global health crisis. Given the crucial role played by the foreign allies of Maduro in his grip on power, it is relevant to evaluate the true influence of Russia and China in Venezuela, and how the ties with these countries have improved in recent years.

Russia and China have been allies with Venezuela for a long period, but these ties have been compromised over the years by the inability of the Maduro government to repay its loans to the two nations. With the Venezuelan state-owned oil company PDVSA retaining over $34.5 billion in debt, and the President struggling to pay interests on its previous debts, the national debt of Venezuela is currently higher than its GDP, with Russia and China being the two largest creditors. Russia and Venezuela agreed in 2017 to a restructured debt settlement scheme to help the Maduro administration offset its loans to the international creditors. With the Venezuelan government increasingly unable to pay its obligations in the face of economic disaster and debilitating U.S. sanctions, Maduro has had in recent years greater difficulties in obtaining new loans or investments from Russia and China, and in 2019, neither Russia nor China provided new ones to Venezuela. However, as a form of debt relief, both countries have continued to import Venezuelan oil. In 2019, China imported an approximate 292,000 barrels a day from Venezuela, while 503,100 barrels a day were imported by Russian state oil corporation Rosneft, about 62 per cent of the overall oil exports of Venezuela for the year. In return for oil, China and Russia have also continued to trade food, medicine, and other products that are otherwise lacking in Venezuela. In 2018, Russia delivered more than 250,000 tons of grain to Venezuela, and 600,000 tons in 2019, most of which was supplied through subsidized food packets. In 2019, Venezuela signed a deal with the Russian pharmaceutical firm Gerofarm to permit the purchase and supply of insulin to Venezuela. Similarly, approximately 40 per cent the food imports of Venezuela in 2019 came from Chinese companies selling products such as milk, cooking oil, and poultry, in exchange for oil. Moreover, since the COVID-19 pandemic started, China has sent Venezuela a total of 300 tons of humanitarian assistance, including hundreds of accelerated COVID checks, millions of face masks, personal safety systems, and ventilators.

Faced with the improving ties of Venezuela with China and Russia, the Trump administration imposed new sanctions on the Russian Rosneft Trading for its dealings with PDVSA on February 18, 2020. Following this provision, Rosneft formally ended its activities in Venezuela and sold its assets to another unidentified, state-owned corporation. Though this was initially interpreted as an indication that Russia was withdrawing investments from Venezuela and, thus, support to the country, it was later revealed that those assets were sold in May to Roszarubezhneft, a private Russian security company linked to Rosneft, suggesting that Russia had no intention of immediately halt its operations in Venezuela. Russia has since managed to play a vital role in helping Maduro circumvent U.S. sanctions by buying Venezuelan oil through other means. Since 2019, Russian tankers have taken precautions to prevent detection and mask the source of the shipped crude, such as shutting off transponders while travelling to Venezuela or changing the flags on their vessels. In order to help export Venezuelan oil to other nations, the Russian oil firm Rosneft has served as a strategic bridge: India, the UAE and Turkey are among those who have bought Venezuelan crude utilizing the joint ventures of Rosneft and offshore subsidiaries. Similarly, China has evaded U.S. sanctions, mostly with the aid of certain Russian branches. While the state-owned China National Petroleum Corporation (CNPC) has eventually slowed down and ultimately stopped buying Venezuelan oil directly by the end of 2019 to escape secondary sanctions, China continued to purchase Venezuelan crude from PDVSA with the aid of a Swiss-incorporated Rosneft subsidiary. A Reuters inquiry found that this subsidiary aided China in moving oil between tankers and concealing the true sources of such exports, making it appear as if the oil originated from Malaysia rather than from Venezuela.[57] China reportedly received 18 shipments of Venezuelan crude in this way in 2019, with shipments continuing throughout 2020. Russia has provided valuable political support to the Maduro administration, in addition to economic assistance. In reality, following the April 30 rebellion, U.S. Secretary of State Mike Pompeo argued

[57] Parraga M., Cohen L., (2020). Special Report: How China got shipments of Venezuelan oil despite U.S. sanctions. Reuters. [online] 12 Jun. Available at: https://www.reuters.com/article/us-venezuela-oil-deals-specialreport-idUSKBN23J1N1 [Accessed 21 Sep. 2020].

that Maduro was willing to escape to Cuba, but changed his intention after he had been persuaded otherwise by the Russian authorities. In addition, in February 2019, Russia vetoed a US-backed UN National Security Council resolution which would have recognized Guaidó as interim president and called for new elections to be held. Russia continued to provide assistance to the Maduro government during 2019, as the Maduro administration encountered threats from the Guaidó-led opposition alliance, and greatly expanded its influence within Venezuela. Following the proclamation of a provisional government by Guaidó in January 2019, Moscow expanded its military presence in Venezuela, sending a technical military unit and up to one hundred Russian military specialists to Caracas. In addition, Rosneft has officially been more involved in day-to-day activities of the Venezuelan state-owned oil company in 2019, supplying repair and technical expertise to PDVSA refineries. Reports appeared in May 2019 suggesting that the Russian President was interested in engaging with the U.S. in an exchange of favors during a meeting between Secretary of State Mike Pompeo and Vladimir Putin. The U.S. government would stop supporting Ukraine, which the U.S. had backed since Russia invaded it in 2014, and Russia would cut ties with Venezuela in exchange. This idea was immediately dismissed by the U.S. leaders, refusing to leave a NATO partner and use Venezuela as a means of diplomatic negotiation. In recent years, Russian officials have talked with Maduro publicly many times. In September 2019, Nicolás Maduro himself visited Putin in Moscow to attend the 2019 session of the UN General Assembly. Shortly after Guaidó made a surprising speech at the State of the Union in Washington D.C., in February 2020, Russian Foreign Minister Sergey Lavrov visited Caracas in a show of support for the Maduro administration, publicly condemning the U.S. policy of sanctions on Venezuela. Although the failure of the Maduro government to repay its loans, combined with the continuing U.S. sanctions, makes Venezuela an extremely high-risk trade partner and political ally, the Maduro regime has been steadily supported by the Russian government. This is attributed in part to Venezuela being a highly strategic diplomatic and economic ally providing Russia opportunities to pursue its long-term ambitions as a global superpower. Venezuela is not only a geopolitical base in the Western Hemisphere for

Moscow, but also a source of vast crude deposits that can help Russia pursue its long-term ambitions of expanding as a major global provider of oil in Latin America and the globe. While Putin has openly endorsed attempts at dialog between Maduro and the opposition, the Russian government has substantial incentives to continue to help Maduro and impede the negotiating process. Russian finances are safeguarded as long as the Chavista government is in control and Russia will advance its position as an oil provider in the Americas. Under the opposition government the future of Russia in the region is uncertain. The opposition alliance in Venezuela has repeatedly denounced the Russian government for its support for the Maduro regime and called on the U.S. government in January to raise sanctions on Russia for its involvement in assisting PDVSA.

Although China was also a crucial diplomatic ally of the Maduro government, in Venezuela the Chinese government has different priorities and, in general, has been less direct in its support for Maduro than Russia. However, as a permanent member of the UN Security Council, China has been adamant in its stand against UN intervention in the crisis in Venezuela, and has also opposed the resolution submitted in February 2019, which was supported by the US. In addition, in October 2019, China played a crucial role in helping Venezuela to gain a seat on the UN Human Rights Council, a move that was fiercely disputed considering the record of human rights violations by the Maduro administration. China has also provided technical assistance and information to the Maduro government to develop programs for measuring and controlling the actions of its citizens. In fact, the *carnet de la patria* of Venezuela, a 'homeland card' linked to a database that records regular activities such as purchasing fuel, food, and medicine, was influenced in part by the 'social credit' scheme of China itself. In 2018, the Chinese telecom company, ZTE Corp, which developed the Chinese social management system, was employed to build what is called the carnet de la patria. After its inception, human rights campaigners have firmly opposed c*arnet de la patria* as a system structured to regulate social, political activity and intensify the reliance of people on the government. In early 2019, after the emergence of the Venezuelan opposition under Guaidó, Beijing was reportedly highly worried about its investments in Venezuela and the inability of the Maduro government to repay its debts, and rumors emerged in February that China had been engaging in talks with the opposition Guaidó to ensure that its investments will be secured under a new administration. Guaidó personally published an op-ed in Bloomberg in April of the same year, in which he guaranteed that Chinese investment would be better under a freely elected government and urged the Chinese government to use its power to facilitate the negotiated path.[58] Throughout 2019 and 2020, China looked increasingly well-equipped to embrace a mechanism of dialogue with transitional government — until COVID-19 arrived. The COVID crisis had a big effect on both Venezuelan politics, where Maduro is now known for his rapid reaction to the epidemic, and on the Venezuelan relationship with China. The government of Maduro opened talks with China in March to obtain financial assistance and humanitarian relief in the middle of the pandemic. Since then, China has sent six shipments of medical supplies to support the response of Maduro to COVID-19, and Chinese officials have come out publicly against the U.S. decision to maintain sanctions against Venezuela in the middle of a global health emergency. Given the global and strategic developments that have taken place in recent months, and a more fragmented opposition alliance within Venezuela, China stands firmly behind the Maduro administration. However, the relationship between Venezuela and China is mainly economic and, thus, depending on external influences, is subject to further adjustments. While the Russian partnership with Venezuela is strongly rooted in the political field, it is clear that China is mainly concerned with financial security and the capacity of the government to repay its unpaid debts. China will possibly back a democratic transitional government when the chance arises if its finances are safer.

The future of Venezuela is bleak. The country is suffering under the grip of an undemocratic regime, a disastrous economic crisis, and a humanitarian emergency. As negotiations are in a stalemate, the leadership of the country remain divided between Maduro, who became President for the second time in 2018 through unlawful elections, and Guaidó, the self-proclaimed interim president at the head of the National Assembly. The international community

[58]Por qué China debería cambiar su posición en Venezuela (2019) Bloomberg. Available at [https://www.bloomberg.com/latam/blog/por-que-china-deberia-cambiar-su-posicion-en-venezuela/]

is also divided between traditional allies of Venezuela, such as Cuba, Russia, Iran and China, which support the Maduro administration, and a group of almost 50 countries led by the United States, that have denounced multiple times the Chavista government. As the transitional government realizes that its window for a successful intervention is closing and the Maduro regime attempts to seize the only remaining political entity it does not dominate, the National Assembly, this year will prove crucial. Of course, Washington will arguably have less time to prioritize foreign affairs with the upcoming presidential elections. On the other hand, several countries – particularly in Europe but also in Latin America and the Caribbean – have a considerable opportunity to contribute to a stable, permanent settlement, by creating the basis for a more organic sanctions framework, thus helping to build the fundamental conditions for successful negotiations and a sustainable political transition. As a matter of fact, negotiations have been attempted and have failed on many occasions. The Maduro government has successfully used them to buy time, manipulate tensions within the opposition and hold the actions of the international community. Consequently, the concept of new negotiations between Maduro and Guaidó loses credibility as a potential way of settling the situation peacefully. A revived series of talks might theoretically, under strong foreign monitoring, create the conditions that would lead to free and fair elections, but only to the degree that the Maduro government agreed to negotiate the result in good faith.

In the meantime, Venezuela has experienced the biggest refugee disaster in the recent history of Latin America. Moreover, relevant studies from the United Nations, the Organization of American States and other foreign entities have highlighted the gravity of the humanitarian situation in Venezuela, pointing to the tremendous abuses of human rights committed by the government against its own people. In September 2020, the U.N. has condemned the mounting violations and crimes perpetrated by the regime as crimes against humanity, considering them as 'part of a widespread and systematic course of conduct' of the government.[59] Food shortages, power cuts and lack of medicines have contributed to aggravating the situation,

[59] Venezuela abuses amounted to crimes against humanity: UN-appointed panel. Available at [https://news.un.org/en/tags/Venezuela]

leading around 5 million of Venezuelans to flee the country. As Venezuela empties, additional burdens are imposed on receiving countries that lack the resources to integrate refugee flows. The overall scenario is dramatic. It is difficult to be hopeful about the prospects of Venezuela given the present circumstances. Venezuela was the richest nation in Latin America with the greatest proven oil reserves in the world, it presented a solid government with a pro-Western trend and a thriving economy. Today, Venezuela is an economic distortion, built on years of oppression, corruption, and rejection of international democratic values. If the country is to have a productive, prosperous future, Venezuelans themselves will have to find a way to reform the country from the ground with the help of meaningful and reliable foreign sources, pressuring the Maduro government to take seriously the concept of free and fair elections and a promise to a return to an healthy economic system. Until then, the government will continue to rule solely within its own limited interests, plundering the resources of Venezuela, wrecking its unstable environment, and destroying the feeble chances at last democracy of the country.

Conclusions

It is hard to understand and estimate the current situation in Venezuela. Both internally and abroad, the mounting ideological dichotomy around it roots back to the legacy of the Cold War. The causes and consequences of the economic downfall of the country are complicated and vastly debated by scholars, observes and analysts. The political challenge is often steered by maneuvers of dubious legitimacy at the mercy of the contenders. This context deepens the concern of regional actors such as Colombia, Peru and Brazil and entities such as the Organization of American States (OAS), but also of international powerful players, escalating to a complex geopolitical game involving divergent political and economic agendas. On one side, there are the United States, with their regime of sanctions, and on the other, Russia and China, which are openly defying the U.S. by sending financial and humanitarian assistance to Venezuela.

It can be argued that the crisis arises from a poisonous combination of factors such as the collapsing of international oil prices, the demise of an unsustainable policy regime, the premature death of Hugo Chávez, growing authoritarianism, domestic political struggles, attempted coups, and US sanctions tackling the Venezuelan economy. The crisis represents the blatant failure of Venezuela to create a stable political, social, and economic environment in the global post-colonial capitalist architecture (Strønen, 2020). The possession of oil by the country constitutes the focal point of this crisis. It is, in fact, clear how oil has affected the Venezuelan society over the twentieth century and the first two decades of the twenty-first with different severity depending on the political and economic contexts.

Rómulo Betancourt, considered the 'founding father' of the democratic period of Puntofijismo started 1959, while presenting the draft for the new Hydrocarbon Law to the Congress in 1975, affirmed that: " It is a generally disseminated belief that oil awakens the worst impulses, awakes a more devouring greed in businessmen than Gold's fire, and enables the men of the State to pursue Machiavellian schemes" (Betancourt, 1975). During the second government of Betancourt (1959-1964), Juan Pérez Alfonzo, famous lawyer, respected diplomat, and politician, as well as designated Minister of Mines and Hydrocarbons, prophetically proclaimed that 'We are submerged in the excrement of the Devil.' (Pérez Alfonzo, 1976). In the words of the thinker and politician Arturo Uslar Pietri, a feeling of impending doom is also found: "*Petroleum is the fundamental and basic fact of the Venezuelan destiny. It presents to Venezuela today the most serious national problem that the nation has known in its history. It is like the Minotaur of ancient myths, it the depths of his labyrinth, ravenous and threatening. The vital historical theme for today's Venezuela can be no other than the productive combat with the Minotaur of petroleum. Everything else loses significance. Whether the voters vote white or any other color. Whether they build aqueduct or not. Whether the University is opened or closed. Whether immigrants come or do not come. Whether schools are built or not built. Whether the workers earn five bolivars or fifteen bolivars. All those issues lack meaning. Because they are all conditioned, determined, created by petroleum. They are all dependent and transitory. Dependent and transitory. Petroleum and nothing* *else is the theme of Venezuela's contemporary history*". (Arturo Uslar Pietri, cited in Ewell 1984, 61).

Moreover, Uslar Pietri has been the father of one of the most acclaimed Venezuelan narratives. He coined the expression of 'sowing the oil' as early as 1936 (Uslar Pietri 1936). He argued that, in order to diversify the economy and avoid excessive oil dependence, the country should have invested in 'sowing' oil revenues into other productive economic activities. During the years of the Punto Fijo Pact, the concept of 'sowing the oil' was used to enhance the grandiosity of Venezuela, building fancy hotels and luxury restaurants, as well as to allow citizens to import the finest goods from abroad, thanks to a great appreciation of the bolivar. During the administration of Chávez, the idea of 'sowing the oil' functioned as a pretext and excuse to implement a wide range of policies and plans aimed at overcoming social injustices and disparities by relying on high oil revenues. Contrarily of what Uslar Pietri had envisioned, before and during the presidency of Chávez, oil dependence intensified, accounting for nearly 98% of export earnings in 2017 and inadvertently contributing to the Venezuelan economic downturn, offset by the global decline of oil prices in 2014. Evidently, the obvious contradiction between the goal of eliminating and deepening oil reliance was already present before the start of the economic crisis. As much as the predominant narrative of most of the Venezuelan governments was the one of 'sowing the oil', their actions resorted to unproductive, unsustainable measures, improving the stagnation of the Venezuelan economy. Venezuela was, and still is, a victim of the Dutch Disease but mostly of the incompetence of its leaders. The possession of oil may be the most valuable resource of a country, but it also represents a great responsibility for the country to manage reasonably the commodity without squandering the revenues. Oil producing country have historically been the target of more powerful international actors, those being states or international oil companies. To be part of the game, it is essential that the oil-rich country displays a strong, stable, democratic government with the ability of negotiating and asserting its interests. A diplomatic say recites: 'if you are not at the table, you are on the menu'. With an underpinning political instability and a disastrous economic crisis, Venezuela is gradually becoming the collateral damage of a broader complicated game, of which it is not part.

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Executive summary

Venezuela is today the country with the largest oil proven reserves of the world, surpassing the Middle Eastern giants such as Saudi Arabia and Iran. Yet, its economy has slowed down to unprecedented levels, the oil sector is decaying, and refineries stopped working. Standards of living are crippled by food and energy shortages. Around 5 million of Venezuelan citizens fled the country in recent years, hoping to find a shelter and better living conditions in neighboring counties, as well as in the United States and in Europe.

This research argues that the current situation is the consequence of a deep-rooted, systemic crisis that finds its origins at the beginning of the 20th century, right after Venezuelan oil reserves were discovered. As a matter of fact, the long-term role of the oil industry in structuring the institutional structure of the country will be analyzed, underlining the determining influence that the presence of oil has deployed along the history of Venezuela. The course of history and events will be traced following the path of oil and discerning how the valuable resource has been the cornerstone of policies and institutional processes that have shaped the development of Venezuela and slowly paved the path to what Venezuela is today.

The first chapter examines the events and institutional changes that have shaped Venezuela throughout the Twentieth century. The evolution process of the country cannot, at any time, be detached from the course of oil. From the early years of the century, with the discovery of valuable subsoil resources, Venezuela undertook a path of rapid development and increasing wealth. Of course, the presence of oil reserves in a country with poor technological equipment was immediately targeted by multinational oil companies. Intense foreign exploitation paired with the Venezuelan weak institutionalization, often despotic, resulted into a scheme of wild concessions on the oil fields from the state in exchange for the profits of producing and selling crude.

Dramatic international events such as the First and the Second World War offered Venezuela the opportunity to enter the international scenario and confirm its positioning as prosperous producing country. During the mid-

1940s, the country experienced its first taste of democracy with a coalition government which tried to provide the fundaments of both civilian politics and oil concessions regulation. In the late 1950s, democracy returned to the country in the form of a pacted coalition among the most relevant Venezuelan parties that would last for the next 40 years. This period gave the country stability and the possibility of projecting its interests both domestically and internationally. As a matter of fact, thanks to a vibrant lawmaker and politician, Venezuela became in 1960 a founding member of OPEC (Organization of the Petroleum Exporting Countries) along with Iran, Kuwait, Iraq, and Saudi Arabia. At the domestic level, it managed to increase revenues from oil by negotiating with foreign oil companies and enrich the coffers of the state. Moreover, considerably high oil prices provoked copious waves of wealth that launched the country at the top of international ranking for modernization and luxury. Behind the splendid façade, however, several issues were paving their own irreversible path. The Venezuelan economy was completely oil-oriented; agriculture was neglected, and staples had to be imported; any productive activity became unnecessary, as the state provided jobs and services. This tendency of the government to subsidize every aspect of life fomented a circle of critic unproductivity and corruption. It seemed that everything was possible for Venezuelans. But when oil prices began to dwindle, Venezuela went down into pieces. By the end of the 1980s, the country entered the worst recession period in its entire history that culminated in the turbulent upheaval in the capital, known as *El Caracazo*. High inflation made basic products inaccessible, the national currency lost most of its value, and an avalanche of corruption charges swiped off the governing elite. Years of economic and financial mismanagement and inconsiderate spending had led to the most difficult crisis the country had ever experienced. The crisis of the late 1980s marked the end of the democratic period that had characterized Venezuela for the past 40 years.

Within the broader crisis of neoliberal hegemony and the delegitimization of the previous period of pacted democracy, marked by deep inequalities and corruption, developed a process of social change in Venezuela that resulted into the election of Colonel Hugo Chávez as President of the country. Since Chávez was first elected in 1998, he pursued an anti-neoliberal rhetoric that inaugurated the beginning of the implementation of a counter-hegemonic alternative strongly based on a new kind of participatory democracy. The institutional reforms and processes promoted by Chávez are located at the center of a broader framework that the President had envisioned for the country: the Bolivarian Revolution. It entailed a series of reforms at the domestical level aimed at eradicating poverty and inequalities, high government spending, subsidies, and heavy reliance on the revenues of oil. In fact, the core of issue of the Revolution was the management of the oil industry and the ambition of the state to regain control over oil resources after decades of technocratic leadership. The radical positions assumed by Chávez brough to the forefront of the Venezuelan scenario the intrinsic dilemma between a Westphalian concept of territorial sovereignty and a neoliberal vision for the transnational governance of energy resources. Chávez, in order to assert its position over the ownership of the Venezuelan subsoil resources, raised taxes and royalties and invited foreign investors to reallocate their business elsewhere.

In this context, Venezuela led the Third World post-colonial campaign to claim the political sovereignty of oil-producing countries over the privileges of extractive industries. President Chávez promoted the work of the alliance of producing countries and pushed to broaden the scope of OPEC to oversee and coordinate the actions of producing states participating in the game with multinational energy firms, consumer countries and oil companies. From the viewpoint of the host country, the subsoil should be a deposit of exhaustible sources of wealth meriting compensation and granting the owner nation a ground rent. Hence, Hugo Chávez resumed the control of the Venezuelan oil company PDVSA, took diplomatic lead in resurrecting OPEC, and pursued his vision of Socialism of the 21st Century through apposite reforms. His accomplishment was the establishment of territorial hegemony over the subsoil of Venezuela. He directed revenues, although often seized autonomously from PDVSA, to those socially and economically excluded from the society and, through his foreign policies, sought to reduce the pressure of rising oil prices on those least able to bear it. He challenged and rolled back the capitalist vision of making the subsoil resources of the Global

South a free gift of nature to transnational finance and preserved them under the control of the owner, the state.

The first two chapters deal with the roots of the relationship between Venezuela and its oil resources since their discovery in the early 1900s. A relationship that resulted to be extremely reliant on the oil factor and has determined the development of institutions and policies. The aim of those chapters is, in fact, to show how oil abundance has influenced every aspect of society and domestic affairs. Since the Colonel took over the country in 1998, the revolution he sponsored with vibrant rhetoric and populistic emphasis has indeed brought about a remarkable rupture with the past of the country. What has not changed, however, is the dependence on the oil factor for the implementation of the promised reforms. However, systemic economic mismanagement of the resources resulted in long-term consequences. In fact, government spending was not aimed at initiatives that may have led to improving economic efficiency, productivity and reducing oil dependency. Expropriations and nationalizations prevented international investment, which, consequently, provoked a barrier to the transfer of knowledge and resources into the region. Business distortions were created by the introduction of price controls and manipulated exchange rates and the private market was constrained. Nonetheless, it is relevant to the purpose of this research to understand the maneuvers of Chávez at the domestic level in order to comprehend the projection of the country in the international scenario, both internal and foreign policies were strongly intertwined and reoriented during his administration.

In the third chapter is examined the international projection of Venezuela. Although for decades the country had enjoyed the relevance that oil gave the country internationally and used it to ramp up its influence, with Colonel Hugo Chávez in office, oil became the key tool of a far more ambitious foreign policy than in the past. A policy that for the first time in its history expressed the explicit ambition of Venezuela to lead a front of countries united by a strong nationalist drive and a farther more radical hostility to the United States and its Western allies, not only in the proximity of Latin America , but also in the Middle East, Asia and several other countries of the

Global South. Often ignited with radical terms and supported by generous aid, this policy allowed Caracas to find new allies, but it also attracted the criticisms of many. Along the process, Chávez took a distinctly geopolitical and military approach to foreign and regional issues; he maintained a deep antagonism with the United States (even though the United States was the largest purchaser of Venezuelan oil) and sought the creation of a Latin American Community of Nations capable of counteracting the hegemonic power and growth of the United States. The idea of building the Socialism for the 21st century in the regional context was the impulse behind the establishment of the Bolivarian Alternative of the Americas (later, Bolivarian Alliance for the Peoples of the Americas–ALBA) and the launching of Petro Caribe, as an oil-based aid program aimed at assisting neighboring countries. Chávez also was one of the leaders supporting the creation of the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC), all with the objective of strengthening the revolutionary project in Venezuela and the region, and of offsetting any interference by the United States. The Bolivarian government established a network of international initiatives that would rely on three interrelated stages. First, the geopolitical reallocation of the country intended to pursue bilateral ties that would be enshrined in a definite anti-West, mainly anti-American framework, investing in new alliances with extra-regional actors such as Russia, China, and Iran that could support Venezuela in the construction of a new multipolar international system free from the U.S. international dominance. Secondly, and in strong relation with the first stage, the administration arranged a platform of South–South cooperation founded on ideological affinities and supported by oil benefits, to grant the country a significant role, mainly in the Latin American and Caribbean region. Third, the President revealed a large-scale strategy of political solidarity with social movements and organizations, non-governmental organizations (NGOs), scholars, and media that approved the Bolivarian project. Chavez considered it the "diplomacy of the peoples" (*diplomacia de los pueblos*), a new type of diplomacy that allowed the establishing of a "social power" to combine with the strategies of traditional state power.

The main example of how these three stages are interrelated can be seen in ALBA, which was an intergovernmental organization that gathered regional actors with ideological affinities. In 2005 Venezuela launched a new Energy Cooperation Agreement, Petro Caribe, which differed from ALBA but was integrated into its structure. Mainly, the objective of ALBA was to represent the herald of resistance and repulsion towards the American influence in the region and also to provide the alternative to every kind of U.S-led commercial initiatives. Since the 1990s, the United States had tried to conclude the project of a free trade area with the Latin American and Caribbean countries, known as the Free Trade Area for the Americas (FTAA), as a natural complement to the North American Free Trade Agreement (NAFTA) signed by the USA, Canada and Mexico in 1992. Therefore, in 2001, Venezuela and Cuba reasoned about the creation of a project that could oppose the FTAA. It would be an economic alliance, but it would pursue a precise political agenda. This initiative was ultimately anchored in 2004, when Hugo Chávez and Fidel Castro signed an agreement that committed Venezuela and Cuba to engage in a mutual exchange, respectively, of oil and medical and educational resources.

There were two major distinctions between ALBA and Petro Caribe. Firstly, the main purpose of Petro Caribe was to export oil to the states that were part of the agreement on concessional terms, while ALBA was a comprehensive trading scheme that included the sale of products and services of all sorts. Secondly, unlike ALBA, where all of the contributing countries served as both donors and beneficiaries, lenders, and borrowers, the Petro Caribe agreement placed Venezuela in the position of only lender (supplier) and the participating countries in the position of borrowers (receivers). Through Petro Caribe, Venezuela sold oil at subsidized rates to Caribbean and Central American countries. ALBA and Petro Caribe were the material realizations of a revolutionary foreign policy and an ambitious international projection of Venezuela. However, their successful completion was mostly due to a phase of oil prices surge that gave the Bolivarian Republic a significant boost in its projects and increase reliance on the oil sector.

In the fourth and last chapter, the current situation of Venezuela is analyzed as a multifaced crisis that comprises several critical levels. The framework employed in the last chapter attempts to examine each aspect of the crisis separately from the others, although they are all deeply intertwined and interrelated. Venezuela is today one of the most impoverished nations worldwide as a result of the multifaced crisis the country is experiencing.

Initially, the political aspect is briefly explained in order to illustrate the gridlock that is deteriorating Venezuelan politics. The challenge between the ruling government of Maduro, deemed illegitimate by a great part of the international community and Venezuelan citizens, and the interim president, opposition leader, Juan Guaidó has provided nothing but further instability, fibrillation, and detrimental dynamics. Consequently, the humanitarian crisis is presented, along with the humanitarian concern of the international community for the health and protection of the Venezuelan people. The steep decline in living standards of the latest years, has pushed Venezuelans to flee to other countries. The copious flows of migrants and refugees in neighboring countries have caused an increasingly destabilizing context in which countries are struggling to cope with the issue. Of course, the impact of the COVID-19 pandemic has aggravated the previous problems to an extent that nobody was ready to face. Afterward, the economic context is analyzed in the wake of a collapse of prices since Maduro took office in 2014. The termination of a period of oil bonanza unveiled years of economic mismanagement and unsuitable fiscal policies that left the country with an unbearable debt and a shattered financial outlook. In April 2013, when Nicolás Maduro was elected President, he inherited economic policies which were generally perceived as unrealistic and excessively dependent on oil export proceeds. The Maduro administration was ill-equipped to ease the blow to the Venezuelan economy when oil prices collapsed in 2014. While several other commodity companies took advantage of the wealthy years to develop foreign exchange reserves or sovereign funds to offset the potential risks from significant changes in commodity prices, no such stabilization mechanism was introduced by the Chávez government in prevention of a possible future decline in oil prices. On the contrary, Chávez built his fortune hoping that oil prices would remain high.

The nation, which borrowed heavily during the boom years of the 2000s, has defaulted on all its bonds, although it continues to repay its debts to its major financial backers China and Russia. Venezuela is facing various legal threats from private creditors and corporations trying to acquire its assets. In 2019, the Treasury Department acted to secure Citgo, a U.S.-based unit of PDVSA and also the most valuable asset of Venezuela, from being seized during legal challenges against Venezuela in order to preserve the asset until the transitional government is on power.

In the spring of 2020, Venezuela faced two new challenges affecting its economy: the pandemic of COVID-19, and the oil price wars. The government and its economy were already profoundly crippled when the pandemic hit the country. Social distancing directive have undermined economic activities, even though, for many Venezuelans it is impossible to obey since they are forced to work in small, crowded spaces of the informal sector to make a living. Around the same period, a war between Russia and Saudi Arabia over oil prices led global oil prices to crash, making Venezuela become the collateral damage of the war. In this environment and as a consequence of a combination of factors, the weak structure of Venezuelan oil industry collapsed during the pandemic. The negligence of Caracas, declining infrastructures, and a severe lack of financing in essential maintenance and construction activities have caused Venezuelan oil production to tumble precipitously during the last decade to less of a sixth of the 2.3 million barrels extracted daily during 2009. According to the August 2020 Monthly Oil Market Survey from OPEC, the oil production of Venezuela had fell to an average of 339,000 barrels per day during July. The economic future for Venezuela is grim, with no simple outcome on the horizon due to the absence of a rapid solution to the stalling political crisis. The Maduro government remains loathe in implementing policies generally perceived by analysts as necessary to revive the economy: lifting price controls, establishing an independent central bank, entering an IMF agreement that could allow wider financial assistance, and restructuring its debt with private bondholders.

In this environment, economic sanctions from the United States have worsened off the situation, barring the country from engaging in financial transaction with external entities and blocking the export of oil, the only Venezuelan source of revenue. The impact of the U.S. sanctions on the Venezuelan economy is difficult to discern from the already critic economic collapse of country due to decades of revenue mismanagement and detrimental fiscal policies. Between 2017 and 2019, the economy of Venezuela collapsed by an average of 23.4 per cent each year, oil production dropped by about 60 percent, inflation rose to 17,000 percent, and annual government budget deficits exceeded 20 per cent of GDP. The government of Maduro has defaulted on all its debts, and U.S. sanctions prohibit debt negotiations with creditors. The isolation of Venezuela sought by the U.S. diplomatic strategy has been partially circumvented thanks to the support of Venezuelan allies such as Cuba, Russia, Iran, and China, which have provided both financial aid and subsistence. The most impacted sector has obviously been the oil industry. After the sanctions system entered into force, it has been progressively more difficult to export oil. Hence, production declined, maintenance on refineries stopped and the industry is lacking essential products and resources to continue its activities. The petroleum sector of Venezuela is a vital element for the economy of the country. Due to the relevance that this sector has for the economy of Venezuela, it was the one that U.S. economic sanctions wanted to hit the most. Oil production in Venezuela has progressively fallen annually since 2006, when the total production exceeded 3.3 million barrels per day. This downward trend in production has mainly been caused by insufficient investment in and mismanagement of the oil production capital of the country, and policies such as subsidization of the domestic market and some exports, as well as continuous changes in the fiscal and regulatory mechanisms for oil production. The future of the oil industry in Venezuela is unclear as the political environment remain unstable and the country is torn by a deepening humanitarian crisis. A thorough reform of the regulatory and monetary systems will be needed, the fundaments of the oil industry should be revised, and a global environmental framework should be considered before the allocation of further investments in the Venezuelan oil sector is established.

Following the sanctions and subsequent interruption of U.S-Venezuela oil-related exchanges, Venezuela has been seeking alternative purchasers for oil quantities historically destined to the United States and alternative sources for diluents and other petroleum goods. Crude oil from Venezuela has continued to be supplied to consumers in China, India, Cuba, and other nations. PDVSA purchased non-U.S. diluents and other petroleum products from allied countries, such as Russia. The U.S. has, therefore, improved efforts to further limit exchanges of PDVSA oil with non-U.S. entities. Sanctions have been imposed to oil shipping vessels and trading firms, as well as to any barter transactions that provided PDVSA with alternative oil export outlets and alternative petroleum import sources. Although the failure of the Maduro government to repay its loans, combined with the continuing U.S. sanctions, makes Venezuela an extremely high-risk trade partner and political ally, the Maduro regime has been steadily supported by the Russian government. This is attributed in part to Venezuela being a highly strategic diplomatic and economic ally providing Russia opportunities to pursue its long-term ambitions as a global superpower. Venezuela is not only a geopolitical base in the Western Hemisphere for Moscow, but also a source of vast crude deposits that can help Russia pursue its long-term ambitions of expanding as a major global provider of oil in Latin America and the globe. Although China is also a crucial diplomatic ally of the Maduro government, in Venezuela the Chinese government has different priorities and, in general, has been less direct in its support for the Bolivarian President than Russia. However, as a permanent member of the UN Security Council, China has been adamant in its stand against UN intervention in the crisis in Venezuela, and has also opposed the resolution submitted in February 2019, which was supported by the US. In addition, in October 2019, Beijing played a crucial role in helping Venezuela to gain a seat on the UN Human Rights Council, a move that was fiercely disputed considering the record of human rights violations by the Maduro administration. China has also provided technical assistance and information to the Maduro government to develop programs for measuring and controlling the actions of its citizens.

Future previsions for Venezuela are bleak. The country is suffering under the grip of an undemocratic regime, a disastrous economic crisis, and a humanitarian emergency. As negotiations are in a stalemate, the leadership of the country remain divided between Maduro, who became President for the second time in 2018 through unlawful elections, and Guaidó, the self-proclaimed interim president at the head of the National Assembly. The international community is also divided between traditional allies of Venezuela, such as Cuba, Russia, Iran and China, which support the Maduro administration, and a group of almost 50 countries led by the United States, that have denounced multiple times the Chavista government. As the transitional government realizes that its window for a successful intervention is closing and the Maduro regime attempts to seize the only remaining political entity it does not dominate, the National Assembly, this year will prove crucial. Of course, Washington will arguably have less time to prioritize foreign affairs with the upcoming presidential elections. On the other hand, several countries – particularly in Europe but also in Latin America and the Caribbean – have a considerable opportunity to contribute to a stable, permanent settlement, by creating the basis for a more organic sanctions framework, thus helping to build the fundamental conditions for successful negotiations and a sustainable political transition. As a matter of fact, negotiations have been attempted and have failed on many occasions. The Maduro government has successfully used them to buy time, manipulate tensions within the opposition and hold the actions of the international community. Consequently, the concept of new negotiations between Maduro and Guaidó loses credibility as a potential way of settling the situation peacefully. A revived series of talks might theoretically, under strong foreign monitoring, create the conditions that would lead to free and fair elections, but only to the degree that the Maduro government agreed to negotiate the result in good faith. New parliamentary elections are being called by officials of Maduro for the next December 2020. The Guaidó-led opposition has vehemently opposed the decision, claiming the impossibility of holding free and fair elections. Developments in the next few months will be crucial. However, it is difficult to be hopeful about the prospects of Venezuela given the present circumstances. Venezuela was the richest nation in Latin America with the greatest proven oil reserves in the world, it presented a solid government with a pro-Western trend and a thriving economy. Today, Venezuela is an economic dystopia, built on years of oppression, corruption, and rejection of international democratic values. If the country is to have a productive, prosperous future, Venezuelans themselves will have to find a way to reform the country from the ground with the help of meaningful and reliable foreign sources, pressuring the Maduro government to take seriously the concept of free and fair elections and a promise to a return to an healthy economic system. Until then, the government will continue to rule solely within its own limited interests, plundering the resources of Venezuela, wrecking its unstable environment, and destroying the feeble chances at democracy of the country.