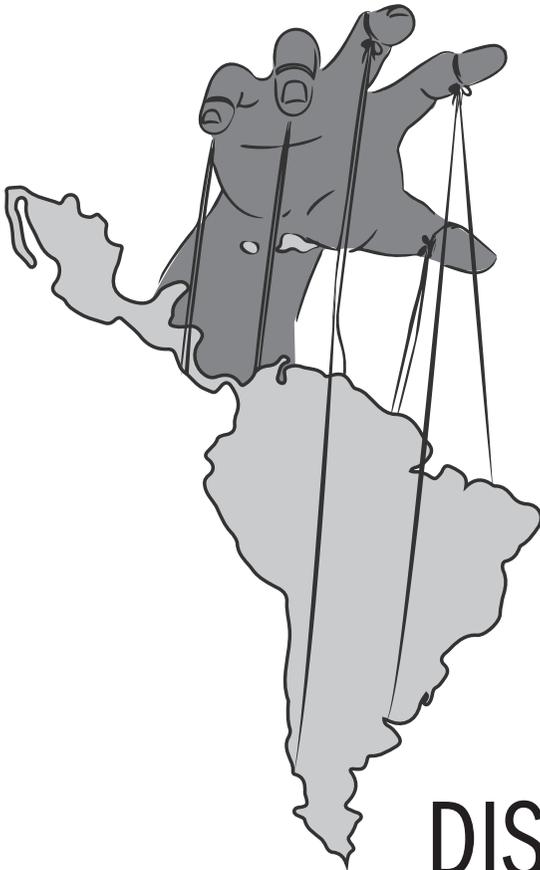


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Plate Tectonics: Global Affairs and the Political Earthquake of January 2019 in Venezuela

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The events that started in January 2019 in Venezuela are driven primarily by Venezuelans' desire for change, but for many international observers and social media commentators natural resource wealth took the spotlight. Whether it was a critique of the United States' involvement or a thesis to explain the interests of other neighbors and major powers, oil seemed to be on the top of everyone's mind. To be sure, oil is indeed a major part of the story of Venezuela, and a strong reason for global and regional powers to be interested in the country. However, it may not be the main reason. Oil is a resource—a means—not an end in itself. Few observers followed longitudinally the events that tied Venezuela's gordian knot. Ultimately, the events that are still shaking Venezuela at the time of writing this piece relate to the security and stability of the Latin American region, as well as the global balance of power.

Energy and a strategic location have historically made Venezuela a geopolitical prize. The Caribbean nation's virtually limitless energy supply, natural deep-water bays, and advantaged position on the Caribbean make it a perfect enclave from which to project power. The Panama Canal as well as most islands of the Caribbean are within immediate reach of its bases.

In 1963 and 1967, Cuba attempted to take over or install an allied government by sending expeditionary forces to Venezuela. It was a coveted asset for the regional communist power, which was

infatuated with Venezuela's geography and natural resources. The Venezuelan military repelled these incursions. Just over 30 years later, the island nation found the regional ally it yearned for when Hugo Chavez won the 1998 presidential election.

Over the course of the following 20 years, Chavez and his hand-picked successor, Nicolas Maduro, cultivated an ideological project: Socialism of the 21st Century, which entailed a full reshuffling of Venezuela's foreign and military affairs. Venezuela's political and economic shift and its alliance with Cuba changed the dynamics of the region, and advanced steadily towards challenging the United States' primacy in the region.

Simultaneously, Russia resurged onto the world stage, eager to assert its status as a global power. China rose to become the largest economy in the world,¹ with the clear goal of being the dominant player in global trade. Lastly, American public opinion, and arguably universal public opinion, grew suspicious of the role of the United States in the world order—particularly during and after the George W. Bush administration. Soon after, the Obama administration took small steps to limit American influence in other countries' affairs—with some notable exceptions, of course. Tensions proliferated as one world power retreated slowly and two [re]emerged.

SOCIALISM OF THE 21ST CENTURY AND THE REGION

The first Sao Paulo Forum was held in 1990. It was organized by the Brazilian Workers' Party—Luiz Inacio Lula Da Silva's party—and originally named "Meeting of Left and Anti-Imperialist Parties and Organizations of Latin America." This movement came to dominate much of Latin American politics for the better part of the first two decades of the 2000s. Hugo Chavez's Bolivarian revolution was undisputedly leading the charge.

This period deserves extensive study. The whole of the movement should not be characterized exclusively by the policy blunders of the Venezuelan administration that led to a humanitarian crisis. However, it is true that the organizations in attendance, many of which would become governments in the region or important political actors, had some common denominators.

One of the dominant shared values was anti-imperialism, which in Latin America has often been expressed as opposition to the United States and European powers. Chavez and Cuba set out to build a new regional paradigm leveraging this shared feeling and Venezuelan petrodollars: Unasur and ALBA were founded,² and regional integration was by many standards deepened. Mercosur was brought back to the fore, after losing much luster in the early 2000s, as an alternative to foster trade within the region rather than with the US. Venezuela joined it, though it did so under dubious circumstances as Paraguay had not ratified its admission.³

The main ideological architects of this movement were the Cuban and Venezuelan governments. During these years, cooperation between them grew to a symbiotic level. Thousands of operatives from the island moved to Venezuela to manage important security functions, notably intelligence and counterintelligence operations.⁴ The Cuban and Maduro

administrations became, for all practical purposes, one and the same. This fact was recognized by American politicians at the onset of the Trump administration, which during its first two years consistently pointed at Venezuela and Cuba as threats to hemispheric stability.

Nicaragua had a similar relationship with Cuba. It received operatives and training for many years. These three administrations constituted what John Bolton dubbed "the troika of tyranny." Their political interests have been aligned more closely than those of any other countries in the region, and they led the charge against the United States on multiple fronts.

Most recently, several Latin American governments have turned away from this current. Starting with the election of Mauricio Macri in Argentina, the region's politics shifted away from the Socialism of the 21st Century. Most importantly, Venezuela's two largest neighbors, Colombia and Brazil, elected right-wing presidents. This pivot would prove crucial in catalyzing the events of January 2019 in Venezuela.

STRATEGIC PARTNERSHIPS: MORE THAN AN IDEOLOGICAL CONNECTION

In addition to steering much of the region into an adversarial position with the United States, the Bolivarian Revolution built bridges with other global actors to undergird this position. Socialism of the 21st Century armed Venezuela. It was of paramount importance to the administration to seek military superiority in the region. More importantly, pivoting away from American armament was of the essence. The narrative, built around enmity for *the empire*, needed to be legitimized with actions.

In an attempt to stimulate domestic production of weapons, Hugo Chavez heavily funded CAVIM, the state-owned

weapons manufacturer. Cooperation agreements in diverse fields (military, knowledge-sharing, agriculture) were signed with Iran.⁵ The Iranian and Venezuelan governments even formed several joint ventures dedicated to manufacturing. Relations between Tehran and Caracas warmed up and, with them, alleged ties with Hezbollah emerged. It has been pointed out that the Quds Force, Iran's elite fighting unit, was in Venezuela training the Venezuelan forces and other subversive groups in asymmetric war.⁶

For Russian weapons manufacturers, Venezuela became a key market. Acquisitions from Russia included Su-30 fighter jets, Mil Mi-28 and Mil Mi-35 attack helicopters, and S-300 mobile air defense systems (a predecessor to the S-400, which made front-page news as Russia deployed them to create what the *Wall Street Journal* called "the new iron curtain").⁷ More recently, Venezuela turned to China for lighter weapon purchases and new aircraft.

SOME PLAYERS AND THEIR INTERESTS

COLOMBIA: The "sister" republic, as it is often called in Venezuela, is arguably the country most directly affected by the Venezuelan debacle. There are multiple estimates for the number of migrants and refugees received there. Most point at a figure of one million or more.⁸ Colombia's capacity to absorb such an influx is limited. Additionally, Venezuela has offered haven to the guerrillas the Colombian government fought against for over 50 years; among them, the ELN, which bombed a police academy on 17 January 2019.⁹ The Colombian government thus opposes Maduro's regime and played a protagonist role in orchestrating the events that started on 11 January 2019 in Venezuela.¹⁰ Colombia's embassy in Washington, DC served as a center of operations for opposition representatives, and Colombian diplomats brought to the attention of American political circles the risks of a rogue Venezuela.

BRAZIL: Brazil and Venezuela were aligned during the Lula-Chavez period. However, Jair Bolsonaro's win in the 2018 elections and the refugee crisis along Brazil's northern border turned the tables. The southern giant is interested in a stable neighborhood and an alignment with the United States.

CUBA: Survival (or failure) of the Maduro regime represents an existential threat for Communist Party rule in Cuba. The island relies on Venezuela for energy and economic aid. Also importantly, Cuba has used Venezuela's influence in the region, particularly in the Caribbean, to affect policy for almost 20 years. President Díaz-Canel was one of the four foreign presidents who attended Maduro's inauguration on 10 January 2019.

MEXICO: Former president Peña Nieto maintained a position of relative diplomatic pressure. However, Mexico declined to join the Lima Group, led by Canada and Colombia, which undertook a variety of diplomatic actions intended to pressure the Maduro regime to yield spaces to the democratically elected National Assembly and to call for new presidential elections. The ideological affinity between the new Mexican president, Mr. Lopez Obrador, and the Chavez-Maduro pair is evident. However, Mexico has ostensibly needed to maintain maneuverability in the face of what could be a rocky relationship between the Lopez Obrador and Trump administrations.

CHINA: Ever the pragmatists, the Chinese have insisted on their position of neutrality and non-interventionism. Their interests are mostly commercial. Close to \$20 billion was still owed by Venezuela on 1 February 2019, out of a total of \$50 billion in loans taken over the course of 12 years.¹¹ Moreover, numerous investments have been made. Several joint ventures between China and PDVSA own vast swathes of the Orinoco oil belt, the world's single largest repository of oil. However, Venezuela is one out of a hundred countries that have borrowed money from China over the last 16 years.¹² It would be impossible to take

any position other than neutrality with a portfolio so large. It would be a diplomatic conundrum for China.

THE PLATES THAT COLLIDED

While China is one of the most important players and its influence in Venezuela and the region could be decisive, it remained largely focused on collecting what is owed rather than expanding its relationship with the Maduro regime. Cuba, Nicaragua, and Venezuela launched a campaign that considerably reduced the United States' influence on the region and were joined by Brazil, Argentina, and Ecuador for a time. Those regional dynamics were part of the collision, but, at this ultimate stage, not its driving force. The main forces on either side of this conflict are Russia and the United States. With the notable role of Colombia as a catalyst for the reactions of the hemisphere, other actors have either fallen in line or tried to stay neutral.

The Chavez-Maduro regime's relationship with Russia has evolved from weapons buyer, to debtor, to a sort of client state. There are two Moscow-based actors with different interests in Venezuela: the Russian government and Rosneft. The former had military and geo-strategic interests, while Rosneft had north of \$10 billion in investments and loans, including a loan collateralized with shares of US-based but Venezuelan-owned CITGO.¹³

The potential for 49.9 percent of CITGO falling in the hands of Rosneft got some attention in Washington, DC in mid-2018. The sanctions imposed by the United States government on Venezuela starting in May 2018 served the dual purpose of pressuring the dictator and insuring the US against a Venezuelan default on the Rosneft loan (since CITGO is seen as a strategic asset). Section 1(a)(iii) of Executive Order 13835 reads:

(a) All transactions related to, provision of financing for, and other dealings in the following by a United States person or

within the United States are prohibited:

...

(iii) the sale, transfer, assignment, or pledging as collateral by the Government of Venezuela of any equity interest in any entity in which the Government of Venezuela has a 50 percent or greater ownership interest.¹⁴

This means that any legal action to attach CITGO shares borne from a default after May 2018 would be stopped. Later, General License 5 was issued to remove incentives to default on the other debts collateralized with CITGO shares by the Maduro regime; that is, the PDVSA 2020 8.5 percent bond.¹⁵ This general license allows for the attachment of assets of the government of Venezuela by the holders of this bond. Additionally, the Treasury department states that "OFAC would consider license applications seeking to attach and execute against such equity interests on a case-by-case basis."¹⁶ Such a request by Rosneft is likely to be denied, particularly because General License 5 is only applicable to holders of this particular bond.

Rosneft also controls at least 13 percent of oil reserves in Venezuela.¹⁷ As mentioned above, however, while oil is important, it is not everything. The Russian government's strategy for Venezuela morphed into a two-pronged approach that became more geopolitical in nature in recent years. Even its oil interests were used as a strategic tool to change the balance of power, but oil as a tool for tilting the balance of power has its limits.

On 10 December 2018, two TU-160 nuclear-capable Russian strategic bombers landed in Venezuela's main international airport as a show of force and support for the regime. While US officials expressed their anger at the move, the Russo-Venezuelan patrols over the Caribbean went ahead as scheduled. On 12 December 2018, rumors circulated of Venezuela granting Russian aircraft a *de facto*¹⁸ Caribbean outpost on La Orchila island.¹⁹ This news was surprisingly underreported despite its great significance.

Russia already has considerable forces on the Arctic Circle, and a variety of national security experts have warned the US about the perils of that buildup.²⁰ Deployment of strategic bombers to the Caribbean would dramatically change the balance of power. It would open up the possibility of Russian power projection onto the western hemisphere and set up a potential pincer movement on the US from north and south. This is especially critical as both countries have considered withdrawing from the intermediate-range nuclear forces treaty of 1987. The door to a renewed Cold War is being opened.

On 15 December 2018, the bombers set their course back to Russia. Interestingly, on 19 December 2018, President Trump suddenly announced the US was withdrawing from Syria. It is provoking to think that the two most recent stages on which US-Russia tensions surfaced are connected, though nothing other than the order of events suggests it. One month later the Venezuelan parliament, based on the Venezuelan constitution and supported by the US, the Lima Group, and others, declared Maduro a usurper and demanded a transitional government and free and fair elections. Actions from the US and Russian fronts followed to legitimize their preferred leader for Venezuela.

FINAL THOUGHTS

The actions taken by the international community at the dawn of 2019 with respect to Venezuela do not exclusively obey interests in Venezuelan oil. The focus for the main regional actors has been the pursuit of stability and security. This charge is being led by Colombia, which undoubtedly has taken the heaviest toll from the Venezuelan humanitarian crisis. Commercial and energy considerations are imperative for some countries, but the struggle will ultimately be about the balance of power in the region and the world.

The line that the Bolivarian Revolution pushed left was pushed back by a coalition of countries which, in this instance, agreed strongly with the US and Canada. Mexico's conspicuous neutrality remained a source of uncertainty at the time of writing, and Cuba's options looked limited as the Trump administration set its sights on reasserting a modernized version of the Monroe Doctrine.

Ultimately, two powers find themselves at odds. In recent years, tensions between the United States and Russia have flared up around the globe and on many dimensions. It may be that this time Russia pushed too far. Tectonic plates can move for a long time until a collision triggers an earthquake, and while collisions normally happen along fault lines, epicenters may vary. Latin America, with its natural affinity for the left and geographic proximity to the United States, has been a fault line since the Cold War. The epicenter this time just happened to be Venezuela. Whatever the undercurrents, most Venezuelans welcomed the shift. Our answer to all the realpolitik framing the actions taken by much of the international community can be summarized in a phrase: *Well, happy coincidence then, we want Maduro out.*

NOTES

¹Using PPP dollars. International Monetary Fund, *World Economic Outlook Database*, updated October 2018, <https://www.imf.org/external/pubs/ft/weo/2018/02/weodata/download.aspx>.

²These two are intergovernmental organizations championed by Hugo Chavez to foster South American and Caribbean integration through trade, culture, finance, and education. ALBA is particularly interesting as it hosts the Petrocaribe arrangement, under which Venezuela supplies a number of Caribbean nations with oil.

³In 2012, Paraguay was temporarily suspended and Venezuela's admission went ahead. The move coordinated by Argentina, Brazil, and Uruguay was called by some observers "the second war of the Triple Alliance," in reference to the War of the Triple

Alliance, which pitted Paraguay against the three aforementioned nation-states in 1864.

⁴Kirk Semple, “With Spies and Other Operatives, a Nation Looms Over Venezuela’s Crisis: Cuba,” *The New York Times*, 26 January 2019, <https://www.nytimes.com/2019/01/26/world/americas/venezuela-cuba-oil.html>.

⁵Leopoldo E. Colmenares, “Las relaciones entre Irán y Venezuela: implicaciones para el gobierno venezolano,” Friedrich Ebert Stiftung Policy Paper no. 35, p. 10, <https://library.fes.de/pdf-files/bueros/la-seguridad/08265.pdf>.

⁶Sean Goforth, *Axis of Unity: Venezuela, Iran & the Threat to America* (Sterling, Virginia: Potomac Books, 2011).

⁷Thomas Grove, “The New Iron Curtain: Russian Missile Defense Challenges U.S. Air Power,” *The Wall Street Journal*, 23 January 2019, <https://www.wsj.com/articles/russias-missile-defense-draws-a-new-iron-curtain-against-u-s-military-11548255438>.

⁸United Nations High Commissioner for Refugees, “Number of Refugees and Migrants From Venezuela Reaches 3 Million,” 8 November 2018, <https://www.unhcr.org/news/press/2018/11/5be4192b4/number-refugees-migrants-venezuela-reaches-3-million.html>.

⁹InSight Crime, “ELN in Venezuela,” updated 17 November 2015, <https://www.insightcrime.org/venezuela-organized-crime-news/el-n-in-venezuela/>; “Carro bomba en Bogotá: el ELN reivindica la autoría del atentado que dejó 21 muertos en Bogotá,” BBC News, 21 January 2019, <https://www.bbc.com/mundo/noticias-america-latina-46944984>.

¹⁰Cesar A. Sabogal, “Así planeó Colombia la estrategia contra Maduro,” *El Espectador*, 2 February 2019, <https://www.elespectador.com/noticias/el-mundo/asi-planeo-colombia-la-estrategia-contra-maduro-articulo-837534>.

¹¹Jeremy Page, “China Counts the Costs of Its Big Bet on Venezuela,” 1 February 2019, *The Wall Street Journal*, <https://www.wsj.com/articles/china-counts-the-costs-of-its-big-bet-on-venezuela-11549038825>.

¹²Carmen Reinhart, “Exposing China’s Overseas Lending,” Project Syndicate, 31 October 2018, <https://www.project-syndicate.org/commentary/china-opaque-foreign-development-loans-by-carmen-reinhart-2018-10>.

¹³Venezuela’s PDVSA Uses 49.9 pct Citgo Stake

as Loan Collateral,” Reuters, 23 December 2016, <https://www.reuters.com/article/venezuela-pdvsa-idUSL1NiElrFO>.

¹⁴Office of the President of the United States, “Prohibiting Certain Additional Transactions With Respect to Venezuela,” Executive Order 13835, *Federal Register* 83, no. 101 (21 May 2018).

¹⁵Department of the Treasury of the United States, Office of Foreign Assets Control, “General License No. 5—Authorizing Certain Transactions Related to the Petroleos de Venezuela SA 2020 8.5 Percent Bond,” 19 July 2018; Department of the Treasury of the United States, “OFAC FAQs: Other Sanctions Programs | What Does Venezuela-Related General License 5 Authorize?” updated 11 February 2019, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#595.

¹⁶Department of the Treasury of the United States, Office of Foreign Assets Control, “General License No. 5—Authorizing Certain Transactions Related to the Petroleos de Venezuela SA 2020 8.5 Percent Bond,” 19 July 2018; Department of the Treasury of the United States, “OFAC FAQs: Other Sanctions Programs | What Does Venezuela-Related General License 5 Authorize?” updated 11 February 2019, https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_other.aspx#595.

¹⁷Anthony Faiola and Karen DeYoung, “In Venezuela, Russia Pockets Key Energy Assets in Exchange for Cash Bailouts,” *The Washington Post*, 24 December 2018, https://www.washingtonpost.com/world/national-security/in-venezuela-russia-pockets-key-energy-assets-in-exchange-for-cash-bailouts/2018/12/20/da458db6-f403-11e8-80d0-f7e1948d55f4_story.html?noredirect=on&utm_term=.f871ba525a50.

¹⁸Venezuelan law does not allow for foreign bases; however, it can “temporarily host” a foreign force.

¹⁹“Russia eyes Venezuela base for aircraft—Nezavisimaya Gazeta,” Reuters, 12 December 2018, <https://www.reuters.com/article/media-russia-eyes-venezuela-base-for-air/media-russia-eyes-venezuela-base-for-aircraft-nezavisimaya-gazeta-idUSL8NiYH1KC>.

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