

# THE US AND RUSSIAN RESOURCE RIVALRY IN THE CONTEXT OF THE CONTEMPORARY VENEZUELAN CRISIS: THE PERILS OF THE RENTIER PETRO-STATE

Anurag Tripathi<sup>1</sup>  
Girisanker S.B.<sup>2</sup>

## Introduction

Venezuela has been in crisis since 2016. The latest crisis had erupted with the political crisis and a division within the country's political structure. Venezuela's opposition leader Juan Guaidó declared himself as an 'interim president' of the country in January 2019 leading the country into a political turmoil. The US and a few South American countries like Brazil, Colombia and Peru recognized Juan Guaidó as the interim president, leading to further instability. There have been attempts to overthrow President Nicolas Maduro previously as well on account of widespread corruption. Several works argued that this is due to Venezuela's oil assets. As noted by Juan Pablo Pérez Alfonso, oil is "the devil's" excrement which leads to instability and war- where there is oil, this is not a new phenomenon.

The research aims to study the role played by Russian oil giants in shaping Russia's foreign policy in Venezuela and aims to understand what went wrong with Venezuela, despite having the world's largest oil reserves. Starting from foreign interference in the Latin American Region, the paper tries to understand the Venezuelan Nationalization policies, Geopolitics and centrality of oil for the economy, it also tries to understand the stakes of the Russian oil industry in Venezuela and its implications for the stability in Venezuela and its neighborhood.

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<sup>1</sup> Assistant Professor at the Department of International Studies and History, Christ University, Bangalore, India. E-mail: anurag.tripathi@christuniversity.in

<sup>2</sup> Research Scholar in the Department of International Studies and History, Christ University, Bangalore, India.. E-mail: girisanker.sb@law.christuniversity.in

## The History of Venezuelan Oil and the Rise of Populist Policies in Venezuela

On September 1535, Gonzalo Fernandez de Oviedo y Valdes (Spanish Historian and Writer) for the first time mentioned Venezuelan oil seepages, in his “General and Natural History of the Indies”. He called it “the nectar from Cubagua”. So, in 1536, the Queen of Spain, Joanna, ordered officials who were in charge of Venezuela, to bring to Spain as much as possible “oil petroleum”. Seeing the vast oil exploitation happening Simon Bolivar after getting Venezuela’s independence dictated Bolivian Decree in which he brought national ownership of all mines, after his death, this decree was taken upon by Venezuelan congress by ratifying it (Stanford University 2005)

During the 1930s, the world’s oil was largely controlled by seven international oil companies. These companies were known as the “Seven Sisters”. Five of these companies, Gulf, Texaco, Mobil, Socal (Standard Oil California) and Exxon are American. The other two, Royal Dutch- Shell and British Petroleum, are British- Dutch and British (Energytoday 2019). These companies dominated the world’s oil reserves. The exploration and exploitation of petroleum in developing countries have always been conducted by international oil companies rather than the countries themselves because of the lack of financial resources, industrial infrastructure, and technical expertise. In 1948 Venezuela passed an income tax law, which taxed the profits of the foreign companies at the rate of 50 percent. Following that in the 1960s Venezuela implemented a policy of “no more concessions” which was the beginning of the nationalization of the oil industry (IBW21 2019). Thus, began the conflicting perspective between oil producing country and oil extracting companies.

In 1975 Venezuela’s state owned oil industry PDVSA (Petroleos de Venezuela, S.A) was created and begun to operate the following year. In January 1, 1976, President Carlos Andres Perez signed the law that nationalized the oil industry (New York Times 1975). By the 1980’s, PDVSA was considered as a reliable oil supplier, and it was recognized as one of the most important oil companies around the world. In the 1980s, when PDVSA was more stable and established it began to buy refineries in Europe, the United States, and the Caribbean. In 1986, PDVSA bought Citgo in the United States being its sole owner, and this was PDVSA largest project (Chapa 2018). During the Gulf War in the 1990s period when oil embargoes were imposed against Iran and Kuwait, PDVSA established itself as a reliable supplier of oil.

Hugo Chávez founded the fifth republic party in 1997, the socialist political party against Western ideologies and exploitation. He was elected

president in 1998, and after coming into power he started the socialist revolution. However ideologically, the party was a centre left socialist party. During his term Hugo Chávez introduced many projects like the Plan Bolivar 2000 (Venezuelaanalysis 2003) which gave him immense public support which he later used for the approval of the referendum to change the constitution. The referendum gave Chávez more power when compared to the Senate and put the military under his control.

During the Chávez period the new “Hydrocarbons Law” established the increase on the taxes that the companies paid for oil exploitation in Venezuela. On December 1, 2001, after he signed the decree Chávez said to the media: “this new law will permit using our oil and the refinery activities as an instrument of the national development and the diversification of the production of the country” (Stanford University 2005). He used the revenue he got from oil on social welfare programs. In 2004 Chávez, appointed Rafael Ramírez<sup>3</sup> as president of PDVSA.

As a major move in 2007, the government stripped the world’s biggest oil companies from controlling over massive Orinoco Belt crude projects. Companies like ExxonMobil, BP, Chevron, Total and ConocoPhillips operating in Venezuela were demanded more profit, as oil prices were blooming up in 2007. When these companies rejected this, they were kicked out giving PDVSA the control of the majority of its assets thereby altering the agreements made with them (Ellsworth 2007).

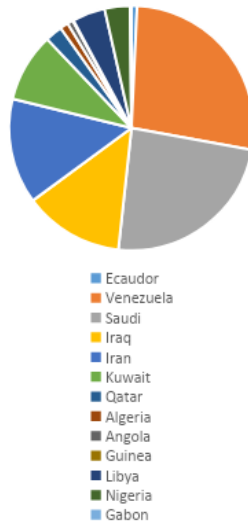
## **The Geopolitics of Oil (OPEC and Venezuela’s oil sector in global trade)**

In early 1959, oil prices were falling. British Petroleum had cut prices. The United States had instituted import quotas, limiting the amount of foreign oil that could enter the world’s largest market. Juan Pablo Pérez Alfonzo (Minister of development during the first democratic government of Venezuela- 1947-1948) and a man who was called the chief architect of OPEC (Organization of the Petroleum Exporting Countries), reaction was to form a coalition with oil producing countries to manage the worldwide oil price. His thoughts became known with the foundation of OPEC in 1960 (Bowlus 2019). The reason for the formation of OPEC was to put a cap on the production of oil by exporting countries and to keep the oil prices high. However, this could not be achieved, in particular nowadays.

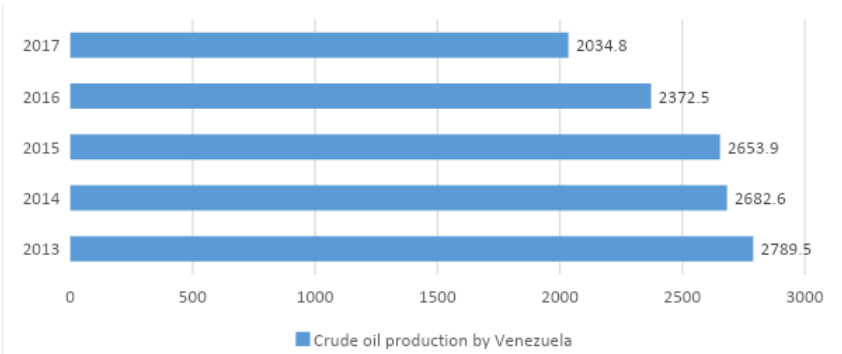
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<sup>3</sup> Ramírez was appointed to lead the energy ministry in July 2002 by Venezuelan President Hugo Chávez. Ramírez had been the founding president of Venezuela’s “Enagas”, the national regulatory agency that was set up to be responsible for establishing the national plan for natural gas production and distribution

World Proven Crude Oil Reserves by OPEC Countries<sup>4</sup>



Nowadays, oil accounts for at least 90% of Venezuela’s income. Therefore, OPEC decision not to cut production affected Venezuela very badly as the price of oil has fallen below US\$ 72 a barrel, lower than the last 4 years. Because of OPEC’s decision Venezuela economy has been hit by severe inflation. This also forced the country to cut its spending on social welfare programme thereby making the government lose its support. By 2016 and 2017 oil production in Venezuela had plunged into a 13 year low, by June the country delivered only 2.15 million barrels of crude per day (IEA 2016)



Source: OPEC 2018 Report on crude oil production of Venezuela<sup>5</sup>

4 For more see: [https://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/ASB%202018.pdf](https://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB%202018.pdf)

5 For more see: [https://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/](https://www.opec.org/opec_web/static_files_project/media/downloads/)

## **The centrality of oil in the economy (increase in welfare benefits with a rise in oil prices)**

Social welfare schemes expanded as the demand for Venezuelan oil increased. As oil prices were high, Venezuela's poverty rate fell from 50% in 1998 to 30% in 2012 (Perumal 2017). But when oil prices came down from \$ 115 per barrel in 2014 to as low as \$ 27 per barrel in 2016, the economy crashed. Since Venezuela also had no other major commodity to export in place of oil, cash inflow into the country began to reduce. The Government, however, did not cut the social spending it had given earlier even after the price of oil came down. Adding to that Government borrowed freshly to continue Social welfare schemes. The Government issued more Bolivars (the Venezuela currency) in a Central Bank effort to tackle the existing crisis. Also, a cover-up the Central Bank stopped publishing inflation data in December 2015 (Press Reader 2017) Venezuela's money supply grew from 10.6 bn bolivars in 1998 to 290 bn bolivars in 2010 and later reached 7,513 bn bolivars by 2016. It resulted in rapid domestic price inflation and drop in bolivar's value which crippled the economy (Perumal 2017).

## **Reasons for the decline of Oil Prices in 2014**

One of the reasons for the decline in the price of oil was the strength of the US\$ because when the value of the dollar is high, the price of commodities falls. Another reason was the inability of OPEC to put a cap on the production of oil by countries, which resulted in an oversupply of oil and it became cheap. Also, when the US removed sanctions against Iran as part of the Iranian nuclear deal, the oil production of Iran increased creating more supply in the market. In addition, the discovery of shale gas in the US reduced their demand for foreign oil additionally foreseeing the Arab embargoes against US, they also hold vast petroleum reserves in the country thereby depending less on oil.

## **The International Monetary Fund (IMF) Role in the Country**

Neoliberal policies recommended by the IMF and the World Bank include deregulation and the removal of government interference in the economy to benefit large transnational corporations which play a dominant

role in policy making. Another aspect of their policy is the dismantling of the welfare state. The victims of all these policies are middle and poor people in society, while large corporations continue to receive massive subsidies and tax breaks. Therefore, income disparity had severely increased many layers inside societies and among nations.

The economic policies of the Perez government were the result of the recommendations made by a 1987 International Monetary Fund (IMF) (IMF 1987). Following these recommendations, he raised interest rates, removed customs tariffs and liberated petrol prices, making the prices go up. The result was rioting in and around Caracas in which some 400 people died, mostly shot by the National Guard (The Economist 2011). From a neoliberal perspective, the IMF mission established what transformations the Venezuelan economy required. Its recommendations were based on the assumption that “the ability of Venezuela to obtain new external financing depends on the economic program that is adopted” (Lander 1996).

Thereafter Chávez and Perez both had no faith in the United States or in the US monopolised institutions, both that had suffocated them for the past century. Venezuela has been loosening its ties to the IMF and the World Bank since Mr Chávez took office in 1999. Venezuela repaid its debts to the World Bank which it had earlier when oil crisis happened, five years ahead of schedule but again the current crisis forced Maduro to approach IMF (The Guardian 2007).

## **PDVSA and the mismanagement of oil resource**

Before looking into the role of external countries, it is important to note the mismanagement of oil resources by the state owned oil company PDVSA (Clayton 2013). Historical traces of mismanagement of PDVSA can be seen from the Chávez era. Venezuelan oil production came to a halt when a strike was led by a coalition of labor unions, industry captains and oil workers when they were provoked by industrialist who wanted to remove Chávez in 2002 (Lifsher 2002). As a result oil drilling, processing and transportation came to a standstill which cost Venezuela's PDVSA to decrease its production. Perhaps it was the first time when Venezuela imported Gasoline from Brazil for its internal use. Later in 2002 the army took over the control of PDVSA which resulted in the firing of many employees who were not loyal, creating more inefficiencies in PDVSA operation. The problem at present is due to the lack of funds to conduct drilling and the inability to secure adequate levels of diluents (to blend with heavy oils). Another key challenge to Venezuela were

the companies that drill its oil, especially from the Orinoco belt. The region concentrates huge losses if the oil is not drilled with the best technology.

## The Role of External Actors in the Venezuelan Crisis

### a) US influence in Venezuela

In the history of Latin America, foreign intervention has been a regular feature due to a number of reasons including its vast natural resources. It dates back from the Spanish colonization till the process of European creditors trying to assess all major ports as a collateral for their loan. Latin American countries played a key role in defining the relations of major powers.

The United States had a keen interest in Latin America especially Venezuela due to its vast oil richness, under James Monroe's policy, the country clearly eyed for control of the region keeping the European powers out of this region and by clearing the debt of these countries by itself. Later through its policies of pressure, the country asserted its economic and political dominance over the region<sup>6</sup>.

And the major way the US used for its purpose was to assert its interest by appointing political actors in its favour or by exercising pressures through financial institutions. One of the key conditions for loans demanded by these institutions was the structural readjustment programme<sup>7</sup>. As a part of it, countries had to cut subsidies and socio-development funds making the people move against the ruler. In countries that follow a mixed economy or social welfare system, this could have adverse short-term losses for citizens. To fight against these policies, countries started nationalization process of the oil industry, creating a huge threat for the US, such as in Venezuela.

Being a staunch critic of capitalism and American imperialism the Venezuela- US relations deteriorated under Chávez era. Chávez criticized Bush on various occasions even in the United Nations General Assembly where he described George Bush as the devil. Chávez also said "Capitalism is the way of the devil and exploitation. If you really want to look at things through the eyes

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<sup>6</sup> The Monroe Doctrine was articulated in President James Monroe's seventh annual message to Congress on December 2, 1823. The European powers, according to Monroe, were obligated to respect the Western Hemisphere as the United States' sphere of interest. For more see: <https://www.ourdocuments.gov/doc.php?flash=false&doc=23>

<sup>7</sup> Structural adjustment" is the name given to a set of "free market" economic policy reforms imposed on developing countries by the Bretton Woods institutions (the World Bank and International Monetary Fund (IMF) as a prior condition for being a receipt of loans.

of Jesus Christ - who I think was the first socialist - only socialism can really create a genuine society” (The Economic Times 2013). Later on, relations never improved even under Maduro regime. On 2013, President Maduro announced he had expelled three US consular officials, demanding them to leave the country, accusing them of conspiring against the government and aiding opposition protests (BBC News 2013). US started viewing Venezuela as a threat to its national security and it started imposing sanctions against human right violations in Venezuela by the ruling government officials.

## The Impact of US sanctions on Venezuela

US sanctions on Venezuela started with the Venezuela Defense of Human Rights and Civil Society Act of 2014 signed by Barack Obama<sup>8</sup> targeting sanctions on certain individuals in Venezuela that were responsible for violations of human rights of antigovernment protesters during the 2014 Venezuelan protests. Later, in 2017 Trump issued sanctions blocking all financial transactions with Venezuela<sup>9</sup>. Sanctions later followed in 2018 and in 2019, the last one being issued by Trump administration on “Blocking Property of the Government of Venezuela”<sup>10</sup>.

Regardless of having the world’s greatest oil reserves, Venezuela presently is facing rampant inflation, poverty and diseases piling up in light of the US sanctions. The economy further suffered due to a US oil embargo and sanctions on PDVSA (a state owned Venezuelan oil industry). The current US sanctions had already hit the economy so much, as the US was the largest importer of Venezuelan Oil<sup>11</sup>. The existing sanctions now prohibit American companies from importing Venezuelan oil.

These sanctions were a direct result of the US ambition to remove current president Maduro and install Juan Guaidó as interim president<sup>12</sup>. The current understanding is that the US hopes that Maduro will lose the support of his military as they run out of cash and Guaidó can assume power (Eberhart 2019).

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8 Executive Order 13692 of March 8, 2015. For more see: <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13692.pdf>

9 Executive Order 13808 of August 24, 2017. For more see: <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13808.pdf>

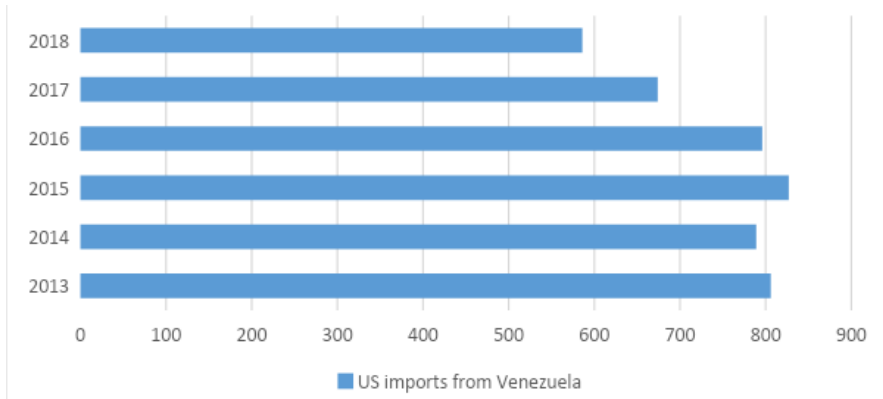
10 Executive Order 13884 of August 5, 2019. For more see: <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13884.pdf>

11 For more see: <https://www.statista.com/chart/16815/venezuelan-exports-by-country-of-destination/>

12 Executive Order 13884 of August 5, 2019



Source: US Energy Information Administration<sup>13</sup>



Meanwhile the US subsidiary, Citgo, is Venezuela's only hope to sustain the economy as they pay in cash for the raw crude oil it received, so the government cannot bear to lose it. But the current crisis in Venezuela is forcing Trump administration to move Citgo's control over to Juan Guaidó, the opposition party leader i.e. National Assembly leader of Venezuela which was recognized by the U.S. as Venezuela's legitimate president. Citgo's control will give Juan Guaidó control over the country's last main source of income which ultimately gives him more power. The US Secretary of State Mike Pompeo has declared that Guaidó has authority over the nation's accounts at the Federal Reserve Bank of New York and other U.S.-insured bank. If that is the case, Citgo can now only import Venezuelan crude oil if it makes payments into bank accounts controlled by Guaidó, which keeps Maduro in a dilemma to export or not (Wadhams 2019). Maduro has also mortgaged Citgo to raise money. Therefore, if PDVSA defaults its collateral, Citgo could become prey. It would be vulnerable to a takeover by creditors like Rosneft, a Russian oil company along with other oil companies who has a share in it (Ulmer 2017).

However, US sanctions on Venezuela have reciprocally affected the US energy security also as the refiners in US imports roughly 7 million barrels a day of oil, mostly heavy sour crude oil and Venezuela has been a significant source of these barrels. The supply disruption caused by Venezuela exposes a weakness in American Energy Security. Recently Trump administration is considering releasing some of 649 million barrels of oil in the strategic Petroleum Reserves, the country's emergency oil stockpile.

<sup>13</sup> For more see: [https://www.eia.gov/dnav/pet/pet\\_move\\_impqus\\_a2\\_nus\\_epoo\\_imo\\_mbbldpd\\_a.htm](https://www.eia.gov/dnav/pet/pet_move_impqus_a2_nus_epoo_imo_mbbldpd_a.htm)

## **b) The Role Played by Russia in Venezuela through its Oil industry**

Russia has been trying to strengthen its ties with Venezuela amid the ongoing crisis in the country and also to reassert its global dominance like the pre-Soviet Union era and for this Moscow has attempting to aid Venezuela amidst the US sanctions. Russia has leverage over the energy sector in Venezuela through Russia's successful diplomacy skill led by Igor Ivanovich Sechin, the Head of Rosneft (Russian national oil company).

Russian successful diplomacy in Venezuela can be seen from shares of Russian Oil companies operating there like Gazprom Neft, Rosneft, Lukoil, Surgutneftegaz, and TNK-BP. Russian companies have already been established in their oil exploration projects with PDVSA.

Russia's policy on Venezuela is heavily influenced by Igor Sechin, (Gabuev, 2006) who holds one of the most powerful positions in Russia and is considered as Putin's closest ally. His knowledge over the energy sector is visible from his work on the oil industry, "should state control, consolidation, and political power be considered above market forces such as profit" (Geohistory 2018). In 2008, Sechin, after assuming the power of both Russian Deputy Prime Minister and Chairman of the Rosneft, visited Venezuela to deepen ties with PDVSA. Sechin had an eye on the Orinoco River basin. The heavy oil which was too expensive to drill led to a deal between both companies to explore a partnership (Rosneft 2017). In 2012, Rosneft signed eight agreements with Venezuela regarding energy projects (europetrole, 2012). Sechin holds a key position representing Putin.

## **Venezuelan Oil fields**

Venezuela produces the majority of its oil from two basins, Maracaibo in the Western and the Eastern basin, which includes the Maturin sub-basin and the Orinoco heavy oil belt. The heavy oil reserves of the Orinoco are vast, challenging to produce and require a large amount of money for processing.

Initially Venezuela invited few international oil companies into the country to participate in the development of these reserves. Companies like ExxonMobil, BP, Chevron, Total and ConocoPhillips invested billions of dollars in technology and infrastructure to turn heavy oil into crude oil exports (Stanley 2019). Seeing the oil price rise in 1999, the Chávez administration

passed the Hydrocarbon law which increased PDVSA's ownership of its own oil reserves thereby increasing taxes. Finding no other option most companies present there agreed to it except ConocoPhillips and ExxonMobil. So, their assets were ceased and they were expelled from the country.

## The Orinoco river basin - Venezuela

The Orinoco River basin is one of the richest heavy oil reserves in the world. It provided a huge opportunity for Rosneft to play an important role in Latin American region as Venezuela lacks the money and technology to drill heavy oil, as a result, Putin gave Mr. Chavez a multi-million-dollar payment for oil exploration rights in the Orinoco River Belt. The Venezuelan national oil company, PDVSA, created a joint company with Russian oil firms to develop four blocks in the Orinoco Oil Belt (Venezuelaanalysis 2010). The four blocks are Ayacucho, Boyacá, Carabobo, and Junín. Junin-6 oil field, which has geological reserves of over 50 billion barrels of oil, will be developed on a parity basis by a consortium of five major Russian oil companies, Gazprom Neft, Lukoil, Rosneft, Surgutneftegaz and TNK-BP (Tyumenskaya Neftyanaya Kompaniya, Tyumen Oil Company) through National Oil Consortium (Gasprom 2012).

Lukoil will work with PDVSA on the Junín 3 block, Gazprom will perform certification activities on the Ayacucho 3 block and TNK-BP will work with PDVSA on Ayacucho 2. Agreement between PDVSA and TNK-BP for work on Ayacucho 2 was signed in October 2007. Also to develop the Carabobo-2 project, an agreement was signed between Rosneft and PDVSA (Compelo Energy 2008).

## The NOC (National Oil Consortium)

The National Oil Consortium owns and operates oil production projects. The company was founded in 2008 and is based in Moscow, Russia. In 2012, Sechin initiated the buyout of TNK-BP as a whole from the UK (United Kingdom) based BP in a 55 billion dollar deal because the investment agreement had a 50/50 partnership between two countries<sup>14</sup> (Neate 2013). This acquisition brought Rosneft into control of roughly 40% of Russia's oil production and 60% share in NOC. In March 2010, NOC and PDVSA

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<sup>14</sup> The deal makes the Russian state-owned oil company the world's largest listed oil producer and will increase Rosneft's daily oil production to 4m barrels a day – more than the daily output of Canada or Iraq.

registered a joint venture, PetroMiranda, to develop the Junin-6 block. PDVSA holds a 60% stake in the JV, while NOC owns 40% (Rosneft 2012). In 2013 Igor Sechin, President and Chairman of the Management Board at Rosneft was elected Chairman of the Board of Directors of the National Oil Consortium. After coming to power Sechin in 2014 bought Lukoil's 20% interest in the National Oil Consortium (NOC), which now leaves Rosneft with 80% total interest in NOC. This gives Rosneft a comparative advantage in the energy sector of Venezuela (Rosneft 2016).

The remaining 20% of NOC is owned by Gazprom Neft, Gazprom operates in Venezuela under agreement with PDVSA in January 2005. The agreement gives Gazprom the right to participate in the certification project for the Ayacucho-3 block reserves located in the Orinoco Oil Belt, a central part of Venezuela (Gazprom 2008).

In 2013 PDVSA and Russia's Rosneft agreed to manage exploration and production of hydrocarbons at two fields in the Orinoco River, Carabobo-2 block, through Petrovictoria a new joint venture between Venezuela's state oil companies (Interfax 2013). The joint venture, started its first deal in 2016 and reach 120,000 barrels per day and hopes to reach more as quoted by Remirez.

From the above analysis, it can be understood that Russia's decisions with regards to Venezuela are strongly driven by its economic interests. Thus, considering its energy interest there Russia will not let Maduro's regime collapse due to US-led efforts in the country. The US has already sanctioned Rosneft for buying Venezuelan oil which goes against international law by playing the role of a regulator in world oil market besides these unilateral sanctions were not legally recognised. On 2018 Rosneft CEO Sechin said sanctions imposed by Washington against Russia and other countries, are nothing but an attempt to promote US companies in the energy and other global markets.

## Conclusion

As the US sanctions tightened in Venezuela Russia started playing a major role. Recently, John Bolton, the former United States national security adviser talked about the Russian role in Latin America stating that the 'Monroe doctrine is alive and well', indirectly warning Russia for its involvement in Latin America. Though any official statement hasn't come from the current US government's side showing support or rejection to the words of former NSA, these claims were rejected by the Russian ambassador to Venezuela Vladimir Zaemskiy (Vox 2019) immediately. The sanctions by Venezuela's

largest importer had worsened the economy. It had affected the daily life of people as the role played by the state-owned oil industry was central to the social welfare programmes in Venezuela. Due to the discovery of shale gas in the US and OPEC's inability to cap production leads Venezuela was left with no other option to recover from the crisis. Also, with the existing economic crisis in the country, the political crisis also emerged as the motive of US sanctions for a regime change. Fearing US sanctions, many other oil companies have refrained from doing any transactions with Venezuela.

Significantly, because of Russian assistance to Venezuela for its oil delivery, Venezuela considers Russia as its good ally. Russia will continue to back the Maduro's socialist regime in Venezuela due to its geopolitical and economic benefits. The seriousness can be seen with Russia supplying Venezuela with S-300 one of the best air defence missile along with a group of military experts to service the equipment's (Arostegui 2019 ). Venezuela also requires Russian assistance as an alternative to the US-dollar based trading system. Hence Russia has been using this opportunity wisely thereby getting cheap oil from Venezuela. Russian diplomacy is also making Venezuela sign binding agreements that will allow Russia to be the holder of major oil blocks in Venezuela. Therefore, it is vital for Russia to support Maduro by providing him sufficient cash to run PDVSA, if Maduro's regime falls Russia will lose major stakes in the region. The U.S. sanctions against Venezuela have driven the price of oil, leaving Russia with expensive crude and a cheaper currency which is helping the Russian economy. Russia is also looking forward on taking Citgo as Venezuela's collateral, which will directly affect US energy security. From the example of Syria itself, it is very clear that Russia is trying to come back in a full-fledged manner, falling back from the Latin American region means Russia is accepting that region as US backyard. Incidents like the US sending troops to protect Saudi oil and Eastern Syrian oil projects are some of the best examples on how US policy makers make decisions over energy security.

Both the countries, US and Russia, need to negotiate its role in Venezuela. Maduro administration should be given some space to develop PDVSA, and, importantly OPEC should help Venezuela to recover from this crisis by capping its oil production. Instability in Venezuela again will create instability in the whole Latin American Region leading to migration and political crisis which finally threatens US national security. By withdrawing from Syria the Trump administration has signalled the world that it is now concentrating to rectify its current account deficit and to overcome its main rival China. The US does not want Venezuela to be a thorn in its development process by engaging in a proxy war against Russia in Venezuela especially during the hype of US-China trade wars. Therefore, the US should find means

to start collaborating with Venezuela through diplomacy rather than taking it for granted. Venezuela holds more oil reserves than Saudi Arabia and can be the perfect hotspot for both the US and Russia to satisfy its hunger for oil.

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<sup>15</sup> Professor, Department of International Studies, Christ University.

<sup>16</sup> Head, PRISM (Political Risk and Intelligence Services Management) a unit of COVINTS Network.

<sup>17</sup> Founder & CEO at COVINTS (Covert Overt Intelligence Solutions).

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## **ABSTRACT**

Venezuela continues to face rampant inflation, poverty and diseases pilling up in light of the US sanctions against PDVSA (Petroleos de Venezuela, S.A), the Venezuelan state owned Oil Company. Despite the crisis, Russia continues to play a key role in supporting the regime of Nicolas Maduro and sustaining oil production in the country. The research focuses on the role played by Russia in helping the current regime to survive against the US sanctions and the vested interest it brings along with it. The outcome of the research is to find out the role played by Russian oil industries in shaping Russia's Foreign Policy in Venezuela and to know whether Moscow has any leverage over energy sector in Venezuela. The paper gives prime importance to the Venezuelan economy and Geopolitics of oil. The research aims to give a whole new outlook in the field of International Relations by exploring the nuances of oil giants in shaping relations between countries.

## **KEYWORDS**

PDVSA; Rosneft; Venezuela; Geopolitics; Monroe Doctrine; Citgo; Orinoco Basin.

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