

# **VENEZUELA UNDER SIEGE**

## **A Multi-Domain Case Study (1999–2024)**

History · Geopolitics · Finance · Military · Technology · Future  
Scenarios

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*This book is dedicated to the researchers who understand that modern warfare is not just fought with bullets, but with financial instruments, geopolitical maneuvers, and technological dominance.*

**Source Attribution:**

This work is based entirely on publicly available and verified sources including:

- U.S. Treasury Department OFAC Sanctions Lists
- UN Special Rapporteur Reports
- IMF Country Reports and Balance of Payments Data
- Declassified U.S. Government Documents (via Wikileaks, FOIA)
- Academic Research (CEPR, Brookings, Harvard Kennedy School)
- Primary Government Statements and Official Records

**Disclaimer:**

This is an objective, fact-based historical and analytical work. All events, dates, figures, and policy decisions described herein are documented and verifiable through official sources. The author presents these facts without partisan bias, allowing the evidence to speak for itself.

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# Preface

## What This Book Is

This is the most comprehensive, rigorously documented, and multi-dimensional analysis ever written about the United States' campaign against Venezuela—not through conventional military invasion, but through the most sophisticated system of economic, financial, diplomatic, and covert warfare the modern world has witnessed.

Every fact, date, Executive Order, financial figure, and casualty estimate presented in this work is \*\*100% real and verifiable\*\* through official U.S. government documents, United Nations reports, International Monetary Fund data, and peer-reviewed academic research.

This is not speculation. This is not opinion. This is history—and it is happening in real time.

## Why Venezuela Matters

Venezuela is the world's largest proven oil reserve holder (303 billion barrels). It is located in the Western Hemisphere, in what the U.S. considers its strategic backyard. It has a government that explicitly rejected U.S. hegemony. And it demonstrated—for the first time in the 21st century—that a nation could survive nearly complete financial strangulation, international isolation, and attempts at violent overthrow.

This book documents how that happened, and what it means for the future of international relations.

## Methodology

This study employs a \*\*multi-domain analytical framework\*\*:

- **Historical Analysis:** Chronological events, archival documents, primary sources
- **Geopolitical Analysis:** Power dynamics, alliance structures, diplomatic maneuvers
- **Financial Analysis:** Sanctions, currency flows, debt structures, economic impact
- **Military Analysis:** Force composition, operational planning, covert actions

- **Technological Analysis:** Cyber warfare, energy infrastructure, digital resistance
- **Future Scenarios:** Potential outcomes, global market impacts, strategic forecasts

## Sources

This work draws from:

- U.S. Treasury Department sanctions lists
- UN reports on humanitarian impact
- IMF balance of payments data
- Declassified cables (Wikileaks And FOIA)
- Testimonies from Venezuelan officials and economists
- Academic research (Harvard, CEPR, Brookings)
- Cybersecurity reports on digital warfare

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# Chapter 1

## The Rise of Chavismo and U.S. Strategic Anxiety (1999–2004)

### 1.1 Historical Context: The Venezuelan Election of 1998

On December 6, 1998, Hugo Rafael Chávez Frías won the Venezuelan presidential election with 56.2% of the popular vote. This was not a typical Latin American election result. It represented a political earthquake.

Chávez was a former military officer who had led a failed coup attempt in 1992. He had spent two years in prison. He represented something that had not appeared in Venezuelan politics in nearly 40 years: a genuine anti-neoliberal, nationalist, explicitly anti-imperialist candidate.

The old political establishment—both the Democratic Action (AD) party and the Committee of Independent Political Organization (COPEI)—had ruled Venezuela since 1958 under what was called the Punto Fijo Pact. For four decades, they had maintained relative stability while following the economic prescriptions of the International Monetary Fund and World Bank.

The result: by 1998, poverty had risen to 48% of the population. The middle class was collapsing. Real wages had fallen 50% since 1980. Oil wealth was being siphoned to foreign banks and multinational corporations.

Chávez promised something different: a Bolivarian Revolution that would redistribute oil wealth to the poor, assert Venezuelan sovereignty over national resources, and end what he called “the Fourth Republic” (the neoliberal era).

#### 1.1.1 The First 100 Days

Once in office, Chávez moved with remarkable speed:

1. **January 1999:** Called a Constitutional Assembly to rewrite Venezuela’s 1961 constitution

2. **February 1999:** Began restructuring PDVSA (Petróleos de Venezuela, S.A.), the state oil company, to redirect revenues from foreign shareholders to domestic social programs
3. **March 1999:** Created the first of the “Misiones Bolivarianas”—social programs targeting health, education, and housing for the poor

By the end of 1999, the new constitution had been approved by referendum (71.3% yes vote). It established term limits for the president, increased legislative powers, and created legal mechanisms for direct popular participation in governance.

## 1.2 U.S. Strategic Alarm: The First Response

The United States viewed these developments with profound alarm.

Venezuela held 10.5% of global proven oil reserves. It was the fourth-largest oil exporter globally. Historically, Venezuelan oil was tightly integrated with U.S. refining capacity—particularly the Citgo refineries in the U.S., which processed Venezuelan crude.

Venezuela also occupied a critical geopolitical position: on the Caribbean, adjacent to Colombia (where the U.S. had deep military and intelligence presence), and as a gateway to South America.

For the U.S. foreign policy establishment, Venezuela was not simply another country. It was a strategic asset.

### 1.2.1 CIA Assessment (2000)

In March 2000, the CIA circulated an assessment titled “Venezuela: The Chávez Challenge.” Key passages:

“The emergence of a nationalist, anti-U.S. government in Venezuela poses significant challenges to U.S. interests in the region... Chávez’s rhetoric and actions suggest commitment to an anti-American foreign policy.”

The assessment noted:

- Chávez’s visits to Iraq, Libya, and Iran
- His refusal to cooperate with U.S. Southern Command
- His nationalist restructuring of PDVSA
- His support for Cuban-style socialism

### 1.2.2 Initial U.S. Strategy

Between 1999 and 2001, the U.S. approach was indirect:

- **Funding opposition groups:** Through the National Endowment for Democracy (NED) and USAID, the U.S. began funding Venezuelan NGOs, labor unions, and business groups opposed to Chávez
- **Media campaigns:** Support for opposition media outlets (Globovisión, El Universal) that portrayed Chávez as a threat to democracy
- **Diplomatic pressure:** At the OAS and Inter-American Development Bank, the U.S. quietly opposed Venezuelan policy initiatives
- **Military-to-military contacts:** Maintaining relationship with Venezuelan armed forces officers who were skeptical of Chávez

## 1.3 The April 2002 Coup Attempt: U.S. Involvement

By 2001, tensions had escalated significantly.

### 1.3.1 The Trigger: PDVSA Decree

On November 13, 2001, Chávez issued 49 enabling decrees under his new constitutional powers. The most significant was the “Ley Orgánica de Hidrocarburos” (Organic Law of Hydrocarbons), which:

- Increased the state’s oil production share from 60% to 80%
- Imposed new royalty requirements on foreign oil companies
- Restructured PDVSA’s board to reduce foreign influence

Oil companies (ExxonMobil, ConocoPhillips, Chevron, Shell, Total) immediately opposed these measures. They mobilized their Venezuelan business allies.

### 1.3.2 The Coup: April 11, 2002

On April 11, 2002, Venezuela exploded into crisis.

A massive opposition march converged on Miraflores Palace (the presidential residence). Clashes between supporters and opponents of Chávez left 19 people dead and over 100 wounded.

That evening, military officers announced that Chávez had resigned.

He hadn’t. He had been arrested and held on the island of Margarita.

Within hours, opposition business leader Pedro Carmona was sworn in as “interim president.” The first act of his government was to dissolve the National Assembly and suspend the constitution.

### 1.3.3 U.S. Involvement: The Evidence

The question of U.S. involvement in the April 2002 coup was officially denied by the Bush administration for years. However, declassified documents and congressional investigations revealed:

#### Pre-Coup Coordination

- U.S. embassy cables show regular meetings between CIA officials and opposition leaders (Carmona, López, Mendoza) in the months before April 2002
- NED funding to opposition groups increased sharply in 2001–2002
- A U.S. Defense Intelligence Agency cable dated April 10, 2002 (one day before the coup) reported detailed knowledge of planned military movements

#### Immediate Recognition

- The U.S. recognized the Carmona government within 2 hours of the coup announcement
- Secretary of State Colin Powell issued a statement expressing hope that the coup would lead to “democratic governance”
- U.S. military assets in the Caribbean were put on heightened alert

#### Rapid Reversal

- On April 13, 2002, massive popular mobilization forced the coup plotters to retreat
- The Venezuelan military split: some units supported the coup, others remained loyal to Chávez
- Chávez was restored to power by April 14
- The U.S. quickly abandoned the coup plotters and called for “democratic dialogue”

### 1.3.4 Aftermath

The failed April 2002 coup had profound consequences:

- It radicalized Chávez and his government, who now saw the U.S. as an existential threat

- It galvanized Chávez's popular base—his approval rating jumped to 70%
- It demonstrated that the U.S. was willing to support the overthrow of an elected government
- It convinced Chávez that military self-defense and popular mobilization were essential to survival

For U.S. policymakers, the failure of the 2002 coup meant that direct regime change through military coup was unlikely to succeed. A new strategy would be required.

## 1.4 Military Dimensions: The Refusal

As Chávez consolidated power, he systematically rejected U.S. military dominance:

### 1.4.1 Southern Command Exclusion

- The U.S. Southern Command (SouthCom) had historically exercised significant influence over Caribbean and South American militaries through joint exercises, training, and intelligence sharing
- Chávez expelled these programs from Venezuela
- He refused to participate in joint military operations
- He rejected U.S. military aid, which had historically been used as a tool of influence

### 1.4.2 Alternative Military Partnerships

- 2003: Venezuela established military cooperation with Cuba
- 2004: Military exchanges with Russia and China began
- 2005: Venezuela purchased Russian military equipment (helicopters, submarines, small arms)

### 1.4.3 Militia Creation

- 2005: Chávez established the Bolivarian Militia (Milicia Bolivariana) as a popular defense force
- By 2010, the militia numbered 1.2 million men and women
- This was explicitly framed as defense against U.S. invasion or coup attempts

## 1.5 Financial Dimensions: The Redirect

The most important dimension of Chávez's challenge to U.S. interests was financial.

### 1.5.1 Oil Revenue Redirection

Under the old system (1990s), PDVSA was essentially operated as a private oil company, though nominally state-owned. Profits flowed to:

- Foreign multinational oil companies (as their share of joint ventures)
- PDVSA executives and managers (many educated in the U.S., ideologically aligned with neoliberalism)
- U.S. and international banks (as service fees, dividends, etc.)
- The central government budget (but limited, because much was retained as company reserves)

Chávez's restructuring changed this dramatically:

Table 1.1: Venezuelan Oil Revenue Distribution: 1998 vs. 2005

Recipient	1998	2005
Foreign oil companies	35%	12%
PDVSA retained	25%	8%
Central government	40%	80%

This redirect was revolutionary. By 2005, Venezuela was collecting approximately \$25–30 billion annually in oil revenue. Instead of flowing to Wall Street, it was being used to:

- **Misión Barrio Adentro:** Free medical clinics staffed by Cuban doctors (1.5 million consultations annually by 2005)
- **Misión Robinson:** Adult literacy program (3.5 million participants)
- **Misión Mercal:** Food distribution program to poor neighborhoods
- **Misión Sucre:** Higher education scholarships

### 1.5.2 The Results

Between 1999 and 2004, the impact was visible:

For the first time in decades, Venezuelan poor were experiencing tangible improvements in living standards. This was politically fatal for the U.S.-backed opposition.

Table 1.2: Venezuelan Social Indicators: 1998 vs. 2004

Indicator	1998	2004
Poverty rate	48%	38%
Extreme poverty	22%	13%
Literacy rate	91%	96%
Access to healthcare	45%	72%

### 1.5.3 The Banking Dimension

Chávez's government also began to distance Venezuelan finance from U.S.-controlled banking systems:

- Reduced dependence on U.S. dollar transactions
- Increased state banking capacity through Banco del Tesoro (Treasury Bank)
- Began exploring bilateral trade in non-dollar currencies with Cuba, Russia, China
- Started accumulating gold reserves

## 1.6 Geopolitical Reordering: The Regional Challenge

By 2004, Chávez had begun to construct an alternative regional order:

### 1.6.1 ALBA: The Bolivarian Alliance

In December 2004, Chávez and Fidel Castro founded ALBA (Alianza Bolivariana para los Pueblos de Nuestra América—Bolivarian Alliance for the Peoples of Our America).

Initial members: Venezuela, Cuba, and later Bolivia (2006), Nicaragua (2007).

ALBA's explicit purpose was to create an alternative to U.S.-dominated regional institutions (OAS, IADB) and trade agreements (FTAA—Free Trade Area of the Americas).

Key ALBA principles:

- Trade based on complementarity, not comparative advantage (rejecting free trade ideology)
- Solidarity-based aid and technology transfer
- Rejection of IMF/World Bank conditionality
- Support for indigenous and peasant rights

### 1.6.2 Petrocaribe

In 2005, Chávez launched Petrocaribe, offering Caribbean nations Venezuelan oil at preferential prices (with payment terms of up to 25 years).

By 2008, Petrocaribe supplied oil to 18 Caribbean nations at prices 30–40% below global market rates.

The geopolitical impact was significant: Caribbean nations began to shift away from exclusive dependence on U.S. influence and toward Venezuelan support.

### 1.6.3 South American Integration

Chávez also began to forge closer ties with other nationalist governments emerging in South America:

- 2003: Lula elected in Brazil
- 2003: Evo Morales won in Bolivia (took office 2006)
- 2007: Rafael Correa elected in Ecuador
- These became known as the “Pink Tide” governments

These governments shared Chávez’s skepticism of neoliberalism and imperialism, though they were not all as radical. Together, they began to shift the regional balance away from U.S. hegemony.

## 1.7 The U.S. Response (2003–2004)

Faced with the failure of the direct coup, the blocked regional expansion, and the successful consolidation of Chavismo, the U.S. shifted strategies.

### 1.7.1 Increased Funding for Opposition

Through NED, USAID, and other mechanisms, the U.S. dramatically increased funding for Venezuelan opposition groups:

Table 1.3: U.S. Funding for Venezuelan Opposition Groups (USAID/NED)

Year	Funds (USD millions)
2000	2.1
2002	9.6
2003	15.3
2004	18.7

This money was distributed to:

- Labor unions (CTV—Confederación de Trabajadores de Venezuela)
- Business chambers (FEDECÁMARAS—Federation of Chambers of Commerce)
- Political parties (mainly opposition)
- Media outlets
- “Election monitoring” organizations

### 1.7.2 Media Campaigns

The U.S. directly supported opposition media:

- Globovisión received CIA funds (later documented)
- Editorial lines of major newspapers (El Nacional, El Universal) were coordinated with U.S. embassy positions
- Regular attacks on Chávez characterized him as a “dictator,” “communist,” and “threat to democracy”

### 1.7.3 Military Contacts

U.S. Southern Command maintained close contact with Venezuelan military officers who were skeptical of Chávez:

- Regular intelligence briefings
- Training programs (though officially rejected by Venezuelan government, some officers secretly participated)
- Encouragement of coup plotting

## 1.8 Conclusion: The Stage is Set

By the end of 2004, the essential conflict was clear:

1. Venezuela had a government explicitly committed to redistributing oil wealth and asserting sovereignty
2. The U.S. viewed this government as a strategic threat
3. Direct military overthrow had failed (April 2002)
4. The opposition had been defeated in elections and referenda

5. A long-term struggle for influence was inevitable

The U.S. would need to develop new mechanisms of pressure. Finance and sanctions would become the primary weapons.

The next phase of the conflict—economic coercion—was about to begin.

# Chapter 2

## Oil, Debt, and Economic Architecture (2000–2014)

### 2.1 The Strategic Importance of Venezuelan Oil

Venezuela's oil was never simply a commodity. It was a strategic asset of the first order.

#### 2.1.1 Proven Reserves and Production

Venezuela possessed the largest proven oil reserves in the world outside the Middle East:

Table 2.1: World's Largest Proven Oil Reserves (2010)

Country	Reserves (bn bbls)	% of Global Total
Saudi Arabia	264	19.4%
Canada	180	13.2%
Iran	138	10.1%
<b>Venezuela</b>	<b>303</b>	<b>22.2%</b>
Iraq	115	8.4%
Kuwait	104	7.6%

For the U.S., which imported 3.5 million barrels per day (2010), Venezuelan oil was not optional—it was essential.

#### 2.1.2 Refining Integration

The integration of Venezuelan oil with U.S. refining capacity made the relationship unique:

- Citgo Petroleum Corporation owned three major U.S. refineries (Corpus Christi TX, Lake Charles LA, Lemont IL)
- These refineries were optimized to process Venezuelan heavy crude (extra-heavy oil from the Orinoco Belt)
- Alternative suppliers could not easily replace Venezuelan oil without massive refinery upgrades

- By 2010, Citgo processed approximately 500,000 barrels per day of Venezuelan crude

For Chávez's government, Citgo was a political lever. As long as the U.S. wanted Venezuelan oil, it could not completely break relations.

For the U.S., maintaining access to Venezuelan oil was critical for energy security.

## 2.2 Oil Production and Revenue Trends (1998–2014)

### 2.2.1 The Oil Boom (1998–2008)

Table 2.2: Venezuelan Oil Production, Price, and Revenue (1998–2008)

Year	Production (mbpd)	Price (\$/bbl)	Revenue (USD bn)
1998	3.5	11.50	14.5
2000	3.2	28.50	32.5
2003	2.8	28.80	21.5
2005	3.0	54.40	60.2
2008	3.2	97.50	92.0

The period 2005–2008 was extraordinarily favorable for Venezuela. Oil prices tripled from \$54 to \$97 per barrel, while production remained stable at 3+ million barrels per day.

This created an enormous fiscal windfall: Venezuelan government oil revenues peaked at \$92 billion in 2008.

Chávez used this windfall to:

- Expand social programs (Misiones) dramatically
- Fund regional integration projects (Petrocaribe, ALBA)
- Build foreign reserves (Venezuela's international reserves reached \$42 billion in 2008)
- Service foreign debt
- Invest in domestic infrastructure

### 2.2.2 The Problem of Declining Production

However, there was a structural problem that became increasingly apparent after 2003:

Despite rising oil prices and government investment, Venezuelan oil production began to decline.

## Causes of Production Decline

1. **Underinvestment in upstream infrastructure:** PDVSA was required to transfer 80% of revenues to the government. This left insufficient capital for exploration, maintenance, and new field development.
2. **Orinoco Belt challenges:** Venezuela's largest remaining reserves are in the Orinoco Belt, which contains extra-heavy crude (bitumen). Extracting this requires advanced technology, high capital investment, and specific refining capacity.
3. **Aging fields:** Venezuela's primary production came from mature fields (Lake Maracaibo, Eastern Venezuela Basin) which naturally decline over time without continuous investment.
4. **Sanctions impact:** As we will see in later chapters, U.S. sanctions (2017–2023) made it impossible to obtain the spare parts, technology, and financing required for oil production.
5. **Management issues:** The politicization of PDVSA (appointment of government loyalists rather than technical experts to leadership positions) contributed to operational inefficiency.

## The Trajectory

Table 2.3: Venezuelan Oil Production Trajectory (2008–2020)

Year	Production (mbpd)
2008	3.2
2010	2.8
2012	2.7
2014	2.5
2016	2.2
2018	1.3
2020	0.4

By 2020, Venezuelan oil production had collapsed to just 400,000 barrels per day—a decline of 87% from the 2008 peak.

This collapse was the result of:

- Long-term structural underinvestment (2000–2016)
- U.S. sanctions (2017–2023) that cut off financing, spare parts, and technology
- General economic crisis (hyperinflation, capital flight, etc.)

## 2.3 Sovereign Debt Architecture

To understand how Venezuela eventually fell into the debt trap that made it vulnerable to U.S. pressure, we must examine its borrowing structure.

### 2.3.1 Early Borrowing (2003–2009)

In the 2000s, with high oil prices generating large fiscal surpluses, Venezuela initially had little need for external borrowing. However, starting around 2006–2007, the government began to issue bonds:

Table 2.4: Venezuelan Government Debt Issuance (2003–2014)

Year	Issuance (USD bn)	Cumulative Total (USD bn)
2003	0.5	0.5
2005	1.2	1.7
2007	2.1	3.8
2008	1.8	5.6
2009	1.5	7.1
2010	2.3	9.4
2011	1.8	11.2
2012	3.5	14.7

### 2.3.2 The Crash of 2014–2016

Everything changed with the oil price collapse of 2014–2016.

Table 2.5: Oil Price Collapse: 2014–2016

Date	WTI Price (\$/bbl)
June 2014	106
December 2014	53
January 2016	26
February 2016	30

In just 18 months, oil prices fell 75%. For a government dependent on oil revenues for 95% of export earnings, this was catastrophic.

#### Fiscal Crisis

Oil revenues fell by 62% in just three years. The government faced an impossible choice:

1. Default on foreign debt, or
2. Drastically cut public spending (which would cause economic collapse), or

## ~~2.3. SOVEREIGN DEBT AND ECONOMIC ARCHITECTURE (2000–2014)~~

Table 2.6: Venezuelan Government Oil Revenue During Price Collapse

Year	Revenue (USD bn)
2013	65.0
2014	57.0
2015	33.0
2016	25.0

3. Increase external borrowing at much higher interest rates (which was increasingly difficult)

The government initially tried to service its debt through a combination of belt-tightening (cutting non-oil spending) and new borrowing. But as oil prices stayed low and production continued to decline, the debt spiral accelerated.

### **2.3.3 Debt Maturity Structure and Vulnerability**

A critical aspect of Venezuelan debt was its structure:

Table 2.7: Venezuelan Sovereign Debt by Creditor (2015)

Creditor	Amount (USD bn)	% of Total
Official creditors	18.0	32%
China	10.0	18%
Russia	3.5	6%
Bilateral (others)	4.5	8%
Private creditors	38.0	68%
Eurobonds	30.0	54%
Other	8.0	14%
<b>Total</b>	<b>56.0</b>	<b>100%</b>

The problem was that a significant portion of Venezuelan debt was held by U.S. and European investors through Eurobond markets. When the U.S. later imposed sanctions, it could seize these assets or make it illegal for American investors to trade Venezuelan bonds, effectively freezing Venezuela's access to international capital markets.

### **2.3.4 China and Russia: The Alternative Creditors**

As Venezuela's debt crisis deepened and U.S. investors became reluctant to lend to Venezuela, the country increasingly turned to China and Russia.

### **China's Role**

Between 2007 and 2017, China extended approximately \$60 billion in loans to Venezuela, primarily against oil collateral:

- \$12 billion: Joint refinery project (Petrocaribe refinery in Cuba)
- \$15 billion: Infrastructure loans
- \$20 billion: Oil-backed financing lines
- \$13 billion: Other development projects

These loans typically carried interest rates of 2–3% and were structured as oil-for-loan arrangements: Venezuela would repay the loans by shipping oil directly to China.

### **Russia's Role**

Russia extended approximately \$10–15 billion in loans to Venezuela:

- Military purchases (\$4–5 billion)
- Oil field development (\$2–3 billion)
- General financial support (\$5–8 billion)

Russian loans were more expensive than Chinese loans (4–6% interest) but came with fewer conditions.

## **2.4 Geopolitical Implications of the Debt Structure**

The debt architecture that emerged had profound geopolitical consequences:

### **2.4.1 Vulnerability to U.S. Pressure**

Venezuela's debt to U.S. and European private creditors (through bond markets) made it vulnerable to:

1. Default risk: If Venezuela could not service Eurobond debt, U.S. courts could seize Venezuelan assets held in the U.S. (such as Citgo)
2. Bond market freeze: U.S. sanctions could make it illegal for American investors to trade Venezuelan bonds, cutting off refinancing access
3. Asset seizure: U.S. could claim Venezuelan assets abroad as compensation for unpaid bonds

## **2.4.2 Dependence on China and Russia**

Conversely, Venezuela's reliance on Chinese and Russian loans meant:

1. Geopolitical alignment: Venezuela had to maintain good relations with Russia and China to keep receiving loans
2. Debt trap: The oil-backed lending meant Venezuela had to keep exporting oil to service debt, even as production collapsed
3. Limited policy autonomy: The need to service debts constrained Venezuela's ability to make independent policy choices

## **2.5 The International Monetary Fund and World Bank**

A crucial aspect of Venezuelan economic architecture was its relationship (or rather, lack thereof) with the IMF and World Bank.

### **2.5.1 Chávez's Rejection of IMF Conditionality**

One of Chávez's first acts was to pay off Venezuela's IMF debt early:

- 2006: Venezuela repaid \$9.1 billion owed to the IMF ahead of schedule
- This was explicitly framed as an act of sovereignty: “We will no longer be dictated to by Washington”

By rejecting IMF oversight, Venezuela escaped the standard conditionality that typically requires:

- Privatization of state-owned enterprises
- Reduction of public spending (austerity)
- Trade liberalization
- Labor market deregulation

This gave Chávez the freedom to pursue his social agenda. However, it also meant Venezuela could not access IMF credit facilities during crises.

### **2.5.2 Isolation from Multilateral Development Banks**

Similarly, Venezuela had limited access to World Bank and Inter-American Development Bank (IADB) credit:

1. The IADB board, dominated by the U.S. and allied countries, blocked Venezuelan loan requests
2. The World Bank refused to participate in Venezuela's infrastructure financing
3. This left Venezuela dependent on bilateral lending (China, Russia) or market borrowing

## 2.6 Currency and Foreign Exchange Dynamics

### 2.6.1 The Bolívar Exchange Rate

Prior to 2010, Venezuela maintained a fixed exchange rate regime:

Table 2.8: Venezuelan Bolívar Exchange Rate (USD/VEB)

Year	Official Rate
2000	605
2005	2,150
2010	2,150

The fixed rate was maintained as long as Venezuela had sufficient foreign exchange reserves. However, as reserves began to decline (post-2014), maintaining the fixed rate became impossible.

### 2.6.2 The Black Market Emerges

With capital controls in place (required to maintain the fixed rate), a parallel exchange market emerged where the bolívar traded at significant discounts:

Table 2.9: Official vs. Black Market Exchange Rate (2015–2016)

Month	Official Rate	Black Market Rate
2015-01	6.3	10.0
2015-06	6.3	15.0
2016-01	10.0	30.0
2016-06	250.0	500.0

This parallel market would later become crucial when U.S. sanctions pushed the official economy into collapse.

## 2.7 Conclusion: The Structural Vulnerability

By 2014, Venezuela faced a structural economic vulnerability:

## 2.7. CONSEQUEN~~CE~~ TO THE SIDE OF TARIKE ON THE BIRCHTTECTURE (2000–2014)

1. Oil-dependent economy with declining production
2. Large foreign debt owed to U.S. and European creditors
3. Fixed exchange rate maintained artificially through capital controls
4. Rejection of IMF oversight (limiting access to crisis credit)
5. Reliance on specific U.S. market infrastructure (Citgo refineries)

When oil prices collapsed, this vulnerability was exposed. The fiscal crisis of 2014–2016 left Venezuela unable to service all its debts and unable to import sufficient food and medicine.

The U.S. would now leverage this vulnerability to impose sanctions that would bring Venezuelan economy to complete collapse.



# **Chapter 3**

## **The Sanctions Regime Begins (2005–2016)**

### **3.1 First Sanctions Under the Bush Administration**

The first U.S. sanctions against Venezuela did not come in 2017 or 2018. They began much earlier, quietly, and incrementally.

#### **3.1.1 Executive Order 13418 (2006)**

President George W. Bush signed Executive Order 13418 on June 26, 2006. It designated Venezuelan government officials as drug traffickers and froze any U.S. assets they might have.

##### **Designated Individuals**

- General Ramón Arismendy Díaz Jefe (head of Venezuelan military security)
- General Hugo Luís Lacort López (military commander)
- General Clíver Alcalá Cordones (military officer)

The drug trafficking accusations were controversial. Venezuelan officials disputed them, pointing out that the individuals designated were military commanders known for their loyalty to Chávez and therefore inconvenient to U.S. interests.

#### **3.1.2 OFAC Designation Process**

The Office of Foreign Assets Control (OFAC), part of the U.S. Treasury Department, maintained a list of “Specially Designated Nationals” (SDNs). Once an individual or entity was designated:

1. All U.S. assets were frozen
2. U.S. persons were prohibited from conducting business with them
3. Foreign banks holding assets could be penalized for non-compliance

4. The designation was often irreversible (appeals were extremely difficult)

### **3.1.3 Limited Impact (2006–2012)**

In this period, sanctions were limited in scope and targeted individuals rather than the state or economy as a whole. The impact was more political/symbolic than economic:

- It signaled U.S. disapproval
- It damaged Venezuela's international reputation
- It didn't prevent Venezuelan government operations

## **3.2 Obama Administration Shift (2015–2016)**

The approach changed under President Barack Obama.

### **3.2.1 Executive Order 13692 (March 2015)**

On March 9, 2015, President Obama signed Executive Order 13692, which expanded sanctions significantly:

#### **New Sanctions Categories**

1. **Financial sanctions:** Prohibited U.S. persons from purchasing new Venezuelan sovereign debt
2. **Gold sector:** Prohibited U.S. purchase of Venezuelan gold
3. **Additional OFAC designations:** Added Venezuelan officials (military, intelligence, judicial)

#### **The Presidential Justification**

In the executive order, President Obama stated:

“The situation in Venezuela, including the arrest, persecution, and detention of political opponents, the curtailment of civil liberties, harassment of the media, and the denial of due process, has given rise to the unusual and extraordinary threat to the national security and foreign policy of the United States.”

This framing—that Venezuelan internal politics was a threat to U.S. national security—was extremely broad. It essentially meant that any action against Venezuela could be justified as a national security measure.

### **3.2.2 Market Impact**

Even though the financial impact was limited, the psychological impact was significant:

- U.S. investment funds were prohibited from buying Venezuelan bonds
- Bond prices fell as investors anticipated further sanctions
- Venezuela's cost of borrowing increased
- Credit rating agencies downgraded Venezuela to “junk” status

## **3.3 The 2016 Economic Crisis**

By 2016, Venezuela faced an unprecedented economic crisis not caused by sanctions, but by low oil prices and economic mismanagement:

### **3.3.1 The Basic Numbers**

Table 3.1: Venezuelan Economic Crisis (2014–2016)

Indicator	2014	2015	2016
GDP Growth	-3.9%	-6.2%	-3.5%
Inflation	62.2%	121.7%	254.9%
Oil Revenue	57.0bn	33.0bn	25.0bn
Unemployment	7.3%	7.9%	7.3%

The economy was contracting, inflation was exploding, and government revenue was collapsing.

### **3.3.2 Food Shortages Begin**

For the first time since Chávez came to power, food became scarce:

- Import capacity fell from \$12 billion/year (2012) to \$4 billion/year (2016)
- Retail food availability fell 40%
- Weight loss became widespread (average 8–10 kg per person by 2016)
- Malnutrition appeared in medical literature

### **3.3.3 Capital Flight and Currency Crisis**

With a fixed exchange rate and capital controls, the bolívar became progressively overvalued:

- Official rate: 2,150 bolívares per dollar (maintained artificially)
- Black market rate: 800–1,000 bolívares per dollar (reality)
- Spread: 6:1 arbitrage opportunity

Wealthy Venezuelans exploited this by:

- Buying dollars at the official rate
- Selling them on the black market at 4–5x the price
- Moving capital abroad

### **3.3.4 Government Response: The Policy Mix**

The government's response to the crisis combined several elements:

#### **Increased State Control**

- Tightened capital controls to prevent dollar flight
- Expropriated private businesses in strategic sectors
- Increased price controls on food and medicine

#### **Borrowing and Rollover**

- Attempted to refinance maturing debt
- Negotiated with creditors for payment deferrals
- Sought new loans from China and Russia

#### **Printing Money**

- Central bank dramatically increased monetary base
- This was economically destructive but politically necessary to maintain government spending
- Contributed to hyperinflation

## **3.4 Opposition Political Offensive**

The economic crisis provided an opportunity for the opposition.

### **3.4.1 2015 National Assembly Elections**

In December 2015, Venezuela held elections for the National Assembly (parliament). For the first time since 2000, the opposition won a majority:

- Opposition coalition (MUD—Democratic Unity Roundtable): 112 of 167 seats
- Chavista coalition: 55 seats
- Vote share: Opposition 56.2%, Chavistas 40.8%

This was a legitimate electoral defeat for Chávez's successor, Nicolás Maduro.

### **3.4.2 Opposition Agenda**

The newly-elected opposition National Assembly had several goals:

1. Remove Maduro through constitutional mechanisms (recall referendum)
2. Implement IMF-style structural adjustment (privatization, austerity)
3. Restore good relations with the U.S.
4. Reverse Bolivarian Revolution social programs

### **3.4.3 U.S. Support for Opposition Mobilization**

The U.S. increased support for opposition political activity:

- USAID funding to opposition parties increased sharply
- NED provided grants to opposition political organizations
- U.S. embassy held regular meetings with opposition leaders
- U.S. provided political/strategic consulting to opposition

## **3.5 The Gold Issue: A Preview of Sanctions to Come**

In late 2015–early 2016, an important conflict emerged around Venezuelan gold reserves.

### **3.5.1 Why Gold Matters**

Venezuela has historically had significant gold reserves:

Gold is valuable for two reasons:

1. **Monetary base:** Gold reserves back the currency and represent a country's ultimate ability to finance imports

Table 3.2: Venezuelan Gold Reserves (Selected Years)

Year	Gold (million oz)
1980	21.5
2000	16.8
2010	12.1
2015	11.7

2. **Hard currency:** Unlike bolívares, gold can be sold for dollars on world markets

With foreign reserves collapsing and no access to new loans, Venezuela needed to monetize its gold reserves.

### 3.5.2 The Proposal: Selling Gold

In 2016, President Maduro proposed to sell Venezuelan gold on the international market to finance imports.

Opposition reaction was sharp:

- Opposition National Assembly claimed the gold sales were “illegal” and “unconstitutional”
- Opposition leaders said the gold was “Venezuela’s patrimony for future generations”
- U.S. media echoed opposition criticism, claiming Venezuela was “looting” national patrimony

However, the reality was:

1. Selling gold is a standard international practice during crises
2. In 2008 financial crisis, the U.S. government considered selling gold reserves
3. Countries regularly monetize gold reserves when facing liquidity crises

### 3.5.3 International Gold Market Pressure

More importantly, when Venezuela tried to sell gold:

- International banks were reluctant to process the transactions
- The Bank of England (where Venezuelan gold was stored) refused to allow shipments
- International brokers (including those in London, New York) were pressured not to trade Venezuelan gold

This was a preview of what would come: the U.S. use of its control over international financial infrastructure to prevent Venezuela from accessing its own assets.

## **3.6 Geopolitical Context: Maduro's Consolidation**

### **3.6.1 The Death of Chávez (2013)**

Hugo Chávez died on March 5, 2013, after a long battle with cancer. He was succeeded by his Vice President, Nicolás Maduro.

Maduro was less charismatic than Chávez and lacked his legendary status. As economic crisis hit, Maduro's popularity declined:

Table 3.3: Presidential Approval Ratings (2013–2016)

<b>Year</b>	<b>Approval (%)</b>
2013	65
2014	35
2015	22
2016	18

### **3.6.2 Constitutional Conflicts**

With an opposition-controlled National Assembly, Venezuela entered a period of constitutional conflict:

1. The opposition attempted to recall Maduro through a recall referendum process
2. The government argued the recall process had been initiated incorrectly
3. The Supreme Court (still controlled by Maduro) blocked the recall
4. The opposition National Assembly passed laws contradicting government directives
5. The government claimed these laws were unconstitutional

These conflicts would later be cited by the U.S. as evidence of democratic backsliding, justifying further sanctions.

## **3.7 International Positioning (2016)**

By the end of 2016, as the Trump presidency approached, Venezuela was positioned as vulnerable to escalated U.S. pressure:

- Economic crisis was deepening

- Opposition had won recent elections but was politically divided
- Government faced legitimacy challenges
- Debt crisis was becoming acute
- U.S. had already established sanctions precedent
- International assets (gold, Citgo) were vulnerable to seizure

The stage was set for the escalation that would come under Trump.

## 3.8 Conclusion

The sanctions regime did not begin in 2017. It began in 2006 under Bush, accelerated under Obama in 2015, and would become total war under Trump starting in 2017.

What distinguished the Trump-era sanctions was not that they were new, but that they were applied with unprecedented scope and coordination to achieve regime change.

## Chapter 4

# Geopolitical Reordering of Latin America (2000–2016)

### 4.1 The Pink Tide: Latin American Shift Left

In the early 2000s, Latin America experienced a historic political shift away from neoliberalism and toward more nationalist, left-wing, and anti-imperialist governments.

#### 4.1.1 The Sequence

Table 4.1: Pink Tide Elections: Nationalist/Left Governments

Country	Leader	Year Elected
Venezuela	Hugo Chávez	1998
Brazil	Luiz Inácio Lula da Silva	2002
Argentina	Néstor Kirchner	2003
Bolivia	Evo Morales	2005
Nicaragua	Daniel Ortega	2006
Ecuador	Rafael Correa	2006
Paraguay	Fernando Lugo	2008
Uruguay	Tabaré Vázquez	2004

These governments shared common characteristics:

1. Opposition to neoliberal structural adjustment
2. Skepticism of IMF/World Bank conditionality
3. More assertive approach to national resource control (especially oil/mining)
4. Closer ties with Cuba and with each other
5. Reduced willingness to follow U.S. leadership in foreign policy

## 4.2 The U.S. Strategic Response

The U.S. did not view the Pink Tide as simply a matter of electoral choice. It viewed it as a strategic reversal.

### 4.2.1 Loss of Hemispheric Hegemony

For most of the 20th century, the U.S. had exercised near-total dominance in Latin America:

- Military bases throughout the region
- Training of Latin American militaries (School of the Americas)
- CIA-backed coups and regime change operations
- Control over major international institutions (OAS, IADB)
- Ability to determine policies through IMF/World Bank conditionality

By 2006–2008, this dominance was eroding:

- Nationalist governments rejected U.S. military bases
- Latin American countries formed alternative regional organizations (ALBA, UNASUR, CELAC)
- U.S. diplomatic influence declined
- Resource-nationalist policies reduced foreign corporate control

### 4.2.2 The Confrontation with Venezuela\*\*

Venezuela under Chávez was the leading voice for this anti-imperialist reorientation:

1. Chávez explicitly framed his policies as anti-American
2. He visited hostile-to-U.S. countries (Iraq, Libya, Iran)
3. He built alliances with Cuba and later with other Pink Tide governments
4. He used oil wealth to finance regional integration projects

## 4.3 Petrocaribe: Venezuela's Regional Strategy

Launched in June 2005, Petrocaribe was Venezuela's key instrument for regional influence.

### 4.3.1 How Petrocaribe Worked

Participating Caribbean nations could purchase Venezuelan oil at preferential prices, with financing terms:

- Oil prices below global market rates (30–40% discount)
- Payment terms up to 25 years
- Low interest rates (2–4%)
- Linked to social development projects

### 4.3.2 Economic Impact

For Caribbean nations, this was transformative:

Table 4.2: Impact of Petrocaribe on Participating Nations

Country	Annual Savings (USD m)
Dominican Republic	200–300
Jamaica	150–200
Haiti	100–150
Cuba	3,000–4,000

For small island economies, energy costs are the single largest expenditure. The Petrocaribe savings translated into:

- More government budget available for social spending
- Reduced inflation (lower energy costs)
- Improved competitiveness
- Fiscal sustainability

### 4.3.3 Political Impact

More importantly, Petrocaribe shifted political alignments:

- 18 Caribbean nations joined the program
- These nations became part of Venezuela's geopolitical network
- They supported Venezuela in OAS and UN votes
- They became resistant to U.S. pressure against Venezuela

## 4.4 ALBA: The Bolivarian Alliance

If Petrocaribe was Venezuela's economic reach, ALBA was its political vision.

### 4.4.1 ALBA's Purpose and Principles

ALBA (Alianza Bolivariana para los Pueblos de Nuestra América—Bolivarian Alliance for the Peoples of Our America) was founded December 14, 2004, by Venezuela and Cuba.

Core members by 2010:

- Venezuela
- Cuba
- Bolivia (joined 2006)
- Nicaragua (joined 2007)
- Dominica (joined 2008)
- Ecuador (joined 2009)

### 4.4.2 ALBA's Principles

1. **Complementarity over competition:** Trade based on each nation's comparative advantage, with mutual support for development
2. **Solidarity:** Wealthier nations (Venezuela) provide subsidized resources to poorer members
3. **Rejection of neoliberalism:** Opposition to free trade ideology and IMF conditionality
4. **Anti-imperialism:** Explicit rejection of U.S. hegemony
5. **Indigenous rights:** Support for indigenous movements
6. **Popular participation:** Emphasis on grassroots involvement in policymaking

### 4.4.3 ALBA as Alternative to U.S.-Dominated Institutions

ALBA was explicitly created as an alternative to:

- **OAS (Organization of American States):** Controlled by the U.S., used as instrument for regime change
- **IADB (Inter-American Development Bank):** Enforced World Bank/IMF orthodoxy

- **FTAA (Free Trade Area of the Americas):** U.S.-proposed free trade agreement that would have locked in corporate power

## 4.5 UNASUR: The Broader Regional Challenge

Beyond ALBA, broader South American regional integration also challenged U.S. dominance.

### 4.5.1 UNASUR (Union of South American Nations)

Founded in 2008, UNASUR included all South American countries except Guyana and Suriname:

- Venezuela, Colombia, Ecuador, Peru, Bolivia
- Brazil, Argentina, Chile, Uruguay, Paraguay

UNASUR's purpose was to create a South American bloc capable of independent action:

1. South American Free Trade Area (alternative to U.S.-dominated trade arrangements)
2. Joint defense mechanism (article 4 provided for mutual defense)
3. Infrastructure development (Iniciativa de Infraestructura Sudamericana—IIRSA)
4. Dispute resolution mechanism (independent of U.S.-controlled tribunals)

### 4.5.2 Geopolitical Significance

UNASUR represented a challenge to U.S. hegemony:

1. It could potentially coordinate South American foreign policy
2. It provided a mechanism for countries to defend each other against U.S. pressure
3. It created financial linkages independent of U.S.-controlled institutions
4. It was explicitly framed as a step toward reducing U.S. influence

## 4.6 The U.S. Counteroffensive

As the Pink Tide expanded and regional integration deepened, the U.S. mobilized its own strategy.

#### **4.6.1 The Pacific Alliance**

In 2011, the U.S. helped create the Pacific Alliance as a counterweight to ALBA and UNASUR:

Members:

- Chile
- Colombia
- Mexico
- Peru

The Pacific Alliance was:

- Explicitly neoliberal (free trade, foreign investment protection)
- Aligned with U.S. interests
- Composed of more right-wing or centrist governments
- Designed to fragment regional unity

#### **4.6.2 Support for Right-Wing Governments**

The U.S. also provided support for right-wing alternatives to Pink Tide governments:

- **Paraguay:** Supported Fernando Lugo's opponents (right-wing Horacio Cartes won 2012 election)
- **Chile:** Supported Sebastián Piñera (2010–2014) against leftist Bachelet
- **Colombia:** Maintained strong alliance with Álvaro Uribe and Juan Manuel Santos administrations
- **Peru:** Supported Ollanta Humala in 2011, but turned against him when he moved left

#### **4.6.3 Coup Support**

In several cases, the U.S. supported or tacitly allowed military coups against Pink Tide governments:

1. **Honduras (2009):** Military coup against Manuel Zelaya (leftist). U.S. did not condemn, tacitly supported replacement.
2. **Paraguay (2012):** Parliamentary coup against Fernando Lugo. U.S. quickly recognized new government.

3. **Brazil (2016):** Contested impeachment of Dilma Rousseff. U.S. quickly recognized interim government.

## **4.7 Venezuela's Regional Role Under Pressure**

As U.S. pressure on Venezuela mounted, Venezuela's ability to maintain regional influence was constrained:

### **4.7.1 Oil Price Collapse Impact**

The 2014–2016 oil price collapse directly reduced Venezuela's regional leverage:

1. Petrocaribe became unsustainable—Venezuela couldn't afford to subsidize oil
2. Regional development projects had to be cancelled
3. Venezuela couldn't provide loans to other countries
4. Caribbean nations became more vulnerable to U.S. pressure

### **4.7.2 Geopolitical Isolation**

By 2016, Venezuela's position was weakening:

1. Right-wing governments came to power in Argentina (Macri, 2015), Brazil (Temer coup, 2016)
2. Pink Tide governments faced domestic opposition (often U.S.-supported)
3. UNASUR became dysfunctional as member governments changed
4. U.S. was rebuilding its regional influence

## **4.8 Conclusion: The Geopolitical Context for Escalation**

By 2016–2017, when Trump came to power:

1. The Pink Tide had partially reversed
2. Right-wing and centrist governments were returning to power
3. U.S. regional dominance was being restored
4. Venezuela's political isolation was increasing

#### CHAPTER 4. CONCLUSION

5. There was minimal regional support for Venezuela to expect during escalated U.S. pressure

Venezuela would face U.S. sanctions not as a strong regional power with numerous allies, but as an increasingly isolated government facing economic crisis.

# Chapter 5

## Full-Scale Financial War (2017–2019)

### 5.1 Trump's Arrival and Venezuela Policy

Donald Trump took office on January 20, 2017. Unlike previous administrations, Trump took a maximalist approach to regime change in Venezuela.

#### 5.1.1 The Strategic Shift

Trump's approach was built on three pillars:

1. **Maximum financial pressure:** Freeze Venezuela out of international financial system
2. **Diplomatic isolation:** Get international recognition for opposition leader
3. **Covert operations:** Support for coup attempts and military strikes

The first pillar—financial pressure—was the most consequential.

### 5.2 Executive Order 13808: The Beginning of Total Financial War

On August 24, 2017, President Trump issued Executive Order 13808.

#### 5.2.1 What EO 13808 Prohibited

1. **New debt issuance:** U.S. persons prohibited from purchasing new Venezuelan government or PDVSA bonds
2. **Dividends/interest:** U.S. persons prohibited from receiving payments on existing Venezuelan bonds
3. **Debt restructuring:** U.S. persons could not participate in debt restructuring or negotiations

## 5.2.2 Immediate Market Impact

Table 5.1: Venezuelan Bond Prices: Before and After EO 13808

Bond	Aug 23, 2017	Aug 30, 2017
2017 Bonds	52 cents	38 cents
2018 Bonds	46 cents	29 cents
2019 Bonds	42 cents	22 cents
2026 Bonds	38 cents	18 cents

In one week, Venezuelan bond prices fell 50–55%. This was catastrophic for any plan to refinance or restructure debt.

## 5.3 Executive Order 13835: PDVSA Sanctions

One week later, on August 31, 2017, Trump signed Executive Order 13835.

### 5.3.1 What EO 13835 Did

1. **Blocked PDVSA assets:** All PDVSA assets in the U.S. were frozen
2. **Prohibited new PDVSA bonds:** U.S. persons could not purchase new PDVSA bonds
3. **Blocked dividends:** PDVSA could not receive dividends from U.S. operations
4. **Blocked Citgo transfers:** PDVSA was prohibited from transferring Citgo assets

### 5.3.2 PDVSA's U.S. Operations

PDVSA had significant operations in the U.S.:

Table 5.2: PDVSA U.S. Operations (2017)

Asset	Value (USD bn)
Citgo Petroleum (3 refineries, 50 retail stations)	7.0–8.0
PDVSA USA (upstream operations)	1.5–2.0
Cash and accounts in U.S. banks	2.0–3.0
Oil inventories in U.S.	1.0–1.5
<b>Total</b>	<b>11.5–14.5</b>

The frozen Citgo assets were particularly important, as the refinery complex was PDVSA's largest hard currency earner.

## 5.4 Executive Order 13838: The Total Freeze

On November 1, 2017, Trump escalated again with Executive Order 13838.

### 5.4.1 Key Changes

1. **Prohibition on importing Venezuelan oil:** U.S. oil refineries prohibited from importing Venezuelan crude
2. **Prohibition on exporting to Venezuela:** U.S. prohibited from exporting gasoline, diesel, and spare parts to Venezuela
3. **Secondary sanctions threat:** Warning that anyone trading with Venezuela might face U.S. sanctions

### 5.4.2 The Gasoline Problem\*\*

This was particularly devastating because Venezuela, despite being the world's largest oil producer, is unable to refine its own oil adequately.

Here's why:

1. Venezuela's oil is extra-heavy crude from the Orinoco Belt (12–14 degrees API gravity)
2. This crude requires special refining capacity
3. Venezuela had designed its refineries for this heavy crude
4. But Venezuela's refineries were aging and deteriorating
5. Venezuela had been importing light crude from Russia and gasoline from Caribbean refineries to supplement

The U.S. ban on gasoline exports to Venezuela meant:

- Venezuela couldn't import gasoline to sustain transportation
- Oil production requires gasoline (for machinery, vehicles, generators)
- Without gasoline, oil production would collapse
- Lack of gasoline would paralyze the entire economy

## 5.5 The Debt Default: October 2017

With new debt issuance banned and oil prices dropping, Venezuela faced an impossible choice.

### 5.5.1 Maturity Cliff

Venezuela had a “maturity cliff”—large bond payments due:

Table 5.3: Venezuelan Debt Maturities (2017–2018)

Period	Amount Due (USD bn)
Q4 2017	3.2
Q1 2018	2.1
Q2 2018	1.8

### 5.5.2 The Default

On October 16, 2017, Venezuela announced a “restructuring” of its bonds. This was effectively a default:

- Bondholders would not be paid on October 23 maturity
- Venezuela proposed paying in new bonds at significant haircut
- This violated bond covenants and triggered default proceedings

### 5.5.3 Legal Consequences

Once Venezuela defaulted:

1. U.S. courts could seize Venezuelan assets (like Citgo)
2. Bondholders could pursue claims against Venezuela
3. Venezuela’s international credit rating sank to lowest level
4. The path was open for legal seizure of Venezuelan property

## 5.6 The Hyperinflation\*\*

As the economy collapsed, inflation exploded.

## 5.7. CAPITAL FLIGHT AND FOREIGN RESERVE DEPLETION IN A NATIONAL WAR (2017–2019)

Table 5.4: Venezuelan Inflation (2016–2019)

Year	Inflation Rate
2016	254.9%
2017	863.0%
2018	1,698,488%
2019	66,993.4%

### **5.6.1 The Numbers**

The 2018 figure is extraordinary: 1.7 million percent. This is, for comparison:

- Higher than Zimbabwe’s peak inflation in 2008 (89.7 sextillion percent)
- Higher than Venezuela’s previous hyperinflation (1989: 81%)
- Higher than any peacetime hyperinflation in modern history

### **5.6.2 What Hyperinflation Means\*\***

Hyperinflation at this level essentially destroys the currency:

Table 5.5: Bolívar Exchange Rate During Hyperinflation

Date	VEF per USD (official)
Jan 2017	10
Jan 2018	2,345
Jan 2019	2,445,000
Jan 2020	2,454,840,000

At these exchange rates:

1. Savings are completely destroyed
2. Businesses cannot make 30-day purchasing plans (costs change daily)
3. Workers cannot save their wages
4. Banks become useless
5. The official currency is abandoned in favor of dollars

## **5.7 Capital Flight and Foreign Reserve Depletion**

As the currency collapsed, elites and middle-class Venezuelans moved their money abroad.

### 5.7.1 The Capital Flight\*\*

Table 5.6: Venezuelan Foreign Reserves (2013–2019)

Year	Reserves (USD bn)
2013	41.5
2014	33.7
2015	21.0
2016	10.8
2017	9.7
2018	8.2
2019	7.1

Foreign reserves fell from \$41.5 billion (2013) to \$7.1 billion (2019)—a decline of 83%.

With these reserve levels:

1. Venezuela could barely pay for essential imports
2. Food and medicine imports had to be cut dramatically
3. No capacity to invest in economic recovery

### 5.7.2 Mechanisms of Flight\*\*

1. Over-invoicing imports: Companies import at inflated prices, move money out
2. Under-invoicing exports: Export companies declare lower prices, keep difference abroad
3. Trade mispricing: Moving money through apparently legitimate international commerce
4. Physical smuggling: Exporting cash and valuables

The government tried to prevent this with exchange controls, but it only created parallel exchange markets and corruption.

## 5.8 Import Collapse and Food Shortages

With collapsed oil revenues, hyperinflation, and frozen assets, Venezuela’s ability to import collapsed.

### 5.8.1 Import Trends\*\*

Imports fell from \$56.3 billion (2012) to \$10.8 billion (2019)—an 81% decline.

## 5.9. MEDICINE AND HEALTHCARE COLLAPSE FINANCIAL WAR (2017–2019)

Table 5.7: Venezuelan Merchandise Imports

Year	Imports (USD bn)
2012	56.3
2014	52.9
2016	19.7
2017	16.8
2018	13.2
2019	10.8

Food imports fell even more sharply:

Table 5.8: Venezuelan Food Imports

Year	Food Imports (USD bn)
2012	12.3
2014	11.8
2016	5.2
2018	2.1
2019	1.8

Food imports fell 85% in just 7 years.

### **5.8.2 Food Availability in Stores\*\***

The impact on Venezuelans was immediate:

- 2015: Occasional shortages in some items
- 2016: Regular shortages of basic foods
- 2017: Most basic foods were scarce (rice, flour, milk, oil)
- 2018: Food rationing in many areas, long lines for scarce items
- 2019: Mass starvation in some regions

### **5.8.3 Nutritional Impact\*\***

By 2019, studies showed that the average Venezuelan had lost 8–12 kilograms from their pre-crisis weight.

## **5.9 Medicine and Healthcare Collapse\*\***

Even more catastrophic than food shortages was the collapse of medicine availability.

Table 5.9: Weight Loss Among Venezuelans

Year	Average Weight Loss (kg)
2015	1–2
2016	2–4
2017	5–7
2018	8–10
2019	10–14

### 5.9.1 Medicine Imports\*\*

Table 5.10: Venezuelan Pharmaceutical Imports

Year	Pharma Imports (USD bn)
2012	2.8
2014	2.6
2016	0.5
2018	0.2
2019	0.1

Pharmaceutical imports fell by 96% between 2012 and 2019.

### 5.9.2 Specific Medicines\*\*

Shortages of essential medicines became critical:

- **Insulin:** Type 1 diabetics faced complete unavailability (essential for survival)
- **Cancer drugs:** Chemotherapy drugs disappeared from hospitals
- **Antibiotics:** Common infections became untreatable
- **Dialysis supplies:** Kidney disease patients had no treatment
- **Blood pressure medication:** Essential medicines disappeared

### 5.9.3 Hospital Conditions\*\*

Without medicine, electricity, and equipment, Venezuelan hospitals became dysfunctional:

- Operating rooms closed (no electricity, no supplies)
- Neonatal units shut down (no incubators, no supplies)
- Surgical procedures became impossible
- Hospital-borne infections skyrocketed

- Patients died from treatable conditions

## 5.10 Oil Production Collapse

As the sanctions bite deepened, Venezuela's oil sector—the foundation of the economy—collapsed.

### 5.10.1 Production Trajectory

Table 5.11: Venezuelan Oil Production (2016–2020)

Year	Production (mbpd)
2016	2.2
2017	2.0
2018	1.5
2019	0.8
2020	0.4

### 5.10.2 Why Production Collapsed

1. **Lack of spare parts:** U.S. sanctions prevented purchase of pumps, turbines, other equipment
2. **Lack of gasoline:** U.S. ban on gasoline exports made it impossible to fuel oil industry operations
3. **Lack of financing:** Inability to service debt meant inability to invest in production
4. **Brain drain:** Engineers and technicians emigrated, taking expertise
5. **Equipment deterioration:** Aging refineries and pipelines deteriorated without maintenance

### 5.10.3 The Vicious Cycle

1. Oil production falls
2. Oil export revenue falls
3. Government cannot finance imports
4. Lack of gasoline further reduces oil production
5. Lower production means lower revenue
6. Cannot pay workers or maintain equipment

7. Production falls further

## **5.11 Conclusion: The Collapse Accelerates\*\***

By the end of 2019, Venezuela's economy had been devastated:

- Oil production: 87% decline since 2008
- Food imports: 85% decline since 2012
- Medicine imports: 96% decline since 2012
- Foreign reserves: 83% decline since 2013
- Inflation: 1.7 million percent annually
- Average weight loss: 8–12 kg per person

This was not the result of economic mismanagement or incompetence (though there was some). It was the result of a coordinated, multi-front attack on Venezuela's economy through sanctions, freezing of assets, and covert operations.

The Venezuelan economy had not collapsed. It had been weaponized to collapse.

# Chapter 6

## The Currency Strangulation

### 6.1 The Bolívar Before Crisis

To understand how Venezuela's currency was destroyed, we must first understand how it was managed before the crisis.

#### 6.1.1 The Fixed Exchange Rate Regime

From 2003 to 2010, Venezuela maintained a fixed exchange rate:

Table 6.1: Venezuelan Fixed Exchange Rate Regime (2003–2010)

Year	Official Rate (VEF/USD)
2003	1,600
2004	1,920
2005	2,150
2006	2,150
2007	2,150
2008	2,150
2009	2,150
2010	2,150

This fixed rate was sustainable because Venezuela had large oil export revenues and government foreign exchange reserves were strong.

#### 6.1.2 Floating Rate Period (2010–2013)

In 2010, the government transitioned to a floating rate system, but with capital controls:

- Market forces could move the exchange rate
- But the government controlled who could access dollars and at what rate
- Multiple exchange rates existed: official, SITME (parallel market for some transactions), black market

## 6.2 DolarToday and the Parallel Market\*\*

As economic crisis hit, a crucial institutional actor emerged: DolarToday.

### 6.2.1 What is DolarToday?\*\*

DolarToday is a website that publishes the black market (informal) exchange rate for Venezuelan bolívares.

#### Origin

The website was created in the late 1990s to provide information during Venezuela's previous currency crisis (1999–2003). It became the de facto reference for real exchange rates.

#### U.S. Funding

DolarToday was funded by U.S.-based interests:

- The site owner operates from Florida, a center for Venezuelan exiles
- The site is hosted on U.S. servers
- It is explicitly hostile to the Maduro government
- It publishes information designed to undermine confidence in the bolívar

### 6.2.2 How DolarToday Worked\*\*

1. The site collected exchange rate data from informal currency traders
2. It published the highest bid price for dollars
3. Crucially, it published data in real time, updated hourly or several times per day
4. Venezuelans could therefore see the bolívar collapsing in real time

### 6.2.3 Economic Impact\*\*

The real-time information had profound psychological and economic effects:

#### Currency Confidence Collapse

1. Seeing the exchange rate fall hourly created panic
2. People rushed to convert bolívares to dollars
3. This created the currency collapse that DolarToday was reporting

## 6.3. CAPITAL CONTROLS AND THE BLACK MARKET: CURRENCY STRANGULATION

### **Wage Erosion\*\***

Workers understood in real time that their wages were losing value:

- Morning wage: Might buy 10 dollars worth of goods
- Evening wage: Might buy 5 dollars worth of goods
- Workers felt cheated by employers and government
- Labor strikes and unrest increased

### **Business Impossibility**

For businesses, the collapsing currency made operations impossible:

1. Import costs in dollars rose hourly
2. Manufacturers couldn't plan beyond a day
3. Profit margins were wiped out by currency losses
4. Businesses shut down or moved operations abroad

## **6.3 Capital Controls and the Black Market**

To prevent capital flight, the Venezuelan government imposed strict capital controls:

### **6.3.1 The System\*\***

1. Citizens could not legally buy foreign currency
2. Businesses had to apply for dollar allocations from the government
3. Without government approval, obtaining dollars was illegal
4. The penalty for illegal currency trading was jail time

### **6.3.2 But a Parallel Market Emerged**

Despite (or because of) capital controls, an extensive black market developed:

The spread between official and black market rates created massive arbitrage opportunities:

1. Well-connected businesses could buy dollars at the official rate (or near it)
2. They could sell them on the black market for 5–10x the price
3. Fortunes were made through this arbitrage

Table 6.2: Official vs. Black Market Exchange Rates (2014–2016)

Date	Official Rate	Black Market Rate
Jan 2014	6.30	10
Jun 2014	6.30	20
Jan 2015	6.30	30
Jun 2015	10.00	50
Jan 2016	10.00	200
Jun 2016	250.00	900
Jan 2017	10.00	3,500

4. The general public, having no access to official dollars, had to buy at black market rates

## 6.4 Venezuela’s Central Bank Gold and the London Blockade\*\*

As Venezuela’s crisis deepened, the government looked to its gold reserves as a lifeline.

### 6.4.1 Venezuelan Gold Reserves\*\*

Venezuela had stored a portion of its gold reserves in the Bank of England:

- Total gold: 11–12 million ounces (300+ million USD value)
- Amount stored in London: 550,000 ounces (15+ billion USD)
- Purpose: Serve as currency reserve and emergency financing source

### 6.4.2 The Attempt to Withdraw Gold (2018–2019)\*\*

In late 2018, President Maduro announced plans to withdraw Venezuela’s gold from London:

1. The gold would be sold on international markets for cash
2. The proceeds would finance essential imports (food, medicine, spare parts)
3. This was economically rational: gold sitting in a vault earns nothing

### 6.4.3 The Blockade\*\*

But when Venezuela tried to remove the gold:

1. The Bank of England refused to allow shipment

## 6.5. THE NEW CURRENCY REGIME (2018) \*THE CURRENCY STRANGULATION

2. They claimed legal concerns (related to U.S. sanctions)
3. International shipping companies refused to transport it
4. International brokers refused to buy Venezuelan gold
5. Effectively, Venezuela's gold was imprisoned in London

### **6.4.4 The ICJ Case\*\***

Venezuela filed a case at the International Court of Justice (ICJ) arguing:

1. The gold was Venezuela's property
2. Britain was violating international law by preventing access
3. The action was equivalent to theft

As of 2024, the case was still pending. The gold remained blocked in London.

## **6.5 The New Currency Regime (2018)\*\***

As the bolívar became virtually worthless, the government attempted several responses.

### **6.5.1 The New Bolívar (August 2018)\*\***

In August 2018, the government redenominated the currency:

1. Removed three zeros from the exchange rate
2. Announced a new "petro-based" currency
3. Increased minimum wage 30

This was a Hail Mary pass: attempt to reset confidence in the currency through redenomination.

It didn't work. Redenomination only resets the numbers; it doesn't change the underlying economic fundamentals.

### **6.5.2 Dollarization from Below\*\***

Rather than accept the government's new bolívar, Venezuelans increasingly used dollars:

By 2020–2021, Venezuela was effectively dollarized: the official currency was abandoned by the general population in favor of U.S. dollars (physical cash).

Table 6.3: Dollarization of Venezuelan Economy

Year	% of Transactions in USD
2016	10%
2017	25%
2018	50%
2019	75%
2020	85%
2021	90%

### 6.5.3 Consequences of Dollarization\*\*

1. **Loss of monetary sovereignty:** The government could no longer control the money supply
2. **Loss of seigniorage:** No profit from currency issuance
3. **Central bank powerlessness:** Monetary policy became impossible
4. **Poverty increase:** Most Venezuelans didn't have access to dollars, so could only trade in the black market at much lower values
5. **Inequality increase:** Those with dollar access could survive; those without faced extreme poverty

## 6.6 The Petro: A Failed Experiment\*\*

In an attempt to bypass U.S. dollar hegemony, the Venezuelan government created a cryptocurrency called the Petro.

### 6.6.1 What Was the Petro?\*\*

Announced in 2017 and launched in 2018, the Petro was supposed to be:

1. A cryptocurrency backed by Venezuelan oil reserves
2. An alternative to the collapsed bolívar
3. A way to bypass U.S. sanctions and SWIFT banking system
4. Traded on international exchanges

### 6.6.2 Why It Failed\*\*

1. **No credibility:** The government's economic credibility was destroyed; no one trusted it

2. **Technical problems:** The cryptocurrency platform had limited functionality
3. **International isolation:** Few exchanges would trade it (due to sanctions pressure)
4. **No use case:** There was no reason to use Petro instead of dollars
5. **Minimal adoption:** Even in Venezuela, few transactions were in Petro

The Petro became a symbol of government desperation rather than a solution to the currency crisis.

## 6.7 The Strangulation Effect\*\*

The destruction of Venezuela's currency was not incidental to the sanctions regime. It was central to it.

By destroying the bolívar's value:

1. Venezuelans couldn't afford to buy imported goods even if available (everything costs more in a collapsed currency)
2. Workers couldn't save money or plan for the future
3. Businesses couldn't function (costs changed daily)
4. The government's authority was undermined (it couldn't even maintain a functioning currency)
5. Social cohesion broke down (everyone focused on immediate survival)

The currency destruction was thus a key component of the strategy to reduce Venezuelan society to chaos—creating conditions where the population might welcome regime change.

CHAPTER 6. THE CURRENCY STRANGULATION EFFECT\*\*

# Chapter 7

## Energy Infrastructure Targeting and Oil Collapse

### 7.1 The Strategic Importance of Oil Production\*\*

Oil production was central to everything:

1. Oil export revenue: Only foreign exchange source
2. Government revenue: 95% of state income from oil
3. Electricity generation: 73% of electricity from hydroelectric, but oil-fired backup critical
4. Employment: 300,000+ direct jobs in oil sector
5. Industrial input: Feedstock for petrochemicals and refineries

The collapse of oil production was therefore equivalent to the collapse of the entire economy.

### 7.2 The Oil Refining System\*\*

Venezuela's oil sector had a unique structure that made it vulnerable to sanctions.

#### 7.2.1 Venezuela's Oil Qualities\*\*

Venezuelan oil is almost all extra-heavy crude from the Orinoco Belt:

- 12–14 degrees API gravity (normal crude is 30–35 degrees)
- Very thick (bitumen-like)
- Requires dilution or specialized refining to be processed
- Lower value than light crude (commands 15–20% discount)

## 7.2.2 Refining Capacity\*\*

Because of this unique oil, Venezuela had developed specialized refining:

1. **Domestic refineries:** Built to process heavy crude
2. **Citgo (U.S.):** Three refineries specially equipped for Venezuelan heavy crude
3. **Caribbean operations:** PDVSA had stakes in Caribbean refineries
4. **Downstream integration:** The system was optimized for Venezuelan crude

Other refineries in the world couldn't easily process Venezuelan crude, and Venezuelan crude couldn't easily be refined elsewhere.

## 7.3 U.S. Sanctions on Oil Sector\*\*

### 7.3.1 The Prohibition on Oil Imports\*\*

In November 2017 (EO 13838), the Trump administration prohibited:

1. U.S. imports of Venezuelan crude oil
2. U.S. exports of gasoline and diesel to Venezuela
3. U.S. exports of oil industry equipment and spare parts

This had multiple effects:

- Cut off Citgo's feedstock of Venezuelan crude (though Citgo itself wasn't immediately seized)
- Prevented Venezuela from importing gasoline needed to fuel oil industry
- Prevented Venezuela from obtaining repair equipment

### 7.3.2 Secondary Sanctions on Buyers\*\*

More importantly, the U.S. threatened secondary sanctions on anyone buying Venezuelan oil:

1. **India:** Oil imports fell from 700,000 bpd (2017) to 200,000 bpd (2019)
2. **China:** Oil imports fell from 600,000 bpd (2017) to 400,000 bpd (2019)
3. **Russia:** Oil imports fell from 100,000 bpd to near zero
4. **Caribbean refineries:** Many stopped taking Venezuelan crude

The threat was: buy Venezuelan oil and face U.S. sanctions (inability to use dollars, frozen U.S. assets, etc.).

Most countries and companies couldn't risk this. Venezuela's oil was increasingly unsellable.

## 7.4 Gasoline Crisis and Oil Production Collapse\*\*

Here's where the logic of the sanctions created a vicious cycle:

### 7.4.1 Step 1: Gasoline Shortage\*\*

Venezuela imports significant amounts of gasoline for:

1. Transportation (buses, trucks, private vehicles)
2. Electricity generation
3. Oil industry operations

With U.S. ban on gasoline exports and collapsed foreign exchange, Venezuela couldn't import gasoline.

### 7.4.2 Step 2: Oil Industry Collapse\*\*

The oil industry requires gasoline for:

1. **Extraction:** Pumps and machinery are diesel/gasoline powered
2. **Refineries:** Crude oil processing requires fuel
3. **Transport:** Moving oil requires trucks and ships with fuel
4. **Personnel:** Workers need gasoline to get to work

With gasoline shortages, oil operations ground to a halt.

### 7.4.3 Step 3: Revenue Collapse\*\*

With no oil production:

1. No export revenue
2. No government income
3. No ability to import gasoline or anything else
4. No ability to pay workers

5. Complete economic collapse

## 7.5 Production Decline in Detail\*\*

### 7.5.1 Timeline of Collapse

Table 7.1: Venezuelan Oil Production and PDVSA Operations (2016–2020)

Year	Production (mbpd)	Exports (mbpd)	Refinery Output (mbpd)
2016	2.2	1.8	1.3
2017	2.0	1.7	1.2
2018	1.5	1.1	0.9
2019	0.8	0.5	0.4
2020	0.4	0.2	0.2

Production fell from 2.2 mbpd to 0.4 mbpd in four years—an 82% collapse.

### 7.5.2 What Caused the Collapse: Structural Factors\*\*

1. **Lack of spare parts:** U.S. sanctions prevented imports of pumps, turbines, valves, etc.
2. **Lack of gasoline:** Created operational bottleneck
3. **Lack of diluents:** Heavy crude requires mixing with light oil; Venezuelan production of light diluent fell, and imports weren't available
4. **Lack of capital:** No financing for maintenance and exploration
5. **Brain drain:** Engineers emigrated (1.5 million Venezuelans left the country, including many technical specialists)
6. **Equipment deterioration:** Aging equipment failed without maintenance
7. **Security:** Orinoco region became unsafe (criminal organizations, paramilitary groups)

### 7.5.3 Political Factors\*\*

Beyond the economic factors, political decisions contributed:

1. **Management incompetence:** PDVSA leadership lacked technical expertise
2. **Corruption:** Oil revenues were siphoned by officials and military officers

3. **Underinvestment:** Government extracted 80% of PDVSA's revenue, leaving insufficient capital for operations
4. **Politicization:** Appointments were based on loyalty rather than expertise

The oil collapse had human consequences:

#### **7.5.4 Unemployment in Oil Sector**

Table 7.2: PDVSA Employment (2010–2020)

Year	Employees
2010	152,000
2015	128,000
2018	65,000
2020	35,000

Oil sector employment fell from 152,000 to 35,000—a decline of 77%.

#### **7.5.5 Supply Chain Collapse\*\***

Beyond direct PDVSA employees, the oil sector supported contractors, suppliers, transporters, refiners:

1. Directly: 150,000 jobs lost
2. Indirectly: 300,000 jobs lost in supply chains
3. Tertiary: 500,000+ jobs lost in communities dependent on oil sector

### **7.6 Citgo: The Prize Asset\*\***

Throughout the crisis, Citgo—PDVSA's U.S. refinery subsidiary—became a focus of political conflict.

#### **7.6.1 Citgo Operations\*\***

Table 7.3: Citgo Petroleum Assets

Facility	Location	Capacity (bpd)
Corpus Christi refinery	Texas	146,500
Lake Charles refinery	Louisiana	209,800
Lemont refinery	Illinois	167,200
Retail outlets	U.S.	50 locations

## CHAPTER 7. ENERGY INFRASTRUCTURE MARCH 2019 AND ITS CONSEQUENCES\*

Citgo was PDVSA's most valuable U.S. asset: approximately \$7–8 billion in value.

2019: Guaidó's Recognition and Citgo Seizure\*\*

In 2019, the U.S. recognized opposition leader Juan Guaidó as Venezuela's "legitimate president."

Guaidó used this recognition to:

1. Appoint a new PDVSA board
2. Attempt to take control of Citgo
3. Direct Citgo's board to block dividend payments to Maduro government

By April 2020, Citgo was under the control of Guaidó's appointed board, effectively seized from Maduro's government.

### **7.6.2 What This Meant\*\***

1. **For Venezuela:** Loss of \$7–8 billion asset and its revenue
2. **For U.S. policy:** Ability to control Venezuelan oil infrastructure
3. **For Guaidó:** Legitimacy through control of actual assets
4. **For workers:** Citgo continued operating, but payments went to U.S. court-appointed receivers

## **7.7 Environmental Consequences\*\***

The oil sector collapse had severe environmental costs:

### **7.7.1 Pipeline Spills\*\***

With maintenance abandoned:

- Oil pipelines began to fail
- Spills contaminated water supplies
- No capacity to clean up or prevent spills
- Environmental damage in Orinoco region accelerated

### **7.7.2 Illegal Mining\*\***

With the state unable to control territory:

1. Criminal organizations moved into oil-producing regions
2. Illegal gold and diamond mining accelerated
3. This required clearing forest and destroying ecosystems
4. Water supplies were contaminated with mercury and cyanide

## **7.8 Conclusion\*\***

The targeting of Venezuela's energy infrastructure and the sanctions on oil production represented one of the most effective components of the overall campaign.

By cutting off access to spare parts, gasoline, export markets, and financing, the U.S. essentially made it technically impossible for Venezuela to produce oil.

Oil production collapsed 82% in four years—not primarily because Venezuelans didn't have the will or knowledge to produce it, but because the physical means were cut off by sanctions.

CHAPTER 7. ENERGY INFRASTRUCTURE TARGETING AND CONCLUSION\*

# Chapter 8

## Diplomatic Siege and the Guaidó Recognition (2019)

### 8.1 The Opposition Political Landscape (2015–2019)\*\*

To understand the Guaidó phenomenon, we must first understand the Venezuelan opposition.

#### 8.1.1 Who Was the Opposition?\*\*

The Venezuelan opposition was not monolithic. It comprised:

1. **Business elite:** Families that had dominated Venezuelan politics pre-Chávez, lost wealth under redistribution policies
2. **Middle class professionals:** Teachers, doctors, engineers displaced by economic crisis
3. **Liberal parties:** Centrist parties like Acción Democrática (AD) and COPEI
4. **Right-wing parties:** UNT (Un Nuevo Tiempo), explicitly pro-U.S.
5. **Ultra-right organizations:** Explicitly calling for foreign military intervention

The MUD (Democratic Unity Roundtable)\*\*

These groups were loosely organized in the MUD (Mesa de la Unidad Democrática—Democratic Unity Roundtable), formed in 2003.

The MUD won:

- 2015 National Assembly elections (56.2% of vote)
- 2016 regional elections (won several states)

But the MUD faced internal divisions about strategy:

1. **Negotiation wing:** Wanted to negotiate with Maduro government
2. **Confrontation wing:** Wanted to confront government and force it out

3. **Abstention wing:** Wanted to boycott elections (due to lack of trust in electoral system)

Juan Guaidó: The New Face\*\*

### **8.1.2 Who Was Guaidó?\*\***

Juan Gerardo Guaidó Márquez was:

- Born 1983 (relatively young for a major political leader)
- From a middle-class Miranda State family
- Education: Universidad Católica Andrés Bello (private, elite university)
- Elected to National Assembly in 2015 (representing his district)
- Member of Voluntad Popular (Popular Will) party, led by Leopoldo López
- Previously unknown outside Venezuela before 2019

### **8.1.3 Rapid Rise to Prominence\*\***

In January 2019, Guaidó was elected president of the National Assembly—a ceremonial position in normal circumstances.

But Voluntad Popular and the right-wing opposition saw an opportunity:

1. The constitution technically allowed the National Assembly president to assume the presidency if the sitting president was illegitimately elected
2. They claimed Maduro's 2018 reelection was illegitimate (unfair conditions, low turnout, boycott)
3. Ergo, Guaidó—as National Assembly president—could claim to be the legitimate president

### **8.1.4 The Plan: A Soft Coup\*\***

The opposition strategy was what might be called a “soft coup”:

1. Get Guaidó recognized internationally as president
2. Use this recognition to claim control of state assets (especially Citgo)
3. Force senior military officers to defect (claiming they would now recognize Guaidó)
4. Create dual state apparatus (Guaidó government vs. Maduro government)
5. Eventually, Maduro would allegedly be forced out

U.S. Support for Guaidó\*\*

### **8.1.5 The Recognition Campaign\*\***

Beginning in January 2019, the Trump administration launched a coordinated international campaign to recognize Guaidó as Venezuela's legitimate president.

The timeline:

Table 8.1: International Recognition of Guaidó as "Interim President"

Date	Country/Organization
Jan 23, 2019	United States
Jan 24, 2019	Argentina, Brazil, Chile, Colombia
Jan 25, 2019	Canada, Ecuador, Guatemala, Panama, Paraguay, Peru
Jan 27, 2019	EU (most members), UK
Early Feb	Australia, Japan, South Korea, Israel
Feb	50+ countries total

The speed was remarkable: within two weeks, over 50 countries had recognized Guaidó.

### **8.1.6 The U.S. Role\*\***

The U.S. was clearly coordinating:

1. Secretary of State Mike Pompeo made direct calls to leaders
2. U.S. embassy in each country lobbied governments
3. Countries that recognized Guaidó faced no pressure; countries that didn't faced veiled threats
4. The U.S. threatened to cut aid to countries that didn't recognize Guaidó

### **8.1.7 What Recognition Meant Legally\*\***

This is a critical point: international recognition of a government is a claim about sovereignty, not a fact.

In international law:

1. Multiple countries can recognize competing governments
2. A government with recognition still must control territory to be legitimate
3. Recognition is declaratory, not constitutive

Recognizing Guaidó did not make him the president. But it did:

## CHAPTER 8. DIPLOMATIC SIEGE AND THE GUAIDÓ RECOGNITION CAMPAIGN\*\*

1. Provide him with diplomatic immunity
2. Allow him to use Venezuela's embassy seats at the UN
3. Allow him to claim control of Venezuela's assets abroad
4. Provide him with legitimacy for fundraising and support

Asset Seizure Through “Interim President”\*\*

### **8.1.8 The Citgo Strategy\*\***

Once recognized, Guaidó used his claim to legitimacy to seize control of assets:

1. Appointed a new PDVSA board
2. The new board appointed Guaidó-friendly Citgo directors
3. U.S. courts recognized these appointments
4. Citgo's assets were effectively transferred from Maduro government to Guaidó government

### **8.1.9 The Central Bank\*\***

Similarly, Guaidó attempted to seize control of the Central Bank of Venezuela:

1. Appointed a new Central Bank governor
2. Attempted to access the Central Bank's foreign assets
3. U.S. and UK blocked actual seizure, but used it as a claim of legitimacy

## **8.2 The OAS Campaign\*\***

The Organization of American States played a crucial role in Guaidó's political strategy.

### **8.2.1 The OAS's Role\*\***

The OAS is an inter-American organization with 35 member states. The U.S. is the largest donor and has significant influence.

### **8.2.2 Blocking Venezuela (2019–2023)\*\***

Under U.S. pressure, the OAS:

1. Allowed Guaidó to occupy Venezuela's seat

2. Expelled Maduro's government's representative
3. Held votes on Venezuela condemning the Maduro government
4. Refused Venezuela entry to OAS sessions

This was unprecedented: a country's government was expelled from the regional organization without any military intervention.

### **8.2.3 International Law Violation\*\***

The U.S. and OAS's recognition of Guaidó as president, while Maduro controlled the territory, armed forces, and state apparatus, violated international law:

1. The UN Credentials Committee did not recognize Guaidó
2. The ICJ ruled that only the government controlling territory was legitimate
3. Multiple other countries (Russia, China, Mexico, Turkey, Iran, among others) recognized only Maduro

But the U.S. and its allies used their institutional power (OAS, IMF, World Bank) to implement recognition regardless of international law.

## **8.3 Guaidó's Failed Coup Attempts\*\***

### **8.3.1 April 30, 2019: “Operation Liberty”\*\***

On April 30, 2019, Guaidó announced that the military had defected and called for military action to remove Maduro.

Guaidó appeared on video with a small group of soldiers and opposition supporters, calling for rebellion.

But:

1. No major military units defected
2. The uprising was quickly suppressed
3. Guaidó was arrested and released (the military did not want to martyr him)
4. Opposition supporters were fired upon by military
5. At least 35 people died in subsequent unrest

### 8.3.2 Why the Coup Failed\*\*

1. **Military loyalty:** The top brass remained loyal to Maduro
2. **Institutional power:** Maduro controlled the military command structure
3. **Cuban presence:** Cuban military advisors provided technical support to Venezuelan military
4. **Ideological commitment:** Many lower-ranking soldiers were Chavistas
5. **Anti-imperialism:** The military feared a U.S. invasion and therefore saw staying loyal to Maduro as maintaining sovereignty

## 8.4 The Silvercorp Raid (May 2020)\*\*

In May 2020, an armed incursion into Venezuela was foiled—revealing U.S. involvement more directly.

### 8.4.1 What Happened\*\*

1. A private military company (Silvercorp USA) hired mercenaries
2. These mercenaries, along with opposition figures, attempted to invade Venezuela via sea
3. The plan was to capture officials and establish a beachhead for U.S. intervention
4. The operation was discovered and repulsed
5. 2 ex-U.S. Green Berets (Gustavo Cárdenas and Airan Berry) and a Venezuelan opposition figure (Luke Denman) were captured

### 8.4.2 Silvercorp's Role\*\*

Silvercorp USA was run by Jordan Goudreau, a former U.S. Special Forces member.

The operation involved:

1. Recruiting ex-U.S. military personnel
2. Planning to invade Venezuela
3. Extracting opposition leaders to the U.S.
4. Establishing conditions for a larger U.S.-backed coup

### **8.4.3 U.S. Involvement\*\***

While the Trump administration denied direct involvement:

1. Goudreau claimed he had promised Guaidó support and that the operation was planned with Guaidó
2. Guaidó's associates denied involvement, but investigations found connections
3. The operation occurred during U.S.-Venezuela tensions and seemed consistent with broader policy
4. The two captured Americans were eventually released, suggesting high-level U.S. involvement in their capture

## **8.5 The Limits of Recognition\*\***

### **8.5.1 Why Guaidó Failed\*\***

Despite over 50 countries' recognition, Guaidó was unable to:

1. Remove Maduro from power
2. Rally the military to defect
3. Control any Venezuelan territory
4. Function as an actual government

The reason: recognition without control of territory is meaningless in international relations.

Maduro controlled:

1. The armed forces
2. The state apparatus
3. Territory
4. The ability to tax and govern

Guaidó controlled:

1. Diplomatic recognition from 50+ countries
2. U.S. political support
3. Some opposition seats in the National Assembly
4. Nothing else

### 8.5.2 Strategic Failure\*\*

The Guaidó strategy was strategically flawed because:

1. It assumed military defection would occur if Maduro lost legitimacy
2. But the military was committed to institutional survival—removing Maduro through what looked like a U.S.-backed coup would destroy the military institutionally
3. It assumed that economic crisis would force a change
4. But populations often rally around their government during foreign pressure
5. It assumed Guaidó could be a “figurehead” while real control returned to the elite
6. But Guaidó had no base of support beyond the elite and opposition

## 8.6 Long-Term Consequences\*\*

### 8.6.1 Delegitimization of Opposition\*\*

The Guaidó strategy had unintended consequences:

1. The opposition became associated with foreign intervention
2. Guaidó was seen as a U.S. puppet
3. The opposition lost what remained of popular support
4. The strategy discredited democratic opposition movements

### 8.6.2 Maduro’s Strengthening\*\*

Paradoxically, the failed coup attempts strengthened Maduro:

1. He could claim to be defending sovereignty against foreign intervention
2. The military rallied around him to prevent national humiliation
3. Even Chavista skeptics preferred Maduro to what appeared to be U.S. puppet
4. The military remained completely loyal

## 8.7 Conclusion

The diplomatic siege and Guaidó recognition campaign represented a bold U.S. strategy to use international institutional power to install a U.S.-backed government without military

## 8.7 COUNTER DIPLOMATIC SIEGE AND THE GUAIDÓ RECOGNITION (2019)

invasion.

It failed. Guaidó never became president, never rallied the military, never removed Maduro.

By 2023, Guaidó was a marginal figure, having fled to the U.S. The opposition was fractured, with some members beginning to negotiate with Maduro's government.

The lesson: In the end, actual state power (military, territory, control of resources) trumps recognition. A government recognized by the U.S. cannot govern a country if it cannot control its own armed forces.

CHAPTER 8. DIPLOMATIC SIEGE AND THE GUAIDÓ RECOGNITION POSITION

# Chapter 9

## The Failed Coup and Military Pressure (2019)

### 9.1 The April 30, 2019 Uprising

#### 9.1.1 The Plan

On April 30, 2019, Guaidó announced that a military uprising was underway:

1. Several military units had allegedly defected
2. Guaidó appeared at a military base with defecting soldiers
3. Opposition supporters were called to the streets
4. Guaidó declared that Maduro's government had fallen

Guaidó's announcement included the promise: "The end of the usurpation has begun."

#### 9.1.2 The Reality\*\*

But within hours, it became clear that:

1. The defecting unit was isolated and surrounded
2. No other military units had defected
3. The military leadership remained loyal to Maduro
4. Opposition supporters in the streets faced armed military

By evening, the uprising had been suppressed.

## 9.2 The Military Dimension\*\*

### 9.2.1 Why the Military Remained Loyal

Despite economic crisis, despite discontent, despite U.S. support for Guaidó, the Venezuelan military remained largely loyal to Maduro.

Why?

1. **Institutional interests:** The military officer corps understood that defecting would mean the institution would be purged and reorganized by the U.S.-backed opposition
2. **Anti-imperialism:** Even officers skeptical of Maduro understood that defection would mean submission to U.S. control
3. **Fear of punishment:** Officers knew that defecting would not guarantee personal safety; the U.S. or Guaidó might prosecute them anyway
4. **Class interests:** Military officers are generally drawn from middle and upper-middle classes; they feared losing status under opposition rule
5. **Cuban support:** Cuban advisors and support for Venezuelan military created an external prop for loyalty

### 9.2.2 The High Command\*\*

The crucial factor was the unity of the high command:

Table 9.1: Venezuelan Military High Command (2019)

Position	Loyalty
Minister of Defense	Loyal
General Staff Chief	Loyal
Regional Commanders	Mostly Loyal
Gen. Vladimir Padrino López	Loyal (Defense Minister)
Gen. Manuel Cristopher Figuera	Defected briefly, then re-defected

The fact that no regional military commanders defected meant that Guaidó had no territorial base.

## 9.3 The Response to Opposition Mobilization\*\*

As opposition supporters took to the streets after April 30, the military and National Guard responded with force.

### 9.3.1 Casualties\*\*

Table 9.2: Deaths in Opposition Protests (April 2019)

Month	Deaths
April 2019	35
May 2019	12
June 2019	8

Over 55 deaths occurred in opposition protests in the months following April 30.

### 9.3.2 International Reaction\*\*

The U.S. and its allies condemned the military response:

1. Secretary of State Pompeo tweeted demands for the military to stand down
2. The OAS called for “immediate action” against Venezuela
3. The Trump administration threatened military intervention

But there was no military intervention.

The reason: the Venezuelan military remained intact and cohesive. Without military collapse, U.S. intervention would have meant a full-scale invasion—something the Trump administration was not prepared to undertake.

## 9.4 Threats of Military Intervention\*\*

### 9.4.1 The Trump Administration’s Rhetoric\*\*

The Trump administration engaged in serious saber-rattling:

#### Statements by Trump

“We have military options for Venezuela. It’s not something I want to do. But we have military options for Venezuela.” (April 2019)

#### Statements by Pompeo

“The Venezuelan military should know that the United States is watching...the world is watching...” (May 2019)

### **Statements by National Security Advisor John Bolton**

“We’re looking at this very carefully. This all could end very quickly.” (May 2019)

#### **9.4.2 Preparations for Potential Intervention\*\***

While not invading, the U.S. did prepare for potential military action:

1. Increased naval presence: USS Kearsarge with F-35B fighter-bombers deployed off the coast
2. Increased overflights: P-8 Poseidon surveillance planes conducted daily flights
3. Coordination with Colombia: Joint military exercises simulating intervention scenarios
4. Base preparations: U.S. Southern Command positioned forces in Puerto Rico and Colombia

#### **9.4.3 Why No Invasion?**

Despite the rhetoric and preparations, the Trump administration did not invade Venezuela.

Why?

1. **Military resistance:** The Venezuelan military remained cohesive and would have fought
2. **International opposition:** Mexico, Brazil, Russia, China, and many others made clear opposition to invasion
3. **Costs:** An Iraq-style invasion and occupation would be extremely costly
4. **Precedent:** Recent U.S. interventions (Iraq, Afghanistan) had proven unpopular at home
5. **Allies:** Even close allies like Canada and European countries were reluctant to support invasion
6. **Oil supply:** Invading Venezuela risked destabilizing oil supplies, driving up global prices

Covert Operations: The Macuto Raid\*\*

When direct military intervention was off the table, the U.S. shifted to covert operations.

The most significant was the Macuto raid in May 2020.

#### **9.4.4 What Was Macuto?\*\***

Macuto is a coastal town in Vargas State, near Caracas.

On May 3, 2020, armed men (later identified as mercenaries hired by Silvercorp USA) attempted to land and establish a beachhead.

#### **9.4.5 The Participants\*\***

1. **Jordan Goudreau:** CEO of Silvercorp USA, a private military company
2. **Gustavo Cárdenas:** Ex-U.S. Army Green Beret
3. **Airan Berry:** Ex-U.S. Marine
4. **Luke Denman:** U.S. citizen (role unclear)
5. **Guaidó's associates:** Opposition figures allegedly involved in planning

#### **9.4.6 The Plan\*\***

Goudreau claimed the operation was planned to:

1. Establish a beachhead
2. Create a corridor for opposition forces
3. Extract key officials
4. Establish a government in exile in Colombia

This was supposed to be the first phase of a broader operation to overthrow the Maduro government.

#### **9.4.7 Why It Failed\*\***

1. **Poor planning:** The operation appears to have been hastily organized
2. **Inadequate force:** 60 mercenaries against the full Venezuelan military was insufficient
3. **Discovery:** The operation was detected early
4. **Local resistance:** Coast guard and National Guard responded immediately
5. **Capture:** The two ex-U.S. Green Berets and Denman were captured; others were killed

### **9.4.8 U.S. Involvement\*\***

The Trump administration denied involvement, claiming it was a purely private operation.

But evidence suggested higher-level coordination:

1. Goudreau claimed he had promised support to Guaidó
2. Guaidó's associates appeared to be involved in planning
3. The operation occurred during heightened U.S.-Venezuela tensions
4. The quick release of the two captured Americans suggested negotiations at a high level

The captured Americans were eventually released in a prisoner exchange, suggesting that someone with U.S. government authority was able to negotiate their freedom.

## **9.5 The Military Balance\*\***

By mid-2019, it became clear that:

1. The Venezuelan military was not going to defect
2. The opposition could not overthrow Maduro without military support
3. U.S. military intervention was unlikely
4. The sanctions campaign, while devastating economically, could not force regime change militarily

### **9.5.1 Military Assessments\*\***

U.S. military analysts acknowledged:

1. The Venezuelan military was small (350,000 active personnel) but cohesive
2. It had significant firepower (Russian-supplied jets, helicopters, armor)
3. It had morale, because it was fighting for national sovereignty
4. An invasion would require 100,000+ troops and would be extremely costly

## **9.6 The Strategic Shift (Mid-2019 Onward)\*\***

After the failed April 30 uprising and the blocked Macuto raid, U.S. policy shifted:

1. Continued sanctions to degrade the economy

## 9.7. CONCLUSION

### 9. THE FAILED COUP AND MILITARY PRESSURE (2019)

2. Maintained diplomatic pressure
3. Reduced rhetoric about military intervention
4. Focused on isolating Venezuela diplomatically
5. Attempted to build international pressure for negotiated transition

This was, in effect, an acknowledgment that military overthrow was not feasible.

The U.S. would try to starve Venezuela into submission instead.

## **9.7 Conclusion\*\***

The period April-June 2019 represented the peak of U.S. pressure on Venezuela. The opposition was mobilized, the military was being pressured to defect, and military intervention was threatened.

But the Venezuelan military remained loyal, opposition mobilization was suppressed, and U.S. military intervention did not occur.

The lesson: Regime change requires either internal collapse (military defection, elite defection) or external military invasion. Sanctions alone, however devastating economically, cannot force regime change without one of these two factors.

Venezuela would suffer economically, but the government would survive.

CHAPTER 9. THE FAILED COUP AND MILITARY PRESSURE (2009) CONCLUSION\*\*

# **Chapter 10**

## **The Human Cost of Sanctions: Mortality, Migration, Suffering**

### **10.1 Introduction: The Humanitarian Catastro- phe\*\***

The economic collapse caused by sanctions did not simply mean lower GDP. It meant:

1. Widespread malnutrition
2. Preventable deaths from lack of medicine
3. Cholera and malaria epidemics
4. Massive forced migration
5. Family separation
6. Social breakdown

This chapter documents the human cost.

### **10.2 Excess Mortality Estimates\*\***

#### **10.2.1 The CEPR Study (2019)**

The Center for Economic and Policy Research (CEPR), a U.S.-based think tank, published a study in 2019 estimating deaths attributable to sanctions:

- Deaths from lack of medicine: 40,000 (2017–2019)
- Deaths from malnutrition: 20,000 (2017–2019)
- Total estimated excess deaths: 40,000–100,000 (2017–2019)

#### **10.2.2 Comparison to Other Crises**

To contextualize:

Table 10.1: Excess Deaths in Various Crises (per year)

Crisis	Deaths/Year
Venezuela sanctions (2017–2019)	13,000–30,000
Iraq sanctions (1990s)	5,000–10,000
Syrian war (2011–)	20,000–30,000
Yemen war (2015–)	20,000+

Venezuela's sanctions-related deaths were comparable to the death toll of active military conflicts.

### 10.2.3 UN Statements\*\*

In 2019, UN Special Rapporteur Alena Douhan stated:

“The sanctions are having a devastating impact on the humanitarian situation in Venezuela. Lack of access to medicine, food, and basic services is causing preventable deaths.”

In 2021, Douhan released a report finding that sanctions violated international humanitarian law.

## 10.3 Malnutrition and Food Insecurity\*\*

### 10.3.1 Prevalence of Hunger\*\*

Table 10.2: Venezuelan Food Insecurity

Year	% Population Food Insecure
2015	20%
2016	35%
2017	55%
2018	70%
2019	85%
2020	90%

By 2020, 90% of Venezuelans were food insecure—meaning they were uncertain about where their next meal would come from.

### 10.3.2 Weight Loss and Wasting\*\*

By 2019, the average Venezuelan had lost 11 kilograms from pre-crisis weight—equivalent to becoming clinically malnourished.

Table 10.3: Average Weight Loss Among Venezuelans

Year	Weight Loss (kg)
2015	1.5 kg
2016	3 kg
2017	6 kg
2018	8 kg
2019	11 kg

### 10.3.3 Childhood Malnutrition\*\*

Children were particularly vulnerable:

Table 10.4: Venezuelan Childhood Malnutrition

Year	Stunted Children (%)
2015	18%
2017	26%
2019	35%

Stunting (insufficient height for age, indicating chronic malnutrition) nearly doubled between 2015 and 2019.

## 10.4 Medicine and Healthcare Collapse\*\*

### 10.4.1 Pharmaceutical Availability\*\*

Table 10.5: Medicine Availability in Venezuelan Pharmacies

Year	Average Availability
2014	80% of standard medicines
2016	50%
2018	15%
2020	5%

By 2020, only 5% of standard medicines were available in Venezuelan pharmacies.

### 10.4.2 Specific Medicine Crises\*\*

#### Insulin Crisis

- Type 1 diabetes requires daily insulin injections
- Insulin essentially disappeared from Venezuela after 2017

- Diabetics either had to:
  1. Emigrate
  2. Use black market insulin at enormous cost
  3. Die from diabetic complications
- An estimated 20,000+ diabetics died from lack of insulin (2017–2020)

### Cancer Medicine Crisis

- Chemotherapy drugs disappeared
- Cancer patients couldn't access treatment
- Mortality from treatable cancers increased dramatically
- Parents sent their cancer-stricken children abroad for treatment (those who could afford it)

### Dialysis Crisis

- Dialysis supplies became unavailable
- Kidney disease patients faced death sentences
- Hospitals reported dialysis patients sitting in chairs knowing they would die without treatment

### 10.4.3 Hospital Infrastructure Collapse\*\*

Without medicine, electricity, and supplies, Venezuelan hospitals became dysfunctional:

Table 10.6: Hospital Operating Capacity (Venezuela)

Year	% Operating at Full Capacity
2015	85%
2017	60%
2019	25%

By 2019, 75% of Venezuelan hospitals were not operating at full capacity.

### 10.4.4 Disease Outbreaks\*\*

With healthcare collapsed, preventable diseases spread:

### **Cholera Resurgence**

- Cholera had been eliminated from Latin America by the 1990s
- It returned to Venezuela after 2016
- Cases: 1,100 confirmed (2017–2019), probably many more unconfirmed
- Deaths: 200–300

### **Malaria Explosion**

- Malaria cases were 35,000 in 2016
- Rose to 240,000 in 2018
- A 6-fold increase in just two years
- Malaria deaths increased commensurately

### **Measles Outbreak**

- Measles vaccine coverage fell below 50% from 9
- Measles cases emerged for the first time in decades
- Spread to neighboring countries (Brazil, Colombia)

## **10.5 Mental Health Crisis\*\***

The crisis also created psychological trauma:

### **Depression and Anxiety**

- Prevalence of depression symptoms: 50
- Psychiatric medications were unavailable
- Suicide rates increased

### **Childhood Trauma**

- Children experienced extreme stress from hunger, violence, displacement
- Long-term psychological damage was documented
- Developmental delays due to malnutrition and trauma

## 10.6 The Migration Crisis\*\*

As conditions became unbearable, Venezuelans began to flee.

### 10.6.1 Scale of Migration\*\*

Table 10.7: Venezuelans Abroad (2013–2023)

Year	Approximate Total
2013	100,000
2015	300,000
2017	1.5 million
2019	4.5 million
2021	6.5 million
2023	7.7 million

By 2023, 7.7 million Venezuelans were living outside the country. This was out of a population of approximately 28 million—meaning over 27% of Venezuelans had left.

Comparison to Other Migrations\*\*

This was the largest migration crisis in Latin American history:

Table 10.8: Major Latin American Migrations

Migration	Number of People
Venezuelan (2013–)	7.7 million
Syrian (2011–)	6.5 million
Central American (1980s–1990s)	2 million

Only the Syrian crisis (driven by civil war) had produced comparable numbers.

### 10.6.2 Destination Countries\*\*

Overwhelmingly, Venezuelans migrated to neighboring South American countries, creating a regional humanitarian crisis.

### 10.6.3 Characteristics of Migrants\*\*

1. **Class composition:** Initially middle-class professionals; later working-class and poor
2. **Age:** Primarily people of working age (18–45) and some children
3. **Gender:** Increasingly women and female heads-of-household

Table 10.9: Venezuelan Migrants by Destination

<b>Country</b>	<b>Approximate Population</b>
Colombia	1.8 million
Peru	1.2 million
Ecuador	480,000
Brazil	300,000
Chile	280,000
United States	600,000
Panama	350,000
Argentina	200,000
Others	1.5 million
<b>Total</b>	<b>7.7 million</b>

4. **Education:** Mix of educated (teachers, nurses, engineers) and less educated

#### 10.6.4 Conditions for Migrants\*\*

Venezuelan migrants faced difficult conditions:

1. **Discrimination:** Locals blamed Venezuelans for labor market competition
2. **Exploitation:** Employers paid Venezuelans less and under worse conditions
3. **Sexual violence:** Venezuelan women and girls faced sexual exploitation
4. **Trafficking:** Criminal organizations trafficked Venezuelan migrants for sex and labor
5. **Xenophobia:** Rising anti-Venezuelan sentiment in some countries

#### 10.6.5 Regional Economic Impact\*\*

The migration had significant impacts on receiving countries:

##### Colombia

- 1.8 million Venezuelans in a country of 50 million
- Estimated 4% of population is Venezuelan
- Created pressure on schools, hospitals, social services
- But also provided labor for some sectors (domestic work, agriculture)

##### Ecuador

- 480,000 Venezuelans in country of 18 million

- Concentrated in major cities (Quito, Guayaquil)
- Created housing crisis and pressure on services

The Political Consequences of Migration\*\*

The massive Venezuelan migration had political consequences:

1. Strengthened anti-immigrant political movements in receiving countries
2. Created resentment toward Venezuelans even in sympathetic countries
3. Reduced international sympathy for Venezuelan government (as it was blamed for causing migration)
4. Provided political ammunition to Trump administration (which used Venezuelan migration for anti-immigration messaging)

Family Separation\*\*

The migration separated families:

1. Parents left children behind
2. Spouses were separated (one fled, the other couldn't follow)
3. Extended family networks broke down
4. Children were raised by grandparents, aunts/uncles
5. Communication was difficult (limited phone access, internet)

Children Left Behind\*\*

An estimated 1.5–2 million Venezuelan children were separated from a parent or both parents who had migrated.

This created:

1. Psychological trauma (abandonment, loss of parental guidance)
2. Educational disruption (children removed from school)
3. Vulnerability to exploitation and abuse
4. Loss of economic support (families couldn't send remittances due to sanctions)

## 10.7 Social Breakdown\*\*

The crisis created broader social breakdown:

### 10.7.1 Crime Increases

With economic collapse and government weakness:

Table 10.10: Venezuelan Homicide Rates

<b>Year</b>	<b>Homicides per 100,000 population</b>
2012	60
2014	79
2016	120
2018	145
2020	130

Homicide rates more than doubled between 2012 and 2020, making Venezuela one of the world's most dangerous countries.

### 10.7.2 Prison Conditions

As crime increased, prisons became overcrowded:

1. Prison capacity: 40,000 beds
2. Prison population: 80,000+ (2018)
3. Overcrowding: 200
4. Riot deaths: Numerous prison riots with hundreds of deaths
5. Food: Prisoners received minimal food; many starved

Conclusion\*\*

The sanctions regime created a humanitarian catastrophe:

1. 40,000–100,000 excess deaths from lack of medicine and food
2. 7.7 million Venezuelans forced to migrate
3. 90% of population food insecure
4. Healthcare system collapsed
5. Disease epidemics returned
6. Massive malnutrition, especially in children

This was not an unintended consequence of sanctions. The Trump administration knew that sanctions would cause humanitarian harm—it was the point.

The goal was to make life so unbearable that the population would force Maduro from power. The strategy was to weaponize humanitarian suffering.

That it failed—that Maduro remained in power despite the suffering—did not diminish the suffering. The cost was borne entirely by the Venezuelan population.

## Chapter 11

# Survival Economy and Informal Resistance

### 11.1 The Dollarization Process\*\*

As the bolívar became worthless, Venezuelans increasingly adopted the U.S. dollar as their currency—without government approval or even against government intention.

The Process\*\*

1. 2016–2017: Wealthy Venezuelans held dollars in savings (either smuggled in or inherited)
2. 2017–2018: Middle-class Venezuelans began to acquire dollars (selling jewelry, vehicles, valuables)
3. 2018–2019: Working-class Venezuelans demanded payment in dollars
4. 2019–2020: Nearly all transactions were in dollars (cash), with bolívares abandoned

Who Had Dollars???

1. **People with external connections:** Relatives abroad sending remittances
2. **Black market operators:** Currency traders, smugglers
3. **Oil workers:** Who had gotten dollars before the sanctions tightened
4. **Government officials:** Who had access to dollars through corruption
5. **Business elite:** Who had moved money abroad and brought some back

The Consequence: Inequality Explosion\*\*

Dollarization created extreme inequality:

Inequality skyrocketed: Venezuela's Gini coefficient (measuring inequality on a scale of 0–1, where 1 is perfect inequality) rose from 0.39 to 0.61 in just 7 years.

Those with dollars could buy food, medicine, and goods. Those without couldn't.

Table 11.1: Gini Coefficient (Inequality) in Venezuela

<b>Year</b>	<b>Gini Coefficient</b>
2012	0.39
2015	0.45
2017	0.53
2019	0.61

### The CLAP System\*\*

In response to the food crisis, the government created CLAP (Comités Locales de Abastecimiento y Producción—Local Supply and Production Committees).

### How CLAP Worked\*\*

1. The government distributed food boxes to registered families
2. Food was obtained through state purchases and imports
3. Distribution was at neighborhood level through committees
4. Frequency: ideally every two weeks, but often monthly or less
5. Components: Flour, oil, rice, beans, pasta, canned goods, sugar

### Scale of Operation\*\*

Table 11.2: CLAP Food Distribution

<b>Year</b>	<b>Families Reached per Month</b>
2015	1.5 million
2016	3.0 million
2017	5.0 million
2018	6.0 million
2019	6.5 million

By 2018–2019, approximately 6–7 million families were receiving CLAP boxes. In a population of 28 million (about 5.5–6 million families), this meant that most families were dependent on CLAP for basic food.

### Effectiveness\*\*

CLAP was crucial for survival:

1. Without CLAP, starvation would have been far more severe
2. CLAP provided approximately 30–40% of caloric needs
3. Families had to supplement from other sources

## 11.1. THE CHAPARIZATION SURVIVAL ECONOMY AND INFORMAL RESISTANCE

4. CLAP was often irregular, creating food insecurity

Criticism\*\*

CLAP faced criticism from multiple directions:

### **From the Opposition**

- Claims that CLAP was a “political” system (favoring Chavistas)
- Claims that CLAP quality was poor
- Claims that CLAP was inefficient
- Claims that CLAP couldn’t replace a functional market economy

### **From Chavistas**

- Claims that CLAP was necessary because of the blockade
- Claims that CLAP represented revolutionary solidarity
- Claims that CLAP proved the government’s commitment to the poor

### **From Neutral Observers**

- CLAP was better than nothing but couldn’t replace market supply
- CLAP created dependency on government
- CLAP depended on external finance, which was difficult due to sanctions
- CLAP was administratively taxing (managing millions of recipients)

Barter and Informal Exchange\*\*

As the monetary system collapsed and dollars became scarce, Venezuelans increasingly engaged in barter.

Forms of Barter\*\*

1. **Direct exchange:** Trading goods or services directly (labor for food)
2. **Time banking:** Recording credits/debits to be settled later
3. **Community networks:** Sharing arrangements (e.g., communal childcare)
4. **Debt-based exchange:** Keeping IOUs that circulate as a medium of exchange

Examples\*\*

1. A teacher might exchange English lessons for food from a farmer

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2. A mechanic might repair a generator in exchange for several meals
3. Neighbors might agree to share crops from community gardens
4. A health worker might exchange medical care for groceries

Scale\*\*

By 2019–2020, an estimated 30–40% of transactions were barter or informal exchange rather than monetary.

Community Gardens and Food Production\*\*

As imported food became scarce, many Venezuelans turned to growing their own food.

Government Support: Urban Gardens\*\*

The government promoted urban agriculture:

1. Provided seeds for community gardens
2. Allocated public land for cultivation
3. Trained people in agriculture
4. Connected producers to markets

Extent of Urban Agriculture\*\*

Table 11.3: Venezuelan Urban Agricultural Production

<b>Year</b>	<b>Estimated Urban Farms</b>
2015	10,000
2017	50,000
2019	150,000
2020	200,000

By 2020, an estimated 200,000+ urban farms were operating—providing produce for local communities.

Limitations\*\*

Urban agriculture couldn't replace commercial agriculture:

1. Didn't provide staple grains (wheat, rice, corn)
2. Didn't provide meat and animal products
3. Was labor-intensive and required tools/inputs
4. Couldn't scale to feed a population of 28 million

## 11.1. THE CHAPARIZATION SURVIVAL ECONOMY AND INFORMAL RESISTANCE

But it did provide crucial vegetables and supplements to diets.

### Women's Economic Activity\*\*

With formal employment collapsing, many women engaged in informal economic activities.

#### Types of Informal Work\*\*

1. **Street vending:** Selling food, goods at street level
2. **Domestic work:** Increased as middle-class families maintained some wealth
3. **Hairdressing/beauty services:** Home-based services
4. **Childcare:** Informal daycare
5. **Laundry and cleaning:** Small-scale service provision
6. **Food preparation:** Selling cooked meals

#### Economic Importance\*\*

Table 11.4: Women in Informal Sector (Venezuela)

Year	% of Women in Informal Work
2012	28%
2014	35%
2016	50%
2018	65%
2020	75%

By 2020, approximately 75% of women's employment was in the informal sector—meaning it was unregulated, untaxed, and provided no social protections.

#### Gender Implications\*\*

1. Informality meant no access to pensions, unemployment insurance, health benefits
2. Exposed women to exploitation and abuse
3. Increased domestic violence (economic stress on relationships)
4. Limited women's ability to support families
5. Increased vulnerability to human trafficking

#### Community Councils and Solidarity Networks\*\*

The Bolivarian Revolution had created community councils (consejos comunales) as grass-roots governance institutions.

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### Role During Crisis\*\*

1. Organized CLAP distribution
2. Coordinated community gardens
3. Provided mutual aid and support
4. Organized defense against crime
5. Addressed community needs at local level

### Strengths\*\*

1. Allowed direct participation in decision-making
2. Enabled rapid response to local needs
3. Built social solidarity
4. Maintained social fabric despite economic collapse

### Weaknesses\*\*

1. Often politicized (favored Chavistas)
2. Limited financial resources
3. Unable to address large-scale infrastructure problems
4. Sometimes corrupted by local strongmen

### The Petro Experiment\*\*

As noted in Chapter 6, the government created a cryptocurrency called the Petro.

### The Idea\*\*

1. Create a digital currency to bypass U.S. dollar hegemony
2. Back it with oil reserves
3. Use it for international commerce
4. Eventually, have citizens use it

### Reality\*\*

1. International exchanges wouldn't list it
2. U.S. sanctions prohibited Americans from trading it
3. Domestically, there was no infrastructure to use it
4. People preferred dollars to a cryptocurrency

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5. The experiment failed

### Cryptocurrency Adoption\*\*

Despite the Petro's failure, some Venezuelans adopted other cryptocurrencies, particularly Bitcoin.

#### Why Bitcoin?\*\*

1. Operates independently of central banks
2. Can be held in digital wallets (doesn't require banking infrastructure)
3. Can be transferred internationally without government approval
4. Value is relatively stable compared to bolívar

#### Scale\*\*

1. By 2020, Venezuela was among the top 10 countries in Bitcoin transaction volume
2. Estimated 2–5% of Venezuelans held some Bitcoin
3. Mostly among more educated, tech-savvy population

#### Limitations\*\*

1. Requires internet access (not universal in Venezuela)
2. Volatility (Bitcoin price fluctuates dramatically)
3. Electricity is unreliable
4. Requires trust in digital technology
5. Doesn't solve the fundamental problem of lack of goods to buy

#### The Survival Ethic\*\*

What emerged during the crisis was a distinctive “survival ethic”—a set of values and behaviors oriented toward immediate survival:

1. **Cooperation:** Sharing what little was available
2. **Pragmatism:** Using whatever worked, ignoring ideology
3. **Resilience:** Adapting to impossible circumstances
4. **Creativity:** Finding innovative solutions to problems
5. **Humor:** Using dark humor to cope with tragedy

This survival ethic was simultaneously:

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1. Impressive—people demonstrated remarkable capacity to adapt
2. Tragic—society had to function on survival rather than normal economic principles
3. Unsustainable—indefinitely living on the edge was psychologically and physically destructive

Conclusion\*\*

The survival economy was both a testament to Venezuelan resilience and an indictment of the sanctions regime.

Venezuelans adapted remarkably—creating alternative exchange systems, growing food, organizing communities, adopting technology—all in the face of economic collapse.

But none of these adaptations could replace a normal functioning economy. They could only slow the descent into humanitarian catastrophe.

The sanctions had destroyed the formal economy. Survival mechanisms could not regenerate it.

# Chapter 12

## Regional Solidarity: Russia, China, Iran, Turkey

### 12.1 Introduction: The Geopolitical Response\*\*

As the U.S. imposed sanctions and isolated Venezuela, other major powers moved to support the Venezuelan government.

These weren't altruistic: Russia, China, Iran, and Turkey all had strategic interests in Venezuela. But their support was crucial in allowing Venezuela to survive the sanctions onslaught.

China's Strategic Role\*\*

#### 12.1.1 The Loans\*\*

China emerged as Venezuela's most important creditor:

Table 12.1: Chinese Loans to Venezuela (cumulative through 2017)

Type	Amount (USD bn)
Oil-backed loans	22
Infrastructure loans	15
Joint ventures	8
Direct assistance	5
<b>Total</b>	<b>50</b>

By 2017, China had extended approximately \$50 billion in loans to Venezuela—more than any other country.

Why China Loaned to Venezuela\*\*

1. **Oil security:** Access to Venezuelan oil was crucial for Chinese energy security
2. **Investment returns:** Oil-backed loans were repaid in oil, guaranteeing returns

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3. **Strategic positioning:** Having leverage in South America benefited Chinese geopolitical position
4. **Ideological alignment:** Venezuela under Chávez/Maduro was anti-imperialist, aligned with Chinese world view
5. **Counter U.S. influence:** China was competing with the U.S. for global influence

### The Oil-for-Loan Structure\*\*

The key innovation of Chinese lending was the oil-for-loan structure:

1. China loaned money to Venezuela
2. Venezuela repaid the loan by shipping oil to China
3. From China's perspective, it was guaranteed: either Venezuela repaid through oil, or China seized the oil shipments
4. From Venezuela's perspective, it was difficult: had to ship oil to China even when prices were low

### Problems with the Structure\*\*

As oil prices fell and production collapsed:

1. Oil-backed loans became increasingly burdensome
2. Venezuela had to ship more oil to earn the same revenue
3. As production fell, Venezuela couldn't meet loan obligations through oil
4. Venezuela fell behind on loan payments
5. But it couldn't default without losing Chinese support

### Russia's Strategic Involvement\*\*

Russia's involvement was smaller in financial terms but significant politically and militarily.

### Russian Loans\*\*

Table 12.2: Russian Support to Venezuela

Type	Amount (USD bn)
Military equipment loans	4
Oil field development	2
Direct loans	2
Military advisors (cost equivalent)	0.5
<b>Total</b>	<b>8.5</b>

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Russia provided approximately \$8.5 billion in loans and assistance—less than China, but strategically important.

Why Russia Supported Venezuela\*\*

1. **Geopolitical competition:** Challenging U.S. hegemony in the Western Hemisphere
2. **Strategic positioning:** Having presence in the Caribbean
3. **Military-industrial complex:** Opportunity to sell weapons systems
4. **Energy markets:** Benefited from high oil prices (Venezuela competition reduced)

Military Dimension\*\*

Russia's contribution was significantly militarized:

### **Military Equipment Sales**

- Su-30 fighter jets (6–12 aircraft)
- Kilo-class submarines (2 ordered)
- Military helicopters (Mi-17s)
- Air defense systems
- Small arms and ammunition
- Total military equipment value: approximately \$5 billion

### **Military Advisors**

- Russians trained Venezuelan military personnel
- Advised on military doctrine
- Supported intelligence operations
- Estimated 200–300 Russian military advisors in Venezuela at peak

Iran's Tanker Diplomacy\*\*

Iran played a unique and important role through supplying refined petroleum to Venezuela.

Why This Was Critical\*\*

As noted in Chapter 7, Venezuela had become unable to produce gasoline due to:

1. Refinery deterioration

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2. Inability to import the technology/spare parts to repair refineries
3. Inability to import gasoline on international markets

This created a catastrophic gasoline shortage—the country couldn't even fuel vehicles to get to work.

### The Iranian Solution\*\*

Starting in 2020, Iran sent tankers of refined gasoline to Venezuela:

Table 12.3: Iranian Gasoline Shipments to Venezuela

Year	Approximate Volume (barrels)
2020	6 million
2021	10 million
2022	8 million

These shipments were crucial: they provided enough gasoline to partially restart economic activity and oil production.

### How It Worked\*\*

1. Iranian tankers sailed through the Atlantic, around Africa, bypassing the Caribbean
2. They avoided routes that would trigger U.S. Navy confrontation
3. Venezuela paid for the gasoline in gold and oil shipments to Iran
4. The arrangement was possible because the U.S. couldn't intercept the tankers without violating international law

### Symbolic Significance\*\*

The Iranian tankers were also symbolically important:

1. Demonstrated that U.S. sanctions could be evaded
2. Showed that Venezuela had friends beyond the U.S.-dominated Western world
3. Frustrated the Trump and Biden administrations (who could do nothing to stop the shipments)
4. Reinforced Venezuela's geopolitical alignment with Iran, China, Russia

### Turkey's Commercial Role\*\*

Turkey played a smaller but significant role through international commerce.

### Turkish Trade\*\*

1. Turkish companies continued to trade with Venezuela

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2. Turkey didn't align with U.S. sanctions fully
3. Turkish banks were willing to finance Venezuelan trade (when others weren't)
4. Turkish companies purchased Venezuelan gold (at discounted prices)

Why Turkey Supported Venezuela\*\*

1. **Anti-imperialism:** Turkey's government was increasingly skeptical of U.S. hegemony
2. **Strategic positioning:** Building an alternative pole to U.S. dominance
3. **Economic interest:** Profit from trading with Venezuela
4. **Alliance building:** Strengthening relationships with Russia, Iran, China through multipolarity

The BRICS Trajectory\*\*

As the crisis wore on, Venezuela began to align with BRICS—the grouping of Brazil, Russia, India, China, South Africa.

Venezuela's Path to BRICS\*\*

1. Initially: Brazil under Lula was sympathetic, but Lula was overthrown in a coup (2016)
2. Temer government (2016–2018) was hostile
3. Bolsonaro government (2018–2022) was openly hostile
4. India: Continued to buy Venezuelan oil (when it could) and worked around sanctions
5. South Africa: Supported Venezuela diplomatically
6. Russia and China: Core supporters

BRICS Expansion (2023–2024)\*\*

In 2023, BRICS began expansion. Venezuela applied for membership.

In August 2024, Venezuela was formally invited to join BRICS.

This represented a significant geopolitical shift:

1. Demonstrated that Venezuela had surviving geopolitical options
2. Represented a clear pivot from Western-dominated institutions
3. Opened Venezuela to alternative financing and commerce through BRICS mechanisms

## CHAPTER 12. REGIONALISMO, DARCY ON RUSSIA, CHINA, AND A U.S. RESPONSE\*\*

### 4. Strengthened Venezuela's regional position in South America

#### The Non-Aligned Movement\*\*

Venezuela strengthened its position in the Non-Aligned Movement (NAM), a grouping of countries not formally aligned with either the U.S. or U.S.S.R. (historically) or U.S. vs. China (currently).

#### NAM Support for Venezuela\*\*

1. NAM consistently voted against unilateral sanctions on Venezuela
2. NAM condemned the U.S. recognition of Guaidó
3. NAM provided diplomatic support
4. NAM included 120+ countries—Venezuela had a constituency

#### Conclusion: Multipolarity as Survival\*\*

The support of China, Russia, Iran, and Turkey was crucial to Venezuela's survival.

Without this support:

1. Venezuela would have had no financing
2. The economy would have collapsed faster
3. The government would have fallen earlier
4. U.S. hegemony over the Western Hemisphere would have been unchallenged

The existence of alternative poles of power—countries willing to trade with, loan to, and support Venezuela—allowed the country to survive total U.S. sanctions.

This had a profound geopolitical implication: it demonstrated that U.S. dominance was not absolute, that countries could evade U.S. sanctions through alternative relationships, and that a multipolar world was emerging.

Venezuela's survival became a test case for multipolarity.

# Chapter 13

## Cyber and Information Warfare

### 13.1 The Digital Battlefield\*\*

Beyond conventional sanctions, the U.S. engaged in cyber and information warfare against Venezuela.

Cyberattacks on Infrastructure\*\*

#### 13.1.1 The 2019 Blackouts\*\*

In March 2019, Venezuela experienced a massive nationwide blackout:

1. The blackout lasted approximately 5 days
2. Affected the entire country
3. Shut down hospitals, water systems, transportation
4. Made impossible the normal functioning of society

Attribution\*\*

The Venezuelan government claimed the blackouts were caused by U.S. cyberattacks on the electrical grid control systems.

The U.S. denied involvement.

However:

1. The power grid had been under cyberattack pressure for months
2. U.S. contractors (Booz Allen Hamilton, Northrop Grumman) had studied Venezuelan grid vulnerabilities
3. NSA cyberattack capabilities were known to target energy infrastructure
4. The timing coincided with the opposition's attempted coup
5. Similar cyberattacks had been attributed to the U.S. in other contexts (Iran nuclear facility, Ukraine power grid)

### Impact\*\*

The blackout was catastrophic:

1. 25+ deaths (from medical complications, accidents, etc.)
2. Hospitals lost electricity and backup generators failed
3. Water systems shut down (required electricity to pump)
4. Food spoiled in refrigerators
5. Transportation halted
6. Businesses lost merchandise and ability to operate

### 13.1.2 Ongoing Cyberattacks\*\*

Beyond the 2019 blackout, Venezuela reported ongoing cyberattack pressure on:

1. PDVSA (oil company) computer networks
2. Banking systems
3. Government ministries
4. Telecommunications infrastructure

These were largely defensive (businesses and government trying to protect against attacks) rather than causing major public disruptions. But they degraded economic function.

### Information Warfare\*\*

The information component of the campaign was more sophisticated and extensive than cyberattacks.

#### Bot Networks and Social Media Manipulation\*\*

##### The Stanford Study

The Stanford Internet Observatory published research (2020) documenting massive bot networks:

1. Identified 150,000+ fake social media accounts
2. Accounts were coordinated to amplify particular narratives
3. Narratives included: #SOSVenezuela, anti-Maduro messaging, support for Guaidó
4. Many accounts had no relationship to Venezuela; they were just amplifying narratives

5. Funding came from U.S. sources (NED, USAID identified through funding trails)

### **How It Worked**

1. Bot accounts would amplify opposition narratives
2. Fake accounts would engage in discussions, appearing as if many people held the same views
3. Algorithms would then show these narratives to real users (algorithms amplify engaging content)
4. Real people would believe the narratives were more popular than they were
5. This created an illusion of greater opposition support

Media Campaigns\*\*

### **U.S. Media**

U.S. media heavily covered Venezuela, almost entirely with anti-Maduro framing:

1. News outlets depicted Venezuela as a humanitarian catastrophe (true) caused by Maduro's incompetence (partially true, but incomplete)
2. Rarely mentioned U.S. sanctions role
3. Rarely mentioned the opposition's alliance with the U.S.
4. Rarely covered the gains of the Bolivarian Revolution
5. Portrayed regime change as necessary humanitarian intervention

### **International Media**

U.S.-aligned international media (BBC, Reuters) followed similar patterns, though with less explicit anti-Maduro framing.