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# The Venezuelan Crisis:

## A Domestic Conflict with Global Dimensions

Policy Analysis Unit

## The Venezuelan Crisis: Has the Stockholm Agreement Collapsed

Series: [Situation Assessment](#)

05 February 2019

### Policy Analysis Unit

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## Introduction

Venezuelan President Nicolas Maduro was sworn in for a second six-year term on January 10, 2019, following discredited elections that were boycotted by the opposition. The opposition, which controls the national assembly (parliament), responded by supporting the leadership of the head of the national assembly, Juan Guaidó, who was sworn in on 23 January 2019 as interim president. This followed accusations that Maduro was abusing his power. Guaidó pledged to allow humanitarian aid to Venezuela, which is undergoing economic turmoil and deteriorating living conditions, and to hold new presidential elections. Maduro considered the opposition actions to be a US-led coup attempt.<sup>(1)</sup> The international community quickly responded, but rather than working from the Venezuelan people's concerns, they relied on international geostrategic considerations.

## Where Does Washington Stand on the Conflict?

Not long after Guaidó declared himself acting president, Washington rushed to recognize his claim. Declaring recognition for an opposition member, who does not rule the country and has no real power, as a legitimate president is an extraordinary step in international relations. In fact, the move reinforced suspicions that Washington was behind attempts to undermine Maduro's authority, in cooperation with right-wing governments in Colombia and Brazil. Washington has taken a series of measures to achieve this, including:

- Imposing sanctions on Venezuelan oil exports to the United States in an attempt to prevent the Maduro regime from obtaining cash, in addition to banking sanctions already imposed on Venezuela before the crisis. Washington hopes Venezuela's dwindling cash flow will encourage the disintegration of the army and security apparatus, which remain loyal to Maduro. Under the new US sanctions, the Donald Trump administration is working with Guaidó to acquire oil firm Sitgo, which operates in the US and is affiliated with the Venezuelan national oil company.<sup>(2)</sup> Trump also asked all US customers at the Venezuelan National Oil Company to transfer cash payments for Venezuelan oil to special accounts in the United States under Guaidó's control.
- Intensifying pressure on the Maduro regime by freezing the assets of the Venezuelan National Oil Company, acquiring Venezuelan government assets in the United States and, where possible, globally and transferring control to Guaidó.<sup>(3)</sup> Accordingly, on January 29, 2019, US Secretary of State Mike Pompeo decided to take control of Venezuelan assets and property held in US banks, including the New York central bank. Washington has also succeeded in pressuring the Bank of England to deny Maduro access to Venezuelan gold reserves in London worth USD 1.2 billion.

1 Nathan Hodge, "Venezuela Crisis: Putin's New Cold War on America's Doorstep?" CNN, 2/2/2019, accessed on 5/2/2019, at: <https://cnn.it/2Bjz7AB>

2 Patricia Laya, "The Forces That Could Plunge Venezuela Into Chaos," Bloomberg, 31/1/2019, accessed on 5/2/2019, at: <https://bloom.bg/2GqLCNZ>

3 "Statement by a Treasury Spokesperson on Venezuela," U.S. Department of the Treasury, 25/1/2019, accessed on 5/2/2019, at: <https://bit.ly/2MwSA5b>



- Diplomatic mobilization against the Maduro regime; the United States called for a special session of the Security Council of the United Nations on Venezuela, on 26 January 2019, which saw the Secretary of State participate. During the session, Pompeo gave the members two choices: “Either you stand with the forces of freedom, or you’re in league with Maduro and his mayhem.” Similarly, he declared, “we call on all members of the Security Council to support Venezuela’s democratic transition and interim President Guaidó’s role in it”.<sup>(4)</sup> However, Russia and China, along with South Africa and Equatorial Guinea, obstructed the US attempts to issue a council statement expressing full support for Venezuela’s National Assembly as the country’s “only democratically elected institution”.<sup>(5)</sup> Today, the majority of Western countries, including Canada and the European Union, recognize Guaidó as president, as do most Latin American countries, while Russia, China and other countries such as Turkey, Iran and some South American countries such as Mexico, Cuba and Bolivia refuse to recognize his claim to the presidency.
- Hinting at a military intervention. US officials, beginning with Trump, have repeatedly warned that they may resort to using force to force Maduro out<sup>(6)</sup> or if he responded to the popular demonstrations with force. Speculation about a possible US military action against Maduro increased after national security adviser John Bolton appeared at a news conference in late January 2019 with a notebook, upon which the handwritten line “5,000 troops to Colombia” could be seen. The US defense department refused to rule out military action despite the insistence of US officials that there are no imminent plans for military intervention, with all options remaining on the table.<sup>(7)</sup>

## The Russian Response

With the political crisis in Venezuela escalating as both parties refused to back down, they became embroiled in an international geopolitical conflict involving the United States in one corner and Russia and China in the other, with each side boosted by allies in Latin America and around the globe. Venezuela holds a position of critical importance to all these parties. For the United States, the country is in its backyard. According to the Monroe Doctrine (1823), Washington will not allow any force to establish areas of influence in the Americas, North or South. Washington has repeatedly intervened in its Latin American neighbor’s affairs to undermine any regime — democratic or otherwise — that opposes its policy on the continent.

Latin America became increasingly important to the United States during the Cold War years, especially after the fall of Cuba to the Marxist pro-Soviet revolutionaries of 1959. In 1962, the Cuban missile crisis almost led to a Soviet-American nuclear confrontation when the Soviet Union

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4 Michael R. Pompeo, “Remarks at a United Nations Security Council Meeting on Venezuela,” U.S. Department of State, 26/1/2019, accessed on 5/2/2019, at: <https://bit.ly/2MDg5cJ>

5 “Pompeo Says 'Now is the Time' for Countries to Pick a Side on Venezuela,” *Reuters*, 26/1/2019, accessed on 5/2/2019, at: <https://reut.rs/2Bl3pD7>

6 “Trump Says Sending Military to Venezuela 'an Option,’” *CNBC*, 3/2/2019, accessed on 5/2/2019, at: <https://cnb.cx/2D8rEEL>

7 “Trump Calls Venezuela's Guaido in Intensifying Push to Oust Maduro,” *Haaretz*, 30/1/2019, accessed on 5/2/2019, at: <https://bit.ly/2S7ucND>

attempted to deploy ballistic missiles to Cuba in response to similar US projects within range of the Soviet Union. The leftist forces maintained their positions on the American continent, including Venezuela, despite the fall of the Soviet Union in the early 1990s. The late Venezuelan President Hugo Chavez took power in the 1998 elections. Since then, Washington has made relentless attempts to overthrow the Venezuelan regime, including by military coup.

In addition to being a major oil exporter, Venezuela is also significant because Washington seeks to prevent Russia and China from gaining influence there, especially as Venezuela has developed strong political, economic, investment and military relations with the two US rivals over the past two decades. Two Russian bombers capable of delivering nuclear weapons landed in Venezuela in late 2018, sending a message the United States considered a Russian threat.<sup>(8)</sup>

Venezuela is particularly important to Moscow because of its strategic location close to the United States. But Russian calculations do not stop there. Strategically, Moscow believes that popular revolutions, such as in Ukraine, Syria and Venezuela, are simply US mechanisms to destabilize regimes that do not conform to US ideals. Moscow saw the popular revolutions as a spearhead to extend democracy, which it sees as a Western model of governance, to its immediate spheres of influence, just like attempts in Georgia, Kyrgyzstan and Ukraine. Moreover, Russia has a cyberpresence at the Antonio Diaz naval base in La Orchila, an island north of the Venezuelan capital of Caracas. Moscow sees this military presence as a card to pressure Washington on Ukraine.<sup>(9)</sup>

Economically, Russia's state-owned oil company Rosneft has nearly a 50% stake in Venezuela's state oil company, Citgo Oil. It is estimated that Moscow has provided loans and credit guarantees to Venezuela, as well as arms and military equipment, worth between 17 and 25 billion US dollars, guaranteed by contracts to be paid in oil installments.

China buys about 240 barrels of oil from Venezuela daily. It has pumped about 65 billion dollars into Venezuela since 2008. "In addition, China helped Venezuela to set up factories for manufacturing cars (Chery), telephones (Huawei and ZTE), the building of railroads, port upgrades and other infrastructure".<sup>(10)</sup> China has sold large quantities of military equipment to Venezuela, including armored personnel carriers, "as well as air defense radars K-8 fighters, military transport aircraft, self-propelled mortar launchers and rocket launcher vehicles and an array of other equipment." China also has a satellite tracking facility at the Capitán Manuel Rios Air Base in Guárico.<sup>(11)</sup> As with Russia, most of the Chinese deals and investments are guaranteed with oil revenue contracts. There are doubts about the Venezuelan reliability in the repayment of these loans, in the event of Maduro being toppled, despite Guaidó offering to negotiate with them to secure their interests.

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8 Hodge.

9 Hollie McKay, "Why Russia, China Are Fighting US Push Against Venezuela's Maduro," Fox News, January 31, 2019, accessed on 5/2/2019, at: <https://fxn.ws/2BdKXvZ>

10 Ibid.

11 Ibid.



## The Military Response

International rivalry over Venezuela has intensified. It does seem clear however that the conflict will be resolved internally; with the military establishment representing the principal decisive factor. Both civilian parties refuse to back down but neither are able to decisively win the battle. While Guaidó tries to win over the army, Maduro seems to have retained the support of the military, security apparatus and judiciary, with the exception of minor and insignificant breakaways. The public appears to be divided as a result of years of deteriorating living conditions caused by a combination of Maduro's failed economic policies and international sanctions. Chavez's reign had begun to empower the economically poor, and to strengthen their political participation, but while Maduro's social rules work for the same goal, he has lost the middle classes and a large part of the intelligentsia. With the deterioration in the standard of living and widespread corruption and thuggery, he has also lost swathes of the poorer classes.

The military is seen as the de facto ruler of Venezuela; it employs more than half a million men and holds the most government institutions. It reserves a huge share of cabinet posts, the most important of which are occupied by retired officers such as the President of the Republic, the Ministries of Defense the Interior and Justice Ministries; the Food Ministry; Agriculture and Lands; and Energy. Thus, the army remains loyal to the authority, despite the deteriorating economic situation in Venezuela. It should also be noted that those who control the army today are the same officers who came with Chavez after 1999 and who stood by him in the 2002 coup attempt. These are high-ranking officers at present, and any change could mean their forced retirement, related to the killing of demonstrators. But all this could change if the opposition mobilized enough momentum to change the balance of power on the street, and if US sanctions began to have an impact on the military establishment.

## Conclusion

The result of the conflict in Venezuela depends on several factors; crucially the internal balance of power, which the army has a decisive role in defining. International factors (specifically the US) will also have a significant role given the Trump administration's attempts to put an end to a the hostile regime in Venezuela. Washington is investing in the rise of right wing forces all over Latin America to finish off the rest of the unfriendly regimes. Russia and China are unlikely to go beyond political and diplomatic support for the Caracas regime, while Maduro will find it difficult to maintain the cohesion of the military and security establishment, on top of providing the minimum requirements of subsistence for the Venezuelan people in light of prevailing US and Western sanctions.