

THE CRISIS IN VENEZUELA: A STUDY SHOWING HOW A WEALTHY NATION
COLLAPSE

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CHAPTER 1

INTRODUCTION

1.1 Topic

Venezuela once the second richest country in the Americas and the richest in the Latin Part of the region is now facing the worst economic crisis of a country that is not experiencing war since the mid-20th century (Cheatham et al., 2021). People dying from hunger, Diseases spreading unchecked and collapse of institutions have become the norm in Venezuela rather than the exception. More than six million people have emigrated from Venezuela so far because of this humanitarian crisis and international organizations are alerting that this number will keep increasing to a point where it will destabilize the entire South American region. Venezuela is also a unique country, where there is an abundance of oil, a developmental dictatorship, a specific form of applied socialism, and geopolitical enemies, one of which is a superpower. All of these facts make the Venezuelan system worth studying.

The purpose of this paper is to study a new model and how the simultaneous presence of all its pillars will disintegrate the state. These pillars are, the economic pillar, effective or defective ideology, geopolitical situation, and how a state is run, democratically or dictatorially and what are the consequences of the regime's/administration's rule on the state as a whole.

1.2 Methodology

In this paper, the research method employed is historical analysis. Qualitative data is mostly used for my testing. Extensive use of desk research allows the accumulation of a wealth of data collected from scholarly articles, newspapers, and governmental reports. A subjective point of view will be taken during the analysis. A case study will be used to prove my thesis statement. The case study will be based on an original collection of empirical data from original sources in Venezuela.

1.3 Operationalization

In order to prove the model, and show how the simultaneous presence of all its pillars will disintegrate the state. I will study the history of the four pillars aforementioned, then I will study the history of a particular hospital, Luiz Razetti hospital in Barinas (West Central Venezuela) to see its ups and downs. Finally, I will evaluate these two histories together to find out if my thesis statement is proven.

1.4 Expected Results

At the end of this study, I hope to succeed in proving my model by showing how the simultaneous presence of all its pillars disintegrated Venezuela and almost made it totally collapse.

CHAPTER 2 LITERATURE REVIEW

This literature review contains many theories about the main concepts of the thesis, the crisis and collapse of Venezuela, and the method used to analyse the thesis statement (comparative historical analysis).

APA, defines comparative historical analysis as research that examines past events to understand current events or future ones. It involves research of written records and analyzing them critically, then finding conclusions based on evidence without blindly accepting other conclusions by different researchers.

Ianchovichina and Onder, argues in their article, “Dutch disease: An economic illness easy to catch, difficult to cure”, that persistent low oil prices do to an oil rich country what a cold winter does to people, makes them sick, especially if these countries don’t have a robust immune system. Without diversification in exports, and the inequality in the distribution of natural resource rents, macroeconomic performance of these countries worsens rapidly. This phenomenon was called “the Dutch disease” following the effects of the discovery of gas by the Netherlands’ in the North Sea.

Larsen, argue in his article “Escaping the Resource Curse and the Dutch disease?” that the resource curse is a term which describes a situation where a country underperforms economically, in spite of it being wealthy in natural resources. He adds that many countries rich in resources suffer from this phenomenon, however, not all of them. Larsen states the effect of the resource curse as a stagnant growth and a strongly contracted manufacturing.

Rossi, argues in his article “Oil wealth and the Resource Curse in Venezuela” that the economic policies applied in Venezuela caused and exacerbated the resource curse which devastated the country and made it unproductive and rent seeking, Rossi disregards all other problems in the country as not causing Venezuela to collapse.

Heywood, argues in his book “Political Ideology: An Introduction”, that social democracy endorses liberal-democratic principles and accepts that political change should be brought about peacefully and constitutionally, where capitalism is the only reliable means of generating wealth. Nevertheless, since capitalism is viewed as morally defective and causes structural inequality and poverty, the state should rectify the system through a process of economic and social engineering.

Gilbert and O’Neill, argue in their article “Socialism”, that socialism is defined as, when the majority of the means of production is under state social and democratic control, workers should retain labor power, resources should be distributed almost equally between all inhabitants of the state etc. Their point of view is that socialism is the exact opposite of capitalism.

Di Martino, argues in his article “How Socialism Destroyed Venezuela”, that the real reason for the downfall of Venezuela is socialist policies that Chavez implemented such as, nationalization of private industries, currency and price controls, and irresponsible expenditure on welfare programs. In addition to that he added that corruption, mismanagement, lower oil prices, and U.S. sanctions have little to do with the crisis.

Oliva Campos and Prevost, argue in their article “The Trump Administration in Latin America: Continuity and Change”, that Trump’s policy toward Latin America as a whole and Venezuela in particular is directed by the neo-conservatives, with John

Bolton, the National security advisor to POTUS spearheading it. Neo-conservatives see Venezuela along other states as adversaries of the US and candidates for regime change. Meanwhile, Russia and China are protecting Venezuela's current regime in order to undermine the US.

Shuya, argues in his article "Russian Influence in Latin America: A Response to NATO", that Russia's infiltration of Latin America (as the Soviet Union before) and especially Venezuela to increase its power and challenge the US world hegemony is causing the US to be aggressive toward the latter and cripple it, where one of many battlefields between the two is Venezuela. This theory is also discussed by Herbst and Marczak in their article "Russia's Intervention in Venezuela: What's at Stake?"

Briceño-Ruiz, argues in his article "The Crisis in Venezuela: A New Chapter, or the Final Chapter?", that the real conflict is between the US and the Chavista regime in Venezuela which is ongoing since Hugo Chavez (Maduro's predecessor) became president in 1998. Russia and China entered this conflict on the side of Maduro recently. Briceño-Ruiz, argues in his article "The Crisis in Venezuela: A New Chapter, or the Final Chapter?", that the real conflict is between the US and the Chavista regime in Venezuela which is ongoing since Hugo Chavez (Maduro's predecessor) became president in 1998. Russia and China entered this conflict on the side of Maduro recently.

Grenier, argues in his article "Canada and the Venezuela Crisis", that Canada (member of the Lima Group) is involved in Venezuela to restore democracy, end the manmade humanitarian crisis, and stop extrajudicial killings etc. that the regime and his allies (i.e. Russia, China, Cuba etc.) are committing. Rendon, argues in his article "Why Venezuela Should Be a U.S. Foreign Policy Priority" the same theory discussed by

Grenier for the US instead of Canada. The Lima Group statements show that their involvement in Venezuela is due to the same reasons.

Noriega, argues in his article “Venezuela Under Chavez: The Path Toward Dictatorship”, that Chavez has systematically concentrated power under him by changing the constitution, eliminating the senate, stopping congressional oversight of the army, harassing the media and his political opponents, putting the judiciary in his pocket, undermining unions etc. He then proposes a “soft” path to deal with the situation stating that “the United States must walk a fine line between responding to Chávez’s every provocation and being straightforward in expressing U.S. concerns regarding the deterioration of democratic institutions in Venezuela”.

Gregor argues in his book “Interpretations of Fascism”, that developmental dictatorship is where the state in an economically backward country is committed above all to economic development and is prepared to sacrifice personal freedom, private property, the market economy, and anything else to achieve it.

Ausman, argues in his article “the Devastating Venezuelan Crisis” that the crisis in Venezuela comes from a combination of bad geopolitics, bad socialist policy, and corruption, where oil cannot be blamed for this crisis. In addition to that, he claims that authoritarianism started in Venezuela when Maduro had no money to keep the support of the Venezuelan people.

Thorsen and Lie, argue in their article “What is Neoliberalism” that neoliberalism is a revival of liberalism which have been absent from policy making for a period of time. Neoliberalism, they suggest might be perceived as a different ideology than liberalism even though it shares with liberalism some historical roots as well as some of the basic vocabulary. They define neoliberalism as a set of political beliefs

such as, the state only purpose is to safeguard individual, and commercial liberty, in addition to strong private property rights (the state should be minimal). On the international level, neoliberals believe that a system of free markets and free trade should be implemented as well.

CHAPTER 3

HISTORICAL OVERVIEW OF MODERN VENEZUELA

3.1 1920 - 1958

Before 1920, Venezuela was a poor country. It produced and exported primarily agriculture products, most importantly cocoa, coffee and leather (Bello et al., 2011). An oil boom in Venezuela occurred in the 1920s which caused an increase in oil production. Since then oil has been Venezuela's most important export (Bello et al., 2011). From 1920 to 1935, oil export increased from 1.9% to 91.2% of total Venezuelan exports, making Venezuela the wealthiest state in Latin America (Economic history of Venezuela, 2019). However, this domination of exports by oil caused a phenomenon called "The Dutch disease", an increase in the economic development of a specific sector and a decline in other sectors (What are the 'natural resource curse' and 'Dutch disease'?, 2012). Due to this phenomenon, Venezuela fell behind other Latin American countries in terms of the level of industrialization (Economic history of Venezuela, 2019). To overturn this condition, the Venezuelan government introduced the plan that has been called "Sembrar el petroleo" (Plant the oil) in 1936, the idea was to reinvest the revenues coming from oil in agriculture and other industry sectors (Economic history of Venezuela, 2019) and (Salazar-Carrillo, 1986). This had limited effects due to World War II and the United States dependency on Venezuelan oil. Through the 1950s, the economy kept booming and there was a large amount of public expenditure on roads, highways, seaports and electricity plants (Bello et al., 2011). The government also provided funds for different industrial projects to decrease imports, where the most successful sectors in doing so were Manufacturing

and Electricity-Gas-Water (Bello et al., 2011). Nevertheless, corruption started thriving in the government, this combined with “The Dutch disease” resulted in what it is called “The resource curse” in Venezuela, which still plagues it to this very day.

During this period, the development of the oil industry generated a process of capital accumulation and economic growth transforming Venezuela into the wealthiest country in Latin America and the second wealthiest in the Americas (the Venezuelan GDP per capita compared to the US increased from 20% in 1920 to more than 90% in 1958) (Bello et al., 2011), (Economic history of Venezuela, 2019) and (Economy of Venezuela, 2019).

Industrialization started taking place at the end of this period and knowledge transfer and socio-political modernization were also present throughout it (Bello et al., 2011). Finally, a massive movement of population out of rural areas occurred (rural population decreased from 80% to 36%) (Bello et al., 2011).

One more thing to add, throughout this period Venezuela was ruled by dictators, democracy would be introduced during the next time period by Romulo Betancourt (Economic history of Venezuela, 2019).

3.2 1958 - 1989

Leftist President Romulo Betancourt (father of Venezuelan democracy) was elected president in 1958 (Economic history of Venezuela, 2019). To grow the economy, flee from oil dependency and decrease imports, his government founded the Central Office of Coordination and Planning (Cordiplan, n.d.), “which issued multiyear plans with broad economic development objectives” (Bello et al., 2011). The government moved beyond public infrastructure development projects. A broad range of interventions in the economy and protectionism policies took place (creating public

financial institutions like the industrial bank and the Venezuelan development corporation (CVF), imposing price controls on consumer goods and services and providing subsidies for several sectors like agriculture etc.) (Bello et al., 2011). Despite these efforts, the government made only some progress in diversifying its revenue streams. The government also pursued welfare projects, mainly healthcare, access to potable water and education. All these projects and interventions were mainly financed by oil revenues (Economic history of Venezuela, 2019). In 1976, the government nationalized the Oil Industry and created PDVSA (Petróleos de Venezuela, S.A.) in order to be able to control the price and quantity at which oil is exported (due to OPEC membership), this increased the government oil revenues and in turn spending (Economic history of Venezuela, 2019) and (Bello et al., 2011). Despite the oil boom of the 1970s that benefited Venezuela due to large government projects, the Venezuelan government fell in a huge debt as well as inflation problems. Nevertheless, reckless spending from oil revenues continued until the mid-1980s; When oil prices decreased seventy percent in 5 months, the economy got wrecked and the government could no longer support its price controls, subsidies and its state-owned enterprises (Economic history of Venezuela, 2019). Attempts to remediate the situation failed due to high inflation and corruption and other reasons. Newly elected President, Carlos Andres Perez attempted to fight these problems in 1989 by using International Monetary Fund loans, and using Austerity measures to reduce the fiscal deficit. This resulted; However, a mass rebellion occurred on the 27th of February 1989 that left thousands dead (Economic history of Venezuela, 2019).

During this period, Romulo Betancourt continued the work that his predecessors started, to keep stimulating industrial capitalism (as his predecessors, he understood that

an oil focused economy will not endure forever). This kept working for a while (expansion of non-petroleum industries stopped in the mid-seventies, a decade after he left office) even though the oil prices during his presidency were on the decline and he could not take advantage of high oil prices like later presidents (Salazar-Carrilo, 1986), (Bello et al., 2011) and (Economic history of Venezuela, 2019). He also pursued social welfare policies. However, later policymakers followed an aggressive policy of public sector expansion and nationalization, where in 1983 public investment became greater than private investment for the first time (Bello et al., 2011). In the 1970s and early 1980s the Dutch disease destroyed other industries, took Venezuela back to the rent economy status (Romulo Betancourt and other policymakers were fighting this fiercely) and increased spending and corruption in the country which didn't decline even when oil prices did, eventually leading to the Caracazo rebellion (Economic history of Venezuela, 2019).

3.3 1990 - 2019

In 1992, Colonel Hugo Chávez made an unsuccessful Coup attempt which landed him in jail. After his release in 1994, Chávez began to pursue politics and created the party "Movement for the Fifth Republic" (Economic history of Venezuela, 2019). Hugo Chavez in the 1998 elections defeated both major parties and he became president because of his party major concern, the welfare of the people (Economic history of Venezuela, 2019). He began his presidency by changing the constitution and enacting various reforms to strengthen his control. Then he started changing the structure of the economy, by enacting many laws designed to redistribute land and wealth and by increasing taxes (Economic history of Venezuela, 2019). On April 11, 2002, a Coup d'état removed Chávez from power for several days before being restored

again. After the coup, Chávez continued his developmental dictatorship by purging political opponents from the armed forces, taking control of PDVSA and firing all of workers who went on general strike during the coup and by increasing control over the judiciary sector (Economic history of Venezuela, 2019). In 2004, Chávez returned to pursuing his programs promoting welfare and the redistribution of wealth, focusing mostly on the poorer areas of the country. These programs or “Misiones” were mainly in the healthcare and education sectors. They were run by Cuban teachers, doctors and paramedics and were totally financed by oil revenues (Economic history of Venezuela, 2019). These types of programs in addition to unsuccessful attempts to boost the private sector dominated the Chávez government until his death in March 5, 2013. Nicolas Maduro was sworn into power in 14 April 2013, he continued the work of his predecessor, mainly increasing his control and continuing the “Misiones” (Missions) until 2014, when inflation and shortage of basic goods took a new level and mass protests started breaking out (Kiger, 2019) and (Economic history of Venezuela, 2019). The government couldn't contain the situation, hyperinflation (reached 10, 000, 000 % in 2019), severe shortages and extreme corruption became the norm in Venezuela since then, leading to an almost complete collapse in 2019 (Economic history of Venezuela, 2019).

During this period, the election of a leftist politics like Hugo Chavez was a reaction to corruption, overspending and mismanagement of the economy. However, Chávez's and his pupil's rein showed these same problems but under a different umbrella, that is socialism mixed with a developmental dictatorship. In 2019, the United States started imposing severe sanctions (sanctions started before but these were the most severe and a humanitarian crisis formed in Venezuela that caused around 5 million

people to flee the country so far (Over 5 million people could flee Venezuela by year's end: study, 2019).

CHAPTER 4

THE RESOURCE CURSE (RC) VS THE DUTCH DISEASE (DD)

Many are challenged to differentiate between the Dutch disease and the resource curse. Although they both share the same origin, the two phenomena represent different aspects of resource wealth (Larsen, 2006). Below a definition in differentiation of the two concepts will be provided. Then, we will see which phenomenon is Venezuela facing. Corruption, which is a main pillar of one of the two aforementioned phenomenon will be studied briefly as well, to finally end with the shale oil and its consequences of the Venezuelan oil sector and economy.

4.1 The Dutch Disease

The Dutch disease is when growth in national income from natural resource extraction damages other sectors of a country's economy (What are the 'natural resource curse' and 'Dutch disease'?, 2012). When revenues from natural resource exports increase, the value of the nation's currency increases, which in turn makes other exports (agriculture etc.) less competitive in international markets (What are the 'natural resource curse' and 'Dutch disease'?, 2012). However, ongoing research has found that catching this disease can happen without appreciation of the currency. When demand increases in the resource extracting sectors, workers leave other sectors and join the former, not because these productions are costly but because they are not a priority in the short-run (Ianchovichina and Onder, 2017). Thus, production in the other sectors declines and imports increases.

In the light of the two arguments mentioned above, the entire economy then becomes more dependent on the resource extracting sectors, which creates volatility (high prices produces more gains and lower prices will be damaging) (What are the ‘natural resource curse’ and ‘Dutch disease’?, 2012). Some Countries that overcame the Dutch disease are, Chile, Indonesia, Norway and the UAE (The Resource Curse, The Political and Economic Challenges of Natural Resource Wealth, 2015).

4.2 The Resource Curse

The resource curse, also known by “the paradox of plenty”, refers to the paradox that countries with an abundance of natural resources tend in the long run to have less economic growth, less democracy and less development outcomes than countries with fewer natural resources (What are the ‘natural resource curse’ and ‘Dutch disease’?, 2012).

According to (What are the ‘natural resource curse’ and ‘Dutch disease’?, 2012), the resource curse results from: political conflict over the resources (ethnic or religious communities against each other), high inequality in the sharing of benefits, weak government institutions (unable or unwilling to manage the resources effectively) and finally, corruption and “rent seeking” (manipulating public policy or economic conditions as a strategy for increasing profits).

Based on the aforementioned points, we can summarize the resource curse in an equation as a combination of the [Dutch disease + Systemic Corruption]. Most work on the resource curse was on developmental countries. Countries such as, Nigeria, Angola, Burma, Papua New Guinea, Chad, Pakistan, Sudan, and of course Venezuela (Patrick, 2012).

4.3 Venezuela: Dutch Disease or Resource Curse

Venezuela has the world's largest crude oil reserves, with 303 billion barrels (Sbeglia, 2017). That's about 9.5 million barrels per Venezuelan. At the current rate of production, it would take over 270 years before Venezuela runs out of oil (Satti et al. 2013).



Figure 1: Oil and Natural Gas Fields and Infrastructure in Venezuela. Adapted from Southfront.org/maps



Figure 2: Orinoco Belt. Data source: PDVSA. Adapted from Banktrack.org



Figure 3: Maracaibo Basin. Adapted from ‘Cretaceous and Tertiary petroleum systems in the Catatumbo basin (Colombia)’ by J. Navarro Comet and A. Alaminos Martinez, 2006

From figure 1, we can see that most of the oil in Venezuela is concentrated in the Orinoco Belt and the Maracaibo basin (figure 2 and 3 respectively). The Orinoco

Belt is estimated to contain 1.3 trillion barrels of oil with 270 billion barrels of recoverable reserves (Rossi, 2011). (For more info about the characteristics of the Venezuelan oil, check Appendix).

Venezuela has been overly dependent on oil for its economy for a century now, where oil income accounts on average for 14% of GDP, 61% of total government revenues and over 88% of exports during this period (Satti et al. 2013). Venezuelan oil exports represented 31% of fiscal revenues and 64% of export revenues in 1998, while reaching 64% and 92% respectively in 2008 (Satti et al. 2013). We almost have the same figures by 2015 with oil exports representing 96% of export revenues (Xian and Guang, 2018).

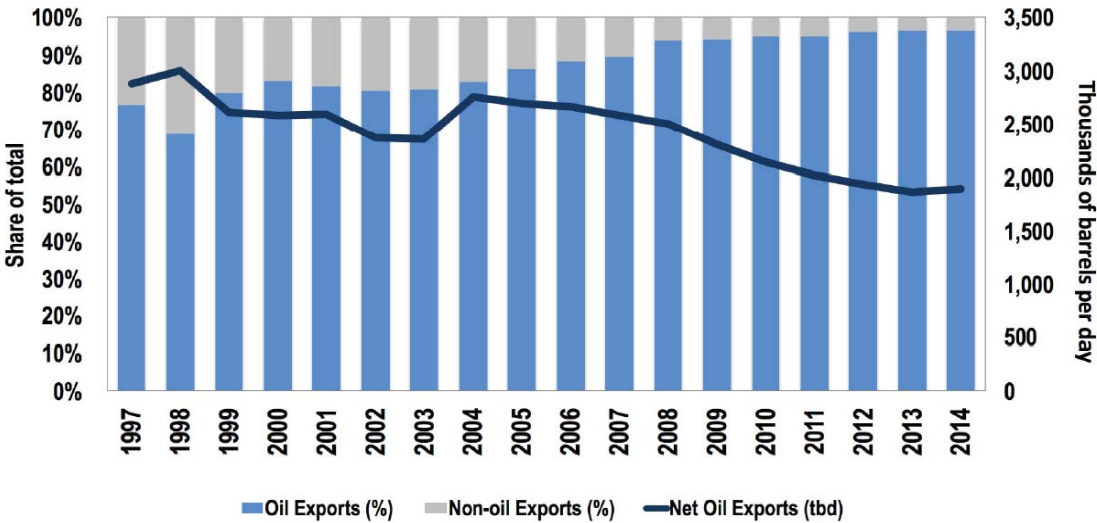


Figure 4: Oil Exports Vs. Non-Oil Exports. Data source: Central Bank, BP Statistical Review of World Energy (2015). Adapted from ‘The Impact of the Decline in Oil Prices on The Economics, Politics and Oil Industry of Venezuela’ by F. Monaldi, 2015

A country dependent on one natural resource for its economy like Venezuela is going to face economic hardships when the price of the commodity falls (Kott, 2012) and (Rossi, 2011).

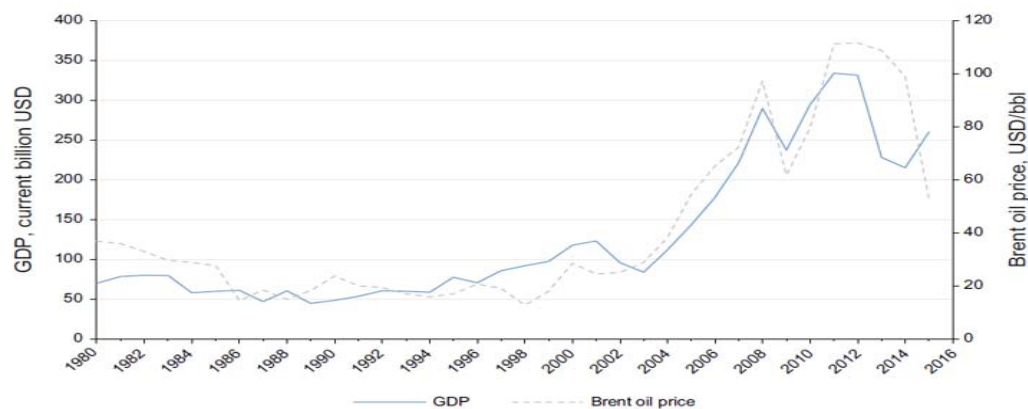


Figure 5: Brent Crude Oil Price and Venezuela GDP. Data source: IMF, BP Statistics 2016. Adapted from ‘Analysis of Venezuela’s oil-oriented economy: from the perspective of entropy’ by Z. M. Xian and W. H. Guang, 2018

According to figure 5, we can see that the GDP in Venezuela is directly related with the Brent oil price. When the oil price increases, the GDP increases and when the oil price decreases, the GDP decreases.

Between 2004 and 2010 Venezuela has benefited from an oil boom, where the economy has more than tripled, during this period there was a substantial decrease in poverty rates and an increase in Chavez’s approval rating (Monaldi, 2015). In 2010 and onward Venezuela was the only country in the region other than Haiti with negative growth (in 2010 Haiti was stricken by a catastrophic earthquake) (Satti et al. 2013).

During the booming period (1999-2014), Venezuela’s accumulated exports were about \$850 billion while the foreign exchange reserves rose only by \$7 billion and external public debt rose from \$37 billion to \$ 102 billion (Monaldi, 2015). According to (Monaldi, 2015), most of the revenues from oil and the money coming from debt was used for political purposes and power increasing by the government (this proves corruption, rent seeking and mismanagement).

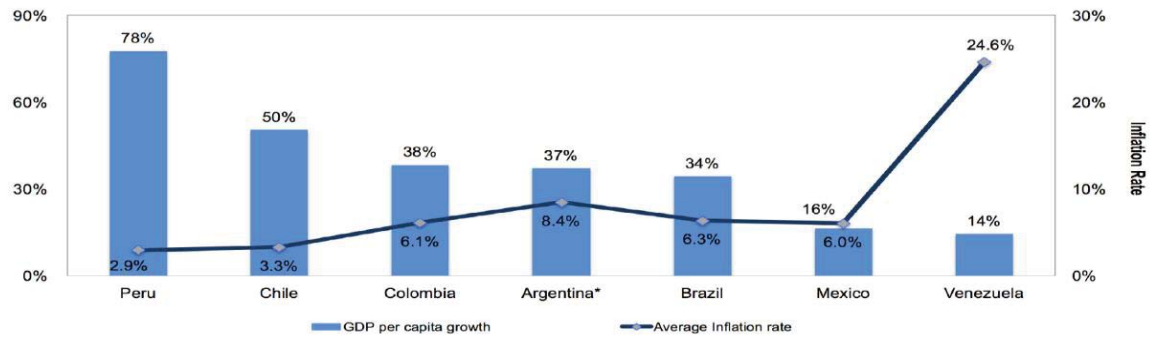


Figure 6: GDP per Capita Growth and Inflation 1998-2013. Adapted from ‘The Impact of the Decline in Oil Prices on The Economics, Politics and Oil Industry of Venezuela’ by F. Monaldi, 2015

In figure 6, we see that during this period (which contained the biggest oil boom in recent times), the economy of Venezuela, which is mostly based on oil, couldn’t grow as much as other countries in the South American continent, even though these countries did not have the resources that Venezuela is blessed with (or cursed with). During this period Venezuelan inflation kept increasing until it became the highest in the world in late 2013 (Monaldi, 2015). The Venezuelan inflation is still the highest in the world reaching 10,000,000% in August 2019 (Sanchez, 2019).

All we have seen above proves that Venezuela is not only facing the Dutch disease but the resource curse. Its over dependency on oil money, low growth compared with countries less wealthy in natural resources proves it. Next we will go over corruption (which is a main pillar of the resource curse) in Venezuela, its motives, types and consequences.

4.4 Corruption in Venezuela

Transparency International defines corruption as the abuse of entrusted power for private gain, while (Coronel, 2006) defines government corruption as “the violation

of the public interest for personal or partisan gain, it involves the use and abuse of political power to consolidate that power in order to obtain higher status and material wealth”.

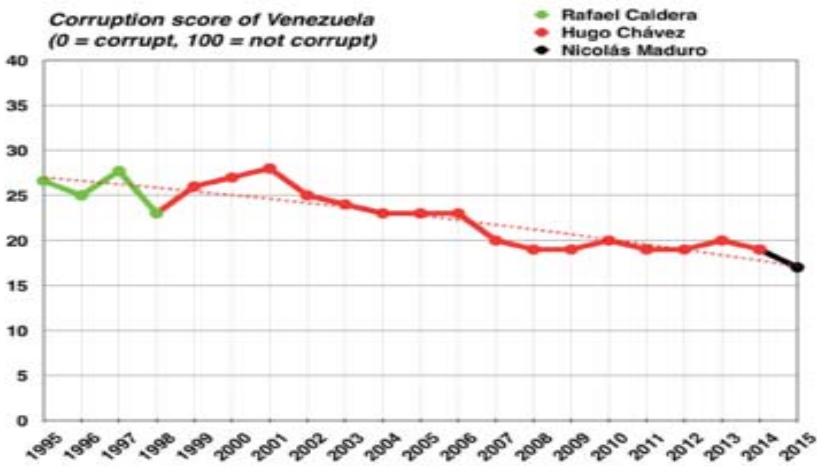


Figure 7: Corruption Score of Venezuela According to the Corruption Perceptions Index. Data source: Transparency International

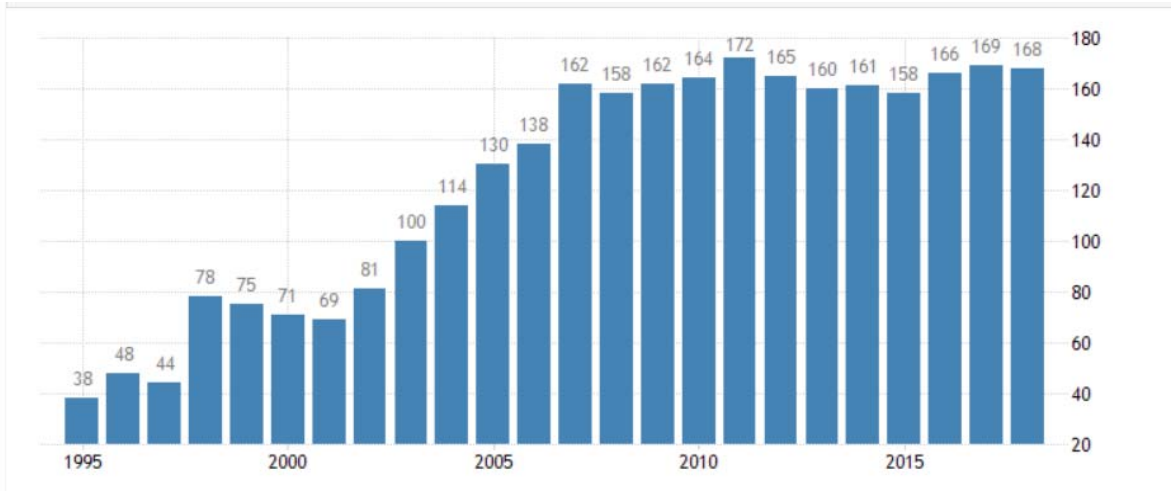


Figure 8: Corruption Rank for Venezuela (rank number 1 is the least corrupt). Data source: Trading Economics

Corruption is present throughout the history of Venezuela, however, excessive

corruption really took root from 1975 to 1998, in which, Venezuelan corruption levels increased and stayed high (Almanzar, n.d.). Pro Calidad de Vida, a Venezuelan NGO doing anti-corruption work, estimated in 1997 that around \$100 billion coming from oil had been wasted or stolen during the previous 25 years (Coronel, 2006). Corruption flourished during the presidency of Chavez and onward (as seen in figure 7 and 8); for example, around \$22.5 billion has been transferred from Venezuela to accounts abroad by the Chávez government since 2004, according to the Venezuelan Central Bank (Coronel, 2006). Next, we are going to see what are the motives for the increase in corruption in Venezuela.

4.4.1 Consequences of Corruption on Venezuela

A couple of consequences of corruption would be: it hinders the growth of the Venezuelan economy by discouraging investment, be it domestic or foreign. It also affects education and culture, by rewarding the quick money schemes people while ostracizing the hard worker. Example, it is easier to engage in black market activities than to get educated and make your living by hard work (Almanzar, n.d.).

The case in Venezuela is not limited to the phenomenon of Dutch disease. It also includes corruption, mismanagement, rent seeking and the most important condition which is the lower economic growth and the greater inflation compared to other countries with fewer natural resources (Peru, Argentina etc.). All of this classify the phenomenon in Venezuela as a resource curse (this phenomenon started as early as the late 1970s and still increasing while the Dutch disease started in the 1920s and 1930s).

4.4.3 Motives for Corruption

There are many motives for corruption in Venezuela, the most important one is the weak political and social institutions in Venezuela. Oil wealth brought quick modifications to the fabric of society, but the government wasn't effective in dealing with such large new revenues in terms of building institutional markers of responsible growth. Civil society also couldn't help build these institutions (Almanzar, n.d.).

Another motive for corruption revolves around the uneven wages of government workers, this leads these workers to accept bribes etc. (Coronel, 2006).

One last motive is the lack of adequate administrative norms and judicial controls, this reinforces the presence and intensity of corruption (no corrupt is being punished) (Almanzar, n.d.). The three types of corruption in Venezuela will be now introduced.

4.4.2 Types of Corruption

Venezuela has three types of corruption (Coronel, 2006). Grand Corruption, corruption derived from major policy decisions by the highest decision making levels of government, the president (Coronel, 2006).

Bureaucratic Corruption, corruption that includes violations of norms, regulations and laws by government employees and their accomplices. Some examples of this type of corruption would be, bribery, extortion, abuse of political power, stealing of public funds and others (Coronel, 2006).

Systemic Corruption, describes the interface between the government and the private sector. It includes government officials and private businessmen doing business at the expense of the public good. This type of corruption exploded during Chávez's

rein, which caused the emergence of a new rich, “revolutionary” class (revolutionaries in Venezuela are the people following Chavez) (Coronel, 2006).

Systemic Corruption is the corruption which when combined with the Dutch disease creates the phenomenon of the resource curse, since oil money is spent on projects which make state officials more popular and rich (along with private businessmen), projects like building housing and importing equipment at a very high price (where profits are then partitioned between the businessmen and the officials).

Now we are going to study the shale oil, especially in the United States, and see its consequences on the Venezuelan economy.

4.5 Shale Oil Consequences on the Venezuelan Economy

In this sub section, a brief explanation of shale oil will be given, then in the summary of it, an explanation of how shale oil and especially the US shale oil affects the industry of oil in Venezuela

Shale oil is a high quality crude oil found between layers of shale rock, siltstone or impermeable mudstone (Amadeo, 2020). Shale oil is produced by fracturing the rock formations that contain the layers of oil, this is called fracking (Amadeo, 2020). (For more info about Shale oil and Fracking, check Appendix).

4.5.1 United States Shale

The United States has the largest shale oil deposit in the world, with an estimated 6 trillion barrels of shale oil, which means hundreds if not thousands of years of oil reserves (World Energy Council, 2016). There are 2 major deposits in the United States, the eastern deposits which covers 650,000 km² and the western deposits which

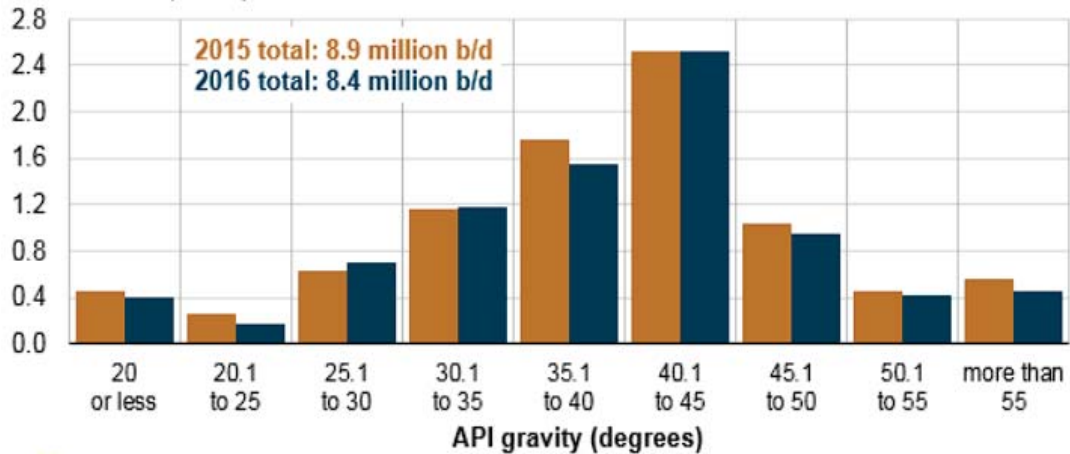


Figure 10: API for United States Shale Oil. Data source: U.S. Energy Information Administration

Since 2014 the United States oil export started to increase until March 2020 when it reached 110 262 barrels per month as we can see in figures 11 and 12. The dip in April 2020 is due to the decrease in demand for oil and the freefall of oil prices due to the coronavirus pandemic known as COVID19. However, exports of United States shale oil will keep increasing in the future until the 2030s when oil demand will decline after a period of plateauing (Lepic, 2020).

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	5,450	871	4,449	3,706	1,062	282	466	536	688	273	71	498
2001	545	674	1,147	145	1,981	452	334	874	238	351	265	380
2002	339	124	254	228	224	161	1,016	267	218	122	290	52
2003	318	140	297	360	452	1,363	214	114	99	433	638	109
2004	191	223	599	1,640	809	1,349	549	409	1,040	786	1,253	933
2005	1,239	541	1,111	1,345	1,694	640	1,058	531	727	530	1,445	759
2006	849	415	903	794	829	987	414	472	631	1,152	714	839
2007	294	703	1,047	573	1,117	1,565	822	1,307	1,013	337	603	626
2008	364	578	910	419	581	659	894	1,234	1,173	1,321	916	1,413
2009	1,122	833	943	799	1,634	1,698	971	1,091	1,265	2,241	1,365	2,022
2010	1,008	1,621	1,395	1,095	1,121	937	2,140	1,113	1,838	728	953	1,249
2011	2,228	847	1,126	1,227	1,148	1,066	2,263	1,047	1,065	1,568	1,928	1,646
2012	2,425	2,127	2,196	1,228	2,571	1,381	2,388	1,866	2,038	2,079	2,201	2,191
2013	3,384	3,705	3,310	4,151	4,034	3,723	3,217	2,192	3,162	3,679	7,578	6,834
2014	7,698	6,907	7,794	8,448	9,567	11,833	13,045	12,136	10,479	11,653	15,619	13,053
2015	15,342	12,380	13,565	17,969	16,338	13,355	16,934	14,286	12,314	15,503	9,592	12,162
2016	15,176	13,161	18,471	18,714	24,414	15,915	16,612	22,331	23,241	15,552	18,170	14,518
2017	22,046	32,092	28,831	33,835	34,049	25,953	29,642	25,338	43,899	53,327	46,323	47,184
2018	42,221	48,589	61,050	57,581	64,080	68,366	71,509	57,619	60,453	69,951	72,013	74,109
2019	81,931	81,617	82,864	87,321	91,722	92,995	83,883	85,406	92,780	105,770	92,408	109,648
2020	100,773	107,528	110,262	92,315	90,787	82,585	101,265	102,245	97,150	90,970		

Figure 11: US Oil Exports. Data source: U.S. Energy Information Administration

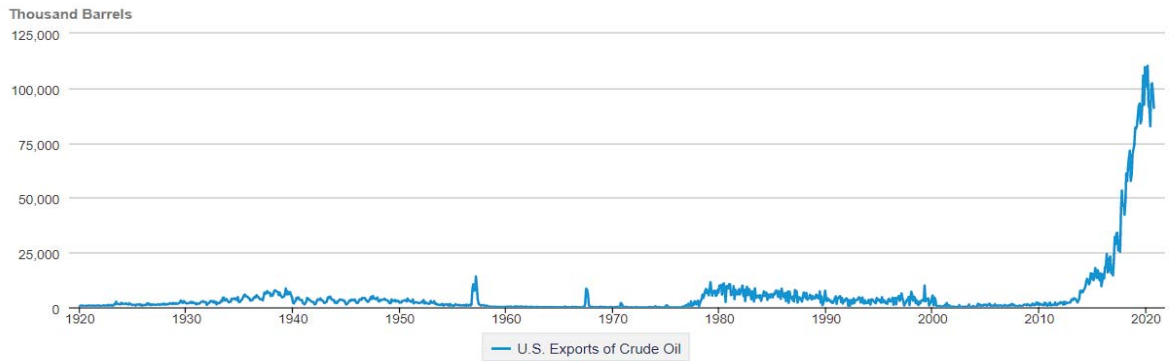


Figure 12: US Oil Exports. Data source: U.S. Energy Information Administration

With the increase in the United States oil exports we have a decrease in its oil imports, this affects Venezuela’s exports of oil directly since the United States was the biggest importer of Venezuelan oil and since 2019 the United States stopped importing Venezuela’s oil as we can see in figure 13.

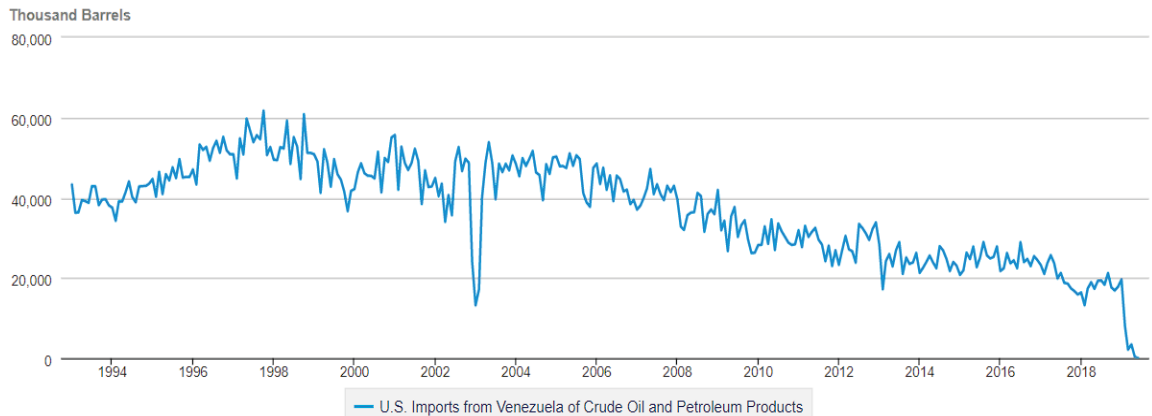


Figure 13: US Imports from Venezuela of Crude Oil and Petroleum Products. Data source: U.S. Energy Information Administration

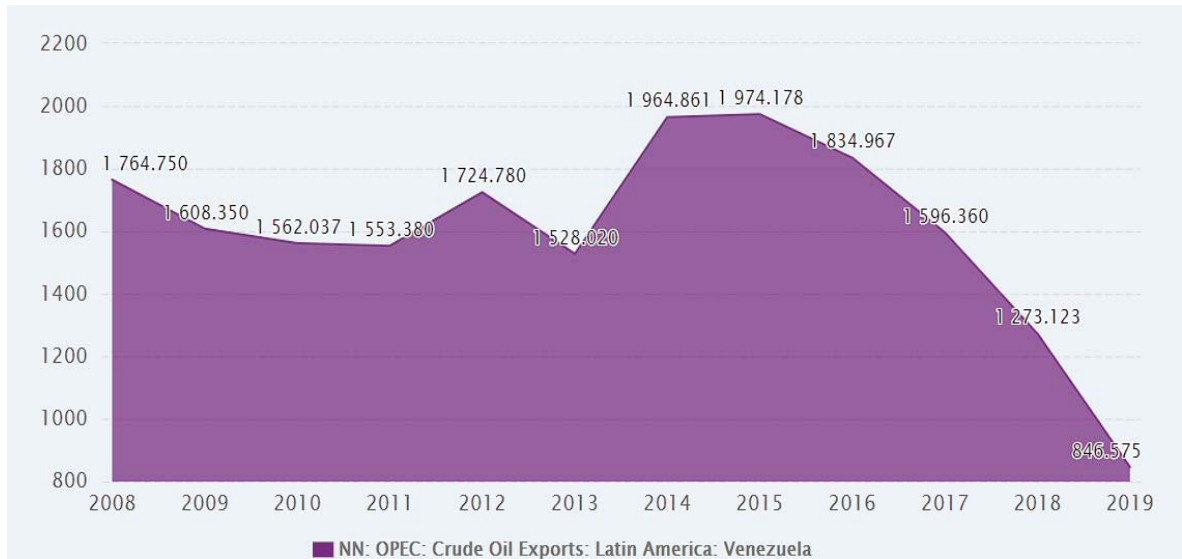


Figure 14: Venezuela Crude Oil Exports. Data source: CEICDATA

In addition to losing its biggest importer, the United States, it is also taking a big part of Venezuela’s market share. In figure 14 we can see how Venezuela’s export of oil is decreasing from around 2000 000 barrels per day in 2014 and 2015 to less than 850 000 in 2019 and the numbers are still decreasing.

A small part concerning the lack of maintenance and investment in the oil sector in Venezuela will now be provided.

4.6 Investment and Maintenance

The oil industry in Venezuela has been neglected since 2014, when Maduro’s government diverted the budgetary resources necessary to maintain operations in PDVSA (the state owned oil and natural gas company) which led to increasing malfunctions with time, a sharp decrease in oil production from 2 750 000 barrels per day in 2015 to less than 500 000 barrels per day in 2020 as we can see in figure 15. In addition to that, the government stopped investing completely in the oil sector

(Ramirez, 2021). All the revenues coming from oil has almost always been relegated to social expenditure especially during the Chavista regime (Guerrero and Romero, 2016).



Figure 15: Oil Production in Venezuela. Data source: Trading Economics

In this chapter, we have first seen what does the Dutch disease and the resource curse mean, and which phenomenon of the two is facing Venezuela (RC). Corruption, lack of investment and maintenance in the oil sector were also discussed. In addition to that, the US shale oil and its bad consequences on the Venezuelan oil was also studied.

CHAPTER 5

SOCIALISM VS. SOCIAL DEMOCRACY

In this chapter, we will first define socialism and social democracy, then give a brief historical overview of the socialist ideology in Venezuela. Then we will compare Chavez's Venezuela to Peron's Argentina and Ceausescu's Romania to find out why the latter two cases succeeded in socialism while the former failed miserably and is still failing.

5.1 Socialism

The Meriam-Webster dictionary defines socialism as: "any of various economic and political theories advocating collective or governmental ownership and administration of the means of production and distribution of goods".

That means, in a fully socialist country, the state owns all the means of production, there are no individual private properties and what is produced belongs to the entire population of the state. Socialism is the opposite of capitalism.

5.2 Social Democracy

According to (Heywood, 2003), the major features of social democracy:

- 1- "Social democracy endorses liberal-democratic principles and accepts that political change can and should be brought about peacefully and constitutionally."
- 2- "Capitalism is accepted as the only reliable means of generating wealth; socialism, therefore, is not qualitatively different from capitalism."

- 3- “Capitalism is nevertheless viewed as morally defective, particularly as a means for distributing wealth; capitalism is associated with structural inequality and poverty.”
- 4- “The defects of the capitalist system can be rectified by the state through a process of economic and social engineering; the state is the custodian of public or common interest.”
- 5- “The nation-state is a meaningful unit of political rule, in the sense that states have a significant capacity to regulate economic and social life within their own borders.”

In summary, social democracy is an ideology that has similar values to socialism, but admits that capitalism is the best way for wealth generation.

5.3 Venezuela and Socialism

Both ideologies had their times in Venezuela.

President Romulo Betancourt’s government was trying to turn Venezuela into a social democratic state by stimulating industrial capitalism (providing subsidies etc.), intervening in the economy (imposing price controls on consumer goods, founding the Central Office of Coordination and Planning (Cordiplan) etc.) and providing a better welfare for its population (improving healthcare, improving education, access to potable water etc.) (Bello et al., 2011) and (Economic history of Venezuela, 2019). In other words, the government was trying to achieve socialism through hard work (True socialism), that is why these policies ameliorated class conflict in the 1960s (Smilde, 2008).

On the other hand, President Hugo Chavez's government has been at the forefront of anti-neoliberalism and tried (still trying under Maduro) to transform Venezuela to a fully Cuban style socialist state. The new constitution adopted by Chavez's government (dated: mid-1999) establishes healthcare, education, housing and social security as human rights guaranteed by the state (Buxton, 2014). The government also went into a spree of expropriation and nationalization, where no one was able to count the exact number of nationalized companies. However, these companies pertained to various sectors including aluminum, gold, cement, iron, farming, steel, transportation, food production, banking, paper, electricity and the media (Keppel, 2013). To avoid expropriation a big number of Venezuelan companies have moved to Panama, the United States and Colombia (Keppel, 2013). The government was stagnating the private sector and forcing it to flee the country, only leaning on oil revenues to finance their Cuban style socialism (corrupt socialism).

A commonality between these two somehow distinct ideologies in Venezuela is the importance of healthcare, nevertheless, the way healthcare is tackled is different. Where during the social democracy era the healthcare sector was improved, more public hospitals were built across the entire country (urban and rural areas alike, inside and outside the capital) more people could get more benefits etc. (Economic history of Venezuela. 2019). Whereas during the Cuban style socialist era the people were guaranteed completely free healthcare benefits as a right protected by the government (Cuban style healthcare) (Economic history of Venezuela. 2019).

The riches of Venezuela, beside oil will be discussed next, in addition to welfare projects that run on oil money. Then, we will study Juan Peron and Nicolae Ceausescu, and how they used socialism for the better of their country, then we will compare

current socialist Venezuela with socialist Peron's Argentina and Ceausescu's Romania to know if late Chavez and his successor Maduro socialist policies are effective or not. (for more about Peron's and Ceausescu's biography, check Appendix)

5.4 The Land of Riches, and Welfare

Indeed, as some state, Venezuela is the land of riches. In addition to its vast amounts in oil reserves (currently Venezuela has the highest proven oil reserves in the world amounting to 304 billion barrels, not to forget about natural gas as well, some state that a third of Venezuela's landmass is suitable for agriculture and livestock, that's around 30 million hectares (Library of Congress, Venezuela, Agriculture, n.d.), (Library of Congress, Venezuela, livestock, n.d.) and (Davey, 2012). Venezuela is also rich in gold, where there are thirty-two goldfields in the time being, diamond, steel, coal, nickel, alumina, consisting of 20% of all metals export in Venezuela, iron ore, where Venezuela is the fifth country worldwide by exports, bauxite and asphalt, where in 2014, the extraction of these minerals accounted for about 26% of the Venezuelan GDP (Davey, 2012).

With the increase in oil prices since the early 2000s, Chavez created the Bolivarian Missions, these missions were created to provide public services to improve conditions, be them economic, cultural, or social (Centro de Documentación e Información, 2006). These missions constructed thousands of free medical clinic for the poor allowing them access to healthcare of equal quantity even better than the rich who could afford private healthcare (Barreiro, 2006). The missions also distributed food, fixed price ceilings for basic foods, starting a national chain of supermarkets called the "Mercal network" which had more than 16,000 outlets and more than 85,000 employees

that distributed food at discounted prices etc, that resulted in the decrease of malnutrition related death by 50%, and malnutrition fell from 21% in 1998 to 6% in Chavez's era (Barreiro, 2006), (Derham, 2012) and (Devereux and Cancel, 2011). Chavez also built hundreds of communes, housing tens of thousands of families (Pearson, 2010). Illiteracy was also fought and higher education given for free which resulted in 95% of Venezuelans who are above 15 years of age were able to read and write, with Venezuela in general having one of the highest literacy rates in South America (Unesco, 2011). Finally, during this period income inequality dropped from 0.495 in 1998 to 0.39 in 2011 according to the Gini coefficient, thus putting Venezuela behind Canada in the Western Hemisphere, poverty rates also fell from 48.6% in 1999 to 32.1% in 2013 according to the National Statistics Institute of the Venezuelan government (Voigt, 2013) and (Gobierno Bolivariano de Venezuela, 2012).

5.5 Lessons to Learn from Peronist Argentina

In this sub section, we are going to compare between a somewhat successful socialist system (Peron's Argentina, where corporate socialism, or it can be called right wing socialism existed, since Peron's public speeches were consistently nationalist and populist, helped the poor and industrialized the country) and the Bolivarian socialism. From this comparison (and the comparison with Ceausescu's Romania) we will deduce if the socialist system in Venezuela is efficient and effective, or is it regressing the country.

Argentina is by all means a wealthy country in natural resources, albeit not as Venezuela (Thomas, 2012). Argentina resources include the following, strontium, copper, boron, potassium, aluminum, iron ore, tin, gold, silver, petroleum, uranium,

zinc, cadmium, lithium, manganese etc. (Thomas, 2012). (For more info about Argentinian natural resources, check Appendix).

Chavez and Peron both inherited wealthy countries in natural resources, both had their own kind of corrupt regimes according to (Coronel, 2006) and (Lindsey, 2002), and both went on a spree of nationalization like nationalizing the United Kingdom's and French railways in Argentina according to (Todesca, 2009), and nationalizing agriculture companies, banks and others in Venezuela according to (Reuters, 2012). Thus, a lot of similarities between the two countries. However, there is one big difference between the two which led one, Argentina, to a successful regime and a net creditor to the United States of \$5 billion in 1952 (Lindenboim, 1976), while the other, Venezuela, to an utter disaster.



Figure 16: Argentina GDP from 1870 to 2019. Data Source: World Economics, Argentina GDP (2020)

Peron, focused on industrialization. In 1945, all industrialist opposed Peron and the military government (Lindenboim, 1976). According to (Horowitz, 1990), Peron didn't want to depend on any one group totally, his dependence on the weakened labor

in the previous years (mainly the 1930s) which was also almost entirely opposed to the government; whom he was accustomed to due to him being the secretary of labor and made a lot of efforts and policies to help them by increasing their wages and easing their working conditions according to (Blanksten, 1953) and (Murmis and Portantiero, 2011), mainly shifting powers from the owners to the employees; this dependence came about after his failure to collect other allies, especially the Radical party and the industrialist, since he saw that industrialization is important to national defense. Here we can see a pragmatist leader who, in order to industrialize didn't solely rely on industrialists but found a way to circumvent the situation and rely on laborers. (for more about Peron's Industrialization of Argentina, check Appendix).

Chavismo, on the other hand, sought to remake the country's labor movement in a myriad of ways that violate the basic principles of freedom of association. The Chavista governments had always refused to bargain with established unions and engaged in favoritism toward pro government unions (Human Rights Watch, n.d.) and (NPR, 2015). The Chavista regime also undermined worker's right to elect their representatives by requiring that every union election be organized and certified by the Consejo Nacional Electoral, CNE or the National Electoral Council, a public authority, which violates international standards that guarantee workers their right to elect their representatives in freedom and according to the conditions they choose (Human Rights Watch, n.d.) and (NPR, 2015). Chavez's regime has also refused to bargain collectively with established unions that failed to hold elections that is state certified, where in the public sector by itself, a number of collective bargaining agreements amounting to 250 have expired while unions were waiting for the government's approval of their requests to hold elections and certify its results (Human Rights Watch, n.d.) and (NPR, 2015).

The regime also discriminated against established unions linked to the political opposition by promoting and negotiating with pro government unions that are exempt from electoral restrictions while refusing to negotiate with the former, thus, workers began to switch labor organizations and join the pro government organizations ones (Human Rights Watch, n.d.) and (NPR, 2015). Finally, the government banned the right to strike and asserted mass reprisals on striking PDVSA workers in 2002 such as, firing half the striking workforce, ordering private oil companies not to hire these fired workers, etc. (Human Rights Watch, n.d.) and (NPR, 2015). All of this with was done with the Supreme Court agreement, which failed to uphold the law that grants international human rights treaties precedence over domestic laws (Human Rights Watch, n.d.).

Venezuela's Chavismo regime portrays the country as a haven, or more properly a worker's paradise. Nevertheless, this regime has often clashed with laborers and their unions. We see a regime that estranged capitalists and laborers which in the end of the road led to the destruction of almost all industrial sectors in the country.

Now to the nationalization part, Peron turned Argentina into a corporatist state (a corporatist state is one in which society is organized into "corporations" subordinate to the state, or where powerful organized interest groups negotiate for the available resources and positions) (Corporatism, 2021) and (Commanding heights, Argentina, n.d.). Nevertheless, according to (Horowitz, 1990) this system worked since workers and unions loved Peron and they worked hard to make a living and better their country as a whole.

For Venezuela, nationalization had disastrous effects for the country, since workers were estranged and a huge lack of maintenance of the nationalized companies

exists. Let us take for example when Chavez nationalized Venezuela's largest telecommunications company, called CANTV, lately many of Venezuela's phone lines are no longer operating (Foundation for Economic Education, 2020). Another example would be, when in 2009, Chavez nationalized Sidor, Venezuela's largest producer of steel, which resulted in Venezuela's steel output reaching an all-time low of a thousand tons in November 2019 compared to 479 000 tons in March 2007 (Foundation for Economic Education, 2020). Many other examples like these two occurred. When we compare the industrialization between Peron's Argentina and Chavez's Venezuela, the former was able to increase industrialization power by using pragmatic socialist policies and not hardcore ideological policies like the latter

Peron's early period was one of macroeconomic shocks in which import substitution industrialization method was used, where bilateral trade, and exchange control were of crucial importance (Sanz Villarroya and Prados de la escosura, 2004). Interventionism, including the control of prices, rents etc., increased state owned properties, and a higher level of public investment were the main features of this period (Sanz Villarroya and Prados de la escosura, 2004).

During this period, a myriad of public works and programs were executed in order to modernize the country's infrastructure, where for example, twenty-two hydroelectric power plants were built that multiplied electrical output by eight times, a network of gas pipelines was built that caused the reduction of gas costs by a third (Iach, 1998) and (Economic history of Argentina, 2021). During these years, Peron achieved in Argentina the largest middle class in South America, and an exponential growth of the internal market occurred (Commanding heights, Argentina Social, n.d.) and (Gerchunoff, 1989).

Chavez on the other hand, despite having abundant resources, which are mentioned above, the country's mining industry is still underdeveloped according to (Davey, 2012), the oil industry is in ruins, and the agriculture sector has never progressed, in summary the country's industrial sectors are in shambles. Figure 17 shows how the industrial production of Venezuela is decreasing, showing a weakening economy that is getting increasingly dependent on the exports of raw materials.

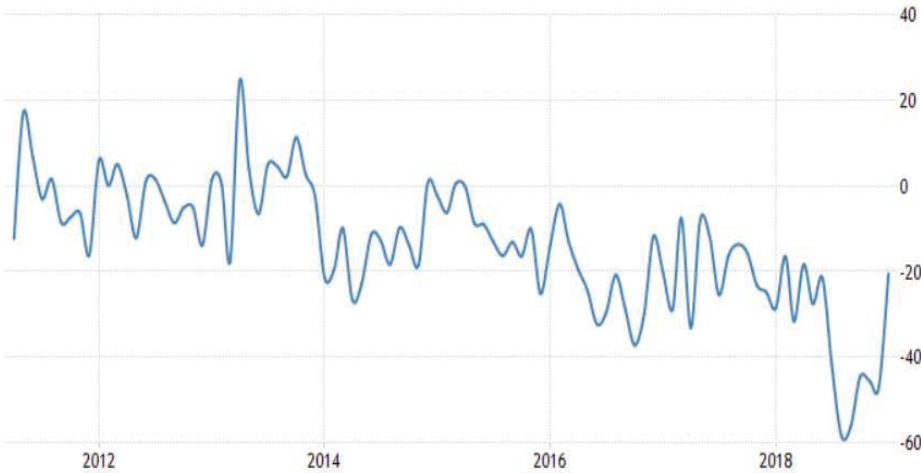


Figure 17: Venezuela Industrial Production. Data Source: Trading Economics (2020)

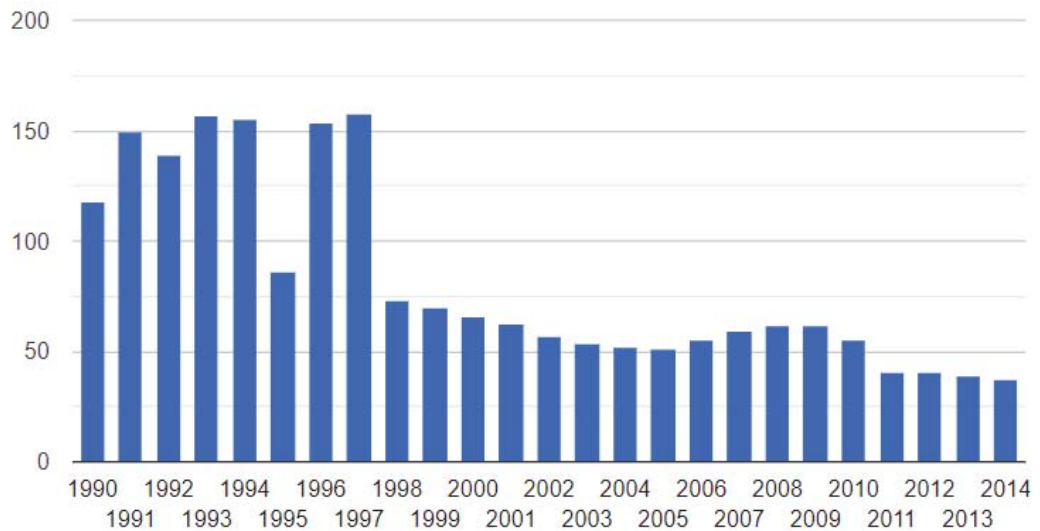


Figure 18: Venezuela Listed Companies on the stock exchange. Data Source: The Global Economy (2015)

Figure 18 shows the listed companies in Venezuela on the stock exchange, it is clear that since 1998, the year that Chavez rose to power and following the nationalization process of companies, companies number listed started decreasing and this is ongoing to this day.

The destruction of the country's industry left the regime with one final alternative to keep the socialist system running and the benefits provided above, this only alternative is the export of raw material (the DD Vs. the RC chapter goes into depth about the oil sector). Other types of exports are discussed in the Appendix.

The big difference between Peron's Argentina and Chavez's Venezuela who both tried to follow the socialist path for the good of the workers, the presence of flexibility and pragmatism in the former and the lack thereof in the latter (Peron's socialism was changing according to the need of the country, at many period's Peron was following a social democratic system instead of a socialist one, he transformed Argentina into a capitalist country but under the control of the state, i.e. corporatist

socialism, his flexible and pragmatic personality lead the country to be a successful one when he was in power). Even though both countries are endowed in natural resources, Argentina was able to use them to strengthen its industry and Peron was pragmatist enough to be able to ally himself with one part of the industrial sector components, the workers, after the capitalists took him as a foe, due to his staunch position against them and nationalizing their businesses. Chavez on the other hand tried to do everything according to ideology, this resulted in the collapse of the Venezuelan industrial sector and dependency on the exportation of raw material. Maduro the successor of Chavez is following his predecessors' footsteps as well, even though after the collapse of the state since 2019 he has the best time to reform the economy, however he is committing the same mistakes that Chavez did.

5.6 Lessons to Learn from Socialist Romania

Romania is well endowed in natural resources, starting with land where Arable land account for over 40 percent of total land, pasturage about 20 percent of total land, and orchards and vineyards about 3 percent of the total land area (Library of Congress. Romania, Natural resources, n.d.). In addition to that, Romania contains fossil fuels including oil, natural gas, anthracite, peat, brown coal and bituminous shale are abundant throughout Romania, and finally minerals including iron, chrome, manganese, molybdenum, nickel, aluminum, zinc, copper, lead, tin, titanium, vanadium, gold, and silver (Library of Congress. Romania, Natural resources, n.d.) and (World Atlas, n.d.).

By comparing Venezuela nowadays and Socialist Romania we see that both countries are very similar, on one hand they both have an inflexible socialist leader where ideology means everything in contrast to pragmatism and necessity, and on the

other hand both countries are wealthy in natural resources be it in minerals, fossil fuels, usable land, water or forests. The big differences between these identical states starts when Romania used the money from its resources to build its industry and enlarge its economy, whereas Venezuela did so to subsidize an impermanent way of live for its citizens with no permanent solution to their problems in mind. Concerning oil, it invested in oil and oil refineries in order to achieve autarky and industrializing Romania, this turned out to be a success in terms of GDP and employment (The correct use of oil money in the case of Romania shows in Figure 19 and 20 where we can find that GDP wise and employment wise, Romania was better off during the 1980s than the 1990s and early 2000s) (Holman, n.d), whereas the Chavez regime in Venezuela did it to subsidize the “free welfare” system.

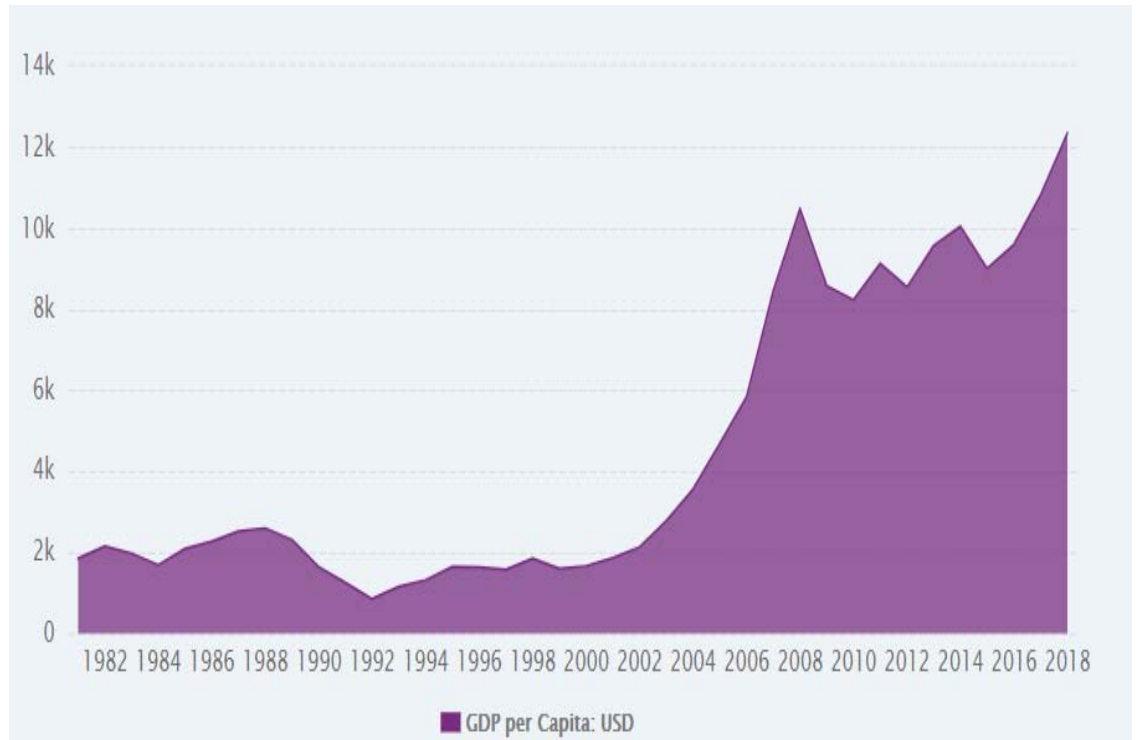


Figure 19: GDP Per Capita in Romania. Data Source: Ceicdata (2020)

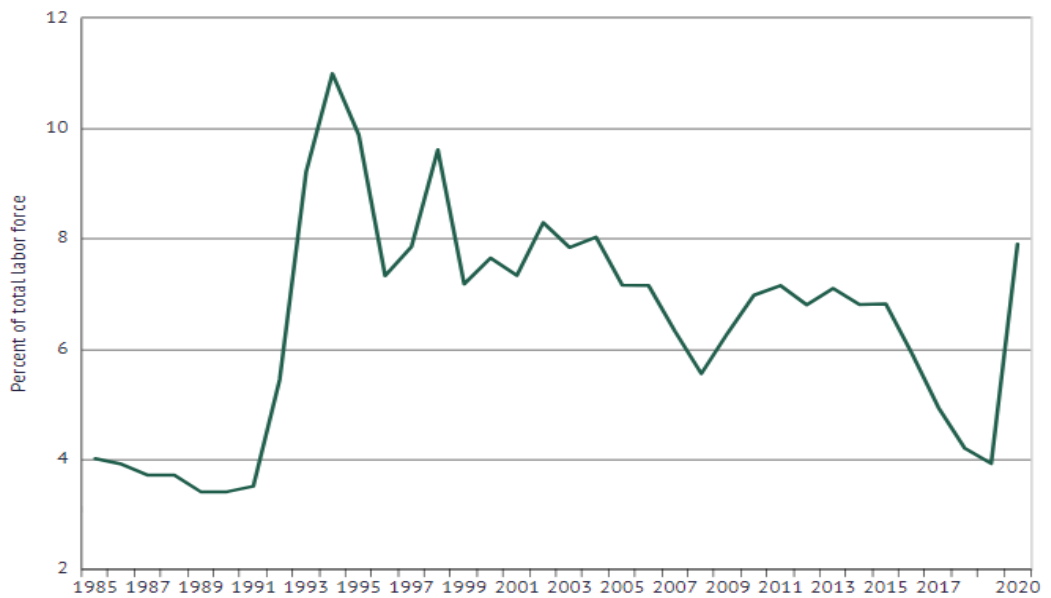


Figure 20: Unemployment rate in Romania. Data Source: World Data Atlas (2021).

As we have seen before, Chavez's Venezuela has a hostile relationship with the hegemon of the Western Hemisphere, the United States only due to ideological reasons (more on that in the geopolitics of Venezuela chapter) even though the economic and political interests of Venezuela are better protected if a cordial relationship exists between the two states. Romania on the other hand, had almost similar ideological view with the Soviet Union, nevertheless, their economic and political interests forced them to bond with some western states and other communist leaders on the expense of alienating the Soviet Union (Wilson Center, n.d.).

We can conclude that the successful post World War II until the 1970s Romania was a pragmatist and flexible Romania that wanted to be an independent, successful state through industrialization and to be to a certain degree self-dependent where the people enjoy a good standard of living. Whereas, Chavez's Venezuela was and still is a state where no planning for the future is done, no industrialization at all have occurred, no pragmatic decisions were taken to achieve the interests of the state, instead, decisions were always taken for ideological purposes, the state also provided almost all basic necessities to the population for free making them entitled and lazy. The state did not stop subsidizing any of the basic necessities subsidized when problems started growing in fear of public uproar, which in turn made the state collapse. This Venezuelan ideological inflexibility was seen in 1980s Socialist Romania which led to its collapse, Ceausescu wanted to achieve autarky and was more obsessed by the full socialist state, he only relented during the December 1989 revolution (that resulted in his and his wife execution), but it was already too late.

In this chapter, socialism and social democracy were defined and it was found that when Chavez reached power his government is following the Cuban style

socialism. It was also found out that the failure to industrialize, mismanagement, and political inflexibilities were the reason for the failure of the Bolivarian socialist system.

CHAPTER 6

GEOPOLITICAL SITUATION OF VENEZUELA

For some, the major cause for people dying from hunger, diseases spreading unchecked, people emigrating by the millions, the collapse of institutions and political turmoil is a battle over Venezuela for hegemony and resources where the main players in this conflict are the US and the Lima Group on one side while Russia and China are on the other. That's why, in this chapter the geopolitical situation will be studied by examining which players are involved in Venezuela and why are they involved, and most importantly how did this geopolitical crisis affect the collapse in Venezuela.

6.1 Direct Players

This part provides the declared and undeclared reasons for players' involvement in the conflict.

6.1.1 Alliance 1: The Lima Group and the United States (topple the regime)

“The Lima Group is a multilateral body that was established on August 8, 2017, It consists of sixteen countries, Argentina, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Haiti, Honduras, Mexico, Panama, Paraguay, Peru, Guyana and Saint Lucia which are trying to find a peaceful solution to the Venezuelan crisis (Lima Declaration on August 8 2017).

1.1.1.1 Common declared reasons

6.1.1.1.1 Humanitarian crisis

The US and the Lima Group keep stating that the Maduro regime caused a man-made humanitarian crisis in Venezuela, where a severe food and medicine shortages exist, hospitals lack instruments and drugs, epidemics (like malaria) has risen exponentially, maternal and infant mortality increased 65% and 30% respectively etc. (HRW 2019 world report), (Rendon, 2017) and (Lima Group statement of December 7, 2017 and November 8, 2019).

6.1.1.1.2 Democracy

The US and the Lima Group accused Maduro of being a dictator, that the election of May 20, 2018 that elected him for a second term was fraudulent and a new democratic election should take place to represent the will of the Venezuelan people (Rendon, 2017) and (Lima Group statement of November 8, 2019).

6.1.1.1.3 Human rights abuses

The US and the Lima Group endorsed a report on Venezuela released by the High Commission for Human Rights stating that since 2016 there have been thousands of extrajudicial killings by the government (the number could reach 18000), thousands of torture cases and around 230 political prisoners at the time of the writing of the report, mid 2019 (HRW 2019 world report) and (Lima Group statement of November 8, 2019).

6.1.1.2 US undeclared reasons

6.1.1.2.1 Venezuela is a Socialist Republic

The United States has historically fought socialism and communism (Fukuyama, 1989). The US's next target is Venezuela, a socialist republic that has the capabilities of spreading its ideology in the western hemisphere due to its abundance in resources (Davey, 2012) and (Wilpert, 2007).

6.1.1.2.2 The Monroe Doctrine

The Monroe Doctrine was a US policy in the 19th century which opposed European colonialism in the Americas (encyclopedia Britannica).

As the US invoked the Monroe doctrine during the cold war when its nemesis back then, the USSR (in contrast to European states in the 19th century), infiltrated Latin America (this invocation caused a series of US regime changes, the invasions of Grenada in 1983 and Panama in 1989 etc.) the US invoked the Monroe Doctrine against Russia and China, its main rivals nowadays, because it sees their presence in Venezuela threatening and will do anything to kick them out of "its hemisphere" (Valenta, 2019).

6.1.1.2.3 Oil + Other Resources

Venezuela has the world's largest crude oil reserves with 303 billion barrels or 25 percent of the world's reserves of crude oil (Statista). At the current rate of production, it would take over 270 years before Venezuela runs out of oil (Satti et al. 2013).

Since the presidency of Hugo Chavez that started in 1998, the Venezuelan government started distancing itself more and more from the US and giving most of the privileges to Russian and Chinese oil companies (Rosneft, CNPC), even selling

Venezuela's crude oil to Russia and China at a big discount (Rendon, 2018) and (Herbst and Marczak, 2019).

In addition to oil, Venezuela is rich in gold, nickel, iron ore, steel, diamond, alumina, coal, Bauxite, Asphalt, natural gas, Coltan, Uranium and others (Davey, 2012).

Being that rich in resources, the US's best interest is to be able to restore Venezuela to its sphere of influence and prevent its rivals, China and Russia, from taking advantage of the country's resources to further their global ambitions and challenge its supremacy.

6.1.1.2.4 Other economic interests, IMF and the World Bank

After Chavez's rise to power, nationalization of industrial sectors started which is still in progress under Maduro (Wilpert, 2007). This undermined the US position in the Venezuelan economy and damaged the US firms that were producing there.

In 2007 Chavez severed ties with the IMF and the World Bank, claiming he wanted no part in predatory institutions "dominated by U.S. imperialism" (Reuss, 2007).

The US wants to reestablish its economic prerogative in Venezuela which was enjoyed before the current regime, and wants to reestablish Venezuela's ties with the IMF and World Bank to be able to tighten its grip over Venezuela after giving it loans from these two institutions (Juan Guaido, the head of the Venezuelan National Assembly, the head of the opposition and the person disputing Maduro's presidency, announced "plan pais" a plan to reconstruct Venezuela that will need funds from these institutions, "plan pais" website in the references).

6.1.1.3 Lima Group undeclared reasons

6.1.1.3.1 Refugees

The countries forming the Lima Group are receiving wave after wave of Venezuelan refugees running from the economic collapse facing their country (Colombia 1.6 million, Chile 400 000 etc.), these countries can't handle this influx anymore, it is also projected that by the end of 2020 6.5 million Venezuelan refugees will have fled their country, currently the number stands at 5.3 million (UNHCR website, Venezuela emergency), (Statement from Santiago, Chile, by UN High Commissioner for Refugees Filippo Grandi, 2019) and (Venezuelans in Colombia: an unattended crisis, 2019). These countries need to topple the regime and restore stability to Venezuela to be able repatriate the refugees.

6.1.1.3.2 National security threats

The Maduro regime is harboring terrorist organizations and unlawful armed groups in Venezuela like the ELN (National Liberation Army, Colombia), Hezbollah, FARC (Revolutionary Armed Forces of Colombia—People's Army) etc. which are carrying out terrorist and criminal activities from the Venezuelan territories on other South American countries, especially Colombia (a member of the Lima Group) (US Embassy in Colombia statement on January 20 2020).

6.1.2 Alliance 2: Russia and China (Preserve the Regime)

6.1.2.1 Common declared reasons

Russia and China only declared one reason for supporting Maduro, that they are both against the replacement of legitimate democratically elected leaders by a self-

proclaimed president, and that nobody should intervene in a sovereign nation's internal affairs (Herbst and Marczak, 2019) and (Guevara, 2020).

6.1.2.2 Russia undeclared reasons

6.1.2.2.1 Economic interests

Russia has invested in Venezuela so much funds and it is not sure whether Guaido (an ally of the US) would repay the loans and provide the same privileges given now to Russia if he reaches power. Russian economic interests in Venezuela includes:

-Oil: Russia and its state owned oil company Rosneft invested in PDVSA (Venezuelan state owned oil company) and Venezuelan oil projects around \$9 billion since 2010, in addition to giving Venezuela loans of about \$17 billion since 2006 where \$1.1 billion haven't been payed yet (Eckel, 2019), (Herbst and Marczak, 2019) and (O'Brien, 2019). Rosneft in 2019 became Venezuela's largest oil trader (66 percent of the oil) and from the many energy fields it has access to, only few have been developed, a fortune of untapped reserves. Rosneft also own a 49.9% share of Citgo, Venezuela's state oil refining subsidiary in the United States (Eckel, 2019), (Herbst and Marczak, 2019) and (O'Brien, 2019).

-Weapons: From 2005 to 2013, Venezuela purchased armaments from Russia for a cost of \$11 billion and it currently still owes about \$10 billion of their price (T-72 tanks, S-300, Su-30MK2s, etc.). Russia is building an AK-47 plant in Venezuela as well (Berg, 2019), (Eckel, 2019) and (O'Brien, 2019).

-Other commodities: Venezuela, a major importer of grain is an important market for Russia (Eckel, 2019). Russian state linked banks are teaming up with Venezuelan

financial institutions in order to ease investments and give Russian firms more flexibility in the Venezuelan economy (Eckel, 2019).

6.1.2.2.2 Reputation and leverage

By its presence and influence in Venezuela, Russia is projecting its power which it lost with the Fall of the USSR, it wants the prestige of being considered as a global power, influencing issues in all corners of the world and thus breaking the unipolarity of the world (Eckel, 2019), (Herbst and Marczak, 2019), (O'Brien, 2019) and (Saunders, 2019). Russia is also bothering the US in its sphere of influence, which can be used as a bargaining chip, where Russia could drop Maduro in exchange for the US giving Russia free rein in its own sphere of influence (Georgia, Ukraine and Moldova) (Eckel, 2019), (Herbst and Marczak, 2019), (O'Brien, 2019) and (Saunders, 2019).

6.1.2.3 China undeclared reasons

6.1.2.3.1 Economic interests

As with the case of Russia, China has also invested a lot in Venezuela (investments and loans) even dwarfing the Russians loans and it is not sure whether Guaido would repay and keep the privileges existing or not. China economic interests in Venezuela would include:

-Loans and investments: The Chinese direct investment in Venezuela is about \$6 billion (energy, cultural, agriculture, technological etc.), while the total value of Chinese loans to Venezuela is about \$62 billion (53% of all money lent by China to Latin America) where \$23 billion haven't been paid back yet (Rendon, 2018) and (Guevara, 2020).

-Weapons: China is the biggest provider of arms to Venezuela since 2013, with a total value of \$628 million so far and the number is still mounting (Rendon, 2018).

-Cheap Oil: Chinese middle class is expanding rapidly, this creates a high demand for energy consumption, which in turn makes China more dependent on the way cheaper than market oil that Maduro is providing (Rendon, 2018) and (China's Interest in Venezuela, n.d.).

6.1.2.3.2 Ideology and “south-south cooperation”

China believes that having an ideological ally (socialist and communist) in the US backyard is very important, in addition to that “south-south cooperation” is one of China's foreign policy mainstays and it doesn't want to risk its reputation of being a leading trading partner and investor in the global south by siding with the US backed opposition (China's Interest in Venezuela, n.d.).

6.2 Indirect Players

Only one real indirect player is worthy of inclusion in this paper.

6.2.1 Cuba (Preserve the Regime)

Although the case of Venezuela is very complicated and there are too many indirect players (Iran, Turkey etc.), one only will be discussed in this paper, Cuba (preserve their ally Maduro), because of the media's as well as the Trump's administration accusations that Cuba is the primary player keeping the Maduro regime in power (Trump's tweet on April 30 against Cuba is an example). However, most Cubans in Venezuela work in the medical sector, and although there is a Cuban intelligence infiltration in the Venezuelan army, the Cubans don't call the shots (Labrador, 2019) and (Feinsilver, 2006), hence Cuba can be considered as a secondary/indirect player in the crisis.

Cuba has only one important undeclared reason to keep backing Maduro, professionals and professional training for cheap oil (mainly medical professionals and professional medical training), an agreement that Chavez started with Cuba. (Feinsilver, 2006) and (Labrador, 2019).

Next, we will see briefly how the geopolitical problems of Venezuela was one of the causes for its collapse.

6.3 Political Crisis and Sanctions

During the Trump's presidency, in late 2018 and 2019, Venezuela's political system collapsed. We will see next how the events unfolded.

After his failed policies concerning Iran and North Korea, Trump needed the removal of the Chavismo regime from power to present a successful foreign endeavor to his supporters, this caused him to keep increasing the sanctions on Maduro and his cronies since 2017 (Rendon, 2019), (Ghitis, 2020) and (Seelke et al., 2019). Meanwhile, there was another player applying light pressure and sanctions (first time on the 4th of January 2019) on Venezuela, the Lima Group, who was formed on August 8, 2017 mainly of countries affected by the Venezuelan economic crisis and wanted to resolve it (Lima Group statement on August 8, 2017 and January 4, 2019).

Following that, The US and the Lima Group declared the presidential election of May 2018 as fraudulent, and declared Maduro a usurper on the day of his second inauguration on January 10, 2019 (Dangerfield, 2019). The two players recognized Juan Guaido, the new president of the National Assembly and head of the opposition as the interim president until the next elections which caused division in the country and a standstill (no private or external investments were done in Venezuela during this period,

in addition to that people stopped going to work and the state used all its available resources to handle the security issues in contrast to economic issues) (Rodriguez-Ferrand, 2019) and (Mackinnon, 2019).

On the 30th of April, Guaido announced the beginning of “Operacion Libertad” (Operation Liberty), a civilian-military uprising against Maduro (Smith and Torchia, 2019). Nevertheless, the uprising faltered after it failed to gain support from the military elites. (Sequera et al., 2019). Right after this uprising, Venezuela was at the lowest of the low, the state was in total collapse (Sequera et al., 2019). (Smith and Torchia, 2019). (For more info about the political crisis of Venezuela check Appendix). (For more info about possible scenarios for the end of the Venezuelan political crisis oil check Appendix).

For Maduro to get reelected by itself means something, the people still love him (which means the people did not feel yet the brunt of the situation). There was no total collapse at that point (although the system was deteriorating), geopolitical aggression by the United States and the Lima Group (from a myriad of sanctions to direct involvement in state affairs) caused many internal divisions which in turn exacerbated the situation. The geopolitical situation, nevertheless, is not only caused by the Lima Group and the United States; Russia and China are also responsible for it as much as the first alliance for using Venezuela as a battlefield. This game of nations is bigger than Venezuela and it might repeat in the future.

In this chapter the interests of all main players were presented, from economical to hegemonic ones, Cuba was also presented with its interest as an indirect player. Then, a brief history of how the events unfolded in Venezuela showed that geopolitics is one of the causes of the collapse.

CHAPTER 7

POPULIST DICTATORSHIP OF CHAVISMO

Under the leadership of Hugo Chavez, Venezuela had one of the most radical leftist populist movements. This movement changed many aspects of the country, where it slowly transformed from an “elitist democracy” to a “populist dictatorship”. This chapter will explain the reasons and how this transformation occurred and what were the results. In addition to that, a comparison between Chavez’s dictatorship with Peron’s, Mussolini’s, and Ataturk’s dictatorships will be discussed.

7.1 Neoliberal Disaster

Caracas, on 27 February 1989, woke up to riots and looting where according to the government reports 277 people died, however, media sources in Venezuela claimed that a minimum of three thousand people lost their lives due to a subsequent military crackdown (CFR, 2013). The result of the incident, which became known as the Caracazo or the Caracas smash, was the shattering of the image of Venezuela as a harmonious democratic state, and paving the way to a young charismatic army officer to shine. In order to understand why Chavez reached power in Venezuela, we need to understand the circumstances in his country before his arrival.

As mentioned above (Historical Development in Venezuela), the government could not support its welfare system anymore during the 1980s. This started during the early 1970s where an economic crisis affected most of the Latin American countries (Zavala and Mata, 1992). The crisis did not hit Venezuela at the time, but in February of 1983, on the so-called “Black Friday” (Lander and Fierro, 1996). That day, oil prices in the international market plummeted and was followed by a massive capital flight which

almost left the country without foreign currency reserves if not for the government's immediate reaction of lowering the Bolivar-Dollar exchange rate (Lander and Fierro, 1996). In spite of the devaluation of the country's currency, no policies to confront the crisis took place, even though the country had alternated governments between the two big political parties of Venezuela, during the mid-1980s. (the main reason for not changing the course of the country is corruption, the repayment of the country's external debt received the highest priority in addition for officials spending in the maintenance of state ownership for reelection) (Lander and Fierro, 1996) and (Baptista, 1993). During this period, inflation which historically was under 10% per year, reached 29.48 percent in 1988, international reserves decreased by US \$9.5 billion between 1986 and 1988 according to the Central Bank of Venezuela, the government's budget deficit reached 15 percent of GDP, and external debt increased to US \$26.6 billion according to figure 21.

Main Macroeconomic Indicators, 1988-1992

	<i>1988</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>
GDP (% change)	5.82	-8.57	6.47	9.73	6.82
Total fiscal surplus or deficit ^a (1984 Bs millions)	-74,234	-20,436	19,523	12,503	
Total fiscal surplus or deficit (% GDP)	-15.1	-4.54	4.08	2.38	-5.8
Inflation (%)	29.48	84.46	40.66	34.20	31.43
Change in international reserves (US\$ millions)	-4,895	66	2,212	3,218	-1,145
Public external debt (US\$ millions)	26,586.3	27,152.3	26,811.5	25,856.3	27,105.1
Current account (US\$ millions)	-5,809	2,161	8,279	1,761	-3,362
Trade balance (US\$ millions)	-1,998	5,632	10,637	4,837	1,689
Unemployment rate	6.9	9.6	9.9	8.7	7.1

Figure 21: Main Macroeconomic Indicators between 1988 and 1992. Data Source: Banco Central de Venezuela, Adapted from *The Impact of Neoliberal Adjustment in Venezuela, 1989-1993* by E. Lander and L. A. Fierro, 2014

At the end of the decade, the government of President Carlos Andres Perez presented an “economic package” to overcome the crisis for both the long and short terms. The economic policies of the government were recommended by an International Monetary Fund mission in 1987 (IMF, 1987). The policies revolved around the restructuring of external debt, the reduction of public expenditures and subsidies, the unification of the exchange-rate and floating it, the flexibility of interest rates, the reduction of price controls, the introduction of new taxes like the sales tax, liberalization of imports etc. (Lander and Fierro, 1996). These policies however, increased inequality in the country. Between 1984 and 1988 the distribution of income in the country varied slightly, whereas, between 1988 and 1991 the richest decile share of income increased from 30,3 to 43 percent and the poorest decile decreased from 2.3 to 1.8 percent according to figure 22. The concentration of wealth in the hands of the rich came by the increased privatization of state enterprises following the new economic policies (Lander and Fierro, 1996). During the period between 1984 and 1988, poverty increased from 32 to 36 percent, while extreme poverty increased from 11 to 14 percent, whereas during the following period between 1988 and 1991, a jump in poverty occurred from 46 to 68 percent, while extreme poverty increased from 14 to 39 percent (Lander, 1994).

Percentage Distribution of Labor Income

<i>Employed Deciles</i>	<i>1984</i>	<i>1988</i>	<i>1991</i>
First	2.8	2.3	1.8
Second	3.4	4.6	3.1
Third	4.8	5.2	5.2
Fourth	5.1	6.4	5.9
Fifth	6.7	7.2	6.0
Sixth	8.0	8.3	6.0
Seventh	9.1	8.2	8.0
Eighth	11.3	10.4	10.0
Ninth	13.8	17.1	11.0
Tenth	35.0	30.3	43.0
Tenth/first ratio	12.5	13.2	23.9

Figure 22: Percentage of Distribution of Labor Income. Data Source: Urdaneta de Ferran (1992: Table 6). Adapted from *The Impact of Neoliberal Adjustment in Venezuela, 1989-1993* by E. Lander and L. A. Fierro, 2014

Shares of Labor and Capital in National Income, 1982-1992

	<i>Real Labor Income (%)</i>	<i>Real Capital Income (%)</i>	<i>Real Average Labor Income^a</i>
1982	47.93	52.07	31,793
1983	50.24	49.76	29,746
1984	39.83	60.17	29,150
1985	41.06	58.94	28,448
1986	42.86	57.14	30,707
1987	40.83	59.17	28,181
1988	41.41	58.59	29,543
1989	38.27	61.73	24,712
1990	33.44	66.56	23,098
1991	37.24	62.76	25,712
1992	39.14	60.86	27,479

Figure 23: Average annual remuneration per employed worker in 1984 Bolivar. Data Source: Bank Central de Venezuela. Adapted from *The Impact of Neoliberal Adjustment in Venezuela, 1989-1993* by E. Lander and L. A. Fierro, 2014

Following the economic crises, a political crises emerged, where the dominant two political parties Democratic Action and Copei faced a systematic anti-political and anti-party campaign with the charges of corruption and narrow self-interest (Lander and Fierro, 1996), these events led to the 27th of February 1989, the Caracazo. In December

1993, President Carlos Andres Perez was tried and impeached on the accusation of corruption (Lopez Maya and Lander, 1994) and (Lander and Fierro, 1996), however, the political context shows that the real reason for the impeachment was an escape valve for the regime to survive till the next elections on December 1993, where Perez as a figure became a symbol of turmoil and instability and had to be removed from office.

7.2 A Promise of Change

Meanwhile and for the last decade, a charismatic leader called Hugo Chavez, who was influenced by the “Liberator” of Venezuela of Spanish imperialism, Simon Bolivar, established a movement within the army called “The Leftist Revolutionary Bolivarian Movement-200”, in addition to traveling around the country for the recruitment of new members (CFR, 2013). This movement believed in a unified Latin America, abhorrence for neoliberalism (which was the path followed by the government in the late 1980s) and draws inspiration from the Military junta of the 1970s in Peru (CFR, 2013).

After strengthening his movement, Chavez attempted a failed Coup D’état to overthrow President Carlos Andres Perez (inability to capture Perez, in addition to the failure to reach the radio where the plan was to play a prerecorded take urging civilians to fight against Perez) (CFR, 2013). After the botched Coup, Chavez appeared on national television and asked the rebels to cease fighting followed by his imprisonment (CGTN, 2018). This speech where he admitted he had failed “for now” established a connection with the Venezuelan people, which made him the political star of the country and the unavoidable end of the Puntofijismo system (the arrangement guaranteeing power to the main political parties, Democratic Action and Copei).

After his release from prison in 1994 following an amnesty decreed by President Rafael Caldera, Chavez ran for the Presidency, invigorated by the massive population that followed him since his famous speech (CFR, 2013). During his campaign, Chavez promised to end corruption and poverty brought by the new neoliberal system, get rid of the old political system “Puntofijismo” (this system like the Doha Agreement of 2008 in Lebanon, distribute power to the two main political parties aforementioned), and open up political power to the independent parties (CFR, 2013). Chavez won the 1998 election with a landslide, 56 percent of the population voted for him, the largest percentage in 40 years (CFR, 2013).

Next, we will define leftist populism and the endpoint behind the Bolivarian populism, Dictatorship.

7.3 Leftist Populism

Populism is not an ideology, it is a political logic that creates a line of opposition between the plebs and the elite. The leftist populism’s rhetoric consists of an opposition to the establishment, anti-elitist sentiments, and the defense of the plebs according to the European Center for Populism Studies. The most important issues for leftist populism is anti-Capitalism, anti-globalization, social justice, and pacifism (Capitalism and globalization are criticized as a result of the unpopular United States military operations, especially the ones conducted in the Middle East) (ECPS, n.d.).

Theorists like Chantal Mouffe claim that in the third millennium, the convergence of The left and the right to centrist policies led the states to a state of “post democracy”, where citizens no longer had a real choice, thus moving toward radical populism (be it left or right) (Mouffe, 2018). Other theorists like Anton Jager and Arthur Borriello argued that leftist populism emerged as the answer to a disorganized and weak working

class, however, in spite of its electoral successes, the working class is still in the same state it was beforehand (Jager and Borriello, 2020). Meanwhile, theorists like Lazaros Karavasilis claim that leftist populists of Latin America like Getulio Vargas, Evo Morales, and Hugo Chavez have contributed in including groups that were marginalized (indigenous, black, and minority people) into the political system, hence, creating a more democratic political environment (ECPS, n.d.).

The decline of social justice, the distrust of Venezuelans in their representation, the extinction of the “left and right” paved the way for Hugo Chavez as the only alternative for the people to neoliberalism and the only response for their discontent.

In Venezuela, we will see how Chavez after gaining power has successfully restored democracy to the people, at least for a while, then was forced to adopt more authoritarian policies for the best of his country (at least from his point of view).

7.4 Bolivarian Populism

As we will see, Chavez populism is a short term tactic used for a medium and long term strategy, he constructed a population to achieve certain goals, he included and excluded various segments of Venezuelans to achieve this population (excluding elites while including the downtrodden and others). He also managed the movement to be in a vertical rather than a horizontal way – meaning he was the leader of the movement while representatives of each marginalized fragment of Venezuelans was under him. Finally, his narrative was the presence of a strong nation, the Bolivarian Republic of Venezuela (named after a national hero) to fight a global system (neoliberalism and imperialism) that enslaves the destitute and empowers the elite, hence, Venezuela’s interference in other countries affairs like Colombia, the United States, and others

(Chavez's regime barely spoke of state sovereignty, except lately, the narrative was always helping laborers around the world against the elite).

7.5 Sliding into a Dictatorship

After taking office in February 2 1999, Chavez launched what is called "Plan Bolivar 2000", a program to help the poor which includes housing construction, mass vaccination, road building etc. (CFR, 2013). This program made people believe in him more since he delivered on his promises which was the main reason for the voters to approve of the new constitution in December of the same year which his government started working on 10 months earlier. The new constitution increases the presidential term from five to six years in addition to expanding the presidential powers, outlaws the governments financing of all political parties during electoral campaigns, and merging the two-house Asamblea Nacional into a one house legislature (Asamblea Nacional Constituyente, 2009). This new constitution was the first in Venezuelan history where a constitution is approved by popular referendum, this caused a new presidential election where Chavez was reelected with a landslide of 60% of the vote (CFR, 2013).

On April 2002, a million Venezuelan marched in opposition to Chavez as a response of appointing his political allies to top posts in PDVSA, the state-owned oil company (one of the largest in the world), this protest clashed with Chavez supporters left nineteen people dead and hundreds of wounded (The Guardian, 2002) and (CFR, 2013). In the midst of the clashes, Chavez was overthrown by the military and was replaced by Pedro Carmona, a rightist businessman, he immediately suspends the constitution and dissolves the Asamblea Nacional (even though they are bitter rivals by now since the United States' acknowledgment of the Carmona Government, the former under president Georges W. Bush had to condemn the Coup after broad condemnations

by Latin American states), the pro-Chavez Presidential Guard after two days seizes the Miraflores palace and reinstalls Chavez (The Washington Post, 2002) and (CFR, 2013). This event made Chavez understand that to achieve his vision of a new Venezuela he had to be more on the authoritarian side of the spectrum since there are a lot of forces that wanted to restore the status quo present before he reached power. As almost all populist authoritarian leaders before him, Chavez started turning to the frowned upon side and suppress democracy to achieve development for his country and a better life for its population.

Starting by December 2002, Chavez purged PDVSA by firing eighteen thousand employees of the opposition on the charges of corruption and mismanagement (CFR, 2013), this caused a big decline in oil exports and in turn in GDP in the successive years 2002 and 2003 as seen in figure 24.



Figure 24: Venezuela GDP from 1984 to 2022. Data Source: IMF, Statista 2021

To restore the dip in his approval rating, Chavez launched a series of social programs called by “Bolivarian Missions”, these programs provide free community

health care, adult literacy programs, giveaway of free houses to low income families, food subsidies and others (increases in literacy and reductions in poverty levels occurred during this period). (CFR, 2013). These programs had a good effect on Chavez's approval rating as seen in figure 25, it increased to 61% in 2007 while disapproval decreased to 25%. Meanwhile, Chavez started the formation of a two-million-civilian militia to defend against foreign invasion (Chavez meant a United States invasion) (CFR,2013), however, the main reason for the formation of this militia is to deter any coup against him in the future, and to create a sense of physical insecurity and urgency which leads the population to stick by him as their only leader and savior, and to join the new formed militia (typical plan followed by revolutionary regimes that want to export their ideology to other countries).

Do you approve or disapprove of the job performance of the leadership of this country?

Among Venezuelan adults

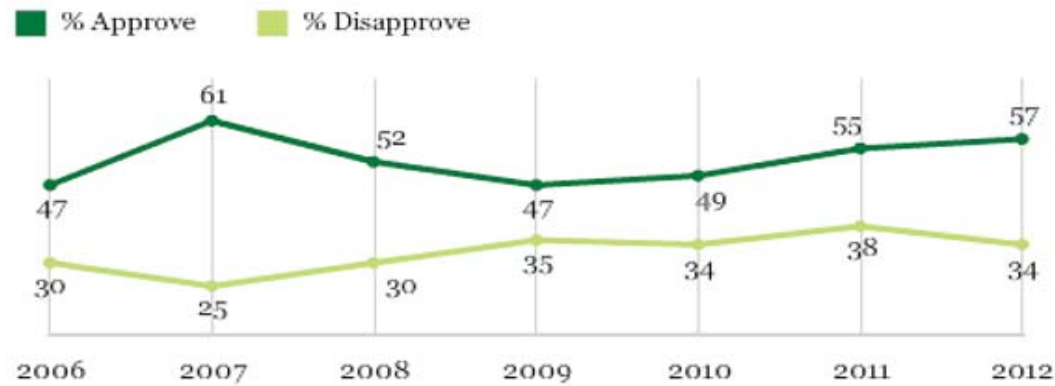


Figure 25: Chavez Approval Rating. Data Source: Gallup. Adapted from Special Briefing: Chavez's Legacy and Venezuela's Future by A. Dugan, 2013

In December 2006, Chavez won a second reelection with 63% of the vote, he creates a single political party encompassing most parties in the republic, the United Socialist Party of Venezuela known as PSUV (CFR, 2013). In the following couple of years, Chavez won a referendum where presidential term limits were abolished, he

nationalized the telecom industries, electricity industries, the oil projects in the Orinoco Belt (largest petroleum reserve in the world) and the Central Bank; he canceled the broadcast license of the private media company RCTV and packed courts with judges while suspended unfriendly judges; after paying all of Venezuela's debts five years ahead of time to the following institutions, Chavez also withdrew from the International Monetary Fund and the World Bank after, he expelled the United States' ambassador and recalled the Venezuelan ambassador from Washington in 2008; finally, he announced the creation of the Bank of the South which funds development projects across South America (an oil pipe line to connect Venezuela and Argentina passing through Brazil and Bolivia). (The New York Times, 2017) and (CFR, 2013).

It is obvious that when Chavez's circumstances were ideal (having the majority of the people on his side, in addition to a newly formed armed militia loyal and eager to die for him), he transformed Venezuela from a representative democracy to a one-person rule, controlling everything from the media, to industries (especially oil), to the judiciary, to a strong grip on political parties etc. Even at this time he started creating a cult of personality (propaganda of being the savior on graffiti and posters everywhere people go, adding to that his presence on Television shows and propaganda events everywhere and most of the days). By withdrawing from international institutions he freed himself of international shackles linked to his nemesis, the United States; he only had to make new international friends, thus, the Bank of the South (creating friends in Latin America, the last stronghold back then for socialism and anti-imperialism was the best that he could get back then).

After shielding himself internally and enlarging his connections in his backyard (Latin America), Chavez started to expand his connections outside of the American

continent. Arms deals between Venezuela and Russia started taking place in the later part of 2009 (CFR, 2013). Chavez's plan of exporting the Bolivarian revolution to other countries primarily Colombia, a staunch ally of the United States at the time started as well where according to BBC's article "Colombian FARC rebels' links to Venezuela detailed" the Chavez administration was discovered to be working with the Revolutionary Armed Forces of Colombia (FARC) to change the regime in Colombia to a one resembling Venezuela (with time all intelligence agencies were certain of this connection between the state and the non-state actor, and how the former welcomed the latter inside its border in addition to training it).

Within few months of his diagnosis with cancer, Chavez died on March 5 2013 and Nicolas Maduro narrowly wins the subsequent election (CFR, 2013). Maduro continued to walk the path of Chavez, the one difference is that the former started, from 2013, increasing the economic and military relations with China more than Russia (Rendon, 2018), (China's Interest in Venezuela, n.d.) and (Guevara, 2020).

Within a couple of years of Maduro taking office, and with the fall of oil prices, Venezuela's foreign debt in 2015 was an estimated triple of its 1998 debt (\$123 billion in comparison with \$37 billion) (Buxton, 2016). Foreign reserves in 2017 declined to under \$10 billion (a two third decline in four years) (Monaldi, 2018). After 2014, a social crisis, with severe shortages of medicine, food, and basic goods is present, where poverty grew from 48% to 87% (Buxton 2016). With the deepening of the crisis, the opposition won the December 2015 parliamentary elections with a massive landslide, 56% to 41%, where the turnout was the highest ever for a Venezuelan parliamentary election with 74% (Hetland, 2018). During the crisis, the PSUV lost almost completely the upper and the middle class, in addition to losing traditional Chavista strongholds

like the Caracas barrios 23 de Enero, Catia, and Caucaguita (Hetland, 2018). The government response was a turn toward full authoritarianism, it canceled a recall referendum in October 2016, it canceled gubernatorial elections in December 2016, it suspended the opposition controlled Asamblea Nacional in March 2017, it held a controversial vote for a new constituent assembly taking its side in contrast to the Asamblea Nacional, it also committed fraud and stole victory during the rescheduled gubernatorial elections in Bolivar state in October 2017 (Hetland, 2018). It should be known that this was the first time where evidence shows that the Chavista government had ever committed electoral fraud.

The resource curse, defective socialism, geopolitical pressure, and developmental dictatorship are all still present during this period (post Chavez). What was happening during this period is the opposite of what Chavez did in the early years of taking office, what helped him increase his popularity and increase the coffers of the state were, a destitute population that he helped to live a better life, the price of oil barrel that helped him achieve the previous reason (averaging \$75 per barrel between 2005 and 2013, while \$40 per barrel between 2015 and 2017, resource curse indicator), and a low United States regional influence between the years 2005 and 2013 were the peak of Latin America's turn to the left, where left leaning governments stood up firm against the United States (Ecuador's Rafael Correa, Bolivia's Evo Morales, Brazil's Lula da Silva etc., geopolitical pressure indicator), this low regional influence of the US gave him a window to maneuver to find deals to the benefit of his regime and the Venezuelan people (concerning the socialist policies taken and the developmental dictatorship indicators, a status quo remained). All reasons aforementioned stopped existing when Maduro took office. First, as mentioned above the price per barrel

decreased from an average of \$75 to \$40 from Chavez's presidency to Maduro's, decreasing Venezuela's GDP. Second, in contrast to Chavez, when Maduro came to power the Venezuelan people was being considered to be living a good life (subsidized by the high price per barrel of oil). Finally, during Maduro's term, more pro-US governments are in office in Paraguay (Mario Abdo Benítez), Ecuador (Lenin Moreno), Honduras (Juan Orlando Hernández) etc., which increased the United States' influence in the region which in turn forced other global entities and institutions to apply pressure on Venezuela (mostly anti Venezuelan politics states in Latin America, which by now form most of the Latin American states, applied pressure on the European Union and other entities by the threat of decreasing trade etc., if the status quo in their northern neighbor Venezuela remains). Thus, the difference in performance between the two periods of Chavez and Maduro is that in the first period the flaws aforementioned were hidden by a high price of the barrel of oil and the low influence of the United States in Latin America in contrast to the second period.

Next, a brief history about developmental dictatorship and populism in Argentina, Italy, and Turkey will be given, then it will be compared with the situation in Venezuela. We found out so far that the Chavismo's developmental dictatorship has strengthened the resource curse and its defective socialism by keeping the subsidy of many sectors especially the healthcare one while destroying other industries in order to keep the support of the people (the regime is using dictatorship to stay in power). Moreover, this developmental dictatorship combined with defective socialism with supranational ambitions and an ideological change (from the left spectrum to the right one) for Latin American states caused the surrounding states of Venezuela to be aggressive against it and gave the United States a free hand to maneuver in the region

(the regime is using dictatorship to expand its power outside Venezuela as well). Overall, the regime is using its developmental dictatorship to stay in power and expand beyond the country, not to fix its own.

7.6 Dictatorship in Argentina, Italy, and Turkey

Now, we are going to study the developmental dictatorships of Peron's Argentina, Mussolini's Italy, and Ataturk's Turkey and see how they succeeded with their dictatorships. Then we will compare Chavez's dictatorship with the aforementioned ones. This comparison will serve us to distinguish if developmental dictatorship is a reason for the collapse of Venezuela or not (it was not the reason for the collapse of Peron's regime, nor Mussolini's Italy, nor Ataturk's Turkey as shall be seen, for the latter the system can be argued it stayed the same till the failed coup in 2016)

7.6.1 Peron's Argentina

Peron came to power after the Decada Infame or the Infamous Decade, which is a 13-year period spanning from 1930 to 1943 where Argentina was hit hard by the Great Depression (Wilfenden, 2013). The government during the Infamous Decade was conservative and pro-aristocratic which protected the fortunes of the rich and did not alleviate the poor's suffering, in contrast the lower classes were completely excluded from politics (James, 1998) and (Smith, 1969).

After the military junta takeover of 1943, Perón was put in charge of the National Labor Department (which he renamed to the National Department of Labor and Supply) (Dawson, 2015). Perón used “the carrot and the stick” method to build for

himself a broad base of supporters (Smith, 1969). Perón believed that the state should occupy all spaces in social life; although he always used democratic rhetoric to justify his rule, he rigged elections, censored the media, arrested political opponents etc., basically, he used coercion and repression to achieve his aims (Wilfenden, 2013), however, according to Smith (1969), Peronists tolerated their leader's authoritarian actions because it provided them the quickest means of satisfying their desires.

Between 1946 and 1951, Peron's first presidential term, unions in Argentina grew from half a million members to two million members, with complete subordination to the state (Mcguire, 1997).

In summary, during his term Peron gave the plebs political power in return to their support for his developmental dictatorial rule which helped him achieve the things he planned for by being the sole decision maker (for more info on Peron's achievements check the previous chapter and the Appendix). This worked very well for a time for all parties involved as a political deal.

7.6.2 Ataturk's turkey

On October 29, 1923, a new republic was formed in the Anatolian peninsula, this republic is called the Republic of Turkey. Mustafa Kemal Ataturk the founding father of the republic, and president until his death in 1938, was a field marshal for the Ottoman empire, an author, a statesman etc. (Zurcher, 2017).

As president of the new republic, Ataturk's reforms program encompassed all matters such as the political, economic, and cultural ones. Ataturk made primary education free and compulsory, replaced the Ottoman Turkish alphabet by the Latin-based one, replaced religious education by a new secular one to propel the country, gave

women full political rights, his government carried out the policy which was called Turkification (creation of a homogeneous and unified national identity for all inhabitants of Turkey), closed religious courts and replaced them with legal and penal codes that were imported from countries like Switzerland and Italy, encouraged arts and sciences etc. (Lowe, 2013), (Kieser, 2006), (Wolf-Gazo, 1996) and (Hilse Dwyer, 1990).

To completely achieve these goals, Ataturk had to embrace authoritarianism (especially in the 1930s), a one party system ruled Turkey (it was in reality a one-man rule system under Ataturk) where there was no place for any opposition, he also dissolved almost all civil organizations like the women's union, the freemasons, the union of journalists etc., he crushed minorities in the newly formed Turkey such as the Kurds, Armenians etc., he oppressed religious leaders for the least of reasons like not wearing European style hats, he murdered secretly or through judicial fixes many who tried to stand in his way (list includes Communists, Kurds, Greeks, Mullahs etc.), his cronies developed for him a cult of personality, he partly banned freedom of speech (Mango, 1963).

In summary, Ataturk was a visionary man and wanted to modernize Turkey to resemble the West which he fought and admired. His primary goal was for Turkey to industrialize and liberalize to be able to become a regional power and even a global one. An extreme nationalist, Ataturk had to Turkify all inhabitants of the Anatolian peninsula for the state to work as a unit with no internal fragmentations. In his view, and in order for his plans to succeed he had to follow the path of authoritarianism to be able to achieve the best for his people on the long run. Ataturk pursued a developmental

dictatorship and achieved a lot for his country by modernizing and unifying it, however it was on the expense of personal and religious freedoms.

7.6.3 Mussolini's Italy

Benito Mussolini, a socialist journalist pre-World War 1, a sharpshooter during the war, and the father of Fascism after it, was able to reach power in the kingdom of Italy as prime minister in 31 October 1922 after his march on Rome with his 30,000 Fascist black shirts a few days earlier that caused the back then prime minister to resign and the king to appoint him as the new prime minister (March on Rome, 2021).

El Duce, as Mussolini was known, was able within a few years to modernize and propel the Italian nation to the world stage. Mussolini launched many public construction programs to combat unemployment and economic setbacks like the Battle for Wheat where more than five thousand new wheat farms and five new agricultural towns were established (Smith, 1983), and (Clark, 1996). the Battle for Land, with the purpose of clearing marshland and making it suitable for farming, was another such program, where following the program, the land available for cereal production increased and malaria infested swamps were drained (Smith, 1983), and (Clark, 1996). The railways system in Italy had major improvements as well, trains were repaired, always clean, and always they always arrived and left the stations on time etc. (Cathcart, 1994), and (Smith, 1983).

These improvements however, came at the price of freedom; through a series of laws Mussolini was able to transform Italy to a one-party dictatorship, then the Fascist militia was progressively incorporated into the state; Mussolini continued by nationalizing businesses where by 1935, around 75% of Italian businesses were under

the control of the state, in addition to that he forced banks, businesses, and private citizens to surrender all foreign issued stocks and bonds to the Bank of Italy (Smith, 1983), and (Benito Mussolini, 2022). Assassinations and extrajudicial killings were a commonality during El Duce's tenure; Finally, the Fascist regime promoted a cult of personality centered on the figure of El Duce, where he was portrayed as an excellent musician and a valiant sportsman, etc. (Smith, 1983), and (Benito Mussolini, 2022).

In summary, Mussolini succeeded economically during his reign. To do so he did like the two aforementioned reformers, he created for himself a developmental dictatorship. The successes that this dictatorship brought to Mussolini and Italy had a price which was paid by the Italians, where Mussolini committed assassinations and extrajudicial killing, he promoted a cult of personality for himself. even committed genocides in Italy and Libya.

7.6.4 Chavez, A Name for the History Books

When we compare between Chavez's dictatorship and the three given examples, we see Chavez imitating them like he studied them and tried not to commit any mistakes. To create a more equitable and democratic society on the short term, Chavez imitated Peron's radical leftist populism by a better redistribution of the wealth, including the plebs in the political life, and alienating the elites, where he succeeded. He also imitated the aforementioned trio by changing the Venezuelan system from a democratic to a developmental dictatorship one on the medium and long term.

Chavez succeeded by including the poor to the political decision and this showed by how much loyalty they gave him in return to be able to achieve his plans. However, mismanaging the economy and the state finances, corruption, supranational

political ambitions not planned correctly before implementation, and most importantly, creating a populist dictatorship similar to the twentieth century dictatorships (which is frowned upon nowadays, especially in the Western Hemisphere) etc. were the reasons why the Chavez system failed to achieve a lot of goals thus far, in addition to creating a fierce internal opposition and a global alliance of states which are trying to remove him and his regime from power even if their efforts contribute to the collapse of Venezuela.

It is vital to know that the current regime will be very hard to remove for the following reasons. First, Chavez was not the real creator of the movement but a product of it, the people of Venezuela were, since the movement preceded him by many years (1980s leading to the Caracazo) and extended beyond him (till the present), the plebs (Afro-Venezuelan, lower-class population, indigenous etc.) felt the power to choose someone from them to govern by removing the elite from power (it is improbable for them to get them back, and it shows by the failure of Guaido to be able to control, although he is against neoliberalism and most states around the world supported him financially and by the usage of propaganda); An activist quoted in (Velasco, 2011) “Chávez did not produce the movements, we created him. He has helped us tremendously, but what is going on here cannot be ascribed solely to Chávez”. Second, movements like the peasant and laborers and their unions, sociopolitical formations that were summoned by Chavez into existence (Circulos Bolivarianos, Unidades de Batalla Electoral etc.) will not relinquish all their powers that they have gained the last two decades. Finally, all the state’s institutions are packed with Chavista bureaucrats, while most entrepreneurs in Venezuela are in collaboration with the Chavez regime, if removed from their positions, the state would disintegrate.

In this chapter, the events that led to the arrival of Chavez to the presidency, like Neoliberalism, were examined, followed by how did Chavez use leftist populism to reach power, then to achieve a developmental dictatorship in a democratic developmental system. Finally, a comparison between Chavez's dictatorship compared with Peron's, Mussolini's, and Ataturk's dictatorships took place, and it was found that Chavez imitated them in a lot of things he has done.

As found before, the Chavismo's developmental dictatorship has strengthened the resource curse and its defective socialism by keeping the subsidy of many sectors especially the healthcare one while destroying other industries in order to keep the support of the people to stay in power, adding to that this developmental dictatorship combined with defective socialism with supranational ambitions and an ideological change for states in South America caused the surrounding states and the United States to pressure and take aggressive actions against Venezuela from their fear that the latter will be able to achieve its ambitions of a socialist dictatorial Latin America (especially a fear of a wealthy nation when the price of oil is high, even the United States has Berny Sanders who praised the Venezuelan system). The case of developmental dictatorship in Venezuela is not a direct reason for the collapse of the country, however, when combined with the Bolivarian socialism, and based on the approval rating of this combination by the populous, it is a dangerous one indeed especially for states that is hardcore anti socialist/dictatorial like the United States which will cause geopolitical tensions with the latter and its allies. The developmental dictatorship system in Venezuela is exacerbating the resource curse which fuels a deficient socialist system and causes geopolitical pressure and aggression from the surrounding states and the US.

CHAPTER 8 OPERATIONALIZATION

“If there is one area where you feel and live the achievements of the Bolivarian revolution, it’s precisely in the field of healthcare, from which Venezuelan men and women were excluded for so many decades.” Even when the healthcare system in Venezuela is disintegrating, state media is still lauding the country’s healthcare system (Philips, 2019).

To be able to study the effects of the four phenomena together on Venezuela, the resource curse, defective socialism, geopolitical aggression, and developmental dictatorship, the health care sector, mainly the Dr. Luis Razetti hospital (LRH) was taken as a case study; since healthcare is one of the most important sectors in Venezuela, if not the most important, thus, how this public hospital functions throughout different periods of time will be a real indicator of the state’s economic and financial situation during that period of time.

To be able to do so, a brief history of the healthcare sector in general and the LRH will be given next. Then, the timeline of the LRH will be partitioned into four different time periods. Following that, a reminder of how and when the four phenomena came to be will be given. Finally, we will delve into a historical analysis of these time periods to find the conclusion.

8.1 Brief Historical Explanation of the Healthcare Sector in Venezuela and the LRH

Even though life expectancy kept increasing since the 1950s (particularly reduction in infant mortality) (Macrotrends), Venezuela’s healthcare, the envy of the south American region as little as a decade ago is now in ruins; skilled professionals

have fled the country, healthcare buildings are crumbling, the machinery has not been repaired for many years and even basic supplies like syringes, scalpels, water, sheets etc. are not found; Venezuela's healthcare system is now in a state of collapse unprecedented in the Western World (Harriet 2019).

Across Venezuela, hospitals are in a state of collapse but the most notorious is Dr. Luis Razetti Hospital in Barinas (Harriet 2019). Dr. Luis Razetti Hospital is a public hospital that started as a care facility located in Barinas between the 5 de Julio street and the Paez avenue, where the Municipality of Barinas is currently located. The hospital remained there from 1937 to December 5, 1976 when the current headquarters of the hospital was inaugurated, in Calle Cedeño, Barinas 5201, Barinas, Venezuela (Rangel, 2016).

The hospital had only 364 employees in 1976, but the hospital growth was unstoppable between 1976 and 2010; where during this period a blood bank was constructed, a nutrition clinic was inaugurated in 1996, the extension of Medicine of the University of the Andes (ULA) was created in 1977, the first remodeling of the Emergency room and External Traumatology Consultation was completed as well as the start of the construction of the hospital's auditorium in 1980, the Razetti dialysis unit opened on November 14, 1987, The intensive care unit (ICU) was created in July 1992, a postgraduate residency program of Pediatric and Childcare was created to give attention to childhood problems in the 1990s, and finally an agreement with the postgraduate general surgery of the University Hospital of the Andes in Merida began (Rangel, 2016).

The growth of Luis Razetti Hospital was halted and an era of deterioration began after the Venezuelan healthcare system started disintegrating in 2014 (Health care in Venezuela, 2019).

A nurse working in the hospital stated in 2019 “If anyone in my family gets ill, I do absolutely everything I can to keep them out of that hospital, it’s the opposite of a place that saves lives”. This hospital in 2019 became like a prison, where armed forces are patrolling its outside while gangs of delinquents roam its corridors and steal from its patients. Superbugs run rampant in the hospital and 3 of the 4 elevators are out of order except for one that is starting to malfunction (patients, doctors and cleaners all use this elevator). The X-ray machine has not been functional for 3 years. The hospital regularly operates for many days without any running water. Patients need to bring their own sheets, surgical supplies, medicines, soap, towels, food, water even the paper for admissions must be purchased; Not to mention that the rooms are cleaned by the patients’ families. Patients of different reasons are all placed together (pneumonia patient next to a cancer patient next to a car crash victim). Each day the hospital admits around 12 patients, half of them die from the lack of basic equipment like antiseptic, antibiotics, rehydration liquids, sterile solution, cotton wool etc. During the March blackout, the generator ran out of fuel and many children died as their ventilators stopped working (Harriet 2019).

Dr. Jose Fajardo the hospital director admitted that they are working with only 10 percent of what they need, after 3 days he was fired (Harriet 2019).

Now we will move to the timeline of the LRH.

8.1.1 Timeline of the Luis Razetti Hospital

The timeline of the Luis Razetti hospital can be partitioned into 3 periods:

1- 1936 to 1976

During this period Luis Razetti Hospital was built and started functioning normally.

2- 1976 to 2014

During this period Luis Razetti Hospital was functioning normally or booming.

3- 2014 to 2020 (Maduro presidency)

During this period Luis Razetti hospital deteriorated as well as the healthcare system in general (becoming the worst in the world according to the statistics).

Now, we will move to explain the four phenomena aforementioned, the resource curse, socialism, developmental dictatorship, and geopolitical aggression, and when these phenomena came to be in Venezuela.

8.2 Recall of the Four Phenomena that Destroyed Venezuela and their Timeline

Socialism and Social Democracy: It was found that Socialism means that the state owns all the means of production, there are no individual private properties and what is produced belongs to the entire population of the state, which is the opposite of capitalism. On the other hand, a social democracy believes that political change should be brought about peacefully and constitutionally, where capitalism is the only reliable means of generating wealth, however, the state should rectify the system deficiency of causing structural inequality and poverty through a process of economic and social engineering. For the timeline of the shift from social democracy to socialism (passing through democratic developmental) we can find from the info on socialism written

above, that the shift from social democracy of the 1960s till late 1980s to socialism (particularly in the health care system) started to happen during the presidency of Hugo Chavez in 1998 and it continued till the present day with Nicolas Maduro. This shift is important since as we have seen above the social democratic system was effective in Venezuela (especially for the healthcare sector), whereas the socialist one was deficient when compared to successful examples such as Peron's Argentina and Ceausescu's Romania, and caused manufacturing sectors to collapse and even though on the short run it was efficient concerning the healthcare sector, it proved on the long term that even this latter sector faced a collapse.

The Dutch disease and resource curse: It was found that the Dutch disease is when growth in national income from natural resource extraction damages other sectors of a country's economy, while the resource curse is when countries with an abundance of natural resources tend in the long run to have less economic growth, less democracy and less development outcomes than countries with fewer natural resources. For the timeline of the shift from we can find from the info written above, that increased corruption during the 1970s has shifted the Dutch disease present in Venezuela to a resource curse, but this shift hasn't ended yet, due to a continuously increasing corruption (at least until late 2020, from then onward corruption fighting is present somewhat effectively), the resource curse is still growing but it was mostly felt during the collapse of crude oil prices starting 2014. This shift is crucial for the state, since states can heal easily from the Dutch disease when a real plan for economic diversification by the state occurs, in contrast to the resource curse, which is detrimental for the economy on the long term and causes volatility for the economy and financially on the short and medium term, where corruption has spread with state officials and it is

harder for the state to heal itself. We should add to that, the fast oil price changes during the last decade is making the job more difficult.

Developmental dictatorship: It was found that Chavez used leftist populism to be able to form a dictatorship where he is the sole decision maker. For the shift from a democratic developmental to a developmental dictatorship, it started happening when Chavez reached power and it is still ongoing with his successor Nicolas Maduro. This shift has strengthened the resource curse and its defective socialism by keeping the subsidy of many sectors, one of which is the healthcare one, while destroying other industries in order to keep the support of the people to stay in power, it also caused indirectly the geopolitical aggression from Venezuela's neighbors since the combination of the developmental dictatorship with the defective socialism and supranational ambitions caused the country's neighbors to fear that Venezuela will be able to achieve its ambitions of a socialist dictatorial Latin America.

Geopolitics: From the Geopolitics of Venezuela part, we notice that from 2018 onward the former president of the United States Donald Trump executed a plan, that is most probably planned before by the United States' former governments as well as the back then present one, waiting for the moment when Venezuela is weak economically and the regime is barely hanging on (This changed when the current United States president Joe Biden reached power). This aggression was the reason that exacerbated the deterioration of Venezuela to a total collapse because of the heavy sanctions applied on a deteriorating state and the massive divisions (Pro US VS. Pro Russia/China) that it inflicted on the country which in turn almost caused a civil war. Even if the situation eased for the time being, increased world tension between the countries aspiring for

multipolarity (Russia and China) with the world's superpower may cause the situation to repeat in the near future.

Next, we will study how did the Luis Razetti hospital function in conjunctions with the four aforementioned phenomena.

8.3 LRH: The Road from a Decent Hospital to Total Collapse

In this section we will study how the LRH functions during the three time periods, from 1936 to 1976, from 1976 to 2014, and from 2014 till 2020 in conjunction with the four phenomena, the resource curse, defective socialism, developmental dictatorship, and geopolitical aggression.

Time period - 1936 to 1976 (Dutch Disease is present): Studying the case of the Luis Razetti hospital, we find that from the inception of the hospital to the mid-1970s the hospital was functioning properly, during this period the Dutch disease existed in Venezuela, however, a functioning social democracy was present (even though the price of oil was very low the system was functioning properly in the country). Hence, although the Dutch Disease is a problem for any country, it did not cause the state to deteriorate.

Time period - 1976 to 2014 (resource curse, developmental dictatorship, and socialism are present): Due to corruption, the Dutch disease transformed to the resource curse in the late 1970s and its effects started showing in the mid to late 1980s when the price of oil decreased to less than half the 1980 price, and an exponential increase in spending due to corruption; this in addition to the neoliberal measures taken during this time caused the Caracazo. However, the Luis Razetti hospital was still functioning properly and booming during that period for a couple of reasons, first

because people were not completely dependent on the state welfare for healthcare so they had to pay and in turn the hospital could use these funds to sustain itself and grow, second, at the time corruption was of the form of increased spending in infrastructure building and maintenance of state buildings (Luis Razetti is a public hospital) by officials in order to get reelected. Up until Chavez was elected president in 1998, the people were furious and wanted the neoliberal system to end however the system was somehow functioning properly for the healthcare system as well as the Luis Razetti hospital. Since 1998, when Chavez became president he relied on oil more than any president before him to fund social programs, mainly healthcare, which on the short term made the healthcare sector and the Luis Razetti hospital boom, however, this was destructive to the entire healthcare sector on the long term. In addition to funding social programs, Chavez nationalized industries, increased taxes, prohibited many unions (except for the ones favorable for the regime), withdrew from international organizations etc., thus implementing hardcore socialist and dictatorship policies which in turn angered geopolitical powers in the western sphere mainly the United States, nevertheless, this anger was constantly changing in intensity for a long period for many reasons such as the intensity of need for Venezuelan oil by the United States. During this period however, the United States did not take any geopolitical action against Venezuela especially when oil prices increased to its highest levels ever and for it the Venezuelan oil was the cheapest and the closest to import. Maybe the biggest boom for the Luis Razetti hospital was during this period, total healthcare expenses were provided by the state which implies a higher number of patients and attendees, thus expansion and new departments for the hospital. Although the resource curse, dictatorship, and the defective socialism were all present during this period, the hospital

kept growing and booming for one simple cause, high oil prices. The disaster was growing, albeit hidden; high oil prices abled to government to subsidize the healthcare sector and support the dictatorial regime. The collapse in oil prices during the next time period showed that the system is not sustainable and it caused it to deteriorate.

Time period – 2014 to 2020 (resource curse, developmental dictatorship, socialism, and geopolitical aggression are present): When oil prices started rapidly decreasing in 2014, a crisis in Venezuela started showing, but it was no different than the one during the 1980s which is fixable and the state fixed it with neoliberal policies (albeit it was a disaster for the people of Venezuela). The resource curse can be fixed in Venezuela (as any other nation but for Venezuela it can be easier) due to its wealth in other raw material, the resilience of its population and its surrounding neighboring countries who accept Venezuelans in bulks to work in their country when a crisis hits their country, who in turn send money to their parents. Nevertheless, this time the government doubled down on keeping the same course it was using, mainly the developmental dictatorship-socialist type; it may be due to a lack of competence from the side of the new president Maduro and his regime, or because of the idea that if Venezuela changed the Chavez's policies it will fail him and their allies who see it as their big brother (countries like Nicaragua, Cuba etc.). During this time, Luis Razetti hospital was starting to deteriorate, mainly because funds were starting to run dry and no money was spent on the maintenance of the hospital in addition to a severe cut in healthcare subsidies. In late 2018, when Maduro was reelected, the United States under president Trump executed a plan to recognize with other states the president of the National Assembly of Venezuela as the interim president of Venezuela, applied sanctions second only to the Iran sanctions (and Russia as of mid-2022), and a sea

embargo (to damage uncharted imports and exports). At this point, after deteriorating for 4 or 5 years, Luis Razetti hospital collapsed totally, similarly to the state entirely. In this case, Venezuela is facing a resource curse, hardcore socialist policies, a developmental dictatorship, and heavy geopolitical aggression where we have a total collapse. It becomes clear that the combination of the four phenomena, the developmental dictatorship strategies of Chavez and Maduro, the shift from the Dutch disease to the resource curse fueled by corruption, the shift from social democracy to Cuban socialism, and the geopolitical pressure from the United States and its allies have caused the deterioration of Venezuela and in turn the Luis Razetti hospital starting in 2014 (geopolitical pressure but no direct aggression here) and causing a total collapse in 2019 during the presidency of Nicolas Maduro when geopolitical aggression became a reality. The presence of the three phenomena, the resource curse, defective socialism, developmental dictatorship, combined when low oil prices caused the state to use all its funds and in turn caused a fast deterioration in general and the healthcare sector represented in this thesis by the Luis Razetti hospital. The geopolitical aggression that caused divisions and applied sanctions was the final blow for the system to collapse totally.

In summary, when 2 of the phenomena were present (before 2014) the country in general and the hospital specifically were functioning normally and growing. A third one showed and it happened to be the decrease in oil prices in 2014 (resource curse), this phenomenon made the system partially crumble but still survive (albeit in a bad condition). Finally, American sanctions and embargo came as the final blow which made Venezuela, the healthcare sector, and Luis Razetti completely collapse. Check table 1.

	1936-1976	1976-2014	2014-2019	2019-2020
Dutch Disease	Yes			
Resource Curse		Yes	Yes	Yes
Oil Prices	Low	Alternating	Decreasing	Decreasing
Social Democracy	Yes			
Socialism		Since 1998	Yes	Yes
Developmental Dictatorship		Early 2000s	Yes	Yes
Geopolitical Pressure		On and Off	Yes	Yes
Geopolitical Aggression				Yes
Results - Venezuela	A problem existed which the government tried to fix. The economy was running	Low oil prices caused fixable problems, however at Chavez's tenure mainly prices were ranging between high and very high. During Chavez the economy was thought to be a miracle	Venezuela is Deteriorating slowly but the state is able to keep itself together and think for the future	With no way for the government to fix the situation due to aggression and pressure Venezuela collapsed
Results - Luis Razetti hospital	Functioning normally	Booming	Deteriorating	Collapse

Table 1: Historical Analysis for Venezuela as a Whole and Luis Razetti hospital

If we should sort these four phenomena by how much they contributed in causing the crisis:

Resource curse: causing 40% of the Venezuelan crisis. If Venezuela had solid economic grounds and its economy was well diversified, it could have withstood

sanctions (more like Russia is doing in its war with Ukraine). This phenomenon could be considered as the most important contributor to the collapse.

Geopolitical issues: causing 40% of the Venezuelan crisis. Even at its worst times, Venezuela could keep functioning as a state when there was no exterior meddling in its state affairs and no sanctions were applied (even though it was deteriorating from 2014 to 2019). This phenomenon is the last direct reason for the collapse.

Socialism: causing 10 to 20% of the Venezuelan crisis, since Venezuelan socialism is built on the use of funds coming from oil and not on building the nation in a diversified and stable matter. This phenomenon and the RC are related, where the RC is present in Venezuela to satisfy socialist politics.

Dictatorship: minimal direct cause, but it directly influenced the United States to wage an economic war on Venezuela (as a combination of a socialist dictatorship with foreign ambitions), it fueled the resource curse by the using the money coming from oil to fund the state's defective socialism.

CONCLUSION

This thesis was written to test the statement that the reason for the crisis in Venezuela is a combination of a defective system of socialism, a developmental dictatorship hostile to its surrounding states, a resource curse, and geopolitical pressure from a big coalition of countries. To test this statement, the history of modern Venezuela and the four phenomena aforementioned was studied.

First a brief historic overview of Venezuela was studied where the modern history of Venezuela was partitioned into 3 time periods. From 1920 to 1958, Venezuela was introduced into the oil nations club and went from a poor country to become a wealthy one, however, the price paid of this sudden wealth based on oil exports was the Dutch disease. From 1958 to 1989, a social democracy system was set up in Venezuela by president Romulo Betancourt which even though at his tenure oil prices were not very high, he issued plans with broad economic development objectives, protectionism policies were set up, institutions like the industrial bank were created, welfare projects were pursued, mainly healthcare etc. Nevertheless, reckless spending due to the oil boom of 1970s caused huge debts and economic hardship in the 1980s, attempts in 1989 to redeem the situation neoliberal and austerity measures had good effect on the state's finances but caused the Venezuelan population to live a brutal life which in the end caused the Caracazo incident. From 1989 to 2020, Hugo Chávez made an unsuccessful Coup attempt which landed him in jail in 1992. After his release in 1994, Chávez pursued politics and created the party "Movement for the Fifth Republic" and defeated both major parties and became president in the 1998 elections. Chavez changed the constitution, changed the structure of the economy, increased taxes,

Nationalized private industries etc. In 2002, he survived a Coup d'état which pushed him to purge his political opponents and unions. Not only did he pursue a dictatorship, Chavez pursued Cuban style socialism, where he provided full healthcare and housing for free, increased taxes etc. After his death, Nicolas Maduro became president in 2013 and continued on the same steps of his predecessor until the deterioration of Venezuela started in 2014 and total collapse in 2019.

Concerning chapter 4, first the Dutch disease was defined as when growth in national income from natural resource extraction damages other sectors of a country's economy. Secondly, the resource curse was defined as the paradox that countries with an abundance of natural resources tend in the long run to have less economic growth, less democracy and less development outcomes than countries with fewer natural resources. It was found that Venezuela is facing the resource curse since it is rife with corruption, mismanagement, rent seeking, in addition to that it has a lower economic growth compared to other countries with fewer natural resources. In the case of Venezuela, we have a country with a resource curse (where the country's GDP increase and decrease when the price of oil does), where the oil sector represents the majority of the country's GDP yet at the same time the oil cannot be produced anymore due to lack of maintenance and investments. If this can be remediated, the extra heavy and replete with sulfur oil of Venezuela is not able to compete with the cleaner and lighter shale oil of the United States unless the price of an oil barrel is below \$60 (in this case shale oil companies stop producing) which in turn is not sufficient for the Venezuelan economy. This lose-lose situation could have been fixed if a healthy diversification of the economy occurred some decades ago.

Concerning chapter 5, first socialism and social democracy were defined, and it was found that Venezuela had a social democratic system at Betancourt tenure and a Cuban style socialist system since Chavez reached power. Then, brief information about the riches/ resources of Venezuela were given (gold, nickel, aluminium etc.). Following that, an explanation for where the funds coming from oil exports were allocated was given, mainly housing, free healthcare for everyone, food distribution, fighting illiteracy, etc. (this is noble but destructive when the price of oil decrease). In the cases for Peronist Argentina and Ceausescu's Romania, we see almost a copy for Venezuela in term of richness in natural. The differences between Peron's Argentina and Chavez's Venezuela starts by pragmatism in the case of the former and the lack thereof in the case of the latter (Peron transformed Argentina to a rightist socialist or a corporatist socialist state where redistribution of wealth occurred properly, more like a social democratic state). Peron used resources to strengthen the industrial sector while Chavez used them to give free healthcare and housing etc. Peron allied himself with the workers for a better state not by giving them much but by pulling the unions to his side, while Chavez made them entitled and destroyed the unions. Like the case of Argentina, Romania was also a pragmatist state since World War II until the 1970s, Ceausescu wanted a successful state through industrialization; in addition to that many decisions were taken by Ceausescu in contrast with his ideological beliefs such as the economic rapprochement with some western states on the expense of alienating the Soviet Union. Chavez ideological inflexibility was found in the 1980s Romania when Ceausescu wanted to achieve autarky and a fully socialist state, this led to the country's downfall and Ceausescu's execution along with his wife.

Concerning chapter 6, it was explained which players/ states are interested in Venezuela and the crisis and what are their reasons for their interest. The variables which influenced the situation during 2019 were also stated such as, Trump's increase of sanctions on Venezuela in conjunction with the sanctions applied by the Lima Group, Guaidó's claim to the presidency and the recognition of him by many states in the world especially the Lima Group states and the US which caused a huge division in Venezuela, the failed uprising: Operacion Libertad, which caused the state to collapse to its lowest point. Overall the geopolitical situation in Venezuela is very tense which exacerbated the deterioration to a total collapse of Venezuela. the United States cannot afford to lose Venezuela for a very long time and Russia and China have a lot to lose if Venezuela's current regime is replaced without a deal with the US. For the time being, Maduro is reconsolidating his power with the help of his allies so in the near future a regime change is highly improbable. The geopolitical situation might repeat again in the near future.

Concerning chapter 7, the leftist populist dictatorship in Venezuelan showed that it can accelerate the process of creating a more equitable, democratic, and just society on the short term. Nevertheless, mismanagement, corruption, the presence of a twentieth century dictatorship that has supranational ambitions (this leftist dictatorship led a fierce internal opposition and a global alliance of states which are trying to remove him and his regime from power even if their efforts contribute to the collapse of Venezuela), and the dictatorial regime fueling the resource curse to support a defective Bolivarian socialism were the reasons why the Chavez dictatorial regime failed to achieve a lot of goals in the medium and long run, in addition to being one of the main reasons for the collapse. One last thing to add, unions, sociopolitical formations,

bureaucrats, entrepreneurs etc. in Venezuela are in collaboration with the Chavez regime and their removal would cause the state to disintegrate.

The four phenomena came together in 2019, but what exacerbated the situation is the geopolitical aggression that occurred in 2019 by the United States and the Lima group.

Concerning the healthcare sector part, although the healthcare sector was running smoothly and booming sometimes in Venezuela since the 1950s, Venezuela's healthcare system is now in ruins. Skilled professionals have left the country, and maintenance and basic supplies are nonexistent. All around Venezuela, hospitals are collapsing, but a single hospital was studied in this paper called the Luis Razetti hospital in Barinas. The hospital had its booming and flourishing period from 1937 to 2014, however this all changed when the state started deteriorating in 2014 and became in a total collapse state in 2019. After partitioning the timeline of Luis Razetti hospital into three periods, it was found that the Louis Razetti hospital was functioning normally from 1936 to 1976, functioning normally and booming from 1976 to 2014, deteriorating from 2014 to 2019, and collapsing from 2019 to 2020. The periods of the hospital work in complete harmony with the financial, economic, and geopolitical situation in Venezuela; when the state is functioning normally, booming, collapsing, or deteriorating (according to the combinations of the four phenomena), the hospital is going in the same direction of the state as a whole. Thus, the real collapse of the health sector (as well as all other sectors) occurred when all four phenomena were combined together. Hence, my thesis statement is validated.

Concerning the model used, the combination of all four phenomena, the resource curse, defective socialism, geopolitical pressure/aggression, and developmental dictatorship, is not a model to be used exactly the same when studying the collapse of other nations. The model needs to be adapted in the case of the collapse of other states, this model is built on the basis of four different pillars since it is absurd to believe that a state can collapse due to problems arising in one issue in the state.

These pillars are, the economic pillar; problems concerning the economy such as the resource curse, Dutch disease, economic mismanagement etc. The second pillar, effective or defective ideology pillar; no major ideology in itself is a cause for the collapse of states, even Fascism worked for a time in Germany, Japan, and Italy, what is important is if the established ideas of any major ideology in any state are respected in their application for the betterment of the state. The third pillar, geopolitical situation; having cordial relations with neighboring states and major powers in a state's region is crucial for that state concerning its economy and security. In addition to other states, low birth rates, bad geography are also some of many other cases that cause geopolitical problems for any state. The fourth pillar, how a state is run, democratically or dictatorially and what are the consequences of the regime's/administration's rule on the state as a whole; no system is considered better than the other, both systems encompasses successful and failed states.

The author believes that any state collapse that occurs is due to a combination of failures in all of these four pillars. For the Venezuelan case, the economic pillar problem was the resource curse, the defective ideology was the defective socialist one, the geopolitical situation was a major uncordial relation with its neighboring countries and the United States which then transformed into somewhat hostilities, and for the

fourth pillar a dictatorial regime with supranational ambitions fueling the resource curse to support its defective socialist policies.

APPENDIX

A.1 Characteristics of Venezuelan Oil

The Orinoco Belt oil has a low American Petroleum Institute (API) of around 10 and less, which means extra heavy oil. In addition to a high presence of sulfur content of around 4.5%, nickel and Vanadium (Rossi, 2011) and (Heavy crude oil). The Maracaibo Basin which is estimated to contain recoverable reserves of 33 billion barrels on the other hand has mostly light and medium oil with the API of over 25 and a sulfur content of 1 to 1.5% (Rossi, 2011) and (GenesisNY, n.d.).

A myriad types of crude oil are produced around the world, where their market value reflects their quality characteristics. The two most important quality characteristics are sulfur content and density (Energy Information Administration, n.d.). Starting with Density, it ranges from light to heavy based on the American Petroleum Institute (API) gravity, Higher API indicates a lighter crude or lower density and vice versa (Energy Information Administration, n.d.). A light crude falls in the range of 35-45 API (this includes Brent and WTI), an extra light crude which is lighter than 45 API is valued lower than light crude since it contains a lot of light ends like butane and propane, a medium crude falls in the range of 25-35 API, a heavy crude falls in the range of 10-25 API, and finally any crude with an API below 10 (it is heavier than water and sinks in it in contrast to the other APIs) is considered as extra heavy crude (Mckinsey, n.d.) and (IndexMundi, n.d.). Concerning the sulfur content in crude oil which is an undesirable characteristic for processing and end product quality, a sweet crude oil is a crude with a sulfur content less than 0.5%, whereas a sour crude oil is a crude with a sulfur content higher than 0.5% (IndexMundi, n.d.).

Light (with the exception of extra light crude) and sweet crude oil are priced higher than heavy and sour crude oil (Energy Information Administration, n.d.). This is because gasoline and diesel which are sold at a premium compared to residual fuel oil are more easily and cheaply produced by using light and sweet crude oil, since they can be processed with far less sophisticated and energy intensive processes and refineries (Energy Information Administration, n.d.).

Anaco Wax	Characteristics	Units	Typical Value
	API Gravity	°API	43.3
	Sulphur	WT %	0.15
	Kinematic Viscosity at 100 °F	CST	1.98
	Vanadium	ppm	1.04
	Neutralization Number	Mg KOH/gr	.11

Figure 26: Light and Sweet Crude Oil in Venezuela. Adapted from GenesisNy.net

Boscan	Characteristics	Units	Typical Value
	Gravity	°API	10.1
	Sulphur	WT %	5.4
	Kinematic Viscosity at 100 °F	CST	11233
	Vanadium	ppm	11222
	Neutralization Number	Mg KOH/gr	.91

Figure 27: Extra Heavy and Sour Crude oil in Venezuela. Adapted from GenesisNy.net

1.1.

A.2 Brief Explanation about Fracking

The fracking procedure starts by drilling vertically into the shale formation, then after drilling the well, drilling at a 90-degree angle starts, meaning drilling horizontally, this allows the access to 10, 000 feet of the reservoir rock (The Geological Society of America, n.d.). After that high pressure bursts of water, chemicals, and sand are pumped to fracture the shale and release the oil (Amadeo, 2020). The sand keep the fractures open which allows the oil to seep into the well (Amadeo, 2020).

A.2.1 Pros of Fracking

- The methods of Shale oil extraction are more flexible than traditional oil well drilling. The initial drilling only accounts for 40% of the total cost (Amadeo, 2020).

- Even if extraction is stopped due to international oil price decrease, oil can be stored in the ground, these wells are called DUCs meaning drill and cover (U.S. Energy Information Administration, 2019). Extractors can safely wait until oil prices return to \$60 a barrel in order to restart extracting oil from the wells they've already drilled (Amadeo, 2020).

- Shale oil reduced the international price of oil by 10%, which is a total savings of \$4 billion (The Council of Economic Advisers, 2019). This caused the prices of gasoline to fall which helps low income families who spend a big proportion of their income on transportation (The Council of Economic Advisers, 2019).

A.2.2 Cons of Fracking

- Fracking uses a lot of natural resources. Before extracting any oil, 800 truckloads of water. Must be pumped in, in addition to hundreds of truckloads of other material (U.S. Energy Information Administration, 2013).

- Fracking can affect drinking water since fracking liquids can leak into a community's groundwater either accidentally or if incorrectly disposed of (U.S. Environmental Protection Agency, 2016).

Fracking may also cause earthquakes by pumping wastewater into special disposal wells (U.S. Geological Survey, n.d.). The high pressure pumping may trigger shifts in the fault lines and causes earthquakes even far from the disposal wells (U.S. Geological Survey, n.d.).

A.3 Some examples of the Resources in Argentina

The Argentine region that is adjacent to the Andes is one of the world's most metal rich areas, Argentina had at Peron's time about 7% of Arable land (15% nowadays), it is also among the top 35 largest proven reserve of natural gas, with more than 430 000 million cubic meters, and its proven oil reserves is among the top 32 largest globally with an estimated amount of 2.5 billion barrels, adding to that it has minable amounts of Uranium, which is used as a fuel in nuclear energy, in addition to that, Argentina is also the third largest producer in the world, with 15% of global production where it contains around 80% of the world's lithium reserves in the Puna Plateau region in the northwest, it is also ranked among the top five countries in the world for boron production, amounting for 5% of world production, finally, it is the world's fourth highest producer of strontium which is derived from Celestite (Thomas, 2012) and (World Data atlas, 2016).

A.4 Peron, Hero of the Plebs

Juan Peron, was born on October 8, 1895, in Buenos Aires, Argentina, he joined the National Military College at the age 16 and graduated in a couple of years later. He excelled in boxing and fencing (Juan Peron, 2021) and (McGann, 2007). Peron rose through the ranks and served as a military attaché in the Argentine Embassy in Chile between 1936 and 1938, then studied mountain warfare in the Italian part of the Alps in 1939, then returned to Argentina in 1941 and joined the secret military society called Grupo de Oficiales Unidos or the United Officers Group (Juan Peron, 2021) and (McGann, 2007). As a colonel, Peron took part in the United Officers Group military coup that overthrew the ineffective civilian government, then served first as an assistant to the Secretary of war, later on he became the secretary of labour and social welfare where he passed a broad range of progressive social reforms which were designed to improve working conditions, reforms the like in which employers are forced to improve working conditions and provide accident compensation, conditions where workers could be dismissed were restricted, a system of labor courts handling, paid holidays were generalized to the entirety of the workforce, minimum wages, helping migrant workers, settling industrial disputes in favor of labor unions, working days in many industries was shortened etc., which in turn led him to an alliance with the syndicalist and socialist movements in the Argentine labor unions, increasing his power and influence in the government (Juan Peron, 2021) and (McGann, 2007). This move made the opponents of Peron from 1944 to 1946, Peron took the positions of minister of war and vice president, he was clearly rising in the ranks to hold undisputed power with the support of the underprivileged laborers and his popularity and authority in the army (Juan Peron, 2021) and (McGann, 2007).

This move fed growing rivalries against Peron and he was forced to resign by his opponents within the armed forces, four days later, he was released after massive demonstrations organized by the labor unions and his other supporters. His future wife, Eva Duarte, became immensely popular after assisting in the organization of the demonstration, she also helped Peron gain support with labor and women's groups (Page, 1983). Peron later on won the presidential election in February 1946 with 56 percent of the total vote (Juan Peron, 2021).

During his first term, Peron set Argentina on an industrialization course, the state also intervened in the economy to provide economic and social benefits for the working class, adopting an anti-United Kingdom's and an anti-United States policy, proclaiming the virtues of the "Third Position", an authoritarian and a populist system, between capitalism and communism on the spectrum of economic ideology (McGann, 2007) and (Juan Peron, 2021).

After reaching power, Peron had two goals in mind, social justice and economic independence (Juan Peron, 2021). Peron's advisors developed a five-year plan with the goals of increasing workers', stimulating industrial growth of 40% in addition to diversifying the sector, achieving full employment, and improving transportation, communication, energy etc. (Rock, 1987). Peron tried to make the nation more pluralistic and less reliant on foreign trade, he nationalized the Central Bank, paid off all of Argentina's Debt (a billion dollars in 1949's money) to the Bank of England, he nationalized the railways that were mostly owned by the United Kingdom's and French companies, he also nationalized public utilities, public transportation that were mostly tramways, universities and merchant marine (Rock, 1987), (Juan Peron, 2021) and (McGann, 2007). Average real wages increased by 35% from 1946 to 1955 (this boost

in wages was due to policies of which the enforcement of minimum wage laws, controls on the prices of food and other consumption goods, and extending housing credits to laborers), access to healthcare became universal while the number of people covered by social security more than tripled, health insurance also expanded to more industries, of which banking and metalworking can be named (Rock, 1987), (Mesa-Lago, 1978) and (Jackson, 1979).

Peron's most significant work was the creation of a single purchaser for Argentina's most export oriented grains and oilseeds which was the Institute for the Promotion of Trade (IAPI) that used its profits in funding welfare projects (Williamson, 2009). However, Peron severely prohibited constitutional liberties and in 1949 he arranged the formulation of a new constitution that would permit his reelection (McGann, 2007).

In September 19, 1955, and during his second term, an army and navy revolt led by democratically inspired officers overthrew Peron who fled to Paraguay amid popular discontent due to inflation, corruption and oppression (McGann, 2007) and (Juan Peron, 2021). Nevertheless, Peron returned for a third term after a special election on 12 October 1973, with Isabel, his wife, as Vice President, after his return from exile and some political turmoil that followed (Juan Peron, 2021). Juan Peron suffered a heart attack and died on July 1, 1974, at the age of 78, he was succeeded by the vice president, his wife (Page, 1983).

A.5 How Peron Industrialized Argentina

Peron, focused on industrialization. Even though in the 1930s the industrialist were not united, in the 1945 they were all but opposed to Peron and the military government (Lindenboim, 1976). According to (Horowitz, 1990), Peron didn't want to depend on any one group totally, his dependence on the weakened labor in the previous years (mainly the 1930s) which was also almost entirely opposed to the government; whom he was accustomed to due to him being the secretary of labor and made a lot of efforts and policies to help them by increasing their wages and easing their working conditions according to (Blanksten, 1953) and (Murmis and Portantiero, 2011), mainly shifting powers from the owners to the employees; this dependence came about after his failure to collect other allies, especially the Radical party and the industrialist, since he saw that industrialization is important to national defense. Peron had to rely on labor and their unions in order to win the 1947 elections, so he started supporting them from 1945, winning them according to (Horowitz, 1990) thirty-three positions in government boards and commissions, Thus, giving them a voice in decision making, in addition to giving them three seats in the first public bank in Argentina that gives credit to industry. Here we can see a pragmatist leader who, in order to industrialize didn't solely rely on industrialists but found a way to circumvent the situation and rely on laborers.

Now we know who Peron supported in the industrial sector, let us examine what did he achieve. Peron basically turned Argentina into a corporatist state (a corporatist state is one in which society is organized into "corporations" subordinate to the state, or where powerful organized interest groups negotiate for the available resources and positions (Corporatism, 2021) and (Commanding heights, Argentina, n.d.).

Peron's early period was one of macroeconomic shocks in which import substitution industrialization method was used, where bilateral trade, and exchange control were of crucial importance (Sanz Villarroya and Prados de la escosura, 2004). Interventionism, including the control of prices, rents etc., increased state owned properties, and a higher level of public investment were the main features of this period (Sanz Villarroya and Prados de la escosura, 2004).

During this period, a myriad of public works and programs were executed in order to modernize the country's infrastructure, where for example, twenty-two hydroelectric power plants were built that multiplied electrical output by eight times, a network of gas pipelines was built that caused the reduction of gas costs by a third (Iach, 1998) and (Economic history of Argentina, 2021). During these years, Peron achieved in Argentina the largest middle class in South America, and an exponential growth of the internal market occurred, fridge sales for example increased by 218% while radio sales increased by 600% (Commanding heights, Argentina Social, n.d.) and (Gerchunoff, 1989).

This "success" had also its drawbacks, this almost complete protection against imports cut off Argentina from the international market, which left outside competition out, and thus, increase production costs and finished goods prices that cannot compete with international goods. Severe industrialization in this case cause a decrease in agricultural production since demand of labor for the industrial sector increases and wages as well, causing the labor force to move to the latter, which in my analysis caused Peron to sign trade agreements with the United Kingdom, Chile, and the Soviet Union (the trade agreements just mentioned were found on Commanding heights, Argentina Trade Policy, n.d.). Hence, it is not surprising that during this period,

Argentina grew economic wise, but on average it did more slowly than its neighbors, Chile and Brazil, and then the world as a whole as Schuler found out in his paper “La economía argentina en la segunda mitad del siglo XX”.

Chavez on the other hand, despite having abundant resources, which are mentioned above, the country’s mining industry is still underdeveloped according to (Davey, 2012), the oil industry is in ruins, and the agriculture sector has never progressed, in summary the country’s industrial sectors are in shambles. This is for many reasons, mainly nationalization, lack of maintenance and investments, weakening labor unions, and finally the dependency on the export of raw material.

Nationalization wise combined with lack of maintenance of the nationalized companies had the following effects, first Chavez nationalized the private leftovers of the oil industry, then in 2007, Chavez nationalized Venezuela’s largest telecommunications company, called CANTV, lately many of Venezuela’s phone lines are no longer operating (Foundation for Economic Education, 2020). In the same year Chavez also Nationalized the biggest private electricity producer in Venezuela, called Electricidad de Caracas, since 2019 due to a severe lack of maintenance Venezuela suffered recurring electrical blackouts that left millions with no power or internet access for days and sometimes weeks at a time (Foundation for Economic Education, 2020). In 2009 Chavez nationalized Sidor, Venezuela’s largest producer of steel, which resulted in Venezuela’s steel output reaching an all-time low of a thousand tons in November 2019 compared to 479 000 tons in March 2007 (Foundation for Economic Education, 2020). At the same time, in 2009, Chavez nationalized the rice plants that was owned by the food giant Cargill and sending troops to processing plants due to the argument that this company was charging too much for its products, he also nationalized fertilizer

companies, meat companies and others, which later on almost all ceased to produce or even exist (Foundation for Economic Education, 2020). In 2010, Chavez went after banks, nationalizing the Banco Federal of Venezuela, which then caused a dozen other banks in Venezuela to shut down its business, by this Chavez was able to nationalize Venezuela's finance industry, afterwards Venezuela suffered from inflation in a more severe manner (Foundation for Economic Education, 2020). In 2009, Chavez started the nationalization of the gold sector by seizing control over the United States company Gold Reserve Inc., and Maduro is continuing his predecessor's road (Foundation for Economic Education, 2020). Finally, in 2011, Chavez nationalized Conferry, Venezuela's largest commercial shipping company which in 2019 the fleet was at the mercy of salt peter and corrosion (Foundation for Economic Education, 2020).

Figure 17 shows how the industrial production of Venezuela are decreasing, showing a weakening economy that is getting increasingly dependent on the exports of raw materials.

Figure 18 shows the listed companies in Venezuela on the stock exchange, it is clear that since 1998, the year that Chavez rose to power and following the nationalization process of companies, companies number listed started decreasing and this is ongoing to this day. This is one of the main reasons why the industrial sector in Venezuela is dying out.

Regarding labor and unions, Chavismo sought to remake the country's labor movement in a myriad of ways that violate the basic principles of freedom of association. the Chavista governments had always refused to bargain with established unions and engaged in favoritism toward pro government unions (Human Rights Watch, n.d.) and (NPR, 2015). The Chavista regime also undermined worker's right to elect

their representatives by requiring that every union election be organized and certified by the Consejo Nacional Electoral, CNE or the National Electoral Council, a public authority, which violates international standards that guarantee workers their right to elect their representatives in freedom and according to the conditions they choose (Human Rights Watch, n.d.) and (NPR, 2015). Chavez's regime has also refused to bargain collectively with established unions that failed to hold elections that is state certified, where in the public sector by itself, a number of collective bargaining agreements amounting to 250 have expired while unions were waiting for the government's approval of their requests to hold elections and certify its results (Human Rights Watch, n.d.) and (NPR, 2015). The regime also discriminated against established unions linked to the political opposition by promoting and negotiating with pro government unions that are exempt from electoral restrictions while refusing to negotiate with the former, thus, workers began to switch labor organizations and join the pro government organizations ones (Human Rights Watch, n.d.) and (NPR, 2015). Finally, the government banned the right to strike and asserted mass reprisals on striking PDVS workers in 2002 such as, firing half the striking workforce, ordering private oil companies not to hire these fired workers, etc. (Human Rights Watch, n.d.) and (NPR, 2015). All of this with was done with the Supreme Court agreement, which failed to uphold the law that grants international human rights treaties precedence over domestic laws (Human Rights Watch, n.d.).

Venezuela's Chavismo regime portrays the country as a haven, or more properly a worker's paradise. Nevertheless, this regime has often clashed with laborers and their unions. We see a regime that estranged capitalists and laborers which in the end of the road led to the destruction of almost all industrial sectors in the country. This left the

regime with one final alternative to keep the socialist system running and the benefits provided above, this only alternative is the export of raw material. This part is better explained in the resource curse and Dutch disease part, however, since that part is mainly focusing on oil, here the export of other resources will be discussed.

In 2014 and 2015, trade amounted to around 50% OF Venezuela's GDP, where exports accounted for 17% of GDP (The World Bank, 2019) and (Risque Pays du Venezuela: Commerce International, 2018). Since 2014 there are no statistics revealing information about the economy as a whole in Venezuela, but due to the collapse of all industries in 2019 it is almost certain that since then the country is surviving due to export of minerals mainly gold and iron, in addition to some agricultural products. The following are exported goods value in USD. Organic chemicals = \$404.8 million, Gold = \$235 million, Iron, steel = \$238.4 million, Fish = \$236.7 million, other precious metals = \$120 million, Ores, slag, ash = \$111 million, Aluminum = \$78.1 million, Beverages, vinegar = \$76.1 million, Copper = \$56 million, Cocoa = \$53.6 million (Workman, 2020) and (OEC, 2020). Instead of diversifying the economy, Chavismo is repeating the same mistakes over and over, by substituting the oil resource curse for Gold or Iron resource curse without enhancing neither the industrial sector nor the agriculture nor any other for that matter.



Figure 28: Venezuela Exports. Data Source: Trading Economics (2020)

Figure 28 shows a country that is increasingly dependent on the export of natural resources since the late 1990s, the years that Chavez became president. The dip in exports that occurred since 2014 is due to the decreasing amount exported of Venezuela's most important natural resource, oil, which is nonexistent since 2020.

The big difference between Peron's Argentina and Chavez's Venezuela who both tried to follow the socialist path for the good of the workers the presence of flexibility and pragmatism in the former and the lack thereof in the latter. Even though both countries are endowed in natural resources, Argentina was able to use them to strengthen its industry and Peron was pragmatist enough to be able to ally himself with one part of the industrial sector components, the workers, after the capitalists took him as a foe, due to his staunch position against them and nationalizing their businesses. Chavez on the other hand tried to do everything according to ideology, this resulted in the collapse of the Venezuelan industrial sector and dependency on the exportation of raw material. Maduro the successor of Chavez is following his predecessors' footsteps

as well, even though after the collapse of the state since 2019 he has the best time to reform the economy, however he is committing the same mistakes that Chavez did.

A.6 Venezuela's Exports

In 2014 and 2015, trade amounted to around 50% of Venezuela's GDP, where exports accounted for 17% of GDP (The World Bank, 2019) and (Risque Pays du Venezuela: Commerce International, 2018). Since 2014 there are no statistics revealing information about the economy as a whole in Venezuela, but due to the collapse of all industries in 2019 it is almost certain that since then the country is surviving due to export of minerals mainly gold and iron, in addition to some agricultural products. The following are exported goods value in USD. Organic chemicals = \$404.8 million, Gold = \$235 million, Iron, steel = \$238.4 million, Fish = \$236.7 million, other precious metals = \$120 million, Ores, slag, ash = \$111 million, Aluminum = \$78.1 million, Beverages, vinegar = \$76.1 million, Copper = \$56 million, Cocoa = \$53.6 million (Workman, 2020) and (OEC, 2020). Instead of diversifying the economy, Chavismo is repeating the same mistakes over and over, by substituting the oil resource curse for Gold or Iron resource curse without enhancing neither the industrial sector nor the agriculture nor any other for that matter.



Figure 29: Venezuela Exports. Data Source: Trading Economics (2020)

Figure 29 shows a country that is increasingly dependent on the export of natural resources since the late 1990s, the years that Chavez became president. The dip in exports that occurred since 2014 is due to the decreasing amount exported of Venezuela's most important natural resource, oil, which is nonexistent since 2020.

A.7 Ceausescu's Socialist Romania

In order to understand socialist Romania, we need to know more about its leader for around 25 years, Nicolae Ceaușescu. Ceaușescu was born on January 26, 1918 in Scornicești, Romania (Nicolae Ceaușescu president of Romania, 2021). Ceaușescu joined the Romanian Communist youth movement during the 1930s which led him to imprisonment in 1936 and again in 1940 where he became a protégé of the Communist leader Gheorghe Gheorghiu-Dej, the undisputed Leader of Romania from 1952 until 1965, who was his cell mate (Nicolae Ceaușescu president of Romania, 2021). Shortly before the Soviet occupation of Romania, Ceaușescu escaped the prison in August 1944 and then served as secretary of the Union of Communist Youth from 1944 till 1945, then headed the ministry of agriculture from 1948 till 1950, next he served as deputy minister of the armed forces from 1950 till 1954 (Nicolae Ceaușescu president of Romania, 2021). Eventually, Ceaușescu occupied the second highest position in the party after Gheorghiu-Dej holding very important posts in the Politburo and Secretariat (Nicolae Ceaușescu, 2021). After the death of Gheorghiu-Dej in 1965, Ceaușescu succeeded him and became the leader of Romania's Communist Party as general secretary and president of the State Council in December 1967, he later on became president of Romania, a newly created post in 1974 (Nicolae Ceaușescu, 2021).

Shortly Afterward holding power in Romania, Ceaușescu won the support of the people for his nationalistic and independent political course which challenged the dominance of the Soviet Union over Romania. Later on, Ceaușescu ended Romania's active participation in the Warsaw Pact military alliance (Alpha History, n.d). Ceaușescu also condemned the Warsaw Pact invasion of Czechoslovakia in 1968 as well as the Soviet Union's invasion of Afghanistan in 1979 (Nicolae Ceaușescu, 2021).

Due to his almost hostile relations with Moscow, the anti-Soviet states boosted Ceaușescu popularity both in Romania and in the West since he was seen as a maverick who wasn't under the heel of the Soviet Union (Nicolae Ceaușescu, 2021). Ceaușescu visited many Western States meeting several heads of state during the 1970s, some heads of states that will be mentioned here are the United Kingdom's Queen Elizabeth II and the United States president Richard Nixon (Nicolae Ceaușescu, 2021). Ceaușescu also established relations with many Western countries in contrast to other satellite states of the Soviet Union, signed trade agreements with European nations, recognized West Germany as a sovereign state, and bonded with the leaders of other communist nations, such as North Korea, North Vietnam and China (Alpha History, n.d) and (Nicolae Ceaușescu president of Romania, 2021).

After his ascension to the presidency in 1974, Ceaușescu became the de facto dictator of Romania, he built a cult of personality similar to the one of Kim Il Sung of North Korea where the secret police maintained a rigid control over the media, free speech etc. and it did not tolerate internal dissent or opposition (Alpha History, n.d).

In order to develop Romania as a major power in Europe and achieve autarky knowing that Romania is endowed with resources, Ceaușescu borrowed more than \$US10 billion in 1981 to build a network of oil refineries that eventually failed to produce the expected profits, however, his regime conducted a large industrialization plan that moved thousands of Romania's villages residents to cities, which increased the labor force from 12% to 19.2% from 1950 to 1965 and increased industrial production according to official figures by 649%, nevertheless, this momentum was not sustainable due to ideological inflexibility and started declining soon after, then sharply in the

1970s and 1980s (Crowther,2018), (Economy of the Socialist Republic of Romania, 2021) and (Holman, n.d).

In order to pay off the large foreign debt through its mismanaged industrial ventures, especially in oil, Romania exported much of the country's agricultural and industrial production, such as food, industrial goods, energy, fuel, medicines while strictly imposing rationing and austerity measures on its people (Economy of the Socialist Republic of Romania, 2021) and (Nicolae Ceaușescu president of Romania, 2021).

This left Romania with an inefficient even underproductive industrial base, a weakened and unmotivated agricultural sector and an unproductive as well as an unhealthy population, due to shortages in basic needs like food and medicines (Nicolae Ceaușescu president of Romania, 2021), (Roper, 1994), (1980s austerity policy in Romania, 2021) and (Holman, n.d). This lowered living standards which intensified unrest until one day, Ceaușescu ordered his security forces to fire on antigovernment demonstrators on 17th of December, 1989, in the city of Timisoara; on 22nd of December, 1989, the Romanian army defected to the demonstrators capturing Ceaușescu and his wife who were fleeing the capital using a helicopter (Nicolae Ceaușescu president of Romania, 2021) and (Roper, 1994). On 25th of December 1989, Ceaușescu and his wife were hurriedly tried and convicted on mass murder charges as well as others by a special military tribunal then shot by a firing squad (Nicolae Ceaușescu president of Romania, 2021), (Roper, 1994) and (1980s austerity policy in Romania, 2021).

A.8 Crisis During Trump's Presidency

During the Trump's presidency, in late 2018 and 2019, Venezuela's political system collapsed. We will see next how the events unfolded.

A.8.1 Factors Influencing the Situation and the Events that Followed

A.8.1.1 Trump's last card and the formation of the Lima Group

After his failed policies concerning Iran and North Korea, Trump needed the removal of the Chavismo regime from power to present a successful foreign endeavor to his supporters, this caused him to keep increasing the sanctions on Maduro and his cronies since 2017 (Rendon, 2019), (Ghitis, 2020) and (Seelke et al., 2019). In addition to that, Trump started stating publicly that there are many options to remove the Chavista regime in Venezuela including the military one, an option he was proposing to Latin American leaders (Borger, 2018). This coercive diplomacy was met by Russia sending two Tu-160 "White Swan" Russian strategic bombers (capable of delivering nuclear weapons) to Caracas on December 10, 2018, a preventive diplomacy by Russia (preventing US invasion) and a show of force (Phillips, 2018).

Meanwhile, there was another player applying light pressure and sanctions (first time on the 4th of January 2019) on Venezuela, the Lima Group, who was formed on August 8, 2017 mainly of countries affected by the Venezuelan economic crisis and wanted to resolve it (Lima Group statement on August 8, 2017 and January 4, 2019).

A.8.1.2 The rise of Juan Guaido

In the month previous to the 2018 Venezuelan presidential election which Maduro won, he banned major opposition parties from participating, causing many states including the US and the Lima Group organization to declare the election as

fraudulent, and together with the National Assembly, they declared Maduro a usurper on the day of his second inauguration on January 10, 2019 (Dangerfield, 2019). The US and the Venezuelan opposition alliance made their long planned move on January 23, when in a massive opposition protest the new president of the National Assembly and head of the opposition Juan Guaido declared himself as the interim president until elections could be held based on the article 233 of the Venezuelan constitution (Guaido was recognized by almost 60 countries whereas Maduro by only 20) (Rodriguez-Ferrand, 2019) and (Mackinnon, 2019).

The US continued their coercive diplomacy by threatening that “all options are on the table” to remove Maduro from power, the Lima Groups stated that it wants a democratic transition, Russia and China called on the US and the Lima Group to stop interfering in Venezuela, Russia even took it a step further and warned the US against a military intervention (Daniels et al., 2019), (Lima Declaration on January 24 2019) and (Dangerfield, 2019).

A.8.1.3 Humanitarian aid showdown and aftermath

On the 22nd of February, Some Lima Group members’ presidents, Ivan Duque, Sebastian Pinera and Mario Abdo Benitez presidents of Colombia, Chile and Paraguay respectively appeared at the Venezuela Aid live concert in the Colombian city of Cucuta along with Guaido for support (Piñera joins Guaido at Venezuela aid concert near Colombian border, 2019). On the Following day, trucks full of humanitarian aid attempted to cross the border from Brazil and Colombia to Venezuela, however, the attempt failed where the Venezuelan military blocked the crossings with only one truck able to deliver aid and the rest were burnt. (Graham-Harrison et al., 2019).

After the failure of getting humanitarian aid to Venezuela, other Lima Group members like Brazil, Paraguay, Argentina and Ecuador invited Guaido to show support and pressure other states to do the same (Berwick and Garcia, 2019). The US on the other hand proposed a draft resolution to the United Nations Security Council backing Guaido and calling for a peaceful political process leading to a free and fair elections, it received 9 yes votes, the minimum number required for adoption but was vetoed by Russia and China. Russia retaliated by proposing another draft resolution opposing interference in Venezuela and any threats of military intervention, it received 4 yes votes failing to meet the minimum number required for adoption (Lederer, 2019).

Looking to end the crisis quickly the US proposed the first negotiation meetings on Venezuela with Russia which obliged during a phone call between Pompeo and Lavrov on the 3rd of March, the meetings took place on the 18th and 19th of March in Rome between the US Special envoy for Venezuela Elliot Abrams and the Russian Deputy Foreign Minister Sergei Ryabkov, these meetings amounted to nothing and no date for later negotiations was set (Castelfranco, 2019) and (Hart, 2019). After the negotiations failure, the US went back to its coercive diplomacy that “all options are on the table” which pressed Russia to perform another preventive diplomatic move by sending 100 Russian troops to Caracas on the 23rd of March (Ward, 2019).

With the negotiations with Russia at an impasse the US pushed Guaido to try to negotiate with China. There are allegedly talks between the Venezuelan opposition and China and a change of behavior toward Guaido from the Chinese side after Guaido wrote an article to Bloomberg on the 15th of April asking China to switch sides and promising of Chinese interests protection (Pina, 2019).

A.8.1.4 Operacion Libertad

On the 30th of April, flanked by members of the Venezuelan military near La Carlota Air Force Base in Caracas, Guaido announced the beginning of “Operacion Libertad”, a civilian-military uprising against Maduro (Smith and Torchia, 2019). Despite large violent protests on that day and some clashes between military men loyal to Guaido and others loyal to Maduro, the uprising faltered after it failed to gain support from the military elites. (Sequera et al., 2019).

This failed uprising was the turning point, Guaido started falling from grace (Guaido’s approval rating in December was 10%), hopes were lost of grand military defections for the time being and excluding a military intervention, the only hope for the Trump administration was to conducted negotiations with Russia. On a phone call with Putin on the 3rd of May, Trump opened the Venezuela subject and Putin’s answered that he just wanted to see something positive happening there (Holland and Rampton, 2019) and (Meganalisis poll, n.d.). Two more negotiations meetings followed between Pompeo and Lavrov, the first one on the 6th of May where the two met on the sidelines of a meeting of the Arctic Council that was held in northern Finland, the other on the 14th of May in Sochi Russia, however, the result was a deadlock and no more negotiations about Venezuela between these two players took place again (Teslova, 2019) and (Ilyushina and Hodge, 2019).

The US in addition to the Lima Group played one last card, they pressured the United Nations to investigate the Human Rights condition in Venezuela in order to turn the entire international community on Maduro and his allies. On the 4th of July the United Nations High Commissioner for Human Rights, Michelle Bachelet submitted a report highlighting the thousands of extrajudicial killings, torture etc. that the Maduro

regime was committing in Venezuela, nevertheless, the international community stood idle (OHCHR report on Venezuela on July 4 2019).

A.8.1.5 Attempted revival and the Coronavirus

A short attempted revival of the Guaido movement started when on the 4th of February 2020, Trump invited Juan Guaido to the State of the Union address to Congress and the media started re-publicizing the Venezuelan crisis, however these efforts were abruptly stopped with the spread of the Coronavirus pandemic (Madhani, 2020).

A.9 Possible Scenarios for the situation

These 5 scenarios are the most probable to take place in the near future

A.9.1 Scenario 1. Negotiated Deal

A negotiated deal between the US, Russia and China where the US would request from Russia and China to stop their support for Maduro and pressure him to conduct a free election supervised by international organizations (only 9% of Venezuelans support Maduro, the opposition will most likely win according to MeganaLisis poll, n.d.). In return Russia will demand concessions from the US in its sphere of influence (most probably, Ukraine or Georgia) and along with China will ask for legal guarantees that their assets and debt will be protected after the election. This will be considered as a huge victory for the US and the Lima Group, the Lima Group would fulfill its purpose of a peaceful transition, whereas Trump would succeed in his first foreign endeavor. It will also be considered as a victory for Russia and China since they will both keep their investments and assets, the former will also regain some control over its region, most likely Ukraine.

A.9.2 Scenario 2. Regime change

A regime change is a highly likely scenario; this became clearer during Operacion Libertad where allegedly many top Chavistas were conspiring with Guaido behind Maduro's back. Learning from the failure of Operacion Libertad, the opposition could give better incentives to the military elites than what was given during the uprising and organize better coordinated demonstrations in order to topple Maduro. This will be considered as a bigger victory for Trump since he won't have to trade Venezuela for anything in contrast to the first scenario, the Lima Group would have fulfilled its

purpose of a transition without war. On the other hand, in order to maintain their investments and influence, Russia and China will try to get on the transitional government's good side, their success is becoming increasingly doubtful the longer the time they keep supporting the current regime.

A.9.3 Scenario 3. Stalemate and Deterioration

A very likely scenario would be the sustainment of the status quo, where the opposition wins most of the international support but loses some of its capacity to organize in Venezuela due to crackdowns and the harassment of the pro US National Assembly representatives. Here the US and the Lima Group will continue to ramp up sanctions against Maduro, his cronies, PDVSA and countries helping Maduro; they will likely also block oil tankers, drug traffickers and gold smugglers from entering or leaving the country, making Venezuela a pariah state. Whereas, Russia sees its backing to Maduro as a low cost way to sow instability in the US's hemisphere, along with the Chinese they will keep helping Maduro evade sanctions, Russia will also keep occasional military deployments to Venezuela which will irritate the US.

A.9.4 Scenario 4. Collapse and Anarchy

Facing international isolation, the Coronavirus pandemic, domestic political pressure and heavy economic sanctions, Venezuela could collapse where the state institution disintegrates and national as well as international criminal/terrorist organizations expand their activities and ravage the country. Here the US and the Lima Group will try to restore order using their military and the international community will send shipments of humanitarian aid to stabilize the situation before it destabilizes the entire South America region. Whereas, Russia and China might ramp up accusations

that the chaos was caused by the West, and will most likely use contractors to protect their investments and facilities.

A.9.5 Scenario 5. Military intervention

Highly likely option, the US and the Lima Group could conduct a bombing campaign followed by an invasion then the installation of a transitional government. There will be high costs for a full invasion for the US and its allies and even a higher cost for a long occupation of a huge country (twice the size of Iraq with a complex topography) fighting terrorist and criminal organizations like FARC or ELN etc. It is unknown if a military invasion would end the crisis or would Venezuela end up like Iraq or Afghanistan. Russia has troops present in Venezuela so there will be an escalation of geopolitical tensions, and in case of destruction of Russian or Chinese investments or facilities, these two may retaliate on US facilities and investments elsewhere.

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