

# VENEZUELA'S STRUCTURAL VULNERABILITY AND ITS IMPACTS ON THE SOUTH AMERICAN SPACE

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## ABSTRACT

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The study makes a geopolitical analysis on how the Venezuelan vulnerability impacts on the stability in South America, where Brazil is a relatively important protagonist. In the light of the Theory of Security Regional Complex (TSRC), it starts from the hypothesis that such vulnerability affects the South American space, because states' security would be interdependent in a complex. On one side, the vulnerability is explained through the structural dimension of hydrocarbon reserves. On the other, the impacts to South American stability touch the Brazilian role through the following vectors: geopolitics of energy, commercial-financial, migratory flow and regional integration. Such analytical model verifies that the paralysis of regional mechanisms to Venezuelan crisis follows the logics of building amity/enmity patterns, based on democratic clause, which underpins the regional integration processes. The formation of these patterns, according to the TSRC, aligns through the mechanisms of penetration with foreign powers, conciliating regional and global security. The establishment of Lima Group and the emptying of regional organisms that isolate the Venezuelan crisis and challenges the role of Brazil are phenomena that characterize the ongoing amity/enmity patterns, aligned with the identities and interests boosted by hegemonic foreign power and its protected international order. **Keywords:** Regional Security Complex. Crisis in Venezuela. Oil Geopolitics.

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## INTRODUCTION

The Bolivarian Republic of Venezuela is a rich country in natural resources, owning one of the largest reserves of oil, natural gas and minerals (iron, gold, bauxite and diamonds) in the world. A producer of marketable oil since 1914, when the exploration of the Mene Grande field on Lake Maracaibo started, Venezuela has a great potential for social and economic development. Its population of about 31,1 million, 20,4 million being between 15 and 64 years old, and 1,9 million older than 65, is mostly urban. About 90% lives in cities such as its capital Caracas, which has more than five million inhabitants. GDP reaches just over \$ 287 billion (2016), 25% represented by the oil and gas sector. Proven oil reserves total 302.809 billion barrels, while natural gas reserves total 5.707 trillion cubic meters. 2.37 million barrels of crude oil are produced every day (2016), 1.835 million of these are exported. Refining capacity reaches 1.890 million barrels per day<sup>3</sup>. It is noteworthy that the oil production and export data presented by the Organization of Petroleum Exporting Countries in 2016 no longer reflect the reality of the sector in Venezuela, which is plunged into deep collapse.

This study aims at presenting a geopolitical analysis on how an actor's vulnerability relates to the stability of the region where it is located, specifically Venezuela's structural vulnerability and the stability in the South American area where Brazil plays a relatively important role. The Venezuelan crisis, featured by economic recession, hyperinflation, and their consequent deep social effects, reveals a crisis that is also humanitarian, involving human right violations. It has produced a great impact on the South American stability, challenging Brazil's regional role. Given to this analytical model, the Theory of Regional Security Complex is revised to explain the overflowing of an actor' specific crisis over the regional complex in which it is placed. Considering the democratic transition ended in the 1960s and the recent crisis of the Bolivarian regime, the study then analyzes Venezuela's structural vulnerability. Finally, it investigates the impacts felt by the South American regional complex on at least four vectors: energy geopolitics, commercial-financial, migratory flow and regional integration.

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<sup>3</sup> See data about oil and gas: ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES. Venezuela facts and figures. Available on: <[http://www.opec.org/opec\\_web/en/about\\_us/171.htm](http://www.opec.org/opec_web/en/about_us/171.htm)>.

## II – THE REGIONALISMS AND THE REGIONAL SECURITY COMPLEX

With the end of the Cold War and the resulting weakening of dominant theories such as realism and liberalism, the field of International Relations has highly regarded the approaches that value the regional aspect. The end of global bipolarity has brought to light the distension of regional integration processes and the settling of new agendas, which were previously restricted to security issues. Integration processes became viable due to the end of activities aimed at perpetuating the former power blocs, in dispute over zones of influence, thus allowing the other states to develop their respective national interests with greater leeway and autonomy. However, the immediate post-Cold War moment evidenced the triumphalism of the United States of America (US) and did not interrupt its interests in influencing the international order and, consequently, the regional processes in motion. Specifically, South America's regional integration processes characterize both aspects: the role of local countries in developing new agendas to favor their interests, and the US curtailment in signaling the ideational and material boundaries of South American integration processes.

It is important to note that South America is a subcontinent with relatively low incidence of conflict. That is why it is a mistake to see the security elements as relevant for the regional integration processes. South American history shows a substantial reduction in the amount and degree of impact of regional conflicts in the twentieth century if compared to the nineteenth century. Also, a number of tensions do not reduce the importance of the role of security for regionalization with regard to both externally and internally motivated factors: the US-funded war on drug trafficking conducted by the Colombia Plan; the Falklands War; the defense of the Amazon and the South Atlantic, with their strategic riches. In general, security is the main aspect considered by governments when they wish to integrate and deepen their cooperative ties to prevent the return of a conflict or to create deterrent capacity against a potential external threat. These were the germs that led Europe to overcome its historic rivalries reechoing in the current regional complex with its degree of complexity not found in parallel processes.

Although the relationship with the US was weakened during the Cold War years, due to the US focus on other regions such as Western

Europe, the Middle East and Southeast Asia, it was deepened in the 1990s through the spread of the Washington Consensus and the US intention to create the Free Trade Area of the Americas (FTAA). Until then, hemispheric integration was related to the Inter-American Treaty of Reciprocal Assistance (IATRA), an agreement that ensured the defense of the Americas against external impacts - read communism. However, the United States broke FTAA by not supporting Argentina during the Falklands War to avoid upsetting the United Kingdom. In 1990, the tone becomes deeply economical and influential for the creation of regional mechanisms such as the Southern Common Market (Mercosur), which was the result of the redefinition of Brazil's and Argentina's relations and, therefore, the gateway to a more integrated South America. Besides the original economic field where it was restricted, Mercosur currently owns a multidimensional agenda including results in political, legal and social integration.

Regarding the traditional security perspective, it is relevant to point out to the creation of the advisory, but unified, South American Union of Nations (UNASUR) and its Defense Council.

These results denote a regional concern to overcome historical delays in the field of security and the need to think Defense as a shared element of the area. The challenges, however, are significant because, in addition to the US curtailment, South America has deficiencies in infrastructure, risking military mobilization, and low technological development, all of these leading to an unfeasible defense industry.

Aware of both contexts of regionalization and maintenance of the US hegemony, the Regional Security Complex Theory (RSCT) is praiseworthy for identifying, for analytical purposes, the regional space as the field with the most precise interaction between national entities and the overall security framework. From there on, the theory analyzes the formation of blocks of such complexity that their States, in spite of not following a state-centric theory, are so profoundly linked that their securities cannot be considered as being apart from each other. Thus, securitization and de-securitization processes will take place at the regional level.

To reach its conceptual maximum - the region offers the most promising field of analysis to understand the interaction between national and global political levels. RSCT encompasses not only realistic perspectives, with relevant aspects about national interests and power, but also constructivist views, especially regarding the influence of local identities and interests on regional patterns. In other words, macro and

micro aspects will influence the formation of a regional security complex: the distribution of world power according to the systemic anarchy logic and local specificities such as friendship/enmity patterns and pressures due to geographical proximity, as mentioned by Buzan and Waever (2003) about threats traveling more easily in short distances.

On the one hand, the RSCT evaluates the anarchy of the international system and appropriates the power balance logic, elements that are also present at regional level. Therefore, regional entities are inserted in sub-structures of the broader international system and likewise establish power relations. It is also possible to evaluate these relations in terms of regional polarity (unipolar, bipolar or multipolar). On the other hand, RSCT points out that the formation of regional security complexes is characterized by patterns of friendship/enmity between regional actors, namely the identities and interests built over time by the agents themselves, which evidence the degree of interdependence on security issues. Linked to the regional security complex, the construction of identities and interests, the core of the constructivist theory, allows us to evaluate the securitization elements. Politically constructed interests and identities decide what is or is not securitized - security would be what actors make of it. In sum, regional dynamics are influenced by both the distribution of world power and the interpretation and actions of local entities, revealing an interaction between the units as well as between the structure and units.

Understanding about friendship/ enmity patterns is most accurate when studied from the regional level, so that it can then be extended to include external actors through penetration mechanisms.

Under the RSCT, the penetration mechanism delineates the implementation of security alignments between external powers and states placed within a regional complex. Therefore, those friendship/enmity patterns are connected for the purposes of the global security represented by the external power. Thus, it is possible to understand how the historical rivalry between Pakistan and India became a matter of global relevance from the moment the former allied to the US and the latter to USSR, i.e. the local conflict served as a field of action for the great powers in the region. In the South American case, the mechanisms of penetration concern the curtailment of the US hegemony while friendship/enmity patterns are endogenously constructed among the actors within the regional complex.

The relevance of these patterns reveals that the Regional Security Complex Theory does not neglect the historical particularities of each region. It comprises the impact of specific historical-cultural factors, enabling the study of local dynamics. However, as pointed out by Buzan and Waever (2003), in a security investigation, cultural, historical and economic arguments end up by becoming normative. They abandon their main objective of defining regions subjected to security terms, as well as the inter-regional connections and the regional interactions with global security-related issues.

After the main RSCT's elements have been pointed out, identifying the link between security and democracy in South America is important. As far as South American regionalism is concerned, it became more evident the moment the democratic transitions took place, as pointed out by Gardini (2010) about the intense relationship between the democratization and regionalization processes in South America, between the mid-1980s and the beginning of the 1990s, and which culminated with the creation of Mercosur. However, this is not a deterministic link, because, according to Gardini (2010), such interaction indicates, on the one hand, democratization influencing the Southern Cone regionalization, on the other, the regionalization producing impacts on the actors' democratic transition and consolidation, especially Brazil and Argentina.

In view of this hypothesis, Gardini (2010) seeks to identify the factors that match its truth, such as: the temporal coincidence between the regionalization and democratization processes; the spreading of a political discourse in which democracy would be vital for the implementation of a common market; and, finally, the evidence that, given the diversity of the flawed Latin American integration mechanisms, the one promoted in democratic communion by Brasilia and Buenos Aires proved to be accurate. However, the established cooperative ties really started deepening during the period of military regime, as evidenced by the Parana Basin water resources agreement and the military partnership set up during Operation Condor<sup>4</sup>, which had to do with energy and internal securities, and conceived as a way of moving away from the communist threat. Thus, the automatic relationship between re-democratization and regional integration is questionable, considering the previous factors that excited regional cooperation around security.

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<sup>4</sup> Condor Operation was an alliance that joined the South American military regimes and the US in the 1970s and 1980s aiming at removing and eliminating their political opponents.

In spite of this, the democratic impact on Mercosur's integration and implementation is unquestionable, especially because it ensured that political-economic cooperation would strengthen the democratic foundations of the new installed regimes. In other words, creating ties aimed, above all, at protecting democracy (GARDINI, 2010). In this sense, the consolidation of the incipient democratic regimes and their protection become crucial for South American stability and security. We should also pay attention to the plurality of the cooperation mechanisms set in motion, such as the important role played by civil society and the business sector in bringing Mercosur to life (Ibidem, 2010). Certainly, as Gardini (2010) mentions, the ideas and predictability that accompany a democratic regime favored the link between democratization and regionalization, in view of the legitimacy and transparency of information that democratization confers to the principles of a foreign policy geared to regionalization. No wonder that the maintenance of the democratic regime becomes a clause concerning a state actor's participation and retention in Mercosur - a fact used in the case of Venezuela's dismissal from the regional block.

### III – VENEZUELA'S STRUCTURAL VULNERABILITY

Terry Lynn Karl's (1988) analysis of the democratic transition in Venezuela reveals influences from both domestic actors and a structural component in the political process in question. On the one hand, domestic political actors, such as the state bureaucracy, organizations and parties, produce intentional actions that impact on the national reality. They include the formulation of the political pacts that made the democratic transition viable by creating political and economic rules to reduce the uncertainties that characterize transition and reconcile interests of the traditional and emerging elites. On the other hand, the structural component, characterized by the global capitalist economy, the nation-state international system and the dependent development to which the systemic peripheral countries are subjected, also has significant relevance in the transition process.

In the Venezuelan case, according to Karl (1988), oil is the element that determined the structural conditions of the democratic transition, forging social and economic changes that added impact to the national political reality. Being a typical case of country that dominantly exports a single product, oil in Venezuela affects the formation of social

classes, the state development, the role of certain political actors and their forged alliances.

Throughout the authoritarian regime of the warlord Juan Vicente Gómez (1908-1935), according to Karl (1988), oil played a dual role: in the short term, it favored institutional arrangements; in the long run, it undermined the regime's social base, favoring gaps for political changes.

Soon the discovery of oil and the resulting exploitation by foreign, especially American, companies, stimulated state revenues and the formation of modern authoritarian arrangements, the petrodollars "becoming the main bastion of an alliance that included a hierarchy of military warlords, Andean coffee and cocoa producers and the commercial and financial elite of Caracas " (KARL, 1988, p. 301). The US-protected coup that brought Gomez to power in 1908 had therefore assured the stability of the regime, which, through high revenues, promoted the expansion of state bureaucracy, reduced the tax burden on national elites, modernized the Army and, as a result, the repressive apparatus of the regime. Exploration concessions favorable to foreign companies, coupled with fiscal privileges granted to the elites, ensured the protection of the oligarchic alliance. Another striking evidence of this protected alliance concerns the inhibition of national industrialization due to the high import capacity generated by the petrodollars, as the social cleavages typical of an industrialization process were delayed, avoiding pressures from the social base that could undermine the alliance

In the long run, however, oil has greatly contributed to the structural changes that led to the decline of the authoritarian regime, undermining its social base and oligarchic alliance. Overvaluation of the exchange rate and the import spiral affected domestic production and Venezuelan agriculture declined, especially those export crops such as coffee and cocoa, which had their competitiveness shaken. With regard to the social aspect of this process, the peasants had to migrate to urban areas and the rural elite became the commercial and financial urban elite, mainly in the US import market. Therefore, foreign capital and Venezuelan private and public capital established a close link (KARL, 1988).

Thus, the oil enclave economy has spurred the growth of the urban population, of a significant domestic market, and of a middle class made up of concomitantly service sector wage earners and state bureaucrats.

(...) promoted the emergence of an inverted pyramid

of social classes: the production and rapid circulation of petrodollars resulting from leasing rather than from real productive activities meant that a largely non-productive urban middle class actually preceded and outnumbered a slow growing working class (KARL, 1988, p. 304).

While the dominant trajectory in Latin America was marked, after the 1930 Depression, by the populist governments' economic strategies, such as import-substitution industrialization, Venezuela entered this process only after the end of World War II (Ibid. 1988). The 1950s' late industrialization became the structural condition for the end of the transition to democratic regime. It was when the government of Rómulo Betancourt (1959-1964), of the center-left *Acción Democrática* - Venezuela's main party - took over by popular vote. High postwar oil demand, the Suez and the 1954's Iranian crises forced Venezuela to venture with industrialization. It was a consequence of its economic expansion as the increased oil exports led the foreign reserves to feed public expenditure and the level of investment.

The new political order started in 1999, when Hugo Chávez took over the presidency of the country. The termed Bolivarian Revolution was greatly benefited by the positive international conjuncture of oil exporting countries. Until 2014, Venezuela managed to turn high oil revenues into ambitious social programs and to leverage public expenditure and state presence in the economy. Chavism opened public companies and nationalized private companies in strategic economic sectors such as oil and gas, mining, metallurgy, telecommunications and banking. It not only rouse public services through the "Misiones Bolivarianas"<sup>5</sup> (Bolivarian Missions), but also the transfer of revenue to low-income classes. The "Círculos Bolivarianos" (Bolivarian Circle) widespread popular participation in politics in the peripheries, encouraging people to discuss the problems of their communities and teaching them basic elements of national policy such as knowledge of the Constitution promulgated in December 1999. Economic growth and income distribution policies consequently reduced

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<sup>5</sup>The "Sistema Nacional de Missões" (National Bolivarian Missions System") is a series of social programs being developed since 2003, and which are annually re-launched, aiming at fighting poverty, promoting literacy, access to free health, food supply, among others.

poverty from 50% in 1998 to 30% in 2013 (World Bank)<sup>6</sup>. In the same period, inequality, expressed by the Gini coefficient, decreased from 0.498 to 0.40, one of the lowest rates in the region (World Bank).

Nevertheless, Venezuelan socioeconomic performance was affected by the collapse of the international price of a barrel of oil, as well as by its economic policy inability to not only to reduce its national dependence on this market, but also to, during the favorable macroeconomic scenario, create savings that could mitigate the current exogenous effects of the low price of oil. The resulting macroeconomic imbalances in the current account have not been corrected due to the low price of crude oil, added to the country's production contraction of about 10% in the first half of 2016. According to the World Bank, Venezuela faces a severe financing shortage, with an estimated fiscal deficit of 20% of GDP at the end of 2015. The monetization of this deficit, in addition to the scarcity in the supply of consumer goods and restricted access to international reserves, have contributed to an upward inflationary trajectory. In this process, the pressure on the exchange rate tried to be mitigated through the implementation of a multiple exchange rate system, which, despite causing an external adjustment by reducing imports, did not hold the capital flight.

In short, Venezuela faces severe "stagflation," combining a recession of 10% of GDP (2016), cumulative output contraction of over 20% since 2013, private consumption collapsed by inflation, falling of commodity imports, electrical crisis and underinvestment (World Bank). The private sector, according to the World Bank, must be re-established and export diversification funded in order to reduce economic vulnerability caused by fluctuating oil prices, as this product represents 95% of export revenues and the oil and gas sector, 25% of GDP (DELGADO; STIER; FEBRARO; MARQUES, 2017). Other mechanisms capable of accommodating price and exchange rate fluctuation concern floating taxes, economic funds and sovereign wealth funds such as the Norwegian Global Pension Government Fund, the largest sovereign wealth fund on the planet, where oil revenues are deposited, including Statoil dividends and taxes on the oil and gas sector (TORRES, 2015).

While the Human Development Index (HDI) in Venezuela grew significantly during the Chávez administration, from 0.672 (2000) to 0.770

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<sup>6</sup> Compared to Brasil, whose inequality was reduced from 0.596 (1998) to 0.528 (2013), the decrease in inequality in Venezuela, despite being smaller, was more significant.

(2012), from 2013 onwards, during the Nicolás Maduro government, the HDI began to fall, reaching 0.762 in 2014<sup>7</sup> (UNDP BRAZIL, 2015). Elected in 2013 as the candidate of officialism, who would continue the Bolivarian revolution, Maduro sought to maintain the relevance of the state oil company PDVSA and an anti-imperialist discourse, albeit at a challenging conjuncture: low export revenues due to low oil prices, unsustainable social programs, and the media and business sectors opposing to the government (ALMEIDA, 2017).

As a result of the 2015 parliamentary elections, which secured the opposition a large majority, Nicolás Maduro snatched the legislative powers of the National Assembly through the Supreme Court, motivated mainly by the crisis in PDVSA, which is in a close to default situation. The Executive coup against the Legislative Power was seen as an attempt to circumvent Parliament's resistance to approve the PDVSA association with foreign companies, such as the Russian Rosneft, to exploit deposits in the Orinoco<sup>8</sup>. It was reversed due to international pressures coming, inclusively, from politicians that sympathized with the Bolivarian regime such as then Ecuadorian President Rafael Correa.

In the period immediately after the attempt to delegitimize Parliament, Mercosur had not yet decided to mention the Ushuaia Protocol, whereby Venezuela would be suspended for not respecting the democratic clause. As the Mercosur countries had agreed to decide jointly on the Venezuelan crisis, both Brazil and Argentina, in spite of being more critical about Maduro's government, in that occasion gave in to the Uruguayan request not to mention the democratic clause (PAGNI, 2017). As the Mercosur countries had agreed to decide jointly on the Venezuelan crisis, both Brazil and Argentina, in spite of being more critical about Maduro's government, in that occasion gave in to the Uruguayan request not to mention the democratic clause (Ibidem, 2017).

Even by repealing the measure to annul the National Assembly through the Supreme Court, Maduro continued trying to minimize the Legislative Power and called a Constituent Assembly. On July 30, 2017, each of the 340 municipalities elected one member for the new assembly, while state capitals elected two members (HSIANG, 2017). In addition,

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<sup>7</sup> In 2014, the Brazilian HDI scored 0.755; being smaller than the Venezuelan, although both are in the considered high level; between 0.700 and 0.800.

<sup>8</sup> Citgo, a Venezuelan oil refining and trading company in the US, is 49.9% mortgaged to Rosneft as a guarantee for a \$ 2 billion loan. Still, oilfield control is a more effective guarantee for Russians (SANTODOMINGO, 2017).

to have the various social groups in the country represented, the regime chose 181 additional members. This electoral process was detrimental for the seven million Venezuelans who, a fortnight earlier, had voted against Chavism by rejecting a Constituent Assembly.

On August 8, 2017, in Lima, an extraordinary meeting held between Latin American and Caribbean countries, plus Canada, resulted in a stern declaration condemning the “dictatorial” regime. The document stated the non-recognition of the national constituent assembly and reinforced those countries’ support and solidarity to the National Assembly (CUÉ; TOLA, 2017). It also condemned the systematic violation of human rights and fundamental freedoms, the lack of free elections and the existence of political prisoners. By considering the constituent assembly illegitimate the Lima Declaration signatory countries (Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru, and Saint Lucia), besides not recognizing any economic agreements signed by Venezuela, prevent their companies from entering into any financing agreements in the country (*Ibidem*, 2017).

Faced with the construction of this enmity pattern against Venezuela, the above-mentioned countries also decided not to support any Venezuelan candidacy to regional and international mechanisms and organizations. In addition, suspended from Mercosur on August 5, 2018, Venezuela faces a very harsh isolation from its main partners in international trade, so that it interrupts the process initiated with the Constituent Party and release political prisoners. Cuba, El Salvador, Ecuador and Nicaragua are exceptions to the American countries that consider Chavism a dictatorship and do not recognize the Constituent Assembly. Only China, among the largest trading partners, recognizes the Constituent, besides Russia and Iran. After the process that reelected Maduro in June 2018, the Lima Group stated that it did not recognize the legitimacy of the election, and announced a reduction in the diplomatic level of its member countries with Venezuela, as well as joint action to prevent loans to the country (O GLOBO, 2018). Thus, the Group’s pressure reinforced the isolation of the regime and strengthened the narratives of the Venezuelan opposition about electoral irregularities. In January 2019, when Maduro had already taken office for his second term, pro and against movements aggravated, culminating in the self-proclamation of Juan Guaidó, leader of the National Assembly, as interim president of Venezuela. Once again, Maduro could count on the support of Cuba and

El Salvador -Venezuelan oil-dependent countries - Bolivia, China and Russia. Guaidó, in turn, is recognized by the US, the Lima Group member countries except Mexico, and most European Union countries.

Along with the internal pressure from a highly polarized population and the Latin American neighbors, there is a real onslaught against Maduro's government. However, as new sanctions are introduced, in accordance with the ongoing construction of the enmity pattern coupled with US-stimulated penetration mechanisms, the government's anti-imperialist narratives strengthen and isolation intensifies, making sanctions ineffective from the point of view of a supposed return to democracy. Roger Santodomingo (2017) questions whether tightening sanctions would deter Maduro from resigning, to the detriment of the high cost of internal radicalization, and concludes that sanctions may lead to concessions on the part of the government, not its collapse.

#### IV – IMPACTS ON THE SOUTH AMERICAN SPACE

After we have emphasized both the structural dimension represented by oil on the economic and political reality of Venezuela, and the factual elements that has corroborated the crisis in the country during Nicolás Maduro's government, this chapter discusses their impacts in South America, especially in Brazil. After having gone through the South American regional integration processes, among them Mercosur and Unasur, which corroborate the existence of political, commercial, financial, cultural and social ties in this space, it is possible to consider, through the theory of the regional security complex, that an actor's vulnerability impacts the regional complex stability. In this case, Venezuela's structural vulnerability affects Brazil's leading role in the South American space by at least four vectors: energy geopolitics, trade finance, migration flow and regional integration.

The first vector has a less regional than global aspect due to the international character of the oil market, but many American countries depend on the Venezuelan product, whose collapse affects regional supply. Thus, this study emphasizes the impact of the crisis on oil production and exports, as well as the survival of PDVSA, in a context involving falling production, high degree of corruption and external sanctions. In August 2017, the US issued a decree prohibiting the negotiation of new debts and shares issued by the Venezuelan government and by state-owned PDVSA,

the transaction of certain Caracas government bonds and the payment of dividends to Maduro's government. The measure is aimed at disrupting the regime's funding and protecting US finances, although the decree does not include financing for trade, export and import of oil and transactions with Citgo - PDVSA's unit in US (PETRONOTÍCIAS, 2017). In response, the Venezuelan Foreign Ministry stated that the unilateral decree endangers both the nearest and safest US oil supply and Venezuelan workers due to the impact on pension funds (*Ibidem*, 2017).

Not only the external sanctions have accelerated the crisis in the sector, but also the high level of corruption wiping out PDVSA's revenues, mainly by the political impacts and by the disruption of mixed contracts and new up and downstream investments, as well as the lack of data transparency and debt accumulation. In February 2017, more than nine executives from PDVSA were arrested, including the CEO of Petropiar - a joint venture between PDVSA and Chevron (*Ibidem*, 2017). In September of the same year, other company executives were accused of illicit trafficking of crude oil, criminal conspiracy and corruption. Among them, the production executive director and the president of Petrozamora - a venture that brings together PDVSA and the Russian bank Gazprombank (*Ibidem*, 2017). The aggravating crisis, and, as a result the deterioration of their wages due to hyperinflation, caused the company's employees to even abandon and loot it. Consequently, PDVSA's direction was emptied, its presidency handed over to General Manuel Quevedo, who had no experience in the field, its petrochemical facilities were abandoned, work materials were missing, and only half of the workforce remained active (PETRONOTÍCIAS, 2018).

Given the importance of oil to the Venezuelan economy, the crisis in the country feeds back as PDVSA feels its impacts. The worsening of this situation in the company, considered the economic foundation of the country, threatens to deepen the national instability already fueled by recession, inflation, crime, as well as shortage of food and medicine. (SEMPLÉ; KRAUSS, 2017). The critical reality no longer relates to the barrel of oil price. Its sharp fall in 2014 affected all the exporting countries, because, even with the recovery of prices started in 2017, PDVSA has remained the symptom and cause of the national recession. (*Ibid.*, 2017). Due to the deterioration of the company's operating and financial capacity, the price recovery cannot reverse the production fall and, consequently, the debts accumulated with bonds and service providers, leading, according

to Francisco Monaldi *apud* Díaz (2018), to loss of markets shares to other exporting countries. With falling crude oil exports, domestic gasoline and diesel demands are not met either. As result, the Venezuelan authorities import these derivatives from the US (SEMPLE; KRAUSS, 2017), because, according to Monaldi *apud* Díaz (2018), they have prioritized export in default of domestic rationing. Even the closest partners, such as Cuba, have felt the reflexes of the Venezuelan collapse, such as the 49% that PDVSA held over a refinery in Cuba, taken by Havana as a guarantee of Caracas' debts (SEMPLE; KRAUSS, 2017).

In addition, Venezuelan refineries operate, according to Monaldi *apud* Díaz (2018), in less than one third of their capacity, as the Paraguaná refining complex, considered one of the largest in the world, to operate with half of its capacity, estimated at almost one million barrels per day (SEMPLE; KRAUSS, 2017). A recovery in the hydrocarbon sector would require, according to Monaldi *apud* Díaz (2018), investments of US \$ 20 billion a year for a decade after a deep institutional reform that provides guarantees to the private sector and state revenues.

It is worth noting, however briefly, that aside from the proven energy potential, in recent years some countries in the region have promoted reforms and intensified efforts to attract international energy investors to accelerate activities. The phenomenon is explained by the presence of the new governments elected in the region, most of them with liberal characteristics, known for the sanctity of their contracts and for their detachment from the axes of war, terrorism and conflicts, which consolidates the region as an attractive investment hub..

Energy security is essential for the economic development of Latin American countries. However, the mere availability of resources does not lead straightforwardly to energy security. There is a gap regarding a greater energy integration between the countries of this bloc. If they managed to develop in a more aggregated way, they would improve the use of their resources and disseminate knowledge and technology.

The imbalance triggered by the Venezuelan crisis affects, to a greater or lesser extent, countries in the strategic environment other than Brazil. Colombia, which is in the midst of a reform of its oil system, sees the Venezuelan crisis as an opportunity to expand its exports. Argentina, in turn, is going through a systematic effort bringing together state and private companies to increase natural gas exports from the Vaca Muerta region, using hydraulic fracturing and horizontal drilling techniques.

Argentina also sees the reduction in Venezuelan exports as an opportunity to expand its markets.

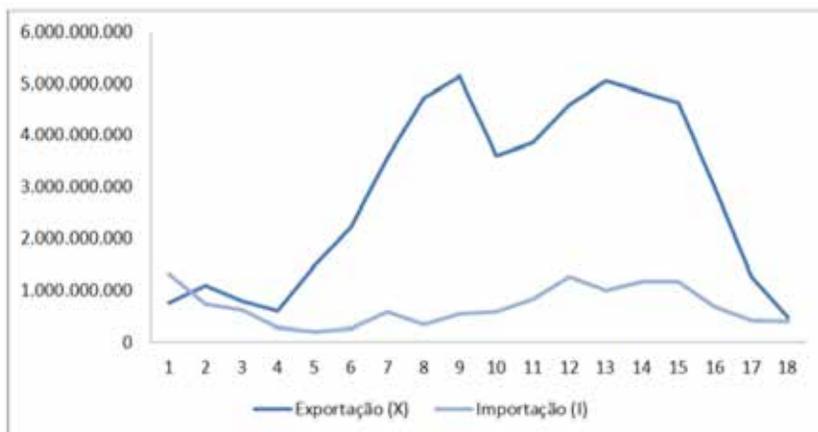
The second vector regards the trade-financial impact. The bilateral economic relations between Venezuela and Brazil peaked in 2012, when trade volume reached more than \$ 6.05 billion, the Venezuelan economic collapse caused a setback in this regard. In 2017, it fell to US \$ 861 million, approximately the level of two decades ago (SANTORO, 2018). According to Table 1, Brazil had a trade deficit with Venezuela only in 2000, resuming its surplus the following year, despite trade declining until 2003. Between 2004 and 2012, trade volume grew more than threefold, despite the gap between 2009 and 2010 due to the global impacts of the 2008 financial crisis. It reached its peak in 2012, when Venezuela became a full member of Mercosur. The downward trajectory deepened from 2015 onwards, according to Chart 1, reducing imports by one third, and the Brazilian exports in one tenth, between 2014 and 2017. Therefore, we can clearly observe that, despite the Brazilian recession between 2015 and 2016, the main cause of the sharp fall of its commercial exchange was the Venezuelan crisis as it caused a drastic reduction in the Brazilian products purchase, especially after being suspended from Mercosur, in December 2016.

**Table 1: Brazilian-Venezuelan Commercial Exchange**

Ano	Exportação (X) US\$   FOB	Importação (I) US\$   FOB	Saldo (X-I)	Corrente (X+I)
2000	752.905.969	1.327.672.176	-574.766.207	2.080.578.145
2001	1.095.269.547	746.983.275	348.286.272	1.842.252.822
2002	798.974.175	633.060.045	165.914.130	1.432.034.220
2003	608.229.076	275.154.451	333.074.625	883.383.527
2004	1.469.802.005	199.083.320	1.270.718.685	1.668.885.325
2005	2.223.705.818	255.605.407	1.968.100.411	2.479.311.225
2006	3.565.424.415	591.553.378	2.973.871.037	4.156.977.793
2007	4.723.939.985	345.924.595	4.378.015.391	5.069.864.581
2008	5.150.187.992	538.772.712	4.611.415.280	5.688.960.704
2009	3.610.330.282	581.593.287	3.028.745.995	4.191.932.569
2010	3.853.971.840	832.667.132	3.021.304.708	4.686.638.972
2011	4.591.847.947	1.266.356.385	3.325.491.562	5.858.204.332
2012	5.056.025.198	996.836.960	4.059.188.338	6.052.862.258
2013	4.849.839.836	1.180.739.809	3.669.100.027	6.030.579.645
2014	4.632.139.245	1.174.118.238	3.458.021.007	5.806.257.483
2015	2.986.603.820	679.890.525	2.306.713.295	3.666.494.345
2016	1.275.738.022	415.195.801	860.542.221	1.690.933.823
2017	469.654.754	391.694.953	77.959.801	861.349.707

Fonte: elaboração própria com base nos dados da Secretaria de Comércio Exterior, MDIC.

Own source based on datum from the Secretaria de Comércio Exterior (Department of Foreign Trade)

**Chart 1: Brazilian-Venezuelan Commercial Exchange**

Fonte: Elaboração própria com base dos dados da Secretaria de Comércio Exterior, MDIC.

The third vector regards the migratory flow. Venezuela is going through a movement in opposite direction: if in the past it was considered a destination of political and economic stability due to its oil economy, nowadays people flee from its humanitarian crisis and economic collapse (SANTORO, 2018). According to the International Organization for Migration (2018), one estimates that 2.3 million Venezuelans live abroad. From these, more than 1.6 million have left the country since 2015 - 90% moving to South American countries. According to the International Organization for Migration (2018), one estimates that 2.3 million Venezuelans live abroad. From these, more than 1.6 million have left the country since 2015 - 90% moving to South American countries. Venezuelans' top destinations in 2017 were Colombia, Chile, Argentina, Ecuador, Panama, Brazil, Mexico, Peru and Costa Rica, as well as Spain and the United States.

Such reality is already considered the largest migratory movement in Latin America. It rivals the exodus caused by wars in countries such as Afghanistan and South Sudan (THE ECONOMIST, 2018). Despite the substantially distinct numbers between Brazil, with 35,000 Venezuelans in 2017, and Colombia, with 600,000 in the same period, the social impact on our country cannot be disregarded, as most migrants enter Brazil through Roraima - the poorest Brazilian state. As a rule, the regional governments agree to receive the Venezuelan migrants. But, as the migratory flow increases, they start imposing restrictions, such as the Ecuadorian decision to accept only the Venezuelans holding passports from August 2018 on, as well as the xenophobic reactions produced by certain groups of the receiving societies (Ibid., 2018), which may threaten not only the stability of these governments, but also the securitization of the theme.

The enormous flow of migrants, among them some applying for refuge, is the consequence of the Venezuelan's regime ostensible violation of human rights. According to the Amnesty International Report 2017/18, referring to data collected in 2017, the continuity of the state of economic emergency declared in January 2016, the shortage of food and medical supplies, the security forces' repression and the political instability reveal human rights issues have not moved forward. Amnesty (2018) points to the following: restriction of speech and right by closing fifty radio stations and some foreign TV channels such as CNN; the Bolivarian National Police and the Bolivarian National Guard's excessive use of force against protestors, especially between April and July 2017; the arbitrary political

arrests; the use of the military courts against civilians and the harassment of human rights activists; the withdrawal of the Organization of American States (OAS) and of the Inter-American Commission on Human Rights authority, restricting the Venezuelans' protection; curtailment of the right to food, attested by the value of the Venezuelans' basic food basket being 60 times higher than the minimum wage in December 2017; curtailment of the right to health. According to official statistics, there were 11,466 deaths of under one year old children in 2016. - an increase of 30.1% when compared to 2015; curtailment of women's rights, with 65.8% increase in maternal mortality between 2015 and 2016, and, finally, the curtailment of sexual and reproductive rights. Thus, the above -mentioned human rights violations cause, according to Amnesty (2018), the dramatic increase of Venezuelans seeking refuge.

Finally, the fourth vector concerns the impacts on the regional integration, undermined by Venezuela's suspension from Mercosur and the redundancy of Unasur, relegated to a political paralysis resulting from the suspension announced by Brazil and Colombia's withdrawal.

In addition, the Vatican's proposed mediation between the Venezuelan government and opposition, in October 2016, had failed, and the OAS's position, that could produce a continental response to the Venezuelan crisis, was blocked by lack of consensus among its members. The diplomatic mediation formula, known as the "Group of Friends of Venezuela", was constructed within its legal framework, which, according to Celso Amorim (2013), diluted any sense of interventionism or the idea that it was an isolated action. Unlike the ongoing impasse, late in 2002, OAS succeeded in negotiating to stem the political crisis between the opponents and supporters of Chavism<sup>9</sup>.

At that time, Brazil was given the task of finding an alternative that could be accepted not only by the countries that defended the respect to institution and non-intervention (Brazil, Chile, and Mexico), but also by those that sympathized with the Venezuelan opposition (United States, Spain, and Portugal). Hugo Chaves received the proposal hesitantly. By influence of Fidel Castro, he feared that "the Group of Friends" would be a concession to those who wished to overthrow Chávez" (AMORIM, 2013, p. 39).

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<sup>9</sup> In April 2002, Chavism suffered a political coup that proved to be a failure, although it detained President Chavez illegally. The crisis, although institutionalized with Chavez's return to the presidency, was radicalized in late 2002, amid oppositionist slogans such as early elections and consultative referendum, not foreseen in the Constitution and thus considered to be coup mechanisms by Chavez.

The leading role adopted by Brazil in South American diplomatic affairs, a position that was still crawling at the end of Fernando Henrique Cardoso's administration, (1995-2002), reached its top relevancy in Lula da Silva's administration (2003-2010). It was certainly significant for the negotiated solution. All over that crisis, Brazil kept open channels with the opposition leaders, although forging bridges between government and opposition has proved to be illusory, given Venezuela's intense political polarization (Ibidem, 2013). At the same time, Brazil has diplomatically secured concessions, not only from Chávez, but also from the US. The first, materialized by the constitutionally foreseen "revocatory referendum" and the inlocated participation of international observers. The second, by their official speeches becoming less aggressive, which, otherwise, "would inevitably lead to an increasing amount of verbal attacks with internal reflexes in Venezuela" (Ibidem, 2013, p. 43). According to Amorim (2013), Chávez's wide-margin victory overcame one of the region's biggest crises – at least for a time.

## V – FINAL COMMENTS

Venezuela's current problems are linked to a highly complex reality where the oil economy reaches a structural dimension that allows both the maintenance and the collapse of political regimes. Due to this, the Venezuelan crisis has a deep structural component that leads the country to be highly vulnerable. Neither the current Nicolás Maduro's government, nor Hugo Chavez's so-called Bolivarian regime can be blamed for the starting of the current crisis. In fact, the structural dimension of oil defines not only the supporting bases of the government in power, as occurred during the democratic transition ended in the 1960s, but also the revenues needed for the state survival, which were shaken by the low price of the oil barrel between 2014 and 2016.

In light of the security regional complex theory, isolation results from changing friendship/enmity patterns as interests and identities alter the degree of interdependence on regional security issues, harmonizing with the externally defined standards via penetration mechanisms. Thus, isolation emerges as regional interests and identities with Venezuela move away and come close to the hegemonic power and the international order protected by it. At the same time, Brazil's diminished role in finding regional responses to the overflowing crisis thus deepens the isolation

of Venezuela, becoming a practice aimed at reducing the impact on the countries of the regional complex.

Aiming at deepening the research and, in effect, the understanding about the impacts of the Venezuelan crisis in the South American space, we suggest the following: to identify the mechanisms of penetration through which the US would have influence on the regional isolation to Venezuela, above and beyond the sanctions applied by Washington; and, mainly, to question the Brazilian leadership in South American integration processes, given the low institutionalization of regional bodies such as Mercosur and Unasur, lacking supra-nationality and mechanisms for solving internal crises, the adequacy of the Member States to the democratic clause and binding rules.

# VULNERABILIDADE ESTRUTURAL DA VENEZUELA E OS IMPACTOS AO ENTORNO ESTRATÉGICO SUL-AMERICANO

## RESUMO

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O trabalho analisa geopoliticamente como a vulnerabilidade venezuelana impacta a estabilidade da América do Sul, onde o Brasil desempenha relativo protagonismo. À luz da Teoria do Complexo Regional de Segurança (TCRS), parte-se da hipótese de que tal vulnerabilidade afeta o espaço sul-americano, pois a segurança dos atores estatais seria interdependente em um complexo. De um lado, a vulnerabilidade é explicada mediante a dimensão estrutural das reservas de hidrocarbonetos. Por outro, os impactos à estabilidade sul-americana tangenciam o protagonismo brasileiro por meio dos seguintes vetores: geopolítica da energia, comercial-financeiro, fluxo migratório e integração regional. Tal modelo analítico verifica que a paralisação de mecanismos regionais à crise venezuelana segue a lógica de construção de padrões de amizade/inimizade, baseados na cláusula democrática que sustenta os processos de integração regional. A formação desses padrões, segundo a TCRS, se alinha via mecanismo de penetração a potências externas, harmonizando-se a segurança regional e a global. A criação do Grupo de Lima e o esvaziamento dos organismos regionais, que, com efeito, isolam a crise venezuelana e desafiam o protagonismo do Brasil, são fenômenos que caracterizam os padrões de amizade/inimizade em curso, alinhados às identidades e interesses promovidos pela potência externa hegemônica e a ordem internacional por ela protegida.

**Palavras-chave:** Complexo Regional de Segurança. Crise na Venezuela. Geopolítica do Petróleo.

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