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VENEZUELA: A REVOLUTION ON STANDBY

by

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VENEZUELA: A REVOLUTION ON STANDBY

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ABSTRACT

Blessed with rich agricultural terrain, Venezuela currently retains the largest proven reserves of petroleum in the world. Surprisingly, though, the nation presently suffers from severe food and energy crises. These crises have resulted in violent protests demanding President Nicolás Maduro's ouster, yet he retains a firm grip on power. This thesis asks why. By exploring both crises, as well as President Maduro's relationship with Venezuela's elites (civilian and military leadership) and military politicization that started with President Hugo Chávez, this thesis shows the following reasons for Maduro's endurance despite the crises. Regardless of what President Maduro states regarding sabotage and conspiracies as causes, this thesis finds that Venezuela's food crisis results from over-reliance on the oil industry, lack of a developed agricultural sector, strong dependence on food imports, government-controlled food prices, and inflation; the energy crisis derives from inadequate maintenance, a lack of appropriate investments, failure to diversify sources of energy, extreme dependency on hydroelectric power, and corruption. Last, through the lens of Polga-Hecimovich's four P's, this thesis shows that President Nicolás Maduro remains in power by implementing a system of profit, promotions, allocation of political positions, and purges, and that he also retains elite loyalty through ideological indoctrination instilled by President Hugo Chávez.

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LIST OF ACRONYMS AND ABBREVIATIONS

BAP	Agricultural and Livestock Bank
CORPOLEC	National Electricity Company
CVG	Corporacion Venezolana de Guyana
EDELCA	Electrificacion del Caroni
FANB	Fuerza Armada Nacional Bolivariana
IMF	International Monetary Fund
MW	megawatt
OPEC	Organization of the Petroleum Exporting Countries
PDVSA	Petróleos de Venezuela S.A.
PSVU	Partido Socialista Unidos de Venezuela
ONA	Oficina Nacional Antidrogas
USSOUTHCOM	United States Southern Command

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I. INTRODUCTION

How, as of February 2, 2018, is Venezuela's President Nicolás Maduro still in power despite widespread blackouts and mass starvation? Once the most stable democracy in Latin America, Venezuela, which is actually blessed with rich agricultural terrain and currently the largest proven reserves of petroleum in the world, has recently devolved into an unstable authoritarian regime on the verge of collapse. The Venezuelan people are experiencing severe food and energy crises, and the government's inability to provide its citizens with basic necessities combined with the oppressive authoritarian rule of President Nicolás Maduro has resulted in violent protests demanding his ouster. As of May 21, 2017, "massive demonstrations, violence and a rising death toll marked 50 consecutive days of anti-government protests in Venezuela."¹ In the meantime, despite increased protests and calls for a regime change, President Maduro's authoritarian government somehow retains power while much of the nation continues to collapse.

The depth of Venezuela's food and energy crises, considering its agricultural potential and large reserves of petroleum, is as perplexing as President Nicolas Maduro's ability to retain power. This thesis seeks to answer two intertwined major research questions. What factors contribute to Venezuela's food and energy crises, and how does President Maduro remain in power during these crises? This thesis is based on the premise that the nation's food and energy crises do not derive from a single element but rather a combination of poor policies and politically favorable actions. Furthermore, this thesis examines the argument that President Nicolás Maduro remains in power by coercing Venezuela's elites (civilian and military leadership) and building on President Hugo Chávez's removal of the military's apolitical ideology.

A. SIGNIFICANCE OF THE RESEARCH QUESTION

In-depth analysis of the factors that contribute to the emergence and sustainment of Venezuela's food and energy crises aids in better understanding the nation's present

¹ Nicole Chávez, "Venezuela: Mass Rally, Violent Clashes in 50th Day of Protests," CNN, May 21, 2017, <http://www.cnn.com/2017/05/21/americas/venezuela-50-day-protests/index.html>.

situation, how these crises affect citizens and impact the nation's economy, and thereby how to better address the problem. Moreover, an analysis of the role of elites² during these crises, and the factors that motivate them to continue supporting the regime, provide valuable insight into how President Maduro remains in power through severe instability.

Furthermore, an analysis of Venezuela's food crisis expands the knowledge regarding how food crises emerge and provides a better understanding of what can occur to nations that neglect to develop a robust agricultural sector if they have suitable agricultural terrain. According to the *Thomas Reuters Foundation*, food crises are caused by a combination of the following factors: "poverty, natural disasters, conflicts, global food prices, disease, and complex emergencies."³ Venezuela exhibits some of these characteristics but not others. For example, 82 percent of Venezuelan "households now live in poverty."⁴ However, Venezuela has not, in recent times, experienced a natural disaster, external conflict, disease epidemic, or lacked the ability to import food due to externally set prices. The foundation's factors also do not fully explain the Venezuelan case; in reality, price controls, dependence on a single export industry, strong reliance on food imports, inflation, and weak government measures all have fostered the development of Venezuela's food crisis.

Venezuela's energy crisis hinders the refinement of the nation's petroleum, reduces citizen access to electricity and basic necessities, and increases the nation's crime rate. Currently, Venezuela processes its petroleum at refineries that are powered by electricity produced by the Guri dam; however, recent droughts combined with a deteriorated energy infrastructure have hindered the dam from producing the energy required to power these refineries. That said, large reserves of petroleum are useless if Venezuela does not have the means available to refine it. The Guri dam's inability to

² Elites in this thesis are defined as regime supporters in positions of civilian and military leadership.

³ "What Creates a Food Crisis?," *Thomas Reuters Foundation*, September 22, 2014, <http://news.trust.org//spotlight/what-creates-food-crises/>.

⁴ "Will Venezuela's Dictatorship Survive," *The Economist*, March 9, 2017, <https://www.economist.com/news/americas/21718572-how-steal-country-will-venezuelas-dictatorship-survive>.

produce the energy required to power the refineries results in less petroleum refined and in reduced revenue for Venezuela as less oil is exported. The dam's inability to provide sufficient electricity also exacerbates Venezuela's energy crisis because it hinders citizens' access to basic necessities. For example, frequent blackouts spoil food stored in refrigerators and disable water pumps that provide drinking water.⁵ Subsequently, for many Venezuelans, rainfall is the only source of fresh water.⁶ Power outages also result in unlit streets at night and further criminal activity in what is already one of the most dangerous countries in the world.⁷ In fact, in 2016, Caracas was reported as the most violent city in the world and was designated by the U.S. Department of State as a "critical-threat location" where crime affects U.S. interests.⁸

Analysis of the measures President Maduro uses to retain elite support illustrates how authoritarian regimes can maintain their grip on power during a crisis. In response to the food crisis, President Maduro placed the armed forces in charge of the nation's limited food supply; however, some of the military profits by trafficking the food through black markets.⁹ In addition to placing the military in charge of distributing the nation's limited resources, President Maduro has also promoted senior military leaders in exchange for loyalty. On June 21, 2017, President Maduro promoted various senior ranking officials and restructured his administrative cabinet allowing "top officials to run for seats in a special assembly to rewrite Venezuela's constitution" held on July 30,

⁵ Osmay Hernandez and Rafael Romo, "Venezuela Blackouts: 'We Can't Go On Living Like This,'" *CNN*, April 27, 2016, <http://www.cnn.com/2016/04/26/americas/venezuela-blackouts/index.html>.

⁶ Jill Langlois, "Desperation Is Driving an Indigenous Tribe in Venezuela to Make the Trek into Brazil," *Los Angeles Times*, June 18, 2017, <http://www.latimes.com/world/mexico-americas/la-fg-brazil-venezuela-migrants-2017-htmstory.html>.

⁷ Patrick McDonnell, "The Biggest Worry in Crisis-Ridden Venezuela: Crime," *Los Angeles Times*, June 6, 2016, <http://www.latimes.com/world/mexico-americas/la-fg-venezuela-violence-20160605-snap-story.html>.

⁸ "Venezuela 2017 Crime and Safety Report," U.S. Department of State, February 17, 2017, <https://www.osac.gov/pages/ContentReportDetails.aspx?cid=21286>.

⁹ "Venezuela Military Controls Food as Nation Goes Hungry," *Aljazeera*, January 1, 2017, <http://www.aljazeera.com/news/2017/01/venezuela-military-controls-food-nation-hungry-170101195414433.html>.

2017.¹⁰ It can be argued that pro-Bolivarian¹¹ and President Maduro supporters in political positions will likely rewrite Venezuela's constitution thereby granting him an increase in presidential powers.

Venezuela's political instability is becoming a humanitarian crisis and poses a serious risk for regional and international security. On April 6, 2017, U.S. Southern Command (U.S. SOUTHCOM) commander Admiral Kurt W. Tidd testified before the Senate Armed Services Committee and stated that "that while the region is 'stable,' the situation in Venezuela is worsening and could trigger a humanitarian crisis requiring regional intervention."¹² Admiral Tidd also stated that Russia and China "have significant economic involvement" in Venezuela and that "it would be difficult to imagine that they would not look to take advantage of further instability in that country."¹³ The admiral's statements reflect how Venezuela's economic, political, and humanitarian instability have the potential to involve not only the United States, but also nations external to the Americas. Unfortunately, Venezuela's current instability places the United States in a difficult strategic position for two reasons. First, President Maduro would highlight a U.S. response as an imperialist action taken by a northern aggressor. Second, Venezuela's humanitarian crisis may likely worsen if the United States decides not to intervene.

B. LITERATURE REVIEW

A potential revolutionary situation exists in any country where the government consistently fails in its obligation to ensure at least a minimally decent standard of life for the majority of its citizens.

—Mao Tse-tung

¹⁰ "Maduro Promotes Military in Shake-Up of Cabinet in Venezuela," *Fox News*, June 21, 2017, <http://www.foxnews.com/world/2017/06/21/maduro-promotes-military-in-shake-up-cabinet-in-venezuela.html>.

¹¹ Socialist agenda proposed by Hugo Chavez.

¹² Carol Rosenberg, "Southcom Commander Warns Congress of Growing Humanitarian Crisis in Venezuela," *Miami Herald*, April 6, 2017, <http://www.miamiherald.com/news/nation-world/world/americas/article143165289.html>.

¹³ Rosenberg, "Southcom Commander Warns Congress of Growing Humanitarian Crisis in Venezuela."

This literature review provides a brief historical analysis of Venezuela's agricultural and energy sectors. Additionally, this literature review highlights how President Hugo Chávez politicized Venezuela's armed forces to support the Bolivarian agenda and how President Maduro also uses the same methods as President Chávez to coerce and retain the support of Venezuela's elites in order to remain in control of the nation.

1. Venezuela's Agricultural Sector

With respect to Venezuela's agricultural sector, literature states that, historically, the nation did not suffer from the inability to produce food. In fact, agricultural exports were once a key driver of Venezuela's economy.¹⁴ Based on this fact, it can be argued that Venezuela has the agricultural terrain available to produce sufficient food to feed its people, and even export agricultural products for revenue. Additionally, literature reviewed also supports the argument that increased demand for petroleum, combined with world economic depression and population shifts from rural to urban communities, significantly contributed to hindering the development of Venezuela's agricultural industry.¹⁵ Finally, literature regarding President Maduro's ability to remain in power, despite protests attributed to widespread food shortages, supports the argument that, currently, President Maduro's power in Venezuela depends on his ability to coerce, entice, and co-opt civilian and military elites.

Levine observes that Venezuela's economy was largely dependent on the agricultural sector for employment and revenue; however, increased revenue within the petroleum sector shifted the workforce and decimated the nation's farmlands.¹⁶ Furthermore, petroleum "contributed to social change by depressing traditional agriculture and stimulating massive population movements."¹⁷ Levine also states that

¹⁴ Daniel Levine, "Venezuela since 1958: The Consolidation of Democratic Politics," in *The Breakdown of Democratic Regimes*, Latin America, ed. Juan Linz and Alfred Stepan (Baltimore: Johns Hopkins University Press, 1978), 86.

¹⁵ Levine, "Venezuela Since 1958: The Consolidation of Democratic Politics."

¹⁶ Levine, "Venezuela Since 1958: The Consolidation of Democratic Politics."

¹⁷ Levine, "Venezuela Since 1958: The Consolidation of Democratic Politics."

“until the 1920s, Venezuela was an agricultural export economy;” however, “after World War I, a sharp drop in production was accompanied by a decline in exports of agricultural products, both as a share of total exports and in absolute terms as well.”¹⁸ The decline in production and exports of agricultural products brought about a significant shift not only in rural population but also in the percentage of individuals employed within the agricultural sector and “reflects massive internal migration which still continues to pull many Venezuelans out of their native states and regions.”¹⁹ This shift in population decimated Venezuela’s agricultural workforce as it significantly declined from “71.6 percent in 1920 to 33.5 percent in 1961, while employment in industry more than doubled, and services (public and private) jumped from 7.6 percent to 24.8 percent in the same period.”²⁰ By 1961, Venezuela’s economy shifted away from a strong agricultural dependence despite the government’s attempts to entice farmers through economic incentives.

Government banks incentivized farmers to continue operations by providing them loans; however, this practice further decimated Venezuela’s agricultural sector. In 1928, Venezuela’s chamber of commerce created the “Agricultural and Livestock Bank (BAP),” which served as “an agricultural mortgage bank to provide credits for farm entrepreneurs.”²¹ Although the BAP was created to help supplement financing for farm entrepreneurs, “the viable market for world produce had been disastrously weakened by the world depression,” and economic losses “resulted in a series of farm failures and foreclosures by the bank.”²² The world economy negatively impacted the measures taken to aid agricultural entrepreneurs and resulted in Venezuela’s government retaining a large portion of cultivable land through foreclosures.²³ As a result, “failures in agriculture were pushing entrepreneurs out, and the booming petroleum industry with its satellites were

¹⁸ Levine, “Venezuela Since 1958: The Consolidation of Democratic Politics.”

¹⁹ Levine, “Venezuela Since 1958: The Consolidation of Democratic Politics.”

²⁰ Levine, “Venezuela Since 1958: The Consolidation of Democratic Politics.”

²¹ John Powell, *Political Mobilization of the Venezuelan Peasant* (Cambridge: Harvard University Press, 1971), 24, 25.

²² Powell, *Political Mobilization of the Venezuelan Peasant*, 25.

²³ Powell, *Political Mobilization of the Venezuelan Peasant*, 26.

pulling entrepreneurs into new sectors.”²⁴ Powell states that “the agricultural foundation of the Venezuelan state had been replaced by the petroleum industry and its manufacturing and servicing satellites.”²⁵ The combination of foreclosures attributed to farmers defaulting on loans and a declining world economy resulted in Venezuela’s petroleum industry usurping and decimating the nation’s agricultural sector.

Individuals seeking higher wages within the petroleum sector relocated from rural to urban communities, which also resulted in a decrease of the expertise and resources required to maintain Venezuela’s farmlands. Professor Terry Karl asserts that petroleum revenues increased imports and expanded service sectors, while Venezuela’s agricultural industry declined,²⁶ demonstrating a potential relationship between Venezuela’s agricultural and petroleum sectors. Professor Karl further states that “the social and political impact of agriculture’s demise was extensive at the mass level,” and that “faced with the loss of their livelihood in their villages, rural workers headed for lucrative jobs in the oil fields or possible employment in public works programs in the cities.”²⁷ Additionally, “by 1960, the percentage of the population living in rural areas had dropped by nearly half to just 35 percent, and then to a mere 12 percent by the 1990s, making Venezuela home to one of the most urbanized populations in Latin America,” and “with domestic food production greatly reduced, Venezuela became the only Latin American country to be a net importer of agricultural products.”²⁸ The significant shift in population from rural to urban communities combined with increased external demand for Venezuela’s petroleum resulted in higher revenues for the nation and in no motivating cause for re-emerging a declining agricultural sector. After World War II, “soaring demand for petroleum...the Iranian Crisis of 1954, and the [subsequent] closing of the

²⁴ Powell, *Political Mobilization of the Venezuelan Peasant*, 26.

²⁵ Powell, *Political Mobilization of the Venezuelan Peasant*, 30.

²⁶ Terry Karl, “Petroleum and Political Pacts: The Transition to Democracy in Venezuela,” *Latin American Research Review* 22, no. 1 (1987), 70, <https://www.jstor.org/stable/pdf/2503543.pdf?refreqid=excelsior%3A0c327d77211a475ae7af2caa95817314>

²⁷ Karl, *Petroleum and Political Pacts*, 69.

²⁸ Christina Schiavoni and William Camacaro, “The Venezuelan Effort to Build a New Food and Agriculture System,” *Monthly Review* 61, no. 3 (Jul, 2009), <https://monthlyreview.org/2009/07/01/the-venezuelan-effort-to-build-a-new-food-and-agriculture-system/>.

Suez Canal,” resulted in Venezuela experiencing an “economic boom” that forced the country to industrialize.²⁹ This resulted in Venezuela accumulating the second largest foreign exchange in the world and its treasury reserves tripling in value.³⁰

Venezuela’s agricultural sector degraded from a strong component of the nation’s economy to a dismal industry incapable of sustaining the nation’s demand. The decline of Venezuela’s rural population to 12 percent by the 1990s, combined with the increased import of food, reflects how the nation became largely dependent on imports to feed its people. Furthermore, should those imports cease, Venezuela would not have had, as it currently does not have, the rural population, nor the industrial development, to reignite the agricultural industry. When oil revenue was relatively high, numerous administrations pledged to revitalize and reform the agricultural industry. By 2017, their pledges failed to materialize. For example, in April of 2008, crowds of “Afro-Venezuelan cacao farmers and artisanal fisherman of the coastal community” gathered to witness President Hugo Chávez state the global food crisis “would not hinder Venezuela’s advancements in food and agriculture” and that “there is a food crisis in the world, but Venezuela is not going to fall into that crisis.”³¹ Unfortunately, President Chávez’s comments do not accurately reflect Venezuela’s current reality and the nation now suffers from a severe food crisis attributed to the neglect of its agricultural industry and exacerbated by the factors described in Chapter II.

2. Venezuela’s Energy Crisis

Venezuela’s energy crisis is as perplexing as its food crisis considering that the nation retains the largest petroleum reserves in the world. A May 2017 brief published by the *Indian Council of World Affairs* stated “the current crisis in Venezuela has turned the once economically stable and regional power into a country with a stalled economy, high inflation and unemployment rates, facing shortage of food, medical provisions, electricity

²⁹ Karl, *Petroleum and Political Pacts*, 71.

³⁰ Karl, *Petroleum and Political Pacts*, 71.

³¹ Schiavoni and Camacaro, *The Venezuelan Effort to Build a New Food and Agriculture System*, 129.

and other necessities causing small riots.”³² The brief further states that investments in the country have stopped and that droughts have inhibited the operation of hydropower plants that provide two-thirds of the nation’s electric needs.³³ Understanding Venezuela’s decision to rely on hydropower for electricity shows how the nation’s petroleum industry took precedence not only over the agricultural sector, but also over the diversification of energy producing methods.

Venezuela’s decision to develop hydroelectric facilities for energy production, in lieu of diversifying methods that utilize petroleum, has been highlighted by numerous scholars and journalists. Germán Massabié states that hydroelectric development projects in the Guyana region of Venezuela not only provided electricity to the nation, but also saved petroleum for export abroad.³⁴ Similarly, a news report published by the *New Yorker* states that Venezuela’s investments in hydropower were done primarily to preserve oil for export purposes.³⁵ A 2009 study by Maruyama and Eckelman further highlighted Venezuela’s dependence on “hydroelectric power despite the fact that the country is one [of] the world’s largest exporters of crude oil.”³⁶ Venezuela’s government has consistently decided to prioritize hydropower in lieu of using petroleum for energy production and that choice should be considered as a causal factor in the nation’s energy crisis.

In 2010, Venezuela experienced an energy crisis under President Chávez’s regime. Steve Ellner’s article titled “Chávez Pushes the Limits: Radicalization and Discontent in Venezuela” addressed Venezuela’s then electricity crisis and states “the root of the problem was a paucity of rain unseen in decades which drastically lowered the

³² Stuti Banerjee, “The Crisis in Venezuela,” *Indian Council of World Affairs* (May 11, 2017), <http://www.icwa.in/pdfs/IB/2014/CrisisinVenezuelaIB11052017.pdf>.

³³ Banerjee, “The Crisis in Venezuela.”

³⁴ Germán Massabié, *Venezuela a Petro-State Using Renewable Energies: A Contribution to the Global Debate about New Renewable Energies for Electricity Generation* (Berlin: VS Verl für Sozialwiss, 2008), 175.

³⁵ Gretchen Bakke, “The Electricity Crisis in Venezuela: A Cautionary Tale,” *New Yorker* (May 17, 2016), <http://www.newyorker.com/tech/elements/the-electricity-crisis-in-venezuela-a-cautionary-tale>.

³⁶ Naoko Maruyama and Matthew Eckelman, “Long-Term Trends of Electric Efficiencies in Electricity Generation in Developing Countries,” *Energy Policy* 19, no. 5 (May 2009), 1682, doi.org/10.1016/j.enpol.2008.12.004.

water levels of the Guri Dam, the source of 70% of Venezuela's electricity [in 2010]."³⁷ Ellner further adds that increased consumption, government errors, state mismanagement, and failure to adequately plan for the increase in consumption are also factors that contributed to the energy crisis. Ellner's article illustrates how Venezuela faced a similar crisis several years ago, failed to make the necessary and appropriate investments required to correct the problem, and now experiences it again at a greater magnitude. The increased magnitudes of Venezuela's energy and food crises would jeopardize any president. As such, in order to attempt to explain how President Maduro retains power, we must analyze the methods he uses to retain support while many facets of the nation continue to collapse.

3. Coercion of Venezuela's Elites

President Maduro relies on civilian and military elites to remain in power. Daniel Levine's chapter in *The Breakdown of Democratic Regimes* highlights the existence of a "system of power" in Venezuela where power historically rested on "control of the army and state machine."³⁸ A substantial amount of literature exists regarding Venezuelan civil-military relations primarily focusing on military compliance with government authority. A key contributor of such literature is Dr. Harold Trinkunas, Deputy Director and Senior Research Scholar at Stanford University. In his book titled *Crafting Civilian Control of the Military in Venezuela*, Dr. Trinkunas presents the classic hypothetical question. "Why do men with guns obey men without guns?"³⁹ In view of Venezuela's food and energy crises and political instability, Dr. Trinkunas's question can be applied in attempting to determine why the nation's armed forces remain loyal to President Maduro during such times. In Venezuela's case, Dr. Trinkunas's question may be addressed by analyzing whether the armed forces obey President Maduro because he incentivizes them or takes other measures to retain their loyalty. Incentives tend not to

³⁷ Steve Ellner, "Chávez Pushes the Limits: Radicalization and Discontent in Venezuela, NACLA Report on the Americas" (July 2010), 43:4, 8, doi: 10.1080/10714839.2010.11722190.

³⁸ Levine, *Venezuela since 1958: The Consolidation of Democratic Politics*, 88.

³⁹ Harold Trinkunas, *Crafting Civilian Control of the Military in Venezuela* (Chapel Hill, NC: University of North Carolina Press, 2005), 4.

last if the money runs out, and President Maduro's control of the military will likely diminish if funds run dry or the economy further deteriorates. For example, in 2013, Mohamed Morsi, Egypt's first democratically elected president, was overthrown in a military coup while the country was in the midst of severe economic and social crises similar to Venezuela's.⁴⁰

Much of the literature reviewed argues that President Maduro remains in power by ensuring he retains control over Venezuela's civilian and military elites. Considering Venezuela's history of coups d'état, retaining control over elites, even if via incentives, remains incredibly important if a president wants to stay in power. Should he cease to provide them any incentives, or no longer shield them from these crises, he may lose their support and likely be ousted from power. Substantial literature also supports the notion that by providing them benefits, President Maduro retains the military's loyalty; thereby, hindering a rebellion against the regime. Mariana Zuñiga and Nick Miroff, Latin American correspondents for the *Washington Post*, state that Maduro is

Aware of Venezuela's history of military rebellions, [and] has worked to secure the loyalty of commanders, granting them influential roles and benefits. But with fissures emerging in his government, and the economy cratering, the opposition sees an opportunity to apply pressure on the embattled president through an institution crucial to his survival.⁴¹

In other words, according to Zuñiga and Miroff, President Maduro wards off a rebellion and maintains his grip on power because he retains the loyalty of senior military officers. He provides them incentives and benefits because control of the military is pivotal to his survival.

An April 2017 executive summary published by the *Brookings Institution Working Group on Venezuela* highlights President Maduro's ability to remain in power through selective appointments to key government posts in exchange for loyalty. The

⁴⁰ Zena Tahhan, "Egypt 'Worse Off on Every Indicator' since 2013 Coup," *Aljazeera*, July 3, 2017, <http://www.aljazeera.com/indepth/features/2017/07/egypt-worse-indicator-2013-coup-170702072016494.html>.

⁴¹ Mariana Zuñiga and Nick Miroff, "Government Opponents Appeal to Venezuela's Military as Chaos Grows," *Washington Post*, April 22, 2017, https://www.washingtonpost.com/world/the_americas/venezuelas-demonstrators-appeal-to-the-military-as-chaos-grows/2017/04/21/17dec8-23af-11e7-928e-3624539060e8_story.html?utm_term=.003ef6b5cd24.

report stated that Venezuela was highlighted as having one of the worst performing economies in the world currently suffering from a severe humanitarian crisis where “only 25 percent of the Venezuelan population is able to maintain a regular diet.”⁴² The working group not only highlighted the dire state of Venezuela’s economy and humanitarian crisis, but they also highlighted how President Maduro uses promotions to key posts to retain and ensure loyalty. The working group states “one key to the durability of the President Maduro’s government has been the choice to cultivate loyalty by filling senior government posts with officials who have the most to lose if ousted from power, including alleged narco-traffickers and other persons under investigation by U.S. federal prosecutors.”⁴³ Furthermore, the working group also states, “some senior leaders of the armed forces, mostly concentrated in the Guardia Nacional, are reputed to play a significant role in drug trafficking through Venezuelan territory.”⁴⁴ President Maduro likely overlooks the involvement of senior military leaders engaged in narco-trafficking, in exchange for their loyalty to him, as it further ensures his regimes survival.

Providing incentives to Venezuela’s military elites ensures President Maduro has the support of the only organization capable of removing him from power. According to Jim Wyss, “since taking office in 2013, President Maduro has showered the armed forces with privileges and powers that have isolated them from the worst of the economic malaise, and guaranteed their loyalty.”⁴⁵ Mr. Wyss further adds that, “despite the military backing of President Maduro, the opposition has remained hopeful that it can appeal to the rank and file, whose families are also victims of Venezuela’s economic crisis.”⁴⁶ In other words, lower ranking military members may be more inclined to sever their support

⁴² “Venezuela: A Path out of Crisis,” Brookings Institution Working Group on Venezuela, *Brookings Institution*, April 2017, https://www.brookings.edu/wp-content/uploads/2017/04/fp_20170405_venezuela_working_paper.pdf.

⁴³ “Venezuela: A Path out of Crisis,” Brookings Institution Working Group on Venezuela, *Brookings Institution*.

⁴⁴ “Venezuela: A Path out of Crisis,” Brookings Institution Working Group on Venezuela, *Brookings Institution*.

⁴⁵ Jim Wyss, “As Venezuela’s Streets Seethe, Focus Turns to Role of Military,” *Miami Herald*, April 20, 2017, <http://www.miamiherald.com/news/nation-world/world/americas/venezuela/article145719174.html>.

⁴⁶ Wyss, “As Venezuela’s Streets Seethe, Focus Turns to Role of Military.”

for President Maduro's regime because their families are also victims of the economic crisis experienced, and also because they may not receive the same perks as senior military members. Essentially, the opposition, also known as anti-regime organizations, is attempting to fractionalize the support base of those who enable President Maduro to remain in power.

Whitney Eulich, Latin American Reporter for *U.S. News*, further supports the notion that President Maduro's incumbency lies on the allegiance of the armed forces. In her article, "What's next for Venezuela," Whitney states, "a tipping point could be triggered especially if the armed forces, which have historically backed the regime, begin to turn."⁴⁷ Whitney also mentions that "many soldiers come from families which are experiencing shortages first hand [*sic*], and already there are divides between the National Guard—which is responsible for the abusive crowd-control tactics at protests—and the army."⁴⁸ Whitney's statements support the argument that President Maduro's tenure as leader of Venezuela depends on the allegiance of the armed forces. Furthermore, her statements align with those of Jim Wyess and further support the argument that lower ranking military members are more likely to retract their support for President Maduro as they, and their families, are experiencing economic hardships and shortages of food firsthand.

Members of the U.S. government have also highlighted President Maduro's use of incentives and benefits to retain the support and loyalty of Venezuela's elites. On July 20, 2017, President Maduro announced the passage of a referendum authorizing the creation of "an all-powerful new legislative body tasked with reforming the country's constitution."⁴⁹ The following day, U.S. Senator Marco Rubio made a televised address to the people of Venezuela and singled out Nicolás Maduro personally by stating "the

⁴⁷ Whitney Eulich, "What's Next for Venezuela," *U.S. News*, July 3, 2017, <https://www.usnews.com/news/best-countries/articles/2017-07-03/weighing-foreign-intervention-in-venezuela>.

⁴⁸ Eulich, "What's Next for Venezuela."

⁴⁹ "Venezuela Constitutional Vote Marred by Violence, Death," *Aljazeera*, July 30, 2017, <http://www.aljazeera.com/news/2017/07/candidate-killed-violence-venezuela-vote-170730155600672.html>.

current path you are on will not end well for you.”⁵⁰ Senator Rubio further stated to President Maduro “the loyalty of many around you depends entirely on your ability to continue to provide them with privileges most in Venezuela no longer have. When you can no longer provide them toilet paper, toothpaste and bread, they will no longer have any reason to be with you.”⁵¹ Senator Rubio’s statements also support the argument that President Maduro retains the support of civilian and military elites through providing them incentives and benefits that many Venezuelans no longer have. Furthermore, Senator Rubio’s statements serve as evidence that members of the U.S. government acknowledge President Maduro’s support base is enticed through corrupt practices, and that elite support for President Maduro’s regime will likely dissipate should those incentives cease.

4. Ideology Shift and Indoctrination

The apolitical structure of Venezuela’s armed forces was established after the 1958 ouster of Venezuelan dictator Perez Jimenez. In Dr. Deborah Norden’s report titled “Democracy and Military Control in Venezuela,” she states that, historically, Venezuela’s armed forces “accepted an apolitical role and, at times, have even demanded it, as long as the political leaders could satisfy their professional needs.”⁵² After Jimenez’s ouster the “regime began with the advantage that the military had rebelled against a dictatorship in support of democracy,” and, “to retain that commitment, the Constitution of 1961 declared that one main function of the armed forces is to ensure the ‘the stability of democratic institutions.’”⁵³ The 1958 apolitical ideological shift of Venezuela’s armed forces in support of democracy limited military intervention in politics and aided in stabilizing the nation for numerous decades. As a result, Venezuela

⁵⁰ Marco Rubio, “Rubio’s Televised Address to the Venezuelan People,” August 1, 2017, <https://www.rubio.senate.gov/public/index.cfm/press-releases?ID=C858A056-530C-4350-93D8-C6F3634D4521>.

⁵¹ Rubio, “Rubio’s Televised Address to the Venezuelan People.”

⁵² Deborah Norden, “Democracy and Military Control in Venezuela: From Subordination to Insurrection,” 1998, <https://www.jstor.org/stable/pdf/2504065.pdf?refreqid=excelsior%3A16b3225004df6929017b06a061e171a7>.

⁵³ Norden, “Democracy and Military Control in Venezuela: From Subordination to Insurrection.”

enjoyed an extended period of stable democratic governance from 1958 to 1998 avoiding the wave of authoritarian rule that extended through parts of Latin America between the 1960s and 1970s.⁵⁴

During his tenure as president, Hugo Chávez passed various legislative measures that led to removing the apolitical ideology of Venezuela's armed forces. In Dr. Harold Trinkunas's article titled "Venezuelan Military Culture," he highlights a 2007 reform incorporated by President Hugo Chávez that instilled a new motto for the nation's armed forces and emphasized the term *socialism* "as part of military salutes."⁵⁵ Two years later, President Chávez passed the Organic Law of the Bolivarian Armed Forces converting the "formal title of the military from the National Armed Forces (FAN) to the 'Bolivarian' National Armed Forces (FANB), directly implying the defense of a specific political project—that of Bolivarianism—rather than the nation as a whole."⁵⁶ The use of the term *socialism* in military statutes and the addition of the term *Bolivarian* within the formal title of the military politicized Venezuela's armed forces and aligned the military's ideology with that of President Hugo Chávez and, his successor as president, Nicolás Maduro. Hence, there is evidence that much of the military is currently inclined to support President Maduro and his political party, in view of the nation's food and energy crises, at least in part because the Bolivarian ideology aligns with the motto and the formal title of the nation's armed forces.

In addition to converting the formal title of the armed forces and adjusting their motto, President Chávez also converted the official name of the Venezuelan Military Academy to the Bolivarian Military University.⁵⁷ In Dr. Ari Chaplin's book titled *Chávez's Legacy: The Transformation from Democracy to a Mafia State*, he states that President Chávez's "objective has been to destroy the professional character of the armed

⁵⁴ David Mares and Rafael Martínez, *Debating Civil-Military Relations in Latin America* (Chicago, IL: Sussex Academy Press, 2014), 165.

⁵⁵ Brian Fonseca, John Polga-Hecimovich and Harold Trinkunas, "Venezuelan Military Culture," May 2016, <http://gordoninstitute.fiu.edu/policy-innovation/military-culture-series/brian-fonseca-john-polga-hecimovich-and-harold-trinkunas-2016-venezuelan-military-culture.pdf>.

⁵⁶ Fonseca, Polga-Hecimovich and Trinkunas, "Venezuelan Military Culture."

⁵⁷ Ari Chaplin, *Chávez's Legacy: The Transformation from Democracy to a Mafia State* (Lanham: University Press of America, 2014), 37.

forces, that includes serving the state and transforming it into a politicized organization, ideologically oriented, which serves exclusively the party in power.”⁵⁸ Dr. Chaplin further states that President Chávez’s “intention was to create an academy that would educate the cadets to serve with honesty the socialist homeland,” that a primary focus of the institution was to “emphasize anticolonialists [*sic*], antiimperialist, revolutionary, socialist, popular, and patriotic values,” and that “the Chávez regime emphasized ideology and political indoctrination in education.”⁵⁹ Dr. Chaplin’s literature also supports the argument that Venezuela’s armed forces support President Maduro and his political party because they have been indoctrinated to do so through formal military training.

President Chávez successfully coerced the support of senior leaders within Venezuela’s armed forces by interfering in their assignment and promotion process and by increasing their salaries. In Dr. Harold Trinkunas’s chapter titled “The Transformation of the Bolivarian Armed Force,” he states that Venezuela’s 1999 Constitution “removed the possibility of legislative oversight of promotions and restored the vote to military officers.”⁶⁰ Dr. Trinkunas further adds that this action allowed President Chávez to “assume sole responsibility for approving military promotions (key to reshaping the officer corps)” and that “purges of Venezuelan officers have allowed the President to select and promote officers more amenable to his vision of the military and less willing to defend military traditions.” In addition to interfering in the promotion and assignment process of officers, Chávez likely increased the pay of service members in exchange for loyalty. On April 25, 2010, Chávez announced that Venezuela’s government would “invest \$145.5 million bolivars (\$33.8 million) to raise the salaries of all ranks in the

⁵⁸ Chaplin, *Chávez’s Legacy: The Transformation from Democracy to a Mafia State*, 37.

⁵⁹ Chaplin, *Chávez’s Legacy: The Transformation from Democracy to a Mafia State*, 14, 37.

⁶⁰ Harold Trinkunas, “The Transformation of the Bolivarian Armed Force,” in *The Routledge Handbook of Civil-Military Relations*, ed. Thomas Bruneau and Cristiana Matei (New York: Routledge, 2013), 126.

armed forces by 40 percent, paid retroactively from April 1.”⁶¹ Chávez’s interference in the promotion and assignment process of senior military leaders combined with increasing their salaries likely ensured that military members were more susceptible to the Bolivarian ideology as supporting the regime resulted in promotions, better assignments, and increased pay.

5. Potential Explanations and Hypotheses

Venezuela’s food crisis stems from: not properly developing its agricultural sector, heavily depending on food importation, over-reliance on a single industry for revenue, and detrimental price controls.

The predominant explanation for Venezuela’s current food crisis is that reduced revenue from declining oil prices resulted in less food imported. Though, superficially, this is correct, the decline of Venezuela’s agricultural sector, described in the literature review, should also be considered as a causal factor. In other words, though there is a strong correlation showing how reduced revenue decreases the amount of food Venezuela imports, the decline in oil profits should not be regarded as the sole cause for the food crisis. The necessity to import food results from the inability to, or lack of, producing it domestically; therefore, the failure to produce it domestically must also be a causal factor in the nation’s food crisis. Venezuela’s decision to neglect the agricultural industry and prioritize the petroleum one left the nation with a single source of revenue and can potentially be considered as a causal factor in the nation’s food crisis. The government’s decision to trade oil for food, consistently increase the minimum wage, and recommend farming within urban communities, produce minimal results and are not permanent solutions to the problem; rather, they may also potentially factor into the crisis. Furthermore, President Maduro’s implementation of forced labor not only increases

⁶¹ “Special Report: Venezuela’s Control of the Armed Forces,” STRATFOR, May 3, 2010, https://worldview.stratfor.com/article/special-report-venezuelas-control-armed-forces#/entry/jsconnect?client_id=644347316&target=%2Fdiscussion%2Fembed%3Fp%3D%252Fdiscussion%252Fembed%252F%26vanilla_identifier%3D263274%26vanilla_url%3Dhttps%253A%252F%252Fworldview.stratfor.com%252Farticle%252Fspecial-report-venezuelas-control-armed-forces%26vanilla_category_id%3D1%26title%3DSpecial%2BReport%253A%2BVenezuela%2527s%2BControl%2Bof%2Bthe%2BArmed%2BForces.

discontent amongst civilians but also results in international organizations' proclamations of illegality and injustice.

Venezuela's energy crisis also has root causes including: inadequate maintenance, a lack of appropriate investments, failure to diversify sources of energy, sole dependency on hydroelectric power, and corrupt tendencies by officials.

President Maduro's administration insists that Venezuela's unreliable power grid and frequent blackouts derive from receding water levels at the Guri reservoir. According to President Maduro, "El Niño weather patterns caused water levels at the Guri dam to fall to just above the 'collapse' line," preventing water from reaching turbines that generate electricity at the Guri dam.⁶² Though President Maduro's explanation correctly highlights a significant factor that contributes to the nation's energy crisis, it disregards other factors that bear responsibility. Furthermore, President Maduro fails to explain why Venezuela continues using hydropower, despite reduced water levels, in lieu of facilities that use petroleum to produce energy. President Maduro's critics acknowledge the impact that reduced water levels have on energy production, but they also blame corruption, deteriorated infrastructure, inadequate maintenance, lack of appropriate investments, and energy-saving measures as factors that contribute to the problem.

President Nicolás Maduro retains power in the midst of Venezuela's food and energy crises by coercing and coopting Venezuela's civilian and military elites.

The most significant measures President Maduro has implemented to retain the loyalty of Venezuela's civilian and military elites include promotions, appointment of political positions, integrating the armed forces within the nation's sole source of revenue, and disregarding corrupt actions by senior military officials. In 2016, President Maduro promoted a large amount of senior military officers to the rank of general, thereby ensuring their fiscal accountability while Venezuela's economy worsened. Additionally, President Maduro appointed various civilian and military elites to political

⁶² Mery Mogollon and Chris Kraul, "Amid Unrest, Looting and Electricity Rationing, Venezuela President becomes Recall Target," *Los Angeles Times*, April 27, 2016, <http://www.latimes.com/world/mexico-americas/la-fg-venezuela-crisis-20160427-story.html>.

positions within Venezuela's government, ensuring their accountability to him as well. President Maduro also approved the creation of an armed forces-operated company to provide services to the nation's oil company, Venezuela's sole source of revenue.⁶³ Furthermore, it appears President Maduro overlooks allegations of food and drug trafficking through black markets by senior military officials so long as they remain loyal.

6. Research Design

This thesis uses a qualitative single scope case study research design. This format of research allows for an in-depth analysis of the factors that contribute to and exacerbate Venezuela's food and energy crises and the measures used by President Maduro to incentivize, coerce and coopt civilian and military elites. A single scope case study increases the ability to look at all of the factors specific to Venezuela's unique case and also facilitates the ability to remain current with rapidly changing developments. The reference materials used for this thesis include scholarly sources and reports provided by both news organizations and government agencies. The referenced material provides the best evidence to make a causal argument with regard to Venezuela's food and energy sectors as well as the methods used by President Maduro to incentivize his supporters. Due to the fact that the situation is ongoing, many reference materials are current and the discussion is limited to its stance on February 2, 2018.

7. Thesis Overview and Chapter Outline

This thesis is structured into five chapters. Chapter I detailed the major research question and presents the literature review. Chapters II and III describe Venezuela's food and energy crises and the factors that fostered and exacerbate these crises. Chapter IV describes how President Maduro remains in power and how he retains the loyalty of Venezuela's elites in the midst of protests that derive from these crises, and Chapter V concludes with key findings and recommendations. The structure of this thesis first explores Venezuela's food and energy crises and answers why a nation with substantial

⁶³ Girish Gupta, "Venezuela Military Company to Start Services to PDVSA in Weeks," *Reuters*, March 8, 2016, <https://www.reuters.com/article/us-venezuela-pdvsa-military-idUSKCN0WA1XW>.

agricultural terrain and currently the largest petroleum reserves in the world suffers from these crises; then, the final two chapters utilized that knowledge to further explore what currently hinders President Maduro's removal in view of the protests that derive from these crises.

II. VENEZUELA'S FOOD CRISIS AND CONTRIBUTING FACTORS

As of February 2, 2018, Venezuela continues to undergo a severe food crisis. Extreme food shortages combined with high unemployment have increased criminal activity and left people hopeless. In 2016, 78 percent of Venezuelan's ate breakfast as their only meal of the day, and nearly 75 percent of the population lost an average of 19 pounds due to the lack of food.⁶⁴ Additionally, 2016 ended with 28,479 homicides, the highest ever recorded in Venezuela.⁶⁵ The nation's staggering crime statistics might make more news were it not for Venezuela's equally astonishing unemployment rate. The International Monetary Fund (IMF) estimates that nearly 30 percent of Venezuela will be unemployed by the end of 2018 and 38 percent by 2021.⁶⁶ To put that into context, the highest unemployment rate the United States has experienced did not quite reach 25 percent and occurred during the Great Depression.⁶⁷

Unfortunately, Venezuela's continued food crisis has resulted in people taking drastic measures to survive and has occurred due to the confluence of several factors. The nation's food crisis ravages the people of this once-prosperous oil rich nation, resulting in them hunting dogs, cats, and pigeons for consumption.⁶⁸ That people have to resort to these drastic measures is almost ironic as Venezuela retains rich terrain, and was, at one point, an agricultural exporter. "Drive around the countryside outside of the capital, Caracas, and there's everything a farmer needs, fertile land, water, sunshine...yet somehow families here are just as scrawny-looking as the city-dwelling Venezuelan's

⁶⁴ Andrew Pestano, "Venezuela: 75% of the Population Lost 19 Pounds amid Crisis," *United Press International*, February 19, 2017, http://www.upi.com/Top_News/World-News/2017/02/19/Venezuela-75-of-population-lost-19-pounds-amid-crisis/2441487523377/.

⁶⁵ Nicolás Casey, "In a Brutal Year in Venezuela, Even Crime Fighters Are Killers," *New York Times*, December 30, 2016, https://www.nytimes.com/2016/12/30/world/americas/venezuela-violence.html?_r=0.

⁶⁶ "Unemployment Rate," International Monetary Fund, Assessed January 30, 2018, <http://www.imf.org/external/datamapper/LUR@WEO/VEN>.

⁶⁷ Patrick Gillespie, "Venezuela: The Land of 500% Inflation," *CNN Money*, April 12, 2016, <http://money.cnn.com/2016/04/12/news/economy/venezuela-imf-economy/>.

⁶⁸ Peter Wilson, "Looting, Arrests Soar as Venezuela's Food Crisis Mounts," *USA Today*, June 15, 2016, <http://www.usatoday.com/story/news/world/2016/06/15/venezuela-protests-lootings/85939072/>.

waiting in bread lines or picking through garbage for scraps.”⁶⁹ Considering that Venezuela has “everything a farmer needs,” an important question arises. Why is a country with suitable agricultural landscape struggling to feed its people? According to Venezuela’s President Nicolás Maduro, “Venezuela’s problems are the result of ‘economic warfare’ waged by the United States,” but he has yet provided evidence that confirms U.S. attempts to destabilize Venezuela’s economy and foster a food crisis.⁷⁰ Contrary to what President Maduro states, this chapter shows Venezuela’s food crisis actually derives from the following: Venezuela’s over-reliance on the oil industry, lack of a developed agricultural sector, strong dependence on food importation, government controlled food prices, inflation, decline in oil revenue, and frequent increases in minimum wages.

The factors that gave rise to Venezuela’s food crisis differ from the circumstances that often give rise to such crises elsewhere. In fact, food crises typically develop after a catastrophic natural disaster, such as Hurricane Felix in 2007 (which affected the agricultural production of numerous Latin American states) or the earthquake Haiti experienced in January of 2010.⁷¹ Both of these disasters severely impacted the agricultural production of Haiti and other Latin American states. Venezuela, however, has not suffered any recent natural disasters, but yet suffers from a food crisis. Chapter II begins by providing a comparison between Haiti and Venezuela and describes how a nation’s reliance on a single export industry can be detrimental. Second, Chapter II describes how Venezuela’s lack of an agricultural sector has required it to import food. Third, the chapter describes how price controls, inflation, decline in oil revenue and frequent minimum wage increases exacerbate Venezuela’s food crisis. The chapter

⁶⁹ Mariana Zuñiga and Nick Miroff, Venezuela’s Paradox: People are Hungry, but Farmers Can’t Feed Them,” *Washington Post*, May 22, 2017, https://www.washingtonpost.com/world/the_americas/venezuelas-paradox-people-are-hungry-but-farmers-cant-feed-them/2017/05/21/ce460726-3987-11e7-a59b-26e0451a96fd_story.html?utm_term=.60278eee45c6.

⁷⁰ Emma Graham-Harrison, “Hunger Eats Away at Venezuela’s Soul as its People Struggle to Survive,” *Guardian*, August 26, 2017, <https://www.theguardian.com/world/2017/aug/26/nicolas-maduro-donald-trump-venezuela-hunger>.

⁷¹International Federation of Red Cross and Red Crescent, “Emergency Appeal,” July 23, 2008, Pg. 2, <http://www.ifrc.org/docs/appeals/07/MDR43002revap.pdf>.

concludes by describing the measures President Maduro implemented to address the food crisis and why they will unlikely bring the nation out of these dire circumstances.

A. RELIANCE ON A SINGLE INDUSTRY FOR REVENUE

Like Venezuela, Haiti depends on a single export industry for the majority of its revenue. Unfortunately, it has endured several natural disasters that culminated in humanitarian crises' and further resulted in food scarcity. Despite the numerous natural disasters Haiti has endured, and the impact of those disasters on the nation's economy and food production capability, Haiti has failed to diversify its economy, and agriculture remains the nation's primary export and a significant sector of employment for much of its populace. According to the U.S. Government's Global Hunger and Food Security Initiative, "agriculture is central to the Haitian Economy, employing more than half the population and serving as the primary source of income in rural areas."⁷² While Haiti's dependence on agriculture provides many benefits, that dependence on a single industry leaves the nation vulnerable to catastrophic economic and agricultural impacts should a natural disaster strike again.

Unlike Haiti, Venezuela does not have a developed agricultural industry but, like Haiti, relies primarily on one industry, in this case petroleum exports, as the nation's main source of revenue and employment. Venezuela's failure to use its suitable terrain for agricultural development places it in a similar position to Haiti, should oil prices rapidly decline or its petroleum industry collapse. In other words, the decline of oil prices impact Venezuela's economy in the same manner a natural disaster impacts Haiti's. As Chapter III discusses, Venezuela's oil infrastructure is teetering at best. In addition to unnecessary vulnerability, Venezuela has not used its agricultural terrain favorably despite its ability to provide the nation economic advantages aside from only producing food. In fact, the development of a rich agricultural sector would be advantageous to not only Venezuela but to any nation's economy as it can foster the development of an export industry, aid in job creation, and significantly increase the availability of food.

⁷² U.S. Government's Global Hunger and Food Security Initiative, "Country Profile, Haiti," *Feed the Future Country Fact Sheet*, n.d., accessed February 26, 2017, <https://feedthefuture.gov/country/haiti>.

Haiti and Venezuela both depend on a single commodity for employment and exportation, limiting revenue and leaving both their economies and food supplies vulnerable. The difference is that the former depends on the agricultural industry and the latter depends on petroleum. Venezuela could focus on both and has the opportunity to develop a respectable agricultural industry capable of producing jobs and sustenance alike. Unfortunately, Venezuela has chosen not to diversify its agricultural sector, instead focusing on the petroleum industry as its economic mainstay. Venezuela's necessity to import food results from the lack of an agricultural sector. Furthermore, their ability to import food depends on revenue the nation receives from exported petroleum. Though importing food is possible when oil prices are high, it is limited when prices are low, which illustrates the nation's dependence on the price of oil to import food. Therefore, Venezuela's reliance on a single industry places the nation in a weak position where they depend on oil revenue to eat, and this dependence contributes to the nation's current food crisis as oil prices have significantly declined.

B. DUTCH DISEASE AND FOOD IMPORTS

Venezuela's resulting reliance on food imports also contributes to the nation's food crisis and derives from neglecting other economic sectors. The nation's failure to diversify within non-petroleum industries can be attributed to the negative impact of "Dutch Disease"⁷³ that results when the discovery of natural resources eliminates other sectors of a nation's economy.⁷⁴ In Venezuela's case, the craze over oil resulted in the neglect of the agricultural sector and a dangerous national over-dependence on food imports. In 2012, the Food and Agriculture Organization (FAO) of the United Nations

⁷³ The term was first used to describe the decline in Netherlands manufacturing and other domestic industries after the discovery of natural gas in the early 1960s. Tejvan Pettinger, "Dutch Disease," *Economics Help*, November 15, 2014, <http://www.economicshelp.org/blog/11977/oil/dutch-disease/>.

⁷⁴ Scott Tong, "Oil Pushes out Venezuela's Agriculture," *Marketplace*, April 18, 2016, <http://www.marketplace.org/2016/04/18/world/resource-curse/venezuela-ranchers>.

estimated that Venezuela imported more than 70 percent of its food.⁷⁵ Although the figure is dated, the percentage has likely increased.

Reduced oil revenue, therefore, hinders Venezuela's ability to import food. According to Kenneth Haesly, Venezuela's economy is severely affected by the decline in oil prices as the industry has been molded into all facets of the nation.⁷⁶ In 2015, lower oil prices reduced food imports from \$37 billion to \$20 billion.⁷⁷ Additionally, between 2015 and 2016, exports to Venezuela were also reduced for the following commodities:

- Bread was reduced 94% from \$3.5 million to \$216,000.
- Meat exports declined 63% from \$350 million to \$127 million.
- Bananas and Strawberries declined 99% from \$21 million to \$159,000.
- Fish exports and sugar dropped 87% and 34% respectively.⁷⁸

The reduced import of bread, meats, and fruits to Venezuela make it more difficult for citizens to eat. Unfortunately, Venezuela's ability to import food depends on the unstable fluctuation of the price of oil, so people will likely import less food whenever oil prices decline.

President Maduro's decision to nationalize the distribution of imported food further complicates Venezuela's food crisis. In an effort to suppress increased riots and looting, President Maduro placed Venezuela's "military in charge of five seaports and the country's food and medical supply chain."⁷⁹ Though the military's oversight of the

⁷⁵ Business Monitor, "Venezuela, Agribusiness Report," *Business Monitor International*, July 2012, February 26, 2017, <http://search.proquest.com.libproxy.nps.edu/docview/1027548501/E84B87C796DC4C5DPQ/3?accountid=12702>.

⁷⁶ Kenneth Haesly, "How to Solve a Problem Like Venezuela?" *Law and Business Review of the Americas*, (2016). <http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1870833392?accountid=12702>.

⁷⁷ Andres Schipani, "Venezuelans Resort to Looting as Food Shortages Hit Crisis Point," *Financial Times Limited*, May 27, 2016, <http://search.proquest.com.libproxy.nps.edu/docview/1799503525/fulltext/37B754D7EA044C81PQ/1?accountid=12702>.

⁷⁸ Patrick Gillespie, "Venezuela Food Crisis Deepens as Shipments Plummet," *CNN Money*, August 11, 2016, <http://money.cnn.com/2016/08/11/news/economy/venezuela-food-shortages/>.

⁷⁹ Marco Rubio, "Letter to President Trump Regarding Venezuela," Congress of the United States, February 8, 2017, http://www.rubio.senate.gov/public/_cache/files/6f20a448-3cbc-4c41-a457-98513df22fa3/BD74861BD82F53754D790F33E0E93E61.2-8-17-ltr-to-president-trump-re-venezuela.pdf.

nation's food supply would seemingly improve the situation, it has actually made it worse as some military members hoard and steal the food they are responsible for distributing.⁸⁰ Currently, members of the U.S. Senate and Congress accuse senior Venezuelan military officials of receiving kickbacks from food contracts and bribes.⁸¹ Unfortunately, corrupt tendencies by Venezuelan military officials will likely persist as the government now imports almost all of the food into the country and as the armed forces remain in control of its distribution.⁸²

Venezuela's necessity to import food derives from their lack of maintaining or developing an agricultural sector. The nation's ability to import food directly depends on the price of oil and will reduce if oil prices drop, as it continuously fluctuates. Additionally, President Maduro's nationalization of food distribution allows corrupt military members to take advantage of their position, further hindering the people's ability to eat.

C. PRICE CONTROLS

The Venezuelan government's failure to acknowledge how price controls contribute to the food crisis and their decision to extend the blame to others is a third factor that contributes to the nation's food crisis. President Maduro attributes Venezuela's "chronic scarcities on an 'economic war' against his government waged by foreign enemies [like the United States], opposition leaders, business owners and smuggling gangs."⁸³ Although President Maduro says those causes are responsible, they unlikely are the direct reasons for Venezuela's scarcities. In reality, President Maduro's regulations have worsened the situation and have failed to resolve the crisis. A more convincing

⁸⁰ Rubio, "Letter to President Trump Regarding Venezuela."

⁸¹ Hannah Dreier and Joshua Goodman, "US Lawmakers Propose Sanctions for Venezuela Food Corruption," *Associated Press*, January 23, 2017, <http://bigstory.ap.org/article/703e798bf00041909af82f96109a5023>.

⁸² "Venezuela Military Controls Food as Nation Goes Hungry," *Aljazeera*.

⁸³ Mariana Zuñiga, and Nick Miroff, "In a Hungry Venezuela, Buying Too Much Food Can Get You Arrested," *Washington Post*, September 15, 2016, https://www.washingtonpost.com/world/the_americas/in-a-hungry-venezuela-buying-too-much-food-can-get-you-arrested/2016/09/14/b20276d6-755f-11e6-9781-49e591781754_story.html?utm_term=.4e3dbd7689c8.

analytical perspective by the *Washington Post* states, “many economists attribute the [food] shortages to simpler, less conspiratorial factors. Price controls and excessive regulation, they say, have discouraged domestic production, making Venezuelans ever more dependent on imported food.”⁸⁴ In other words, the conspiracies President Maduro proposes as causes for Venezuela’s food shortages ignore actual contributing factors, including those for which he is directly responsible; price controls and regulation are more to blame. Moreover, the statements provided by the *Washington Post* can also be applied to the price control measures President Chávez implemented during a similar food crisis under his regime.

The establishment of price controls began under the Chávez regime during a similar food crisis. In 2011, President Chávez persuaded Venezuela’s Legislature to enact the “Law on Fair Costs and Prices” empowered by the “*National Superintendency of Fair Costs and Prices*” because he “believed [the law of supply and demand] robbed the poor and unjustly profited producers.”⁸⁵ Price violations that deviated from the edicts passed by the superintendency brought about stiff repercussions and resulted in “fines, seizures and expropriation.”⁸⁶ After President Chávez, President Maduro subsequently implemented revised price control regulations; however, they took form under a new law and overseeing agency. Essentially, President Chávez set the stage for Maduro regarding price controls within Venezuela.

President Maduro’s administration further worsened Venezuela’s food crisis by implementing legislation that set profit limits on vendors. In January of 2014, Venezuela enacted the Fair Price Law that carried out many of the same functions as the Fair Costs and Prices regulation enacted under the Chávez regime. However, President Maduro’s legislation set new rules that established a maximum profit for vendors at 30 percent and prison sentences of up to 14 years (an increase of eight years from President Chávez’s

⁸⁴ Zuñiga and Miroff, “In a Hungry Venezuela, Buying Too Much Food Can Get You Arrested.”

⁸⁵ Brad Shiller, “Hugo Chávez’s Voodoo Economics,” *Los Angeles Times*, March 24, 2013, <http://articles.latimes.com/2013/mar/24/opinion/la-oe-schiller-venezuela-pricing-20130324>.

⁸⁶ Shiller, “Hugo Chávez’s Voodoo Economics.”

administration) for food hoarding and over-charging.⁸⁷ The new regulation also targeted individuals who “destabilized the economy” through “food trafficking, which refers to people buying subsidized goods and reselling them mainly in neighboring Colombia.”⁸⁸ The regulations set by President Maduro differed from those set by President Chávez in establishing profit limits for vendors and tougher penalties for food hoarders and food traffickers.

President Maduro’s implementation of price controls negatively impacted Venezuela’s economy and deterred businesses from continuing operations. Since Venezuelan business owners are required to charge specific prices on food items, regardless of purchase price, it is not worthwhile economically to continue operations. The few businesses within Venezuela’s dismal agricultural sector vehemently opposed mandated prices of basic products like “milk, coffee, sugar and toilet paper,” as the fixed prices did “not cover the cost of production” and, subsequently, resulted in increased scarcity and shortages.⁸⁹ In essence, price controls resulted in the closing of many businesses within Venezuela’s limited agriculture sector and are, therefore, another factor contributing to Venezuela’s food crisis.

D. INFLATION OF THE BOLIVAR

Fourth, staggering inflation rates, resulting from government controlled food prices and the excess printing of Bolivars, have devalued Venezuela’s currency and further hindered Venezuelans ability to procure food. According to Corina Pons, “Venezuela consumer prices rose 800 percent in 2016 while the economy contracted by 18.6 percent...the sharpest contraction in 13 years and the worst inflation on the record.”⁹⁰ Inflation and government-controlled food prices have encouraged a black

⁸⁷ Brian Ellsworth, “Venezuela Decrees New Price Controls to Fight Inflation,” *Reuters*, January 24, 2014, <http://www.reuters.com/article/us-venezuela-economy-idUSBREA0N1GL20140124>.

⁸⁸ Ellsworth, “Venezuela Decrees New Price Controls to Fight Inflation.”

⁸⁹ Indira Guerrero, “Standard Food Basket Price in Venezuela Dwarfs Minimum Wage,” *EFE News Service*, November 6, 2014, <http://search.proquest.com.libproxy.nps.edu/docview/1620528258/8703E471AA804EDEPQ/1?accountid=12702>.

⁹⁰ Corina Pons, “Venezuela 2016 Inflation Hits 800 Percent, GDP Shrinks 19 Percent: Document,” *Reuters*, January 20, 2017, <http://www.reuters.com/article/us-venezuela-economy-idUSKBN154244>.

market where people set prices significantly above those mandated. In other words, inflation and government-controlled food prices have resulted in Venezuelan's hoarding food and selling it for staggering prices. Rationed food items sold at government prices are limited in quantity and sell out quickly. Citizens who do not procure items at the lower cost must revert to black-markets and expend a significant amount of their monthly salary on basic food items.

Consistently changing government prices, in conjunction with black market street vendors, make it increasingly difficult to procure food. Figure 1 represents the cost of basic food items in December of 2015 compared to their cost in May of 2016, as well as black market prices. The figure also illustrates the monthly salary of a Venezuelan accounting assistant and their purchasing power as of December 2015. Although the salary of the accounting assistant has likely increased, the figure is useful in demonstrating their diminished purchasing power.

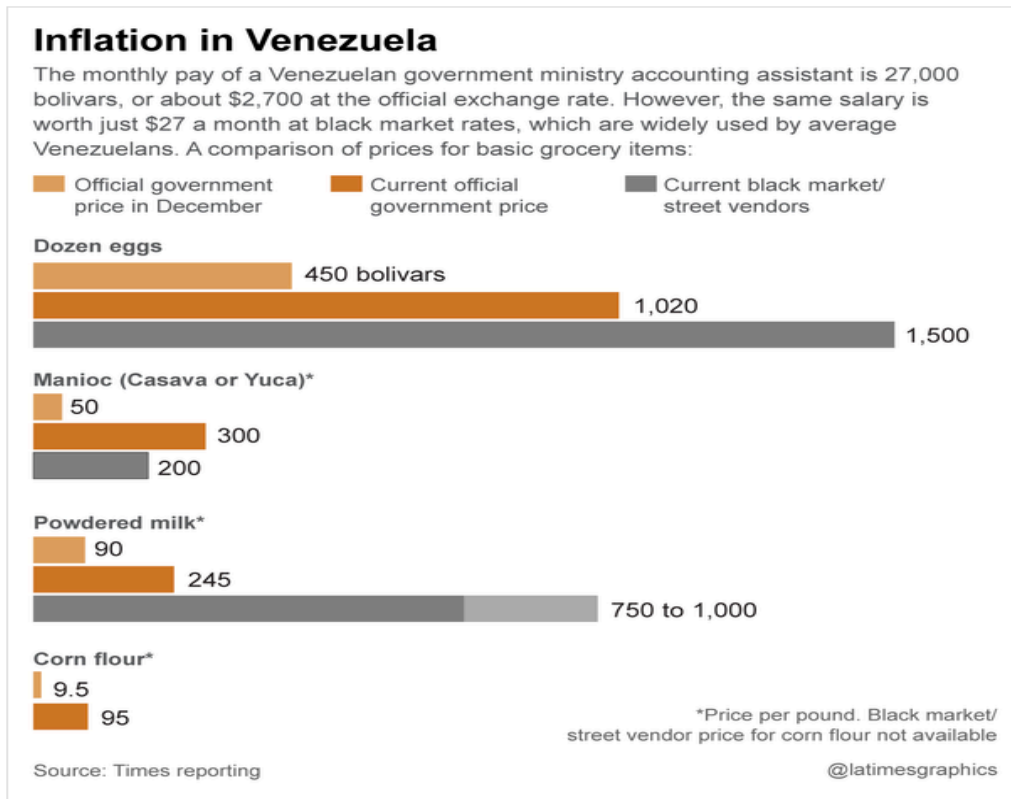


Figure 1. Inflation in Venezuela, May 2016.⁹¹

Figure 1 illustrates the devaluation of a Venezuelan accounting assistant’s salary and how it hinders them from procuring basic items in the black market. Additionally, the figure also illustrates how the purchasing power for a citizen would be reasonable if they were able to procure basic items at the government-mandated price. Should government-mandated prices continue to increase in frequency, citizens will continuously lose purchasing power, as the rise in minimum wages and government food stamps is not increasing in conjunction with the change in food prices.

Venezuela’s inflation rate is expected to worsen, further hindering people’s ability to procure food. In January of 2018, the opposition-led National Assembly stated that

⁹¹ Mery Mogollon and Alexandra Zavis, “It Costs \$150 to Buy a Dozen Eggs in Venezuela Right Now,” *Los Angeles Times*, May 31, 2016, <http://www.latimes.com/world/mexico-americas/la-fg-venezuela-inflation-0531-snap-htlmlstory.html>.

inflation in 2017 reached a staggering 2,616 percent.⁹² Though the inflation rate provided by the opposition is significant, it pales in comparison to the IMF's prediction of 13,000 percent for 2018.⁹³ Dr. Robert Looney, distinguished professor of Economics and Economic Intelligence at the U.S. Naval Postgraduate School, states that "in 2017 alone, hyperinflation caused [Venezuela's] currency, the bolivar, to lose 97 percent of its value against the dollar."⁹⁴ Dr. Looney further states that Venezuela currently retains the world's highest inflation and crime rate, that "food shortages are everywhere, leading to widespread hunger," and that "food riots, protests and mass lootings of stores are increasingly common."⁹⁵ Unfortunately, the continued depreciation of Venezuela's currency will likely increase criminal activity and also result in the government taking additional measures to compensate for the diminished value of the bolivar.

The printing of excess money by Venezuela's government results in hyperinflation and is another factor that contributes to and worsens the nation's food crisis. The year of 2016 ended with Venezuela having approximately 6.1 billion 100-bolivar bill notes, making up nearly half of the banknotes in circulation.⁹⁶ Additionally, by the summer of 2016, the amount of bolivars printed per month increased by 100 percent.⁹⁷ The excess money resulted in hyperinflation, in citizens having to carry enormous amounts of cash just to purchase basic items, and in people resorting to

⁹² "Venezuela 2017 Annual Inflation at 2,616 Percent: Opposition Lawmakers," *Reuters*, January 8, 2018, <https://www.reuters.com/article/us-venezuela-economy-inflation/venezuela-2017-annual-inflation-at-2616-percent-opposition-lawmakers-idUSKBN1EX23B>.

⁹³ David Biller, "IMF Projects Venezuela Inflation Will Soar to 13,000 Percent in 2018," *Bloomberg*, January 25, 2018, <https://www.bloomberg.com/news/articles/2018-01-25/imf-sees-venezuela-inflation-soaring-to-13-000-percent-in-2018>.

⁹⁴ Robert Looney, "Hyperinflation Is Crippling Venezuela, but Maduro Has No Interest in Fixing It," *World Politics Review*, January 23, 2018, <https://www.worldpoliticsreview.com/articles/24035/hyperinflation-is-crippling-venezuela-but-maduro-has-no-interest-in-fixing-it>.

⁹⁵ Looney, "Hyperinflation Is Crippling Venezuela, but Maduro Has No Interest in Fixing It."

⁹⁶ Andrew O'Reilly, "Hyperinflation Renders Venezuela a Nation of Broke Millionaires," *Fox News*, January 18, 2017, <http://www.foxnews.com/world/2017/01/18/hyperinflation-renders-venezuela-nation-broke-millionaires.html>.

⁹⁷ Patrick Gillespie, "Venezuela's Currency is in Freefall," *CNN Money*, December 1, 2016, <http://money.cnn.com/2016/11/29/investing/venezuela-worthless-currency/>.

weighing bolivars instead of counting them.⁹⁸ The significant increase in bolivars has also devalued Venezuela's currency and increased the price of goods. As a result, President Maduro decreed that Venezuelan 100 bolivar denominations would be retracted and replaced by coins of the same value, and coins in 10 and 50 bolivar value would also be manufactured.⁹⁹ Additionally, 500 and 20,000 bolivar notes were implemented to reduce the amount of money people have to carry and make it easier for them to purchase items.¹⁰⁰ The adjustment of bolivar denominations may briefly reduce the necessity of carrying large amounts of bills; however, in the long run, it may pose more problems for Venezuela's economy.

The price of exported oil impacts Venezuela's inflation. Since petroleum exports are the primary force driving Venezuela's economy, the reduced price of exported oil results in less revenue and an increase in inflation. Figure 2 represents the correlation between the price of exported oil and Venezuela's inflation between April 2009 and December 2015.

⁹⁸ Fabiola Zepa and Andre Rosati, "Venezuelans Give Up on Counting Piles of Cash and Start Weighing Them," *Bloomberg*, October 31, 2016, <https://www.bloomberg.com/news/articles/2016-10-31/tired-of-counting-piles-of-cash-venezuelans-start-weighing-them>.

⁹⁹ Rishi Iyengar, "Venezuela Is Replacing its Biggest Note with a Coin," *CNN Money*, December 12 2016, <http://money.cnn.com/2016/12/12/news/economy/venezuela-100-bolivar-note-coins/>.

¹⁰⁰ Jeremy Ashkenas and Quoc Trung Bui, "What Happened When Venezuela Outlawed Its Own Currency," *New York Times*, December 30, 2016, <https://www.nytimes.com/interactive/2016/12/30/world/americas/venezuela-hyperinflation-100-bolivar-maduro.html>.

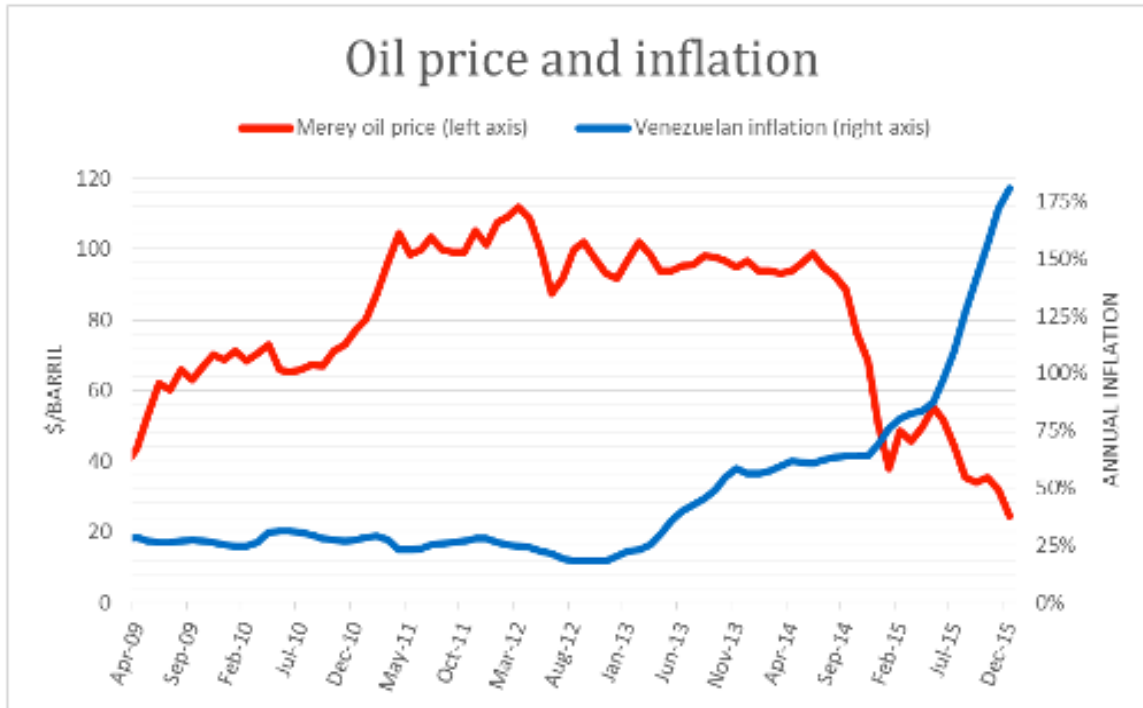


Figure 2. Oil price and inflation: Venezuela.¹⁰¹

Within the past six years, the price of oil exported from Venezuela has significantly declined and negatively impacted the nation’s economy and the ability to import food.

The continued devaluation of Venezuela’s currency ensures a state of hyperinflation and affects citizens’ ability to procure food. In April of 2015, Venezuela’s inflation rate and oil price per barrel (depicted in Figure 2) essentially broke even and then inflation sharply increased to a rate above 175 percent. By the end of 2017, Venezuela’s “money supply expanded by more than 1000%” and inflation reached a staggering 2,616 percent.¹⁰² The excess printing Venezuelan bolivars devalues the nation’s currency and hinders the ability to procure food, as more money is required to

¹⁰¹ “Will Venezuela be Forced to Embrace the Dollar?,” *Mises Institute*, May 19, 2016, <https://mises.org/blog/will-venezuela-be-forced-embrace-dollar>.

¹⁰² “Venezuela 2017 Annual Inflation at 2,616 Percent: Opposition Lawmakers,” *Reuters*, January 8, 2018, <https://www.reuters.com/article/us-venezuela-economy-inflation/venezuela-2017-annual-inflation-at-2616-percent-opposition-lawmakers-idUSKBN1EX23B>.

purchase basic items. Venezuela's inflation will likely worsen as the price of oil declines and the government prints more money.

E. OIL REVENUE DECLINE AND MINIMUM WAGES

Reduced revenue attributed to the low price of exported oil gave rise to the government's arduous conflict of prioritizing between paying Venezuela's external debt or purchasing food with the money currently in hand. Therefore, it is another factor that contributes to Venezuela's food crisis. Since oil exports account for 96 percent of Venezuela's earnings, reduced revenue from petroleum exports results in fewer funds available to pay Venezuela's external debt and concurrently import food.¹⁰³ Unfortunately, Venezuela cannot accommodate both obligations, and the government has elected to prioritize paying the country's external debt vs. purchasing much needed food and medical supplies. For example, to avoid defaulting on debt and save foreign currency in 2016, Venezuela elected to slash imports resulting in food and medicine shortages.¹⁰⁴ That said, Venezuela's food crisis exists in part because the government prioritizes paying external debt rather than procuring food and effectively distributing it amongst the population.

The continuous rise of Venezuela's minimum wage exacerbates the nation's food crisis because it hastens the inflation rate. Though implemented on the premise of ensuring citizens have more funds available to procure food, minimum wage increases have yet to produce positive results and instead exacerbate the nation's inflation. On January 8, 2017, President Maduro raised Venezuela's minimum wage 50 percent to compensate for the increased amount of cash citizens have to carry, and has raised the minimum wage roughly five times between January 2016 and January 2017.¹⁰⁵ On January 1, 2018, President Maduro again raised the minimum wage to "797,510 bolivars

¹⁰³ Ian Bremmer, "These Five Facts Explain Why Venezuela Could Be on the Brink of Collapse," *Time*, May 19, 2016, <http://time.com/4342329/venezuela-economic-collapse-nicolas-maduro/>.

¹⁰⁴ Peter Wilson, "Looting, Arrests Soar as Venezuela's Food Crisis Mounts," *USA Today*, June 15, 2016, <http://www.usatoday.com/story/news/world/2016/06/15/venezuela-protests-lootings/85939072/>.

¹⁰⁵ Jethro Mullen and Patrick Gillespie, "Venezuela Hikes Minimum Wage 50% as Hyperinflation Rages," *CNN Money*, January 9, 2017, <http://money.cnn.com/2017/01/09/news/economy/venezuela-minimum-wage-increase-hyperinflation/>.

a month, factoring in food tickets, or just over \$7 on the widely used black market index.”¹⁰⁶ Ben Kew states that “over the course of 2017, Maduro instigated seven separate minimum wage hikes” and that “the hikes are only like [*sic*] to worsen the country’s unprecedented rates of inflation continually depleting the value of its currency.”¹⁰⁷ Figure 3 represents Venezuela’s minimum wage increases between January 2016 and January 2018.



Figure 3. Minimum monthly wages.¹⁰⁸

Figure 3 demonstrates Venezuela’s minimum wage increases while factoring in food stamps Venezuelans receive from the government. Additionally, Figure 3 also shows that Venezuela’s minimum wages began a steady increase in January of 2016 and that the

¹⁰⁶ Alexandra Ulmer and Corina Pons, “Venezuela Raises Minimum Wage 40 Percent, Stoking World’s Fastest Inflation,” *Reuters*, December 21, 2017, <https://www.reuters.com/article/us-venezuela-economy/venezuela-raises-minimum-wage-40-percent-stoking-worlds-fastest-inflation-idUSKBN1EP0K3>.

¹⁰⁷ Ben Kew, “Venezuela: Maduro Raises Minimum Wage by 40 Percent to \$2 a Month,” *Brietbart*, January 3, 2018, <http://www.breitbart.com/national-security/2018/01/03/venezuela-maduro-raises-minimum-wage-by-40-percent-to-2-a-month/>.

¹⁰⁸ “Venezuela Minimum Monthly Wages,” *Trading Economics*, retrieved January 24, 2018, <https://tradingeconomics.com/venezuela/minimum-wages>.

sharpest increases occurred in 2017. Venezuelans will unlikely see any long-term benefits in the ability to procure food, despite frequent hikes in the nation's minimum wage, as wage hikes are usually accompanied with an equal rise in food costs.

F. MADURO'S MEASURES AGAINST FOOD CRISIS

The first measure Venezuela's government took to alleviate the food crisis was to trade oil with neighboring countries for food, services, or needed basic items; unfortunately, this measure is only a temporary solution. In July 2016, Jamaica and Venezuela established a trade pact exchanging goods and services for oil.¹⁰⁹ The deal centered on the premise that Jamaica would pay off previous oil debts with food, medication, and fertilizers instead of cash.¹¹⁰ The Prime Minister of Trinidad and Tobago proposed a similar measure to Venezuela, offering to exchange tissue paper for oil, but that deal has yet to materialize.¹¹¹ Though these trade pacts are commendable, they are merely temporary solutions and fail to resolve Venezuela's food crisis. In other words, Venezuela's food crisis will continue unless oil revenues increase, and President Maduro implements a permanent solution ensuring people can procure food.

The second measure Venezuela's government implemented to address the food crisis is to recommend citizens to grow their own food; unfortunately, this measure can also be considered a temporary solution and may create health hazards with which the government is not prepared to deal. In February 2016, President Maduro established the Ministry of Urban Farming and urged citizens to grow their own food in urban areas and raise chickens in their homes.¹¹² Though this may sound feasible and could be used as a temporary solution, it unfortunately creates additional health hazards, as raising livestock

¹⁰⁹ Patrick Gillespie, "Venezuela is Selling Oil for Food to Jamaica," *CNN Money*, August 2, 2016, <http://money.cnn.com/2016/08/02/news/economy/venezuela-jamaica-food-oil/>.

¹¹⁰ Alan Hernandez, "Jamaica is Paying its Oil Debts to Venezuela with Food Instead of Cash," *Business Insider*, August 2, 2016, <http://www.businessinsider.com/jamaica-is-paying-its-oil-debts-to-venezuela-with-food-instead-of-cash-2016-8>.

¹¹¹ Pietro Pitts, "Tissue Paper-for-Venezuelan-oil Swap Offered by Trinidad," February 25, 2015, <https://www.bloomberg.com/news/articles/2015-02-25/tissue-paper-for-venezuelan-oil-swap-offered-by-trinidad>.

¹¹² Sibylla Brodzinsky, "Food Shortages Take Toll on Venezuelans' Diet," *Guardian*, May 26, 2016, <https://www.theguardian.com/world/2016/may/24/venezuela-crisis-basic-food-shortages>.

and using pesticides in major cities can create additional crises with which the government is not adequately prepared to deal. In other words, “animals can create problems such as smell, risk of disease, pollution of waterways, or quarrels between neighbours when they invade and damage gardens.”¹¹³ Additionally, since more than 80 percent of Venezuela’s population live in cities, a large amount of land would need to be cultivated, and it is simply not available.¹¹⁴ Furthermore, implementing this type of system is costly and the government has failed to provide fiscal support. In reality, President Maduro likely increased the amount of food aid provided to citizens because he recognizes that urban farming will not solve Venezuela’s food crisis.

The third and fourth measures Venezuela’s government took to combat the food crisis were to increase monetary aid provided to citizens, and implement forced labor. Again, these measures are merely temporary solutions that do not resolve the food crisis. In other words, increasing aid raises the nation’s inflation rate, and force labor has drawn understandable condemnation from humanitarian agencies. On February 19, 2017, one month after he implemented a 50 percent national minimum wage increase, “President Nicolas Maduro, who in the past has denied that there is a crisis in his country... announced an increase of 42% for the food vouchers some Venezuelan workers receive.”¹¹⁵ Although increasing the amount of food vouchers provides citizens more funds to purchase food, the continual increases in inflation will almost immediately nullify the extra funds. Additionally, it is difficult to determine from where funding for the additional vouchers will come as the government struggles to make ends meet, and the threat of forced labor hinders revolving the problem and exacerbates the population’s discontent against President Maduro’s regime. On July 22, 2016, President Maduro declared a state of economic emergency and that public and private sector employees could be forced to work the country’s fields for at least 60-day periods with extensions if

¹¹³ Hans Schiere and Rein van der Hoek, *Livestock Keeping in Urban Areas* (Rome: FAO, 2001), 2.

¹¹⁴ Brodzinsky, “Food Shortages Take Toll on Venezuelans’ Diet.”

¹¹⁵ Osmary Hernandez, Mariano Castillo and Deborah Bloom, “Venezuelan Food Crisis Reflected in Skipped Meals and Weight Loss,” *CNN*, February 21, 2017, <http://www.cnn.com/2017/02/21/americas/venezuelan-food-crisis-weight-loss/>.

warranted.¹¹⁶ Amnesty International, a human rights and non-governmental organization, decreed President Maduro's measure as "forced labor," unlawful, and "part of a larger shift... to transfer power to the military."¹¹⁷ The frequent increase in food vouchers and forced labor decree showcase the severity of Venezuela's situation and will unlikely resolve the food crisis.

G. CONCLUSION

Venezuela's over-reliance on the petroleum industry for revenue, high dependency on food importation, and price controls, undoubtedly contributed to and exacerbate the nation's food crisis. Had Venezuela developed an agricultural sector, the nation's dependence on food imports may have been averted. The over-dependence on oil as the primary source of national income and the unwise disregard for the agricultural industry resulted in a dependency on imported food as the primary means to procure sustenance. Price controls and strict government regulations further complicated the situation by discouraging farmers and food merchants from operating, as the mandated prices did not cover the operating expenses of business owners. Additionally, the decline in oil revenue reduces the amount of food Venezuela can import, and frequent minimum wage increases combined with the excess printing of bolivars exacerbate the nation's inflation and make it increasingly difficult to procure food.

The measures implemented by Venezuela's government will unlikely resolve the food crisis as they are merely temporary solutions and are based on unrealistic expectations. The government suggests citizens grow food in urban areas but has not made efforts to provide fiscal support nor allocate land within cities for utilization. Furthermore, President Maduro's administration fails to consider how these measure potentially create other problems, like disease epidemics. Increasing the monetary aid

¹¹⁶ Patrick Gillespie, Rafael Romo and Osmar Hernandez, "Venezuela's New Decree: Forced farm Work for Citizens," *CNN Money*, July 29, 2016, <http://money.cnn.com/2016/07/29/news/economy/venezuela-decree-farm-labor/index.html?iid=EL>.

¹¹⁷ Patrick Gillespie, "Amnesty International: 'Unlawful' Venezuela Decree Gives Military Power," *CNN Money*, August 1, 2016, <http://money.cnn.com/2016/08/01/news/economy/amnesty-international-venezuela-decree/>.

provided to Venezuelan's through food vouchers enables them to procure food briefly, but further deteriorates the value of the bolivar, and also increases inflation. Reigniting Venezuela's agricultural industry requires a significant amount of time and monetary resources; none of which the nation currently has. Unfortunately, Venezuela's food crisis is worsening daily. It is doubtful that recovery will happen anytime soon.

This chapter highlighted the importance of developing more than one industry within a nation as diversity protects the country economically should that main industry collapse. In addition, this chapter illustrated what can occur to a nation if leaders elect not to diversify industries: in this case, a drastic crisis. The development of multiple industries also provides economic advantages and can serve as a fail-safe. Finally, this analysis also illustrated what can occur if a nation depends on food imports as its primary source of sustenance. Currently, if Venezuelans cannot afford to import food, they do not eat. Because food is so crucial to life, any country with suitable terrain would be wise to develop a robust agricultural industry, so that they could avoid a crisis similar to Venezuela's, should similar circumstances present themselves.

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III. VENEZUELA'S ENERGY CRISIS AND CONTRIBUTING FACTORS

Chapter II showed how Venezuela's food crisis derives from a combination of the government's neglect to establish agricultural sector and failed policies, rather than external non-evidenced factors conspiring against Venezuela. This chapter shows, in turn, that Venezuela's energy crisis is as dire as their food crisis and results from similar poor planning. The combined crises have resulted in "looting and violence...in parts of Venezuela as the country faces widespread food and power shortages, forcing the government to ration food and electricity."¹¹⁸ The energy crisis further worsens the food crisis as citizens do not have the means to store or cook the minimal food they can procure. Power outages also endanger people in what is already one of the most violent countries in the world. Streets go unlit at night, and water tanks powered through electric pumps have left Venezuelans without running water.¹¹⁹ The lack of running water encourages thieves to ambush water trucks, families to channel rainwater off their roof into buckets, and children to fill water cans from wells that they then have to purify using vinegar and further recycle from the kitchen to the toilet.¹²⁰ An unexpected blackout even took Venezuelan President Maduro off the air as he was delivering a national address on live television, leaving him seemingly surprised and confused.¹²¹

According to President Maduro, Venezuela's energy crisis, also referred to as an electricity crisis, derives primarily from two factors: "a drought caused by the El Niño

¹¹⁸ "Protests Erupt in Venezuela as Power Crisis Deepens," *Reuters*, April 29, 2016, <http://www.aljazeera.com/news/2016/04/protests-erupt-venezuela-power-crisis-deepens-160429072951748.html>.

¹¹⁹ Todd Davis, "How bad is Venezuela's Energy Crisis? Government Demands Daily 4-Hour Blackout," *Dallas News*, April 21, 2016, <https://www.dallasnews.com/business/energy/2016/04/21/how-bad-is-venezuela-s-energy-crisis-government-demands-daily-4-hour-blackout>.

¹²⁰ Andrew Cawthorne and Carlos Garcia Rawlings, "A Months-Long Energy Crisis in Venezuela Is Keeping Millions in the Dark," *Business Insider*, May 6, 2016, <http://www.businessinsider.com/r-resource-rich-venezuela-struggles-to-keep-lights-taps-on-2016-5>.

¹²¹ Davis, "How Bad is Venezuela's Energy Crisis? Government Demands Daily 4-Hour Blackout."

weather phenomenon and repeated acts of sabotage.”¹²² Again, similar to the food crisis, President Maduro blames the nation’s energy crisis on external conspiratorial factors, rather than acknowledging how his ineffective policies or decisions have aided in exacerbating the situation. Furthermore, although reduced water levels attributed to El Niño could be considered a factor, it is unlikely the sole reason, and evidence has yet to be provided supporting the notion that sabotage and conspiracy aim to diminish Venezuela’s ability to produce electricity. That said, Chapter III demonstrates that, contrary to what President Maduro states, Venezuela’s energy crisis derives from the following: the government’s decision to depend primarily on hydropower for energy production while failing to adequately maintain, appropriately invest, and effectively diversify its sources of energy. Furthermore, the government’s willful disregard of corrupt tendencies within the energy sector has also contributed to the crisis. The aforementioned factors and the increased energy demands of a growing population have resulted in a failed energy security and an unreliable power grid. Therefore, Chapter III begins by first exploring Venezuela’s energy infrastructure and describes how its deterioration hinders the nation’s ability to increase oil production, thereby reducing the nation’s revenue. Second, Chapter III describes why Venezuela primarily elected to use hydropower in lieu of facilities that use petroleum for energy production, how hydropower is vulnerable to inadequate maintenance, and how inadequate investments and droughts affect the energy crisis. Third, the chapter describes Venezuela’s energy capacity vs. consumption of electricity, expands on Venezuela’s quest to produce energy via constructing a nuclear power plant, and then discusses corruption within the energy sector. The chapter concludes by describing the measures President Maduro implemented to address the energy crisis and why they will unlikely bring the nation out of these this crisis.

¹²² Tim Worstall, “Venezuela’s Four Day Week Isn’t About Drought But Socialist Stupidity,” *Forbes*, April 8, 2016, <https://www.forbes.com/sites/timworstall/2016/04/08/venezuelas-four-day-week-isnt-about-drought-but-socialist-stupidity/#7d6718f75362>.

A. VENEZUELA'S ENERGY INFRASTRUCTURE

Venezuela currently retains the world's largest and unique type of proven oil reserves, with the majority located in an area known as the Orinoco belt; additionally, the heaviness of the nation's oil creates a dependency on other nations as Venezuela must dilute the quality of their oil using imported products.¹²³ In other words, Venezuela is forced to import products to refine its oil. According to the Central Intelligence Agency, as of January 2016, Venezuela has 300 billion barrels of crude oil "proved reserves," defined as "quantities of petroleum...estimated with a high degree of confidence to be commercially recoverable."¹²⁴ The quality of Venezuela's oil, however, differs from that of other oil producing nations, like Saudi Arabia and Oman, as it is thicker and tar-like, making it difficult to develop and more expensive to transport.¹²⁵ In 2017, Venezuela "imported 87,000 barrels per day (bpd) of U.S. refined products to compensate for its ailing refining network, which [in 2017] operated at less than half its capacity due to lack of crude, frequent outages and lack of spare parts."¹²⁶ "About a half of those imports are heavy naphtha, bought by PDVSA to dilute its extra heavy oil output and make it suitable for export."¹²⁷ Venezuela's deteriorated infrastructure and unique type of oil makes the country dependent on facilities and materials from other nations. Unfortunately, this dependence is detrimental to Venezuela as the inability to access these facilities or materials will impact the nation's ability to process its oil; thereby reducing the nation's revenue.

Venezuela's deteriorating energy infrastructure decreases the quantity of oil the nation can export, leaves the nation with reduced revenue to cover the cost of food imports, and hinders the nation's ability to maintain or invest in their oil and electrical

¹²³ Nick Miroff, "Venezuela's Oil-Based Economy Is about to Flat-Line. Then What?," *Washington Post*, January 15, 2016, https://www.washingtonpost.com/news/worldviews/wp/2016/01/15/venezuelas-oil-based-economy-is-about-to-flatline-then-what/?utm_term=.d02bcf9ad8a0.

¹²⁴ Central Intelligence Agency, "Country Comparison: Crude Oil—Proved Reserves," n.d., <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2244rank.html>.

¹²⁵ Miroff, "Venezuela's Oil-Based Economy Is about to Flat-Line. Then What?"

¹²⁶ Marianna Parraga, "U.S. Oil Sale Ban to Venezuela's PDVSA would Hit Refining, Blending," *Reuters*, July 30, 2017, <https://www.reuters.com/article/us-venezuela-politics-exports/u-s-oil-sale-ban-to-venezuelas-pdvsa-would-hit-refining-blending-idUSKBN1AG07G>.

¹²⁷ Parraga, "U.S. Oil Sale Ban to Venezuela's PDVSA would Hit Refining, Blending."

infrastructure. In April of 2016, Venezuela's Paraguana refining complex operated at half capacity for a week, and eventually at 25 percent over a weekend, due to power outages and equipment failures.¹²⁸ According to Reuters, "output has dropped at the crisis-hit [Organization of the Petroleum Exporting Countries] OPEC country's refineries in recent months, with critics blaming shortages of spare parts, lack of maintenance, and a shaky electrical grid."¹²⁹ Unfortunately, maintenance issues will continue to hinder electricity production in Venezuela unless equipment is properly maintained. The lack of properly maintaining Venezuela's energy infrastructure decreases the nation's refining capacity, exacerbates the energy crisis, and creates a dependency on refineries within other countries.

Venezuela's inefficient refineries force the nation to seek alternative means, including international options, to process its heavy crude oil. Though Venezuela's largest domestic refining center, Paraguana, has two refineries capable of producing nearly 1 million b/d of oil, in June of 2016, its production and utilization rate was a mere 42.9 percent, attributed to "multiple unit shutdowns, equipment failures, and a lack of" raw materials required to operate and run the equipment.¹³⁰ As a result, Venezuela sought to use the refineries of neighboring nations. In 2016, Venezuela announced that it planned to invest between \$400 to \$600 million dollars in a 25-year lease through the overhaul and use of a refinery located in Aruba.¹³¹ The reactivation of Aruba's refinery would allow Venezuela to refine an extra 235,000 b/d of crude oil.¹³² Although the use of refineries within Aruba is beneficial to Venezuela, it potentially poses a threat to Aruba's facilities if Venezuela neglects to maintain those as well.

¹²⁸ Mircely Guanipa and Marianna Parraga, "Venezuela Oil Refineries Face Operating Woes, PDVSA Launches Tenders," *Reuters*, April 26, 2016, <http://www.reuters.com/article/us-refinery-operations-pdvsa-idUSKCN0XN2RS>.

¹²⁹ Guanipa and Parraga, "Venezuela Oil Refineries Face Operating Woes, PDVSA Launches Tenders."

¹³⁰ Ryan Stevenson, "PDVSA's Biggest Refinery is Running at Less than Half Capacity," *Newsbase*, June 14, 2016, <http://newsbase.com/topstories/pdvsa%E2%80%99s-biggest-refinery-running-less-half-capacity>.

¹³¹ Alexandra Ulmer, "Venezuela PDVSA Unit Eyes Up to \$600 mln to Overhaul Aruba Refinery," *Reuters*, June 22, 2016, <http://www.reuters.com/article/venezuela-aruba-refinery-idUSL1N19E18K>.

¹³² Ulmer, "Venezuela PDVSA Unit Eyes Up to \$600 mln to Overhaul Aruba Refinery."

The deterioration of Venezuela's energy infrastructure hinders the nation's ability to increase the refinement and processing of its oil and threatens workers within the petroleum industry. In 2014, Venezuela maintained 2.6 million b/d (barrels per day) of "global refining capacity assets" with 1.3 million b/d of domestic crude oil refining capacity at four domestic facilities operated by the state owned oil and natural-gas company *Petróleos de Venezuela S.A. (PDVSA)*.¹³³ The four facilities and their barrel production capacity per day are the Paraguana Refining Center (955,000 b/d), Puerto de la Cruz (195,000), El Palito (126,900 b/d), and San Roque (5,200 b/d).¹³⁴ The production values of these refineries were significantly reduced due to damage from fires and failures to invest in the maintenance of these facilities.¹³⁵ In addition to reducing the refinement capability of these facilities the deteriorated infrastructure also resulted in numerous employees losing their lives. In 2012, an explosion at Venezuela's largest refinery, the Amuay refinery, part of the Paraguana Refining Center, crippled part of Venezuela's refining throughput and killed 40 people.¹³⁶ Paraguana's explosion was attributed to poor maintenance at the facility.

Aside from contributing to the nation's energy crisis and threatening workers within the petroleum industry, the deterioration of Venezuela's energy infrastructure also threatens society. On February 4, 2012, six months prior to the explosion at the Amuay refinery, and on the same day President Chávez "held festivities to celebrate the anniversary of a failed coup attempt he led in 1992....,an oil pipeline fractured in the state of Monagas" and "40,000 to 120,000 barrels [of oil] poured into a river that supplies drinking and irrigation water" to nearly "550,000 people."¹³⁷ The pipeline explosion highlights the deteriorating state of Venezuela's oil infrastructure and also demonstrates how it poses a serious threat to society. Furthermore, the Monagas pipeline explosion

¹³³ U.S. Energy Information Administration, "Country Analysis Brief: Venezuela," November 25, 2015, https://www.eia.gov/beta/international/analysis_includes/countries_long/Venezuela/venezuela.pdf.

¹³⁴ U.S. Energy Information Administration, "Country Analysis Brief: Venezuela."

¹³⁵ U.S. Energy Information Administration, "Country Analysis Brief: Venezuela."

¹³⁶ U.S. Energy Information Administration, "Country Analysis Brief: Venezuela."

¹³⁷ *The Economist*, "An oil spill bodes ill for the president's re-election campaign," February 18, 2012, <http://www.economist.com/node/21547829>.

highlights Venezuela’s inability to effectively transport petroleum to facilities that can utilize it for energy production and emphasizes their increased dependence on hydropower. That said, Venezuela’s deteriorating oil infrastructure could be considered a causal factor contributing to the nation’s energy crisis.

Similar to the government’s control of the oil industry, Venezuela controls “the electric sector through the National Electric Corporation (CORPOELEC), a state-owned holding company created in 2007 to consolidate the power sector.”¹³⁸ “CORPOELEC is responsible for the entire electricity supply chain, controlling all major electricity companies in Venezuela including Electrificación del Caroni (EDELCA), which supplies more than 70% of the country’s electricity.”¹³⁹ Figure 4 shows Venezuela’s energy production by source between 2004 and 2013.

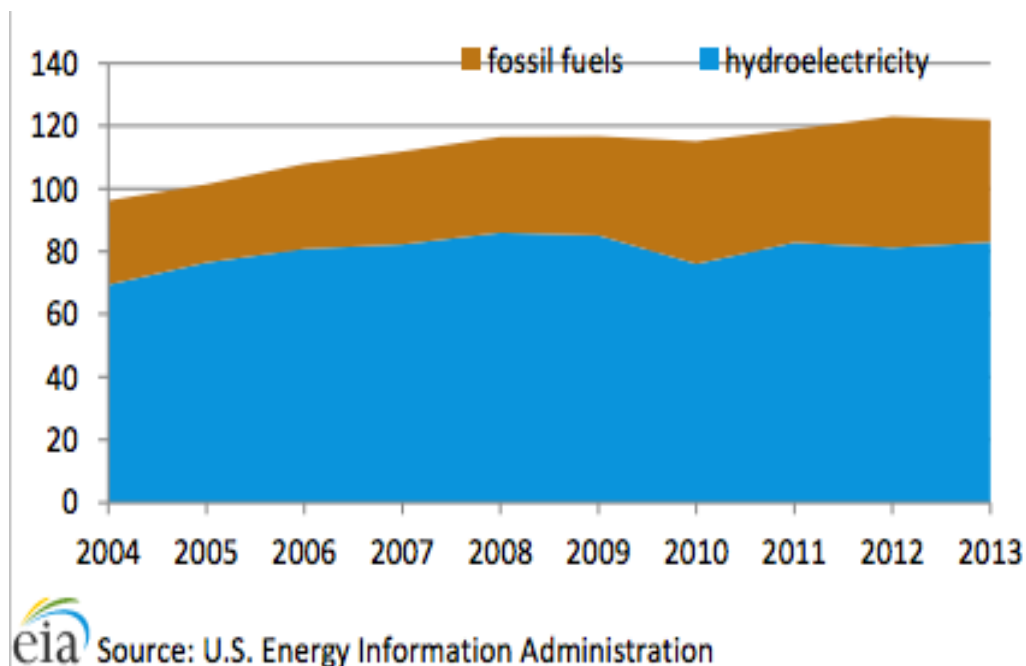


Figure 4. Electricity generation by source; in billion kilowatt-hours.¹⁴⁰

¹³⁸ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

¹³⁹ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

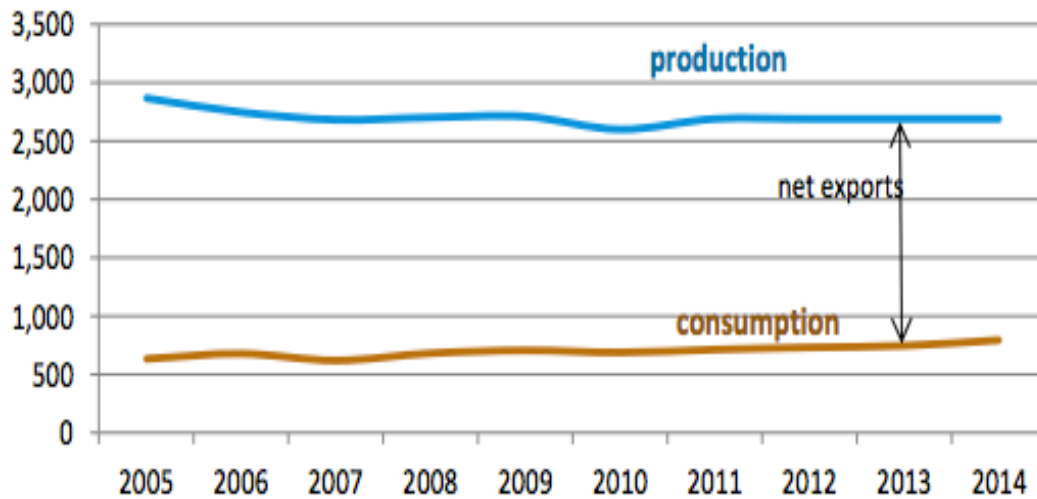
¹⁴⁰ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

Though Venezuela also uses fossil fuels to produce energy, as Figure 4 illustrates, the nation largely depends on hydroelectric power, and its dependence is proportionately greater than that of fossil fuels. Unfortunately, the reluctance of Venezuela's government to release statistical data hinders the ability to confirm if this information is still current; however, Figure 4 shows a continual trend of hydropower being the primary source of energy production, and makes it more likely that this is still the case.

Despite having the largest reserve of oil, Venezuela opted not to consume petroleum as the primary means of producing electricity and, instead, invested in hydropower to preserve as much oil as possible for export, thereby increasing revenue and profit.¹⁴¹ Venezuela saves approximately 300,000 b/d by using hydropower to produce electricity in lieu of petroleum, which results in increased revenue if it is exported at higher prices.¹⁴² Figure 5 represents the difference between Venezuela's production and consumption of oil.

¹⁴¹ Bakke, "The Electricity Crisis in Venezuela: A Cautionary Tale."

¹⁴² "Project Management Brings Reliable Power and Growth to remote Venezuelan region," Project Management Institute, 2012, <http://www.pmi.org/-/media/pmi/documents/public/pdf/case-study/guridam.pdf>.




 Source: U.S. Energy Information Administration

Figure 5. Oil production and consumption.¹⁴³

As Figure 5 illustrates, Venezuela produces a substantial amount of oil that can be used for energy production, yet it only consumes a fraction of it. The production of oil has gradually declined since 2005 while the consumption of it gradually increased at almost the same rate. Though Figure 5 depicts a production level of 2.7 million b/d in 2014, the amount of oil produced has remained on a downward trend. In fact, the Organization of the Petroleum Exporting Countries (OPEC) estimated that 2016 ended with the average amount of oil produced by Venezuela reduced to 2.1 million b/d.¹⁴⁴ Based on OPEC’s estimates, consumption rates apparently increased proportionately to the decline in production. Venezuela’s government could have increased the consumption of fossil fuels to compensate for the shortages in energy and lessened the severity of the energy crisis.

¹⁴³ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

¹⁴⁴ “Monthly Oil Market Report,” Organization of the Petroleum Exporting Countries, March 14, 2017, http://www.opec.org/opec_web/static_files_project/media/downloads/publications/MOMR%20March%202017.pdf.

B. GURI DAM AND HYDROPOWER

Instead, in order to export more oil, Venezuela's government recognized the possibility of producing large amounts of hydroelectric energy via the Caroní River and began constructing the Guri dam in 1963.¹⁴⁵ Also known as the Simon Bolivar Hydroelectric Power plant, the Guri dam is the largest and most successful modification to Venezuela's energy infrastructure. "With a generating capacity of more than 10 gigawatts, the Guri has five times the output of the Hoover Dam, and it still ranks fourth in the world."¹⁴⁶ The dam was constructed using domestic funds and assistance from international agencies like the World Bank, and the company Electrificación del Caroní C.A. (EDELCA) was created to oversee and lead the project.¹⁴⁷ The estimated cost was equivalent to \$137 million dollars, with 62 percent financed by a World Bank loan and "38 percent by planned national budget appropriations."¹⁴⁸ Prior to breaking ground, Venezuela's government created the Corporacion Venezolana de Guyana (CVG) in 1960 to "study, develop, and organize" the feasibility of using the Caroní River for hydroelectric power and to promote the private and public industrial development of the region.¹⁴⁹ An American company conducted and completed "preliminary economic and technical studies" in 1962.¹⁵⁰ Venezuela's government planned the Guri dam not only to preserve oil for export but also to serve as the nexus for the country's power infrastructure.

Venezuela attempted to address the lack of cohesion between different energy sources by routing all sources through the Guri dam. In other words, the lack of cohesion

¹⁴⁵ "Guri Hydroelectric Project," International Bank for Reconstruction and Development, September 4, 1963, <http://documents.worldbank.org/curated/en/267981468339122023/pdf/multi0page.pdf>.

¹⁴⁶ Nick Miroff, "Venezuela Declares a 2-Day Workweek because of Dire Energy Shortages," *Washington Post*, April 27, 2016, https://www.washingtonpost.com/news/worldviews/wp/2016/04/27/venezuela-declares-a-2-day-workweek-because-of-dire-energy-shortages/?utm_term=.f87e8bdef5b.

¹⁴⁷ Project Management Institute, "Project Management Brings Reliable Power and Growth to remote Venezuelan region."

¹⁴⁸ International Bank for Reconstruction and Development, "Guri Hydroelectric Project."

¹⁴⁹ Project Management Institute, "Project Management Brings Reliable Power and Growth to remote Venezuelan region."

¹⁵⁰ Project Management Institute, "Project Management Brings Reliable Power and Growth to remote Venezuelan region."

between “government-owned systems, privately owned systems, and various captive plants owned by industry” is another reason Venezuela constructed the Guri dam.¹⁵¹ The lack of interconnection between the different systems resulted in those units only supplying power to locations they were in and also meant that cities would not be connected to a central power grid, and power outages in one area would not affect other areas. Though this seems beneficial, the lack of a centralized power system proved ineffective. Eventually, the issue would be resolved through the creation of a 230-kv (overhead power-line) transmission line making all systems able to access bulk supplies of power.¹⁵² The difference in operating frequencies also created an issue since some systems operated at a frequency of 50 cycles while others operated at 60 cycles; however, this would also be mitigated through the conversion of all systems to 60 cycles.¹⁵³ Despite the seeming benefits of hydropower, and Venezuela’s attempts at integrating the different systems, the nation’s dependence on hydropower created issues, especially if those systems were inadequately maintained. Although the lack of cohesion issue was resolved through the creation of an overhead power-line, the failure to maintain those lines contributes to Venezuela’s current blackouts and energy crisis.

Although the Guri dam does successfully produce hydropower for much of Venezuela, it cannot power the entire nation, let alone if it is inadequately maintained, despite warnings. Water shortages, combined with a poorly maintained and neglected infrastructure have further hampered the dam’s ability to keep up with demand. According to Matt Egan, analysts continuously warned Venezuela that their oil fields, and the facilities that service them, were deteriorating and required investments to maintain; unfortunately, Venezuela likely neglected their recommendations because the “issues were masked by high [oil] prices.”¹⁵⁴ Like high revenues masked the seriousness of Venezuela’s deteriorating oil infrastructure, the fact that the nation still produces electricity, even if minimal at best, has also masked the deteriorating electrical grid.

¹⁵¹ International Bank for Reconstruction and Development, “Guri Hydroelectric Project.”

¹⁵² International Bank for Reconstruction and Development, “Guri Hydroelectric Project.”

¹⁵³ International Bank for Reconstruction and Development, “Guri Hydroelectric Project.”

¹⁵⁴ Matt Egan, “Why Venezuela’s Oil Production Plunged to a 13-Year Low,” *CNN*, July 12, 2016, <http://money.cnn.com/2016/07/12/investing/venezuela-crisis-oil-production-plunges/>.

Unfortunately, the problems are soon to reach a point where no masking will cover them. Should the country go permanently dark, neither oil revenues nor trickles of power will cover the issue's seriousness or the government's failure to address it. Additionally, if the dam ceases to produce electricity, Venezuela will likely increase their consumption of fossil fuels to produce energy.

In order to compensate for energy production shortages of the Guri dam, Venezuela uses fossil fuels (as Figure 4 illustrates) like natural gas, fuel oil, and diesel, for energy, but those systems suffer from inadequate maintenance, too. Though they have been useful in producing energy, these methods do not create sufficient power to compensate for the dam's shortfalls or meet even a fraction of the nation's energy demand. The government has invested in networks of smaller, less centralized turbines, able to burn Venezuela's unique oil, to address the shortage of energy; however, they have produced menial results as "60 percent of those stations are offline, broken or operating below capacity because of lack of maintenance."¹⁵⁵ Furthermore, the commissioning of smaller, diesel-fueled power plants, though helpful in theory, proved ineffective as their completion was typically delayed, and one natural-gas plant, capable of producing four percent of the country's electricity demand, does not come close to meeting its output capacity.¹⁵⁶ Additionally, Venezuela has developed their infrastructure to where "the refinery that helps supply Venezuela's gas plants with fuel is also powered by the Guri Dam."¹⁵⁷ The failure to make appropriate investments and to maintain these alternative measures, combined with steadily increasing energy demands, overwork the Guri dam and increase the frequency of blackouts.

Venezuela's neglect to maintain the Guri dam and the electrical infrastructure associated with it undoubtedly contributes to the energy crisis like negligence of oil infrastructure. Similar to the poor maintenance of refineries and pipelines in the nation's oil industry, the Guri Dam, a critical component of Venezuela's electrical grid, has been plagued by maintenance issues, poor management, and a deteriorated infrastructure. The

¹⁵⁵ Miroff, "Venezuela Declares a 2-day Workweek because of Dire Energy Shortages."

¹⁵⁶ Bakke, "The Electricity Crisis in Venezuela: A Cautionary Tale."

¹⁵⁷ Bakke, "The Electricity Crisis in Venezuela: A Cautionary Tale."

failure to upgrade transmission and distribution networks has resulted in increased electricity shortages.¹⁵⁸ Instead of properly investing in measures to correct the issues at the Guri, or repair and maintain the alternative systems they built, Venezuela continues creating alternative measures to produce electricity. In other words, Venezuela addresses its electricity shortages by constructing new facilities that produce electricity while disregarding the deteriorated and non-functioning facilities, despite the dependency of some of the new facilities on the original ones, like the Guri dam. Venezuela's peculiar response to their energy situation could be compared to an individual who purchases a vehicle, punctures a tire, and elects to buy a new vehicle and put the punctured tire on the new vehicle. Not only could they have simply fixed the tire, rather than incur the cost of a new vehicle, the new vehicle also depends on the original faulty tire.

Aside from maintenance issues and Venezuela's neglect to properly address their deteriorated infrastructure, the decline in water levels at the Guri reservoir, attributed to severe droughts, have reduced the Guri dam's capacity. In April of 2010, water levels at the dam were "30 feet (9.4 meters) above one of the dam's main turbines" seriously putting at risk the dam's energy production.¹⁵⁹ In April of 2016, a reduction in seasonal rains diminished water levels at the reservoir and left it "less than 10 feet away from dipping to a critically low water level."¹⁶⁰ Water levels hit a record low of 243 meters (797 feet), leaving areas of the reservoir resembling the "Sahara Desert" and requiring the dredging of canals for the purpose of joining sectors of water separated by the surfacing of landmasses.¹⁶¹ By September of 2016, water levels at the dam measured 262.89

¹⁵⁸ Palash Ghosh, "Venezuela: Awash in Oil, But Riddled with Corruption, Inefficiency," *International Business Times*, February 23, 2012, <http://www.ibtimes.com/venezuela-awash-oil-riddled-corruption-inefficiency-214126>.

¹⁵⁹ Anthony Boadle, "Chávez Hails Rain during Venezuela Power Crisis," *Reuters*, April 8, 2010, <http://uk.reuters.com/article/idINIndia-47525020100408>.

¹⁶⁰ Andrew Pestano, "Venezuela's Guri Dam hasn't Recovered from Drought; Electricity Rationing May Return," *United Press International*, October 4, 2016, http://www.upi.com/Top_News/World-News/2016/10/04/Venezuelas-Guri-dam-hasnt-recovered-from-drought-electricity-rationing-may-return/4091475592435/.

¹⁶¹ Andrew Cawthorne, "Drought-Hit Venezuela Waits for Rain," *Reuters*, April 13, 2016, <https://widerimage.reuters.com/story/drought-hit-venezuela-waits-for-rain>.

meters, roughly ten meters below optimum water performance levels.¹⁶² The decline in water levels at the Guri reservoir leaves Venezuela's ability to produce energy vulnerable to uncontrollable factors; however, a decline in water levels is not the sole reason for the nation's energy crisis.

While hydropower is cleaner, it is also susceptible to climatic changes that affect water levels, a fact that the Venezuelan government should have taken into account before building the country's entire energy infrastructure around it. Though the use of dams, solar power, and wind are effective and clean sources of producing energy, changes in rain patterns have the potential to impact the production of energy to nations dependent on hydropower. In addition, changes in rain patterns can result in the emergence of an energy crisis if a nation is highly dependent on hydropower from water retained within a reservoir. For example, in 2010, severe droughts caused by El Niño, affected the production of electricity in Brazil, Chile, Colombia, and Venezuela, all nations dependent in some capacity on hydropower.¹⁶³ Although President Maduro "blames the crisis on a drought caused by the El Niño weather phenomenon" the reality is, El Niño is only one of the causal factors and the nation's energy crisis "could have been prevented by [investing] in maintenance and in the construction of thermoelectric plants."¹⁶⁴

Despite the fact that Venezuela's poor electrical infrastructure clearly affects the nation's oil refining capability, "PDVSA often blames problems on saboteurs seeking to subvert the socialist government."¹⁶⁵ PDVSA's baseless accusations are similar to President Maduro blaming outside forces: "U.S.-backed business elite is responsible for Venezuela's economic downturn and that it is trying to foment a coup to impose right-

¹⁶² Pestano, "Venezuela's Guri Dam hasn't Recovered from Drought; Electricity Rationing May Return."

¹⁶³ David Hambling, "Hydropower Falters in Persistent Drought," *Guardian*, March 30, 2016, <https://www.theguardian.com/news/2016/mar/30/weatherwatch-hambling-venezuela-hydroelectric-dam-guri-dry-reservoirs-colombia>.

¹⁶⁴ Lizzie Dearden, "Venezuela Energy Crisis: President Tells Women to Stop Using Hairdryers and Go with 'Natural' Style to Save Electricity," *Independent*, April 9, 2016, <http://www.independent.co.uk/news/world/americas/venezuela-energy-crisis-president-tells-women-to-stop-using-hairdryers-and-go-with-natural-style-to-a6976246.html>.

¹⁶⁵ Guanipa and Parraga, "Venezuela Oil Refineries Face Operating Woes, PDVSA launches tenders,"

wing rule.”¹⁶⁶ Similar to Presidents Chávez and Maduro, the PDVSA blames external causes instead of acknowledging Venezuela’s deteriorating infrastructure and the government’s inadequate planning. If PDVSA continues failing to acknowledge their responsibility, rather than adequately maintaining the energy infrastructure, Venezuelans will likely continue to suffer from blackouts.

C. ENERGY CAPACITY VERSUS CONSUMPTION

Venezuela’s consumption of electricity is continuously increasing, yet the production of energy is not keeping up with demand, and worsens the nation’s energy crisis. In 2010, Venezuela had the highest per capita usage of electricity within Latin America, reaching a peak of roughly “17 gigawatts [in 2009], a 25 percent increase from five years earlier.”¹⁶⁷ This increase in demand, combined with “a pervasive lack of maintenance and investment in infrastructure, has placed Venezuela’s aging and increasingly inefficient electric grid under considerable stress.”¹⁶⁸ According to the U.S. Energy Information Administration, “between 2003 and 2012...Venezuela’s electricity consumption increased by 49%, while installed capacity expanded by only 28%, leaving the Venezuelan power grid stretched by the end of that period.”¹⁶⁹ Additionally, increased stress in the grid requires a greater amount of preventative maintenance and diversification of energy sources to ensure the dam continues to function properly. Out of the over 70 percent of energy created via hydroelectricity that Figure 6 depicts, the Guri dam produces the majority of it.

¹⁶⁶ Alexandra Ulmer and Girish Gupta, “Venezuelan Opposition, Security Forces Clash in Anti-Maduro Protests,” *Reuters*, April 06, 2017, <http://a/www.reuters.com/article/us-venezuela-politics-idUSKBN17822O>.

¹⁶⁷ “Venezuela: The Electricity Crisis,” *STRATFOR Enterprises*, January 5, 2010, <https://www.stratfor.com/analysis/venezuela-electricity-crisis>.

¹⁶⁸ STRATFOR, “Venezuela: The Electricity Crisis.”

¹⁶⁹ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

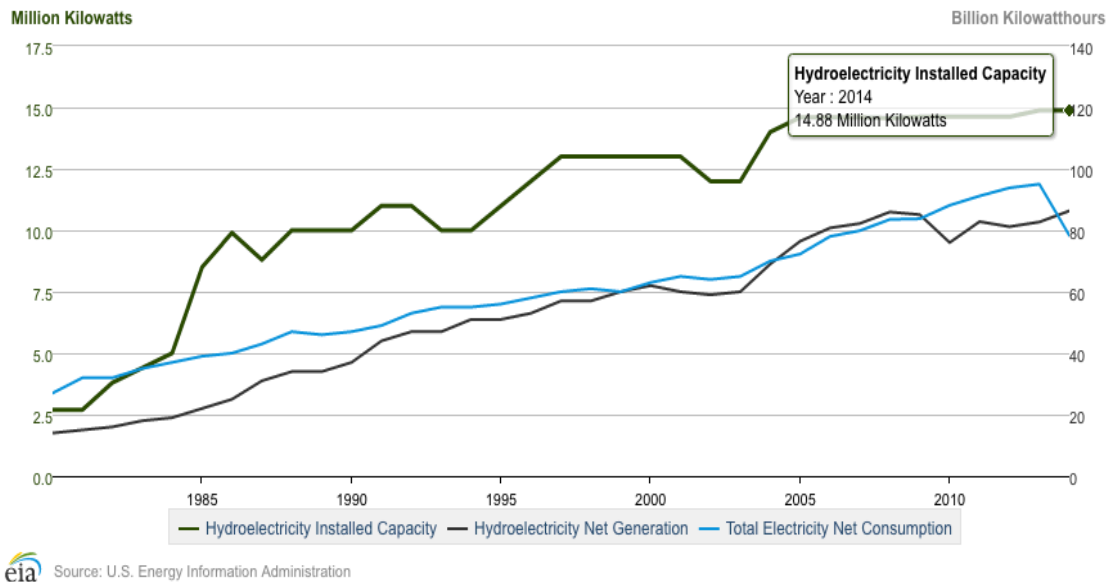


Figure 6. Hydroelectric capacity, generation, and consumption.¹⁷⁰

Since 2014, the Guri dam has provided over half of Venezuela’s total generated hydroelectric power depicted by Figure 6. As of April 2016, the Guri dam accounts for 75 percent of the nation’s electricity generation and has been the leading producer for several years, despite the gradual increase of oil consumption Figure 2 depicts.¹⁷¹ Additionally, as Figure 6 illustrates, the nation’s total hydroelectric generation is significantly lower than its installed capacity and consumption. Despite the minimal gains achieved through expanding Venezuela’s hydroelectric installed capacity, reduced water levels and poor maintenance of the Guri will result in less energy produced and negate any progress made. As the energy demands of the nation increase, so should the attention and care of the Guri dam and the infrastructure that relies on it.

Venezuela considered diversifying its energy production methods by constructing a nuclear power plant as it would not be impacted by climate changes. In 2010, President Chávez stated that nuclear energy would allow the diversification of Venezuela’s energy

¹⁷⁰ U.S. Energy Information Administration, “Country Analysis Brief: Venezuela.”

¹⁷¹ Rafael Romo and Patrick Gillespie, “40 Days of Blackouts Hit Venezuela Amid Economic Crisis,” *CNN Money*, April 22, 2016, <http://money.cnn.com/2016/04/22/news/economy/venezuela-blackouts-40-days/?iid=EL>.

supply.¹⁷² President Chávez formally reached an agreement with Russia for the construction of a nuclear power station as well as a research reactor capable of producing isotopes for industrial and medicinal purposes.¹⁷³ The completion of a nuclear power station in Venezuela would have resulted in several significant advantages. First, it would have developed a reliable method of energy production not affected by climate changes. Weather events like El Niño would no longer diminish energy production as nuclear power stations do not depend on reservoirs or water levels. Second, a nuclear power station would allow Venezuela to retain as much petroleum as possible for export. Although there are numerous advantages, deteriorated power lines and transmitters would still be a factor in distributing that power across the nation and should be maintained appropriately.

A nuclear power plant would also have decreased Venezuela's need for constructing supplemental power stations lessening the severity of the energy crisis. Venezuela attempted to diversify its energy production methods by creating supplemental power stations that were dependent on power produced by the Guri dam. If the Guri dam were unable to produce power, due to decreased water levels, or inadequate maintenance, those new methods would also be affected. Conversely, a nuclear power station would have produced sufficient electricity and neglecting the need for diesel and natural gas field plants, and would also have saved petroleum for export as the supplemental systems would not be needed. Furthermore, by using nuclear power, alternative methods of energy production that are dependent on power from a nuclear station would not be affected should water levels be reduced. In simpler terms, droughts will not affect a nuclear power station and therefore will not affect secondary power generating sources dependent nuclear power, unlike those tied to the Guri.

Venezuela elected not to construct a nuclear power plant, despite its advantages. In March of 2011, a massive earthquake off the east coast of Japan created a large

¹⁷² Luke Harding, "Russia Agrees to Help Venezuela Build First Nuclear Power Station," *Guardian*, October 15, 2010, <https://www.theguardian.com/world/2010/oct/15/russia-venezuela-build-nuclear-power-station>.

¹⁷³ Maxim Tkachenko, "Russia to Help Venezuela Build Nuclear Power Station," *CNN*, October 15, 2010, <http://www.cnn.com/2010/WORLD/americas/10/15/russia.venezuela/>.

tsunami devastating the nation and their nuclear power plant, Fukushima Daiichi. A major consequence of this tsunami, aside from the death toll and property damage, was the destruction of the nuclear complex and the spillage of copious amounts of radioactive material. The destruction of the Fukushima nuclear complex and the hazards posed by radioactive material resulted in various nations “reconsidering their nuclear policies” and in Venezuela foregoing their ambitions to produce energy via nuclear means.¹⁷⁴ In fact, President Chávez opted not to construct a nuclear power station and stated, “it is something extremely risky and dangerous for the whole world.”¹⁷⁵ It can be argued that Venezuela’s decision to forgo creating a power plant was also beneficial because it prevented a state barely capable of maintaining their existing infrastructure from attaining nuclear facilities.

D. CORRUPTION IN THE ENERGY SECTOR

Venezuela consistently ranks as one of the most corrupt countries in the world; that said, corruption hinders any legitimate investment within the nation’s energy sector. According to Transparency International’s Corruption Percentage Index, in 2016, Venezuela ranked the tenth worst of 176 countries analyzed surpassed only by nine countries including North Korea, Afghanistan, Syria, and Somalia in severity of corruption.¹⁷⁶ Additionally, the report highlighted Venezuela as the most corrupt and lowest performing nation in the Americas at least two years in a row.¹⁷⁷ Though severe corruption plagues Venezuela’s history, there was a minor period of “high transparency in the management of public wealth” in the 1960s under the Betancourt, Leoni, and Caldera administrations.¹⁷⁸ During that Punto Fijo period that started in 1958, Venezuela seemed to be one of the most stable and transparent democratic nations within the

¹⁷⁴ “Hugo Chávez Calls Off Venezuela’s Nuclear Energy Plans,” *BBC News*, March 17, 2011, <http://www.bbc.com/news/world-latin-america-12768148>.

¹⁷⁵ “Hugo Chávez Calls Off Venezuela’s Nuclear Energy Plans,” *BBC News*.

¹⁷⁶ “Corruption Percentage Index 2016,” Transparency International, January 25, 2016, https://www.transparency.org/news/feature/corruption_perceptions_index_2016#table.

¹⁷⁷ Transparency International, “Corruption Percentage Index 2016.”

¹⁷⁸ Gustavo Coronel, “The Corruption of Democracy in Venezuela,” *CATO Institute*, March 2008, <https://www.cato.org/publications/commentary/corruption-democracy-venezuela>.

Western Hemisphere; however, some elements of corruption remained, and the nation now ranks as one of the most corrupt countries in the world.

In the 1970s, Venezuela received large amounts of revenue from petroleum exports, some of which went to government-funded projects, but the government pilfered much of it.¹⁷⁹ According to the CATO Institute, the administration of Carlos Perez spent roughly \$2 billion dollars on industrial projects but failed to adequately enforce regulations to prevent corruption.¹⁸⁰ As a result, “the country was home to over 300 state-owned” companies that made no money, and many “Venezuelans started to participate in the abuse and misuse of public funds.”¹⁸¹ Between 1984 and 1989, under President Jaime Lusinchi’s administration, Venezuela lost over \$36 billion dollars through corrupt exchange programs attributed to “weak political institutions, lack of administrative controls, too much money circulating in the financial system of the government, and, above all, populist leaders promoting a welfare state in which hard work and social discipline were not encouraged.”¹⁸² In 1997, “the Caracas based nongovernment organization [*Pro Calidad de Vida*] estimated that” roughly \$100 billion dollars in oil revenue “had been wasted or stolen” within the 25 years prior.¹⁸³ More recently, a “report [conducted] by Venezuela’s opposition-led Congress, [stated] \$11 billion was looted from PDVSA from 2004 to 2014.”¹⁸⁴

The effects of corruption have negatively impacted Venezuela’s energy sector and hindered electricity production. According to José Aguilar, a Venezuelan engineer and electricity-sector expert, “although it is true that \$38.5 billion [has] been invested [by Venezuela’s government] on over 40 projects and that 5,105 [megawatts] have been brought online between 2008 and 2012, only 3,343 of the new [megawatts] are available

¹⁷⁹ Coronel, “The Corruption of Democracy in Venezuela.”

¹⁸⁰ Coronel, “The Corruption of Democracy in Venezuela.”

¹⁸¹ Coronel, “The Corruption of Democracy in Venezuela.”

¹⁸² Coronel, “The Corruption of Democracy in Venezuela.”

¹⁸³ Coronel, “The Corruption of Democracy in Venezuela.”

¹⁸⁴ Ethan Bronner and Michael Smith, “Why Witnesses to Venezuela’s Catastrophic Corruption Keep Turning Up in the U.S.,” *Bloomberg Business Week*, December 8, 2016, <https://www.bloomberg.com/news/features/2016-12-08/why-witnesses-to-venezuela-s-catastrophic-corruption-keep-turning-up-in-the-u-s>.

for consumption, due to mismanagement and likely corruption.”¹⁸⁵ To conceptualize this, consider that, in 2013, Venezuela generated “about 18.3 thousand megawatts (MW) daily, but need[ed] about 19.3 thousand MW—a gap that has required urgent measures to stabilize the electricity system.”¹⁸⁶ So, in 2013, they were short by a thousand megawatts, and, even though energy needs grow as the population does, the more than 1700 missing megawatts would certainly have helped. Venezuela attempted to further increase the production of energy by hiring various companies to construct power plants, but those companies pilfered the money and did not construct them.

Venezuela’s energy crisis is exacerbated by the awarding of business contracts to corrupt officials that overbill the state for little or no work performed. In 2011, \$403 million dollars was overpaid by Bariven, a subsidiary of the state owned PDVSA, “to acquire 17 electric power plants from three...companies: KCT Cumaná, Ovarb and Derwick.”¹⁸⁷ Within the two years prior, Derwick, despite not having “previous experience in the electricity sector, was awarded 12 state contracts to participate in electricity projects.”¹⁸⁸ According to Thor Halvorssen, “in 14 months, [Derwick] obtained 12 contracts to build electric power plants for the government. They hired an American company to build nonfunctioning plants and then overbilled Venezuela’s government by more than \$1 billion.”¹⁸⁹ Recently, U.S. Federal and New York City prosecutors “opened criminal investigations into Derwick principals Alejandro Betancourt and Pedro Trebbau” for using U.S. banks to launder and conceal the cash associated with these transactions.¹⁹⁰ In obvious fashion, Alejandro Betancourt, a director for Derwick denies the allegations; however, his linkage “to the disappearance of \$500 million later found in bank accounts of the *Corporación Venezolana de Guayana* (CVG) in Lebanon” do not

¹⁸⁵ César Batiz, “Venezuela’s Electricity Deficit,” *Americas Quarterly*, 2013, <http://www.americasquarterly.org/content/venezuelas-electricity-deficit>.

¹⁸⁶ Batiz, “Venezuela’s Electricity Deficit.”

¹⁸⁷ Batiz, “Venezuela’s Electricity Deficit.”

¹⁸⁸ Batiz, “Venezuela’s Electricity Deficit.”

¹⁸⁹ Thor Halvorssen, “How Venezuela’s Corrupt Socialists Are Looting the Country to Death,” *New York Post*, January 10, 2017, <http://nypost.com/2017/01/10/how-venezuelas-corrupt-socialists-are-looting-the-country-to-death/>.

¹⁹⁰ Halvorssen, “How Venezuela’s Corrupt Socialists Are Looting the Country to Death.”

support his proclaimed innocence.¹⁹¹ Unfortunately, if these allegations are correct, corrupt actions by individuals awarded state contracts by Venezuela's government hinder any possibility of resolving the nation's energy crisis and will likely further complicate the matter.

E. GOVERNMENT'S ENERGY-SAVING MEASURES

Government attempts to combat electricity shortages included implementing temporary measures that do not resolve the problem. Severe droughts during Chávez's administration resulted in less electricity produced by the Guri and led to the implementation of electricity rationing through informal and unannounced rolling blackouts, limiting the import of air-conditioning systems (due to their high electrical usage), and the setting of clocks 30 minutes earlier.¹⁹² Similarly, in 2016, severe droughts under President Maduro's administration resulted in the implementation of a formal rolling blackout program mandating government employees to take Fridays off and readjusting clocks 30 minutes forward to "give more people daylight during work hours."¹⁹³ Additionally, President Maduro imposed electricity rationing on more than 15 shopping malls and urged women to reduce or cease using hair dryers.¹⁹⁴ Overall, these measures are merely temporary solutions and do not address Venezuela's energy crisis. As Venezuela's population increases so will its electrical demand, and the likelihood of this crisis worsening seems more of a fact rather than an assumption.

F. CONCLUSION

This chapter shows that, fundamentally, Venezuela's energy crisis derives from and is further compounded by the nation's failure to adequately maintain, to appropriately invest, and to effectively diversify its sources of energy; additionally, the

¹⁹¹ Batiz, "Venezuela's Electricity Deficit."

¹⁹² Simon Romero, "Blackouts Plague Energy-Rich Venezuela," *New York Times*, November 10, 2009, <http://www.nytimes.com/2009/11/11/world/americas/11venez.html>.

¹⁹³ Osmary Hernandez and Rafael Romo, "Venezuela Blackouts: 'We Can't Go On Living Like This,'" *CNN*, April 27, 2016, <http://www.cnn.com/2016/04/26/americas/venezuela-blackouts/index.html>.

¹⁹⁴ Andrew Cawthorne, "Venezuela to Ration Malls, Change Clocks, to Save Power," *Reuters*, April 14, 2016, <http://www.reuters.com/article/us-venezuela-energy-idUSKCN0XB2VB>.

nation's sole dependence on hydroelectric power, and the conferment of contracts to corrupt officials within the energy sector also exacerbate the issue. The chapter describes Venezuela's primary source of energy production and the impact droughts have on the Guri dam's ability to produce electricity for the nation. Furthermore, the chapter also described how Venezuela attempted to address the energy shortages by constructing various natural-gas and diesel powered facilities, however, those facilities are also dependent on the electricity produced by the Guri dam. This chapter also described the deterioration of Venezuela's oil and electrical infrastructure and its effect on the nation's ability to produce electricity. Though it is possible that the Guri dam may increase the production of electricity if the reservoir returns to optimal water levels, the nation's degraded infrastructure, corruption, and adequate investments will still degrade the nation's ability to produce energy.

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IV. HOW MADURO REMAINS IN POWER DESPITE CRISES

In the history of Venezuela and South American countries, it is often times that the military is the agent of change when things are so bad and the leadership can no longer serve the people.

—U.S. Secretary of State Rex Tillerson, February 2, 2018¹⁹⁵

The previous chapters described the current conditions in Venezuela and explored various reasons the nation suffers from food and energy crises. Based on the nation's current situation and increased protests attributed to these crises, a revolt and overthrow of its president would seemingly be imminent, yet President Nicolás Maduro remains in control of the nation. Chapter IV, therefore, examines how President Maduro retains power. His ability to remain in control, in the midst of these crises, can be partially attributed to the fact that Venezuela's elites,¹⁹⁶ also referred to as his "guarantors," enable his continued rule over the nation.¹⁹⁷ If this is true, then, how is President Maduro able to retain the loyalty of these individuals while Venezuela collapses? Would these elites not be subjected to the same circumstances affecting the rest of Venezuela? Furthermore, would people subjected to these conditions not be more inclined to remove President Maduro, as many believe he has done little to prevent or solve these circumstances? This chapter shows that the politicization and indoctrination of elites keep them loyal to President Maduro despite horrific circumstances. John Polga-Hecimovich argues that Venezuelan military leaders remain loyal to President Maduro through the four P's concept, "purges, promotions, politics and profit," essentially that President Maduro

¹⁹⁵ BBC News, "Tillerson Says Venezuelan Military May Turn on Maduro," 2 February, 2018, <http://www.bbc.com/news/world-latin-america-42913191>

¹⁹⁶ These elites are also referred to as *enchufados*, a Spanish term referring to an electrical socket signifying "plugged-in-elites." Juan Nagel, "Why Venezuela's 'Plugged-In' Elites Hold the Keys to Its Future," *Foreign Policy*, May 23, 2014, <http://foreignpolicy.com/2014/05/23/why-venezuelas-plugged-in-elites-hold-the-keys-to-its-future/>.

¹⁹⁷ Nicholas Casey and Vanessa Herrero, "As Maduro's Venezuela Rips Apart, so Does His Military," *New York Times*, August 8, 2017, <https://www.nytimes.com/2017/08/08/world/americas/nicolas-maduro-venezuela-military.html>

exchanges rewards for loyalty and that Venezuela's elites will no longer benefit if President Maduro is removed from power.¹⁹⁸

Following Polga-Hecimovich's approach, this chapter details three main mechanisms President Maduro uses to remain in power. First, since President Chávez's time, much of the military has been indoctrinated to believe in the Bolivarian program and that this ideology is best for the nation. This indoctrination resulted in a politicized military that actively supports the Bolivarian agenda rather than maintaining neutrality. Second, President Maduro secures the loyalty of Venezuela's elites by applying the four P's as it ensures that they do not experience (and even profit from) these harsh conditions.¹⁹⁹ Third, political factions opposing Maduro have so far failed to unify under a common objective in the midst of President Maduro's detaining opposition leadership. President Maduro uses all three of these mechanisms to ensure he maintains his grip on the armed forces and all three branches of Venezuela's government, thereby staying in and consolidating power. This chapter examines each of the three mechanisms: first, Bolivarian ideology and indoctrination; then, profits, promotions, political appointments, and purges; and, finally, divided opposition.

A. IDEOLOGY AND INDOCTRINATION

President Chávez's removal of the apolitical nature of the armed forces initiated the military's loyalty to Bolivarianism and set the stage for their loyalty to President Maduro and the Partido Socialista Unidos de Venezuela (PSUV). Before President Chávez, the historical apolitical nature of Venezuela's armed forces (highlighted by Dr. Deborah Norden) kept the military detached from any political agenda and ideology.²⁰⁰ In other words, before President Chávez, the military would not have overtly endorsed a political party and would have likely been inclined to remove a sitting president if the economic conditions resembled current reality.²⁰¹ After he assumed the presidency,

¹⁹⁸ Casey and Herrero, "As Maduro's Venezuela Rips Apart, so Does His Military."

¹⁹⁹ Nagel, "Why Venezuela's 'Plugged-In' Elites Hold the Keys to Its Future."

²⁰⁰ Norden, "Democracy and Military Control in Venezuela: From subordination to Insurrection."

²⁰¹ As Evidenced by the coup d'état against Venezuelan Dictator General Perez Jimenez in 1958.

however, President Chávez took numerous actions to politicize the armed forces and to instill a dependency relationship between the military and his regime, thereby ensuring that he would not be removed no matter the conditions. Harold Trinkunas highlights legislative measures and reforms that President Chávez passed as critical components that aligned the armed forces with the Bolivarian cause.²⁰² President Chávez's politicization of Venezuela's armed forces, combined with the use of Polga-Hecimovich's four P's, kept the military subservient, committed, and loyal to him, and, subsequently, Nicolás Maduro.

The indoctrination of Venezuela's armed forces through the nation's military academy, and President Chávez's use of media to promote the Bolivarian ideology, aided in removing the military's apolitical nature and in cementing their loyalty to the regime. Dr. Ari Chaplin notes that President Chávez attempted to politicize and inculcate the armed forces by changing the name of Venezuela's military academy and by instilling ideological based training that supported him and his socialist cause.²⁰³ Chaplin further argues that "media outlets of communication" were used to push a "revolutionary message [that] attempt[ed] to guarantee future loyalty to the Chávez regime [while] at the same time threaten[ing] the opposition" and that the "ideological conviction of the Venezuelan people is of the upmost priority to President Chávez's government."²⁰⁴ President Chávez's effective implementation of politicized academics within the nation's military academy, combined with his use of media, likely brainwashed Venezuela's elites to truly believe the Bolivarian movement was best for the progress of the nation and its people. Since the early 2000s, senior military leaders who were subjected to indoctrination and refused to align politically lost their position, so coercion happened on many levels. In other words, if a senior military member or political elite does not align with the regime, they are removed, so the only available option if one wants to keep their job is to align.

²⁰² Fonseca, Polga-Hecimovich and Trinkunas, "Venezuelan Military Culture."

²⁰³ Chaplin, *Chávez's Legacy: The Transformation from Democracy to a Mafia State*, 37.

²⁰⁴ Chaplin, *Chávez's Legacy: The Transformation from Democracy to a Mafia State*.

B. PROFITS EXCHANGED FOR LOYALTY

President Maduro retains the loyalty of military leaders by allowing them to profit, the first “P,” in the midst of Venezuela’s food crisis. At the height of Venezuela’s food crisis, President Maduro directed the armed forces to distribute much needed medicine and food; however, reports reveal that some of the armed forces have in-turn profited and taken advantage of their roles.²⁰⁵ In June of 2016, President Maduro gave Venezuela’s armed forces the responsibility of securing and distributing the nation’s limited food supplies; while the military helped reduce looting, the government’s decision also served as an opportunity for senior military officers to profit from trafficking food through black markets.²⁰⁶ Though reports revealed that senior military officials have profited from engaging in corrupt practices, the fact that President Maduro has failed to bring administrative action against them for this practice likely signifies his surreptitious acceptance of these actions. President Maduro’s acceptance of these actions can likely be attributed to his assumption that allowing the armed forces to traffic food through black-markets provides military elites a greater standard of living when compared to average Venezuelans. Essentially, President Maduro established a quid-pro-quo relationship between himself and senior leaders of the armed forces where both parties benefit while others suffer from multiple crises. Even worse, President Maduro demonstrates total lack of empathy; in November of 2017, he consumed an empanada on national television seemingly ignorant that many of his fellow citizens have to rummage through trash for food scraps.²⁰⁷

Prior to Maduro’s regime, senior leaders in Venezuela’s military profited through corrupt practices under President Chávez’s social work programs.²⁰⁸ Almost three weeks after he was inaugurated, President Chávez directed Venezuela’s *Fuerza Armada Nacional Bolivariana* (FANB) to engage in “antipoverty distributions and relief efforts”

²⁰⁵ Casey and Herrero, “As Maduro’s Venezuela Rips Apart, so Does His Military.”

²⁰⁶ Casey and Herrero, “As Maduro’s Venezuela Rips Apart, so Does His Military.”

²⁰⁷ Christal Hayes, “Venezuelan President Eats Empanada on Live Tv while Addressing a starving Nation,” *Newsweek*, November 3, 2017, <http://www.newsweek.com/venezuelan-president-eats-empanada-live-tv-while-addressing-starving-nation-701050>.

²⁰⁸ Coronel, “The Corruption of Democracy in Venezuela.”

through social missions.²⁰⁹ The first of these programs, Bolivar 2000, was directed by “Army Commander Victor Cruz Weffer and was assigned about \$300 million,” but it was cancelled because of allegations of corruption and the disappearance of an estimated \$150 million dollars.²¹⁰ After the Bolivar 2000 program was terminated, President Chávez initiated the *Fondo Único Social* (Central Social Fund) and appointed Commander William Fariñas, a co-conspirator of President Chávez’s during his previously failed coup attempt, as program director.²¹¹ The Central Social Fund program received substantial amounts of money from the government but squandered much of it as the program was conducted “without careful planning.”²¹² President Chávez’s willful neglect to overtly acknowledge the actions of senior military leaders profiting from their position, and failure to implement any type of legal action against them, preceded the quid-pro-quo relationship President Maduro currently employs with Venezuela’s armed forces.

President Maduro also retains loyalty from senior leaders in the armed forces by ensuring that the military, as a whole, profits through providing services to the state oil company PDVSA. In 2016, Venezuela’s military formed Camimpeg, a company authorized to provide PDVSA with various services including “drilling, logistics and security.”²¹³ Although Venezuela’s Deputy Defense Minister stated that Camimpeg’s relationship with PDVSA would be commercial in nature, many speculate that it could be used as a “means to shield assets from seizure in the event of [Venezuela’s] debt default.”²¹⁴ President Maduro likely created Camimpeg for three reasons: to retain loyalty from military leaders by integrating the armed forces within the nation’s economy, to ensure the armed forces profit from providing services to PDVSA, and to protect Venezuela’s sole source of income should debt collectors attempt to seize PDVSA’s assets.

²⁰⁹ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

²¹⁰ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

²¹¹ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

²¹² Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

²¹³ Gupta, “Venezuela Military Company to Start Services to PDVSA in Weeks.”

²¹⁴ Gupta, “Venezuela Military Company to Start Services to PDVSA in Weeks.”

President Maduro retains loyalty from civilian elites by ensuring that they, too, profit while the rest of the nation struggles. Nagel states that *enchufados* “profit from the system of price controls and heavy government regulation” by engaging in “smuggling, importing at subsidized rates, and winning government contracts thanks to friends in high places.”²¹⁵ Although the primary *enchufados* in President Maduro’s circle are military leaders, corporate individuals and public officials also benefit from these systems by supporting the regime.²¹⁶ President Maduro will unlikely remove any fiscal measures that allow *enchufados* to profit as they are critical to his stay in power.²¹⁷ In return, they will continue to remain loyal to President Maduro because “people making money off of the government are less likely to conspire against it.”²¹⁸

Venezuela’s *enchufados* also profit from favorable exchange rates and additional perks. Venezuelan “generals enjoy special privileges, including better pay, favorable exchange rates, and control of the food supply.”²¹⁹ Casey and Herrero assert that “the government has spent years ensuring that the military’s top commanders are deeply invested in the status quo” and that they “enjoy a range of privileges from lucrative control of the food supply to favorable exchange rates for exchanging dollars.”²²⁰ Granting *enchufados* special privileges ensures they maintain a superior economic status; furthermore, favorable exchange rates allow them to import goods, such as food and medicine, that others have no ability to access. Venezuela’s *enchufados* will likely continue to exhibit loyalty to President Maduro since it economically benefits them.

C. PROMOTIONS EXCHANGE FOR LOYALTY

Prior to Hugo Chávez assuming the presidency, Venezuela’s congress technically oversaw the promotion of senior military members; however, he established the

²¹⁵ Nagel, “Why Venezuela’s ‘Plugged-In’ Elites Hold the Keys to Its Future.”

²¹⁶ Nagel, “Why Venezuela’s ‘Plugged-In’ Elites Hold the Keys to Its Future.”

²¹⁷ Nagel, “Why Venezuela’s ‘Plugged-In’ Elites Hold the Keys to Its Future.”

²¹⁸ Nagel, “Why Venezuela’s ‘Plugged-In’ Elites Hold the Keys to Its Future.”

²¹⁹ Christopher Woody, “Venezuela’s Military Is on Edge, and It Could Be the Wildcard in the Country’s Deepening Crisis,” *Business Insider*, August 9, 2017, <http://uk.businessinsider.com/venezuela-military-role-in-political-crisis-and-violence-2017-8?r=US&IR=T>.

²²⁰ Casey and Herrero, “As Maduro’s Venezuela rips apart, so does his Military.”

framework for selective promotions.²²¹ Harold Trinkunas states “the Venezuelan Congress was assigned the functions of approving the yearly list of military promotions to the ranks of colonel and general, once it had been vetted by the president.”²²² Trinkunas further states that “in practice, the Congress always voted affirmatively on military promotions, deferring to the president’s judgment on this matter.” Although congress played a role in promoting senior military leaders, their unequivocal deference to the president’s judgment resulted in President Chávez promoting those he felt were most aligned with his agenda. Essentially, Venezuela’s congress is partially responsible for establishing a culture that allowed Presidents Chávez and Maduro to promote only those most loyal to them.

Venezuela’s congress enabled President Chávez to end merit-based military promotions. The 1999 constitution officially eliminated congressional oversight for promotions and formally granted President Chávez the ability to advance military elites based solely on his discretion.²²³ Although congress previously deferred to the president’s judgment, they could have halted the promotion of unsuitable individuals and, therefore, hindered President Chávez’s politicization of senior leaders. Congress’s official removal from the promotion process resulted in a de facto client-patronage system between Venezuela’s president and senior military leaders where leaders received greater pay, positions, and prestige for supporting the president and his agenda. Selective promotions ensured that those who exhibited loyalty to Presidents Chávez and subsequently Maduro remained at the top of the military’s leadership structure where they advocated the Bolivarian ideology and the tangible benefits associated with supporting it. The client-patronage system proved beneficial to the president and those on the receiving end of the perks but detrimental to those officers not aligned with the regime. Unfortunately, selective promotions made attaining senior ranks dependent solely on loyalty and patronage “rather than on merit,” performance, or experience.²²⁴

²²¹ Trinkunas, *Crafting Civilian Control of the Military in Venezuela*.

²²² Trinkunas, *Crafting Civilian Control of the Military in Venezuela*.

²²³ Trinkunas, “The Transformation of the Bolivarian Armed Force,” 126.

²²⁴ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

President Maduro not only promotes those loyal to his regime, but also often does so as a seemingly rebellious response to the imposition of U.S. sanctions. In 2016, President Maduro appointed General Nestor Reverol, the “drug czar,” to Interior Minister, despite the fact that Reverol was being “indicted in the United States on narcotics trafficking charges.”²²⁵ General Reverol had also been Interior Minister under the Chávez presidency and previously led *La Oficina Nacional Antidrogas* (ONA), Venezuela’s anti-drug agency.²²⁶ According to Hanna Dreier, President Maduro typically promotes senior leaders in response to U.S. sanctions as he believes the sanctions are used as a measure to destabilize Venezuela’s government.²²⁷ Additionally, President Maduro likely recognized that sanctions would have diminished the general’s status and elected to promote him in an effort to deter it. General Reverol also currently commands Venezuela’s National Guard, is responsible for internal security, and is considered one of President Maduro’s most loyal senior military officers.²²⁸ President Maduro likely caters to General Reverol because he exhibits loyalty to the Bolivarian ideology and also because the general could mobilize the National Guard against his regime.

President Maduro promoted a large number of loyal military elites to higher ranks despite Venezuela having a smaller military than the United States. In 2016, President Maduro promoted 195 officers to the rank of general in one day, increasing the number of generals to over 2,000.²²⁹ To put this into perspective, despite having a much larger military and population, “the United States somehow gets by with no more than 900

²²⁵ Hannah Dreier, “Venezuela Promotes General Indicted in U.S. on Drug Charges,” *San Diego Union-Tribune*, August 3, 2016, <http://www.sandiegouniontribune.com/sdut-venezuela-promotes-general-indicted-in-us-on-drug-2016aug03-story.html>.

²²⁶ Sibylla Brodzinsky, “Maduro Promotes Venezuelan General Indicted on Drug Charges in US,” *Guardian*, August 3, 2016, <https://www.theguardian.com/world/2016/aug/03/venezuela-interior-minister-nestor-reverol-drug-trafficking>.

²²⁷ Brodzinsky, “Maduro Promotes Venezuelan General Indicted on Drug Charges in US.”

²²⁸ Andrea Torres, “Venezuelan National Guard Members Arrested on Suspicion of Cocaine Trafficking,” *Local10 News*, November 4, 2017, <https://www.local10.com/espanol/noticias/venezuela/members-of-venezuelan-national-guard-arrested-for-cocaine-trafficking>.

²²⁹ “The Armed Forces Will Decide the Fate Of Venezuela,” *The Economist*, May 4, 2017, <https://www.economist.com/News/Americas/21721661-People-Power-Counts-Less-Armed-Forces-Will-Decide-Fate-Venezuelas-Regime>.

generals.”²³⁰ The increased number of generals within Venezuela’s armed forces results in a larger contingency of senior officers supporting the Bolivarian ideology and receiving the benefits associated with supporting President Maduro. Military leaders in President Maduro’s regime also have “a shared interest in the regime’s survival” as they “profit handsomely from Mr. Maduro’s chaotic rule...[through] access to dollars at the ridiculously cheap price in Bolívares set by the government.”²³¹ The promotion of military leaders to higher ranks not only ensures they profit during Venezuela’s crises, but it also guarantees President Maduro retains the loyalty of those who have the physical power to remove him.

In addition to promoting military elites to senior ranks, President Maduro also places them in positions of economic importance in exchange for loyalty. In January of 2017, President Maduro replaced the executive structure of PDVSA with a “Venezuelan navy rear-admiral, Hugo Chávez’s former twitter manager and a leader of the leftist president’s failed 1992 coup.”²³² Additionally, President Maduro has filled PDVSA’s executive structure with elites that have limited to no experience within the oil industry, completely disregarding the oil company’s continued decline in production.²³³ Alexandra Ulmer states that “current and former PDVSA employees, consultants and executives at foreign companies are privately expressing worries the new heads have scant knowledge of the oil industry,” and that “PDVSA has grown increasingly political, mismanaged, and corrupt since Chávez was elected in 1998.”²³⁴ It appears that President Maduro places individuals in critical positions regardless of whether those individuals have the credentials or experience to be successful. Furthermore, it is clear that President Maduro willingly jeopardizes PDVSA’s oil output by placing non-skilled leaders in key positions so long as they remain loyal to him. President Maduro’s actions critically place

²³⁰ “The armed Forces Will Decide the Fate of Venezuela.” *The Economist*.

²³¹ “The armed Forces Will Decide the Fate of Venezuela.” *The Economist*.

²³² Alexandra Ulmer, “Venezuela’s Maduro Seen Bolstering Grip on PDVSA after Shake-Up,” *Reuters*, January 30, 2017, <https://www.reuters.com/article/us-venezuela-pdvsa/venezuelas-maduro-seen-bolstering-grip-on-pdvsa-after-shake-up-idUSKBN15E2JI>.

²³³ Ulmer, “Venezuela’s Maduro Seen Bolstering Grip on PDVSA after Shake-Up.”

²³⁴ Ulmer, “Venezuela’s Maduro Seen Bolstering Grip on PDVSA after Shake-Up.”

Venezuela's sole source of revenue in a dangerous position and could further decimate the nation's economy.

President Maduro also removes those he perceives to be disloyal from key positions and accuses them of corruption. In November of 2017, President Maduro ordered the arrest of Eulogio Del Pino, Venezuela's oil minister, and a large numbers of senior officials linked to PDVSA, under the pretext of a "historic fight against corruption."²³⁵ Eulogio Del Pino's replacement, Major General Manuel Quevedo, was tasked "to lead both PDVSA and the Oil Ministry, giving the already powerful military control of the OPEC nation's dominant industry."²³⁶ Some experts argue that Del Pino was arrested to serve as an example of what happens to individuals that exhibit questionable loyalty to President Maduro.²³⁷ Furthermore, experts believe that President Maduro's crusade to expel corrupt leaders within the PDVSA is a front, that his true motives are to "ensure that the officials running the most important economic sector in Venezuela are loyal," and that he is attempting to remove "anyone who might be a countervailing center of power" against his 2018 presidential run.²³⁸

D. POLITICAL APPOINTMENTS EXCHANGED FOR LOYALTY

President Maduro appoints military elites within civilian ministries and agencies in exchange for loyalty. In democratic societies, civilians are typically elected to political positions and report to the people. Military members, however, are appointed to their positions, and through indoctrination and training, respond to a chain-of-command that ultimately ends with the commander-in-chief of the armed forces. The placement of military elites in key political positions is advantageous to President Maduro's regime because military elites in Venezuela's armed forces and political institutions now report

²³⁵ Rachele Krygier and Anthony Faiola, "As Venezuela Disintegrates, Maduro Consolidates Power," *Washington Post*, December 9, 2017, https://www.washingtonpost.com/world/the_americas/as-venezuela-disintegrates-maduro-consolidates-power/2017/12/08/f9e5b366-dc27-11e7-a241-0848315642d0_story.html?utm_term=.42358ac800f9.

²³⁶ Alexandra Ulmer, Leslie Adler and Peter Cooney, "New Venezuela oil Chief Vows Anti-Corruption Crusade," *Reuters*, November 28, 2017, <https://www.reuters.com/article/us-venezuela-oil/new-venezuela-oil-chief-vows-anti-corruption-crusade-idUSKBN1DS33L>.

²³⁷ Krygier and Faiola, "As Venezuela Disintegrates, Maduro Consolidates Power."

²³⁸ Krygier and Faiola, "As Venezuela Disintegrates, Maduro Consolidates Power."

to him. Additionally, President Maduro benefits from appointing senior military leaders to political positions in three ways: it ensures that important civilian institutions are led by partisan individuals loyal to his administration, it guarantees that those individuals have continued access to greater pay and perks, and it ensures that he remains at the top of the command structure in both military and civilian institutions. In addition, it cements the fact that the regime now “controls all branches of government,” as well as the armed forces.²³⁹

While President Maduro’s bestowment of political positions has secured him the loyalty of some military elites, the limited number of positions hinders his ability to appease them all and fails to guarantee the regime’s survival.²⁴⁰ As previously stated, President Maduro prioritized placing military elites in positions of leadership within civilian institutions and has granted “many of them political careers.”²⁴¹ Although roughly one third of Venezuela’s “government ministers are current or former military officers,” the majority of ministers are not.²⁴² In other words, military elites loyal to President Maduro occupy a limited number of ministerial positions and are considered the minority. The limited amount of political positions reduces the number of presidential loyalists within Venezuela’s political structure, jeopardizes his ability to retain power, and poses two serious problems for him. First, it limits the number of military elites he can appease in exchange for loyalty. Second, and more importantly, it hinders his ability to retain a large contingency of loyalists in various political positions supporting his regime.

President Maduro likely supported or sponsored the July 2017 establishment of a Constituent Assembly because it increased the number of political positions he can fill

²³⁹ Anthony Faiola and Heather Long, “As Maduro Takes Venezuela into Uncharted Waters, the Opposition Has Few Options,” *Washington Post*, July 31 2017, https://www.washingtonpost.com/world/the_americas/as-maduro-takes-venezuela-into-uncharted-waters-the-opposition-has-few-options/2017/07/31/5b3f693c-7570-11e7-8c17-533c52b2f014_story.html?tid=a_inl&utm_term=.3727090a135d.

²⁴⁰ Ian Bremmer, “5 Reasons Why Venezuela’s Nicolás Maduro Won’t Last Much Longer,” *Time*, August 11, 2017, <http://time.com/4897084/venezuela-nicolas-maduro-borrowed-time/>.

²⁴¹ Bremmer, “5 Reasons Why Venezuela’s Nicolás Maduro Won’t Last Much Longer.”

²⁴² Bremmer, “5 Reasons Why Venezuela’s Nicholas Maduro won’t Last Much Longer.”

with loyalists and thereby gain the majority. By increasing the number of positions available, individuals that now occupy those positions will receive limited perks and can continue advocating for the regime, and also results in President Maduro retaining a large pro-regime contingency within Venezuela's political structure. President Maduro encouraged the creation of a Constituent Assembly because opposition parties within Venezuela's National Assembly frequently countered his agenda.²⁴³ Jon Anderson states, "the National Assembly, where the opposition holds a majority...consistently foiled his initiatives," and that "Maduro, frustrated, decided to simply create his own legislature—a replacement body, filled with loyalists, that was empowered to rewrite the country's constitution."²⁴⁴ After the constituency was created, they quickly began to systematically target the regime's opponents. One of the first actions taken by the assembly was to oust chief prosecutor, and critic of President Maduro, Luisa Ortega, indicating that President Maduro's "government intends to move swiftly against critics and consolidate power amid a fast-moving political crisis."²⁴⁵ That said, President Maduro remains in power because Venezuela's Constituent Assembly is packed with loyalists who ensure the removal of those who threaten the regime and the perks they receive.

Venezuela's Constituent Assembly and elites within other civilian institutions support President Maduro's administration by removing those perceived to be a threat to the regime. In August of 2017, "Maduro loyalists issued a new arrest warrant for one prominent legislator and vowed to remove his immunity from prosecution...[effectively] becoming a model for targeting other critics."²⁴⁶ Krygier and Faiola state "the pro-government supreme court issued an arrest warrant...for German Ferrer, a national legislator and husband of Luisa Ortega, whose criticism of the government led to her

²⁴³ Jon Anderson, "Nicolás Maduro's Accelerating Revolution," *New Yorker*, December 11, 2017, <https://www.newyorker.com/magazine/2017/12/11/nicolas-maduros-accelerating-revolution>.

²⁴⁴ Anderson, "Nicolás Maduro's Accelerating Revolution."

²⁴⁵ Jorge Rueda and Joshua Goodman, "Venezuela Constitutional Assembly Removes Chief Prosecutor," APNEWS, August 6, 2017, <https://www.apnews.com/5f6130dcf6f3425a8b0761dced21da1b/Venezuela-constitutional-assembly-removes-chief-prosecutor>.

²⁴⁶ Rachele Krygier and Anthony Faiola, "Venezuela Intensifies Crackdown on government Critics," *Washington Post*, August 2017, https://www.washingtonpost.com/world/the_americas/venezuela-intensifies-crackdown-on-government-critics/2017/08/17/bf05f804-835e-11e7-9e7a-20fa8d7a0db6_story.html?utm_term=.8a2ab272d9e0.

ouster.”²⁴⁷ They further add that the “all-powerful Constituent Assembly,” created in July of 2017, is fully composed of presidential loyalists that “back the government” and have commenced a “witch hunt against top government critics.” In other words, elites loyal to President Maduro are rewarded with political appointments, and, in-turn, those loyalists purge anyone perceived to be a threat to the president.

E. LOYALTY OR PURGE

President Maduro uses purging as a tactic to retain loyalty. Fonseca et al. state, “the Maduro government is able to maintain the loyalty of senior officers through promotions, pay raises, and occasional purges.”²⁴⁸ They further argue that, “since 2002, the government has punished any perceived support for the political opposition from the senior officer ranks, removing them from office,” that “significant purges have continued ever since that time, even against officers who had been prominent PSUV allies” and that “Chávez and now Maduro remain preoccupied about the loyalty of the high command.”²⁴⁹ Purges by Presidents Chávez and Maduro have effectively removed many perceived to be a threat to both regimes; however, a significant number of individuals opposed to the Bolivarian ideology still remain. As Venezuela’s conditions continue to deteriorate, it is likely that more individuals opposed to the regime will surface and purges will increase. In the interim, President Maduro will likely continue to implement measures used by President Chávez to purge and detain individuals with questionable loyalty, to him and to the Bolivarian ideology, through dubious investigations and questionable accusations.

The arrest and detainment of high-ranking military officials was a tactic used by President Chávez to purge those perceived to be disloyal. In April of 2009, “Venezuela’s former army chief and once one of President Hugo Chávez’s confidants,” Raúl Isaías Baduel, was arrested alongside Admiral Carlos Millian and General Wilfredo Barroso

²⁴⁷ Krygier and Faiola, “Venezuela Intensifies Crackdown on Government Critics.”

²⁴⁸ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

²⁴⁹ Fonseca, Polga-Hecimovich and Trinkunas, “Venezuelan Military Culture.”

and charged with “conspiring to oust Mr. Chávez.”²⁵⁰ Simon Romero states that “since February [of 2009], Mr. Chávez has moved against a wide range of domestic critics, and his efforts... to strengthen his grip on the armed forces have led to high-profile arrests and a wave of reassignments.”²⁵¹ In 2008, President Chávez removed the authority of roughly 800 senior military officers as “part of a larger effort...to cement loyalty in the military.”²⁵² President Chávez’s attempt to purge and eliminate the influence of disloyal officers over other military members is perfectly represented by his removal of the authority of officers not aligned with him. Furthermore, and more importantly, purges accurately represent a measure taken by President Chávez to force the politicization of senior leaders within Venezuela’s armed forces.

President Maduro orders the arrest and detainment of senior military officers, similar to his predecessor, as a measure to purge those perceived to be disloyal. In 2016, “Cliver Alcala, a retired major general, called for a referendum to unseat Mr. Maduro” and promptly resulted in an order issued by President Maduro to arrest the general.²⁵³ Despite the order, the general is currently not incarcerated and frequently critiques the government; the general’s actions have even resulted in “rifle-wielding intelligence officers” attempting “to raid his home.”²⁵⁴ Taub and Fisher state that “even a loyal military, when forced to resolve a political crisis, might decide against the leader who called it in,” and that “the impossibility of fully predicting how the military might decide in another crisis...has left the government nervous.” That said, it is plausible that President Maduro currently purges senior officers perceived to be disloyal because he is uncertain of how the military might react should Venezuela’s economy and compounding crises reach a point of no return. Consequently, it is likely that purging is a measure used by President Maduro to cement loyalty within the military.

²⁵⁰ Simon Romero, “Chávez Seeks Tighter Grip on Military,” *New York Times*, May 29, 2009, <http://www.nytimes.com/2009/05/30/world/americas/30venez.html>.

²⁵¹ Romero, “Chávez Seeks Tighter Grip on Military.”

²⁵² Romero, “Chávez Seeks Tighter Grip on Military.”

²⁵³ Amanda Taub and Max Fisher, “In Venezuela’s Chaos, Elites Play a High-Stakes Game for Survival,” *New York Times*, May 6, 2017, <https://www.nytimes.com/2017/05/06/world/americas/venezuela-unrest-protests.html>.

²⁵⁴ Taub and Fisher, “In Venezuela’s Chaos, Elites Play a High-Stakes Game for Survival.”

In addition to purging officers perceived to be disloyal, President Chávez also targeted political opponents and outspoken critics. In 2006, President Chávez “extended” his “crackdown” “to the civilian arena,” by arresting his formal presidential opponent Manuel Rosales and charging him with corruption.²⁵⁵ Additionally, President Chávez “singled out smaller targets, like an outspoken biologist critic,” and “handpicked a new mayor for Caracas after legislators eliminated most of the budget of the elected mayor.”²⁵⁶ An analysis of the methods used by President Chávez to purge individuals reveals that most senior military members were removed through accusations of conspiring against him or questionable loyalty, while civilian opponents and critics of his regime are arrested through accusations of corruption. It is possible that President Chávez emphasized loyalty because he recognized that disloyal officers are detrimental to an administration.²⁵⁷

F. DIVIDED OPPOSITION

Senior military leaders loyal to the regime support President Maduro in his plan to stay in power; however, opposition elements, and their failure to unify against the regime, also help him remain in power. Venezuela’s opposition has encouraged military members to part ways with the government but has failed to establish “a coherent strategy” that can be used as a catalyst to initiate such actions.²⁵⁸ Faiola and Long highlight the lack of coherence and state that “for the opposition, there appears, as of yet, to be no agreement on which tactic is best going forward.”²⁵⁹ They further state that “opposition leader Leopoldo Lopez remains under house arrest and sidelined from public activities” and that “the opposition has seemed disorganized.” The opposition’s disorganization empowers President Maduro’s regime and makes it easier for him to remain in control. Additionally,

²⁵⁵ Romero, “Chávez Seeks Tighter Grip on Military.”

²⁵⁶ Romero, “Chávez Seeks Tighter Grip on Military.”

²⁵⁷ Lt Col Hugo Chávez’s 1992 coup d’état Attempt against the Administration of Carlos Andres Perez Can Be Considered a Threatening Act Carried Out by Disloyal Officers.

²⁵⁸ Woody, “Venezuela’s Military Is on Edge, and It Could Be the Wildcard in the Country’s Deepening Crisis.”

²⁵⁹ Faiola and Long, “As Maduro Takes Venezuela into Uncharted Waters, the opposition Has Few Options.”

the opposition's lack of unification and failure to develop a strategic vision fails to create a solid platform for dissident members of the armed forces and hinders them from parting ways with the regime. Furthermore, President Maduro's ordered arrest and detention of opposition leaders keeps them removed from participating in on-going protests where they can motivate individuals against the regime.

Conflicting stances by Venezuela's opposition legitimizes President Maduro's partisan Constituent Assembly and aids in keeping him in power. Cawthorne and Aponte state "in another setback for Venezuela's dispirited opposition, four of its five state governors broke with their coalition's official stance...to swear themselves in before a pro-government legislative superbody [*sic*]."²⁶⁰ The act of swearing in before the Constituent Assembly, by governors aligned with the opposition, legitimizes President Maduro's partisan legislature and contradicts one of their main arguments. John Otis also highlights the opposition's lack of clarity and conflicting stances and states: "when it comes to elections, the leaders of Venezuela's beleaguered political opposition keep changing their tune."²⁶¹ The opposition's failure to establish a mandatory vision across the different factions combined with their lack of adhering to official stances hinders their ability to effectively battle President Maduro's regime. In the interim, he takes advantage of the opposition's lack of cohesion and implements a divide to conquer strategy that removes any threat the opposition poses to his regime.

President Maduro remains in power because he oppresses opposition groups and hinders them from challenging him politically. As Venezuela's crises continue to worsen, President Maduro effectively uses "the courts, security forces, and electoral council to repress and divide the opposition."²⁶² In 2017, "three of the country's biggest opposition parties Justice first, Popular Will, and Democratic Action, shunned the mayoral vote

²⁶⁰ Andrew Cawthorne and Andrea Aponte, "Venezuela governors Sworn In, Showing Opposition Disunity," *Reuters*, October 23, 2017, <https://www.reuters.com/article/us-venezuela-politics/venezuela-governors-sworn-in-showing-opposition-disunity-idUSKBN1CS2R3>.

²⁶¹ John Otis, "Venezuela's opposition in disarray over boycott of mayoral elections," *Guardian*, December 7, 2017, <https://www.theguardian.com/world/2017/dec/08/venezuela-opposition-boycott-mayoral-elections>.

²⁶² Ribando Seelke and Rebecca Nelson, *Venezuela: Background and U.S. Policy*, CRS Report R44841 (Washington, DC: Congressional Research Service, 2017), <https://fas.org/sgp/crs/row/R44841.pdf>.

amid allegations of a corrupt electoral system rigged in favor of Maduro,” which resulted in the Constituent Assembly barring those opposition groups from participating in Venezuela’s 2018 presidential elections.²⁶³ Shortly thereafter, President Maduro publicly stated that he supported the decision by the Constituent Assembly and that these political factions “will disappear from the political map.”²⁶⁴ Barring opposition groups from participating in Venezuela’s 2018 elections removes any possibility that President Maduro will be replaced through the democratic process of voting and illustrates the assembly’s partisan loyalty to the president. Additionally, barring opposition groups from participating in the democratic process of elections more closely aligns Venezuela with a dictatorial one-party state rather than a democracy and all but guarantees him a 2018 presidential victory. Should President Maduro be re-elected, Venezuela’s partisan and all-powerful Constituent Assembly will likely rewrite the nation’s constitution to create unlimited presidential term limits guaranteeing that the president and his political party stay in power, and further guaranteeing that loyalists within the constituency continue to receive perks.

G. CONCLUSION

The indoctrination and forced ideological training of Venezuela’s armed forces by President Hugo Chávez set the stage for President Nicolás Maduro to enter and remain in power. President Chávez’s legislative measures changed the official name of the military and established the framework for the politicization of Venezuela’s armed forces. The ideological training instilled in the armed forces by the Chávez regime resulted in a partisan armed force loyal to the Bolivarian cause. Furthermore, President Chávez’s use of media outlets effectively promoted the Bolivarian cause as a revolutionary struggle, instilled a sense of loyalty to the regime on the people, and negatively affected any opposing political parties. The measures taken by President Chávez successfully resulted in an armed force loyal to the Bolivarian agenda. That is, Venezuela’s military ensures

²⁶³ Laignee Barron, “Venezuela’s Maduro Has Disqualified His Opposition from the Next Presidential Election,” *Time*, December 11, 2017, <http://time.com/5058003/venezuela-nicolas-maduro-opposition-banned/>.

²⁶⁴ Barron, “Venezuela’s Maduro Has Disqualified His Opposition From the Next Presidential Election.”

President Maduro remains in power not only because of the four P's, but primarily because he represents the Bolivarian ideology.

President Nicolás Maduro also remains in power, in the midst of increasing protests attributed to these crises, through the support of loyal elites placed in positions of strategic importance. He retains the loyalty of these elites by coercing them through effectively implementing a strategy of “profit, promotions, politics, and purges.”²⁶⁵ In other words, he allows Venezuela's *enchufados* to profit while the majority of the nation struggles through multiple crises; he promotes those only most loyal to him and his regime, places senior military leaders in positions of economic and political importance, and purges or threatens to purge those he perceives to be a threat. Additionally, he also remains in power through the actions taken by his partisan/pro-regime Constituent Assembly. They support President Maduro's regime by passing favorable (to his base) legislative measures, purging anyone perceived to be a threat, and by oppressing opposition parties through hindering their ability to participate in the democratic process of elections.

Venezuela's divided opposition, the four P's, and the indoctrination and removal of the apolitical ideology of the armed forces, together, support President Maduro's stay in power. The opposition's failure to unify under a common agenda because of conflicting goals and their failure to adhere to their own policies aid President Maduro by helping him divide, conquer, and remove political parties individually. President Maduro's use of the four P's ensures he retains the loyalty of Venezuela's elites and keeps the *enchufados* coerced, enticed, and threatened with removal should they disagree with him or his regime. The indoctrination of Venezuela's armed forces and the removal of their apolitical ideology by President Chávez keep the military subservient to the Bolivarian regime. President Maduro will likely remain in power so long as he is able to effectively implement the four P's amongst elites, keep the opposition divided, control the constituently assembly, and keep the Bolivarian ideology alive within the armed forces.

²⁶⁵ Casey and Herrero, “As Maduro's Venezuela Rips Apart, So Does his Military.”

V. CONCLUSION

The objective of this thesis was to describe the factors that give rise to and exacerbate the conundrum of Venezuela's food and energy crises, considering the nation's agricultural potential and large reserves of petroleum. I investigated the causes of Venezuela's food and energy crises and whether they mirrored the reasons stated by Venezuela's government. Chapter II presented an in-depth examination of the food crisis, and Chapter III presented an in-depth examination of the energy crisis. After careful analysis, the hypotheses presented in Chapter I regarding the crises proved correct: Venezuela's food crisis results from over-reliance on the oil industry, lack of a developed agricultural sector, strong dependence on food imports, government controlled food prices, and inflation; the energy crisis derives from inadequate maintenance, a lack of sufficient investments, failure to diversify sources of energy, extreme dependency on hydroelectric power, and corruption. Additionally, I discovered that President Maduro's stated reasons for his nation's food and energy crises are not credible. President Maduro blames Venezuela's problems on repeated acts of sabotage and economic warfare from international actors; however, throughout the course of my research, I failed to come across any evidence supporting such, demonstrating that President Maduro's reasoning to be little more than conspiracy theories.

This thesis also hypothesized how and why President Maduro could remain in power in the midst of crises and resulting domestic instability. My third hypothesis, that President Maduro remains in power because he retains the support of elites who enable him to do so, also proved correct. This thesis also discovered that the loyalty elites exhibit to President Maduro and his regime derives from ideological indoctrination first implemented by the late President Chávez, and the enticement and coercion of elite support, which also began under the Chávez regime. President Maduro likely recognizes that his tenure as president is contingent on maintaining a strong support base of loyalists across the different factions of government and also on ensuring that the men with arms maintain a higher standard of living compared to average Venezuelans. President Maduro will likely continue President Chávez's legacy of indoctrination, advocating for the

Bolivarian ideology, purging, and the application of coercion methods, to remain in control. Should President Maduro be unable to apply the mechanisms he currently employs to retain loyalty, he will likely implement new tactics to remove or purge those he perceives to be a threat and will further encourage Venezuela's Constituent Assembly to develop new legal frameworks that ensure he, and his political party, remain in control.

President Maduro also remains in power, despite increased protests and demands for his ouster, by consolidating a strong base of loyal regime supporters across all factions of Venezuela's government. Hanna and Faidell state "more than 120 people have died in protest-linked incidents since spring [of 2017] as critics accused leftist President Nicolas Maduro of illegitimately consolidating power."²⁶⁶ Hanna and Faidell further state that President Maduro has "stack[ed] the Supreme Court with loyalists" and that he retains a "legislative assembly packed virtually with only his backers." By placing elites loyal to both the regime and his political party within strategic civilian positions, President Maduro continues the systematic erosion of Venezuela's democratic institutions begun by President Chávez. Furthermore, Venezuela now resembles a kleptocracy in which the PSUV could potentially outlaw other political parties and legally justify themselves if they chose to do so, thereby ensuring they retain control over the nation and its resources.

In addition to giving non-credible reasons for the crises, President Maduro has also failed to implement effective policies to address the crises, instead concentrating on retaining power and oppressing those who pose a threat to his regime. While trading oil for goods and services worked temporarily, it is not sustainable, nor is his recommendation for citizens to grow their own food a realistic solution. Furthermore, increasing monetary aid, printing higher denomination bolivar notes, and implementing forced labor have not resolved the crises either, and without addressing Venezuela's

²⁶⁶ Jason Hanna and Sarah Faidell, "UN: Venezuelan Protesters Endure Excessive Force, Other Rights Violations," *CNN*, August 8, 2017, <https://www.cnn.com/2017/08/08/americas/venezuela-unrest/index.html>

deteriorated energy infrastructure and corrupt tendencies by officials, President Maduro is unlikely to bring the nation out of these crises. Opposition parties would also face a tough challenge trying to solve the problem unless they unite under a common agenda and a single leader to gain power. Unfortunately, President Maduro impedes them from unifying by implementing a divide and conquer strategy and also by arresting opposition leaders. The opposition's ability to overthrow the regime is contingent upon severing the relationship between President Maduro and Venezuela's elites, and, more importantly, on removing PSVU control of all branches of Venezuela's government, to include the armed forces. It is unlikely that the opposition will sever this relationship as Venezuela's Constituent Assembly is packed with PSVU supporters that defend President Maduro, the regime, and the perks they receive by passing legislation ensuring they retain control of the different branches government and by using the armed forces to oppress the opposition.

Removing President Maduro unlikely changes the dire circumstances in which most Venezuelans currently find themselves. If President Maduro is removed from power, but the PSVU retains control, another PSVU leader will likely emerge to continue implementing the same failed policies that have either caused or exacerbated both of Venezuela's crises. Additionally, the new leader would likely cement his stay in power by implementing the same tactics Presidents Chávez and Maduro used and continue to use to remain in control. The reality is that removing President Maduro alone will not solve Venezuela's crises. The Bolivarian ideology is cemented so deeply within Venezuela's armed forces and all branches of the nation's government that it inhibits other political parties from obtaining power and implementing the new policies the country desperately needs, which may be the only solution. Research should be conducted to determine what additional measures President Maduro and Venezuela's Constituent Assembly are taking to further indoctrinate Venezuela's elites and coerce the nation's armed forces to solidify their power. Furthermore, research should also be conducted that examines how Venezuela plans to renew its depleted agricultural sector and also produce electricity if the Guri reservoir runs dry. The sad reality is that, prior to the PSVU assuming power, Venezuela was a strong democratic and wealthy nation

where people were fed and the lights remained on. If an opposition political party successfully takes power from both President Maduro and the PSUV, and again begins to emphasize Democratic values and implement appropriate policies, Venezuela may recover from the current suffering. If not, the nation may continue to fail to reach its true agricultural and energy-producing potential, protests will continue, non-elites will remain starving in the dark, and the change or revolution many Venezuelans desire will remain on standby.

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