

The Oil Factor in Hugo Chávez's Foreign Policy

Oil Abundance, Chavismo and Diplomacy



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Introduction

Ever since the exploitation of its oil Venezuela had not been able to live without this black gold. Throughout its history the country had a love/hate relationship with oil. It helped and ruined its economy and politics several times. Oil revenues created a high income for the state, but at the same time traditional economic sectors eroded. There was barely any diversification of the economy, which made Venezuela highly depending on the international oil market and its prices. Oil gave the leaders of the country an enormous amount of power and Venezuela established a prominent position within the global world order.

The general academic debate regarding Venezuela's international politics and oil abundance during the administration of Hugo Chávez is a prominent one in scholarly research which is focusing on the Latin American region. It is discussed from a rich variety of angles. Oil wealth and *chavismo* are inevitable topics when analyzing Chávez's foreign policy. However, recent years there had been a limited amount of attention specifically centralized around these topics using contemporary frameworks of International Political Economy (IPE). Furthermore, there had been considerable attention in academia for Venezuela's failures on a political and economic level during Hugo Chávez's administration, but there had been limited space for its success. Therefore, more attention for this topics is needed in order to update the existing academic literature of Latin American Studies.

This thesis has as its main objective answering the question: what is the effect of oil abundance and *chavismo* in Venezuela's foreign policy during the administration of Hugo Chávez? The three dominant concepts which will be discussed are oil abundance, *chavismo* and foreign policy. Oil abundance is important in Venezuela's contemporary history, because it is the main force behind the Venezuelan economy and its politics. There is hardly any topic regarding Venezuela which can be discussed without oil abundance. *Chavismo* is the ideological discourse of populist politics dominating the Hugo Chávez administration. Chávez applied this discourse throughout both his domestic and international policies. The international relations of Venezuela will be the focus point for this thesis. Throughout the years it had been dominated by the influence of foreign oil companies benefiting from Venezuelan oil. However, the Venezuelan foreign policy in relation to oil abundance and *chavismo* can only be understood when analyzing the Venezuelan domestic politics as well. Therefore, these three concepts will be analyzed on three levels: domestic, regional and international. This will be done in the light of Robert Cox's method containing the three factors *material capabilities, ideas and institutionalization* as a focus point.

In the first chapter the general debate on oil abundance, populist politics and

international relations will be analyzed. It will examine how petro-states are embedding oil wealth in their foreign policy as a diplomatic tool to strategically influence their international relations. Several petro-states will be discussed in order to discover certain prominent trends in the debate. These trends will tell more about the impact and value of foreign policies of petro-states. It will be demonstrated that scholars have different opinions on how these foreign policies are serving their goals, or indirectly serving other agendas. From this angle the case of Venezuela as a petro-state will be further analyzed.

The second chapter provides a historic overview of the Venezuelan history right before the discovery of oil until the Chávez administration. It starts with the liberation of the Venezuelan territory from Spanish rule. One of the mayor freedom fighters of the Venezuelan territory was Simón Bolívar. He plays an important role in Chávez's ideas resonating in *chavismo*. Furthermore, the start of several dictatorships will be discussed, the influence of foreign oil companies in Venezuela, the diplomatic relationship the with US and the years which were dominate by the rule of *Pacto de Punto Fijo*. The aim of the chapter is to demonstrate the roots of *chavismo* and provide a historical perspective of the Venezuelan oil era in the light of its foreign policy. It will be the bedrock for the third chapter were the contemporary connection between oil abundance, *chavismo* and the Venezuelan foreign policy will be analyzed.

The third chapter analyses the case leading towards an answer to the question what the effect of oil abundance and *chavismo* is on Venezuela's foreign policy during the administration of Hugo Chávez. This will first be done by analyzing certain inducements and constraints of the Venezuelan domestic policy, in order to better understand the Venezuelan foreign policy in the second part of this chapter. The Venezuelan foreign policy can be divided in two parts. The regional policy and the policies outside the Latin American Region. Chávez's foreign policy could be seen as an international version of *chavismo* spreading an anti-US hegemony discourse.

Several scholars had critique on petro-states in general, and on Venezuela in particular. The resource curse resonates this critique and the maladies resulting from the oil policies. This thesis will not argue that the policies during the Hugo Chávez administration had been a disaster on an international level. Chávez did not always follow the rules regarding polite diplomatic communication, nor did he always kept all parties satisfied. At a first glance this might seemed unthoughtful. However, when further analyzing his strategy it becomes clear Chávez carefully selected his enemies and friends to maintain *chavismo* throughout his foreign policy. Hypothetically, this detailed analysis will demonstrate that Hugo Chavez's foreign policy was not always that unsuccessful on a diplomatic level as some scholars argue despite his sometimes outrageous statements towards his opponents and odd actions.

Chapter 1

Different thoughts on oil abundance in relation to populism and foreign policy

Oil had been a trading commodity ever since human existence. In the early days it was already used in the construction of walls and towers. In modern history oil industries began to develop in the early nineteenth century. Mankind discovered oil could be used for lamps, machinery, as gasoline and in chemical products. As the industrialization process continued, the popularity of these ways of using oil increased. Soon the world did not function without oil and it became one of the most important export commodities. Several states discovered an abundance of fossil fuel in their territories. The oil market and industries grew in a short period of time, but not without economic and political risks (Markus, 2015: 112-130).

Not long after the discovery of the new purposes for this commodity the world began to get acquainted with the economic and political opportunities and challenges of oil abundance. The demand for oil was growing so rapidly that states who owned large amounts of oil now could live as rentiers. Such states can be called rentier states. Hazem Al Beblawi and Giacomo Luciani suggest four characteristics of a rentier state: the rent situations predominate, the economy relies on a substantial external rent – and therefore does not require a strong domestic productive sector, only a small proportion of the working population is actually involved in the generation of the rent, and the state's government is the principal recipient of the external rent (Al Beblawi & Lucinani, 1990). The term rentier state had been used ever since the twentieth century. Income received from an abundance of natural resource export does not necessarily have to come from oil. It can also be received by the export of other natural resources such as minerals, heavy metals and fossil fuels. In this case study, the focus will be merely on oil.

Not only became oil important for the world economy, but also for its politics. Since the rise of oil industries worldwide, petroleum politics have been an important aspect of diplomacy. The competition between oil rich countries grew and so did their position in the world order. Oil became an influential tool for rentier states to exercise power. Rentier states who generate their income from oil revenues and who use petroleum politics as a diplomatic instrument are called petro-states.

A phenomenon closely linked to heavy dependence on oil revenues is the resource curse. Scholars who extensively studied the resource curse concept are for example Michael Ross, Steffen Hertog and Hussein Mahdavy, among many others. The resource curse refers to the failure of many resource-rich countries to benefit fully from their natural resource wealth, and for governments in these countries to respond effectively to public welfare needs (Natural Resource Governance Institute, 1). Often it is also referred to as the paradox of plenty, because

one would expect resource-rich countries have better development outcomes, but the paradox is they generally do not (Karl, 1997; Collier, 2007). The adverse effect is that resource-rich countries tend to have higher rates of conflict and authoritarianism, and lower rates of economic stability and growth, compared to their non-resource-rich countries (Natural Resource Governance Institute, 1). Therefore having an abundance of natural resource wealth can be called a 'curse' (Collier, 2007: 39). When a natural resource is used well, it can create stability and wealth. When used poorly it can cause conflict and discontent. Especially states who depend for a large part of their income on one natural resource, like oil in this case, can suffer from the abundance of oil, because they do not have a diversified economy.

This chapter will analyse the different International Political Economy (IPE) perspectives on oil abundance, populism and foreign policy. Special attention will be given to the resource curse. It will examine what large amounts of this resource can do with the economy and politics of a petro-state. Closing with an explanation of the theory and methodology for this thesis.

1.1 The academic debate around natural resource abundance leading towards the resource curse debate

The academic debate regarding the international political economy of the resource curse is a broad and ongoing contemporary one. The idea that resources might be more of an economic curse than a blessing emerged in debates in the 1950s and 1960s about the economic problems of low and middle-income countries (Ross, 1999: 297-322). This debate was initially dominated by development economists, such as Jacob Viner, Arthur William Lewis and Joseph John Spengler, and later by Raúl Prebisch and Hans W. Singer, who focus on the economic aspects of development processes in low-income countries and economic structuralists, like Andre Gunder Frank, Fernando Henrique Cardoso and Enzo Faletto, who deal with inequality and distorted development.

Foreign direct investment in resource rich states

Firstly, within the debate among development economists, such as Jacob Viner and Arthur W. Lewis, in the 1950s a prominent thought was that third world countries with an abundance of resources would be protected against economic pitfalls, attract foreign direct investment and provide public goods (Viner, 1952; Lewis, 1955; Spengler, 1960). Initially, this can be a logic explanation for having an abundance of natural resources with a high export revenue, because as soon as a state starts to benefit from such commodities, this income can support social spending and the development of the state. Domestically this can solve problems a country has, and therefore internationally it can have a better economic position on the world market. Soon a counter response on these arguments followed by a minority of structuralist scholars. Raúl

Prebisch and Hans W. Singer argued in 1950 that primary commodity exporters would suffer from a decline in the terms of trade, which would widen the gap between the rich industrialized states and the poor resource-exporting states (Prebisch, 1950; Singer, 1950). Their argument was not received with open arms by the development economist. On the contrary, Viner disapproved their ideas by calling them "mischievous fantasies" (Viner, 1952: 61-62). However, the argument of Prebisch and Singer comes closer to ideas regarding the resource curse in the 1990s, because they emphasise the negative effects of resource abundance. These scholars make a distinction between 'the rich industrialized states' and the 'poor resource-exporting states' (Prebisch, 1950; Singer, 1950). By indicating a gap between these states, they take a closer look at the global position of these states regarding knowledge and development. Most of the 'poor resource-exporting states' are development countries, who at the time of the discovery of the resource had not enough domestic knowledge and technologies for the exploitation of the natural resources (Prebisch, 1950; Singer, 1950). In the case of oil for example, foreign companies from the 'rich industrialized states' were consulted by the 'poor resource-exporting states' for oil exploitation. The price these resource rich states paid was the domination in the oil sector by foreign multinationals, under the mask of foreign direct investment. Companies like Royal Dutch Shell and Standard Oil from the United States dominated oil fields abroad for a long time in several petro-states such as Nigeria, Saudi Arabia, and also Venezuela. It were not the resource rich states themselves benefitting most from their natural resource abundance, but often western industrialized states. The 'poor resource-exporting states' became poorer, and the 'rich industrialized states' became richer, widening the gap between these states. This is why Prebisch and Singer argue the resource rich states came to depend on the industrialized states (Prebisch, 1950; Singer, 1950). Their ideas evolved later in the dependency approach. This dependency of 'resource rich states' on 'industrialized states' is important to take into account when analysing resource abundance on a level of the international political economy, because it indicates the position of the resource rich states in the world order.

Since the 1950s, economists have made a sustained effort to test these arguments, particularly the claims that developing states faced a decline in their terms of trade and are harmed by export instability (Ross, 1999: 302). Export instability is an important factor within the resource abundance debate. The international market for most natural resources, in particular oil in this case, is an unstable and unpredictable market. Prices are never fixed, causing price shocks and price volatility. Therefore the income of a petro-state can fluctuate. At times the income can be high when the price of oil on the international oil market is high, and at times of crisis the price of oil can be low, thus the oil revenues will be low. Especially for petro-states the fluctuating oil prices can be problematic, because of their heavy dependence on oil revenues their income is never certain, which can cause shortage and thus domestic discontent.

Liberal and radical structuralists largely agreed on the problems of resource exports, but they split over how to rectify them (Ross, 1999: 302). Moderate structuralists like Hirschman favoured a strong role for the state to buffer developing economies against international price shocks, to capture the economic rents that were repatriated by multinationals and to invest them in other sectors of the economy (Hirschman, 1958: 60). Hirschman indicates the prominent role which foreign multinationals had in resource rich countries. In other words, domination of these foreign companies needed to be weakened to let the resource rich countries benefit from their own resources, so it would stimulate growth. In addition, the 'buffer' to economically protect a petro-state mentioned by Hirschman could come in different shapes. One of it are sovereign wealth funds, in which resource rich countries save their revenues for times when the oil price is low to protect them from the price shock and provide a temporary income from the savings (Carson & Litmann, 2009: 5). The other buffer would be an international organisation which controls the oil prices. From these structuralist ideas evolved the foundation of the Organization of the Petroleum Exporting Countries (OPEC) in 1960. An organisation which today still has as a main objective to "coordinate and unify the petroleum policies of its member countries and ensure the stabilization of oil production, in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers, and a fair return on capital for those investing in the petroleum industry" (OPEC, 2017). In other words, it aims to create economic and political stability for oil exporters and consumers. According to Hirschman these types of buffers are essential for petro-states to leave the rents, who initially were taken by foreign multinationals, in the resource rich country, so they could develop and strengthen their economy (Hirschman, 1958: 60). However, this unification also creates power among the petro-states members of the organization. Furthermore, not all oil producing countries are represented in OPEC. Large oil exporting countries, such as Russia, Mexico and China, never joined the organisation. In the meantime other oil exporting organisations were founded such as Organization of Arab Petroleum Exporting Countries. Therefore it remains difficult to keep the production stable. The fact that not all oil exporting countries are member of the OPEC also indicates a level of inequality even among petro-states. Some benefit from the unification of the organisation, some do not.

Inequality is a concept the dependency approach focusses on, because some states come to depend on other states which fosters the gap between them and increases inequality.

The dependency approach

Radical structuralist such as Andre Gunder Frank, Fernando Henrique Cardoso and Enzo Faletto formulated new interpretations about Latin American underdevelopment today known as the dependency approach, which emerged in the 1960s and 1970s. This approach states that natural resources flow from a periphery of poor and underdeveloped states to a core of wealthy states,

enriching the latter at the expense of the former, with a central contention that poor states are impoverished and rich ones enriched by the way poor states are integrated into the world system (Frank, 1966: 28-30). Andre Gunder Frank elaborated the ideas of Prebisch and Singer discussed earlier. Prebisch and Singer distinguish 'the rich industrialized states' and the 'poor resource-exporting states' and indicate a gap between these two (Prebisch, 1950; Singer, 1950), Frank takes this to a next level by seeing the 'the rich industrialized states' as a core of wealthy states, surrounded by the 'poor resource-exporting states' who are the periphery of poor and underdeveloped states (Frank, 1966: 28-30). Not only the gap between these states seems to be widening according to Frank, but because of how they are integrated into the world order, this inequality seems to be fostered (Frank, 1966: 28-30). This is how the core of wealthy states seems to benefit from the resource rich periphery of poor and underdeveloped states. Such different perspectives on the division between these states and the gap this causes is important to take into account when analysing oil abundance. The challenges petro-states face is not only caused by the discovery of oil or pre-existing circumstances, but it is also caused by this gap between states in the world order. It indicates the position of the resource rich states in the world order.

The radical structuralists Fernando Henrique Cardoso and Enzo Faletto argued that capitalist governments in developing states would be unable to take the measures proposed by moderates as long as these governments were dominated by local elites who shared the class interests of the foreign multinationals (Cardoso and Faletto, 1979: 83-86). These arguments indicate inequality in a socialist or slightly Marxist manner, because they criticize capitalism and are in favour of the developing states. Cardoso and Faletto focus on the state as a political institution. They indicate the domination of the government by local elites in resource rich countries. Often these local elites are in favour of other capitalist governments in the industrialized countries of which the foreign multinationals dominate their resource exploitation. Local elites and foreign multinationals have a close beneficial relationship. Both keep each other wealthy. The local elites give permission to the multinationals for foreign direct investment and both parties get a share in wealth. In the debate regarding natural resource abundance this would mean the wealthy states would become wealthier by means of multinationals trading resources owned by the underdeveloped states of which only the top layer of society becomes richer. The problem is the largest part of society stays poor when this mechanism remains (Cardoso and Faletto, 1979: 83-86).

From these arguments can be derived that the resource curse debate was approached from a different angles in the 60s and 70s. In the 50s it was mainly economic and unilateral. Only few elements were taken into account when analysing oil abundance. Having a natural resource was not seen as a curse at all. It was mainly an opportunity for developing countries to let their

economy flourish (Viner, 1952; Lewis, 1955; Spengler, 1960). Around the same time in late 50s and 60s and after that time more factors were involved in the debate around oil abundance, such as the state, institutions, the world order and politics, under the name of capitalism and communism (Frank, 1966; Prebisch, 1950; Singer, 1950; Cardoso and Faletto, 1979). The debate around the resource curse is not only focussed on the economy, but it is a multi-angled debate where different disciplines, such as economics, politics and socialism emerge.

1.2 The resource curse debate regarding populism and oil abundance from an international perspective

The term 'resource curse' was used and interpreted for the first time in print by economic geographer Richard Auty in 1993 in *Sustaining Development in the Mineral Economies: The Resource Curse Thesis*. His work explains how countries rich in mineral resources were unable to use this wealth to boost their economies, and how these countries had lower economic growth in comparison to countries without an abundance of natural resources (Auty, 1993). Two years later, in 1995, Jeffrey D. Sachs and Andrew M. Warner elaborated on Auty's article by examining ninety-seven countries over a nineteen-year period to measure the impact of resource exports on GDP. It was one of the first influential studies with strong proof for the correlation between natural resource abundance and poor economic growth (Sachs and Warner, 1995). After the research of Sachs and Warner many studies on the resource curse followed which shaped the academic debate regarding the international political economy of the resource curse.

Within the debate different topics are discussed, such as the centralized role of the state, the oil market and its price volatility, nationalization of the oil industries, pre-existing inequality in petro-states, corruption in governments because of petro-dollars, levels of democracy and autocracy. Often these topics are intertwined when discussing oil abundance.

Populism in the centralized role of the state

Societal explanations for the resource curse focus on the central role of the state, in this case in oil rich countries. Scholars supporting the societal approach suggest that resource booms enhance the political leverage of non-state actors who favour growth-impeding policies (Salant 1995, Varangis *et. al* 1995). In other words, resource booms strengthen political power of non-state actors who favour policies which might threaten growth. This political power can stimulate populism in a country, because political power becomes more important than growth. Auty argues that especially in Latin America manufacturers and workers who enjoyed subsidies from the resource sector stopped their governments from dropping import-substituting industrialization policies, despite they became counterproductive (Auty, 1995). The manufacturers and workers should be welcoming import-substituting industrialization policies,

in order to not see the manufacturing sector be dominated, and finally erased, by the resource sector. Obviously they received enough financial support from the resource sector to reject it. The workers become influenced by a higher political power and co-opted, which is a form of populism. However, Sachs and Warner suggest that such trade barriers do not work (Sachs and Warner, 1995). Such policies would work when for example a manufacturing sector dominates the resource sectors, but this is hardly the case. Especially in petro-states, the resource sector dominates the export market. Therefore, the societal arguments alone are not the strongest in the resource curse debate in the 1990s. But they do explain the domination of the resource sector over the other sectors. The domination of the resource sector and the high revenues this generates can become so strong that it fosters populism.

Counter arguments on the societal explanations are state centred arguments which explain there are more factors causing the resource curse. There is only a weak correlation between exports and trade barriers, because resource induced-protectionism might account for only one-third of the resource curse (Sachs and Warner, 1995). Sachs and Warner their argument counters the arguments in the previous paragraph of Hirschman, about the protectionism of the petro-state. Obviously, such protectionism for foreign multinationals and price shocks is not enough to let a petro-state benefit from its resource revenues. Protectionism is often done by the state and became even stronger when petro-states decided to nationalize their oil industry.

The nationalization of the oil industries

During the 70s and 80s many oil companies were nationalized. For example oil companies were privately owned often by large foreign multinationals. These companies were not free from corruption, because large sums of the oil revenues went to the foreign multinational and not to the countries where the oil was exploited. In order to let the oil revenues not go to foreign states, but remain inside the country, state officials chose to let the oil industry become state owned enterprises. Scholars have different opinions on what happens with a state when oil companies are nationalized. Michael Ross for example suggests that oil only gained strong antidemocratic powers in the late 1970s after most oil-rich developing countries nationalized their oil industries, which gave political leaders far greater access to the rents (2012). In other words, according to Ross the nationalization of the oil industries in petro-states gave more access to rents for state officials, especially to determine on what those rents would be spent, and thus it gave more power to these political leaders and less power to the public. Now the power was not in the hands of foreign multinationals, but in the hands of politicians. This can foster populism in politics, because politicians have the power to use oil revenues for their own political agenda to buy loyalty from the public. It gives the chance for democracy to erode and autocracy to grow.

John Waterbury elaborated on the previous argument and analysed how maintenance of

political coalitions has damaged the productivity of developing country state owned enterprises. He takes Ross's statement to another level involving corruption by arguing: 'principal-agent problems have led to crippling inefficiencies, despite autonomy, boards staffed with bureaucrats and "politicos" can arbitrarily intervene in management, thanks to the centralized administrative power structures' (Waterbury, 1993). In this case the nationalization of the oil industry has a negative effect and can lead to higher levels of corruption in the form of nepotism, patronage and co-optation. It is likely that when the rents of an oil company fall into the hands of corrupt state officials their followers expect a share in return for loyalty, these people can be high state officials in favour of the regime or close relatives. To avoid discontent in society populism can grow and certain groups can become co-optated to keep them satisfied. With the nationalization of the oil industry in a petro-state, the state gets a more central and dominant role. Important to bear in mind is that in both cases, when an oil company is privately owned, as well as owned by the state, corruption can be maintained. The nationalization of an oil industry is not a guarantee for the elimination of corruption, and therefore an increase in oil revenues distributed to the people. Foreign multinationals as well leaders of the state can be corrupt.

In contrast to Waterbury, Steffen Hertog argues there is still hope for the state owned enterprises by keeping politically motivated distribution and profit-oriented economic planning separate, non populist regime elites can provide space for profit-oriented management (Hertog, 2010: 293). Unfortunately this is rarely the case in petro-states, because in the state centralized regimes politically motivated distribution of rents and profit-orientated economic planning go hand in hand. Most of the regimes have high levels of populism to keep society satisfied. In addition, such populist regimes cope as well with government systems drowning in corruption which is hard to erase.

Corruption in the petro state: nepotism, patronage and co-optation

Corruption inside a petro-state can grow not only because of oil abundance. One of the first scholars who developed the resource curse concept into a theory was Hussein Mahdavy. He argued that high state officials receiving resource rents tend to become reluctant to take risks and do not invest in development of the country, they rather invest in maintaining the status quo (Mahdavy, 1970). Often this is the case in petro-states. However, when the regime practices populism they pretend to have development on the political agenda, but in reality they are investing in keeping their own political allies satisfied by nepotism and patronage. This clientelistic bond of allies surrounding state officials is part of the status quo.

Instead of focussing on the economic and political side only, Hootan Shambayati involves social actors and suggest that rentier states receive too little pressure from society to improve policies, because taxes are generally low in petro-states in order to keep people satisfied and discourage them from protesting (1994). Keeping society quiet is a form of co-optation imposed

by certain inducements and constraints. The inducements are that people do not have to pay taxes, but in exchange for that the constraints are that they are not allowed to protest or demonstrate their public opinion.

Both scholars give a different explanation to the resource curse problem and analyse different actors. Such arguments come closer to the approach of the resource curse, from the perspective of the international political economy, which is not focussed on the economy or politics only, but involves both, and includes social actors. Interesting about previous arguments is that one would expect resource rich countries to be economically stable, because of the revenues the exportation of a natural resource can bring wealth, but the contrary seems to happen. In fact, it challenges the capabilities of the state and can weaken the institutions.

Terry Lynn Karl focusses on the weakness of the state and its institutions, and the capability to promote economic development. Such institutions might become weak, because of corruption. She claims that when a state highly depends on oil, it tends to get a characteristic institutional setting called the petro-state:

which encourages the political distribution of rents. Such a state is characterized by fiscal reliance on petrodollars, which expands state jurisdiction and weakens authority as other extractive capabilities wither. As a result, when faced with competing pressures, state officials become habituated to relying on the progressive substitution of public spending for statecraft, thereby further weakening state capacity (Karl, 1997: 16).

Karl her argument is from the same nature as the arguments of Shambayati and Mahdavy. The three arguments are intertwined, because each bears a part of the other. They all take the state as a centralized institution, but shine a light on it from different perspectives. Mahdavy focusses on nepotism and patronage of state officials who use resource revenues for their own political game of empowerment, Shambayati involves co-optation which further weakens state capital and causes instability, and Karl points out that this dependence on oil revenues causing political corruption weakens the development of the economy and the state capabilities.

If the governments of petro-states are generally so corrupt, Giacomo Luciani might have the solution to this problem. "The government should not have control over the oil revenue: it should receive an allocation from an institution representing a higher level of national consensus and enjoying greater stability" (Luciani, 2011: 227). Letting the government have less control over the oil revenues sounds like a good solution, especially in states with a lot of corruption. The politicians will not have the authority over the petro-dollars, and the spending will be more under control. But the question remains who will be responsible within this organisation and are there no strings attached to the government. It might create stability, but perhaps it will not take a long time before this institution also will be bribed.

Another way to create more economic and political stability are sovereign wealth funds.

These are investment funds owned by the state. The funds are common in resource rich countries. The state saves a part of the resource revenues in order to have a buffer for possible hard times in the future. This way of saving will protect a government depending highly on one commodity from price shocks and volatility. In addition, this money can be continuously spend on for example health and education. These important political actors do not have to suffer of the price volatility on the oil market. However, there are two major pitfalls to these saving systems: the lack of transparency and their possible misuse for political or other non-commercial goals (Weiss, 2009: 1). In addition, this system functions well in authoritarian regimes, and less well in democracies. In an authoritarian regime the ruler of the state does not have a certain term. He can make long term goals by remaining in power. The revenues will be at his disposal and he does not have a term in which he has to fulfil his political promises and lose the money to his successor. In a democracy a ruler is only in power for several years. If one creates a sovereign wealth fund, the revenues invested will go to the successor, and it is unknown what happens to this investment. Therefore, a sovereign wealth fund is not always a promise for stability.

These forms of corruption discussed are the right ingredients for the resource curse to develop itself, unfortunately they are hard to eliminate and will affect sooner or later the levels of democracy and autocracy.

Democracy and autocracy in petro-states

Paul Collier analyses the development of democracy and autocracy in petro-states with high levels of inequality. Resource rents are likely to induce autocracy, but the biggest issues for autocracies is that replacing autocracy with democracy — not an easy thing to do, since autocrats generally cling tenaciously to power — is unlikely to be enough, because the sort of democracy that the resource-rich societies are likely to get is itself dysfunctional for economic development (Collier, 2007: 51). Thus, even when there is transition in an autocracy to democracy, of to higher levels of democracy, this kind of democracy is not working, because there is a lack of restraints.

Thad Dunning adds to Collier's argument that pre-existing inequality is an important additional factor in petro-states to which the resource curse applies. Dunning argues that high pre-existing inequality settings he studied, like in Venezuela, Ecuador, Bolivia, Botswana and Chile, the limited role for checks and balances and for protections of minority (elite) rights might ordinarily make democracy of this kind highly threatening to elites (2008: 290). First, he explains that because of unequal conditions in the economy and politics of a country before oil was discovered. One of these unstable conditions could be the level of democracy or autocracy and no restraints. Second, if a country has high levels of autocracy and low levels of democracy when oil is discovered often oil can bolster autocracy, when a country has low levels of

autocracy and high levels of democracy oil can bolster democracy. Third, in a country with high levels of autocracy, democracy can be a threat to a small group of elites, because society might demand equality and therefore an equal distribution of oil rents going to the people and not to the pockets of local elites.

Democracy and autocracy always come in certain levels. One state can be more democratic than the other. Regimes with both autocracy and democracy are called hybrid regimes. These are political systems in which the mechanism for determining access to state office combines both democratic and autocratic practices (Coralles & Penfold, 2011: 137-138). Javier Coralles and Michael Penfold analysed in particular the case of Venezuela, but argue that in the beginning of the 2000s there were many petro-states becoming hybrid regimes. In addition, they go beyond the traditional arguments of the resource curse, claiming that this curse alone is not enough to explain the direction in which these petro-states are heading. The explanation for the rise of hybrid regimes lies in what could be called an “institutional resource curse”: oil, certainly, but in combination with a number of institutional arrangements, is what explains key regime change (Coralles & Penfold, 2011: 6). In other words, they do agree with the previous arguments of scholars such as Karl, Shambayati, Mahdavy, Collier and Dunning. But, they draw the line further and claim that petro-states who are hybrid regimes are capable of developing not a regular resource curse, but an institutional resource curse. This argument bears all previous arguments, because in the institutional resource curse the state as an institution is twisted and shaped in favour of the state officials to remain in power and cause as less social discontent by taking control over the public, jurisdiction, enterprises and media.

To understand the political position of Venezuela in the global world order and unification between petro-states regarding their oil export it is important to briefly examine a few other dominant petro-states and their regimes.

The position of petro-states in the global word order

Outside the Latin American region the most leading petro-states can be found in the GCC (Gulf Cooperation Council) region. Major oil exporters in the region are Saudi Arabia, Kuwait and the United Arab Emirates. All three countries are OPEC member states. These are relatively young nations in comparison to Venezuela, since the region was ruled by the Ottoman Empire for decades and after that the region became British protectorate. All of these states have authoritarian regimes ruled by absolute monarchies since they were founded. These states do not have populist regimes, but do use oil for their politics and foreign policy. Adam Hanieh argues that the power of the rulers in the GCC is effectively hereditary, concentrated in a family that controls the state apparatus and large tracts of the economy (2011: 9). Nepotism plays a role in these regimes where high positions are given to tribe or family members. Important to bear in mind is that neither these regimes are free from any form of corruption, nor from the

domination of society. Bernard Haykel is claiming oil will remain a tool used by the GCC states seeking to dominate society, but equally a topic through which dissent and resistance are produced from below (2015: 147). Also in this case oil is increasing political power just as in Venezuela, but this power is used in different ways, because the regimes and societies are structured in different ways as in the Latin American region, because of the autocratic rule of royal families.

Another OPEC member and ally of Venezuela is Iran. Iran gradually became closely aligned with the West and grew increasingly autocratic (Cordesman: 1999, 298). However, growing discontent among the people against western influences caused the revolution in 1979 leading toward the Islamic Republic of Iran. These western influences might have inspired Mahmoud Ahmadinejad for his anti-US policy, just as Venezuela's historical influence of the US had inspired Hugo Chávez. Iran has an autocratic regime in which the Supreme Leader of Iran makes the highest political and economic decisions. Just as previous states Iran used oil revenues to practice an autocratic regimes.

The countries mentioned above have several aspects in common which determine their global position. They are worldwide mayor oil exporters, are OPEC member states and have autocratic regimes. All are allies of Venezuela.

However, there is one country which is an exception within the global world order regarding its oil abundance and politics. Paul Collier agrees with Thad Dunning that Norway is this exception because it is a mayor oil exporting country which already contained high levels of democracy, equality and economic growth before in the 1960s the oil in Norway was discovered (2007: 51). Furthermore, Norway has a transparent sovereign wealth fund (Carson & Litmann, 2009: 43). This pre-existing prosperity and a transparent sovereign wealth fund might help Norway to remain prosperous and stable. Norway had never been an OPEC member, it never had an autocratic regime and never had been an ally of Venezuela. This indicates most oil exporting countries and diplomatic allies of Venezuela are autocratic regimes.

In fact, it is still difficult to trace why exactly Norway is an exception within the resource curse debate, because, as Michael Ross states clearly: "The failure of states to take measures that could change resource abundance from a liability to an asset has become the most puzzling part of the resource curse" (1999). The next paragraph will discuss the method which will finally help getting closer to the source of this complex problem.

1.3 The International Political Economy and Robert Cox's Method

The method for this thesis will be an IPE theory developed by Robert Cox. It is a theory in the shape of a triangle, connecting the three factors: *material capabilities*, *ideas* and *institutionalization*. The theory will be explained in this paragraph for a better understanding of

how it will be applied as a method to the case. Cox's theory suits this thesis, because it is a theory which takes into account multiple-angles. It does not only focus on the economy or politics of international relations, but includes both variables and social factors. This will be needed, because the central focus will be Venezuela and its oil abundance. But this will be analyzed in relationship to *chavismo*, because that was the dominant populist ideology during the administration of Hugo Chávez, and its international affairs. It will demonstrate how they are connected and interact with each other. The theory analyses a case always within its historic context, which is important for a deeper understanding of the origins of a case. In addition, the case of oil abundance and *chavismo* in Venezuela in the international context had been analyzed by IPE scholars, but Robert Cox's theory had not been used before for this purpose. Therefore it will contribute to the literature by offering a new perspective. Before explaining the theory, a brief description of the International Political Economy will be given, to demonstrate why IPE is important for this case study and in order to define the framework for this thesis. Followed by an explanation of the theory and how this will be applied to the case in the next chapters.

Definition of The International Political Economy from Robert Cox's perspective

There is not a fixed consensus about the meaning of IPE. As the field evolved throughout years of research, different meanings of IPE evolved throughout its history. Robert O'Brien and Marc Williams argue that it is an open field of study that encompasses both the national and the international, an interdisciplinary endeavor that 'crosses the boundaries between the study of politics and economics', which may also draw on a range of other social science fields such as history and geography (2013: 24). In contrast, John Ravenhill argues IPE is a subject whose central focus is the interrelationship between public and private power in the allocation of scarce resources (Ravenhill, 2011, 19). His description belongs to the traditional form of IPE. This thesis will hold on to the broader perspective from Robert O'Brien and Marc Williams. The focus on the connection between the national and international factors, combining politics and economics, and adding other disciplines such as history, is appealing for this thesis, because it will need a complex approach taking into account more perspectives.

In the 70s, around the time of the first oil crisis, new scholarly perspectives and theories on economics and politics emerged (Broome, 2014, 5). In the 80s Robert Cox, together with several other IPE scholars, published his ideas. One of his most important arguments is that "theory is always for someone and for some purpose" (1996: 87). Cox means that previous theories often were developed for serving the purpose of political liberal hegemonic powers. Hegemony in the Gramscian tradition is "an order within a world economy with a dominant mode of production which penetrates into all countries, it links into other subordinate modes of production and is a complex of international social relationships, which connect the social classes of the different countries" (Gill, 1993: 61-62). Another reason for choosing this theory, is

because hegemony in the current and historical world order is an important concept for this case study. It is a dominant concept within *chavismo* and will be further enhanced in the following chapters. Cox tends to be critical about these existing hegemonic theories. Just as Cox was critical about hegemony, so was *chavismo*. Criticism on hegemony resonates throughout the IPE discussion in the 1980s.

Not all IPE scholars agree with such criticism. Especially the British school of IPE supports this argument. There are two different schools of IPE: the British and the American school. The American School focusses on international institutions, international regimes and governments (Cohen, 2008: 13). This is a rather singular perspective, because when analyzing a multi-angled case study there are more elements involved. The British School is more complex, because it goes beyond the state alone to encompass a much wider array of authoritative factors (Cohen, 2014: 13). This case study regarding Venezuela is not only about government relations and oil abundance, but also about the left wing ideology *chavismo*. It is a critical case study. Because of its complexity and approach from the British School, such as Robert Cox's theory, would be most suitable for this analysis.

The Method: Robert Cox's Triangle

In Cox's *Social forces, states and world orders: beyond international relations theory* he describes a theory in which he follows the interaction between three forces: *material capabilities, ideas and institutions* (Cox, 1996: 98). Cox's essay aims to explain a broadening of the enquiry beyond conventional international relations, so as to encompass basic processes at work in the development of social forces and forms of state, and in the structure of global political economy (Cox, 1996: 90-91). In other words, Cox's work is critical about hegemonic international relations theories and questions them (Cox, 1996: 90-91). At the same time it adds other relevant structures to the existing theories. *Material capabilities, ideas and institutions* are connected through the shape of a triangle. The way in which the lines of forces run is always a historical question to be answered by the particular case study (Cox, 1996: 98). This study engages with the interaction of these forces and demonstrates how they interact in the case of Venezuela concerning its oil abundance and foreign affairs during the administration of Hugo Chavez. Important for this analysis is that each of the sets of forces, seen as a whole and separately, will be seen as containing, as well as bearing the impact of the other (Cox, 1997: 101). Thus, each force is not a singular entity standing alone. They are intertwined and interact with each other, and inevitably carrying each other's impact. In order to apply Cox's theory on this case a brief explanation of each force will be given first.

The most dominant force of the triangle in this case will be the *material capabilities*, which are productive and destructive potentials (Cox, 1996: 98). On the one hand they are productive because they facilitate labor, capital and accumulate wealth (Cox, 1996: 98). On the

other hand they are destructive because they can destroy usual patterns, such as existing markets or traditional workforces (Cox, 1996: 98). A natural resource such as oil can be a material capability. In the case of Venezuela for example, oil had produced labor and accumulated wealth. Before the extraction of oil the state wasn't a significant player within the global world order. When oil was discovered several major oil producers started to show interest in its oil exploitation. However, traditional means of trade such as agriculture and cocoa farming eroded because of trade in the newly exploited commodity. The oil exploitation caused an enormous demographic shift. Not since the wars of independence had Venezuela witnessed such a dramatic movement of people within its borders (Tinker Salas, 2009: 8). These people moved to new residential enclaves in de oil industry. This indicates that in the case of Venezuela oil had been a *material capability* being productive in terms of wealth and destructive in terms of traditional means of production.

The second force of Cox's triangle is *ideas*. There are two types of ideas. The first one is intersubjective meanings, which are shared notions of the nature of social relations which tend to perpetuate habits and expectations of behavior (Cox, 1996: 98). An example in the case of Venezuela can be how Venezuelans act among each other in certain political situations. This is a less important form of ideas for this thesis, because the form of the *idea* will be analyzed is an ideology. The other form of *ideas* is the one of collective images of social order held by different groups of people (Cox, 1996: 99). In this context of the second form of *ideas* will be discussed, because it relates to the dominant ideology called *chavismo*. The focus of *ideas* will be on a collective political and economic level and less on the level of individual social interaction between the Venezuelan people.

The third force of Cox's triangle is *institutionalization*. This force is a means of stabilizing and perpetuating a particular order (Cox, 1996: 99). Chávez tried to stabilize a particular national order in Venezuela. His government did this by taking control over the oil industry, the media, the legislation and several other institutions. By stabilizing this national order he could continue doing this on an international level where he had strengthen ties between Venezuela and other left wing-petro states. In the context of *institutionalization* the foreign affairs of Venezuela will be discussed.

Throughout this thesis the interaction between these forces will be analyzed in order to indicate different variables and trends within the academic debate regarding the political economy of petro-states and the case of Venezuela within this debate.

Robert Cox's model is a socio-economic model and a heuristic device (Cox, 1996: 100). This means the method does not take into account one variable only, but uses a broader variety of variables. After extensive research it appeared that Robert Cox had not received critique on this specific essay. However, he had received general critiques from a scholars from the

American School of IPE with a realist economic background. Roger Tooze for example, contradicts the ideologist approach in IPE, and rather sees IPE from a realistic point of view with a pure economic model (1987, 527). His approach would be too singular for this thesis, because it will not only take Venezuela's economy as a static entity into account, but it will also analyze the political effect of oil wealth and *chavismo* in Venezuela on an international level. John Adams is even less merciful in critiquing Cox. Adams's opinion on his work is that it is a complete failure, because it is not original containing too much weak Marxism, it is categorizing too much, he is predicting the past and it is not 'real' economics (Adams, 1989, 224-225). John Adams is clearly a hard core right wing economist who does not appreciate Cox's work. This thesis will argue that the right wing economist view of John Adams would not suit the analysis. The singular approach of Tooze and Adams is biased, because it is too singular. It is a narrow way of examining this broad world order we live in with all these different variables. Returning to Cox's famous phrase: "theory is always for someone and for some purpose" (Cox, 1996: 87). Tooze and Adams are serving the right wing economic world order, without politics and social factors. Also their views may exist, but in addition to that, we need other critical views, such as Cox's work, because there are more ways in which we can see the international political economy. Resulting in more critical answers about the current world order. In contrast to Roger Tooze and John Adams, there are scholars who had followed Cox's footsteps, such as Suzan Strange.

Some scholars from the British School of IPE had built on Cox's model. A prominent scholar who did this was Suzan Strange. In her book *States and Markets* she describes the model she had developed. It has similarities with Cox's triangle, but her work uses four concepts. The four structures she mentions are security, knowledge, finance and production (Strange, 1988: 27). Her work corresponds heavily with Cox's work, because both focus on one particular question which is: *cui bono?* (Cohen, 2008: 89). This means: who benefits? It is a frequently asked question in IPE. It will be one of the central questions for this research. In this thesis there will be analyzed how, and if, Venezuela is benefitting from its oil revenues. In addition, who benefits from the Venezuelan foreign relationships in the world order at the time Chávez was in power.

The academic debate regarding the resource curse demonstrated this concept is approached from many different angles and constructed by a rich variety of opinions. The debate in the early 50s and 60s was singular economic and static. In the 90s it evolved towards a more dynamic debate involving several disciplines such as economics, politics and (social) history. From this analysis can be derived that because of oil abundance a petro-state can face many challenges, which can become problematic. When oil is discovered in a petro-state, often the state does not have the knowledge and financial capability to extract and refine the oil. Foreign direct investment on these levels had often been needed in order to set up the oil industry. Oil

revenues ended up with large foreign multinationals, instead of the petro state itself. This caused discontent inside governments and many oil industries were nationalized. Despite the nationalization large sums of oil revenues did not end up with foreign multinationals, but it ended up in the pockets of high government officials. It was poorly spend on social and public purposes. Because of these events public discontent rose which often made petro-states more autocratic then democracy to maintain control over their civil society. Generally, this had been hurting most petro-states more than it was helping them. The next chapter will demonstrate how this development process regarding oil abundance, populism and foreign policy had been evolved during the history of Venezuela from the discovery of oil in the 20s, until the 90s when Hugo Chávez took office. The third chapter will answer the research question, as derived from Cox's 'who benefits?'. What is the effect of oil abundance on *chavismo* in Venezuela's foreign policy during the administration of Hugo Chávez? There will be examined who was benefitting most from the oil in Venezuela: was it Hugo Chávez, was it the Venezuelan public, the state or foreign actors? In addition, was it bad for the regime of Hugo Chávez or not? Throughout all chapters the international political economy theory of Robert Cox will be used as a method to keep focusing on the IPE perspective, which will give a multi-angled outcome of the case.

In order to answer these questions. A deeper understanding of the history of oil abundance in Venezuela's economy and politics is needed, and will be analyzed in the next chapter.

Chapter 2

A historical perspective on oil abundance, foreign policy and the roots of *chavismo*

In order to understand what is happening nowadays, we have to understand what happened in the past. As a result one can interpret events of a case not only in its contemporary time and space, but also in the historical context. This provides a more holistic outcome for this thesis.

This chapter will provide a historical perspective of oil abundance in Venezuela in the context of its international relations and oil policies on a political and economic level to better understand the roots of *chavismo* in the next chapter. Important to bear in mind when analysing the history of this case is the IPE framework, and specifically for this case Robert Cox's triangle of *material capabilities, ideas and institutions* as explained in the previous chapter. Not only there will be a focus on the economic history, as frequently done in the past, but also on the political and social aspects of its history. It will take several factors into account, such as on a political level the government, on an economic level the institutions such as the foreign oil companies, and on a social level the Venezuelan people.

The twentieth century will be marked as the main timeframe for the historical analysis.. Although the first oil wells were discovered in the eighteenth century, this thesis will not start with the initial discovery, because oil started to become an interesting export product for Venezuela in the late nineteenth century. Around this time a worldwide need for oil increased rapidly, because of the global industrial revolution. Oil started to become internationally an important trading commodity. This trend was important for Venezuela, because it discovered its territories contained significant oil wells and the country could export the oil.

Therefore, the analysis will start with the discovery of the first significant oil wells and its exploitation by foreign multinationals in the beginning of the twentieth century during the regime of Juan Vicente Gómez. Followed by the first Dutch disease and detachment from the foreign multinationals under the *Pacto de Punto Fijo* administration led by Rómulo Betancourt. After that the way towards the nationalization of the Venezuelan oil industry will be discussed, together with the Venezuelan initiative of the formation of the OPEC. Finally, the dramatically dropping oil prices, discontent of the Venezuelan people and the path towards the presidency of Hugo Chávez will be analysed.

First, this chapter will start with an explanation of the political and economic situation before oil was discovered, to understand the transition towards the oil exploitation by Juan Vicente Gómez and the foreign oil companies, and later the deepest roots of *chavismo*.

2.1 Venezuela before the oil era: *caudillismo* and agriculture

Until 1821 Venezuela had been a colony of the Spanish Empire. Political turmoil in Europe and Spain was one of the main causes for freedom fighters, such as Simón Bolívar and José de San Martín, to dissolve the South American continent from the Spanish Empire. The great liberator of Venezuela was Simón Bolívar. In a nutshell, he was a rebel, a revolutionary, and an anti-monarchist (Chávez, 2009: 6-16). In *The Jamaica Letter*, a letter he wrote when he was in exile in Kingston, he expressed his loathing attitude towards the Spanish occupation: “our hatred for the Peninsula is vaster than the ocean which separates her from us” (Simón Bolívar: 2009, 42). In addition to break the ties with Spain, he also wished to create a united South America: “more than anyone, I wish to see the greatest nation in the world formed in America... Union is certainly what we need most in order to complete our regeneration” (Bolívar, 2009: 54, 62). Freedom from colonialism and unification were important to him because in his opinion it would create a free government, stop slavery and justice for all South American people (Bolívar, 2009: 40-63). Bolívar succeeded in liberating most of South America, together with other freedom fighters and military governors. However, his dream to unify South America as one nation did not come true. The continent was scattered by too many different cultures and minorities. Many were already existing before the occupation of Spain and some emerged during the occupation. Bolívar’s ideas later became important principles for the ideology of Fidel Castro and Ernesto Che Guevara during the Cuban Revolution, and also for President Hugo Chávez. These events will be discussed later in this chapter.

The fight for independence from Spain in the territory what today is called Venezuela did not proceed without struggle. It lost close to 40 percent of its population, suffered enormous property damage, and saw almost all of its previous bureaucratic systems destroyed (Lombardi, 1966: 153-168). After Venezuela’s liberation *caudillismo* dominated the way in which the country, and most of South America, was governed. In the nineteenth century *caudillismo* was characterized as an informal political-social system based on a paternalistic relationship between the subordinates and the leader, who obtained his position as a result of his forceful personality and charisma (Castro, 2007: 11). It was not a stable political system. On the contrary, it was a system dominated by instability, insecurity and violence.

Before Venezuela became an independent state the major sources of income were cacao beans, coffee beans, tobacco, sugar, cotton and other forms of agriculture, like most South American countries at that time (Arcila Farías, 1946: 69). Oil was not playing a significant role at that time. After the independence in 1830, the economy of Venezuela declined, because Spain had been the main importer of cacao. The demands of agricultural products from other new trading partners such as other parts of the Americas or Great Britain were not enough to cover

this loss.

In the first decades of Venezuela's independence the country suffered economically and politically. It was dominated by dictatorial rule, knew several presidents in a short period of time, had civil wars and disputes over territories with Great Britain and The Netherlands resulting in a diplomatic crisis (Calcaño, 1895). Because of the political turmoil in the country, the economy could barely flourish. In other words, before oil started to play a significant role in Venezuela, the country already had known a turbulent history.

2.2 Oil and dictatorship: the beginning of the oil era

For centuries it was known that the land of Venezuela contained oil reserves. What was not known was how much oil it contained, because at that time measurement techniques were not available. Along with global industrialization in the nineteenth century the need for oil increased and techniques to explore oil fields improved. Juan Vicente Gómez became president in 1908 and anticipated on the global trend of industrialization. He gave the order to foreign oil companies to explore, produce and refine oil (Brading, 2013: 44). The first oil wells were drilled around 1910. When on the 14th of December 1922 the oil well called Barroso no. 2 exploded Venezuela was destined to become a petro-state (Brading, 2013: 6). This event was a turning point in Venezuelan history. The explosion of the well was the proof the territory contained enormous reserves. Domestically the Venezuelan state did not have many experts on oil exploitation (Tugwell, 1975: 39). Therefore, such knowledge and expertise needed to come from abroad. Neither had it the financial means and technical instruments. This historical moment marked the start of the dependence on foreign multinationals. Internationally there were many oil companies who were interested in benefitting from the riches of Venezuela. These were mainly British, North American and Dutch oil companies, such as Royal Dutch Shell and Rockefeller's Standard Oil.

Initially many foreign oil companies in the Latin American region were based in Mexico, because the Mexican oil industry was one of the first in the region to develop itself and started by the end on the 19th century. The development of the Mexican oil industry took place before the development of the Venezuelan oil industry. In the 1920s the foreign oil companies shifted their industries to Venezuela, because of the loss of Mexican oil competitiveness, a loss reinforced by revolutionary nationalism (Brown, 1985: 385). In Mexico between the 1910s and 1920s the Mexican Revolution changed the country on a political and cultural level. However, the primary reason for the shift was economic, rather than political (Brown, 1985: 385). Venezuela under Gómez was cheaper to exploit and therefore more profitable for the oil companies. In addition, the Maracaibo region had the best potential in Latin America. This was a highly beneficial situation for Venezuela to expand their oil industry and production.

Juan Vicente Gómez did not only had to take care of the oil industry, he also had the hard task to unite a fractured polity, because Venezuela was still polarized when he took power (Tinker Salas, 2009: 2). The unification under Gómez did not happen. On the contrary, he ruled the country as a dictator. His main focus was to increase oil production, keep his loyal supporters satisfied to remain in power and boost the Venezuelan economy. Corruption in the form of clientelism grew and he gave hand-outs to friends, family and his oligarchic alliance (McBeth, 2002: 214). Gómez preserved the existing wealth of a small group of elites who were now profiting from the oil bonanza.

The other group who was profiting from the oil revenues, were the international oil companies. They established their own oil policies and structures in Venezuela. Accepted by those in power as 'Venezuelan enterprises', the foreign oil companies gradually evolved their own separate power structure that created alternative sets of loyalties among their employees and other sectors of society' (Tinker Salas, 2009: 3). Therefore, corruption did not only grew in the government, also the oil sector was permeated with corruption. Both sectors came to depend on each other. Gómez needed the oil companies to generate oil revenues for the Venezuelan economy to flourish and to remain in power. The oil companies needed Venezuela, because the Maracaibo region was on its way to becoming one of the most profitable regions for oil exploitation in the world.

Influence of foreign oil companies changed Venezuela on an economic, political and social level. Demographically there was an enormous movement of people towards the oil fields of Venezuela. Most of the oil reserves in Venezuela are until today located in the north-west of the country, around the Lake Maracaibo. The oil companies needed to settle here and recruited employees. Therefore, thousands of rural Venezuelans and their families moved from all over the country to the emerging oil towns that dotted the Lake Maracaibo area (Tinker Salas, 2009: 6). The demographic change was significant. Not since the wars of independence had Venezuela witnessed such a dramatic movement of people within its borders (Tinker Salas, 2009: 8). These people were located in so called *campos petroleros*. These are housing and living camps for people working in the oil industry.

Campos petroleros are structured and organised villages where the rules and regulations of the oil companies apply. Inside these towns there is a culture and organised life developed by the oil companies. There are strict rules for the employees regarding what they do and where they go. For example, only in the weekend Shell organises a bus trip to the city close by so the employees can leave the camp. Employees take such restrictions for granted, because they get paid well by the oil companies (Diplomatic visit SASREF, 29 November 2015).

Such oil camps were a model for Venezuelan society and the world outside to demonstrate prosperity in Venezuela. For the government and the oil companies they were a tool to control

society by means of social engineering and maintain cultural hegemony. A form of labour aristocracy was created.

It is interesting to see how this labour aristocracy was reflected in a form of propaganda for Shell in Venezuela. The oil company published a magazine called *Topicos Shell de Venezuela* for its employees in the 1940s. The magazine was written in the Spanish language, thus the target audience were mainly local Venezuelan employees. Initially, this edition of the magazine focusses on the development of education in the oil camps of Shell. It emphasizes on how well developed the education is at the Shell oil camps, how important education is for the children of the employees and thus how important it is for the company. The editor writes: 'The educational systems have been improved and are always advancing, and with this evolution teaching has become an important aspect of The Company' (Topicos Shell de Venezuela, 1941: 1). Education is a carefully chosen topic by Shell. In this way it demonstrated affinity with the employees for which the well-being of their children is of great importance. It is a sensitive issue, because children are the future of each family. Additionally, there is a travel report of a journey to Great Britain as if the WOI is not taking place at all (Topicos Shell de Venezuela, 1941: 4-5) and a loyal employee who works for the company for 27 years gets rewarded with a golden watch calling it 'an act of justice' (Topicos Shell de Venezuela, 1941: 8). The column *Sociales* draws the line even further by publishing private matters of the Shell employees. Such as the successful recovery of an employee after surgery, condolences of the loss of one of the family members of an employee, the birth of a baby, and the lunch which was offered by the workers to one of their staff members on the occasion of going out to enjoy their vacations (Topicos Shell de Venezuela, 1941: 9). Shell was publishing compassionate messages and great successes of the company in *Topicos Shell de Venezuela* to demonstrate prosperity to their employees and Venezuela, in order to maintain and promote loyalty. This magazine was a proof of a well maintained form of labour aristocracy. Because of the collective working environment the employees started to organise themselves.

Oil workers and their unions became the most powerful component of the Venezuelan labour movement privileging the demands of the oil workers and their unions (Tinker Salas, 2009: 11). Employees in other sectors did not enjoy such privileges. Thinker Salas describes the ethnic division of races in Venezuela because of the oil industry in his book:

Between 1920 and 1940 the practices of foreign oil firms gave rise to a complex social and racial division of labour in which Dutch, British and United States citizens monopolized most managerial positions as well as drilling and other technical operations. West-Indians for the most part held clerical positions, while others occupied much-sought-after skilled jobs. Chinese consigned to relatively menial positions or sought new opportunities in local commerce. Venezuelans were relegated to the tenuous positions of day labourers (Tinker Salas, 2009: 139).

As demonstrated by this complex social and ethnic division of labour one can perceive that there were new social classes shaped in the already polarized Venezuelan society inside the oil industry. In addition, there was on the same grounds a division in salaries, housing and other benefits (Tinker Salas, 139). The foreign workers often dominated the Venezuelans creating new forms of political discontent in the social arena.

On top of the gap Gómez already had created, between a rich minority and a poor majority with his corruption policy, the oil companies were widening the gap in society between the people working in the oil industry and the people working in other sectors. By the 1960s upwards 25 percent of the Venezuelan population lived in or near an oil camp (Tinker Salas, 2009: 4). The ethnic division in the Venezuelan society became enormous inside and outside the oil camps. It went from a polarized society to a shattered society.

Domestic discontent was rising. The shattered division in society and the crisis of the first Dutch disease around 1929 worsened the gap. Because of this extremely rapid increase in oil production and export, the other agricultural sectors of the Venezuelan economy were suffering. Venezuelans moved from working in the traditional sectors towards working in the oil sector. The government did not take enough measures to avoid the rapid decline of the importance of the agricultural sector, and therefore the extreme dependency on the oil sector increased (Lieuwen, 1954: 81). Inevitably, the majority of the population was not satisfied by these rapid changes. They did not enjoy the riches of the oil wealth, as such changes were not in their benefit. One of the first active signs of discontent occurred the year before the Dutch disease, in 1928. An organized group of students called *Generación 28*, united to protest against the government of Gómez. Some of the students who were active in this organisation later became prominent politicians. Among them were for example Rómulo Betancourt, former president of Venezuela, and Jóvito Villalba, founder of the Venezuelan political party Democratic Republican Union. *Generación 28* was the first large project of reform in Venezuela and a demonstration for democracy (Brading, 2013: 44). The students did not succeed to politically reform Venezuela and some of them, such as Rómulo Betancourt, were exiled by Gómez.

Another form of written critique on the Gómez administration came from Rómulo Gallegos in the same year as the *Generación 28* protests. The novel *Doña Bárbara* is about a woman who has the power to seduce and take control over men. The story is an allegory for the conflict between civilization and rural life in Venezuela Gallegos sensed among Venezuelans. Implicit in the criticisms of backwardness and lawlessness was praise for the populist rationale for change (Derham, 2010: 40-41). Gallegos his critique against the regime was not accepted by Gómez, therefore also he had to flee the country and went into exile in Spain where he published his book. *Doña Barbara* became a famous novel worldwide. For this work and other novels he was nominated in 1960 for the Nobel Prize in Literature (Nobel prize, 2018).

Despite the critique of corruption and nepotism Juan Vicente Gómez received, he did improve Venezuela on a financial and logistic level. In the 1930s the national sentiment called 'sembrar el petróleo' grew, it was a common believe that the oil revenues would be use to invest in modernization and growth (Thinker Salas, 2009: 12; Lieuwen, 1954: 83). This sentiment arose, because Gómez improved Venezuela's economy, transportation network and invested in foreign relations and his successor maintained this trend. By 1930 Gómez had paid off the foreign debt, built up the country's road network and manufactured a foreign press abroad (Betancourt, 1979: 39-44).

In the end. Gómez's oil policy was beneficial for the Venezuelan economy and a small part of the population, but not for its politics and the quality of living for the majority of Venezuelans at that time.

2.3 Oil and military rule: Venezuela becoming the world's largest exporter of oil

When in 1935 Juan Vicente Gómez died he was succeeded by his former Minister of War Eleazar López Contreras. The years after Gómez's death were still dominated by authoritarian and military rule. However, in the 1940s during the regime of López Contreras and his successor Isaías Medina Angarita, Venezuela became the world's largest exporter of oil (Bruce, 2008: 15). The increase in oil revenues occurred on the back of Lázaro Cárdenas's nationalisation of the Mexican industry in 1938 and the Second World War's intensified demand for safe supplies (Bruce, 2008: 49). In particular the nationalization of the oil industry in Mexico was the start of a wave of nationalization processes in the region.

The regime of Eleazar López Contreras radically changed the oil policy. It was a more nuanced dictatorship. Oil laws became more beneficial for Venezuela, foreign oil companies had to pay more taxes and humanitarian situations in the oil camps improved (Lieuwen, 1954: 80-83). In comparison to the administration of Juan Vicente Gómez this was an improvement for Venezuela. Even socialist or communist Venezuelans who were imprisoned or exiled by Gómez in the 1920s and 1930s were allowed to return to their country (Lieuwen, 1954: 72). Therefore, left wing Venezuelans had the chance to re-united and organise themselves once more. They saw an opportunity to take over power and make an end to the continuing stream of autocratic regimes, which were beneficial for the economy, but not for the public who had no voice in the economic and political choices made in Venezuela. By the end of the presidential term of López Contreras in 1941 his opposition remained critical. Agriculture was still prostrate, transportation facilities were lacking, little headway had been made in meeting the nation's great sanitation, housing, and educational problems remained (Lieuwen, 1954: 89). In other words, on a social level very little had improved. Worst of all, the nation was now more dependent upon oil than it had been under Gómez (Lieuwen, 1954: 89). His right wing

supporters would argue he improved the economy, but his left wing opposition would remain critical because he did little to improve Venezuela on a social level. The polarization and inequality continued to exist under his rule, and so it did when his successor took office.

Eleazar López Contreras was succeeded in 1941 by Isaías Medina Angarita. In the same year the Venezuelan oil industry experienced one of the worse shocks in history because of the attack on Pearl Harbor. This historical event brought war to the western hemisphere. Now also the Caribbean and Venezuelan oil were targets for Nazi tankers. The production in the oil industry declined, unemployment rose and revenues dropped. This was an economic disaster for Venezuela, because it was fully depending on the revenues of its oil production. In contrast to diversifying the economy, Medina Angarita decided to reform the oil law in order to let the country profit even more from the oil revenues (Lieuwen, 1954: 93). Meanwhile discontent was growing among an increasing opposition. The left wing opponents had enough of a shortsighted petroleum policy, restrictive labour controls, and resistance to social and political reform (Lieuwen, 1954: 100). After four year of presidency the regime of Isaías Medina Angarita was overthrown in 1945 by means of a military coup d'état led by Rómulo Betancourt and his followers of the political party Acción Democrática (AD).

Betancourt intended to establish a democratic regime in Venezuela. His term of three years was called 'El Trienio Adeco'. In this term Venezuela held democratic elections for the first time in history and two new political parties, COPEI (Independent Electoral Committee) and URD (Democratic Republican Union), were formed (Arráiz Lucca: 2011, 2). These transformations indicate this term was characterized by a semi-democratic regime, there was more democracy then during the authoritarian regimes. However, this period started with a military insurrection, a junta was formed and it ended with another strictly military order (Arráiz Lucca: 2011, 2).

In 1947 Betancourt organised elections and Rómulo Gallegos was elected as president. His term did not lasted long enough to establish a democratic regime. Many Venezuelans, the oil companies and the military were not satisfied with the plans of AD. The political party intended to reform the oil policy, diversify the economy and raise taxes (Lieuwen, 1954, 11). These plans were not beneficial for the oil companies and a large part of the population working in the oil sector. Economically Venezuela had been flourishing during the dictatorships. The dictatorships were beneficial for the Venezuelan economy.

In addition, when Rómulo Betancourt was exiled in Costa Rica in the 1930s he had briefly sympathised with the Partido Comunista de Costa Rica (Betancourt, 2006: 152). Finally, he wrote in his memoires he came to the conclusion communism was not a system of organisation he wished to implement in Venezuela (Betancourt, 2006: 153). His brief sympathies for communism were not the main reason for the military to overthrow the AD administration, but

they could have seen this as an additional threat.

In 1948 Gallegos was overthrown by Carlos Delgado Chalbaud who was a military officer. Once more Venezuela had returned to an autocratic government ruled by a military junta. Again there was a strong focus on the development of the oil industry and very little on social programs or the diversification of the economy. This trend remained for the following years. In 1952 Colonel Marcos Pérez Jiménez took office. During his term the oil prices were rising because the war against communism of the United States in Korea and Arab oil rich countries visited Venezuela (Tinker Salas, 2009: 218). In addition, Pérez Jiménez maintained cordial relationships with US government of President Eisenhower (Mähler, 2011: 594). Because of the war in Korea the Pérez Jiménez administration received more oil revenues from the United States and the diplomatic visits were important to establish a place on the international oil stage. The economic focus remained very much on oil production. Two years later there were some signs of diversification. In 1954 The Bethlehem Steel Corporation began to exploit its huge iron-ore deposits south of the Orinoco River, followed by the United States Steel Corporation (Lieuwen, 1954: 115). However, this was the exploitation of another natural resource and not enough to diversify the economy. Changes seemed far.

2.4 Oil and democracy: *Pacto de Punto Fijo* and increasing US interference

It was until the late 1950s that the political situation in Venezuela and Latin America changed radically. In the 1950s foreign companies began to withdraw from the social arena in Venezuela (Tinker Salas, 2009: 12). In the political arena there was unrest and discontent. Partly because there was a rising trend of communism in the South American region. In Venezuela signs of communism had been eliminated on the political stage. Betancourt came to the conclusion that communism was not the right political system for Venezuela, but in other countries in the region left wing regimes were gaining political support and power. For example, in Argentina Juan Peron started his second term, in Chile Salvador Allende tried to take over power and the Cuban Revolution was about to start. At the start of the Cold War the United States was afraid for an upcoming united communist Latin America which the Cuban Fidel Castro and his Argentinean companion Ernesto Che Guevara aimed to establish. Their ideology was not a new one, as freedom fighter Simón Bolívar, discussed the first paragraph, once had the same wish. It is a returning topic in Latin American history. A situation like this would threaten capitalism. Venezuela was a significant trading partner and supplier of oil to the United States. The capitalistic United States and its allies could not continue the war against communism without oil. Thus, Venezuela was of high importance for the United States on an economic and political level. The United States could not risk Venezuela becoming a communistic state.

After public riots against Pérez Jiménez in 1957 Rómulo Betancourt came to power again

by means of a coup d'état in 1958. This moment became a turning point in Venezuelan history, because it ended an era characterized by dictatorial rule, except from Betancourt and Acción Democrática's earlier term from 1945 until 1948. AD together with two other prominent political parties established a new political order in Venezuela. It was an institutional arrangement of neoliberal political rule between two or more parties called a *partidocracia* (Mähler, 2011: 593). The AD established this arrangement together with COPEI (Social Christian Party) and Unión Republicana Democrática (URD), and called it *Pacto de Punto Fijo*. The main objectives of the pact were to combat the dictatorship, respect the constitution and electoral results, promote democracy, combat opposition forces seeking to undermine the pact and no single party hegemony (Corrales: 2001, 90). The pact intended to promote democracy. Paradoxically, by signing this pact between three dominant political parties, there was lacking a voice of other political parties and ideologies. The political pact was characterized by these three extremely strong political parties and other intermediate organizations, and by the intention of conflict avoidance and a high level of internal party discipline among the political elites (Monaldi *et al.* 2006, 35). It lasted for almost four decades. The new political system brought political stability to Venezuela, but was not free from corruption. Just as the dictatorial regimes it maintained powerful because of clientelism and patronage networks (Buxton: 2005, 334). In other words, it was beneficial for the stability in the country, but corruption and political inflexibility remained. Furthermore, there were forms of co-optation as well. For example in the agrarian sector, the three political parties gave hand-outs to the farmers. They did this in order to let them remain loyal and avoid a communist uprising. An agrarian reform was set in the 1960s together with similar programs organised with the assistance of the United States all over Latin America (Enríquez, 2013: 617). Betancourt maintained cordial relationships with the United States under President J.F. Kennedy, just as his predecessor Pérez Jiménez under Eisenhower.

The programme *US Alliance for Progress* was launched by the United States in the beginning of the 1960s. The main aims of the programme were economic growth, price stability, income distribution, land reform, establishment or maintenance of democratic governments, elimination of illiteracy and social planning (Smith, 2009: 152). These outcomes of this US foreign policy strengthened the relationships and fostered trade between North and South America. The other purpose of this development programme was that the United States tried to dominate Latin America for the sake of capitalist hegemony. Kennedy actively implemented and promoted this programme in Latin America to avert revolutions in the region (Enríquez, 2013: 617). Especially after the Cuban revolution this US foreign policy was actively maintained. In other words, the programme was economically beneficial for Venezuela, but it increased US influence and dependence in the region.

Another important turning point in Venezuelan history was the formation of the Organization of the Petroleum Exporting Countries (OPEC) in 1960. It was partly resulting from the growing international relations among other mayor oil exporting countries during the Pérez Jiménez regime and later during Betancourt administration. Venezuela was one of the promoters of OPEC and established the organisation together with Islamic Republic of Iran, Iraq, Kuwait and Saudi Arabia. The aim of OPEC was to control the oil production and regulate oil prices in the mayor oil exporting countries, governments of oil-producing and consuming countries agreed amongst themselves on quotas for production, which stabilised markets so that oil companies would no longer be deciding how much to sell their oil for and to whom (Markus, 2015: 246).

Despite the formation of the oil cartel Venezuelan politicians started to get concerned about a restriction threat from the US and about the inroads that Middle Eastern oil was making into European markets (Thinker Salas, 2009: 227). They were concerned that these restrictions would interrupt Venezuelan trade. Europe was an important market for Venezuelan oil, but now the Arab oil exporting countries were gaining access to European markets, Venezuela's revenues might decrease in the long run (Thinker Salas, 2009: 227). However, the opposite happened. Despite this situation, the revenues increased temporarily.

In 1973 during the administration of Rafael Caldera of COPEI the oil exporting countries faced an oil crisis. The OPEC proclaimed an oil embargo on countries which were supporting Israel in the Yom Kippur War (Markus, 2015: 247). By the end of the embargo the oil price had quadrupled (Rabe, 1982: 8). However, Venezuela could not profit from this price increase for a longer period of time. It did not create wealth, but a second Dutch Disease (Markus, 2015: 247). In 1976 former Minister of Mines and Hydrocarbons of Venezuela Juan Pablo Pérez Alfonzo warned the country for a possible future economic malaise: "Ten years from now, twenty years from now, you will see, oil will bring us ruin... It is the devil's excrement" (Maass, 2009: 211). Pérez Alfonzo was stating that on one hand oil was bringing Venezuela wealth, but on the other hand it brought instability and insecurity. It was another warning sign for the need of diversification. Venezuela, and also the other OPEC countries, were still highly depending on oil.

Carlos Andrés Pérez intended to listen to such warnings and was determined to diversify the economy by subsidies and took the final steps to nationalize the Venezuelan oil industry. In 1976 the Venezuelan state-owned oil and natural gas company *Petróleos de Venezuela S.A.* (PDVSA) was founded. However, the structure of the company did not radically change. Foreign oil companies were replaced by Venezuelan oil companies, who in their turn were owned by a company called *Petroven* which was owned by the state (Bye, 1979: 67). PDVSA was not fully nationalized. Venezuelans who used to work in the oil sector kept their positions. This step did not change the oil industry, but it did eliminated the influence from foreign oil companies.

2.5 Oil and socialism: the beginning of the Chávez era

In the beginning of the 1980s Venezuela was economically and politically relatively stable on the international stage. Venezuela became an example of growth because of the oil bonanza. The domestic picture was less perfect. As the *Pacto de Punto Fijo* was not free of corruption cracks in the government system were starting to get visible. Dropping international oil prices made this worse. On Friday the 18th of February 1983, called *Viernes Negro*, oil prices had dropped dramatically forcing the government to devalue the local currency Bolívar (Brading, 2013: 46). In addition, the country remained dependent and influenced by the US. The relationship between the three dominant *Punto Fijo* parties and the military had never been a trustful one. Money for hand-outs to trustees and the military started to decrease. The military was economically suffering and lacked basic needs. It was around this time that officers like Hugo Chávez got unsatisfied with the Venezuelan politics and organized themselves in order to make a plan to overthrow the corrupt government (Brading, 2013: 46).

By the end of the 1980s public discontent was rising. The Venezuelan people had enough of the corruption of the neoliberal political system which was leading towards impoverishment (Gallegos, 2012: 35). When Carlos Andrés Pérez took office for the second time in 1989, ten years after his first term as president, the International Monetary Fund (IMF) and the World Bank advised him to restructure the economy. Paradoxically, he cursed the IMF during his election campaign (Tariq, 2006), but implemented the plan. The IMF and the World Bank are international organizations founded and governed by the United States. Because of strong US influences it seemed likely Venezuela had no choice but to implement the economic plans of the IMF and World Bank. The economic measures included: ending price controls, devaluing the currency, large and successive reductions on import tariffs, increasing prices on public goods and services, reducing taxes on business and the wealthy and liberalising interest rates (Joquera, 2003: 10). These measures were affecting a large part of the Venezuelan population, because for example the price increase on public goods and services was affecting the income of many Venezuelans.

Shortly after these economic implementations a response to express the discontent of the public followed. Heavy protests and riots in Venezuela's capital city Caracas started. They were called the *Caracazo*. This historic event, together with the public and military discontent was leading towards an anti-neoliberalism sentiment. It resulted in the creation of Chávez's Revolutionary Bolivarian Movement-200 (Pellicer & Reyes, 2012: 8). The creation of this movement was one of the first steps Chávez was taking to end the *Pacto de Punto Fijo* and create a plan to overthrow the government.

As a response to the dropping oil prices, and an economy which still was lacking diversification, Carlos Andrés Pérez decided to open the oil field once more for foreign

investment again (Miller, 2004: 825). This policy was called *Apertura Petrolera*. It could not avoid deterioration of the economic and political situation. Important groups, such as the military and the Venezuelan people, had turned against the government of Andrés Pérez. It was the right moment for Hugo Chávez to plan a coup d'état. In 1992 he did an attempt to overthrow the government. He failed and ended up in prison. His Revolutionary Bolivarian Movement-200 did not give up and later that year there was another failed coup d'état attempt. However, these attempts did bring Chávez to the centre of attention among Venezuelans. For many who were dissatisfied with the government Chávez was seen as a national hero and a symbol of hope (Brading, 2013: 51, Pellicer & Reyes, 2012: 8). By means of his acts against the government he positioned himself among Venezuelan people who were unsatisfied with the government. He publicly expressed his dissatisfaction with this *Punto Fijo* government and the way the country had been ruled for the previous decades. During the Caldera regime in 1994 Chávez was released from prison.

Four years later in 1998 he had the possibility to run for president. During his campaign Chávez blamed Venezuela's ills on the *Pacto de Punto Fijo* and the use of oil revenues to maintain privileges for limited segments of society as poverty continued to increase through the country (Tinker Salas, 2009: 249).

2.6 The roots of *chavismo* in the Venezuelan history regarding oil abundance and international affairs

The aim of this historical analysis was to analyse the history of oil abundance in Venezuela in the context of its international relations and oil policies on a political and economic level. Cox's triangle would help with this analysis in order to demonstrate how the lines of forces would run between material capabilities, ideas and institutions.

One can conclude that the history remained turbulent throughout the nineteenth and twentieth century on a political, economic and social level. It had been heavily dominated by Venezuelan oil abundance on every level.

The independence from Spain did not bring Venezuela the freedom Simón Bolívar hoped for. The country remained divided and dominated by *caudillismo*, which brought more instability. Revenues from agriculture did not bring economic prosperity either. The discovery of significant oil reserves and global industrialisation raised the expectations for a brighter future for Venezuela and its people. During the regime of Juan Vicente Gómez in the beginning of the twentieth century oil wells were drilled with the help of foreign multinationals. The Venezuelan domestic and foreign policy started to be dominated by its oil production. Large parts of the revenues were going to the foreign oil companies and hand-outs to a small group of loyal supporters of the president. The majority of the Venezuelan people were not profiting much

from the oil riches and Gómez ruled as a dictator for almost three decades. He oppressed any form of opposition. Foreign oil companies were shaping the Venezuelan demography and caused even a more shattered society with their imposed labour autocracy. Despite domestic inequality, Venezuela became worldwide one of the biggest oil exporters by having a foreign policy strengthened by oil revenues. Dictatorial rule remained until the 1950s when the country experienced a political shift. The country went from an autocracy to a *patridocacia* ruled by AD, COPEI and URD. *Pacto de Punto Fijo* was not as democratic as it seemed, because the three political parties dominated the government for almost four decades and corruption remained. The United States intervened in several ways in Venezuela and the region to avoid the country becoming part of a united communist South American block. The oil embargo in the 70s and the dropping oil prices did not help to improve the situation in Venezuela either. It fostered discontent among its people. The economy was still highly depending on oil. There had been initiatives to diversify the economy, but they were not radical enough. The frequent change of politicians did not help either to find a possibility to create for example a sovereign wealth fund to save the oil money for future global price drops. Thus, with every price shock the oil price was getting, Venezuela was suffering too. The opposition of the government had more than enough of facing politicians fail continuously. Hugo Chávez was one of these opposition members and founded Revolutionary Bolivarian Movement-200. His ideas reached all the way back to the start of this chapter. He saw the mismanagement of his country by a small group of political elite and foreign oil companies, just as Bolívar saw it in the colonial time when the Spanish dominated South America. He wished to see equality among the Venezuelan people and finally letting them profiting from the oil revenues and not just a small majority. In addition, the dominance by the foreign oil companies and intervention from the United States should be eliminated. This historical analysis demonstrates that the roots of Hugo Chávez ideas for *chavismo* on a national and international level are laying in the Venezuelan history.

Interesting to see when applying Robert Cox's triangle method with the three forces *material capabilities, ideas and institutions* to the case is that throughout Venezuelan history there had been an incredible shift in forces, and how these forces influence each other. Because, the way in which the lines of forces run is always a historical question to be answered by the particular case study (Cox, 1996: 98). First the three forces will be discussed individually from an international political economy perspective. Because they always interact with each other and never are singular entities, their interaction will be discussed secondly.

The first force of Cox's method to this case demonstrates there is an incredible shift in *material capabilities*. In the beginning of the nineteenth century traditional agricultural products were dominating the economy. They were facilitating labour and accumulating wealth. When oil abundance was discovered and became an important export product in the beginning of the

twentieth century the dependence on traditional agricultural products eroded. *Material capabilities* changed radically, oil was destructive for the agricultural sector and the demography, but became productive in terms that it accumulated even more wealth economically. The country came to depend rapidly on domestic oil production and on the international demand of oil. *Material capabilities* changed from agriculture to oil production by the end of the nineteenth century. It shifted throughout history from productive, to destructive, to productive again, because of the change of sector. In addition, the natural resource brought a higher income in comparison to agriculture, therefore *material capabilities* became the most dominant force in the triangle on a national and international level, heavily influencing the other two factors.

The second force of Cox's triangle heavily fluctuated. The *ideas* in Venezuela had been very different, but paradoxically, very much the same. Initially all politicians in Venezuela wanted a better Venezuela in terms of economy and politics. However, they disputed over *how* they wanted to accomplish this goal. The dictatorship of Juan Vicente Gómez was beneficial for the upper layer of society, but the *Pacto Punto Fijo* was beneficial for the Venezuelan middle class. Both regimes were having oil revenues at their disposal, so in both cases the economy flourished, always depending on the price of oil on the international oil market. Again, the *material capabilities* were what made the *ideas* in Venezuela heavily fluctuate through time. During the Chávez administration *ideas* changed even more radically. Chávez was against the ideas of the dictatorships and against *Pacto Punto Fijo*. His *ideas* changed into a dominant ideology called *chavismo*. This ideology and its impact will be more extensively analysed in the third chapter, because it is specifically connected to the Hugo Chávez administration.

The third force of Cox's triangle, *institutions* changed as well. In the nineteenth century the country was dominated by Spanish rule, later by *caudillismo* and several presidents. When Juan Vicente Gómez came to power in the beginning of the twentieth century there was a continuing form of dictatorship for several decades. Under Spanish rule power was divided over the country and several regional *caudillos*. In a dictatorship power is dominated by one person in an autocratic manner. The role of the state as an *institution* became and remained centralized. Even when the dictatorship ended, the state remained organised as one central institution. On an international level Venezuela had to adapt to global hegemonic trends by implementing a centralized role of the state, in order to remain an important player on the international oil market and generate high revenues from oil.

All forces always interact with each other. Changes in the international political economy of a country, or on a global level, can shift the way in which the lines between the forces run, how dominant they are or how they interact between each other. The change of the *material capability* from agriculture to oil was an enormous turning point in Venezuela. Rapid industrial

global changes fostered the need for oil, which made the value of this commodity rise. Countries like Venezuela with an abundance of this resource could profit economically. The income of the state was rising dramatically. To fully benefit the state had to centralize the *institutions* to create order. The change of *institutions* caused a shift in *ideas* on how to accomplish goals within the state. It was the *material capability* of oil and the global world order who changed and fostered *institutionalization* in Venezuela.

Before the discovery of oil, *institutionalization* was the main force, but it was not centralized, so it was hard to practice and implement *ideas*. *Material capabilities* were an important force to maintain the unstable system. All forces did influence each other, but weakly and poorly. The historic chapter demonstrates that after the discovery of oil, *material capabilities* became the main force to push and stabilize *institutionalization*, and change *ideas* several times. The dominance of oil in the political and economic arena in Venezuela made the country a petro-state.

The following empiric chapter will take this research a step further by analysing the case regarding the effect of oil abundance and Chavismo on Venezuela's foreign policy during the administration of Hugo Chávez.

Chapter 3

The relationship between *chavismo*, oil abundance and Venezuela's foreign policy during the presidency of Hugo Chávez

Since Hugo Chávez came to power after the elections in 1998 the political climate in Venezuela changed radically on a domestic and international level. It marked an end to the traditional political arrangements pursued by previous governments (Tinker Salas, 2009: 206), such as dictatorial rule, *partidocracia* and political dominance of a small elite group.

The historic chapter demonstrated the roots of *chavismo*. Domestically Chávez wanted to implement domestic policies to improve the quality of life for the lower class which was till so far marginalized, he wanted to fully nationalize the oil industry which did not happen till so far and he wanted to get rid of the dominance of foreign oil companies and the United States in Venezuela. These were trends which dominated the political and economic arena in Venezuela for decades. Chávez, coming from a humble lower class family himself, saw while growing up the majority of the Venezuelan people was not profiting from the oil wealth. On the contrary, some even remained uneducated and had to live of very low incomes. Eliminating social inequality became an important aspect of Chávez's domestic policy.

Regionally he wished to create a united and cooperative left-wing South America by establishing several multilateral regional projects. Internationally he also strengthened diplomatic relations with other socialist countries and one of his main goals was to resist US hegemony, or 'US imperialism' as he called it himself (Guzman, 2013).

How he wanted to accomplish his goals was very different from his predecessors. He chose a populist political discourse. This discourse resonates throughout the ideology *chavismo*, as part of the Bolivarian Revolution. It was heavily inspired by the work and writings of Simón Bolívar and therefor the revolution is named to honour him. The populist discourse is marked by the inducements of his domestic policy. Such as, the social programs, or during rhetoric manifestation in public on the street, or on his TV channel called *Ola Presidente*. As well his foreign policy contains a populist discourse by maintaining diplomatic multilateral and bilateral relationships with other likeminded socialist countries.

However, neither the reign of his predecessors, nor the Chávez administration was free from corruption. To accomplish his goals he had to bribe organisations or had to silence his opposition, or give hand-out to his loyal followers, to let them remain loyal. Both on a national and international level.

This empiric chapter will further analyse the relationship between *chavismo*, oil abundance and Venezuela's foreign policy. It will answer the research question: what is the

effect of oil abundance on *chavismo* in Venezuela's foreign policy during the administration of Hugo Chávez? In order to answer this question most accurately and analyze the Venezuelan foreign policy in relation to *chavismo* and oil abundance, one first needs to take a closer look at Venezuela's domestic policy, to understand the roots of *chavismo* on a domestic level. Only then, one can understand what *chavismo* does on an international level and in this case how it manifests in the Venezuelan foreign policy. As demonstrated in the historic chapter by means of Robert Cox's triangle of *material capabilities, ideas and institutionalization*, there is barely any aspect in Venezuelan politics, nor the economy, which can be separated from oil production. These three factors have influenced each other throughout history and will remain influencing each other in the contemporary history. Also this chapter will continue applying this method to the case in order to achieve a holistic and accurate outcome.

The structure of this empiric chapter will be divided in two main parts. First, the domestic policy under the presidency of Hugo Chávez in relationship to *chavismo* will be analyzed. In this paragraph the focus will be on several inducement and constraint the president implemented. Inducements were mainly the enormous amount of social programs which came in a diverse variety of forms and shapes. For example eliminating poverty, stimulating education, creating rights for minority groups and raising funds for people who wanted to start a small business. Constraints were anti-neoliberal reforms such as changing the constitution, eliminating opposition and controlling the media. Second, the foreign policy under the presidency of Hugo Chávez in relationship to *chavismo* will be analyzed. In this paragraph the focus will be on the regional relations and international relations. The regional relations will be divided in multilateral relations and bilateral relations. On a regional level Chávez created strong diplomatic ties with Cuba, Argentina and Bolivia. Regional unification was part of a wave of left wing politics in the region called the Latin American *Pink tide*. On an international level Chávez tried to foster relations with likeminded regimes such as Iran and China. Furthermore, to maintain these relations he created international organizations such as Bolivarian Alliance for the Peoples of Our America (ALBA) and PetroCaribe. This structure will provide a clear overview to analyze the connection between *chavismo*, oil abundance and the foreign policy of Hugo Chávez.

The first and following paragraph will start by analyzing the domestic policy of the Hugo Chávez administration in the light of Robert Cox's triangle.

3.1 The Venezuelan domestic policy during the Chávez administration

When Hugo Chávez came to power in 1998 he had a clear vision of his intentions for Venezuela. In one of his first interviews after his election on Venezuelan television he points out his *ideas*:

We are constructing a democratic project. There is no way we will go backwards. Let's go for a constituent assembly. Of course with the permission of the people. Let's go for a diversified economy which generates jobs, which pulls Venezuela out of this dreadful misery. Let's go for a political model which is democratic. Let's go for a model of social integration, respecting education and human rights and Venezuelan values. In short, a real Venezuela, a new Venezuela (Pernía, 2016).

In the interview he speaks to the camera as if he is communicating with the people directly. He barely looks at the journalist who is doing the interviews, but focusses on the camera. Chávez repeats the words 'let's go for...' emphasizing his willingness and determination. He communicates his ideas in an outspoken way. This is rhetoric populist approach is part of *chavismo*. The content of his message is full of promises of a better Venezuela. He addressed goals which had not been reached by previous governments, not implemented. Paradoxically, some of these ideas are in contrast to his later actions. In addition, he does not talk about certain changes he wishes to implement. For example, he does not publically say 'let's marginalize the opposition and let's control the media'. Clearly, he only speaks about the inducements on public television to comfort and reassure the Venezuelan people. There is no word about the constraints, because this would increase his opposition.

Inducements of Chávez's domestic policy

Inducements are stimulating initiatives for certain groups of people to make them act in a desired certain way. In this case inducements during the Chávez administration were necessary to gain loyalty from Venezuelan people. However, at the same time, these inducements were helping to improve the quality of life of these people. The most important target groups for Chávez were marginalized groups of society.

The largest group were the lower class and the poor Venezuelans. For Chávez it was important to gain support from this group, because when he just came to power the half of the Venezuelan population lived in poverty or extreme poverty (Sistema Estadístico Nacional, 2015). Within this group of people were for example the illiterate, people with limited access to education and healthcare and people with disabilities. For them he created the famous *misiones* (Corrales & Penfold: 2011, 26). The *misiones* were social programs developed to improve the quality of life of the Venezuelan people. Most programs focused on eliminating poverty, stimulating education and social justice. There were also other programs helping people to start up a small business, stimulating the development of culture and identity creation among the Venezuelan people. When we look at the improvement of the quality of life the *misiones* did eliminate poverty when Chávez implemented them. Between 1998 and 2006 the poverty rate in Venezuela dropped with 31 percent (Sistema Estadístico Nacional, 2015). This is a substantial decrease. However, his actions were not merely praised. Brading argues it was a challenge to get the funds for the *misiones* at the right places, because there was personnel complaining they did

not received their wages for months (2013: 112-113). Javier Corrales and Michael Penfold confirm and ratify this statement by arguing the *misiones* were inefficient (2011, 26). Despite the rising standards of a part of the Venezuelan society, not all the funds were not reaching the right places. The Chávez administration was not free from corruption and there could be a possibility the fund for social spending was ending up in other pockets.

In addition, there were *misiones* for indigenous people in Venezuela. The indigenous people in Venezuela are an ethnic minority group who are the descendants of the first inhabitants before the Spanish occupation of the territory which is now called Venezuela. This group of society was an important minority because Chávez gave this marginalized group rights which had been ignored by previous administrations (Angosto-Ferrández, 2014: 145). Often they had been the less 'modern western' educated part of society. Therefore, for them it had been harder to find jobs, they often remained poor and lacked access to global communication networks. This last part had been maintained by the state according to Kathryn Lehman. She argues that indigenous groups have been enabled to gain access to international legal instruments that assist them in territorial and cultural demands, these instruments contribute to decolonize knowledge hierarchies and to present alternative forms of governance (Lehman, 2014: 117). This had been the case in Venezuela. Chávez gave the indigenous population a voice and rights they did not have before.

Furthermore, Chávez implemented technical committees and community organisations to come up with solutions to the serious problems of social services in poor urban neighbourhoods (Escobar, 2010: 15). The idea behind this was to stimulate direct democracy and participation. Venezuelan people would actively participate in solving problems within their own living area. It increases the feeling of inclusion and participation.

The *misiones*, technical committees and community organisations were an inducement for society, because they had to have a visible proof in their own environment of how the country was improving to remain loyal to Chávez. These inducement in the domestic policy are one of the most important pillars of the *chavismo* ideology. Between 2003 and 2007 when public spending was at its highest levels the popularity was increasing as well (Corrales & Penfold, 2011: 57). By lots of public spending he created *chavista* supporters.

However, not all poor Venezuelan citizens have been helped by Chávez's social spending. Laura Enríquez argues it did not improve the quality of life and business of the rural and agricultural poor of Venezuela, because there was too little investment in the agricultural sector (Enríquez, 2013: 617). A large part of investment went to the oil industry, which further impoverished this sector and its people.

Most important for this research is that this way of social spending was funded with oil revenues (Weisbrot & Sandoval, 2007: 9). Interesting is that on the international oil market the

prices were rising in the beginning of Chávez's presidency. Therefore, he could afford to increase public spending and let his popularity grow. Referring to Cox's triangle, Chávez's *ideas of chavismo* were made possible by the *material capabilities* of oil. Without the material capabilities these ideas could not be implemented and the president would not receive such high levels of popular support.

However, the other side of the coin were the constraints limiting a part of Venezuelan society.

Constraints of Chávez's domestic policy

The Venezuelan middle class was the part of society which noticed the constraints of Chávez's domestic policy first. They were mainly in Chávez's opposition and in PDVSA.

In 1999 Chávez changed the constitution. The new constitution was preventing the privatization of the oil industry and other sectors, enlarging the president's power, extending his time in office, implementing a new sovereign wealth fund and restructuring the oil tax (Markus, 2015: 248). The middle class was suffering from the nationalization of the public sector companies. For example, parts of the construction sector and electricity companies were nationalized, people lost their jobs and projects remained unfinished, because government spending did not reach the companies.

Main changes were made in the oil sector. The oil sector needed to be nationalized to let Venezuela benefit from the oil revenues and exclude foreign oil companies. The nationalization was part of the battle against US hegemony (see next paragraph). Apart from passing laws that in essence renationalize the industry he was replacing the board of directors of PDVSA (Tinker Salas, 2009: 249). Also PDVSA's president was fired, because he accused him of making contracts which only benefitted the PDVSA management (Markus, 2015: 249). Paradoxically, Chávez was transforming the constitution to gain governmental power. He fired the PDVSA staff who were practicing similar forms of clientelism as he did himself. Furthermore, the PDVSA staff was appointed by the previous capitalist regimes and Chávez needed his own supporters in the Venezuelan oil company to not lose control over his biggest source of income. The PDVSA workforce went through comparable changes. In 2002 when they went on a massive strike half of the workforce was fired (Markus, 2015: 249). Most of the PDVSA employees were middle class citizens. This change was another event increasing discontent among the Venezuelan middle class.

In addition, he kept track on his disloyal opposition by means of the *lista Tascón* (Tascón's list) (Corrales & Penfold: 2011, 27). This list was published on the internet. When one was on the list they could lose their job, be excluded from new job contracts or social benefits. It was a threat for his opposition.

Another constraint is the limited publicity of items in the media. The media were allowed

to operate, but stiff regulations were imposed on the content (Constitución de la Republica Bolivariana de Venezuela 1999: Artículo 58). Interesting is that in return for the control over the media Chávez broadcasted his own TV show called *Ola Presidente*. When looking at some of his shows one notices he interacts with his public, answers questions of ordinary Venezuelans and travels to all corners of the country to record his show. This is a profoundly social initiative. Showing commitment to the public is another important part of *chavismo*. On the other hand, by the opposition this form of *chavismo* propaganda was called *Venezolanization* (Kitzberger, 2012: 130). One can hear him talking for hours about the success of the Bolivarian Revolution or how important the prosperity of the oil industry is for the Venezuelan people. Kitzberger argues Venezuela's institutional weakness accounts for the radicalization of Bolivarian communication politics (2012: 134). Thus, this form of communication part of the *ideas* can be seen as a mask to cover up flaws and corruption in the *institutionalization*.

The rhetoric populist discourse of the TV channel *Ola Presidente* goes hand in hand with the *misiones*, unifying the lower class Venezuelan population, but widening the gap between the lower class and fostering the discontent among middle-class Venezuelans. In fact, the *Venezolanization* was polarizing Venezuela on a social level by the implementation of the anti-neoliberal constraints.

At the same time Chávez was threatening and eliminating his opposition. Venezuelans who would be against his domestic policy, who would not support his *chavista* ideology or plot against him would suffer from inhuman consequences. When one loses his job, gets excluded from social benefits and has not prospect on getting another job, one would have no income and end up on the street. His constraints did not make his domestic policy a democratic one, because there was a limited choice of political options and if not in favor of the regime one would suffer. His actions were contradicting his words of the interview he gave on television when he just came to power in which he is speaking of a social and democratic model of Venezuela to move forward (Pernía, 2016).

Chávez's *chavista ideas* have heavily influences the *institutionalization* of the Venezuelan state. In fact, it had even radically changed the *institutionalization*. Only by means of the *material capabilities* of oil in a centralized state the inducements and constraints have their desired effect. These *ideas* in the domestic policy are a cornerstone of the *ideas* in the foreign policy under the Chávez administration, because they are based on the same *chavista* ideology.

3.2 The Venezuelan foreign policy during the Chávez administration

Not only Hugo Chávez's domestic policy was characterized by *chavismo*, also many aspects of its foreign policy were permeated by this ideology. Mostly, it contained a very strong anti-US hegemony and anti-neoliberal sentiment. In the domestic Venezuelan policy the US mainly had

been used as a scapegoat, the foreign policy took active measures to exclude US capitalist hegemony and to create *chavismo* hegemony. Furthermore, on a regional level Venezuela had particularly strong diplomatic relations with Cuba and on an international level it strengthened ties with China. It also created enemies, not only with the United States, but also with for example other Latin American countries such as Mexico, Chile, Colombia, Peru and Paraguay. On a regional and international level Chávez maintained an active foreign policy towards the establishment of several international organizations to foster collaboration in the region and among likeminded countries.

First, this paragraph will explain Venezuelan US diplomatic bilateral relations because it is a central topic in the Venezuelan foreign policy which must be clear in order to understand the relations Venezuela has with other countries on a regional and international level.

Venezuelan – United States Relations

The historical events in the second chapter have demonstrate the United States had been an important influence in Venezuelan politics and economics. On the level of *material capabilities* the US was depending on Venezuelan of oil, and Venezuela was depending on the demand of the United States for the income of oil revenues. Foreign oil companies from the US dominated the Venezuelan workforce and also the social life of citizens, thus even Venezuelan *ideas* and the *institutionalization* was influenced by the US Economically this was a reciprocal and beneficial agreement for both countries. Socially and politically President Hugo Chávez wanted to eliminate US influence in Venezuela. Therefore, a part of his *chavismo* ideology was an anti-US policy, and an anti-capitalist hegemony.

How Chávez implements this anti-US policy is similar to the implication in the domestic sphere. The nationalization of the oil industry was one of the first steps. With this move he excluded the US from the Venezuelan political and economic arena. Furthermore, he uses his popular rhetoric discourse to strengthen his *ideas* and messages. On his *Ola Presidente* TV channel he uses the US as a scapegoat, to demonstrate power to the public and threaten the US. For example by saying “You are a monkey mister Danger” (Guzman, 2013). He calls the former president of the United States George W. Bush “Mister Danger”. With these words he is referring to Bush being an incapable US imperialist practicing capitalist hegemony which Chávez sees as a danger to Venezuela, Latin America and the world. This message is directed to the Venezuelan people, but also to a broader public. Just as his words during a public populist rhetoric manifestation on the street regarding a dispute Bolivia has with the United States. He tells the US ambassador to leave the country and publically curses the United States (Cabiozgz, 2014). His words are threatening and offensive while speaking loud. Clearly, when his words become more aggressive and his voice rises, the populist popularity is increasing among the public. They get enthusiastic and start to cheer louder.

During a speech on the 20th of September 2006 at the United Nations Assembly Chávez takes the anti-US sentiment a step further. In his speech Chávez talks about the devil referring again to President George W. Bush:

Yesterday, the devil came here. Right here. Right here. And it smells of sulfur still today, here on this table that I am now standing in front of... As the spokesman of imperialism he came to share his nostrums, to trying to preserve the current pattern of domination, exploitation and pillage of the peoples of the world... The American empire is doing all it can to consolidate its system of domination. And we cannot allow them to do that. We cannot allow world dictatorship to be consolidated (CNN, 2013).

This time his audience were not some screaming *chavistas* in the streets of Caracas, but heads of state of the members of the United Nations. This times message was directed towards a large international public of high importance. Neither he was in his home territory in Venezuela, but in New York. Chávez's words clearly demonstrate an anti-US sentiment, but by choosing to hold this speech for an internationally high official public, he draws his *chavismo* ideology and populist rhetoric to an international level. He gets away with spreading his *ideas* here, because his *material capabilities* are a large part of the global oil reserves several member of the United Nations are depending on. His populist rhetoric could be seen as a threat to not contradict him, because he could stop oil supplies and this would harm energy security. But also as just a non-violent populist show.

Harold A. Trinkunas supports this last argument by stating the US has nothing to fear from Venezuela (2011: 28). Analyzing Chávez's domestic and foreign policy in relationship to *chavismo*, Chávez's populist rhetoric is merely to provoke and spread *chavismo* discourse on a national and international level. He might threatened the United States with his words, but his actions remained relatively harmless. The US might have been excluded from the oil production scene in Venezuela, but Chávez did have social programs in the US. Citgo, the Venezuelan government's Texas-based oil subsidiary was providing free heating oil to low income families throughout the northeastern United States (Palmer, 2010: 27). This paradoxical aspect shows Venezuela had not fully excluded the United States from all aspects of its economy, but a strong anti-US sentiment remained throughout its foreign policy.

Important to bear in mind for the following two paragraphs about regional and international foreign relations is that Chávez his anti-US policy is not only included in his domestic, but also in his foreign policy. He tries to actively convince other states of his *ideas* to unify them and create a *chavismo* hegemony in the region to counterwork US hegemony and foster centralized *institutionalization*. Within the Latin American and Caribbean region his actions, resulted in a wave of left wing politics in the region during the Chávez administration, contradicting the right-wing western politics.

Venezuelan Regional Relations within Latin America and the Caribbean

The wave of left-wing politics was called the *Pink tide* (Remmer, 2012; Rosales, 2013). Again, when analyzing certain events in the historic chapter this trend is not just a contemporary one. Throughout Venezuelan and world history there had been several waves of left-wing politics. For example when Romulo Betancourt was exiled and got interested in communism during the 1930s, or in the 1950s during the Cuban Revolution. It had been an important ongoing trend which sometimes had been overlooked by scholars arguing *Pink tide* was some new invention in regional politics (Remmer, 2012; Rosales, 2013). Tim Anderson does agree with the historical importance of this trend regarding the creation of regional organizations in the region by arguing that the political genealogy of these Venezuelan led initiatives has a direct connection with 19th century Latin Americanist integration ideals (Anderson, 2014: 15). After a wave of right-wing politics in the 1990s, Chávez took office and implemented left-wing politics in Venezuela short after the turn of the millennium. This was again a dominant trend in the region and Chávez benefitted from this wave by creating several regional organizations to strengthen diplomatic ties with countries in the region for Latin American integration.

Multilateral Relations

One of the first international organization Hugo Chávez created during his presidency was the Bolivarian Alternative for the Peoples of Our Americas (ALBA) in 2004. The main objective of this organization was regional cooperation and integration on a social, political and economic level. The ideology behind the organization are the principles of the socialist Bolivarian ideals of Hugo Chávez. The eleven member states of the ALBA are mainly the Caribbean islands Antigua and Barbuda, Cuba, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines and the countries Bolivia, Ecuador, Nicaragua and Venezuela. These countries have mainly social democratic governments. Antulio Rosales argues the ALBA privileges Venezuela's oil diplomacy and increasing cooperation with companies from the emerging powers (2013: 1453). In addition, Norman Girvan argues the ALBA should be seen as one expression of a process of reconfiguration in world and hemispheric affairs (2011: 132). Chávez intended to stimulate economic cooperation among likeminded countries providing them with an increasing economic growth by the means of oil revenues. Analyzing the position of Venezuela and the Caribbean states one could argue in addition to Rosales and Girvan he was establishing a strong geopolitical block of allies surrounding him to counteract western capitalist influences.

In 2005 Chávez created PetroCaribe. An Energy Cooperation Agreement initiated by the Government of Venezuela to provide preferential payment arrangement for petroleum and petroleum products to several Caribbean countries (Caricom, 2013). Interesting is that PetroCaribe has similar Caribbean participants as the ALBA. This indicates Venezuela intended to even further strengthen diplomatic ties with countries in the region and create financial

dependence. Rodrigo Acuña confirms this dependence arguing that the organization was their country's lifeblood essential to maintain their fragile public finances (2014: 81). Anthony P. Maingot denies this dependence by arguing the sophistication of Caribbean democrats is the main barrier to Chávez's lack of intellectual sophistication and penchant for braggadocio, the Caribbean leaders find his socialism confusing and ultimately unconvincing (2011: 118). However, the percentage of dependence in 2012 contradict this statement. The Caribbean countries might have experienced his approach as confusing and unconvincing, but by 2012 Venezuela's petro-policy was covering more than 40% of the region's energy demands (Acuña, 2014: 81). Furthermore, Norman Girvan's arguments confirms this percentage by stating that the growth of relations between several ALBA and PetroCaribe states is one of the most significant recent developments in Venezuelan regional affairs (2011: 116). The opinions regarding the effect of PetroCaribe on the regional relations are heavily divided, but the organisation did create dependence on Venezuelan oil.

In addition to the creation of the ALBA and PetroCaribe, Venezuela strengthened multilateral relations with countries in the region by actively participating in the establishment of the Union of South American Nations (UNASUR), the Community of Latin American and Caribbean States (CELAC), and the monetary fund as a regional replacement of the IMF called Banco del Sur. All organisations were established to stimulate regional cooperation and multilateral relations. Furthermore, the organisations fostered *institutionalization* in the region to shape a block of likeminded allies with similar *ideas* surrounding Venezuela and create dependence on Venezuelan *material capabilities* of oil. However, the bilateral relations were just as important to Venezuela. Even more to establish these multilateral relations.

Bilateral Relations

Important regional bilateral relations for Venezuela were for example the ones with Argentina and Bolivia, of which the one with Cuba can be considered of the most strong and fruitful one. However, Venezuela also made enemies with countries in the region such as Peru and Paraguay.

Fidel Castro and Hugo Chávez were close allies before Chávez became president. Castro saw in Chávez the companion with likeminded ideas he needed as an ally to finance and stimulate his communist project and medical diplomacy. Furthermore, they both wished to eliminate US influence in the region. In 1994 Castro invited Chávez to visit Havana. Both gave a speech at Havana University. Castro is praising in his speech Chávez's Revolutionary Bolivarian Movement-200 and Chávez's *ideas* by stating "And above all, we extraordinarily value those Bolivarian ideas" (TeleSUR English, 2014). Finally, when Chávez came to power Cuba became one of the most important allies of Venezuela. The diplomatic relation was not only based on likeminded Bolivarian ideas, but also on the oil-for-doctors trade agreements (Feinsilver, 2010: 91). The agreement provides Venezuela with a broad variety of health care services and Cuba

gets provided with oil and finances derived from Venezuelan oil revenues to subsidize this project. However, Venezuela is Cuba's most significant trading partner. Feinsilver argues when Venezuela suffers from an economic collapse, so might Cuba (2010: 100). Cuba became dependent on the Venezuelan *material capabilities*, and it is not the only country in the region.

Argentina for example became another country depending on Venezuelan oil revenues. When Chávez came to power he strengthened diplomatic ties with the left-wing regime of Néstor Kirchner and his wife Cristina Kirchner in Argentina. In 2005 and 2007 Venezuela helped this ally on a financial level. When Argentina tried to pay off its \$ 9.8 billion debt to the IMF Venezuela provided a \$2.3 billion credit to Argentina in 2005 (Hogenboom, 2012: 149). This was not the last financial injection from Venezuela to Argentina. In addition, there was another transaction towards Argentina which was not legal. In 2007 a Venezuelan-US businessman was arrested at the airport in Buenos Aires carrying in his suitcase \$800,000 in undeclared funds slated to be used to help finance Cristina Kirchner's campaign for president (Corrales & Penfold, 2011: 108). Interesting about these transactions is that it raises several questions on an economic and political level. First, with this enormous debt Argentina has, one might wonder if it will ever come to the point to pay Venezuela this money back. Second, domestically the donation of this large sum of money might cause friction, because it could be invested on a national level in for example the elimination of poverty or diversification of the economy. Third, regarding corruption, both transactions are a form of clientelism. In particular, the transaction of 2007 questions Venezuela's financial transparency and legitimacy. Not only on a domestic level, but also on an international level corruption remained in the Venezuelan policy. Furthermore, the financial aid from Venezuela made Argentina depending on Venezuela, just as in the case of Cuba, but even more significantly, because Cuba had a diversified domestic and international trade policy in return, but Argentina is only taking and does not provide any trading commodity in return then the like-minded bilateral relationship itself.

The Argentinean neighbour Bolivia received Venezuelan aid by distributing checks payable to local mayors and citizens as part of the ALBA (Corrales & Penfold, 2011: 107). The left-wing government of Evo Morales supported the same ideas as Chávez's Bolivarian Revolution, but just like Argentina, it had no trading commodity in return like Cuba. An example of Chávez's social support was publicly demonstrated this in a speech when Bolivia has a dispute with the US helping Evo Morales (Cabiozgz, 2014). Furthermore, Bolivia was in a triangle block with Cuba and Venezuela receiving as well healthcare service from Cuba at Venezuela's expenses (Feinsilver, 2010: 91). The diplomatic relation with Bolivia was maintained on an economic, social and ideological level. Just like Argentina and Cuba to a certain extent, Bolivia came to depend on Venezuelan oil revenues.

Not all countries in the region were supported by Venezuelan trade and aid. Right-wing

governments in the region did not receive any support from Chávez, because these countries were have a neoliberal agenda and often receiving support from the United States (Gardini & Lambert, 2011: 168). This was counterworking Chávez Bolivarian ideology. Chávez actively opposed these neoliberal governments by supporting their opponents. In countries such as Mexico, Chile, Peru and Colombia, Chávez used oil revenues to fund left-wing opposition movements against the governments (Castañeda, 2011:156). An example of one of these left-wing anti-neoliberal movements who Chávez supported financially was the FARC (Gardini & Lambert, 2011: 166). These were unofficial payments not supporting, but counteracting these governments. Of course these countries were not amused by Chávez actions, because these left-wing movements could become more powerful by such support and overthrow their right-wing governments. However, this was indirectly one on the main aims of *chavismo*, to create a united left-wing Latin America. Therefore, for Mexico, Chile, Peru and Colombia the Chávez administration formed a threat.

Another moment during the Chávez administration in which Venezuela did not make friends was when it wanted to become member of the South American trade block MERCOSUR. In 2006 the proposal was approved in principal by the member states Argentina, Brazil and Uruguay, but the Paraguayan Senate rejected the proposal (Gardini & Lambert, 2011: 168). The trade bloc could only welcome a new member if all states agree. According to Paraguay Venezuela was too left-wing for a trade block with capitalist principals (Gardini & Lambert, 2011: 168). The rejection brought tensions to the relationship between Paraguay and Venezuela.

Clearly Venezuela and the Latin American and Caribbean region went through significant changes regarding its multilateral and bilateral relations. Strategically Venezuela made friends and enemies with its Bolivarian actions. Projects and arrangements were not only implemented in Cuba, Argentina and Bolivia, but in many other socialist countries in the Latin American region. In particular countries included in the ALBA, PetroCaribe, CELAC and UNASUR received aid in several forms from Venezuela. One could argue Venezuela's regional relations flourished during the time of Chávez presidency. However, these countries in the Latin American and Caribbean region came all to depend on Venezuela and together formed a socialist block to counteract the United States and other western influences. The opinions on Venezuela's effort to increase regionalism are heavily divided.

Anderson argues that indirectly this wave of regionalism would have been facilitated by US foreign policy and its continuing belligerent role in the so-called new globalism (Anderson, 2014: 31). In addition, he argues countries understand that this is mostly a publicity stunt from Venezuela meant to camouflage serious domestic abuses and dubious international pretensions (2011: 35). According to Anderson the US would indirectly still be interfering by helping the Latin American region by with regional unification and use its foreign policy as a mask to cover

domestic issues. Anthea McCarthy-Jones does not agree with this statement by pointing out this Venezuelan foreign policy and regional integration was to protect Latin American sovereignty and external threats (2014: 52). She points out that by creating a block of likeminded neighbor and regional countries around him he maintained his economic and political security. It is a geopolitical strategy to protect him from possible external political threats.

Furthermore, McCarthy-Jones argues the profile of Latin America and the Caribbean in the global order has been raised with the process of incremental *institutionalization* by the formation of these region organizations that accompanies the ideals of new regionalism (McCarthy-Jones, 2014: 51). In other words, by the creation of such organisation Chávez tried to establish a better position within the international arena not only for Venezuela, but for the Latin American and Caribbean region as a whole. Chávez foreign policy might not leaving enough space for Venezuelan domestic problems, but his presidency had been a prosperous period for Venezuela's diplomatic relations within the region and beyond.

That Chávez foreign policy is reaching even further than the Latin American region demonstrates the relationship between Venezuelan allies China, Iran and Russia.

Venezuelan International Relations beyond Latin America and the Caribbean

During the administration of Hugo Chávez, just as the regional relations, the international relations with China, Iran and Russia were taken to a next level.

In particularly China became an important economic and political partner of Venezuela. The relationship is mainly based on credit investment in technology and energy production in exchange for Venezuelan oil (Hongbo, 2012: 224). Rosales's argument points out the ideological reason behind this diplomatic relation saying China is a replacement of the United States as a hegemonic partner (2016: 572). The historic chapter demonstrated the US played a significant role in the domestic and international relations of Venezuela. Chávez tries to replace the relationship with this hegemonic capitalist partner, by strengthening ties with socialist countries. China is a good example in this case. In addition, Venezuela was depended on the import of oil towards Venezuela and needed not only a likeminded, but also an economically equal import partner for oil. However, there are challenges for China's choice of Venezuela as a major importer of oil. Chinese oil companies must cope with the costs of relatively long distance oil shipment and the need to upgrade refinery technologies in order to receive the heavy crude oil imported from Venezuela (Hongbo, 2012: 236). This distance and the transportation costs might make Venezuela a less attractive trading partner. Additionally, Sun Hongbo argues only if Venezuela can produce oil normally, without economic setbacks or production drops for example, will the relationship between Venezuela and China be beneficial (Hongbo, 2012: 243). If not, diplomatic relations will be weakened and China might make agreements with another oil producer. With China being a significant and prosperous player in the global economy it does

not highly depend on Venezuelan oil production. If Venezuela cannot deliver what China needs, China will simply seek for another trading partner for its oil. For example, in the Arabian Gulf. This makes China somehow an unreliable trading partner for Venezuela.

Iran might be seen as a more reliable global trading partner. It would not be eager to seek relations for oil trade with its Arabic Gulf neighbors because of serious tensions regarding religious disputes in the region. However, the relationship between Iran and Venezuela was mainly ideological, but reciprocal. Iran was supporting Chávez's Bolivarian revolution, in return Venezuela was supporting Iran's ideas to become a nuclear nation counteracting the US and Iran would help Venezuela building a nuclear village in Venezuela (Clem et al., 2011: 12).

The diplomatic relationship with Russia, as well as with Iran, was ideological and beneficial for both side on a geopolitical level. It contained an anti-US policy and Russia provided arms in exchange for oil (Clem, 2011: 99). Russia's collaboration with Venezuela did not came unexpected, because in 2008 the US had plans to install US missile defense in Poland, Russia's response was to defend itself with military presence in the Caribbean (Clem, 2011: 99).

Venezuela strengthened ties with OPEC countries between 2000 and 2002. It hosted summit meetings in Caracas, visited all ten fellow OPEC countries and lobbied to raise the oil prices (Tinker Salas, 2015: 148). Most OPEC member states are autocratic or semi-democratic regimes. They are characterized by similar regimes types as Venezuela. Mostly, the regimes do not support US hegemony and are non-western countries functioning politically and economically in different ways. Strengthening OPEC ties was another *chavismo* strategy of Chávez to foster anti-US hegemony and unify likeminded countries. After all, they had oil as a strong weapon.

When looking at the geographical position and the regimes of all the countries it is clear Chávez intended to create a stronger non-hegemonic block of countries counterworking western imperialism and anti-US hegemony. By implementing this *chavismo* strategy he was promoting the global 'us-versus-them' thinking. The socialist or autocratic regimes against the democratic western regimes.

His domestic inducements and constraints were reflected in his foreign policy. Especially on a regional level he implemented a similar strategy. Countries received financial aid or political support, when they in return supported Chávez's Bolivarian Revolution and accompanied by that his *chavista* ideas. Just as he used this populist strategy on a domestic level to create loyal supporters, he did this as well on an international level.

The creation of the ALBA can be seen as building a block of loyal partners around Venezuela, and between South and North America. It is a geopolitical strategy which several countries implement. For example Russia with the keeping Belarus and Ukraine as close allies, The United Kingdom by owning several islands in South Atlantic Ocean, or the US having a

military base on Cyprus. Such territories can be used in case of war to implement military posts to pressure the opponent. In the case of Venezuela, Chávez could use these islands in case of tensions between countries to threaten for example the US by building a military base on one of these islands, to practice political pressure.

Despite Hugo Chávez's effort to strengthen ties with likeminded countries, he also strategically made enemies with countries having neoliberal regimes. A solution to this differentiating approach of strategically selecting friends and enemies could be by stimulating a dialogue among states. John Hobson criticizes such excluding approaches and suggests that states should escape such racial hierarchies by engaging in dialogue with each other (2009: 115). An alternative approach from Chávez creating more harmony and perhaps more global hegemony could have been going beyond his mainstream approach and accepting the 'other' hegemonic states by stimulating a dialogue, instead of counterworking hegemonic states. In this way he could have had not only a beneficial foreign policy, but also success and respect with several hegemonic states, instead of fostering polarization and causing collateral damage.

When again applying Robert Cox's Triangle to the case we do not see such radical changes as in the historic chapter, because Chávez's administration was a shorter period of time than the Venezuelan history after Spanish rule, until the 1990s. However, there are still interesting changes in how the lines of forces run in between the factors which help to answer the research question of what the relationship is between oil abundance, *chavismo* and the Venezuelan foreign policy during the Chávez administration.

Starting with analyzing the factors on a domestic level it becomes clear that *material capabilities* is the most central factor heavily influencing *institutionalization* and *ideas*. These last two factors were made possible by the *material capability* of oil. On a domestic level, the revenues of oil abundance were high under the Chávez regime, because of this he was financially capable to implement such policies and change the *institutionalization*. Oil abundance and favorable prices on the oil market during his regime gave him a high income, and therefore a lot of power. He made the state even more centralized than it was under his predecessors, by giving himself and his political party more power. Because of this high level of power he could get away with illegitimate transactions, clientelism and other forms of corruption. His *chavismo* ideas were possible because of oil abundance. Many of the social projects were financed with oil revenues. On an international level the lines of forces run in similar directions. Because of the high oil revenues Chávez was able to create such a large network of likeminded diplomatic allies. He used oil abundance as a tool to create allies and strategically create enemies, to centralize *chavismo* in the world order to counterwork of US hegemony.

Material capabilities of oil have been the cornerstone of Chávez policy making him capable of implementing his *ideas* and *institutionalization*.

Conclusion

In this thesis I have explored the relationship between oil abundance, *chavismo* and Venezuela's foreign policy during the Chávez administration.

The early statements in the oil abundance debate in the 1950s, that oil revenues in petro-states would only bring economic prosperity, are in my opinion nowadays outdated and singular. They not apply to the case of Venezuela or any petro-state, except Norway till a certain extent, because in most of the case oil abundance has its positive and negative effects not only on the economy, but also on a countries politics and social dynamics. Throughout history we have seen oil brings benefits and challenges for petro-states such as Venezuela. The resource curse is a more feasible approach, because it does focus on these positive and negative effects of oil abundance. However, it has not been proved fully adequate to analyse the case of Venezuela, because it leaves certain important factors out. Specifically for this thesis it does not emphasis on foreign policies and populist politics.

The international political economy theory from Robert Cox's critical and non-hegemonic approach analyses the case from three important angles: economy, politics and socialism within an international framework. *Material capabilities, ideas* and *institutionalization* demonstrated the ongoing dependence and importance on oil in Venezuela, but also how this dependence made Hugo Chávez's *ideas* and *institutionalization* possible. An interesting and positive outcome was that Venezuela's foreign policy during the Chávez administration had not been such a disaster as several scholars analysing petro-states or Venezuela argue. On the contrary, Chávez had been quite clever implementing this international *chavismo* petro-policy. Domestically the Venezuelan middle class had been suffering because of his exuberant spending on foreign relations, but internationally this had been fruitful when Chávez was in office. On a regional level he created several pacts and arrangements to strengthen a regional collaboration between likeminded states. On a wider international level he was successfully strengthening ties with OPEC member states and other likeminded countries. However, the negative side is that his were policies not free from clientelism, patronage and nepotism. However, in every country there is a certain level of corruption. The question remains if there is really more corruption in Venezuela, or is data around these topics better protected in other western countries. However, this requires further research and above all more transparency from governments worldwide for accessible data.

The Chávez administration maintained a broad and far reaching foreign policy with mainly fruitful bilateral and multilateral relations with non-hegemonic, anti-US and anti-capitalist countries. Chávez intended to spread an anti-neoliberal wave worldwide. His policy

was beneficial for the international relations of Venezuela, but not for the Venezuelan people or for unification on any level. On the contrary, his counterhegemonic policy towards the US had a negative effect widening the gap between Latin American States and the west. There was an increasing amount of countries turning their back towards hegemonic states fostering polarization. Venezuela was not only making friends, but also enemies with other Latin American countries. When Chávez would have embraced these differences, instead of fighting them, Chávez's Bolivarian Revolution would have perhaps had the character Simón Bolívar once wished for. However, this acceptance cannot be practiced by a singular state and should always come in a collective way. A non exceptionalistic Latin America would have been an outcome.

Furthermore, Chávez did not provide enough to financially secure the future of Venezuela and its foreign policy. Perhaps he was working towards this goal, but dropping oil prices and his death in 2013 thwarted his ideas. Therefore, his foreign policy was just a temporary success. It became the opposite of the Bolivarian Revolution he was working on. Soon after his death Venezuela was facing the most tragic economic, political and social situation it had never experienced throughout its entire history. Instead of celebrating a Bolivarian Revolution, Venezuela was now moving towards a Bolivarian countdown.

Chávez's term fostered autocracy, but there always had been autocracy in Venezuela. It eroded democracy, but there always had been a low level of democracy. It counterworked globalization and global hegemony. However, all these factors got worse when the oil prices started to drop right before his death. Thus, as long as the prices on the international oil market were high, Venezuela would be able to implement *chavismo* in its policies and benefit from the oil abundance. If not, it would remain facing hard days over and over again.

Today in Venezuela under the presidency of Nicolás Maduro these hard days have arrived. The country is nearly bankrupt and not only the middle class is suffering, but all people from Venezuela. The politics and economy had reached a dramatically low level it never had reached before. Maduro is neither having the money, nor the same charisma and rhetoric skills as Chávez had to maintain *chavismo* in the Venezuelan domestic and foreign policy.

Concluding, internationally Hugo Chávez raised great awareness for the hegemonic world order. His highly critical attitude towards the United States and neoliberalism might have been negative for global unification, but with this attitude he raised great awareness for neoliberal and capitalist hegemonic domination on an international level. Perhaps without his populist discourse, his ideas would not have had the attention they had achieved. This awareness had been important on an international level, to break the cycle of capitalist and Western hegemony. Oil abundance was good for bringing these ideas to a higher international level. However, if he would have done this with an open approach maintaining a dialogue, reciprocal understanding would have been better for global diplomacy.

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