



President Nicolás Maduro of Venezuela receives a book in Russian about Hugo Chávez from President Vladimir Putin of Russia. Photo by [www.kremlin.ru](http://www.kremlin.ru) / Creative Commons 4.0

## Russian-Venezuelan Relations at a Crossroads

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Russia's foreign policy is part of a complex tapestry intended to bolster its current president, Vladimir Putin. Moscow's relations with Venezuela are a prime example of this strategy. Russian engagement with the Bolivarian Republic demonstrates Vladimir Putin's global ambitions to recruit geographically distant nations as partners in constructing a new multipolar, anti-U.S. world order. The Russian government has learned to bolster domestic support for Putin at home by taking advantage of situations unfolding in the Russian "far abroad" as elements of a political spectacle portraying Russia's return as a global power.

Russia's relationship with Venezuela is also a story of missed business opportunities, multi-million dollar risky investments, dubious personal enrichment, and vast corruption. It also features denials, by a permanent member of the United Nations Security Council, of massive human rights violations in Venezuela in the name of "21st Century Socialism."

Three key aspects of interaction between Moscow and Caracas are essential to understand Russia's policy toward the region and Venezuela in particular. First is Russia's "return" to Latin America toward the end of the 1990s and subsequent events leading

to the present challenges. Second is the role of political priorities rather than business interests that comprise the true guiding principles of the Russian involvement in the key sectors of the Venezuelan economy such as oil and gas. Third, is the Russian view (among an important part of Russian political elites) that the current crisis in Venezuela stems from U.S.-backed efforts of sabotage and not the disastrous economic policies of the Bolivarian government. There are powerful figures in the Kremlin who sincerely believe that there is an opportunity to improve the situation sometime in the future with *chavistas* still in control of Venezuela. Finally, the evidence suggests that Venezuela has become a kind of a suitcase without a handle for Putin: hard to carry but difficult to throw away. While there is a growing uncertainty about the Venezuela's future and there are no easy solutions, Russia believes that it has made too many tangible and intangible investments here. Were Venezuela ever to fall from the Russian orbit, it would be very painful for the Kremlin. Moscow is trying hard to prevent this from happening.

## Venezuela: Not Business as Usual

Venezuelan leaders like to claim that Venezuela and Russia were destined by history to have strong and long-lasting relations. For instance, when meeting Vladimir Putin for the first time, former president Hugo Chávez (1999–2012) talked to the Russian leader about how the national hero of Venezuela, Francisco de Miranda, visited the Russian Royal Court in 1786–87. Back in the 18th century, this guest from the New World met Empress Catherine the Great, befriended high officials in Saint Petersburg, and was subsequently authorized to tour Europe with a Russian passport and wearing the uniform of the Russian army. Later on, Venezuela became the first Latin American nation whose independence was recognized by Russia in 1857. In the first part of the 20th century, the situation in Venezuela was at the center of theoretical and practical debates in the Comintern,<sup>1</sup> while in the second part, the Soviet Union managed to convince the Venezuelan government to supply oil to Cuba, in exchange for similar shipments by the USSR to Spain.<sup>2</sup> Yet the historical legacy of relations between Russia and Venezuela is scarce justification for the Russian rapprochement to this particular Latin American nation in the beginning of the 2000s.

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1 The Communist International (Comintern or Komintern), known also as the Third International (1919–43), was an organization headquartered in Moscow that promoted world communist revolution by supporting communist movements around the globe. In the case of Venezuela, the Venezuelan communists wanted more significant support from the Komintern for an armed uprising. Following a heated debate in Moscow, the aid was denied on the grounds that there were no necessary social and economic conditions for a communist revolution to be successful, according to Marxist-Leninist dogma at that time.

2 The Venezuelan president at that time, Carlos Andrés Pérez, reestablished diplomatic relations with Cuba and became one of the first South American presidents to pay an official visit to the Soviet Union. He also supported the political transition in Spain. At the same time, the deal to swap oil destined to Cuba and Spain was considered to be mutually beneficial primarily in economic terms. It allowed both sides to significantly reduce the related transportation costs: some authors estimate the amount of savings to be \$200 million. See George Grayson (1985). "Soviet-Venezuelan Oil Imports Deal." *Petroleum Economist* 52, Vol. 2:60; and Konyukhovskiy Alexander, Elena Sedykh (2012). "Russian-Cuban cooperation in the energy sector: the current state and future prospects," in *Economy and Society: Modern Development Models*, Vol. 3: 123–34, in Russian.



President Vladimir Putin of Russia meets with President Hugo Chávez of Venezuela during a visit to Caracas on April 2, 2010. Photo by Harold Escalona / Shutterstock.com

The best way to understand the strengthening of Russian-Venezuelan relations since the end of the Cold War is to place them within Moscow's broader foreign policy framework towards Latin America and the Caribbean following Vladimir Putin's rise to the presidency in 2000. This policy had two main elements: The first was for Russia to provide both its state- and privately-owned businesses with new opportunities in the region. The focus was on areas where the Russian government believed it had a comparative advantage in Latin American markets, i.e. the energy sector and armaments.<sup>3</sup> The second goal was for Russia to engage Latin American countries, even if only symbolically, in building a new multipolar world order that might challenge the existing U.S.-led world order. Following the end of the Cold War and Latin America's so-called "left turn,"<sup>4</sup> Moscow concluded that the Russian government could easily recruit new supporters in a number of Latin American countries.

Anti-American rhetoric was a common feature in the speeches of Evo Morales of Bolivia, Néstor and Cristina Kirchner of Argentina, Rafael Correa of Ecuador, Fidel and Raúl Castro of Cuba, but above all, Hugo Chávez in Venezuela. There was no shared Marxist socialist ideological base, as was the case during the Soviet Union. This time, simple anti-Americanism and calls for constructing a new "just" world order attracted Moscow to the leftist Latin American leaders. This attraction grew much stronger in the wake of Vladimir Putin's 2007 Munich speech, in which he argued that a unipolar (American-led) order was unacceptable in the modern world. Additionally, the Russian president rejected any scenario in which (according to Putin) the system of law and values of one state, namely, the United States of America, would be imposed on all other states across the vital spheres of human

3 See more on this in Vladimir Rouvinski (2015a), "Russian Re-Engagement with Latin America: Energy and Beyond," in Bruce M. Bagley, Dina Mouliokova, and Hannda S. Kaab, eds. *The Impact of Emerging Economies on Global Energy and the Environment: Challenges Ahead* (Lanham MD: Lexington Books, 2015), 293-312.

4 The left turn or "pink tide" refers to the rise of the leftist governments in Latin America at the end of the 1990s and early 2000s.

existence: economy, politics, and culture.<sup>5</sup> Putin's Munich speech resonated exceptionally well among the Latin American leftist leaders. In particular, in the case of Hugo Chávez, the speech was a confirmation that Russia and Venezuela shared the view that it was necessary to oppose the power and influence of the United States on a world scale.<sup>6</sup>

Chávez did not hesitate to translate this shared vision into policy. Caracas fully supported Putin's position rejecting Kosovo's independence in 2008 as a "dangerous precedent."<sup>7</sup> A few years

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later, Venezuela fully supported the Russian position on the five-day war with Georgia in 2008, including by following Russia's lead in recognizing the independence of the two Georgian separatist regions of Abkhazia and South Ossetia.<sup>8</sup>

The shared views on international issues between Moscow and the leftist governments in the Western hemisphere explain why Russian foreign policy doctrine described Russia's relations with Latin America and the Caribbean as being of "strategic importance."<sup>9</sup>

Over time, Russian priorities towards Latin America shifted from seeking economic opportunities to political advantage. Russia faced overwhelming competition from China, who began reaching out to Latin America shortly after Russia did. Russian companies quickly proved unable to compete with China commercially: smaller Russian firms lacked capacity and financing, and larger firms, including state-owned corporations, were prone to mismanagement and poor strategies.<sup>10</sup> Moscow soon resorted

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5 See the Official Webpage of the President of Russia for a full transcript of the speech (in Russian): <http://kremlin.ru/events/president/transcripts/24034>.

6 See Intervention of the Commander President Hugo Chávez during the Act of the Signing of the Agreements between the Russian Federation and the Bolivarian Republic of Venezuela and a joint press conference with the Russian Prime Minister Vladimir Putin, 4 April, 2010, <http://www.todochavez.gob.ve/todochavez/658-intervencion-del-comandante-presidente-hugo-chavez-durante-acto-de-firma-de-acuerdos-entre-la-federacion-de-rusia-y-la-republica-bolivariana-de-venezuela-y-rueda-de-prensa-conjunta-con-el-primer-ministro-ruso-vladimir-putin>, in Spanish. In addition, according to one of the leading Russian experts on Venezuela, Emil Dabaguan, who personally knew Chávez, the Venezuelan president truly admired the speech of Putin in Munich because it was a perfect match for his own view of the current state of the world order.

7 See "Chávez rejects the independence of Kosovo, which he describes as a 'dangerous precedent,'" *El País*, [https://elpais.com/internacional/2008/02/21/actualidad/1203548418\\_850215.html](https://elpais.com/internacional/2008/02/21/actualidad/1203548418_850215.html), 21 February 2008, in Spanish.

8 Russia insisted that the war over the separatist-controlled territories of Georgia was started by the Georgians, and that Russia had to defend its troops stationed there because an international mandate allowed them to be in the area.

9 The concept of foreign policy of the Russian Federation. Approved by the President of the Russian Federation V.V. Putin, February 12, 2013. In 2018, while no longer labeling Russia's relations with all of Latin America as "strategic," Russian officials continue to refer to relations with Venezuela as "strategic."

10 The reports sent by Russian trade representatives in Latin America to Moscow, publicly available at [polpred.com](http://polpred.com), provide plenty of evidence that Russian state-owned corporations were losing many business opportunities because they attempted to continue to use the Soviet-time strategies in the new political settings, both in Russia and in the region. These opportunities were often easily taken by rival Chinese companies that were capable of accepting greater financial risks because they were backed by the Chinese state and could adapt their strategies more easily to the changing market conditions.

to sacrificing commercial profits for political benefits. Today, with Russia suffering from fluctuating energy prices and Western sanctions, the Kremlin is in a position to reward its most loyal Latin American followers only with short-term credits, limited investments, and arms sales.

The changing priorities in Russia's approach to Latin America is particularly evident in the case of Venezuela. At the beginning of the 2000s, the powerful Russian state and private corporations that were gaining access to the Venezuelan market included such giants as Gazprom, Rosneft, Lukoil, Surgutneftegaz, and TNK-BP. In 2006, Gazprom won a tender for the exploration of fields in Venezuela's territorial waters. Soon afterwards came a contract to buy Lada cars, an assembly line for Kamaz trucks, commercial agreements in agriculture, fishing and energy production, and a number of additional agreements.<sup>11</sup> It seemed like a real advance of Russian businesses in South America. Venezuela also became the largest buyer of Russian arms in the Western Hemisphere, after purchasing 100,000 Kalashnikov automatic rifles, 24 Su-30MK2 fighter jets, and approximately 50 helicopters, at a total cost estimated at \$4 billion.<sup>12</sup> However, Russia's commercial heyday with Venezuela would prove to be short-lived. After a sharp economic decline and staggering corruption, most Russian companies lost their interest in the Venezuelan market and left the country.<sup>13</sup> The only Russian company that remained on the ground throughout this entire period was Rosneft.

Rosneft is the largest oil and the second largest gas producing company in Russia. It is responsible for 41 percent of all oil production in Russia and 6 percent of world production.<sup>14</sup> In terms of hydrocarbon reserves and the production of liquid hydrocarbons, it is also the world's largest public oil and gas company. Rosneft is considered one of Russia's top strategic companies.<sup>15</sup> Yet this description of the company is incomplete without noting its role in Russia's political economy. Rosneft was the state company designated to take over economic

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11 Rouvinski (2015a).

12 On the issue of arms sales, see Evan Ellis (2015), *The New Russian Engagement with Latin America: Strategic Position, Commerce, and Dreams of The Past* (Carlisle Barracks, Pennsylvania: U.S. Army War College Strategic Studies Institute).

13 In Moscow, the perception of the level of corruption linked to business relations with Venezuela is high even by the Russian standards. In 2017, the Russian court sentenced a member of the Russian parliament for stealing approximately \$20 million allocated for the construction of the Kalashnikov automatic rifles plant. It was the first case ever in Russian history in which a person received a prison term for the damage to a foreign state, despite the fact that the Latin American side never reported any irregularities. Earlier, there were reports of missing funds destined for the construction of affordable housing in Caracas, as part of an agreement with the Mayor's office in Moscow, and several other similar cases. In an interview with the Russian ambassador in Venezuela by the *Russia Today* news agency in December 2015, the ambassador complained about the lack of a real commitment by Russian businesses to the Venezuelan market [http://www.mid.ru/ru/maps/ve/-/asset\\_publisher/xF355DHtiSes/content/id/1956486](http://www.mid.ru/ru/maps/ve/-/asset_publisher/xF355DHtiSes/content/id/1956486).

14 Official company data available at Rosneft.ru <https://www.rosneft.ru/>.

15 Russian law defines a strategic company as a "federal state unitary enterprise engaged in the production of goods, works, or services of strategic importance; for ensuring the defense capacity and security of the State, protecting morality, health, rights, and legitimate interests of the citizens of the Russian Federation" ( Decree No. 2009 of the President of the Russian Federation, 4 August 2004; with changes approved on 24 October 2018). The strategic companies enjoy certain benefits, which may include guaranteed financial support from the federal budget and special tax regimes, among other advantages.



Rosneft's offices in Samara, Russia. Photo by FotograFFF / Shutterstock.com

assets like Yukos and Bashneft seized by the Russian government.<sup>16</sup> Rosneft is also an instrument of Russian foreign policy, providing aid to regimes friendly to Russia (in the form of investments, services, and credits). Rosneft's emergence as a tool of Russian statecraft took place under the leadership of Igor Sechin.<sup>17</sup> One of Vladimir Putin's closest associates in today's Russia, Sechin, Rosneft's CEO, is widely considered to be the second most powerful man in the country. He has greatly expanded the company, seldom failing to obtain new energy assets for Rosneft from less powerful members of the Russian elite.<sup>18</sup> While he may have a lower personal public profile when compared to others in the leadership, Sechin does not hesitate to demonstrate publicly his influence in the Russian political hierarchy.<sup>19</sup> Igor Sechin's control of Rosneft indicates that he has a very close relationship to the Russian president himself. When he uses his authority and ability to use Rosneft's assets abroad, it clearly signals Moscow's international priorities.<sup>20</sup> The case of Venezuela provides one such example.

Initially, it was not Rosneft but Gazprom making the investment headlines in Venezuela. After investing some \$300 million in drilling just one well at Urumaco I field and failing to

<sup>16</sup> Yukos was one of Russia's most important private oil and gas companies, belonging to Mikhail Khodorkovsky. After the owner was accused of tax fraud and sent to prison, his company was nationalized by the Russian government and ended up in the hands of Rosneft. Bashneft became part of Rosneft in a similar way.

<sup>17</sup> During the Soviet Union, Igor Sechin served as a military advisor in Angola. Later, he started working with Vladimir Putin at the Mayor's Office in Saint Petersburg. When Putin became president, Sechin held appointments in Putin's administration and served as a deputy primer-minister. He was transferred to Rosneft in 2012. Numerous reports indicate Sechin's appetite for a luxurious lifestyle.

<sup>18</sup> Many experts believe that Sechin was behind the idea to nationalize Yukos, and he made sure that Rosneft took control over a number of other, formerly privately owned, companies. Some of the former owners, who attempted to resist, ended up in a prison.

<sup>19</sup> In 2017, the Russian public was exposed to a power game between the Minister for Economic Development of the Russian Federation, Alexey Ulyukaev, and Igor Sechin. The former was accused by the latter of extorting a \$2 million bribe for an assessment that allowed Rosneft to acquire stakes at another oil company. Despite the weak and unconvincing evidence, Ulyukaev received a prison sentence. The case was widely covered by the Russian major media.

<sup>20</sup> While the case of Venezuela is one of the most important in terms of tangible resources invested, it is not the only one. For instance, in Iraqi Kurdistan, Rosneft plans to invest \$3 billion despite not having an approval from the central government in Baghdad, which is required by Iraqi law.

find oil, Gazprom started to look for an opportunity to leave the country. Gazprom's desire to continue to do business in Venezuela had faded because of growing political instability and the need for substantial additional investments. Yet Venezuela's growing political importance for Moscow led the Kremlin to persuade Gazprom and several other Russian companies to form the National Petroleum Consortium (NNK12). In 2010, NNK12 signed a contract with Petróleos de Venezuela SA (PdVSA) to organize a joint venture to explore the Venezuelan oil reserves in the Orinoco River area. The total investment in this project was projected to be between \$20-30 billion over a period of 25 years. By the end of 2014, Rosneft decided to buy out the other partners in the NNK12 group by paying \$800 million combined to Gazprom, Lukoil, and Surgutneftegas. Rosneft's former consortium partners were relieved to leave the project, as they saw little long-term benefit.<sup>21</sup> At about the same time, Rosneft agreed to arrange, between 2014 and 2016, prepayments to PdVSA for crude oil and related products. It is likely that this step was taken in order to confirm the seriousness of Russia's commitment, by offering urgently needed cash to the government in Caracas, which in 2014 had already started suffering from the shortage of hard currency, growing economic difficulties, and which faced a crucial 2015 parliamentary election. According to official sources, the company gave Venezuela a total of \$6.5 billion in pre-payments for supplying 4 million barrels per month (133,000 barrels per day). By mid-2018, PdVSA had failed to deliver roughly half the contracted total.<sup>22</sup>

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In addition, Rosneft continues to participate in several other energy joint ventures in Venezuela: Carabobo-2,4 (*Petrovictoria*), where Rosneft owns 40 percent; *PetroMonagas*, where Rosneft owns 16.7 percent; Junin-6 (*PetroMiranda*), where Rosneft owns 40 percent; Boquerón, where Rosneft owns 40 percent; and *Petroperija*, where Rosneft owns 40 percent. Through these ownership stakes, Rosneft on paper owns roughly 150 billion barrels of proven reserves.<sup>23</sup>

At first glance, Rosneft seems to believe that the company can kill two birds with one stone in Venezuela: advance Russian interests and make economically sound investments and deals.

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21 Many Russian companies were complaining about growing difficulties in doing business in Venezuela. In particular, they were suffering because of unjustifiable delays from government officials who were not responding to their requests on time, mismanagement and the lack of efficiency in managing many technical issues, as well as corruption. See Rouvinski (2015a).

22 Marianna Parraga, "Venezuela's port woes stall oil exports to Rosneft," *Reuters*, 29 August 2018, <https://uk.reuters.com/article/uk-venezuela-oil-exports-exclusive/exclusive-venezuelas-port-woes-stall-oil-exports-to-ros-neft-source-idUKKCN1LE2NG>.

23 As reported at Rosneft.ru, <https://www.rosneft.com/press/releases/item/180805/>. It is important to take into account that, on the Russian domestic market, oil production is measured in tons, not barrels. Hence, Rosneft often provides the related statistics in tons. Here, 1 barrel is roughly equal to 0.1364 tons, but the value differs greatly depending on the particular type of oil.

Since Rosneft considers expanding its proven resource base as one its top priorities,<sup>24</sup> Rosneft still officially touts its participation in the oil and gas market in Venezuela. Additionally, the company obtained, in December 2017, a license to develop the offshore gas fields of Patao and Mejillones on Venezuela's coast for a period of 30 years, including the right to export the gas. Rosneft estimates the total reserves at the newly acquired two fields to be around 180 billion cubic meters of gas, or approximately 2 percent of 7.9 trillion cubic meters of total gas reserves controlled by Rosneft as of January 2018.<sup>25</sup>

There is more to Rosneft's love story with Venezuela, especially in its gas fields, than advancing Russian political or geopolitical interests. In the Russian domestic market, the price for natural gas is subject to state regulations and the business opportunities to export gas are limited. For example, in Russia, only Gazprom is authorized to export gas by pipelines; other companies can only export liquefied natural gas (LNG), which is technologically more complex and far more expensive to produce and deliver. Hence, despite the fact that most of Rosneft's proven reserves are located in Russian territory, it is very important for the

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company to expand its gas business outside the country if it wishes to become a global player in the international gas market.<sup>26</sup> However, almost all of Rosneft's other recent ventures abroad have targeted other areas that are politically unstable but geopolitically sensitive for Russia, like Venezuela.<sup>27</sup> Many energy experts consider the long-term prospects of Rosneft's foreign

investments rather uncertain, primarily because the company does not take into account political risk. That failure is exacerbated by the need for substantial initial capital investments in new projects—all at a time when U.S.-imposed sanctions severely limit the company's ability to borrow in external markets or acquire new technologies and modern equipment. The sanctions also greatly limit the company's CEO, who is personally under sanction, to have contacts with foreign firms.<sup>28</sup>

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24 Ibid.

25 Ibid.

26 Atle Staalesen, "Rosneft wants to export natural gas from Arctic, but is not allowed by legislators," *The Barents Observer*, 13 February 2018, <https://thebarentsobserver.com/en/industry-and-energy/2018/02/rosneft-wants-export-natural-gas-arctic-not-allowed-legislators>.

27 In addition to South America, the company looked for opportunities in Egypt, Iraqi Kurdistan, and Mozambique. See more in Vladimir Soldatkin and Olesya Astakhova, "Russia's Rosneft set for global gas tussle with Gazprom," *Reuters*, 30 June 2017, <https://www.reuters.com/article/russia-rosneft-gas-idUSL8N1JR1V1>.

28 For example, in July 2017, the U.S. Treasury imposed a \$2 million fine on Exxon, when two of its subsidiaries signed deals with Igor Sechin, who is on a U.S. blacklist that bars Americans from doing business with him personally. Apart from the prohibition on personal contacts, Rosneft is banned from importing high-tech equipment, is not able to get loans longer than 30 days, and is prohibited from acquiring many dual-use technologies. The European Union and some other countries have introduced similar sanctions.



These challenges faced by Rosneft elsewhere affect its dealings with Venezuela as well. For example, Rosneft has an agreement with Venezuela to supply South American crude oil to India, where in 2017 Rosneft acquired a major refinery (which it renamed Nayara Energy Limited in June 2018). Yet, there have been a number of difficulties associated with the implementation of the initiative. Venezuelan oil is heavy and cannot easily be loaded into tankers for deliveries to India—it must first be mixed with light crude, which must be purchased elsewhere. There have been technical difficulties and delays at production sites as well as troubles with shipments. In addition to the technical issues, there is also the growing fear that U.S. sanctions (in place for both Russia and Venezuela) may further jeopardize the prospects of the Venezuela-Rosneft-India production system, despite Rosneft’s reliance on the Indian project as a “stable basis for creating additional value through the integrated use of various oil baskets, crude, and oil products trading.”<sup>29</sup>

The failure to properly estimate complex risks associated with doing business in Venezuela is but one example of how good business design is less of a priority than responding to political pressure coming from the Kremlin to continue to engage Venezuela. Hence, whereas in 2017 Igor Sechin publicly declared that his company “will never abandon Venezuela,”<sup>30</sup> and (in 2018) he highly evaluated Venezuela’s oil potential,<sup>31</sup> Rosneft has recently acknowledged that the company is now conducting “conceptual surveys” to determine the best strategy to further its business in South America. The actual business model for its latest acquisitions, the offshore fields of Patao and Mejillones, lists a start date only in 2019-20.<sup>32</sup>

Rosneft’s motivation in continuing to do business with Venezuela, despite the mounting problems, is politics first and economics a far distant second. In doing business with Venezuela, the Russian company has experienced the types and number of difficulties that would force any other company to cut its business ties. First, although the assets that Rosneft controls in the country are impressive in terms of quantity, Venezuelan crude ranges from heavy to extra-heavy, requiring special processing that demands advanced technology. This may become an issue for Rosneft because of Western sanctions as well as the additional costs.

Second, because of continuing instability and the deterioration of the quality of everyday operations in Venezuela, many stages of the supply chain are vulnerable. For instance, in August 2018, one of the major ports from which Rosneft ships its oil temporarily stopped operating because of a fire. Separately, a scheduled upgrade at one of the plants jointly

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29 “Rosneft Board of Directors approves 2018-19 plan of financial and economic activities,” Rosneft.com, 18 December 2017, <https://www.rosneft.com/press/releases/item/189205/>

30 As reported by Reuters on August 8, 2017, <https://www.reuters.com/article/us-russia-rosneft-essar/rosneft-says-lent-venezuelas-state-oil-firm-a-total-of-6-billion-idUSKBN1A01RD>.

31 “Venezuela has good prospects in the oil industry, Sechin Said,” *Ria News Agency*, 25 May 2018, <https://ria.ru/spief/20180525/1521343125.html>, in Russian.

32 Projects in Venezuela, 18 July 2018, Rosneft.ru, [https://www.rosneft.ru/about/Glance/OperationalStructure/Dobicha\\_i\\_razrabotka/Za\\_predelami\\_Rossii/projectvenezuela/](https://www.rosneft.ru/about/Glance/OperationalStructure/Dobicha_i_razrabotka/Za_predelami_Rossii/projectvenezuela/), in Russian.



President Vladimir Putin meets with Rosneft CEO Igor Sechin. Photo by [www.kremlin.ru](http://www.kremlin.ru) / Creative Commons 4.0

owned by Rosneft and PdVSA was critically delayed because of the lack of qualified technical and management staff.<sup>33</sup> These interruptions, and others, call into question Venezuela's ability to meet its obligation of delivering oil to Rosneft as payment for loans.<sup>34</sup> The failure in Venezuela consequently jeopardized Rosneft's own obligations to its partners abroad.

Third, there are persistent questions about the capacity of the Venezuelan government to meet its other financial obligations to the Russian government and companies. Notwithstanding public assurances that the payments are on track,<sup>35</sup> there are reasonable concerns with regard to the stability of the situation in the near future. In addition, there are troubles with other assets. For example, there is an ongoing legal battle in U.S. courts that involves Citgo shares that PdVSA offered to Rosneft as collateral for a \$1.5 billion loan.<sup>36</sup> Last but not least is the uncertainty concerning the legality of the agreements between Rosneft and PdVSA, since they were not approved by the Venezuelan parliament as required by law.<sup>37</sup> Rosneft's capacity (with its own debt of \$17 billion)<sup>38</sup> to support the Bolivarian regime financially remains an open question. In any case, Venezuela is by far the largest recipient

33 An upgrader is a facility used in the oil industry, which is essential for converting extra-heavy oil (like Venezuela's) into the synthetic crude oil suitable for refineries.

34 "Venezuela's Petropiar oil upgrader begins restart after repairs, fire," *Reuters*, 26 June 2018, <https://www.reuters.com/article/us-venezuela-crude-upgrader/venezuelas-petropiar-oil-upgrader-begins-restart-after-repairs-fire-idUSKB-N1JM2VC>.

35 "Rosneft told about the progress with Venezuelan debt," *RBC News Agency*, 19 March 2018, <https://www.rbc.ru/business/19/03/2018/5aafc7a39a7947563c9dbce0>, in Russian.

36 Irina Slav, "Rosneft May Challenge Crystallex Claim To Citgo Shares," *Oilprice.com*, 23 August 2018, <https://oilprice.com/Latest-Energy-News/World-News/Rosneft-May-Challenge-Crystallex-Claim-To-Citgo-Shares.html>; Jeanne Whalen and Anthony Faiola, "Venezuela's foreign creditors try to lay claim to Citgo," *Washington Post*, 17 October 2018, [https://wapo.st/2NNnkZR?tid=ss\\_mail&utm\\_term=f2281a354568](https://wapo.st/2NNnkZR?tid=ss_mail&utm_term=f2281a354568).

37 Alexandra Ulmer, "Venezuela's Maduro wins power over oil despite court reversal," *Reuters*, 2 April 2017, <https://www.reuters.com/article/us-venezuela-politics-oil-analysis/venezuelas-maduro-wins-power-over-oil-despite-court-reversal-idUSKBN1740XF>.

38 Zainab Calcuttawala, "Rosneft Takes On Massive Debt As US Sanctions Mount," *Oilprice.com*, 5 December 2017, <https://oilprice.com/Latest-Energy-News/World-News/Rosneft-Takes-On-Massive-Debt-As-US-Sanctions-Mount.html>.

of Rosneft's investments abroad—there is no easy way for the company to divest itself of those investments. Moscow has signaled that it intends to continue its commitment to provide a lifeline to Caracas. Recently, Russia started regular, and urgently needed, wheat shipments to Venezuela.<sup>39</sup> It was also announced that construction of a Venezuelan plant producing Kalashnikov automatic rifles (started in 2007, but suspended because of corruption and fraud), had resumed with Russian support and would open in 2019. A new training and maintenance center for helicopters was also announced.<sup>40</sup>

In late October 2018, Russia sent a team of experts to Caracas from its Ministry of Finance, Ministry of Economic Development, Russian Central Bank, Federal Tax Service, and a number of other ministries and departments.<sup>41</sup> According to official sources, the Venezuelan government requested the presence of senior officials of the Russian ministries in order “to exchange experiences in the field of economic reform.” The inter-departmental expert group public mission was to assist the government of Venezuela in the “development of measures in the field of economic management in a crisis situation.” The Russian experts were to have access to all the necessary information and to remain in Caracas for several months. The head of the mission, Sergei Storchak, is known for his role in the successful negotiations of Russia's Soviet-era debt to the Paris Club and is considered a key Russian expert in the area of external debt.

At about the same time as the Russian experts arrived in the Venezuelan capital, reports appeared indicating that Russia's Evrofinance Mosnarbank was helping Venezuela to work around U.S. financial sanctions.<sup>42</sup> The bank in question is a joint venture owned by the Fondo de Desarrollo Nacional SA. of Venezuela and two other Russian banks (one of them belonging to Gazprom), and has Russian and Venezuelan nationals on its governing board. In March 2018, it became first international financial institution to back the Venezuelan cryptocurrency, the petro.<sup>43</sup> The government of Nicolás Maduro soon began advising Venezuelan companies to conduct all international transactions via Moscow's Evrofinance Mosnarbank.<sup>44</sup>

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39 Polina Devitt, “Russia to supply 600,000 tonnes of wheat to Venezuela: minister,” *Reuters*, 18 September 2017, <https://www.reuters.com/article/us-russia-grains-tkachev/russia-to-supply-600000-tonnes-of-wheat-to-venezuela-minister-idUSKCN1BT21V>.

40 The plant manufacturing Kalashnikov assault rifles in Venezuela will begin operations in 2019, *Interfax News Agency*, 3 April 2018, <https://www.interfax.ru/world/606755>, in Russian.

41 “Russia sends officials to Venezuela to advise on crisis reforms,” *Reuters*, 29 October 2018, <https://www.reuters.com/article/us-russia-venezuela/russia-sends-officials-to-venezuela-to-advise-on-crisis-reforms-idUSKCN1N31Z7>.

It is possible that this expert team was commissioned to Venezuela following an agreement for the restructuring of Venezuelan debt that had been reached between Moscow and Caracas late in 2017, but it could also represent an effort to find out what the real situation is today.

42 Fabiola Zerpa and Patricia Laya, “Venezuela Taps Russian Bank to Work Around Crippling Sanctions,” 25 October 2018, *Bloomberg.com*, <https://www.bloomberg.com/news/articles/2018-10-25/venezuela-taps-russian-bank-to-work-around-crippling-sanctions>.

43 The petro was launched in February 2018 as a Venezuelan version of a cryptocurrency backed by oil, gold, and diamonds. The United States prohibited any transactions in petros by U.S. citizens or companies.

44 *Ibid.*

Taking into account the difficulties faced by Venezuela's chavista government and Russia's combined investment in Venezuela of up to \$20 billion,<sup>45</sup> Vladimir Putin's government does not

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*The primary value of the South American nation for Moscow is its geographical proximity to the United States.*

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appear to view losing its investment as an acceptable outcome. The value of the Bolivarian Republic for Russia is not measured in terms of money alone. There are other interests in play relating to two fundamental aspects of post-Cold war Russian relations with Venezuela. The first is Russia's recognition that the primary value of the South American nation for the regime in Moscow is its geographical proximity to the United States. The second is an unusual sense of comradeship and trust developed by an important part of the Russian political elite towards Venezuela that dates back to the reign of Hugo Chávez and has continued during the rule of Nicolás Maduro.

## **Why Venezuela Matters to Russia**

Early on in Russia's return to Latin America, Venezuela pushed to play the role of Russia's key partner in the region. Hugo Chávez chose this course of action for several reasons. First, from the very onset of contacts with Moscow, Chávez recognized that the changing tone of discourse among the post-Yeltsin Russian political elite, one that questioned the U.S.-led international liberal order, was a perfect match for his own quest for new power arrangements in and outside Latin America. Second, Chávez's domestic political strategy inside Venezuela—one that Nicolás Maduro continues today—was similar to Vladimir Putin's strategy in Russia: using emotionally-charged political symbolism to gain the support of the electorate. Chávez quickly understood and capitalized on what Russia needed most of all from Latin America: acknowledgment of the idea that Russia was back in the international arena as a great power. Third, Chávez clearly understood that Putin's Russia was not the Soviet Union—it was not prepared to serve as a patron for Venezuela at the same scale as the USSR did for Castro's Cuba during the Cold War. However, Chávez clearly hoped that his friendship with the Kremlin would yield significant tangible benefits for Caracas.

The initial interactions between Putin's Russia and Chávez's Venezuela proved mutually beneficial in terms of political symbolism inside each country. For Vladimir Putin, the foray demonstrated Russia's return to its rightful prominent role on the international arena, and succeeded in increasing his own public support inside Russia. Against the backdrop of what Russians widely perceive as a humiliation of their national pride at the hands of the United States following the end of the Cold War, plus the failure to maintain several former

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45 Arnold Khachaturov, "Bolivar will not pay back the debt," *Novaya Gazeta*, 29 August 2017, <https://www.novayagazeta.ru/articles/2017/08/30/73645-bolivar-ne-vyplatit-kredit>, in Russian.

Soviet Republics within Russia's orbit in the wake of color revolutions,<sup>46</sup> Russia's leadership needed at least a symbolic breakthrough.

This political task became particularly urgent in the aftermath of Putin's speech in Munich in 2007. Putin's Munich denunciation of the American-led unipolar world system failed to gain much international traction, especially when Russia's military victory in its five-day war against Georgia, fought in 2008 for the control over the separatist republics of South Ossetia and Abkhazia, met with silence or disapproval from even Russia's closest Eurasian allies. This is when the Venezuelan leader came to the rescue.

The first country, aside from Russia, to recognize South Ossetia and Abkhazia as independent States—a move strongly opposed by the United States and the Western powers—was Daniel Ortega's Nicaragua. More importantly for Moscow, Hugo Chávez promised the Russian leadership that he would use his influence in the Bolivarian Alliance for the Peoples of Our America (ALBA) countries to widen international support for the Russian cause.<sup>47</sup> For Chávez, the reason to support the Russian side in the conflict in Georgia was not just to demonstrate political solidarity with Moscow: He also expected that there would be a tangible reward from Moscow for his support. Chávez clearly observed that soon after recognizing the breakaway republics, Nicaragua signed an agreement with the Russian power company RAO UES to build several hydroelectric and geothermal plants, in addition to receiving other types of aid. The chair of the board of directors at RAO UES at the time was none other than Igor Sechin.<sup>48</sup>

This is not to say that Latin America was not on Russia's radar prior to the 2008 war with Georgia. In the 1990s, Moscow offered political support to Colombian president Ernesto Samper after his troubles with the United States following accusations that he had received money from the Cali drug cartel for his electoral campaign.<sup>49</sup> However, Venezuela proved to be especially useful for Vladimir Putin's political spectacle because it demonstrated to the Russian public, at just the right time and at the right place (e.g. close to the United States), that Russia had restored its influence in the world. Many Russians still see Latin America as America's own "near abroad," similar to the former Soviet republics for Russia.

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46 Color (or colored) revolution is a term used to describe the mostly peaceful change of political regimes in the former Soviet republics in the post-Cold War era. The Russian elites believe that these transitions were made possible because of external (Western) clandestine influence that helped to trigger a popular protest against the established political rule.

47 ALBA is a political and trading bloc created by Venezuela and Cuba in 2004, but sustained financially overwhelmingly by Venezuela alone. Moscow expected wider support of its international positions than it actually received from the ALBA countries. See Vladimir Rouvinski (2015b), "Russia and ALBA: A Marriage of Convenience?" in Bruce M. Bagley and Magdalena Defort, eds., *Decline of the U.S. Hegemony? A Challenge of ALBA and a New Latin American Integration of the Twenty-First Century* (Lanham, MD: Lexington Books).

48 Ibid.

49 See Vladimir Rouvinski (2014), "Colombia frente a las potencias extra-hemisféricas: el caso de las relaciones colombo-rusas" (Colombia and the extra-hemispheric powers: The case of the Colombian-Russian relations), *Revista Cs*, 14: 77-109.

While the majority of ordinary Russians have never travelled to Latin America, they do have some knowledge about that part of the world dating back to the times of the Soviet glory. The Kremlin realized that if they could score a diplomatic success in America's near abroad in Latin America, it would compensate in terms of political symbolism for Russia's loss of influence with its own neighbors.

The Bolivarian leaders played their role to perfection. We saw: the first-ever visits by the heads of states; the arrival of Russian strategic bombers and navy ships to Venezuela; an announcement about a possible military base "under the very nose of the Yankees;" the acquisition of Russian fighter jets; and videos of Lada cars on the streets of Caracas. All these events provided the Russian media with perfect images of Russia's restored global reach. For those among the Russian elites who felt outplayed by the West in Ukraine and other former Soviet territories, Moscow's rising profile in Venezuela was evidence of a successful strategy of reciprocity. The primary mission was a success: domestic approval of Putin's foreign policy was rising, and Venezuela rose like a rocket in Russian public opinion surveys of countries considered friendly towards Russia.<sup>50</sup> Russia would eventually pay an economic price for this political success in terms of failed investments in and loans to Venezuela.

The leaders of Venezuela likewise wanted to base the bilateral relationship with the Kremlin on more than economic concerns. Hugo Chávez put his personal charisma and talent for personal diplomacy on full display in his efforts to build stronger relations with Russia. Vladimir Putin, for his part, greatly values building good personal relations with foreign heads of state.<sup>51</sup> With personal style and political need in alignment, Chávez would go on to visit Russia more than any other Latin American leader. He traveled to Moscow nine times, sometimes visiting Russia more than once during a calendar year. Chávez would also meet Putin during the latter's visits to Venezuela and on the sidelines of international meetings like the United Nations General Assembly.

Chávez also sought to build a sense of comradeship with other key Russian political and business figures. When visiting Russia, he did not limit his visits to the Russian capital: he would not hesitate to travel to smaller Russian cities and befriend members of the powerful regional elite, some of whom later would join the central government in Moscow. Fully aware of Putin's sensitivity on the question of the collapse of the Soviet Union—considered by the Russian president and his followers as the greatest geopolitical catastrophe of the

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50 See Vladimir Rouvinski (2017), "Understanding Russian Priorities in Latin America," Kennan Cable No.20, <https://www.wilsoncenter.org/publication/kennan-cable-no20-understanding-russian-priorities-latin-america>. Needless to say, the Bolivarian leaders also took a full advantage of their closeness to the Kremlin in order to strengthen their domestic standing. For instance, addressing publicly the U.S. president at one of his regular televised meetings, Chávez proclaimed, "Venezuela is no more alone. Russia is with us!" Several years later, Nicolás Maduro regularly made similar statements to the Venezuelan media.

51 See Charles E. Zeiger (2018), "Diplomacy," in *Routledge Handbook of Russian Foreign Policy*, ed. by Andrei P. Tsygankov (London and New York: Routledge), 132-33.

20th century—Chávez announced on one of his visits to Moscow, “I am one of those who believe that the Soviet Union has never disappeared.”<sup>52</sup> The Venezuelan president also paid respect to rehabilitated Russian customs and traditions. For instance, he twice accepted the title of honorable Cossack, and met with the hierarchy of the Russian Orthodox Church on almost every visit. Thanks to his frequent television appearances in Russia, Hugo Chávez became one of the most recognizable foreign leaders among the Russian public.<sup>53</sup> The *comandante*’s successor, Nicolás Maduro, learned the lesson and continued to follow the example of his patron. Maduro has visited Russia several times each year. When most foreign leaders, citing Russia’s involvement in the war in Ukraine, declined Putin’s invitation to attend the symbolically important celebrations of the 70th anniversary of Russia’s victory over the Nazi Germany, Maduro was the only South American leader to attend the commemoration. Currently, the Venezuelan leader takes advantage of any opportunity to meet the Russian leader at home or abroad, or to participate in telephone conversations. Perhaps not surprisingly, Maduro has developed particularly close personal relations with Igor Sechin, who continues to be a regular visitor to Caracas. Notably, Sechin was Maduro’s guest at the opening of the Chávez memorial in Sabaneta in 2016.<sup>54</sup>

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*When most foreign leaders declined Putin’s invitation to attend the celebrations of the 70th anniversary of Russia’s victory over the Nazi Germany, Maduro was the only South American leader to attend the commemoration.*

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Another distinctive feature of the relations between Russia and Venezuela, in the context of the Russian rapprochement to Latin America, is the over 200 treaties, agreements, contracts, and memorandums of understanding signed by Moscow and Caracas after Chávez became president of Venezuela.<sup>55</sup> These agreements range from a comprehensive treaty of technical military cooperation, to technical documents on sharing certain Russian bank and cybersecurity technologies, to sales contracts for Russian agricultural products. In practical terms, many of the treaties and agreements have gone unfulfilled. Nonetheless, the high number of inter-governmental agreements translates to multiple trips by top Russian bureaucrats and key business leaders to Venezuela, as well as corresponding trips by Venezuelan representatives to Russia. Diplomats from both countries have worked on Russian-Venezuelan high-level commissions and other formal frameworks, including

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52 A statement made by Hugo Chávez in October 2010, during a speech to the Congress entitled, “Two centuries of the Latin American independence,” Moscow Library of Foreign Literature.

53 This is according to a survey conducted in 2013 by FOM; data available in Russian at <https://fom.ru/Mir/10867>.

54 “Presidente Maduro develó monumento de Hugo Chávez en Sabaneta” (President Maduro reveals the Monument to Hugo Chávez in Sabaneta), *ALABCiudad*, 7 October 2016, <http://albaciedad.org/2016/10/monumento-hugo-chavez-sabaneta-barinas-desde-rusia/>, in Spanish.

55 Interview of the Ambassador of Russia in Venezuela V.F. Zaimsky, *TASS news agency*, 15 February 2017, [http://www.mid.ru/about/professional\\_holiday/news/-/asset\\_publisher/15UF6lkPfgKO/content/id/2642717](http://www.mid.ru/about/professional_holiday/news/-/asset_publisher/15UF6lkPfgKO/content/id/2642717), in Russian.



Tankers loading at the pier in Puerto La Cruz, Venezuela. Photo by Shutterstock.com

electoral authorities and parliamentary delegations. The rotation of individuals assigned to these various bilateral commissions and working groups serves to build a broadening base of familiarity between Russian and Venezuelan elites.

The persistent efforts by the Bolivarian leadership to engage with Russia nicely coincided with the anti-American worldview of those members Russia's political elites looking for a chance to prove Russia's return to the global stage. Even today, a considerable part of the Russian political establishment shares Caracas's view that Venezuela's domestic problems are the work of outside forces, primarily the United States. In spite of the economic failures, Russian elites still greatly value their relationship with Venezuela because the leaders of the Bolivarian republic continue to support Russia politically and are ready to cooperate with Moscow in order to stay in power. Even before the current crisis, Russian Defense Minister Sergei Shoigu publicly acknowledged that the fundamental cause of political unrest in Venezuela represented yet another American-supported attempt at a color revolution.<sup>56</sup> In a similar vein, Igor Sechin has accused the United States of using sanctions in order to damage Rosneft's investments in Venezuela as part of broader, unfair American campaign of economic competition around the world.<sup>57</sup> In September 2018, Foreign Minister Lavrov stated that the answer to solving the Venezuelan crisis is a dialogue between the Maduro government and the opposition, but accused the United States of preventing this dialogue from taking place.<sup>58</sup> The following month, in October 2018, Vladimir Putin linked the political and economic difficulties experienced by the government of Maduro to "external influence" and demanded that "the people of Venezuela be given a chance to decide by themselves the future of their country," since "there is no need for

56 Speech by the Defense Minister of the Russian Federation General of the Army S.K. Shoigu at the IV Moscow International Security Conference, 16 April 2016, <http://mil.ru/pubart.htm?id=12016244%40cmsArticle>, in Russian.

57 "Venezuela has good prospects in the oil industry, Sechin Said," *RIA Novosti*, 25 May 2018, <https://ria.ru/spief/20180525/1521343125.html>, in Russian.

58 Lavrov evaluated the influence of the United States on the crisis in Venezuela, *The Economics Today*, 29 September 2018, <https://rueconomics.ru/352228-lavrov-ocenil-vliyanie-ssha-na-krizis-v-venesuele>, in Russian.



a bull in a china shop.”<sup>59</sup> Furthermore, many members of the Russian press and TV broadcasters as well as Russian researchers interviewed in Moscow in December 2017 indicate that it is very common for the Russian political establishment to compare events unfolding in Venezuela to the 2014 Maidan Revolution in Ukraine.<sup>60</sup>

When Juan Guaidó declared himself interim president on January 23, 2019, Vladimir Putin and many other Russian government officials rushed to express publicly their support of Nicolás Maduro. Their statements clearly show that for Russian elites, today’s unrest in Venezuela is just like the prior revolution in Ukraine. Both cases, in their view, are the result of clandestine external influences designed to foment public discontent, with the ultimate goal of replacing a pro-Russian regime with one that is pro-American.

## **Conclusion: Russian Politics at a Crossroad**

The future of Venezuela is uncertain. Russian leaders understand the implications of increased unpredictability in that South American nation as well as the fact that Russia may soon face difficult choices about their prior investments of time and political capital. They do not have many options available. Rosneft is not in a position to continue subsidizing the Maduro regime much longer, at least not at previous levels. At the same time, Venezuela has many sympathizers among the Russian political elite. Many of these Russian elites see distinct causes for Venezuela’s problems—linking the political crisis to external influences and the economic crisis to a mere lack of experience and knowledge. Moscow may still hold out hope that there is an opportunity to turn the political situation around. For its part, the government of Nicolás Maduro seems fully willing to cooperate with Moscow, recognizing that support from Moscow might be the government’s last, best chance to remain in power.

Yet Moscow is also preparing for less positive scenarios. From this perspective, it is quite indicative that current Russian official statements strongly condemn the United States and link the worsening of the domestic situation in Venezuela to the actions of the United States and its allies. While Venezuela may no longer be quite as useful as a political symbol of restored Russian greatness, Moscow cannot afford for it to turn into a symbol of one of Putin’s greatest failures in the international arena. Furthermore, the Russian public, already critical of the government’s ability to solve urgent domestic problems, is now raising questions about Russia’s aid to Venezuela at a time when Putin’s approval rating has reached a record low.<sup>61</sup>

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59 “Putin commented the situation in Venezuela,” *RIA Novosti*, 3 October 2018, <https://ria.ru/world/20181003/1529893770.html>, in Russian.

60 The Ukrainian crisis is widely perceived in Russia as a color revolution that turned into a civil war, with unpredictable consequences and damage to vital Russian interests.

61 Only 33 percent of Russians trust Vladimir Putin, according to the Russian State Public Opinion Research Center, [https://wciom.ru/news/ratings/doverie\\_politikam/](https://wciom.ru/news/ratings/doverie_politikam/), accessed 28 January 2019. Following the self-proclamation as interim president by Juan Guaidó, the crisis in Venezuela became a headline in the Russian mass media; many voices were critical of the Russian government’s involvement.

It seems that one of the lessons that Russia was to learn from the Ukrainian crisis is not to put all your eggs in one basket. In a sharply divided country like Venezuela, it would be counterproductive to ignore other political forces, especially when the future is very uncertain and there are too many assets to lose. Russia has signaled several times that Moscow is prepared to deal with any regime in Venezuela if a power transition takes place in a “legal and transparent” way. For now, the government of Vladimir Putin is unequivocally on the side of Nicolás Maduro. The Russian leader and the Russian electoral authorities immediately accepted the results of the country’s 2018 presidential elections, and the Kremlin steadfastly refused to recognize interim president Juan Guaidó in January 2019. Moscow continued to protect Nicolás Maduro by offering diplomatic cover in the United Nations, providing positive media coverage on RT worldwide, and extending humanitarian aid and financial advice.

For these reasons, the Venezuelan opposition sees Russian involvement as responsible for keeping Maduro in power. Moscow would find it very difficult to build confidence with the other side should there be a change in the Miraflores Palace, the official seat of the Venezuelan president. Precisely for this reason, the government of Vladimir Putin has announced that it is willing to mediate between the parties.<sup>62</sup> At the same time, and while it would be extremely difficult for Russia to afford financially to become more involved in Venezuela than it is now, neither can Vladimir Putin afford to lose the political capital invested in this part of the world. Russia has to balance the important economic investments and possessions in the country, like the ones owned by Sechin’s Rosneft, against its international reputation as an important actor capable of influencing the region. Failure will mean not only economic losses: it would also result in damage to Russia’s great power image. Therefore, should Nicolás Maduro fall from power, Moscow will still attempt to wield economic and political influence over how Venezuela is governed.

Russia understands that a number of heterogeneous external actors will also play a role in shaping the present and future scenarios in Venezuela. First, Venezuela’s allies, such as Cuba and Nicaragua, have close links to Moscow. Both are watching closely how Vladimir Putin deals with the situation in Venezuela. This is especially true for Nicaragua, where the government of Daniel Ortega has its own problems with maintaining stability. For Cuba, if Moscow shows weakness in Venezuela it would call into question whether Russia can be relied on to help insulate the transition process on the island against pressure from the United States and its allies in the region.

When it comes to other neighboring countries, a miscalculation in Venezuela could spell trouble for Russia’s relations with Brazil and endanger the future of cooperation under the BRICS grouping. Putin still highly values the BRICS group, but the future of that organization

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<sup>62</sup> “Russia is ready to mediate between Maduro and the opposition,” *Ria News Agency*, 25 January 2019, <https://ria.ru/20190125/1549917852.html>, in Russian.

is already less certain because of the change of power in Brasília. In the case of Colombia, the Kremlin tries to distance itself from the belligerent rhetoric of Nicolás Maduro against its immediate neighbor, but does little to ease the tensions.

Other than a coincidence of positions in fora such as the U.N. Security Council, there does not seem to be a great deal of collaboration between Moscow and Beijing, another powerful player in the region, on the issue of Venezuela at this time.<sup>63</sup> This lack of cooperation is not surprising, as the long-term interests of Russia and China in the region do not necessarily coincide, especially in the area of trade and investment.

Finally, the government of Vladimir Putin does keep an eye on the strategy employed by the United States. Both Putin and Maduro feel threatened by the United States. Despite the fact that almost all of the Venezuelan army's modern military equipment comes from Russia, and there are established contacts between Venezuelan army and the Russian Ministry of Defense, there is little evidence to suggest that Russia is prepared to provide any additional significant military assistance to the Maduro regime openly. By doing so, Moscow would risk completely alienating Russia from other states

in the region, most of which no longer recognize the Maduro government as legitimate. Moscow may opt for tactics already tested in Ukraine and Syria, up to and including sending forces out of Russian uniform. Nevertheless, any use of force remains the least desirable option for

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***Any use of force remains the least desirable option for the Kremlin—both because it would be very costly and because it may not necessarily bring about desirable results in a timely matter.***

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the Kremlin—both because it would be very costly and because it may not necessarily bring about desirable results in a timely matter. Moscow does not appear ready to take on another case like Syria. The message that the government of Vladimir Putin attempts to deliver to actors in and outside of Venezuela is the following: avoid pushing us into a corner. From this perspective, there are three possible short-term scenarios for Russia. First are negotiations between Maduro and the opposition, in which the Kremlin would play a central mediating role and which would provide Moscow with assurances of the continuation of its incidence in Venezuela. However, this is the least likely to happen, because the opposition is not willing to accept the idea of Nicolás Maduro continuing in power. Second is support, both diplomatic and financial, for Maduro's efforts to suppress the opposition by force, even though Russia's tangible resources are quite limited. This scenario would allow Vladimir Putin to gain time and re-design Russian policy towards the region. The probability of this scenario is high unless it

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63 The recent reports indicate that Russia is trying to pressure the government of Maduro, in order to make sure that the Venezuelan debt to Rosneft is a priority over the debt to China. See Ulmer, Alexandra and Marianna Parraga, "Rosneft's Sechin flies to Venezuela, rebukes Maduro over oil shipments," *Reuters*, 24 November 2018, <https://www.reuters.com/article/us-russia-venezuela-exclusive/exclusive-rosnefts-sechin-flies-to-venezuela-rebukes-maduro-over-oil-shipments-idUSKCN1NT0TJ>.

would trigger a significant increase in the involvement of external actors that would change the balance of power inside Venezuela. If this were to occur, a third scenario is likely to unfold, namely, Russia's clandestine involvement inside Venezuela and legal action in international courts. In any case, completely abandoning Venezuela is not an option for Moscow.

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