

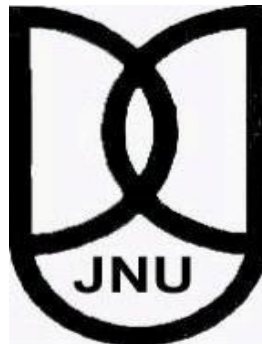
Foreign Policy of Venezuela under Hugo Chavez, 1999-2013

Thesis Submitted to Jawaharlal Nehru University

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DECLARATION

I declare that the thesis entitled "FOREIGN POLICY OF VENEZUELA UNDER HUGO CHAVEZ, 1999-2013" submitted by me for the award of the degree of DOCTOR OF PHILOSOPHY of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

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CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

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Dedicated to Maa and Papa

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PREFACE

Foreign Policy of Hugo Chavez was marked by an advocacy of a ‘multipolar world’ as a corrective of a unipolar world dominated by the United States; an international assertiveness on the part of Latin America as a region and experimentation with regional integration schemes with the rise of ‘left’ leaning governments popularly known as the ‘pink Tide’; leadership contestation with Brazil. Favourable international circumstances in the form of high energy prices facilitated him to pursue what he called the ‘twenty-first century socialism’ i.e. nationalist control over natural resources with a politics of distribution.

Chavez’s foreign policy pursuits and proclivities were also viewed as the revival of interests on ‘global south’. He challenged the Washington Consensus—a free-market model of economic development along with electoral democracy with little substance. He resisted the American unilateralism and pursued the goal of a multipolar world; advocated South-South cooperation; diversified Venezuela economic relations by seeking closer ties with China and Russia; and, at the regional level, talked of integration at the social and cultural fronts. In short, he was the voice of what is generally understood as the ‘global south’-championing of norms and values different from those emanating from the West in the post-Cold War world order/disorder. His foreign policy was seen as a reflection of the shift in the locus of global power and its distribution over a wider spectrum.

His foreign policy was an inseparable part of the societal project of transformation and nation-building. His domestic social innovations inspired millions in the region and became examples to be emulated by similar like-minded ‘twenty-first century socialist’ governments in Latin America and the Caribbean. It meant that foreign policy had to have a strong social component besides Venezuelan diplomacy got in contact directly with civil society associations and political movements in the region.

The doctoral monograph has been divided into six Chapters: four substantive besides one introductory and one concluding Chapters. Chapter I provides a comprehensive idea of research work which includes background of the study, literature review, research questions and objectives and research methodology. Chapter II titled ‘Foreign Policy Setting of Venezuela’ looks at the foreign policy of Venezuela

through geopolitical and geo-economic imperatives. It will give an outline of the regime character and foreign policy choices starting from the tenure of Romulo Betancourt that is in the Puntofijo period (1958-1998). The work also identifies the major actors and stakeholders in the foreign policy decision making of Venezuela. Chapter III analyses the 'Building Blocks of Chavez's Foreign Policy' by outlining President Chavez's concept of a multipolar world', which underpinned the overarching framework of Venezuelan foreign policy in the second phase of the Fifth Republic. Central to this concept of a 'multipolar world' was the establishment of a new and radical foreign policy framework that supports a move away from traditional and historical policy priorities and alliances. The Chavez era saw the development of closer relations with non-traditional allies such as China, Russia, and Iran, resulting in multiple bilateral agreements ranging from Chinese oil exploration in Venezuela to joint military operations with Russia. Chapter IV titled 'Oil and Foreign Policy' analyses the implications of oil in the foreign policy decision making in Venezuela. Oil has powered and propelled Venezuelan diplomacy and its foreign policy is centred on it. Hugo Chavez used oil to establish control of the state over oil companies and leveraged oil to gain greater influence and status for his country. Chavez 'nationalised' oil and the state-owned oil monopoly, PDVSA (Petróleos de Venezuela, Sociedad Anonima) began exercising control over private oil firms in terms of investment and production. The consolidation of state control over oil sector helped Chavez to secure his domestic and global foreign policy goals paving the way for his Bolivarian Revolution on both fronts. Chapter V titled Regional Foreign Policy of Hugo Chavez examines the Venezuela's foreign policy initiatives of Hugo Chavez in a regional context. It analyses the initiatives undertaken by Chavez in the regional context and the leadership contestation between Venezuela and Brazil during that period of time. Finally, Chapter VI summarises the salient arguments of the study.

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LIST OF ACRONYMS

AD	Acción Democrática (Democratic Action Party).
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alternative for the Americas)
CARICOM	Caribbean Community
CELAC	Comunidad de Estados Latinoamericanos y Caribeños (Community of Latin American and Caribbean States)
COPEI	Comité de Organización Política Electoral Independiente
CTV	Confederación de Trabajadores de Venezuela (Venezuelan Labour Confederation)
ECLAC	Economic Commission for Latin America and the Caribbean
EIA	Energy Information Administration
FEDECAMARAS	Federación de Cámaras y Asociaciones de Comercio y Producción (Venezuelan Federation of Chambers of Commerce and Association of Commerce and Production)
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
LAFTA	Latin American Free Trade Association
MERCUSOR	Mercado Común del Sur (Common Market of the South)
MVR	Movimiento Quinta República (Fifth Republic Movement)
NAFTA	North American Free Trade Agreement
OAS	Organisation of American States
OECD	Organisation for Economic Cooperation and Development
ONGC	Oil and Natural Gas Corporation
OPEC	Organisation of Petroleum Exporting Countries
OVL	Oil Videsh Limited
PEMEX	Petrôleos Mexicanos
PDVSA	Petroleos de Venezuela, Sociedad Anonima (Petroleum of Venezuela, Joint Stock Company)
PSUV	Partido Socialista Unido de Venezuela (Socialist Unity Party of Venezuela)

SADC	South American Defence Council
SDT	Special and Differential Treatment
TCP	Tratado de Comercio de los Pueblos (People's Trade Agreement)
UN	United Nations
UNASUR	Union de Naciones Suramericanas (Union of South American Nations)
UNDP	United Nations Development Program
URD	Unión Republicana Democrática (Democratic Republican Union)
WB	World Bank
WTO	World Trade Organisation

Map of Venezuela



Source: The Economist Intelligence Unit Limited (2005)

CHAPTER I: INTRODUCTION

Background

The present doctoral monograph analyses the varied dynamics and dimensions of foreign policy during the successive three tenures of the Venezuelan President Hugo Chavez (1999-2013)–regarded as the period of the Fifth Republic in the history of the country.

‘Chavismo’- a body of ideas, thoughts and policies of Hugo Chavez has different dimensions. Historical and philosophical dimension in the form of ‘Bolivarian Revolution’ drew inspiration and ideas from the writings and works of the *Libertador* Simon Bolivar who, nearly two centuries ago, had liberated the mainland South America from the Spanish colonial rule. The Bolivarian narrative was often used as a quest for ‘dignity and equality’ under the tenure of Chavez as it was 200 years ago. By isolating and reifying particular elements of Venezuelan history, Chavez was able to naturalise both the subjectivities (‘people’ versus the elite) and the narratives (returning dignity) within his political discourse (Emerson 2011). Politically, ‘chavismo’ is characterised by sovereignty and national independence; rejection of the domination of any imperial superpower or financial institutions and autonomy.

The foreign policy of Chavez emulated the above ideals, sought an international assertiveness on the part of Latin America as a region and experimentation with regional integration schemes; and in a global context marked by the rise of the ‘global south’. Favourable international circumstances in the form of high energy prices facilitated him to pursue what he called the ‘twenty-first century socialism’ i.e. nationalist control over natural resources with a politics of distribution.

His foreign policy was viewed as the voice of the south. He challenged the Washington Consensus – a free-market model of economic development along with electoral democracy with little substance. He resisted the American unilateralism and pursued the goal of a multipolar world; advocated South-South cooperation with a multiplicity of ties with the countries of the South; diversified Venezuela economic relations by seeking closer ties with China and Russia; and, at the regional level, talked of integration at the social and cultural fronts. In short, he was the voice of

what is generally understood as the 'Global South'-championing of norms and values different from those emanating from the West in the post-Cold War world order/disorder. His foreign policy was seen as a reflection of the shift in the locus of global power and its distribution over a wider spectrum.

At a general level, foreign policy analyses deal with the conduct and practice of relations between different states in international relations. It helps to understand how state elites view their country's position in international order, define national interest and identify tools and tactics to promote those perceived national interests. In the case of Venezuela, its prominent geographical location in South America overlooking the entire Caribbean region and its resource endowment in the form of huge hydrocarbon resources have endowed the country with considerable geostrategic importance in regional and global matters of development and security.

If personal qualities and political predilections of leadership are important, then these were abundantly available in the *persona* of Hugo Chavez. The hugely popular and charismatic leader defined national interest with whatever he chose to do at domestic, regional and international levels. Venezuela witnessed a certain personalisation of politics with a strong executive largely due to the collapse of the two-party regime. Chavez dominated the politics of Venezuela from 1999 to 2013 and his strong influence and ideological underpinnings resonated in his foreign policy decisions.

Several broad themes recur in the scholarly analyses of foreign policy under Hugo Chavez:

Firstly, it is argued that an ideologically driven foreign policy was used as a tool to garner support from like-minded leaders of the region to consolidate Chavez's 'Bolivarian Agenda' in the international arena. Chavez coming to the presidency was marked by the rise of 'left' popularly known as the 'Pink Tide' in several neighbouring countries importantly in Bolivia and Ecuador. The coming to power of 'twenty-first century socialist' presidents served several ends: (i) it was a severe indictment and a rejection of neo-liberal model of economic development imposed on Latin America under the so-called Washington Consensus with devastating social and

political consequences. The sub-regional solidarity was in line of resistance to the neoliberal hegemony as pursued and practiced by the USA and the international financial institutions for more than a decade. Chavez's foreign policy was a call for solidarity at the regional and international levels among governments and civil society actors who were seeking alternative models of development. (ii) A radical foreign policy agenda differentiated him from the 'moderate left-leaning' governments, say, that of Lula in Brazil which advocated co-living with neo-liberalism. This was manifested in Chavez's call for solidarity among the oppressed nations and peoples; and therefore his call for a just international order.

Secondly, his foreign policy is assessed in terms of his oil politics in the international arena. His concrete strategic interests marked by 'high oil prices' unfolded with his advocacy of oil diplomacy. He sought to take Venezuela's oil relations beyond US market and foreign oil companies which were necessary for diversification of oil markets. He did this by forging strategic ties with countries like China and others including India for investments in the energy sector and an alternative market for its crude oil. The centrality of an oil economy pushed him to establish control of the state over oil companies and leveraged oil to gain greater influence and status for his country. Oil sector had previously acted as a relatively autonomous 'state within a state'. Chavez 'nationalised' oil and the state-owned oil monopoly, *Petróleos de Venezuela, Sociedad Anonima*, PDVSA began exercising control over private oil firms in terms of investment and production. The consolidation of state control over oil sector helped Chavez to secure his domestic and global foreign policy goals paving the way for his Bolivarian Revolution on both fronts. It is also said that his populist strategy under the banner of Bolivarian internationalism received a tremendous fillip with the control of this asset.

Thirdly, regionalism was also central to Chavez's foreign policy. Independence to Latin America had come at the continental, not the national level. 'Continental solidarity' has since remained a regional ideal; Bolivar himself had advocated political unity of all of Latin America in the age of colonial empire-building. These

sentiments and legacies have made Latin America a pioneer in regional integration all through its independent history but more meaningfully since the 1960s.

Regional integration got a boost in the 1990s in the context of liberalisation of domestic economies and their integration with the global market forces in the form of liberalisation of imports-exports, foreign exchange rates, and foreign investment. As state retracted from the economic arena; privatisation came to be considered virtuous for economic growth and national well-being. Three broad types of regional integration schemes were experimented in the 1990s and thereafter: (a) the launching of South American Common Market in 1991 coincided with economic liberalisation and globalisation. MERCOSUR was an export-driven integration, which was intended to facilitate access to the markets of member countries and formation of regional business firms. Brazil in the 1990s was the major proponent of this type of integration. (b) Hugo Chavez sought regional integration at social and cultural level through schemes such as the Bolivarian Alternative for the Americas (ALBA). ALBA focused on social issues such as health, literacy, women's rights and the cultural rights of the indigenous communities; and importantly, integration of physical infrastructure such as energy pipelines and infrastructure to boost physical connectivity among the member countries. ALBA was the pet project of Chavez; a vehicle he also sought to use to fulfil his ambition for regional leadership. It was a forum to uphold and promote his brand of 'twenty-first century socialism' at the regional level; at a more meaningful level, ALBA was an attempt to build regional integration not through free markets but with the participation of civil society with a social agenda and under the aegis of the state. If MERCOSUR had its genesis in neo-liberalism; ALBA had its roots in post-neoliberalism. (c) The launch of the 12-member Union of South American Nations (UNASUR) in 2009, under Brazilian leadership, was an admission that MERCOSUR is sitting ill-at-ease with Lula's brand of 'Leftism'. UNASUR was launched also with a social agenda; a political agenda including a Defence Council to settle disputes and meet security threats to the member countries. Importantly, UNASUR was also a South American political and diplomatic platform to dialogue with others, such as the European Union, the Arab world, China etc. The 33-member Community of Latin American and Caribbean

Countries (CELAC), launched in 2011, excluded US and Canada in a sign of coming of age of the LAC region in international affairs. CELAC chose India as its first dialogue partner was an indication that LAC region is searching for a higher regional profile in the emerging world order. Both UNASUR and CELAC reflected the continental commitment to inclusive development and pluralist democracy and a multilateralist world order.

Literature Review

The literature review identifies some of the core issues/ themes, Hugo Chavez championed through his foreign policy. The available literature can be divided and treated under the following four broad themes: Foreign Policy Setting of Venezuela; Building Blocks of Chavez's Foreign Policy; Oil and Foreign Policy and Regional Policy of Hugo Chavez.

(i) Foreign Policy Setting of Venezuela

The prominent geographical location of Venezuela in South America overlooking the entire Caribbean region and its resource endowment in the form of huge hydrocarbon resources have endowed the country with considerable geostrategic importance in regional and global matters of development and security. Thus geopolitics and geoeconomics have a bearing on the foreign policy of Venezuela.

According to Anderson (1984), situated at the northeast corner of South America, Venezuela is both the Caribbean and an Andean country. In general terms, geopolitics can be defined as the science of the relation of politics to geography. However, this definition lacks other important elements and scope of geopolitics, which includes the relationship between geography and military strategy, national development, expansion, and imperialism (Child 1979).

Sempa (2002) stated that the geography of a state-its position in a geographical region and in the world as a whole presents opportunities to, and also imposes limitations on, the state. Geography, therefore, conditions the perspectives of a state's leaders or rulers and, thereby, affects their decision-making in matters of foreign policy. It is also important to note that the geographical position where a country is located

relative to other countries is more important than its sheer size. Jack Child and Philip Kelly have used the term geopolitics as a relationship between power politics and geography. National security both internal and external and geo-strategy which is the application of geopolitics to the art of high-level military planning are some major areas of interests.

The classical geopolitical writers espoused the “organic theory of the state”, a concept that maintains that the nation-state is a living organism that requires living space, resources and a purpose: the state has a life cycle in which it is created, matures, declines and finally disappears (Child 1985: 21).

Child (1979) noted that the significance of geopolitical thinking in Latin America as an intellectual framework became prominent as most of its practitioners were military men. Thus, geopolitical ideologies had a considerable impact on military regimes in the 1960s and 70s. Most of the South American states adopted authoritarian military regimes under a model of the *National Security State*, thus applying geopolitical doctrines to their foreign and domestic policies (Kacowicz 2000). Many leading geopolitical writers in South America hold major government offices influencing foreign policy decision making. Prominent among them were General Augusto Pinochet of Chile who was his country’s president, leading geopolitical theorist General Golbery do Couto e Silva of Brazil who headed the Security and Intelligence Service SNI, *chef de cabinet* and a central figure in the military regime, Juan Enrique Guglielmelli of Argentina who headed the National Development Agency (Hepple 1986; Kelly 1997).

Geopolitics in Latin America is influenced by the political history of the states and their international relations. The emergence of the independent states from the Spanish and Portuguese rule left a legacy of boundary disputes and claims that were remote and lightly settled. In case of Venezuela during the period of ‘pacted democracy’ (1958-1998) many, Venezuelan democrats were suspicious of the term geopolitics because of its association with Nazi Germany or with Latin American military dictatorships and the role of the armed forces was relegated outside the

civilian realm. The civilian politicians preferred secrecy on geopolitical issues pertaining to boundary negotiations or a national defence strategy.

Col. Aquiles López Sanchez (1975) had identified five historical phases of Venezuelan geopolitics. They are (1) the Pre-Colombian epoch in which the Caribbeans dominated the northern coast of the South American continent as well as many of the Caribbean islands; (2) the Spanish colonial period (3) the height of national glory from 1810 to 1830 when Simón Bolívar led the continent and Venezuela to independence; (4) the period of civil wars, irresponsible leaders, and shrinking of national territory from 1830 to 1958; and (5) the contemporary era of potential expansion and integration, which could recapture the greatness of the Carib or the Bolivarian period.

The geographical location of Venezuela is an important determinant in influencing its role on its neighbours. Since 1960, Venezuela began to exert considerable influence in the Caribbean owing to political changes in the neighbouring states and islands which was often criticised as 'subimperialism' (Ewell 1982). During the 80s, the Caribbean Basin policy of Venezuela was largely compatible with the US interests. The Caribbean coastline holds importance in Venezuelan context as most of its petroleum fields and industries are located here. Myers (1985) stated that the Venezuelan Caribbean policy was premised on political, economic and territorial objectives. Politically, Venezuela wanted a stable and supportive environment in the region by strengthening other democratic governments in the region. Economically, it wanted to convert the Basin as a profitable market for petroleum and manufactured products.

Child (1979) argued that there is a broad general agreement or consensus on a number of issues: The inevitability of world conflict and of Venezuela's location in the secondary zone and within the U.S. sphere of influence, the vulnerability of Venezuela's long coastline, the potential and the necessity for Venezuela to play the role of a sub-regional power in the Caribbean, the advisability of Venezuela's seeking regional alliances or blocs through which to press national objectives, and the necessity to develop the sparsely populated and economically "empty" interior space of the country. A secure and the peaceful Caribbean in which Venezuela's sea lanes

for shipping out its oil would be protected was one of the pragmatic goals sought by the moderate analysts.

Child (1985) also argued that the geopolitics of energy (i.e. oil) is an important dimension of Venezuelan geopolitical thought. Oil has played a very crucial role in the politics of Venezuela and mentoring its relations with the Caribbean and the Andean region. The historical status of Venezuela as a major exporter of oil has facilitated its foreignpolicy proclivities and the use of oil as a foreign policy tool to enhance the rents it extracts from international oil markets.

Venezuela's recent foreign policy deals are directly related to both the paramount energy security issue and the desire to limit U.S. influence in the region. Venezuela's search for energy markets in Asia, Africa, and the Caribbean is the testimony to this aspect of energy security. In June 2005 Venezuela created PetroCaribe, an agreement bringing together the nine Caribbean nations that are not involved in either of the previous accords in addition to existing members Belize, Jamaica, and the Dominican Republic. While oil is sold to member countries at unsubsidised market prices, buyers are provided with long-term financing linked to increases in world prices. Higher the price, the greater is the percentage that is eligible for special terms. Supplies of oil are solely for domestic consumption only and cannot be resold. This accord has at least two factors that distinguish it. First, it creates a permanent organisation with a seat in Caracas, including a Ministerial Council and an Executive Secretariat that Venezuela controls. Second, PetroCaribe was linked to Chavez's alternative to the FTAA, the Bolivarian Alternative for Latin America (ALBA) through a fund called ALBA-Caribe.

Puntigliano (2011) stated that geopolitics of integration and regionalism is also seen as a way of guaranteeing autonomy and development. These ideas have a history dating back to people such as the *Libertador* Simón Bolívar (1783–1830) who conceived a 'geographical consciousness', aiming at the integration of the new states to maintain their autonomy against foreign powers and particularly Venezuela as anatural pivot of hemispheric unity. He emphasised the importance of maintaining the unity of the parts of the 'common state' that had been constructed around three

hundred years ago). Hugo Chavez was highly influenced by the ideas of Bolivar which resonated in his policies of regionalism. The regionally oriented foreign policy of Venezuela during the tenure of Chavez opened up an autonomous space for many states in Latin America and the Caribbean.

Many analysts have argued that the end of the Cold War had reduced the importance of military power relative to economic power and brought the concept of geo-economics in the 1990s. Edward Luttwak who is credited with coining the term “geo-economics” in his influential 1990 article, “From geopolitics to geo-economics”, argues that geopolitics represents an increasingly relict logic of global interchange (Cowen and Smith 2009).

Basenet and Sharma (2013) stated that Latin America in the 1990s witnessed an intense parley of regional trade agreements. Economic integration which refers to any type of arrangement between countries to coordinate their trade, fiscal, and monetary policies became common.

The foreign policy decision making in Venezuela has a number of actors and stakeholders. Apart from the President, the armed forces have a considerable influence over the foreign policy of Venezuela after Hugo Chavez came to power in 1999. Kelly and Romero (2002) stated that since the inauguration of President Hugo Chavez in 1999, the role of the armed forces in Venezuela has rapidly increased from a relatively narrow focus on external defence to a broad focus on internal security and development. Under his regime, there was greater integration between military and other national objectives.

Trinkunas (2002) admitted that President Chavez’s administration positioned active-duty and retired military officers to staff political and bureaucratic positions. Retired and active-duty military officers have held up to one-third of the portfolios in the presidential cabinet, including the Ministry of Interior, Ministry of Infrastructure, and the governorship of the federal district during the transition to the Fifth Republic. Military officers have been appointed as president and vice president of the state oil

company, *Petróleos de Venezuela Sociedad Anónima*, (PDVSA, Venezuelan Oil Company, Incorporated) as well CEO as of its U.S. subsidiary, CITGO.

(ii) Building Blocks of Chavez's Foreign Policy

McCarthy-Jones and Turner (2011) stated that Chavez had determined that multipolarity was in the perceived national interest of Venezuela. The concept of a multipolar world, as envisaged by him, aimed at strengthening Venezuela's sovereignty in the international system by both consolidation and diversification of its foreign and economic relations through direct and intensified diplomatic engagements. Chavez's active diplomatic campaign to forge closer ties with countries like China, Russia, Iran, the European and the OPEC countries had set the tone in that direction. Fuelled by high oil prices, Venezuela under Chavez, was able to diversify its ties with different countries under the ambit of a "multipolar" world which was in his interests. The quest for multipolarity received a boost when Chavez visited India in 2005 and signed six agreements including on supply of crude oil to India. He emphasised on the 'revitalisation' of the Non-Aligned Movement (NAM), and pledged his country's unequivocal support to India's claim for a permanent veto-wielding membership of the UN Security Council (Gardini et al. 2010). He envisioned a 'revitalised' NAM as a counter-hegemonic alliance. Oil diplomacy would soon make Venezuela the fourth largest source of crude oil import by India.

China has played an important role as a trade partner and in the diversification process of oil in Venezuela. Peng (2012) stated that the commonalities between both Venezuela and China range from supporting global economic trends of multipolarisation, multilateralism, and on non-interference in other countries policy. Both countries stretched the need to secure the interests of developing countries and devote themselves to an establishment of a new international economic order. Venezuela welcomed China's involvement in Latin America and firmly supported China in joining Western Hemisphere's multilateral organisations such as the Inter-American Development Bank. In return, China supported Venezuela in becoming a non-permanent member of the UN Security Council.

According to Zweig and Jianhai (2005) and Yu (2015), the growing economic interdependence and integration between China and Latin America facilitated China to get access to Latin America's growing markets, abundant resources, and lucrative investment destinations in order to sustain its own economic growth.

Cuba was seen as the comrade-in-arms in the transformative project that President Chavez had embarked upon. Azicri (2009), states that the Castro-Chavez alliance of solidarity and collaboration was mutually beneficial to both the countries. For one, their mutual support helped each fight their international isolation. Venezuelan oil re-energized vital sectors of the Cuban economy at a critical time; while Cuban overture to return the favour with its physicians, technical know-how, and expertise in many of the social missions consolidated the Bolivarian Revolution. Cuba imparted many of its critically-needed 'best practices' in the area of social reform and worked to create several grass-roots level organisations.

The partnership between Cuba and Venezuela was further strengthened with the formation of ALBA in 2004 by the two countries based on the policy of complimentary assistance (McCarthy-Jones and Turner 2011). According to Bonfili (2010), ALBA aimed to consolidate the economic integration of the region through a strong socio-welfare and a developmentalist component. Therefore, besides catering to the needs of its alliance partners, ALBA worked in the direction of food security, universal literacy, free health and education and decent housing in a bid to attain social justice and human development. In a mark of the universality of southern solidarity, ALBA's solidarity and assistance programmes were also extended to the continent of Africa. The strategic alliance between Venezuela and Cuba has therefore developed on the basis of ideology and pragmatism.

Azikiwe (2013) argues that relations with the continent of Africa marked an important aspect of the ethical dimension of his foreign policy. Chavez called for an increase in cooperation in the areas of energy, education, agriculture, finance, and communications. He strongly advocated the idea of the bank at the NAM summit in 2006. Under Chavez, Venezuela established closed diplomatic relations with forty-

four African countries and signed over two hundred agreements of cooperation, ushering a new chapter between Venezuela and Africa (Venezuela Analysis 2013).

Trinkunas (2009) argues that Chavez's foreign policy had both minimum and maximum objectives. The minimum objective was the defence of the Bolivarian Revolution at home; and the maximum was the creation of a multipolar world so as to check US hegemony and, moreover, a world order, wherein Venezuela could play a prominent role in leading one of the poles. One needs to explore and identify the concrete strategic interests behind the search for a multipolar order. Chavez foreign policy was no exception in this regard. Long ago, in his realist analysis of international relations, Morgenthau had remarked that maintenance of national security and the promotion of national interests are the core objectives of foreign policy-making in international relations (Morgenthau 1967; Piper 1975).

The pragmatic and open-ended pursuit of national interests in the foreign policy of President Chavez were reflected in his search for a new progressive ideology, described as 'twenty first century socialism' in the realm of foreign affairs; his strategy to revitalise the instrumentality of PDVSA to control oil resources and launch his oil diplomacy in the form of PetroCaribe; and his pursuit for a new energy and infrastructural regional integrationist foreign policy. The important strategic interests in his foreign policy were namely, pursuing energy interests in the form of oil diplomacy; forging regional cooperation through ALBA, UNASUR and CELAC; and south-south cooperation that would push forth his agenda for a multipolar world and strengthen the bargaining power of the 'Global South' (Gott 2008; Hellinger 2011). These key steps undertaken by the government set the strategic vision of Chavez with pragmatic concessions and flexibility being shown at times of crisis. ALBA set up in 2004, UNASUR created in 2008 and CELEC formed in 2011 were all important organisational ingredients towards building up a multipolar world order (Burges 2007; Sullivan 2014).

Chavez successfully persuaded and leveraged the Organisation of Petroleum Exporting Countries (OPEC) to maintain both the high level of oil production and price during one of the greatest resource export boom (2002-12) experienced by the

world economy (Cannon 2012). The energy interests, as one of core strategic interests, were pursued by building new strategic alliances with countries like China and Russia through oil trade and increased investments in the region (Ratliff 2006; Katz 2006; Lai 2007; Sullivan 2014). President Chavez forged close ties with Russia in the field of energy and defence. Russian energy giant Gazprom has shown interest in working with PDVSA, in the exploration of oil in the Gulf of Venezuela and the Orinoco belt. In the field of defence, Venezuela is becoming one of the biggest customers of Russian military hardware (Katz 2006).

But amidst all these developments Christian Bonfili (2010) has reinforced the fact that despite politicisation around Venezuela–US energy dependence, Chavez’s measures were not aimed at undermining the agreed bounds of economic interaction with the United States. Diana Raby (2011) in *Latin American Foreign Policies: Between Ideology and Pragmatism* concludes that the international agenda of the Bolivarian Revolution has shown a clear ideological bent but it did not prevent Chavez from making appropriate pragmatic adjustments in the implementation. The leadership showed extreme flexibility while maximising national interests, limiting or controlling damages; and while exploring and exploiting opportunities.

Hugo Chavez was an active and a vocal leader for the cause of ‘global south’. His foreign policy pursuits and proclivities led to a renewed interest in ‘global south’. The term ‘global south’ represents, admittedly, an ordering system for academic disciplines and also for geographies, politics, and culture. The ‘south’ component of the term ‘global south’ can be traced back to 1970s, which got reflected with other terms that post-Second World War modernisation discourse and revolutionary perspectives generated to describe societies that faced difficulties in achieving economic and political goals of either capitalist or socialist modernity; and at the same time carried little weight in global affairs.

The term ‘south’ was further popularised by the Brandt Commission Report published in 1980 and 1983. Later in 2003, the United Nations Development Programme (UNDP) Report “*Forging a Global South*” played an important role in drawing importance to this concept. The perception here is that the countries of the south

should come together and cooperate with one another in fostering the overall development of the south (Dirlik 2007).

Grovogui (2011) has also viewed that the Global South captures the spirit of Third World engagements and it continues to invite re-examinations of the intellectual, political and moral foundations of the international system. Dargin (2013) in *'The Rise of Global South: Philosophical, Geopolitical and Economic Trends of the 21st Century'* has explained that what was originally a concept premised upon the relationship between various economic classes within a country was conceptually extended to reflect the relationship between the capital-exporting Northern countries and the primary product-exporting and labour-intensive developing countries in Asia, Africa and Latin America.

Dirlik (2007) has argued in favour of the philosophy of 'self help' which is one of the important features of the global south. It stresses on the autonomy of nations and regions which calls for a global institutional arrangement that respects and support such autonomy rather than subjecting itself to the subversions of supposedly universal neoliberal market principles.

'South' stood reiterating the principle of national sovereignty and non-interference in the context humanitarian interventions, regime change and coercive democratisation, and imposition of market-based capitalism in developing countries. In simple words, global south stood for certain new norms that the US-led West has come to uphold in the evolving international system. Besides it called for strengthening UN-based multilateralism including reform of the UN structure importantly the representation system in the UN Security Council with the induction of more permanent members. Endowed with surplus investible capital and technological prowess, emerging economies could speak not only on behalf of the other developing countries but also be the interlocutors in the North-South dialogue. The importance of emerging and other developing economies finally came to be recognised in the formation of G-20 and recognition that global financial architecture needs to be reformed so as to ensure global financial stability and transparency. Several of these emerging powers seem to be capable of becoming growth poles; besides, in political terms, shaping regional

orders in their respective geographic regions. Venezuela could be a natural pole of growth among the ‘twenty-first century socialist’ economies of South America besides being the leader of the sub-regional political order spanning parts of the Caribbean and the Andean countries. Initiatives like ‘PetroCaribe’ and others perhaps can be more usefully understood and analysed in terms of Venezuela’s rising financial and political clout in the aforesaid sub-region.

According to Gray and Gills (2016), South-South Cooperation (SSC) emerged as a movement that intended to challenge the Northern-dominated political and economic system from the 1950s to the present. The newly decolonised countries in the 1955 Asian-African Conference emphasised on economic and cultural cooperation, human rights and the promotion of world peace. This emergent movement of Third World solidarity thereby sought to challenge the vertical relations between colony and metropole that were serving to inhibit relations between countries of the ‘global south’.

The Bank of the South, an initiative of Hugo Chavez was meant to curb the influence of Washington-based lending institutions like the World Bank and the International Monetary Fund (IMF), and strengthen financial and economic integration in the region. The *Banco del Sur or Bank of the South* would also help in reducing asymmetries, poverty, and social exclusion; promote employment; and activate a virtuous cycle of sustainable development, fundamental to the economic, social and political transformation of the region (Ortiz and Oscar Ugarteche 2010).

(iii) Oil and Foreign Policy

Would Chavez have launched a radical foreign policy project in the absence of oil, especially the cycle of a long boom that Latin American commodity producers and exporters experienced, starting around 2002? Oil has played a dominant role in shaping the political economy of Venezuela since the 1940s. An oil economy redefined stability and order as Venezuelan political class held onto a power-sharing agreement that lasted forty years, between 1958 and 1988. On becoming president, Chavez dipped his social agenda into the oil wealth.

Corrales et al. (2011) and Mainhold (2009) argued that Chavez in a bid to reposition Venezuela as a centralised petro-power from 1999 to 2003, enacted several measures to take control of PDVSA. He did so as PDVSA was necessary for rearranging the relation between the state and society after 2004. With the complete overhaul of the PDVSA, Chavez accelerated his control and his say over the privately-owned energy sector by raising royalties paid by foreign companies operating in the Orinoco Tar Belt that had entered into “strategic associations” with PDVSA. Many of these oil firms were among the biggest, and a challenge before Chavez was how to establish national control over oil industry without directly confronting the home country governments of these global oil giants.

In 2007, with persistent high oil prices, Chavez made the move of nationalisation of all the Orinoco Tar Belt Projects which made the requirement for foreign oil companies to join mixed enterprises to be set up under state control. The move was significant in the sense it changed the power equation between the privately-owned transnational firms and state-owned corporations towards the later as many of which are based in China, Iran and Russia and India. Oil firms from other countries, for instance, India, could enter the oil business in Venezuela only after nationalisation. Chavez also played a crucial role in the reactivation of the OPEC along with Iran in 2000 for lower production quotas and consequentially higher prices (Mainhold 2009). His control over the nationalised oil industry had provided him an upper hand over policy preferences (Trinkunas 2013).

Critics have argued that under Venezuela’s oil regime, the level of transparency of oil business has diminished (Corrales et al 2011). Beasley and others argue that diversification of economic and political partners and the centrality of political leaders in foreign policy-making are the main characteristics in most developing countries.

Giacalone (2013) has shown that the external factor that impacted the Venezuelan foreign policy most is the international oil market. Oil was the key lever of influence that Chavez used within the region and abroad. In the regional context, oil profits and rents enabled Chavez to extend his oil diplomacy to the oil-scarce countries in the neighbourhood. Venezuela launched three sub-regional agreements viz, PetroCaribe, PetroAndina and PetroSur which enabled Chavez to emerge as an important regional leader. PetroSur was an ‘oil alliance’ between Venezuela, Brazil and Argentina which

was later joined by Uruguay and Bolivia. It aimed to foster close cooperation between the state oil companies of the above countries (Gott 2007).

Under PetroCaribe, low-cost oil was supplied to the Caribbean basin countries and to Cuba on a long-term credit basis. While Venezuela earned the gratitude and established its regional leadership claim, such overtures only added to the debt obligations of these countries (Sanders 2007; Sullivan 2014). Sean Burges (2007) equated these gestures of Chavez with overseas development assistance (ODA) from the developed countries which usually carried overt political conditionalities. Critics were also of the view that through these oil-based diplomatic initiatives, Venezuela was only constructing a ‘protective ring’ around itself so as to safeguard its Bolivarian revolution and Chavista leadership.

Corrales (2011) opined that Venezuela developed two key policy tools: ‘soft-balancing’ and ‘social-power diplomacy’ to expand its global influence by leveraging the country’s oil windfall and to balance any regional attempt to challenge Chavez’s control over domestic politics, particularly from the United States. ‘Soft balancing’ refers to the actions of nations who are weak in military and technology terms but who tend to frustrate and derail the foreign policy objectives of powerful nations. The idea of ‘soft balancing’ centres mostly on increasing the cost of actions of powerful nations. The actions of Venezuela in international affairs like building close relations with countries, like Russia, Cuba and Iran, and creating ALBA signalled the use of ‘soft balancing’ against the United States to curtail its hegemony in the region.

Chavez used ‘social-power diplomacy’ to make huge investments abroad facilitated by windfalls from oil. It pertained to the broader agenda of promoting development especially spending on social projects at home and abroad (Corrales 2009, 2011). From 2004 to 2009, Chavez offered investments, aid, and subsidies to a large number of countries, especially through oil discounts and direct social investments. Venezuela invested directly in social projects in countries such as Nicaragua, Cuba, Argentina, Ecuador, Honduras, and Bolivia. It also invested via indirect means in Mexico, Peru, Colombia, and El Salvador –countries where Caracas sought to influence local conditions to make them more viable for emerging opponents of the political establishment. Foreign aid increased many

folds during the presidential term of Chavez as did foreign direct investments; butso also did Venezuelan borrowings.

(iv)Regional Foreign Policy of Hugo Chavez

The conceptualisation of regional or integrationist initiatives by various authors is studied under the present rubric of the literature review.

Puntigliano and Briceño-Ruiz (2013) stated that the integrationist initiatives in Latin America have three basic elements. The first is related to the idea of *autonomy*, aiming to transcend the subordination of Latin American countries *vis-à-vis* the major powers of the international system, and the region's limited bargaining power. The second element is related to economic and social*development* that is the need for overcoming economic backwardness and the enormous inequity in Latin America. The third element is related to the idea of a *common cultural identity* as a binding force behind integrationist initiatives.

Mace and Thérien (1996) in *Foreign Policy and Regionalism in the Americas* maintain that regionalism is a dynamic and an important force in the Americas and foreign policy is one of the best scientific sites to understand the complex interplays of domestic and external influences and its impact on the process of region building. They have identified two strands of regionalism: one that is embodied in the pan-American ideal and calls for American dominance in the region based on Monroe Doctrine or to say the inter-American or hemispheric cooperation involving the United States. The second strand is the Latin American vision linked with Simón Bolívar's quest for a unified body of republics which were freed from Spanish colonial rule and are connected through culture, language and history. A politically and economically integrated Latin America that is united without, and sometimes against United States has been manifested in the new regional order in Latin America; and also as espoused by Chavez.

Hurrell (1992) suggested that 'regionalism ' in Latin America has historically meant two very different things. One is intra-regional that is the cooperation between the countries of Latin and Central America themselves, and the other inter-American or hemispheric cooperation involving the United States. Both date back to the nineteenth century. 1980s saw a significant resurgence in the first of these types of regionalism

which was political in nature. Hurrell (1992) also argued that Latin America witnessed the emergence of economic integration processes with the revitalization of the Central American Common Market in 1960, the Andean Pact in 1969 and MERCOSUR in 1991.

Victor Bulmer-Thomas (2001) has stated that the first phase of regionalism in Latin America known as 'old' regionalism can best be understood as an attempt to carry out import-substituting industrialisation (ISI) at the regional level. Regionalism was seen primarily as a way of reviving the dynamism of the industrial sector in countries where domestic output was limited by the size of the national market and as a means of promoting modern manufacturing in countries where economies of scale were impossible at the national level. The debt crisis forced the countries to rethink regionalism based on ISI. The Economic Commission for Latin America and the Caribbean (ECLAC) coined the phrase 'open regionalism'. Also known as new regionalism, it is the process under which LAC countries were pursuing regionalism while at the same time dismantling the barriers on trade with third countries and opening their markets to foreign investment.

The new regional approach adopted in Latin America in the 21st century is more in tune with the grass-roots driven socio-political change that tend to challenge the neoliberal principles and which have sought to make their democracies inclusive and based on social equity.

Axline (1981) makes an interesting observation that the goals of Latin American integration evolve along the lines of socio-economic changes in the member countries, changes in the nature of the world economic system and changes in the thinking about economic development. As noted above, the formation of ALBA has echoed a different idea of development as manifested in the popular rejection of neo-liberalism and rise of 'left' in the Latin American politics. In fact, Chavez's election in 1999 had marked the turn towards 'left' in the politics of the region; and it was followed by the election of Lula in Brazil in 2003 and then others. Needless to say, the left-turn in Latin American politics continues unabated.

The regional governance in Latin America is in flux. The proliferation of regional and sub-regional organisations has focused on economic integration, and characterisations

of the emerging regional architecture ranging from post-liberal regionalism (Sanahuja 2012; Serbin et al. 2012) or post-hegemonic regionalism (Riggirozzi, 2012; Riggirozzi and Tussie 2012) to segmented regionalism, decentralised sub-regionalisms and hemispheric disintegration (Malamud and Gardini 2012).

Riggirozzi (2011) has stated that the transformative new regionalist projects are shaping new spaces for thinking and negotiating alternative models for political and social cooperation like the Bolivarian Alliance for the Americas (ALBA) and the Union of South American Nations (UNASUR). They are not ad hoc or temporary subregional responses to the meltdown of neoliberal governance, but as political spaces where the coordinates of the Washington Consensus are being revised while new 'regional' understandings about issues of inclusion, democracy, and economic management are taken into account.

Sanahuja (2012) states that through UNASUR which is a Brazilian geopolitical design,

the aspirations of Latin American regional integration are redefined in a South American geographical and ideational framework.' Regions and regional projects are historically contingent and changing social constructs. There is not one prefabricated model of what constitutes a region.

According to Sanahuja (2012), Venezuela under Chavez saw UNASUR as an opportunity to carry out energy strategy in South America and promoting the Bolivarian project of regional integration.

According to Riggirozzi (2015), UNASUR is fundamentally a regional construction that capitalises on the pre-existing trade-led agreements of the 'open regionalism' of the 1990s but was aimed to strengthen its institutional structure in issues beyond trade. But at the same time, it wants to preserve its autonomous position vis-à-vis the USA or the EU. It focuses on issues in relation to democracy, inclusion, social development, physical integration, defence and identity. One particularly relevant issue in South America is the question of asymmetries among the countries in the region, which has been present for some time as a source of concern of various integration mechanisms (SELA 2015).

Blanco and Grier (2013) have provided reasons for the 'left turn' in Latin America. The rise of the 'left turn' is evident from the fact that in the early 1990s, 64 percent of Latin American presidents were from a right-wing party but 2005-2008, this number had fallen to 33 percent. By the beginning of 2009, fifteen out of twenty-one Latin American countries had a president from a left or center-left party.

The reasons stated are: First, natural resource abundance has played a significant role in the rise of the left. Agricultural, mineral, and oil exports play an important role in selecting a president from a left-of-center party. Second, past political discrimination and government crises are important factors in determining the ideology of chief executives. Last, countries that were more open to trade in the previous presidential term are less likely to elect left-wing presidents, although this relationship disappears when the previous president was from a conservative party.

Political analyst and activist Marta Harnecker has proclaimed the emergence of a "new left" in Latin America represented by these three leaders i.e. Hugo Chavez (Venezuela), Evo Morales (Bolivia), and Rafael Correa (Ecuador). Jorge Castañeda (2006) has argued that within the 'Pink Tide' group of states there are two distinct 'lefts': a 'good left,' which is 'modern, open-minded, reformist and internationalist,' and a 'bad left,' which is 'nationalist, strident and close-minded'.

Tom Chodor (2015) in *Neoliberal Hegemony and the Pink Tide in Latin America: Breaking up with TINA?* stated that the 'Pink Tide' is therefore seen as a manifestation of the instabilities, tensions, and contestability of the neoliberal historic bloc, designed since the 1980s by the United States to impose global capitalism and its global hegemony. This strategy of US in the region has provoked various degrees of resistance in Latin America as a response to the impact of neoliberal globalisation at the politico-economic, societal, and ideational levels. The 'left turn' in Latin America resulted in a range of initiatives aimed at regional integration, which effectively exclude the United States and/or clash with its vision for the region. These initiatives include the establishment of the Union of South American Nations (*Unión de Naciones Suramericanas*, UNASUR), a political integration body that includes all South American nations; the Bank of the South (*Banco del Sur*, BancoSur), which offers alternative sources of development funding to the American-controlled international financial institutions; the development of

Telesur, a regional satellite television station intended to offer Latin Americans an alternative to American-dominated TV networks; and the Bolivarian Alliance for the Peoples of Our America (*Alianza Bolivariana para Los Pueblos de Nuestra América*, ALBA), set up to directly challenge the American-promoted Free Trade Area of the Americas (FTAA). CELAC is the only the most recent example in a series of increasingly bold challenges to US hegemony in Latin America.

Giacalone (2013) has argued that the regional policy of Venezuela is best exemplified by its rejection of the Free Trade Area of the Americas (FTAA) - a US-sponsored free trade agreement stretching from the Arctic to the Antarctic. While the US promoted the idea of FTAA in the 1990s, Latin American countries were pressing for a fair trading arrangement and an end to trade discriminatory and distorting policies and practices in US and the European countries. This had given led to the formation of G-20+countries of agricultural exporting countries after the failed ministerial conference of WTO at Cancun in 2003. Thereafter, Latin America witnessed the thrust towards sub-regional integration, adopting an anti-American discourse and support for political rather than economic integration only.

At the heart of Chavez's foreign policy was a political and social regionalism, as he sought to create a strong and powerful bloc of Latin American countries where the countries will have autonomy in decision making. The Latin American integration and the promotion of an alternative economic and social order, which many countries had only professed in theory, appeared with a renewed vigour under Chavez with a considerable degree of pragmatic flexibility (Raby 2011: 168). This was mainly possible through oil diplomacy and social diplomacy. The President put forth his regional agenda by offering help towards the ideologically sympathetic governments and political movements in the region (Giacalone 2013).

Chavez who had blamed the Organisation of American States (OAS), the World Bank and the International Monetary Fund (IMF) for all the ills in the region had called on to create new regional organizations that excluded the United States. These regional schemes and mechanisms were meant to work on more equitable terms, and sometimes going to the extent of doing barter trade than giving credit (Kucera 2011). ALBA aptly came under the scheme of regionalism as envisaged by Chavez. Formed

in 2004, ALBA quickly transformed from a bilateral socio-centric cooperation agreement between Venezuela and Cuba to a nascent regional bloc with the addition of Bolivia in 2006 (Pearce 2013) and then many more from South and Central America and the Caribbean. The guiding principles of ALBA integration remained solidarity, complementarity, compensatory financing for the treatment of asymmetries and differentiated treatment according to circumstances (Girvan, 2011). The addition of the new institutional agreement of Peoples' Trade Treaty (TCP), a Bolivian idea, further reinforced the principles of social inclusion, food security, and technology transfer and environmental sustainability (Raby 2011). Under the ambit of Bolivarian regionalism is PetroCaribe- a framework designed to facilitate the supply of oil to the neighbouring energy-deficit Caribbean states under preferential conditions and low price.

Norman Girvan in *Venezuela's Petro-Diplomacy* (2011) has opined that although ideology and hemispheric geopolitics have played an important role in the formation of these regional blocs; but these key issues have to be framed within the regional optic away from the point of view of Washington. These blocs are seen as the manifestation of a process of reconfiguration within the world political economy and the emergence of new geo-economic poles of influence – an important facet of 'Global South'. Through these two channels, namely of ALBA and PetroCaribe, the Venezuelan government opened up autonomous policy space; and Venezuela proved to be an important source of funding in the region. This strategic reorientation towards intra-regional trade, and particularly export to Venezuela, has been quite successful in reducing the dependence on the United States and subsequently its ability to constrain autonomous action. The credit obtained by many of these small countries comes without the macroeconomic conditionality and policy prescriptions often associated with World Bank or IMF loans and is regarded crucial to the whole idea of regionalism as envisioned by Chavez. Critics had often lamented that these are personal handouts by Chavez, and are not sustainable in long term. They would disappear in case international oil prices fell (Raby 2011; Pearce 2013).

The Union of South American Nations (UNASUR) was conceived as strategically important by Chavez as it promotes greater interdependence among its 12 members; and as such becomes a mechanism that improves the bargaining power of the region in negotiations with other regions/economic blocs and the WTO negotiations Briceño-Ruiz (2010). The founding of CELAC in December 2011 again manifested the changing nature of regional politics in Latin America. CELAC has kept both the US and Canada out of the regional forum; and is thus a rebuff to the US-led and – sponsored diplomacy of the Summit of the Americas. CELAC was seen by many as sort of a diplomatic coup by Chavez to curtail US influence in the region.

The assertion for regional leadership had been through the use of oil. Some have also argued that the Latin American institutions of integration might have come under pressure from Chavez's new parallel organisations (Mainhold 2009). Telesur, the TV news channel sponsored by the Venezuela, Cuba, Argentina and Uruguay; the University of the South; the Bank of the South which strives for financial autonomy and Sucre, a common currency are other integration initiatives (Raby 2011). These new patterns of regional order are considered as part of a wider renewed focus on south-south trade, both within the region and with extra-hemispheric partners.

Critics have been no less scathing in their criticism of Chavez's brand of diplomacy in the region. Latin America has witnessed a struggle for leadership between Brazil and Venezuela pertaining to the integration model that the new South American regionalism should adopt. According to Sean Burges (2007), this has been encapsulated in a divide between the importance placed at policy pragmatism and attempts at ideological purity which was seen during the later stages of the formation of UNASUR. These critics described Chavez's brand of socialism as 'radical' and Lula's type of socialism as 'moderate'. One was a recipe for economic disaster while the latter allowed market forces to coexist with social agenda. A number of other critics even denounced Chavez as a sort of anarchist. It was pointed out that Venezuela has become a sort of a 'rogue' state which is more interested in threatening the security of the region for the sake of an ideological war on behalf of outdated, radical causes (Corrales et al. 2011).

Definition, Rationale and Scope of the Study

The present study examines and analyses the foreign policy of Hugo Chavez—his perception of international relations and the strategies he formulated to catapult Venezuela as a key player in international relations. The personality factor was ostensibly important as he used provocation and radical rhetoric to challenge the existing order. Be that as it may, it is undeniable he expanded the political discourse in international relations. He had perhaps more clearly perceived the shift in the locus of global power and distribution of power along a wider spectrum of countries and issues. He was the pioneer of ‘twenty-first century socialism’ i.e., a strategy of inclusive development which shall use state to effect distribution in favour of the poor and marginalised without sacrificing the goal of growth. He tried to regenerate and reinforce the role of Venezuela in the region. His regional framework of foreign policy was primarily focused on forging alliances and establishing loyalties of likeminded leaders in the region on the basis of oil revenues and creating new regional blocs and institutions for cooperation at social and cultural levels.

The present study describes and analyses in detail, several questions and issues pertaining to the geopolitics and energy security as a framework to assess Venezuelan foreign policy; role of his personality in the conduct of external relations and external orientations of the Bolivarian Revolution; role of oil diplomacy to promote global multipolarity and regional leadership. It examines the influence of Chavez as a person on the foreign policy-making of Venezuela. One cannot overlook the normative outlook of his Bolivarian Revolution; what it stood for and how Chavez had strategised to advance his Bolivarian principles and goals.

The scope of the study is limited to the tenure of Hugo Chavez as President for three terms commencing from February 1999 to January 2013.

Research Questions and Hypothesis:

Research Questions:

- What was the strategic thought or vision that guided President Hugo Chavez in the conduct of external political and economic relations? What is it that Bolivarian Revolution stood for, especially in regard to international relations?
- What were the resources and capabilities, Chavez deployed towards his foreign policy goals? Had there been no oil; and had Venezuela not gone through the high boom of petroleum exports, would Chavez still have advocated the revolutionary transformation of the global order?
- What were the main policies and factors that enabled him to build new patterns of regionalism in Latin America? Did Venezuela successfully stake its claim for regional leadership by doling out cheap oil and credit to its neighbours? What were the main policies undertaken by President Chavez to reposition Venezuela as a centralised petro-power at domestic and international level? What were the dynamics of his energy relations with China, India, OPEC and arms purchase from Russia?
- Did personality factor play a crucial role in the making and conduct of foreign policy?

Hypothesis:

Based on the above research questions, the study seeks to test the hypothesis:

- (i) The cycle of oil-export boom fuelled and facilitated the pursuit of a foreign policy premised on promoting global multipolarity and regional leadership.

Variables

- (a) Independent: oil
- (b) Dependent: foreign policy or Chavez's foreign policy

(c) Intervening: multipolar world and regional leadership

The present doctoral work study employs a research design for three variables in consideration:



Where 'a' is independent variable i.e. oil-export, 'b' is the dependent variable. It includes foreign policy of Venezuela since 1999. The study attempts to examine the impact of 'a' upon 'b'. In the process, 'c' is taken as intervening variable.

Research Methodology

The present doctoral study uses eclectic approaches in studying and analysing the foreign policy under President Hugo Chavez. However, it would make a specific effort to explore the idea of Oil Diplomacy in the context of a 'multipolar' world and 'global south' and delineate its theoretical dimensions to assess foreign policy actions and overtures of Chavez.

Sufficient primary source material is available in terms of official documents; speeches and interviews of Chavez; and proceedings of regional meetings like UNASUR, ALBA-TCP, NAM, and CELAC. Equally large secondary source material is available. The study materials from the Dr B. R Ambedkar Central Library, JNU, Institute for Defence Studies and Analysis (IDSA) library, are utilised. Chavez generated lots of controversies; he had ardent admirers and equally vehement critics who analysed and dissected his policies, utilising various analytical tools. The present study benefits from these analyses.

The study is an empirical one and uses both primary and secondary source material to assess and explain the foreign policy of Venezuela during one of its most important period known as the Fifth Republic under a highly dynamic leadership.

Chapters Scheme

The doctoral monograph is spread over six chapters – four substantive besides one introductory and one concluding chapters.

CHAPTER I: INTRODUCTION

The chapter provides an overview of the existing literature review on the subject. It will also raise the principal research questions and the methodology applied along with the chapter's scheme.

CHAPTER II: FOREIGN POLICY SETTING OF VENEZUELA

The following chapter analyses the geopolitical and geo-economic setting in the context of Venezuela. A quick survey of the Foreign Policy since 1958 is made. The third and the final section look at the major Actors and Stakeholders in the foreign policy decision making of Venezuela.

CHAPTER III: BUILDING BLOCKS OF CHAVEZ'S FOREIGN POLICY

The chapter identifies the concrete initiatives and measures Hugo Chavez took to promote his agenda of a multipolar order through his efforts by forging ties with countries like China, Russia, Iran, and Cuba; south-south cooperation; reforms of the international system; Third World Solidarity.

CHAPTER IV: OIL AND FOREIGN POLICY

The chapter assesses the impact of oil on Venezuelan foreign policy. More importantly, it examines the role President Chavez played in repositioning Venezuelan oil at the helm of affairs through oil diplomacy. He brought the state back in owning and controlling oil; and used oil revenues to promote domestic agenda of Bolivarian Revolution and foreign policy goals of building solidarity with Venezuela through cheap oil through 'soft balancing' and 'social power diplomacy'.

CHAPTER V: REGIONAL FOREIGN POLICY OF HUGO CHAVEZ

The chapter gives an overview of regionalism in Latin America and the emergence of Left-leaning regimes popularly known as the 'Pink Tide'. It then assesses the regional initiatives pursued by Chavez. He tried to build regional solidarity with the cooperation of other likeminded leaders and civil society actors in the region, and took regionalism in the direction of social and cultural unity of the people and their well-being. It also looks at the regional leadership contestation between Brazil and Venezuela and the challenges posed by Chavez against the US in the region.

CHAPTER VI: SUMMARY AND CONCLUSIONS

The concluding Chapter presents the summary of all the preceding chapters; explore whether the hypothesis stand validated; and argue whether Chavez's foreign policy was an exception accomplished by a charismatic leader or whether his foreign policy overtures had some structural grounding to them.

CHAPTER II: FOREIGN POLICY SETTING OF VENEZUELA

Introduction

The prominent geographical location of Venezuela in South America overlooking the entire Caribbean region and its resource endowment in the form of huge hydrocarbon resources have endowed the country with considerable geostrategic importance in regional and global matters of development and security. Situated at the northeast corner of South America, it is both the Caribbean and an Andean country (Anderson 1984).

The geopolitical and geo-economic setting of Venezuela is defined by three factors as stated by President Luis Herrera Campins in March 1980 in his address to the Congress: Economics-as Venezuela is a producer-exporter of oil; Politics-as the country is a stable, consolidated democracy; and Geopolitics in the form of its strategic location as it is considered a Caribbean, Atlantic, and Amazonian country. In nutshell, his statement elucidates the geopolitical considerations and difficulties or restraints in achieving a coherent geopolitical strategy of Venezuela. Hugo Chavez after coming to power in 1999 endorsed two prominent objectives in international affairs: consolidation of Venezuela's role within the emerging Latin American and Caribbean power and the advancement of a "new international geopolitics" of multacentrism and pluripolarity/multipolarity.

The chapter titled 'Foreign Policy Setting of Venezuela' is divided into three major sections. The first section titled "Geopolitical and Geo-economic Setting/ Context", gives a brief overview of geopolitical views prevalent in Latin America. It also attempts to examine the geopolitical dynamics of Venezuela and its National Capabilities and Limitations. The second section titled "A Survey of Foreign Policy Since 1958" analyses the regime character and foreign policy choices starting from the tenure of Romulo Betancourt. The final section focuses on the major actors and stakeholders in foreign policy decision making of Venezuela. This is followed by summary and conclusion.

Geo-strategic Setting

➤ Geopolitical and Geo-economic Setting/ Context

In general terms, geopolitics means the relationship of politics to geography. Of course, this definition lacks other important elements and scope of geopolitics, which includes the relationship between geography and military strategy, national development, expansion, and imperialism (Child 1979).

The geography of a state that is its position in a geographical region and in the world as a whole presents opportunities to and also imposes limitations on, the state. Geography, therefore, conditions the perspectives and opinion of a state's leaders or rulers and, thereby, affects their decision-making in matters of foreign policy (Sempa 2002). It is also important to note that the geographical position where a country is located relative to other countries is more important than its sheer size. Jack Child and Philip Kelly have used the term geopolitics as a relationship between power politics and geography. National security both internal and external and geostrategy which is the application of geopolitics to the art of high-level military planning are some major areas of interests.

The classical geopolitical writers espoused the "organic theory of the state", a concept that maintains that the nation-state is a living organism that requires living space, resources and a purpose: the state has a life cycle in which it is created, matures, declines and finally disappears (Child 1985: 21).

In the 1930s, geopolitics came to be associated with power politics by the German school of "Geopolitik". The German geopoliticians advocated expansionism coining the term *Lebensraum* (living space). The idea of living space implies that the strong states expand their spheres of influence out to an optimum maximum, which then resonate a pan-region associated with that state.¹

Contemporary Latin American writers reject the aspect of expansionism used by the German geopolitical school but generally accepts the basic concept of the state as a

¹German political geographer Friedrich Ratzel (1844–1904) linked geography to the understanding of the historical process of change of nations and states. One of his cardinal principles was the organic union of humans and the land they inhabited. State is never at rest and there is a constant redefinition of *lebensraum*.

living organism that responds to geographic, political, military, economic, demographic, and psychological pressures in its struggle to survive in competition with other states. The relationship between geography and politics focused around the importance of territory, is crucial to understand the international politics of the South American states since their independence in the first two decades of the nineteenth century (Kacowicz 2000).

Child (1979) noted that the significance of geopolitical thinking in Latin America as an intellectual framework became prominent as most of its practitioners were military men. Thus, geopolitical ideologies had a considerable impact on military regimes in the 1960s and 70s. Most of the South American states adopted authoritarian military regimes under a model of the National Security State, thus applying geopolitical doctrines to their foreign and domestic policies (Kacowicz 2000). Many leading geopolitical writers in South America hold major government offices influencing foreign policy decision making. Prominent among them were General Augusto Pinochet of Chile who was his country's president, leading geopolitical theorist General Golbery do Couto e Silva of Brazil who headed the Security and Intelligence Service SNI, chef de cabinet and a central figure in the military regime, Juan Enrique Guglielmelli of Argentina who headed the National Development Agency (Hepple 1986; Kelly 1997).

Geopolitics in Latin America is also influenced by the political history of the states and their international relations. The emergence of the independent states from the Spanish and Portuguese rule left a legacy of boundary disputes and claims that were remote and lightly settled.

Geopolitical Dynamics of Venezuela

Geography, Resources, Challenges and Constraints

The country of Venezuela lies in the northern part of South America bordering Guyana in the east, Colombia in the west, Brazil in south and south-east and with the Caribbean Sea in the north and the Atlantic Ocean in north-east. Regionally Venezuela is divided into four regions each with its distinctive climate, physiography, culture, population and economy. These regions are the coastal zone, the Andean West, the Inland llanos and the Guyana Highlands. The coastal strip which stretches from Lake

Maracaibo in the west to the Orinoco delta in the east is of prominence owing to its geostrategic and economic importance (Ewell 1984).

The Orinoco Belt is considered as the lifeline of Venezuela. It is known to contain billions of barrels in extra-heavy crude oil and bitumen deposits. According to a study released by the U.S. Geological Survey, the mean estimate of recoverable oil resources from the Orinoco Belt is 513 billion barrels of crude oil (EIA 2015). The major Caribbean ports from west to east like Maracaibo, La Vela, Puerto Cabello, La Guairo, Barcelona, Cumaná, Carúpano, Güiria have played an important role in integrating Venezuela's trade and commerce in the Caribbean and Atlantic region.

The geopolitical thought of Venezuela is inspired by various events that took place in Latin America or elsewhere. During the period of PuntoFijo that is the period of 'pacted democracy' (1958-1998), Venezuelan democrats were sceptical on using the term geopolitics because of its association with Nazi Germany or with Latin American military dictatorships. Therefore the role of the armed forces was relegated outside the civilian realm.² The civilian politicians preferred secrecy on geopolitical issues pertaining to boundary negotiations or a national defence strategy. The Organic Law of Security and Defence, passed by Venezuela in 1976 was criticised as a doctrine more compatible with the Southern Cone dictatorships than with Venezuelan democracy.

Geographical proximity between Venezuela and the Caribbean region is an important aspect in influencing the dynamics of ties between them. Venezuelan geopoliticians have viewed that its Caribbean coastline has both advantages and disadvantages. A prominent geopolitical writer Carpio Castillo (1961) speculated that Brazil's huge territory and population provided a continental role, while Venezuela's wealth, location, and coastal orientation make a Caribbean role natural. The loss of territory to its neighbouring states and the disruptive role of the United States and Brazil in South America can also be viewed in his geopolitical writings (Kelly 1997).

Venezuela's continental and maritime designs can be attributed to its accessibility to the Caribbean and the Atlantic owing to rivers and bays and the presence of fewer mountains than its western neighbour Colombia (Kelly 1997).

²PuntoFijo had designated the institution of armed forces as an "apolitical, obedient and non-deliberative body.

Since 1960, Venezuela began to exert a considerable influence in the Caribbean owing to political changes in the neighbouring states and islands which was often criticised as 'subimperialism' (Ewell 1982). During the 80s, the Caribbean Basin policy of Venezuela was largely compatible with the US interests. The Caribbean coastline holds importance in Venezuelan context as most of its petroleum fields and industries are located here.

Venezuelan Caribbean policy was primarily focused on political, economic and territorial objectives. Politically, Venezuela wanted a stable and supportive environment in the region by strengthening other democratic governments in the region. Economically, it wanted to convert the Basin as a profitable market for petroleum and manufactured products.

Territorially, the claim over 60 percent of western Guyana, the Essequibo and most of the waters inside the Gulf of Venezuela was highly disputed. The military interests of Venezuela in the Caribbean basin was to defend its frontiers, development of a military capability for securing neighbouring democratic regimes from external threats and maintenance of a strong anti-guerrilla capability (Myers 1985).

AquilesLópez Sanchez (1975) have therefore identified five historical phases of Venezuelan geopolitics They are (1) the Pre- Colombian epoch in which the Carib Indians dominated the northern coast of the South American continent as well as many of the Caribbean islands; (2) the Spanish colonial period (3) the height of national glory from 1810 to 1830 when Simón Bolívar led the continent and Venezuela to independence; (4) the period of civil wars, irresponsible leaders, and shrinking of national territory from 1830 to 1958; and (5) the contemporary era of potential expansion and integration, which could recapture the greatness of the Carib or the Bolivarian period. Many other Venezuelan geopoliticians were less interested in the theoretical stages of Venezuelan development and have concentrated on the period since World War II. They have rejected a rigid determinism but argued that geographical factors should be considered in the development of national strategies.

But a broad general agreement or consensus have emerged on a number of issues: The inevitability of world conflict and of Venezuela's location in the secondary zone and within the U.S. sphere of influence, the vulnerability of Venezuela's long coastline,

the potential and the necessity for Venezuela to play the role of a subregional power in the Caribbean, the advisability of Venezuela's seeking regional alliances or blocs through which to press national objectives, and the necessity to develop the sparsely populated and economically "empty" interior space of the country (Child 1979). A secure and the peaceful Caribbean in which Venezuela's sea lanes for shipping out its oil would be protected was one of the pragmatic goals sought by the moderate analysts.

Geopolitics of energy: Oil is an important dimension of Venezuelan geopolitical thought. Oil has played a very crucial role in the politics of Venezuela and mentoring its relations with the Caribbean and the Andean region (Child 1985: 59). In this regard, PetroCaribe was designed during the tenure of Hugo Chavez to facilitate the supply of Venezuelan oil products to neighbouring Caribbean states under preferential conditions. The historical status of Venezuela as a major exporter of oil facilitated its foreign policy proclivities and the use of oil as a foreign policy tool to enhance the rents it extracts from international oil markets.

There is an increasingly complex and volatile interplay of regional and domestic struggles over control of vital resources. Major Powers like the United States, Russia, China, Japan, and Western Europe are seeking dominance over critical resource-producing areas, such as the oil and natural gas fields of the Persian Gulf and the Caspian Sea basins. Lately, the energy crisis owing Arab Oil embargo caused by the decision of the OPEC countries to withhold oil shipments to the US and some of its western allies due to their support of Israel in the Yom Kippur War had increased oil prices since 1973 and the idea of energy security has assumed prominence (Perovic 2009). The array of events that took place asserted Venezuela's role in global oil politics.

The nationalisation of the oil industry in Venezuela in 1976 and skyrocketing oil prices increased its international importance and provided policymakers to conduct a more aggressive foreign policy through its bargaining power. Much of the literature on the politics of international energy adopts a realist and a geopolitical approach based on the following assumptions:

- Access to and control of natural resources is a key ingredient of national power and national interest.
- Energy resources are becoming scarce and more insecure.
- States will compete for access and control over these resources
- Conflict over resources is increasingly likely, if not inevitable (Dannreuther 2010).

Hugo Chavez through devising institutional and legal measures took control over oil industry which was crucial in manoeuvring his oil policies. Venezuela's recent foreign policy under Hugo Chavez was directly related to both the paramount energy security issue and the desire to limit U.S. influence in the region. Venezuela's search for energy markets in Asia, Africa, and the Caribbean is the testimony to this fact of energy security. Venezuelan crude to help satisfy China's insatiable demand for energy and envisions joint refinery construction projects are a few examples. In June 2005 Venezuela created PetroCaribe, an agreement bringing together the nine Caribbean nations that are not involved in either of the previous accords in addition to existing members Belize, Jamaica and the Dominican Republic where oil is sold at flexible pricing mechanisms.

Geopolitics of Integration: It is another important geopolitical current that has attracted interest. In the 1980s, Argentinean geopolitician Colonel José Felipe Marini saw geopolitics of integration as a part of a long historical evolution of ideas and experiences since independence. The integration process was linked with development thinking that seeks to consolidate the geographic space of a sovereign nation. Ideological narratives like Our America (Nuestra América) developed by Cuban patriot José Martí had evoked the value of a distinctive Latin American identity and sought the promotion of political integration in the region to keep away with US intervention (Angosto-Ferrández 2014).

Geopolitics of integration and regionalism is also seen as a way of guaranteeing autonomy and development. These ideas have a history dating back to people such as the Libertador Simón Bolívar (1783–1830) who conceived a 'geographical consciousness', aiming at the integration of the new states to maintain their autonomy against foreign powers and particularly Venezuela as a natural pivot of hemispheric unity. He emphasised the importance of maintaining the unity of the parts

of the 'common state' that had been constructed around three hundred years ago (Puntigliano 2011). Hugo Chavez was highly influenced by the ideas of Bolivar which resonated in his policies of regionalism.

The regionally oriented foreign policy of Venezuela during the tenure of Chavez opened up an autonomous space for many states in Latin America and the Caribbean. This was best exemplified by its rejection of the Free Trade Area of the Americas (FTAA)-a US-sponsored free trade agreement stretching from the Arctic to the Antarctic. Although ideology and hemispheric geopolitics have played an important role in the formation of these regional blocs; but these key issues have to be framed within the regional optic away from the point of view of Washington (Girvan 2011). ALBA and PetroCaribe have been on the edge of integration initiatives drawing attention on the importance of addressing social issues in integration mechanisms.³

Geo-economics: Many analysts have argued that the end of the Cold War had reduced the importance of military power relative to economic power and brought the concept of geo-economics in the 1990s.

Edward Luttwak who is credited with coining the term "geo-economics" in his influential 1990 article, "From geopolitics to geoeconomics", argues that geopolitics represents an increasingly relict logic of global interchange (Cowen and Smith 2009). Luttwak's starting point was the proposition that the waning of the Cold War is steadily reducing the importance of military power in world affairs' such that 'the methods of commerce are displacing military methods'.

But, he argued, while the methods may have changed, the driving role of the nation state meant that the underlying logic (the logic of conflict) had not, since 'states are inherently inclined to strive for relative advantage against like entities on the international scene, even if only by means other than force' (Thirlwell 2010).

Deborah Cowen and Neil Smith (2009) used the term geo-economics to represent an emerging geography of economy and security with attendant social and territorial

³Bolivarian Alliance for the Peoples of Our America (ALBA) was formed as an alternative regional integration framework by Venezuela and Cuba in 2004. This quickly matured from a bilateral socio-centric cooperation agreement to a nascent regional bloc, or alliance, with the addition of Bolivia in 2006. PetroCaribe, on the other hand was designed to facilitate the supply of Venezuelan oil products to neighbouring Caribbean states under preferential conditions.

forms. They recommended a more explicit attention to global economic flows and the power of non-state and state economic agents without replacing geopolitics. In a time of widespread transnational flows, geo-economic analysis helps understand everyday assumptions and practices that emerge from trade liberalisation, flexible accumulation, deregulation, and privatisation. Together, both geopolitics and geo-economics represent a fuller picture of geostrategic discourses, and the combination is particularly useful when there are potential contradictions between various agenda (Finley-Brook 2012).

In case of Latin America and Venezuela in particular, the idea of political and economic integration has assumed prominence which has transpired into a regional move from geopolitics to geo-economics. This was epitomised by the formation of a number of regional organisations from the 1990s. During this period, countries in Latin America adopted neoliberal policies by promoting diverse commercial strategies such as the creation of free trade areas and opening to international markets.

The formulation of the Common Market of the South or MERCOSUR-the largest regional trade area signed in 1991 was significant in the direction of geo-economics in the region.⁴

Latin America in the 1990s witnessed an intense parley of regional trade agreements. Economic integration which refers to any type of arrangement between countries to coordinate their trade, fiscal, and monetary policies became common (Basenet and Sharma 2013). There was also a revival of sub-regional integration in Latin America, examples being the Central American Common Market (MCC), the Caribbean Community (CAROCOM) in 1996. The North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR) created by the Treaty of Asunción came into existence in 1991; the Group of Three (G-3: Mexico, Colombia and Venezuela) in 1994 for a brief period followed by the establishment of a hemispheric Free Trade Area of the Americas (FTAA) by the United States.

⁴MERCOSUR was signed by Argentina, Brazil, Paraguay, Uruguay (and more recently Venezuela), with Bolivia, Chile, Peru, Colombia, and Ecuador as associates.

Latin America in the 21st century witnessed a reconfiguration of regional governance which has characterised the hemispheric political economy. Venezuela being at the epicentre, the first decade witnessed the formation of new regionalist projects: The Bolivarian Alliance for the Peoples of Our America- People's Trade Agreement (ALBA-TCP) in 2004; the Union of South American Nations (UNASUR) in 2008; and the Community of Latin American and Caribbean States (CELAC) in 2010 (Muh 2011). Norman Girvan (2011) argued that the formation of regional blocs like ALBA and UNASUR are a manifestation of a process of reconfiguration within the world political economy and the emergence of new geo-economic poles of influence.

National Capabilities and Limitations

A review of the literature shows national power has generally focused on four dimensions of a state's capabilities: (1) geography (population, territory, natural resources); (2) the economy (economic power, commercial power, level of development); (3) the political dimension (stability of regimes, cohesion, diplomatic involvement, etc.); and (4) the military dimension (budgetary expenses, size of conventional forces). Some scholars have proposed that a distinction should be made between real and perceived power (Ferris 1973), advocating that the focus of attention should be on real power - i.e., the resources over which a state exercises exclusive control. This concept has come under criticism on the grounds that a state's national capabilities cannot be adequately understood and evaluated unless viewed in relation to the national capabilities of other states (Goldmann 1979).

Economic dimension

Venezuela's influence in the region and the Caribbean Basin has been facilitated by its economic and financial capabilities. Since its economy depends on petroleum revenues, therefore the rise and fall of petroleum prices in world market and the bureaucracy's capability to administer its revenues are the prime economic determinants (Myers 1985).

Oil Boom from the period 1973 to 1980 enabled Venezuelan government to enact a wide variety of assistance programs for her Caribbean Basin neighbours. Prominent

among them was an oil facility for the energy poor nations of the Caribbean Basin jointly created by Venezuela and Mexico worth \$700 million in 1981 (Myers 1985).

The San Jose Accord was also signed by Venezuela and Mexico in 1980 whereby each country supplies 80,000 barrels per day (bpd) of oil or refined products to Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Haiti, the Dominican Republic, Barbados, and Jamaica. The agreement has been renewed on an annual basis but had come under criticism from Chavez for the exclusion of Cuba.

Petroleum has been a central element in Venezuelan foreign policy and ever since Hugo Chavez came to power, oil diplomacy was used aggressively. Some of the major agreements signed during his period were as follows: The Caracas Accord signed was signed in 2000 Venezuela and all San Jose Accord members except Jamaica. The accord also involved supplying 80,000 bpd of oil. The largest share of 20,000 bpd went to the Dominican Republic and the smallest to Belize, with 600 bpd. The importers receive oil at market prices but are offered financing terms of two percent annual interest for up to 17 years.

In 2005 President Chavez launched two initiatives which were particularly directed at the Caribbean region: PetroCaribe and an ALBA-Caribe Fund. Under PetroCaribe Venezuela provides crude and refined oil products to the participating Caribbean states for payment of 60% of the cost within 90 days. The remaining 40 per cent is then to be paid over a period of 23 to 25 years at 1 per cent interest as long as the cost of a barrel of oil does not fall below \$50 when the interest rate would rise to 2 per cent. PetroCaribe is, therefore, a loan facility and not oil at a discounted price or cheap oil. Under the ALBA-Caribe Fund, to which Venezuela has subscribed \$50 million, participating countries can draw in order to finance social and economic programmes (Sanders 2007).

Social dimension

This aspect emanated from the ideas of Simón Bolívar who played an important role in the liberation of South America from the Spanish colonial rule. It resurrected a

feeling of national pride among Venezuelans and strongly influenced its behaviour in the region.

Simón Bolívar, the Liberator was also a great influence on the life and politics of Hugo Chavez. He was able to appropriate legacy of Bolivar and related it to the struggle of the Venezuelan poor. Chavez was able to distinguish himself from the corrupt two-party rule of his predecessors with his Bolivarian ideology.

Hugo Chavez had resurrected three of Bolivar's ideals in his agenda: a union between the people and the army; opposition to foreign domination; and a unified Latin America (Pabian 2010). Simón Bolívar teachings and ideals were an integral part in many of the speeches of Chavez. The following speech was given at the Urban Land Title Ceremony in Caracas, January 11, 2003, was typical: Chavez argued,

Bolívar once said, 'Justice is the queen of all republican virtues.'" Chávez then asserted that Venezuela desires peace and Christ himself said that peace is only possible with justice. He continued, "Bolívar lived and died for peace, but he was betrayed by the oligarchy and left humiliated, expelled, alone to die. But now Bolívar's dream is alive, alive in the streets of La Vega, in the Venezuelan people, 'This is Bolívar!

This is certainly not the first time when the image of a revolutionary leader like Bolívar is appropriated to gain the popular support of the populace. But the use of Bolivarian rhetoric had grown exponentially under Chavez. According to Richard Gott, Chavez's use of Bolívar was not merely a way of generating national pride but to venerate a figure to which most of his predecessors have only paid lip service.

The Bolivarian Revolution was used as an ideological basis of foreign policy initiatives by Chavez (Mainhold 2009). It was portrayed as a movement in reaction to past injustices, with the confrontation between rich and poor becoming a 'moral and ethical struggle between el pueblo (the people) and the oligarchy' (Emerson 2011). At the international front, the idea behind the Bolivarian project emanated from the pan-American vision of Venezuela's founder Simon Bolívar which sought national sovereignty and Latin American and Caribbean integration, and unity against colonialism and neo-colonial domination. Thus, Bolivarian ideals preached international solidarity and south-south cooperation, and the pursuit of a multi-polar world order and its relationship with the developing world especially the continent of

Africa and the like-minded countries of Latin America. Chavez's brand of 're-invented' Bolivarianism positioned itself as anti-imperialist, anti-neoliberalism and anti-globalisation and sought to create 'twenty-first century socialism' (Gott 2008; Trinkunas 2009). The idealistic element was reflected when Chavez called for the solidarity of those nations that were oppressed, previously colonised, and poverty-ridden, like some of the least-developed countries (LDCs) in the Caribbean and Africa, in the belief that it would lead to a more just and inclusive international order.

Political Dimension

The Venezuelan political experience during the PuntoFijo (1958-98) was based on central leadership, norms of coalition and compromises, elite consensus and institution building and had an enduring significance Venezuelan democratic life after 1958. The political class made a conscious and successful effort to maintain, sustain and control democracy (Levine 1985). The Democratic "exceptionalism" made it difficult for Caracas to cooperate with authoritarian regimes in the region during the late 1960s. This was evident in the Betancourt Doctrine which will be explained in the next section.

Hugo Chavez became the first president elected outside the traditional two-party system that was institutionalised in Venezuela since 1958 popularly known as the period of Puntofijo (Choker 2014). Since his presidential victory in 1998 and being re-elected in 2000 and 2006, the Venezuelan democratic polity was being transformed from a procedural democracy into a hybrid one, an outcome achieved in the context of a high oil income and widespread electoral support. Hybrid regimes are political systems in which the mechanism for determining access to state office combines both democratic and autocratic practices. In hybrid regimes, freedoms exist and the opposition is allowed to compete in elections, but the system of checks and balances becomes inoperative (Corrales and Penfold 2011). The Chavez era saw the development of closer relations with non-traditional allies such as China, Russia, and Iran. Relations with Cuba made headlines during that period.

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A Survey of Foreign Policy Since 1958

A brief survey of Regime Character and its Foreign Policy Choices is analysed below starting from the tenure of Romulo Betancourt.

➤ Regime Character and Foreign Policy Outlook/ Choices

Romulo Betancourt (1959-64) of Acción Democrática (AD) party became the President in 1959 starting a new political era in Venezuela. The primary objective of the Venezuelan leadership commencing from 1958 was to create a viable democratic polity (Bond 1977). The Puntofijo Pact (1958-98) was a power-sharing agreement and established a procedural democracy between the three dominant political parties. established Venezuela's democratic transition.⁵

The Constitution of 1961 was a hallmark of constitutional government in Venezuela with regularised transfer of power by means of universal adult suffrage. The three branches of the government played a major role in legitimising the constitutional phase of political development in Venezuela since 1958. A strong executive has been a pertinent feature of Latin American politics and Venezuela is no exception. The 1961 constitution authorised the president to take charge of the nation's defence, the financial system which included tax and tariff policies and the management of foreign affairs. He was given the authority to appoint all the cabinet ministers, state governors and state enterprise officials and to declare a state of emergency. As per as the constitution, the presidential election was to be held every five years by secret ballot and no incumbent was eligible for re-election during the years following the completion of his term. The role of the legislature was undermined under the clout of all powerful executive. The concept of the separation of powers between the executive and the legislature was blurred under the overwhelming influence of the executive upon the lawmaking bodies. The absence of strong, well-staffed standing committees further diminished its role as an effective policy-making body. But the 1961 Constitution made an attempt to contain the executive excesses and maintain democratic pluralism by streamlining the congressional structure and powers. Since

⁵The three leading parties were AD, COPEI and URD and they formed the basic structure of the party system in 1958.

then the legislature acted as a forum for debate and discussion but its effectiveness solely depended on the opposition holding congressional majority (Kelly 1977).

Romulo Betancourt articulated and implemented a foreign policy that would both strengthen internal democracy and allow Venezuela to actively pursue her national interests. Betancourt explained his foreign policy objectives in the Second Congress of the Inter-American Association for Democracy and Freedom in 1960. Popularly known as the “Betancourt Doctrine”, it stated that any government that was not democratically elected, and had achieved power by forceful means, should not deserve recognition of the American states. Venezuela abstained from relations with any such dictatorial governments and also sought their expulsion from the Organisation of American States (OAS). The “Betancourt Doctrine” sought to discourage coups against democratically established governments.⁶ Venezuela broke diplomatic relations with Cuba in 1961 even at the risk of alienating some of its domestic allies and voted for the resolution to expel Cuba from the Organisation of American States. Cuba was accused of sponsoring terrorism and guerrilla activities in Venezuela (Ewell 1984). He severed diplomatic ties with Argentina, Ecuador, El Salvador, the Dominican Republic, Honduras, and Peru when military coups occurred in those countries.⁷

The “Betancourt Doctrine” was in line with the US foreign policy objectives as both countries were committed to human rights and democratic development. But later the US showed little discomfort. But Venezuela’s break with Cuba in late 1961 as its soil was used by the latter to promote new revolutionary movements in Latin America brought US and Venezuela together (Tugwell 1977). Betancourt’s foreign policy towards Cuba was based on two aspects. The first aspect was: Venezuela's economic recovery and Betancourt's political survival depended on U.S. economic aid and its investments. And on the other hand, Venezuela's oil was strategically important to the

⁶Betancourt developed fierce antagonism towards the Dominican Republic dictator Rafael Trujillo.

⁷Charles D. Ameringer, "*The Foreign Policy of Venezuelan Democracy*", in John D. Martz and David J. Myers ed., *Venezuela: The Democratic Experience*(1977).

United States as it could not afford to lose oil-rich Venezuela to Communism. The second aspect was to do with Betancourt's political pragmatism.

Rafael Caldera (1969-74), a Christian Democratic president was elected to power in 1969 as a result of the coalition pact formed with Acción Democrática (AD) and Unión Republicana Democrática (URD) in 1959. Caldera developed the idea of “ideological pluralism” in his foreign policy and initiated sports diplomacy with Cuba. His successor Carlos Andrés Pérez formally opened diplomatic ties with Cuba in 1974 (Kelly and Romero 2002: 19). ‘Ideological Pluralism’ and ‘International Social Justice’ became the hallmark of Caldera's foreign policy.

‘Ideological Pluralism’ emphasised unity among the Latin American and Caribbean nations regardless of ideological differences. ‘International Social Justice’ Doctrine declared that Caracas will cooperate with all developing countries regardless of their domestic political regime to secure an equitable distribution of resources. It called the rich and developed nations of the world to assist through sharing of their material and intellectual wealth, in the development of poor states.

The foreign policy of Venezuela under Luis Herrera (1979-1984) and Jaime Lusinchi (1984-1989) was not different. But President Luis Herrera objected to the support of Britain by the U.S. over Argentina in the Falkland Island dispute in 1982. Venezuela foreign policy devoted considerable attention to its ties in the sub-regions. It promoted its interests vigorously in the Caribbean and Central America. Venezuela was the first non-English member of the Caribbean Development Bank (CDB) in 1973. It extended loans, credit for petroleum purchases, and technical assistance to the Caribbean and Central American nations.

The policy towards the Andean States was largely based on the Andean Pact. President Pérez in 1974 sought to integrate Venezuela's economic potential and development programmes with those of other developing countries, particularly in the Caribbean and Central American areas which are the 'natural' recipients of Venezuela's marketable exports and of its political influence. Through the Andean Pact which was based on the Cartagena Agreement of 1969, Venezuela initiated an era of economic expansionism after 1974 for the region.⁸ Being the richest country of the group; its added potential enlarged the purchasing power of the Pact, enabling it to compete with the largest countries of Latin America, namely Brazil, Argentina, and Mexico. Andean Pact gave a platform for Venezuela reach to the Caribbean Economic Community and expands its geopolitical influence over the Caribbean (Guy 1979).

Venezuelan government claimed that their nation is an Andean and Amazonian nation as well as a Caribbean one. But Venezuela's influence over the South has remained dismal. At Brazil's urging and initial hurdles, Venezuela signed the Amazonian Pact in 1978 along with the other nations of the river basin but remained unenthusiastic about ties with Brazil and about the development of the far south (Bond 1981; Ferris 1981).⁹ Therefore, the emergence of the Amazon Pact and the changing orientation of the Andean Pact can best be understood by examining the foreign policies of the member governments. These two organisations, so different in orientation and scope, represented the two main thrusts in Latin American foreign policies. On the one hand, there was pragmatic issue-centered cooperation and, on the other, increasing "collectivisation" of foreign policy. Both were the product of the diminished national capabilities of the members (Ferris 1981).

One of the important objectives of foreign policy during this period was the maintenance and maximisation of oil revenues. Venezuelan international relations from the beginning to the middle of the twentieth century were dominated by trade

⁸The Andean Pact consists of Bolivia, Chile, Colombia, Ecuador and Peru. Venezuela joined the Pact in 1973.

⁹In 1978, the Treaty of Amazon was signed by representatives of Bolivia, Colombia, Ecuador, Peru and Venezuela (Andean Pact members) as well as by Brazil, Suriname and Guyana.

with the North Atlantic. The most important Venezuelan exports have been raw materials; cocoa and coffee dominated the 19th century which was replaced by petroleum in the 20th century with the discovery of oil in 1920. The Venezuelan socio-economic structure, however, underwent a fundamental transformation with the development of oil industry in the 1920s (Karl 1987:70).

The foreign oil companies primarily from the US dominated the Venezuela oil production till the 1950s.¹⁰ Romulo Betancourt set his agenda in gaining control over its oil production followed by his successors. Venezuela's leadership was crucial in the creation of OPEC as Juan Pablo Pérez Alfonzo, the minister of mines (later energy and mines) in the Betancourt government visited the Middle East and discussed the possibility of forming a group of oil exporting countries in 1960. Thus, the Organisation of Oil Exporting Countries (OPEC) was born (Kelly and Romero 2002). Betancourt, therefore, believed OPEC to be a means for channelling Venezuela's oil resources and increase oil revenues for the greater benefit of their people. Tugwell (1977) noted that the key to maintaining oil lifeline was through OPEC.

This nationalistic approach was in many ways congruent with the increasing drive for autonomy engulfing the Third World in the 1970s. The turning point came with the 1973 oil embargo against Western Europe and the United States by the oil-producing Arab countries. The third Arab-Israeli War had significant implications for the balance of power in the Middle East and the emergence of OPEC power (Kelly and Romero 2002). As a result, Venezuela drastically increased her bargaining power with petroleum importing countries. Venezuelan policy makers realising the power of OPEC drew closer ties with the countries of Africa, Asia, and Middle Eastern counterparts.

Carlos Andrés Pérez (1974-79) played a leadership role by joining in the call for global negotiations to redress the imbalance between the rich and the poor countries. A major thrust of his foreign policy was his advocacy for a fundamental restructuring

¹⁰After Mexico's nationalisation of oil, Venezuela acquired strategic political as well as the economic importance for the United States and the oil companies (López Maya 1996: 76). It was the world's largest exporter of oil and the only nation in Latin America that permitted "large-scale production of oil by private companies".

of prevalent economic order (Bond 1977). South-South solidarity and Latin American unity took over Venezuelan foreign policy priorities with the newly acquired oil wealth. The boom years coincided with the period of his tenure. It aimed at the creation of New International Economic Order (NIEO) that included funding the development programmes of the Third World countries (Myers 1985). Pérez's foreign relations were based on a multipolar policy. He landed support to the nonaligned movement; served as an international broker in efforts to oust the dictator of Nicaragua, Anastasio Somoza; and championed Panama's campaign to regain sovereignty over the canal. He re-established diplomatic relations with Cuba in 1974 and tried to reintegrate Fidel Castro into the Caribbean Basin Community. But his efforts to remove OAS sanctions against Cuba failed in 1974. He resurrected Venezuela's claim to expanded fishing rights in the Gulf of Paria (Myers 1985). His Caribbean policy was an extension of his efforts to assume continental and Third World leadership.

To sum up, Venezuelan cluster of foreign policy objectives were based on these premises: 1) the maintenance and maximisation of oil revenues; 2) achievements of a Third World demands for a "New International Economic Order", 3) extension of Venezuelan interests in Latin America beyond the security dimension and 4) accommodation with the US.

Major Actors and Stakeholders in Foreign Policy of Venezuela

President

The President is an important actor in the foreign policy-making of Venezuela. He directs the foreign policy of Venezuela. The treaties are approved by the legislature or National Assembly. During the tenure of President Pérez (1974-79), an extra "Minister of State" for International Economic Affairs was named who was allotted the responsibility for promoting the New International Economic Order. With the rise in trade and commerce, the Development Ministry (since 1999 called the Ministry of Production and Commerce) assumed greater responsibilities and prominence (Kelly and Romero 2002: 80).

Soon after becoming the president, Hugo Chavez began to focus on rewriting rules governing relations among the branches of government, with an eye toward expanding presidential powers. The presidential term was expanded from five to six years and immediate re-election to a second term was permitted by the new constitution of 1999. It also strengthened the power of the President over the Armed Forces. The new Constitution in 1999 made some major institutional changes in the political system, making presidency the lynchpin of his social and economic agenda. Several of his foreign policy ideals and imperatives found expressions in the document. The Constitution envisaged a concept of democracy which was different from the Western liberal model. The Constitution speaks of a 'participative and leading democracy' which would be cognizant of social needs and the ethnic diversity of the country. Meaning thereby that foreign policy had to sub-serve varied domestic constituencies and their myriad goals. The 'participatory' democracy brought in foreign policy arena the concerns of the poor, the minorities and the indigenous. Several provisions of the Constitution obligated specific foreign policy steps. Innovative social programmes such as the 'missions' (misiones), which provided basic food, health, literacy, and other public services to the millions, called for a reorientation of foreign policy to meet these social goals.

The role of the ruling party that is The United Socialist Party of Venezuela (PSUV) became prominent in the foreign policy arena. The relationship between the government and society came to be mediated through the ruling PSUV. The ruling PSUV combined the 'international' with the 'domestic', transforming foreign policy effectively into the 'intermestic' arena. Party leaders, which included diverse left-leaning intellectuals, politicians, former guerillas, human rights and other social activists, had prior linkages with their counterparts in the region; and they helped build a region-wide platform of solidarity and support for Chavez and his policies. These civil society assemblies worked to produce policy-related ideas and proposals and legitimized Chavez's foreign policy, more so, at the regional/sub-regional level.

Foreign policy-making during this period evolved into a complex state-centered process that is largely determined by decisions made according to the personalistic

attitudes and reactions of President Chavez (Corrales et al 2011). In 1999, with the electoral victory of Hugo Chavez, his foreign minister José Vicente Rangel focused on rationalisation and greater centralisation of foreign policies. Career diplomats in Venezuela graduated as experts in international relations from the Central University are usually employed and the Foreign Ministry has its own diplomatic academy, the Pedro Gual Institute. Training were provided in economic areas and in negotiating skills (Kelly and Romero 2002).

Armed Forces

The Venezuelan Armed Forces had reconciled to the democratic rule that dominated the Venezuelan polity from 1958 to 1998. Popularly known as PuntoFijo, it had designated the institution of armed forces as an “apolitical, obedient and non-deliberative body”. This aspect was firmly established in the constitution of 1961. This aspect was attributed to the following factors: The disloyal elements of the Armed Forces were purged by taking care and precaution in making key military appointments. The emergence of guerrilla insurrection bestowed military with an important role in national defence. The military firmly stood behind the civilian government as an alternative to communism in the region. The wide acceptance of the civilian rule by the private sector and the middle classes also led the military to comply (Bond 1977).

Hugo Chavez came into the limelight of politics as Lieutenant Colonel leading an unsuccessful coup in 1992 against the civilian government of Carlos Andrés Pérez. Since he became the President in 1999, the armed forces were brought into all forms of political life leading to its politicisation. They began to have a considerable influence over the foreign policy of Venezuela.

The Constitution of 1999 legalised the role of the Armed Forces in Venezuelan politics. President Chavez after coming to power made considerable changes in the structure of the armed forces and its relationship to the state (Trinkunas 2010). Greater integration between military and international objectives was witnessed during his period (Kelly and Romero 2002).

Active-duty and retired military officers were positioned to staff political and bureaucratic positions. Retired and active-duty military officers have held up to one-third of the portfolios in the presidential cabinet, including the Ministry of Interior, Ministry of Infrastructure, and the governorship of the federal district during the transition to the Fifth Republic. Military officers have been appointed as president and vice president of the state oil company, *Petróleos de Venezuela Sociedad Anónima* (PDVSA; Venezuelan Oil Company, Incorporated), as well CEO as of its U.S. subsidiary, CITGO. Active-duty military officers have held positions as the president's chief of staff and personal secretary (Colomine 2000; Trinkunas 2002). Thus, the military had played a crucial role in the decision-making process under Chavez.

Urban Poor

The economic crisis beginning in 1983 and the corresponding decline of Venezuela's two-party political system had a direct consequence on the daily lives of the urban poor. The convergence of political and economic crisis led to mass dissatisfaction with the institutions and policies implemented by the PuntoFijo regime and paved the way for the emergence of Hugo Chavez. The electoral victory of Hugo Chavez Frías and his efforts to consolidate the Bolivarian political project cannot be fully understood without the role of the urban poor (Canache 2006).

The urban poor provided Hugo Chavez with his strongest base of electoral support.¹¹ The mobilisation of the urban poor in 1998 had benefitted Hugo Chavez in various ways. It brought a sense of perceptual legitimacy to his rule because the voter turnout increased compared to 1993 and his victory margin was large. This support from the urban poor was also at play in the 2000 presidential election.

In April 2002, Chavez was able to regain power largely because of the efforts of the *Círculos Bolivarianos*—state-sponsored social organisations developed by Chavez—which was instrumental in mobilising the urban poor on his behalf. The formation and

¹¹On the 1998 pre-election survey, 55 per cent of the urban poor indicated that they will vote for Chavez, whereas only about 45 per cent of the non-poor expected to back Chavez. It also appeared that many among the urban poor had sided with Chavez for quite some time.

growth of the *Círculos Bolivarianos* constituted one of the most intriguing and controversial developments in the Chavez era (Hawkins 2010). Thus, the participatory democratic nature of the New Left under Hugo Chavez had acquired added relevance with the formation of Bolivarian Circles or *Círculos Bolivarianos*.

The *Círculos Bolivarianos* created in 2000, were depicted as human networks for the defence of the revolution. These community-based organisations were eligible for financial support from the government. During the December 2002-February 2003 general strike, supporters of the president led by *Círculos Bolivarianos* staged various mobilisations to put pressure on managers and employees of PDVSA, the state oil company of Venezuela to end the strike in the oil industry. Thus, the unwavering support of the poor has been important for the survival of Chavez's regime and their significance for his regime maintenance was well acknowledged (Canache 2006).

During his tenure, Chavez portrayed an image of someone who had always lived for his ideal, continually struggling for his cause, and made great sacrifices to defend his cause of Bolivarian Revolution. Through this narrative, Chavez established himself as an example to follow, a model of patriotism. He identified himself with the excluded, the downtrodden, and the poor, thus managing to add another, popular dimension to his leadership: Chavez as the people (Zúquete 2008). The Bolivarian narrative was often used as a quest for 'dignity and equality under the tenure of Chavez as it was 200 years ago. By isolating and reifying particular elements of Venezuelan history, Chavez was able to naturalise both the subjectivities ('people' versus the elite) and the narratives (returning dignity) within his political discourse (Emerson 2011).

Private Sector

The private sector in Venezuela was derived from a strong and successful economy, propelled by oil. The private sector had an important role in changing the economic corporatism of Venezuela (Ortiz 2006).

The inclusion of leading members of Venezuela's business elite into the political sphere and the overwhelming influence of power groups from several key business sectors characterised Venezuela's interest-group system during the two-party

democracy (1958-1998). For decades, party leaders in Venezuela included members of Venezuela's business elite. The representatives from business associations made up a disproportionate part of the commissions appointed by political leaders to facilitate consultation with society over myriad policy decisions (Crisp 2000). Individuals with significant prior business expertise were included in the national legislature and the economic cabinet throughout the era of two-party dominance.¹²

The neoliberal reforms in 1989 dramatically altered the economic environment for the private sector. Antonio Francés and Moisés Naím (1995) pointed out that most relevant changes that occurred were in its relationship with the state and the way businessmen approached markets and treated their clients. Venezuela's private sector, which had flourished under a protected environment together with government-business nexus led to an unprecedented corruption during the period from 1974 to 1989.

The political and economic crisis facilitated by unabated corruption mobilised the public against the political establishment and the business community. Leading business interest group, the Venezuelan Federation of Chambers of Commerce, Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela (FEDECAMARAS) began to lose support from the common Venezuelans more than any other leading interest group, including labour and the Catholic Church. The Venezuelan Chamber of Commerce and Production, FEDECAMARAS was one of the Punto Fijo system's most emblematic institutions. The umbrella organisation, which had brought together sectoral and regional business associations from its inception in 1944, was the institutional link between business and government (Gates 2014). FEDECAMARAS played a part in negotiating the Pact of Punto Fijo which facilitated normalisation of democracy in Venezuela. Business associations like FEDECAMARAS perform functions ranging from the articulation of political interests to the distribution of products and the maintenance of centralised information on production, inventories and sales (Gill 1977).

¹²Members of the business elite were nominated to fill 6.2 per cent of the positions available in the federal legislature between 1959 and 1998. During the legislative session beginning in 1984, they represented 9 per cent of all legislators.

FEDECAMARAS had played a leading role in the elections that carried Hugo Chavez to power in 1998. However, it would be after the general strikes of December 2001 and December 2002 that FEDECAMARAS deep political role came to the fore. The head of FEDECAMARAS was appointed as temporary president during the short-lived coup attempt in April 2002 and the two months general strike was led by labour's CTV (Venezuelan Labour Confederation) and business's leading peak association, FEDECAMARAS in late 2002 (Ellner 2008).

The government under Hugo Chavez took some important steps in restraining the activities of the formal interest groups that were historically important within the two-party system like the Catholic Church, labour's CTV, and business's umbrella group (FEDECAMARAS).

This was done by endorsing the creation of new 'parallel' organisations. In 2003, Chavez government promoted the formation of a new labour federation, The National Workers Union (Ellner 2008). The government also stepped up its efforts to counter the political influence of FEDECAMARAS by fostering a new 'business' sector. Within this new sector are government financed cooperatives, enterprises 'co-managed' by worker unions and company management, and previously failing private enterprises now run by workers with some government input (Ellner 2008).

But there is no doubt that the private sector also supported Hugo Chavez during his tenure. Prominent members of the business and social elite supported Hugo Chavez's Bolivarian movement in the late 1990s even though Chavez himself attacked the private sector for its backing of PuntoFijo democracy.

PDVSA and Oil Executives

The multi-national corporations or foreign oil companies who were involved in the exploration of oil since its discovery, were the first important power group in all Venezuelan governments, including the two-party democracy (Tinker Salas 2009). Venezuela was the only country that permitted foreign-owned oil companies ('big oil') to operate its oil industry for decades after Mexico's dramatic nationalisation of oil in 1938. Even after nationalisation in 1976, *Petróleos de Venezuela, S.A.*

(PDVSA) was, 'never fully controlled by any of the governments that technically owned it' (Parenti 2006). This was partly because these governments left the former executives of the big oil companies in charge of PDVSA.

As a result, the nation's oil policy after nationalisation was set by the cadre of Venezuelan engineers and managers within PDVSA who were cultivated by the big oil companies as part of their broader agenda to legitimise a foreign-owned oil industry (Tinker Salas 2009). These executives shared the view that 'what was good for the oil industry was good for Venezuela'. Instead of cooperating with other oil producing countries under OPEC to maintain high prices by restricting production, PDVSA became increasingly committed to a profit strategy of increased production (Lander and López Maya 2002). Thus, Venezuelans began to perceive that PDVSA did not have the best interests of the nation in sight and it operated like a power group within the state.

PDVSA managers further enhanced the influence of big oil within PDVSA with a series of reforms in the 1990s. For example, they opened the nation's oil industry known as 'apertura' to increased direct investment of multi-national oil corporations (Lander and López Maya 2002). Gates (2011) argued that the historical influence of big oil together with its seemingly becoming a potent power group in the 1990s may, in the end, have been a liability for the two-party democracy.

The power group of transnational oil companies was, however, not the only important power group in Venezuela. Venezuela's oil-rich state attracted demands from a host of societal interests who pressured the state to make particular economic and social policy choices (Karl 1997). Chief among these was the second key power group: Venezuela's peculiar domestic business community. It was peculiar because its most successful members were those who could secure a piece of the state's wealth (Naím 1984).

Hugo Chavez during his electoral campaign targeted Venezuela's large state-owned oil company, PDVSA, calling it a "black box" that operated as a "state within a state," making oil policy decisions without the concerns of the general populace (Chavez

2005). The government under Chavez curtailed the more informal, but no less potent, influence of power groups in the old system. The government sought to move decision-making over the oil industry from inside the state-owned oil company PDVSA, where power group influence has historically resided, to the Energy Ministry controlled by political appointments. It improved the government's share of oil income by shifting away from taxing profits towards royalty payments by the oil companies, the latter being easier to collect. It also moved to restrict new private investment in the industry (Lander and López Maya, 2002).

In order to achieve aforesaid goals, the government undertook a controversial restructuring of PDVSA's leadership. It replaced its board of directors in March 2002 and purged 18,000, more than a third, of PDVSA's middle managers. In early 2005, the Venezuelan government continued its internal transformation of PDVSA by overhauling CITGO, its subsidiary in the USA. The government replaced CITGO's chief executive and its board and installed managers more favourable to the government's new priorities (Romero 2005).

Summary, Findings and Conclusion

The geopolitical and geo-economic setting of Venezuela is defined by the following aspects: location as Venezuela has been called a Caribbean, Atlantic, and Amazonian country and resources as it is an important producer-exporter of oil.

The foreign policy objectives that were witnessed during the two-party system can be summarised under the following headings: maintenance and maximisation of oil revenues, achievements of Third World demands for a "new international economic order", an extension of Venezuelan influence in Latin America and the Caribbean beyond security dimension and accommodation with the United States.

Hugo Chavez when he came to power in 1999 endorsed two prominent objectives in international affairs fuelled by high oil prices: consolidation of Venezuela's role within the emerging Latin American and Caribbean power and the advancement of a "new international geopolitics" of multicentrism and pluripolarity/multipolarity.

There is also an interplay of a number of actors and stakeholders influencing the policy-making of Venezuela both domestic and international. The President is at the helm of affairs followed by the armed forces. The private sector, oil executives and foreign oil companies are the major stakeholders.

It is against the background of these developments and events, an attempt is made in the present monograph to examine in the Foreign Policy of Venezuela under Hugo Chavez. In an effort to offer some useful insights, the monograph attempts to make a modest in-depth analysis of policies Chavez undertook in international affairs during his tenure as a president from 1999 to 2013.

**CHAPTER III: BUILDING BLOCKS OF CHAVEZ'S
FOREIGN POLICY**

Introduction

A 'multipolar' world as a corrective of a unipolar world dominated by the United States was envisioned by Hugo Chavez in international affairs. By a multipolar world, Chavez wanted the transformation of nations of the South into blocs or poles, bounded together geographically or economically, with political and economic ties. His foreign policy objectives championed the cause of the 'global south'. He challenged the Washington Consensus—a free-market model of economic development along with electoral democracy with little substance. He resisted the American unilateralism and pursued the goal of a multipolar world; advocated South-South cooperation; diversified Venezuela economic relations by seeking closer ties with China and Russia; and, at the regional level, talked about integration at the social and cultural fronts. His foreign policy was seen as a reflection of the shift in the locus of global power and its distribution over a wider spectrum. He had perhaps more clearly perceived the shift in the locus of global power and distribution of power along a wider spectrum of countries and issues.

The chapter titled 'Building Blocks of Chavez's Foreign Policy' is divided into two major sections and subsections. The first section 'Building a Multipolar World' analyses President Chavez's efforts in the direction of building a multipolar world through reforming major international organisations like the United Nations. Chavez who was keen on forging ties with China, Russia, and India for energy diversification and South-South cooperation will also be analysed in the next subsection. The next subsection views Venezuela's ties with countries like Iran and Cuba which was the major bone of contention between Venezuela and United States. Chavez was famous for his anti-US pronouncements and policies. This aspect is also analysed in this section.

The second section would describe and analyse in details several questions and issues pertaining to the global south as a framework to assess Venezuelan foreign policy. This encompasses Chavez's initiatives in the form of building the Bank of South, Third World Solidarity through Non-Aligned Movement and South-South cooperation. This is followed by Summary, Findings and Conclusion.

Building a Multipolar World: Juncture and Context of the 2000s; Aims and Initiatives

Chavez had determined that multipolarity was in the perceived national interest of Venezuela. The concept of a multipolar world, as envisaged by him, aimed at strengthening Venezuela's sovereignty in the international system by both consolidation and diversification of its foreign and economic relations through direct and intensified diplomatic engagements (McCarty-Jones and Turner 2011: 557). His active diplomatic campaign to forge closer ties with countries like China, Russia, Iran, the European Union and the Organisation of Petroleum Exporting Countries (OPEC) countries had set the tone in that direction.

The second term of the presidency commencing from 2001 to 2007 coincided with two major events: High Oil Prices and the Rise of the 'Left' regimes in Latin America. It also witnessed the rise of emerging economies in Asia like China and India. On the other hand, the emerging economies of China and India with one-third of the world's people between them are aware that their economic futures are tied to finding sufficient energy resources to sustain their rapid economic growth.

By 2004, Chavez was in full control of his Bolivarian Revolution and ready to launch an assertive foreign policy. At a conference in December 2004, he, for the first time, elaborated his conception of a multipolar world. He identified five main poles of global power viz. the continents of Africa, Asia, Europe, North America and South America. The concept was intended to strengthen Venezuelan sovereignty in the international community by consolidating and diversifying Venezuela's political and economic relations through intensive engagements with a select group of countries and regions.

Chavez showed his keenness in reforming and transforming the UN and other international organisations to make it democratic and transparent. By portraying sovereignty central to nationalism, he had often criticised the neoliberal globalisation discourse coming through multilateral agencies like International Monetary Fund and World Bank.

➤ **Relations with China, Russia and Others.**

The Venezuelan foreign policy-making under Hugo Chavez witnessed the development of closer relations with non-traditional allies such as China, Russia, and Iran, resulting in multiple bilateral agreements ranging from Chinese and Iranian oil explorations in Venezuela to joint military operations with Russia as oil is the key to energy security.

Venezuela and China

Hugo Chavez visited China five times (2001, 2004, 2006, 2008, and 2009), making him the most frequent Latin American head of state to visit China. China-Venezuelan relations have developed rapidly over the years owing to the commonalities in economic and political goals and had been characterised by the ‘Leap Forward’ stage of development (Hongbo 2014).

In 2000, China’s economic and geopolitical proximity towards Latin America had increased reflecting Beijing's desire not only to intensify its economic cooperation and trade with Latin America but also to create a ‘*sphere of influence*’ in the traditional ‘backyard’ of the United States. This positioning is seen as retaliation for the US containment and encirclement of China, and as a fulcrum in its rise as a global power capable of challenging US dominance and reshaping the current world system. The growing economic interdependence and integration between China and Latin America facilitated China to get access to Latin America’s growing markets, abundant resources and lucrative investment destinations in order to sustain its own economic growth (Zweig and Jianhai 2005; Yu 2015).

The commonalities between both Venezuela and China range from supporting global economic trends of multi polarisation, multilateralism, and on non-interference in other countries policy. Both countries stretched the need to secure the interests of developing countries and devote themselves to an establishment of a new international economic order. Venezuela welcomed China’s involvement in Latin America and firmly supported China in joining Western Hemisphere’s multilateral organisations such as the Inter-American Development Bank. In return, China supported Venezuela in becoming a non-permanent member of the UN Security Council (Peng 2012). Venezuela viewed China as its ideological partner that would challenge the imperialist

international system dominated by the US and its allies and create a multipolar power structure of several different but equal power blocs. So allying with China which has become a great economic-political influence would be beneficial to Venezuela's interests (Hermann 2013).

Energy cooperation became the cornerstone of both countries' economic and trade cooperation. Energy security today has become an indispensable part of national security and therefore priorities are set accordingly (Lugar 2006).

A wider transformation can be witnessed in the global oil market due to the rising powers from the 'Global South' like China and India. The ever-increasing demand for oil from emergent economies like China, which is the second largest consumer of energy in the world has brought the two countries together for mutual benefits. On the one hand, Venezuela under Hugo Chavez had sought to develop ties with non-traditional markets including China in order to diversify energy exports and to overcome its dependence on the US market as oil is its prime economic driver. On the other hand, China urgent needs to diversify its petroleum supply sources to guarantee its long-term energy security prospects have formed the bedrock of its relationship with Latin America in general and Venezuela in particular (Ratliff 2009; Peng 2012). It is often observed that politics are driven by economics. Vlado Vivoda (2009) observes that that oil is the key to the energy security of energy-importing countries and concerns about the security of oil imports dominate policy thinking and making. The diversification of energy supply is the pertinent feature of the energy security which is apt in Venezuela's case.

In May 2001, the "memorandum of understanding of the State Development Planning Commission of the People's Republic of China and the Ministry of Energy and Minerals of the Bolivar Republic of Venezuela was signed on a Ten Year Energy Cooperation Plan," which drew up the blueprint for both countries' energy cooperation. There are at least five categories of agreements related to oil and energy issues: (1) oil supply agreements, by which Venezuela is engaged in the provision of oil to China; (2) establishing a joint venture to promote Chinese participation in the exploration and exploitation of oil in the Orinoco Belt; (3) financial cooperation agreements in which China provides loans to develop economic and social projects, and in return Venezuela pays them through crude oil supply to China; (4) agreements

in which China supplies capital goods, such as drills or tankers, or services liketechnology and trains personnel; and (5) agreements on infrastructure, in particular, the construction of refineries in China to process Venezuelan oil.¹

Over the period from 2001 to 2008, China's crude oil import volume from Venezuela grew increased sharply from 55,600 tonnes to 6.4 million tonnes. Venezuela has now become China's fourth-biggest petroleum supplier. In 2004, China's national oil company (NOC), National Petroleum Corporation (CNPC) was given the license to 12 wells Zumano mature oil field, which has large reserves of heavy crude by Venezuela. To this end, Petrozumano SA was created, to perform exploration and production activities in the states of Anzoategui and Monagas (Ríos 2013). Both countries' energy cooperation and long-term trade development goals conform to this new model of heavy investment in Venezuela which is mutually beneficial.

Besides energy cooperation, the two countries have come together in the domains of finance, technology, agriculture, and infrastructure development.

Financial cooperation between China and Venezuela was another prominent aspect for both countries. In 2007, a China-Venezuelan joint financing fund of 6 billion US dollars was set up as a reserve for bilateral cooperation; 2 billion was contributed by Venezuela, and 4 billion from China. In 2009, the fund balance was increased to 12 billion US dollars. This fund is managed by the Banco de DesarrolloEconómico y Social (BANDES), for the development and implementation of infrastructure, energy, and social projects. Based on the initial success of this China-Venezuelan joint fund, both countries' financial cooperation has been further deepened. In 2010, both countries signed a frame agreement for long-term financial cooperation. According to the agreement, China will provide Venezuela with a sum of 20 billion dollars over a period of ten years.²

The oil sector is regarded as the primary axis in the China-Venezuelan Cooperation Model but the non-oil sector like agriculture, technology, and infrastructure acted

¹In February 2009, China and Venezuela signed an agreement of "loans for oil" valued at 4 billion US dollars. The China Development Bank provided a loan of 4 billion US dollars to the Petroleos De Venezuela S.A. (PDVSA) in exchange for a stable crude oil supply from Venezuela.

²Shuangsheng, He (2012), *China- Latin America Relations: Review and Analysis*, Reading: Paths International.

as the secondary axis to ensure the scalability, openness and participation of this model (Hongbo 2014).

In the agricultural domain, China and Venezuela came together in traditional agricultural projects (such as the national irrigation system construction project in Venezuela), and also in the agriculture processing domain. The agricultural subsidiary company of Petroleos de Venezuela SA had come together with various Chinese enterprises to draw up Venezuela's new agricultural development project plan.

In the field of science and technology, the Chinese enterprises have helped Venezuela in the construction of fibre-optic cable system and production of mobile phones.

In the aeronautics, China helped in the development of the communication satellite named "Venezuelan satellite 1" project or the Simon Bolivar satellite in 2005 and finally was handed over to Venezuela in 2009.³ In the infrastructure domain, Chinese helped Venezuela in the construction and renewal of national railway network and implementation of Venezuela's national housing plan.

China-Venezuelan energy cooperation is marred by some serious challenges. Because of their geographical distance, transportation cost remains high. The Panama Canal does not facilitate routes for 300,000-ton mega-tanker pass through it, and other alternative routes around the African Horn or the Cape of Good Hope will take up to 45 days for one-way transportation. The strained relations between Venezuela and Colombia pose a major hurdle for the proposed construction of an oil pipeline that leads to the Colombian Pacific Ocean to facilitate China's petroleum transportation. For China, because crude oil transportation from Venezuela depends completely upon marine transportation, maritime security is a significant strategic issue. The refining capacity of the Venezuelan extra-heavy crude oil containing the high amount of sulphur is another major issue for Chinese refineries. In 2009, the 'National Development and Reform Commission' of China had authorised the China National Petroleum and the Venezuelan Petroleum Company to construct a large-scale refinery

³For the first time, China had provided an entire satellite and in-orbit delivery service to a Latin American nation making Venezuela the fourth Latin American country with its own satellite, along with Argentina, Brazil and Mexico. The aim was to give a boost to social projects of the Bolivarian revolution, in the field of education and telemedicine, and to reduce the costs of and streamline telecommunications systems.

in Jieyang in Guangdong Province which was to be operational by 2014 (Shuangsheng 2014).

For President Chavez, relations with China signalled an all anti-American stance having both political and economic ramifications. China was more into the economics, in investing in and buying more Venezuelan oil. Beijing was always cautious at antagonising the United States by joining Chavez's informal anti-American political brigade that included Iran and Russia (Ratliff 2009).

Venezuela and Russia

The Russian foreign policy towards Latin America after 2003 saw the dominance of geopolitics in general and particularly toward its main regional partners in Latin America: Nicaragua, Venezuela, and Cuba. This was further facilitated by a steady decline of prospects for a rapprochement with Washington (Blank and Kim 2015).

Venezuela's strengthened ties with Russia is based on 'polycentrism' which Chavez describes as a world based in a multi-polar order that permits the rights of peoples to liberty, self-determination, and sovereignty to be fully exercised. Russia has become an important partner not only on in economic terms but also military and political terms.

Russian energy giant Gazprom has shown interest in working with PDVSA, the state oil company of Venezuela in the exploration of oil in the Gulf of Venezuela and the Orinoco belt famous for its oil reserves. PDVSA signed memoranda of understanding with the Russian oil company Lukoil and Russian-British TNK-BP in 2008 to form mixed enterprises to exploit the oil reserves in Venezuela's Orinoco Oil Belt (Suggett 2008). As a major non-OPEC oil producer, Russia's collaboration was important for Venezuela in maintaining petroleum prices and also as an alternative source of advanced technology, particularly in the military sphere.

Russia-Venezuela summit in 2004 during Hugo Chavez's third visit to Moscow brought some concrete results. In February 2005, Rosoboroneksport, one of the leading operators in international arms market signed a contract to sell 100,000

Kalashnikov rifles to Venezuela. Under this agreement, 30,000 of the Kalashnikovs were to be delivered by December 2005, the remaining 70,000 in March 2006. Venezuela was also given the opportunity to manufacture Kalashnikovs under license. In March 2005, both the countries signed a \$120 million agreement where Venezuela was to purchase nine attack helicopters and one for transport from Russia. The delivery of first three attack helicopters was made in December 2005. In July 2008, Venezuela announced to buy more than US\$1 billion worth of anti-aircraft weapons, torpedo-equipped submarines, and tanks from Russia, and by August 2009 total arms purchases from the Russians were estimated at US\$4 billion (Raby 2011).

In the field of defence, Venezuela is becoming one of the biggest customers of Russian military hardware (Katz 2006). Ties with Russia were meant to reduce its military dependence on Washington, especially when the Bush administration attempted to veto arms sales to Caracas by other Western countries. Critics have commented that Venezuelan ambitions threatened regional balance and could have provoked a regional arms race.

When Chavez visited for the eighth times to Moscow in September 2009, he and Medvedev agreed to create a joint Venezuela–Russia bank, and announced that Venezuela would become the third country in the world (after Russia and Nicaragua) to recognize the independence of Abkhazia and South Ossetia, the two Russian-backed rebel regions in Georgia (Schwartz 2009).

Venezuela and Others (India, OPEC)

The quest for multipolarity had also gained credence given the new impulse added to relations with India, another major developing and emerging power in Asia. In March 2005 Chavez led a delegation to India and signed six cooperation agreements in areas ranging from petroleum, biotechnology, railways, and space technology. In terms of energy security, Venezuela holds prominence for India.

Reliance Industries Limited (RIL) and PDVSA, the state oil corporation of Venezuelahave signed two agreements for a period of 15 years to boost extra crude oil production in Venezuela’s Orinoco belt and sell 400,000 barrels per day of oil to India. Venezuelan state oil firm PDVSA has inked funding deals worth US\$1.45

billion with the Government of India's Oil and Natural Gas Corporation (ONGC) and local company Delta Petroleum. The bilateral trade between both the countries had boomed, from US\$60 million in 2004 to almost US\$1 billion in 2006. Both governments called for a revitalisation of the Non-Aligned Movement and Venezuela also pledged its support for India's campaign to become a permanent member of the UN Security Council (Raby 2011).

Venezuela was one of the founding members of the Organisation of Petroleum Exporting Countries (OPEC) in September 1960 along with Iraq, Iran, Kuwait and Saudi Arabia. The key to maintaining the oil lifeline is through OPEC as it is firmly bound to its goals from price control, production control, and coordination of related policies. Venezuela has consistently sought to secure the cooperation of world's leading oil producers in controlling prices and supply (Bond 1977). Since Chavez became the President, he began to assert himself within the organisation. In 2000, he toured all the OPEC countries from Iraq to Libya and organised the second OPEC Summit in Caracas the same year. Chavez successfully persuaded and leveraged the Organisation of Petroleum Exporting Countries (OPEC) to rally behind him to maintain both a high level of oil production and price during one of the greatest resource export boom (2002-12) experienced by the world economy. Thus the policy of production quotas was revived, initially pegging prices for crude within at \$22–28 price band. Important non-OPEC producers such as Mexico and Russia also gave their support (Cannon 2009).

One need to understand from the above discussion that Venezuelan diplomacy under Hugo Chavez had left no stone unturned in the quest to diversify the country's international relations and promote both a multipolar world. But it had a strong realist underpinning as Chavez was keen on diversifying its oil markets and strengthening the OPEC in favour of oil-producing nations under the ambit of a multipolar world.

➤ **Relations with Iran, Cuba and others**

Since President Chavez came to power in 1999, relations with countries like Iran, Cuba, and Belarus have emerged raising a few eyebrows prominent among them being the US.

Venezuela and Iran

Iran's expanding ties with Venezuela was forged by the personal friendship and camaraderie between Presidents Mahmoud Ahmadinejad and Hugo Chavez. Iran who is a leading member of OPEC has often attained an independent and indeed antagonistic stance in relation to the United States making it a logical partner for Venezuela for its counter-hegemonic project.

The rapprochement between Iran and Venezuela began in 2005 by the election of Mahmoud Ahmedinejad as the President of Iran. Iran and Venezuela are the leading oil producing countries: Iran being the second and Venezuela fourth respectively, within the Organisation of Petroleum Exporting Countries (OPEC). Having played an important role in its formation, Venezuela remained mostly dormant within the organisation. But Chavez opted for a much more aggressive policy as he aimed at using petroleum as a political tool in his foreign policy initiatives. In January 2007, Iran and Venezuela drafted a joint declaration confirming their desire to keep petroleum prices high and reiterating their wish to pursue a political agenda for OPEC at the November 2007 meeting in Riyadh (Arnsone al.2009).

The Iran-Venezuela relationship can be studied and analysed in terms of four important aspects: political, economic, military and cultural.

President Hugo Chavez has officially supported Iran's right to its nuclear program and peaceful nuclear technology and Ahmadinejad publicly backed Venezuela's bid for a seat on the United Nations (UN) Security Council. When Ahmadinejad visited Caracas in September 2006, Chavez declared: "We support Iran's right to develop atomic energy for peaceful purposes."⁴ When Iranian President Mahmoud Ahmadinejad visited Venezuela in 2006, both the leaders signed a joint declaration where they formed common cause for a multi-polar world and more democratic multilateral institutions.

⁴ Venezuela was the only country to oppose the International Atomic Energy Agency's (IAEA) resolution GOC/2005/77 of September 2005 accusing Iran of violating its obligations under the 1978 Treaty on the Non-Proliferation of Nuclear Weapons. Venezuela also reiterated its opposition which was followed by Cuba and Syria, to resolution GOV/2006/14 of 4 February 2006 aimed at transferring the case to the United Nations' Security Council.

On the economic front, Chavez's objectives were to make use of his country's petroleum revenues to diversify Venezuela's economy and take advantage of the agreater technological capacity of Iran.⁵

The Iranian state oil company Petropar had been participating in exploration of the Block 7 of the Orinoco oil belt, the largest reserve of heavy crude since 2006 along with state companies from Asian countries like China, India, Vietnam, and other Latin American countries.⁶The two presidents have signed numerous economic agreements in a variety of different sectors. In April 2008, during the two countries' Fifth Joint Commission held in Caracas, nearly 192 projects were listed, of which 16 were under negotiation. The economic agreements involved sectors ranging from the construction of factories for tractors, automobiles, bicycles, milk treatment, and corn processing to scientific and medical cooperation, also including participation by Iranian technicians in transportation and the construction of housing. Venezuela had signed several cooperation agreements with Iran that include the establishment of plants for the manufacture of cars and tractors with Iranian technology (Arnson et al 2009).Chavez hailed the Iranian leader as a "brother" and as a "gladiator" in the anti-imperialist struggle.⁷

Chavez was criticised by many leftist sympathisers of Venezuela who pointed to repression in Iran and questioned its democratic and/or revolutionary credentials. This issue came to the fore again when Chavez went out of his way to defend the Iranian president Ahmadinejad's re-election in May–June 2009 in the face of intense Western criticism.

Venezuela and Cuba

The tenure of Hugo Chavez witnessed the most enduring and stable partnership between Cuba and Venezuela. Chavez hailed Cuba as a revolutionary example of social justice and dignity in the face of imperialism.

⁵Holland, Alex (2006), Venezuela Iran's Best Friend?, [Online: web] Accessed 17 November 2016, URL: <https://venezuelanalysis.com/analysis/1654>.

⁶ In 2006, with Ahmadinejad along with his side, Chavez declared: "The Orinoco Oil Belt was being converted into the 'Universal Belt,' as it was facilitating the development of the Venezuelan people, the consolidation and integration of the union of countries of Latin America, and South-South integration.

⁷Chavez had visited the Islamic Republic of Iran nine times and signed more than 100 bilateral deals.

Venezuela's close relations with Cuba were seen in two lights. The ideological affinity between the two governments facilitated a close partnership. Others attribute the close ties to Chavez's determination to demonstrate and resurrect Venezuela's status as a sovereign nation and its unwillingness to submit to the dictates of Washington (Ellner 2005). The commonality of economic issues within the region like the dispute with the FTAA, Washington's hegemonic proclivities, the Washington Consensus, and other IMF-recommended neoliberal initiatives had brought the two nations closer (Azicri 2009).

While support from Cuba was like a stamp of approval for the revolutionary character of the Chavez regime; as for Cuba, mutual bonhomie helped it deflect some of the harsh US action against Cuba, even if be temporary. Cuba, which faced international isolation and economic sanctions, received a new lease of life when Venezuela became central to the survival of 'socialism with market-features' on the island. Chavez came forth as an ally during a time when Cuba was reeling under multiple economic and political crises and juggling with varieties of economic and political 'reforms' for its survival for over a decade.

HernánYáñez (2005) and Max Azicri (2009), states that the Castro-Chavez alliance of solidarity and collaboration was mutually beneficial to both the countries. For one, their mutual support helped each fight their international isolation. The stable and supportive nature of the relationship between both the countries helped in developing South-South cooperation.

Hugo Chavez' visit to Cuba in April 2005 further brought the two nations closer. As part of the "First Cuba Venezuelan Meeting on the application of the Bolivarian Alternative for the Americas," 49 agreements were signed, which included a "strategic" plan that represented a "flexible instrument" that would continue to further political and economic integration. More than 300 million dollars were added to bilateral contracts, while Cuba would acquire from Venezuelan 412 million dollars in products. The agreements encompassed areas such as basic industry, telecommunications and informatics, the iron and steel industry, air and maritime transport, agriculture, water resources, culture, sports, and television. Several agreements were signed on the oil alliance between PDVSA and CUPET. An office of the PDVSA was opened in Havana with the purpose of exploration and exploitation,

refining, importation, exportation and commercialisation of hydrocarbons and their derivatives, as well its transportation and storage.

Joint ventures were organised to build or expand tank terminals as well as the joint refining of oil for distribution to other Caribbean countries (Yanez 2005). The number of agreements called Strategic Plan highlighted a degree of unprecedented coordination between the two governments.⁸

Venezuelan oil re-energised vital sectors of the Cuban economy at a critical time; while Cuban overture to return the favour with its physicians, technical know-how and expertise in many of the social missions consolidated the Bolivarian Revolution. Cuba imparted many of its critically-needed 'best practices' in the area of social reform and worked to create several grass-roots level organisations.

The partnership between Cuba and Venezuela was further strengthened with the formation of ALBA in 2004 by the two countries based on the policy of complimentary assistance (McCarthy-Jones and Turner 2011). ALBA aimed to consolidate the economic integration of the region through a strong socio-welfare and a developmentalism component representing an important aspect of ethical side of Chavez's foreign policy. A 'Compensatory Fund for structural Convergence' was created that would help in the redistribution of wealth to the poorest of nations in the region. The intention was to create a level playing field for countries intending to compete in the international economy (Gibbs 2009).

Besides catering to the needs of its alliance partners, ALBA worked in the direction of food security, universal literacy, free health and education and decent housing in a bid to attain social justice and human development. In a mark of a universality of southern solidarity, ALBA's solidarity and assistance programmes were also extended to the continent of Africa. The strategic alliance between Venezuela and Cuba has therefore developed on the basis of ideology and pragmatism (Bonfili 2010).

PetroCaribe is an important energy agreement that has brought the Latin American and the Caribbean region together. To provide energy to neighbouring countries at a time when the price of oil had skyrocketed was another prominent and bold initiative

⁸For more details check Final Declaration of the First Cuba- Venezuela Meeting for application of the Bolivarian Alternative for the Americas, <http://venezuelanalysis.com/analysis/1097>.

conceived by Fidel and Chavez. The agreement was designed to foster energy policies that would facilitate the integration of the Caribbean region through the sovereign use of energy resources beneficial to the people.

According to the PetroCaribe Agreement, Venezuela had supplied 198,000 barrels of oil daily to the Dominican Republic, Jamaica, Cuba, and ten other Caribbean islands. It stipulates that 40 percent of the payments have been deferred for 25 years while the remaining balance may be paid in cash or through barter of goods such as rice, bananas, and sugar. According to direct agreements between Havana and Caracas, Cuba receives 90,000 barrels of oil a day largely in exchange for over 30,000 doctors and medical personnel and specialists in fields such as education and sports (Azicri 2009). 'Barrio Adentro Mission' launched in April 2003 had utilised the services of Cuban doctors. By the year 2005, more than twenty thousand Cuban doctors, health workers and physical trainers were working under this mission.⁹ Venezuelan support helped Cuba to regain geopolitical influence in its immediate vicinity by becoming the administrative centre for redistribution of oil in the recently created PetroCaribe Agreement.

Cuba's Operation Miracle founded in 2004 had offered free medical services for eye surgery for cataracts, glaucoma, diabetes, and other vision problems to people unable to afford it. The joint Havana-Caracas program has been flying Venezuelans to the island cost-free for surgeries. Within a few years, 28 countries of Latin America and the Caribbean were participating in the program, and operations restoring patients' sight numbered close to 850,000 (Azicri 2009). It was highly a pragmatic decision on both sides when the two leaders agreed to the oil-for-doctors arrangement. The initial goal of Operation Miracle was to restore sight to the people of Latin America and the Caribbean but was later expanded African countries. ALBA's solidarity and assistance programs have grown steadily under Cuban and Venezuelan joint leadership: greatly needed specialised medical services are being provided to more countries, including African ones.

⁹Mision Barrio Adentro had helped in bringing basic health care and even specialised care in cardiovascular surgery, ophthalmology, orthopaedics and organ transplant to millions of people who may never have seen a doctor in their lives. Initially, the clinics were established in the poorest areas, but now they are catering to the needs to a middle-class population who may not be able to afford private medicine.

During the second phase of the Fifth Republic, Chavez had sought after allies that were beyond its traditional primary region of Latin America. President Chavez has made several visits to countries like Belarus to broaden the base of international interest in Venezuela and its Bolivarian Revolution. The cooperation between Venezuela and Belarus included bilateral agreements such as a joint energy project that was premised on the exchange of technology and specialists. In September 2009, President Chavez paid a visit to the Republic of Belarus and praised the growing partnership between the two countries and reiterated that the alliance was of strategic importance to Venezuela.

➤ **Anti-US Policy and Pronouncements – Reality and Rhetoric**

The Venezuela-US relationship has been marked by the existence of common interests and conflict that are rooted in the asymmetry of their relative power. The United States traditionally had close ties with Venezuela as being one of the major suppliers of crude oil to the United States. The facts that Venezuela has been the primary source of imported oil to the United States and Venezuelan democracy (1958-1998) emulated as a role model for other countries in the Latin American region were enough to explain the closer and friendly relation between both the countries (Kelly and Romero 2002). During this period, few Venezuelan policy-makers questioned US supremacy in the region as foreign policy goals were based on accommodating US interests.

With the coming of Hugo Chavez government to power in 1999, the relationship between the two countries steadily deteriorated over a period of time. The intention to change Venezuelan foreign policy seeking to move away from the excessive American dominance of world politics was visible under Chavez's regime (Kelly and Romero 2002). The major irritants for the U.S over the years were issues relating to human rights violations, Venezuela's military arms purchases (largely from Russia), its relations and closeness with Cuba and Iran, its efforts to export regional and political agenda to other Latin American countries, and the use of Venezuelan territory by Colombian guerrilla and paramilitary forces (Sullivan 2012; Sandole 2013).

New foreign policy departures adopted by Hugo Chavez threatened to interrupt the steady supply of Venezuelan oil to the North Atlantic as Venezuela intensified anti-United States stance and showed more inclination and cooperation with states like Iraq and Iran deemed as the rogue (Myers and McCoy 2006).

His foreign policy divergences became more acute during 2001. President Chavez's commitment to strengthening 'multipolar' tendencies found expression in Venezuela's rapprochement with Cuba and China and in its promotion of a hemispheric security system without the United States. The Castro-Chavez caused some serious consternation in the conservative sectors of the US. The New York Times criticised the alliance calling Chavez "demagogic" and that he wanted to be an influential symbol of resistance not only in Latin America but around the world (Marcano and Tyszca 2004).

Other Chavez initiatives designed to dilute the U.S. influence included moving Venezuela into a leadership position in OPEC and publicly expressing support for some goals of the Colombian insurgents. U.S. officials have expressed concerns about Venezuela's purchases of military equipment. In January 2006, The State Department reported that the United States had denied licenses to transfer U.S. technology for use in 12 military transport planes that Spanish companies had contracted to sell to Venezuela. The reason for denial was cited to be the destabilisation in the region (Sullivan 2012).

U.S. military sanctions have provided the Venezuelan government with a reasonable claim for seeking alternative military suppliers to reduce dependency on the United States for weapons modernisation. But, the policy of military independence from the United States began as early as 1999 when Chavez decided to expel the U.S. Military Mission in Caracas and cancel all professional and educational cooperation programs, including outstanding military procurement. The Venezuelan Government also withdrew the Venezuelan Army from joint hemispheric and bilateral military exercises with the United States (Corrales and Romero 2013).

Chavez took some major steps that challenge more directly the vital security interests of the United States in the Western Hemisphere. One such step was the decision to

accuse the personnel of the Drug Enforcement Agency (DEA) of espionage and reduce its size to the point at which the agency became essentially inoperative in Venezuela in the year 2005 (Corrales and Romero 2013). The political stand taken by Chavez, like the condemnation of the U.S. bombing of Afghanistan and subsequently the invasion of Iraq further deteriorated the ties between US and Venezuela. He defended the Iranian nuclear energy program and denounced Israel's bombing of Lebanon.

Under Bush administration, relations between Washington and Caracas reached an all-time low and it continued to sour through 2001. Chavez urged members of the Organisation of Petroleum Exporting Countries (OPEC) to refrain from increasing oil production to keep the oil prices high. He insisted that OPEC members should not give in to pressure coming from the United States (Clement 2005). Venezuela had accused US government under President George W. Bush of staging a military coup against the country's democratically elected government in 2002 while the U.S. officials had out-rightly denied the charges. The Bush administration was also accused of using destabilising tactics including massive financial and other support to develop an oppositional civil society and shape and unify political party opposition; a media campaign against the government to undermine democracy and create a sense of instability, and carrying out illegal activities of espionage.

Strong political rhetoric from both sides followed in the 2002 to 2006 period which contributed to elevated tensions in U.S. relations. Chavez spoke disparagingly of President Bush at the United Nations General Assembly calling him a 'devil' and described the chamber as smelling of sulphur in September 2006, but the U.S. officials refrained from responding to those personal attacks. In his speech, Chavez stated that:

The hegemonic pretensions of the American empire are placing at risk the very survival of the human species. We continue to warn you about this danger and we appeal to the people of the United States and the world to halt this threat, which is like a sword hanging over our heads.... But the government doesn't want peace. The government of the United States doesn't want peace. It wants to exploit its system of exploitation, of pillage, of hegemony through war (Chavez 2006).

In 2008, U.S. policy toward Venezuela appeared to focus more on the positive aspects of U.S. agenda for the hemisphere and showed signs of improvement. Then-Assistant Secretary of State for Western Hemisphere Affairs Tom Shannon stated on July 17, 2008, congressional testimony that "we remain committed to a positive

relationship with the people of Venezuela and have the patience and the persistence necessary to manage our challenging relationship."

During the U.S. presidential campaign, Barack Obama maintained that his Administration would use principled bilateral diplomacy to engage with Venezuela under populist President Hugo Chavez. At the sidelines of the fifth Summit of the Americas held in Trinidad and Tobago in mid-April 2009, President Obama met President Chavez along with other hemispheric leaders yielding positive results. Two months later, on June 25, 2009, the State Department announced that the United States and Venezuela had exchanged diplomatic notes and agreed to return respective ambassadors (Sullivan 2012).

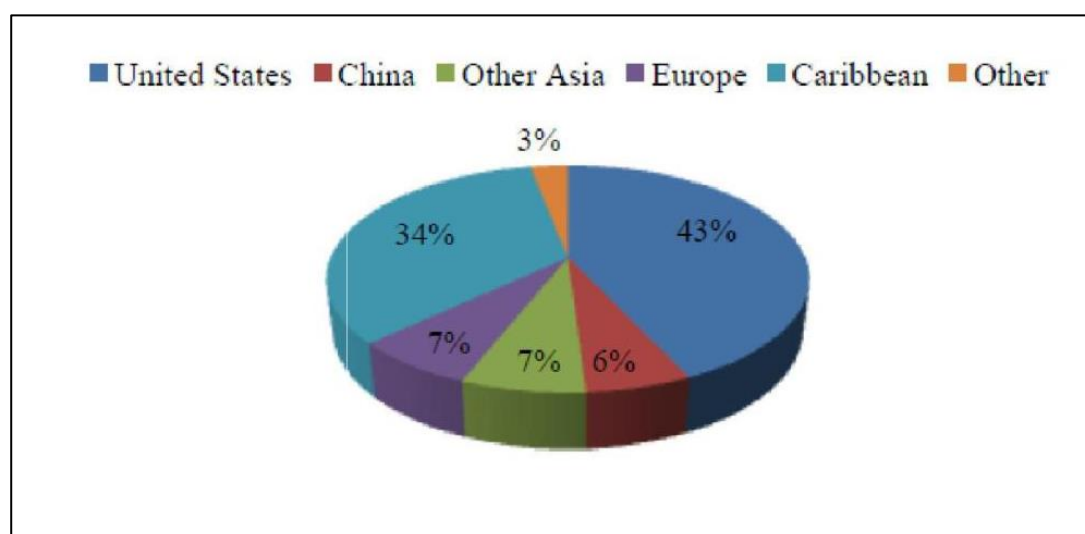
Pragmatism in foreign policy had prevailed as the United States continue to remain the number one trading partner of Venezuela. US–Venezuelan economic/energy interdependence is mainly based on the rate of transactions, a degree of interconnection, and investment ties between the two countries' oil sectors. Geographic proximity has played a dominant role that catapulted the above-mentioned objectives as Venezuelan oil is only about 5 days away from the US Gulf Coast by tanker, compared to about 30 or 40 days for oil from the Middle East. The heavy crude oil from state-owned oil and gas company *Petróleos de Venezuela Sociedad Anónima* (PDVSA) reaches US consumers via the interconnection between PDVSA's subsidiary CITGO Petroleum Corporation and the downstream portion of the US system. Venezuelan oil which is a heavy, sour type of crude oil can be processed only by a small number of US refineries. In the event of potential disruptions to this supply, these same refineries would face difficulty in finding replacements, as they are specifically configured to run most economically with Venezuelan oil (Shore & Hackworth 2003).

PDVSA owns a major refining network in the US soil. It wholly owns five refineries, along with another four owned through partnerships with US companies like Lyondell, ExxonMobil, ConocoPhillips, and Amerada Hess in the US Virgin Islands. CITGO markets its products (lubricants, fuels, petrochemicals, and other industrial products) through about 14,000 branded retail outlets in the United States (Bonfili 2010).

US Energy Information Administration (EIA) estimated that in 2014 U.S. net imports from Venezuela totalled 713,000 barrels per day (b/d) of crude oil and petroleum products, a 26 per cent decrease from five years ago and a significant decrease since the peak of 1.8 million b/d in 1997. In 2014, Venezuela was the fourth-largest supplier of imported crude oil to the United States behind Canada, Saudi Arabia, and Mexico. Venezuela supplied 789,000 b/d of crude oil and petroleum products, 733,000 b/d of which was crude oil. U.S. total imports have been on an overall decline in recent years, falling 30 per cent from a decade ago.

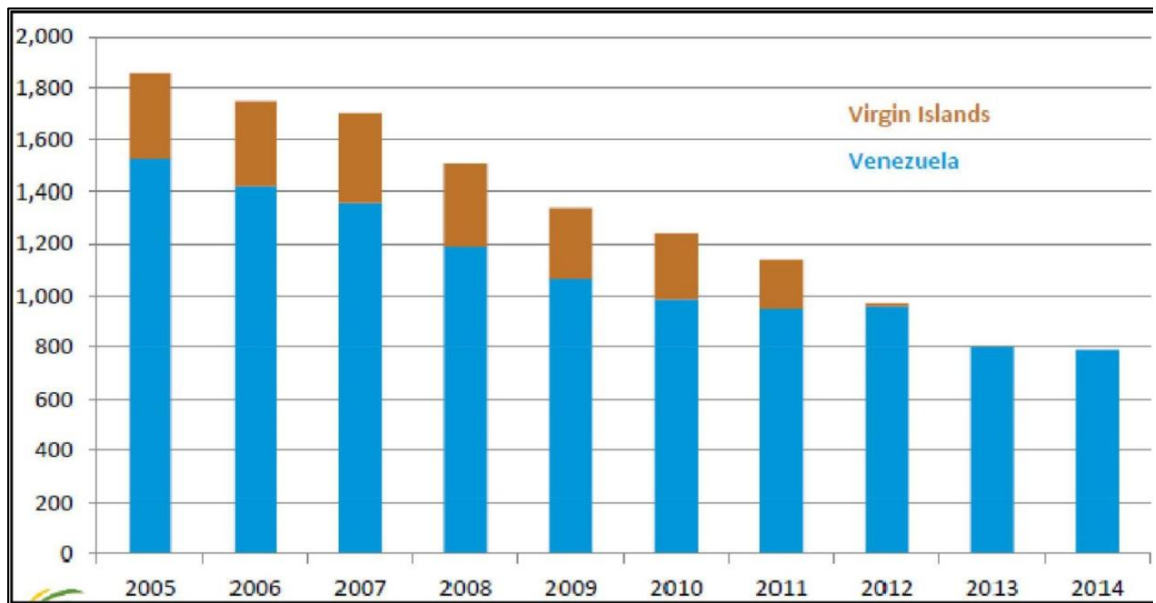
Although U.S. imports of primarily crude oil from Venezuela have been on the decline, U.S. exports of petroleum products to Venezuela have increased over the years because of Venezuela’s tight finances that leave it unable to invest and maintain its own domestic refineries. The United States exported 14,000 b/d of crude oil and petroleum products to Venezuela a decade ago. But in 2014, the United States sent Venezuela 76,000 b/d of petroleum products. Before 2012, Venezuela imported primarily methyl tertiary butyl ether (MTBE), intended for blending in gasoline, motor gasoline, and distillate fuel oil, but it now imports increasing volumes of motor gasoline and distillate (EIA 2015). This has been illustrated in Figure 3.1 and 3.2.

Figure 3.1: Venezuela’s Oil Export by destination, 2010



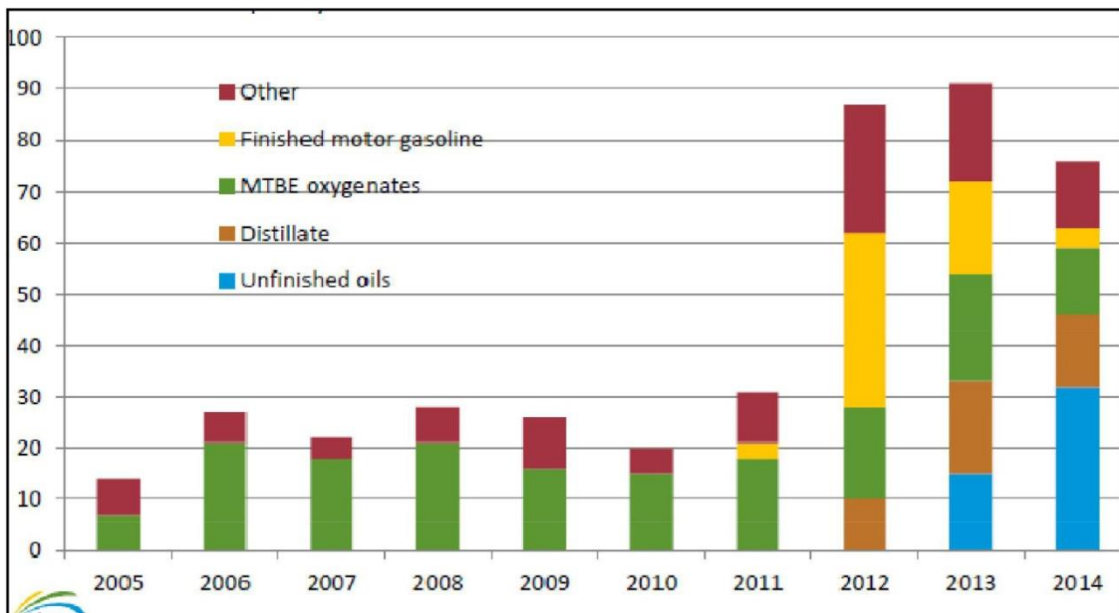
Source: US Energy Information Agency (2015)

Figure 3.2: U.S. total oil imports from Venezuela and U.S. Virgin Islands (thousand barrels per day)



Source: U.S. Energy Information Administration (2015)

Figure 3.3: U.S. exports of petroleum product to Venezuela by type (thousand barrels per day)



Source: U.S. Energy Information Administration (2015)

Economic/energy interdependence between US and Venezuela has remained undamaged despite rhetoric and theatrics. This reinforces the notion that, despite

politicisation around Venezuelan–US energy dependence, Chavez's measures were not aimed at undermining agreed bounds of economic interaction with the United States. Thus, Venezuela's economic ties with the US remained stable without any anti-imperialists vexations. Likewise, the United States did not put into practice extraordinary measures that would have reflected the understanding about the threat posed by its dependence on Venezuelan oil. The lack of a state policy oriented toward the reduction of oil-sharing within the US energy matrix or the development of alternative sources of energy further reinforces this assessment (Bonfili 2010). Variations in trade and investments occur owing to the volatility of the oil prices (Kelly and Romero 2002).

➤ **Chavez and Reform of the International System – UN and other Institutions**

President Hugo Chavez in his speech at the opening of 60th UN General Assembly, 2005 proposed changes that would help in transforming the United Nations. He envisioned two types of transformations – those for the immediate short-term and for the long-term. The short-term changes included the following: First, there should be an expansion of the Security Council, both of its permanent members and its non-permanent members. This was intended for a stronger presence of the Third World countries. Second, Chavez called for more transparency in the functioning of the United Nations. Third, the veto power of the five permanent members must be abolished. Fourth, the role of the Secretary-General must be strengthened and consolidated (Chavez 2006).

President Chavez emphasised on the UN approved action program for a New International Economic Order of 1974, which guaranteed states the right to nationalise properties and natural resources that were in the hands of foreigners and that also proposed the creation of cartels of primary material producers. The issue was also raised in the context of problems faced by the oil-producing countries due to high oilprices and environmental concerns, claiming that these problems cannot be solved by the free market. This new international economic order needs to replace the

Bretton Woods Agreement.¹⁰

In his speech in 2011 in the United Nations, Chavez again reiterated the urgent need to rebuild the UN as the model has been exhausted. The immediate step in rebuilding the United Nations would be to eliminate the category of permanent members and veto power within the Security Council. Likewise, the decision-making power of the General Assembly must be maximised democratically and an in-depth revision of the UN Charter was needed with the aim of drafting a new Charter (Chavez 2011).

The future of the new world system lies in a multi-polar world, in the organisation of the majority of the people on earth to defend them against the scourge of new colonialism. This broad alliance must be built by the emerging powers of the South, which must assume the role with courage that they deemed to play immediately. Chavez placed his hopes on the formation of a broad alliance of the regional organisations of the South, such as the Union of South American Nations (UNASUR), CARICOM (the Caribbean Community), SICA (the System of Central American Integration), the African Union, ASEAN (the Association of Southeast Asian Nations) or ECO (the Economic Coordination Organisation), and the cross-regional instances of coordination among emerging powers, such as BRICS (Brazil, Russia, India, China, and South Africa), which should become a pole of influence in support and coordination with the peoples of the South (Chavez 2011).

Global South: Reality and Rhetoric

The term 'global south' represents, admittedly, an ordering system for academic disciplines and also for geographies, politics and culture. The 'south' component of the term 'global south' can be traced back to 1970s, which got reflected in other terms that post-Second World War modernisation discourse. Economists and political scientists like Albert Hirschman, Samir Amin, Gunnar Myrdal, John Friedman, Gunder Frank, and Johan Galtung began to criticize the economic relationships between the developed and developing regions for their fundamental and inherent imbalances as they were tilted in favour of the wealthy nations (Dargin 2013).

¹⁰The United Nation's Monetary and Financial Conference was held in July 1944 in Bretton Woods, New Hampshire in July 1944 where delegates from forty-four nations created a new international monetary system known as the Bretton Woods system.

The term 'south' was further popularised by the Brandt Commission Report published in 1980 and 1983. Later in 2003, the United Nations Development Programme (UNDP) Report "*Forging a Global South*" played an important role in drawing importance to this concept. The perception here is that the countries of the south should come together and cooperate with one another in fostering the overall development of the south (Dirlik 2007). Thus, the changing usages of the term over the last half-century reflect both continuities and discontinuities in the global positioning of the 'south' as well as in the ideological and political underpinnings assigned to it in global politics. SibaGrovogui (2011) has viewed that the 'Global South' captures the spirit of Third World engagements and it continues to invite re-examinations of the intellectual, political and moral foundations of the international system.

ArifDirlik (2007) has argued in favour of the philosophy of 'self-help' which is one of the important features of the global south. The autonomy of nations and regions is given primacy which calls for a global institutional arrangement that respects and support such autonomy rather than subjecting itself to the subversions of supposedly universal neoliberal market formulas.

The term 'global south' gained further credence as several emerging economies in the south registered sustained high economic growth rates over the past quarter of acentury. Besides, it has been noted that these emerging economies have also been catalysing greater trade relations among the developing countries. They also have competitive advantages in specific areas and have gained mastery over certain technologies. Endowed with surplus investible capital and technological prowess, emerging economies could speak not only on behalf of the other developing countries but also be the interlocutors in the North-South dialogue. The importance of emerging and other developing economies finally came to be recognised in the formation of G-20 and recognition that global financial architecture needs to be reformed so as to ensure global financial stability and transparency. Several of these emerging powers seem to be capable of becoming growth poles; besides, in political terms, shaping regional orders in their respective geographic regions.

Venezuela could be a natural pole of growth among the 'twenty-first-century socialist' economies of South America besides being the leader of the subregional political order spanning parts of the Caribbean and the Andean countries. Initiatives like ALBA, 'PetroCaribe' and others perhaps can be more usefully understood and analysed in terms of Venezuela's rising financial and political clout in the aforesaid sub-region. The formation of the Organisation of Petroleum Exporting Countries (OPEC) in 1960 was a response to the organisation of the world economy, such that oil-producing states like Venezuela deemed it necessary to come together as decision-making blocs in order to counter Western hegemony in regard to the norms and mechanisms of markets. They wanted to have their say petroleum policies (the market, prices, supplies, and eventually investment) among the different member-nations (Cannon 2009).

➤ **Potential and Reality of South-South Cooperation**

The phrase South-South Cooperation (SSC) became popular and gained wider currency in the 1970s in the context of efforts by developing countries to negotiate agreements that would help in closing the widening economic gap between them and the developed countries (the North). In 2003, the General Assembly formally opted to use "South-South" instead of Technical Cooperation among Developing Countries (TCDC) in dealing with cooperation among developing countries (UNDP 2004). South-South Cooperation (SSC) is used as a platform by the countries of South in their call for equality and parity. The countries of the South have often raised their voice against neo-colonialism, Western imperialism, unilateralism, hegemonic power, and foreign intervention in domestic politics.

SSC emerged as a movement that intended to challenge the Northern-dominated political and economic system from the 1950s to the present. The newly decolonised countries that gained its independence gave more emphasis on issues related to economic and cultural cooperation, human rights and the promotion of world peace in 1955 Asian-African Conference. This emergent movement of Third World solidarity thereby sought to challenge the vertical relations between colony and metropole that were serving to inhibit relations between countries of the global South (Gray and Gills

2016).

In 1962, in Cairo, developing countries held another conference to develop a joint position that led to the founding of the United Nations Conference on Trade and Development (UNCTAD) in 1964. UNCTAD was seen as an important step towards the institutionalisation of SSC that eventually gave birth to the Group of 77 developing countries (G77). UNCTAD and the G77 were instrumental in launching the idea of a New International Economic Order (NIEO) in 1974 (Renzio and Siefert 2014).

In 1978, the Buenos Aires Plan of Action was endorsed by the United Nations Special Unit for Technical Cooperation among Developing Countries. Its aim was to 'promote, coordinate and support South-South and triangular cooperation globally and within the United Nations system'.¹¹

Some of the important aspects of South-South Cooperation are as follows:

- SSC nation is in favour of multilateralism against the unilateralism of the late 20th century. Some observers reason that multilateralism was a response to the proliferation of new conflicts within the South-South arena. Williams (1995) argued that multilateral forms of cooperation go beyond bilateral relations, and includes at least one other state. Multilateralism, as a construct, requires a commitment beyond a greater number of participants. The search for autonomy and self-determination has shaped up in not only maintaining control over the economy internally but also by adopting a multilateralist approach to global relationships that contrast sharply with the unilateralist approach that the United States adopted in the aftermath of the end of Cold War. The US 'triumphalism' of the post-Cold War era and belief in its own national 'exceptionalism' had starkly laid down the peripheralisation of the south as a whole. In other words, south stood reiterating the principle of national sovereignty and

¹¹Buenos Aires Action Plan sought that the developing countries should take stock of their available capabilities, skills and experience and share information about them. They should establish and strengthen the expertise, institutions, arrangements information flows, and transport and communications links necessary to pool their resources for the common good. They should identify and make effective use of existing opportunities for cooperation, paying special attention to the needs of the least developed, the landlocked and island developing countries (UNDP 2004). Triangular Cooperation is the term that refers to South-South collaboration supported by partners in the North.

non-interference in the context humanitarian interventions, regime change and coercive democratisation, and an imposition of market-based capitalism in developing countries. In simple words, global south stood for certain new norms that the US-led West has come to uphold in the evolving international system. Besides, it called for strengthening UN-based multilateralism including reform of the UN structure importantly the representation system in the UN Security Council with the induction of more permanent members.

- Another important SSC goal is to prevent foreign interventions, especially from the North. Intervention may occur under the auspices of the US, the IMF, the World Bank, or the European Union.
- Increased independence is another important aspect that moved 25 countries to establish the Non-Aligned Movement (NAM) in 1961. Its major goal was to abstain from superpower alignments between the two Cold War blocs. The SSC's main priorities have remained unchanged, including the liberation from colonialism, self-determination for all countries, and economic development.
- From a Southern perspective, contemporary globalisation reflects an asymmetrical or imbalanced relationship between the coloniser and the colonised. For that reason, a prominent SSC objective is to decrease Western-dominated form of globalisation.
- The reaction against the imperialist West has also forged a common identity and ideology among the Southern states. This was well replicated by Hugo Chavez in policy pronouncements against the US.

Chavez was convinced that the idea of South-South cooperation, which had remained essentially a rhetoric for decades, can be put in practice. In the altered circumstances of globalisation at the turn of the century, there were new processes and different kind of capabilities which made the concept of Global South realisable. Countries of the South, it was found, had a lot more investible capital; they also had competitive advantages in certain technologies e.g. Brazil in biofuels, India in Information Technology and Venezuela in oil industry; besides, the intra-South trade had been

consistently on the rise since the beginning of the 1990s. These three powerful economic and technology trends gave rise to optimism that large and dynamic economies in the South such as Venezuela, Brazil, India etc. could provide leadership to other developing countries in international forums besides enhancing mutual cooperation through regional/sub-regional integration schemes.

The continent of Africa formed an intrinsic part of Chavez's vision of South-South cooperation. The concept of South-South cooperation involved activities in almost all realms of international relations that can be implemented at the global, inter-regional, regional and bilateral levels. The new Venezuelan policy under the tenure of Hugo Chavez towards Africa, known as Venezuela's African Agenda turned out to be relevant in the following context: (a) it shows a sign of the growing interest on the part of Latin America to strengthen ties with the African continent in the context of the fierce competition that is taking place among the traditional and emerging powers to access Africa's vast resources (the new 'Struggle for Africa'); and (b) it may be an alternative to the option represented by the BRICS countries (Carnaveli 2012). Taking Africa-Venezuela ties to a new level, a foreign office for Africa was created with the rank of vice-ministry under the direction of Reinaldo Bolivar, the then Deputy Foreign Minister of Venezuela who was responsible for the conception and further implementation of Venezuela's African Agenda in January 2005. At the beginning, the focus was to increase the number of Venezuelan embassies in Africa in order to cover the whole continent using concurrent accreditations. Therefore, new embassies were opened in Ethiopia, the host country of the African Union, Senegal and Benin, 2005; Mali, Gambia and Equatorial Guinea, 2006; Angola and Sudan, 2007; Mozambique, and the Democratic Republic of the Congo, 2008 (Venezuela Analysis 2012).

Venezuela's African Agenda focused on increasing humanitarian aid, establishing relations with regional and sub-regional cooperation and integration schemes, joint action at multilateral institutions, exchange of official visits at a presidential level, and the signing of agreements to promote cooperation. The idea, Plan of the Nation (2007-2013) was outlined to help Africa to become a 'new pole of power'.

The 'People's Diplomacy' was an important set of guidelines practiced with the

African continent under the tenure of Chavez.¹² It was aimed to strengthen the base of the regional integration process and the programmes of South-South cooperation by facilitating the interaction between communities and social movements, and their active participation and involvement in the design, planning, execution, control and monitoring of public policies.

In the context of Latin America and Venezuela in particular under the tenure of Hugo Chavez, efforts were made to build a global southern coalition in the form of south-south cooperation and regional blocs. Sean Burges (2007) has opined that the attempted regional leadership by President Chavez was packaged tightly in his 'Leftist' Bolivarian ideology subscribing to anti-market policies and anti-hegemony discourse. According to Trinkunas (2009), alliance formation is based on identity, ideology and state behaviour. As also in the case of Chavez administration, the pattern of support for like-minded states, political parties, NGOs and non-state actors was a part of the process of developing a community of actors who shared an ideological affinity; as well as changing the identities of regimes that might pose a threat to the Bolivarian Revolution. Chavez was not keen to sever Venezuelan or other developing countries' link with the wider global economic order. Rather, his idea was to adopt regionalist logic to reduce southern dependence on the north.

Venezuela sought to defend the Bolivarian Revolution that promoted a sovereign, autonomous leadership role of Venezuela in Latin America (Burges 2007).

ALBA, considered as a brain-child of Chavez, helped in forging ties between South American member-states and with countries of the Caribbean region. The idea behind this, in geopolitical terms, was to create more diverse political alliances and deepen the cause of south-south cooperation which in the long term will be beneficial for the overall development of the southern region. Venezuela under the tenure of Hugo Chavez emerged as an important bilateral donor in the South-South regional trade agreements such as the Bolivarian Alliance for the Peoples of Our America-Peoples'

¹²Public diplomacy is "the way in which both government and private individuals and groups influence directly or indirectly those public attitudes and opinions which bear directly on another government's foreign policy decisions"(Signitzer and Coombs 1992).

Trade Agreement (ALBA-TCP). Even though emerging donors remain themselves recipients of aid and struggle to effectively address domestic poverty, underdevelopment, environmental degradation, deprivation, inequalities and socio-political injustices, their aid remains significant.

Critics often argue whether emerging donors should be understood in terms of a mutually beneficial form of South-South Cooperation (SSC) or whether this is only a manifestation of the pursuit of ‘national interest’ of the donor countries. With the interventions of rising powers in other fields of SSC, there remain key questions as to whether emerging donors are capable of challenging the dominant conditionality-driven aid regime, and a new aid paradigm can be established that moves beyond the pursuit of the national interest and focuses on the developmental needs of recipient countries (Gray and Gills 2016). There is also a growing concern that some countries are introducing new forms of hegemony and promotion of national self-interest at the expense of the poorest countries and peoples.

➤ **Foreign Policy Initiatives of Chavez - Bank of South and Third World Solidarity (Non-Aligned Movement)**

The Bank of the South was proposed by Hugo Chavez to curb the influence of Washington-based lending institutions like the World Bank (WB) and the International Monetary Fund (IMF), and to strengthen financial and economic integration in the region.

Joseph Stiglitz had for some time been advocating the idea of a bank that could reflect the perspectives of the South, and which would provide financing for the much-needed infrastructure development and social programmes in the Global South. The main intention behind the idea of the ‘*Banco del Sur or Bank of the South*’ was to reduce asymmetries, poverty and social exclusion; generate employment opportunities; and activate a virtuous cycle of sustainable development, fundamental to the economic, social and political transformation of the region (Ortiz and Oscar Ugarteche 2010).

According to Hugo Chavez, the Bank of the South would be a clear departure from the undemocratic and paternalistic governance structure of the World Bank which based voting privileges on financial contribution. The US is having the largest share of votes. But in the Bank of South, no country will be the sole owner. The Bank will provide funding assistance without conditionalities normally associated with World Bank and IMF loans. This would further help in strengthening the financial and economic integration of the region. Chavez's withdrawal from the World Bank and the IMF was seen largely as a symbolic move for Venezuela since they have already paid off their \$3.3 billion debt owed to the World Bank.¹³

After a long process of negotiations and consensus, the Founding Charter of the Bank of the South was signed on December 9, 2007 in Buenos Aires by Presidents Néstor Carlos Kirchner (Argentina), Evo Morales (Bolivia), Luiz Inácio Lula da Silva (Brazil), Rafael Correa Delgado (Ecuador), Nicanor Duarte Frutos (Paraguay), Tabaré Vázquez Rosas (Uruguay), and Hugo Rafael Chavez Frías (Venezuela). The Agreements pertaining to the capital contributions to the Bank of the South were approved at the Ministerial Summit in Montevideo on April 15, 2008. The contributions, conditions of initial contribution and letters of credit vary according to which group a country belongs. There are primarily two groups: the first includes the wealthier countries (Argentina, Brazil and Venezuela) and the second includes the smaller countries (Bolivia, Ecuador, Paraguay and Uruguay). Overall, the Bank contributes a sum of loans up to US\$60 billion, theoretically giving the Bank of the South the same importance as Brazil's National Development Bank (BNDES in its Portuguese acronym), which is the largest bank in Latin America. (Ortiz and Oscar Ugarteche 2010).

The power struggle between Brazil and Venezuela is a cause of concern for the functioning of the Bank of the South. It also demonstrates the rift that has formed in Latin America between those countries that still support the United States and those leftist leaders who follow Chavez.

¹³Venezuela is the only country other than Cuba and North Korea that is not a member of either the World Bank or the IMF.

Non- Aligned Movement

Since its inception in 1961, the Non-Aligned Movement (NAM) has played a dominant role in the fight against oppression by foreign occupation and domination the exercise of their inalienable right to self-determination and independence.

Non-alignment can be understood from its outset as a dynamic and evolving concept, of positive neutralism. Its adherents wanted as little as possible to do with the politics of Cold War power blocs, but they would work toward specific goals in spite of power politics. These intertwined goals have evolved over time and through the involvement of diverse members to include, among other things: self-determination; decolonisation; retention of the political, cultural, and economic sovereignty of independent states; antipathy to foreign intervention; protection of human rights, especially in the fight against racism; and national and economic liberation and development (Riechers 2012).

Venezuela first participated as an observer country at the 2nd NAM Summit held in Cairo, Egypt, in 1964. It became a member of the 9th Summit held in Belgrade, Yugoslavia, in 1989. Venezuela has actively supported and promoted the principles of non-alignment, convinced on the need to reverse the negative trends affecting peace, security and the economic and social development of peoples.¹⁴ Multilateralism, driven by NAM, is an important aspect supported by Venezuela to foster the international dialogue and cooperation, in line with the principles and purposes of the UN Charter to create a multipolar system (NAM 2016).

In his speech at the 16th Summit of the Non-Aligned Movement in Havana in 2006, Hugo Chavez said:

¹⁴This is stated in Article 152 of the Constitution of the Bolivarian Republic of Venezuela. It states that the international relations of the Republic serve the ends of the State as a function of the exercise of sovereignty and the interests of the people; they are governed by the principles of independence, equality between States, free self-determination, and non-intervention in their internal affairs, the peaceful resolution of international conflicts, cooperation, respect of human rights and solidarity among peoples in the struggle for their liberation and the welfare of humanity. The Republic shall maintain the finest and most resolute defence of these principles and democratic practices in all international organs and institutions.

We are the South, we exist, and we want to exist in equality with the North, not subordinated to the North. We deserve respect and dignity; Only with a South equated to the North, this world would be possible; If not, this world is impossible.

Non-Aligned Movement (NAM) emphasises on Third World Solidarity along with South-South cooperation. The argument is that countries of the Global South can produce more beneficial relationships amongst themselves than relying on dominant powers. In world forums, Chavez emphasised the importance of 'south' becoming one of its main proponents. Thus, Hugo Chavez had contributed to the strengthening of the bargaining power of the Global South.

Summary, Findings and Conclusion

Chavez called for a multipolar world so as to dement the rigour and harshness of US-led unipolarity. Venezuela itself sought to become one of the poles in the evolving multipolarity along with few like-minded countries; for Chavez, a pursuit of multipolarity was an act of resistance against US hegemony. Establishing a multipolar world was the first step in the establishment of a democratic world order; one defined and led by the southern powers upholding norms of political pluralism, social justice, economic distribution and sustainable development in international relations. In his perception, a multipolar world is one which is balanced; where great powers play their part and cooperate with others. Freedom and equality among nations was the essence of his concept of multipolarity.

But it also has a strong realist connotation as Chavez was keen on diversifying its oil market by making alliances with countries like China, Russia and India. Hugo Chavez resembles a striking example of how petroleum has emboldened leaders of oil-rich states to look for markets other than their traditional partners like the US.

Chavez's new global relations, which included problematic states such as Iran and Cuba, had created tension with the United States. In seeking to create new alliances during the second phase of the Fifth Republic, Chavez attempted to minimise the importance of its historically close relationship with the US. While trade relations between Venezuela and the US have remained stable, President Chavez has demonstrated a propensity for utilising anti-US rhetoric as a way of justifying certain

radical foreign policy decisions.

Chavez championed the cause of “Global South’. This was evident in the creation of the Bank of the South, Venezuela’s stand for the cause of ‘south’ in international for a like the United Nations, Non-Aligned Movement Summits. The creation of the Bank of the South illustrates the trend of rising nationalism and regionalism in Latin America as well as the backlash against Washington-based lending institutions that seemed to have done little to quash poverty in Latin America. As with most of Chavez’s initiatives, the Bank of the South would not be possible without oil money. It also facilitated Chavez to economically dominate the South American market and thus politically dominate Venezuela.

CHAPTER IV: OIL AND FOREIGN POLICY

Introduction

Oil has always played a central role in Venezuelan foreign policy; however, Hugo Chavez used oil to establish control of the state over oil companies and leveraged oil to gain greater influence and status for his country. An oil economy redefined stability and order as Venezuelan political class held onto a power-sharing agreement that lasted forty years, between 1958 and 1988. The Economic crisis of the 1980s raised for the first time the critical question as to who would bear the burden of severe economic austerity measures including the dose of heavy taxes. It was a discovery that vast multitudes were impoverished in the oil-rich country; and that the politics of 'full stop' (*puntofijo*) pursued under the two-party 'pacted' democracy had miserably failed to incorporate new social forces who were demanding an entry into the public political arena. The failed coup attempt in 1992 by Col. Hugo Chavez was an attempt to tap these new social classes and actors that the system had excluded for decades. Petroleum was at the bottom of it all.

On becoming president, Chavez dipped his social agenda into the oil wealth. A phenomena peculiar in all oil states was a subsidised distributive mechanism which forms the backbone of domestic economic institutions. He simply needed control over nation's oil wealth if he had to promote his Bolivarian revolutionary agenda (Lynn 1987). Oil sector had previously acted as a relatively autonomous 'state within a state'. Chavez 'nationalised' oil and the state-owned oil monopoly, PDVSA (*Petroleos de Venezuela, Sociedad Anonima*) began exercising control over private oil firms in terms of investment and production. The consolidation of state control over oil sector helped Chavez to secure his domestic and global foreign policy goals paving the way for his Bolivarian Revolution on both fronts.

The chapter is divided into two main sections followed by summary and conclusion. The first section "Mapping of Oil Resources in Venezuela" gives a brief history and nationalisation of oil. The second sub-section examines the strengths and constraints of the oil sector in the 1990s and 2000. The role President Chavez in repositioning Venezuelan oil sector at the helm of affairs through oil diplomacy and through bringing Venezuelan state oil company PDVSA under his control has also been analysed in the third sub-section. This is followed by looking at the internationalisation of PDVSA and changes brought by Chavez in its policy.

The final section assesses the role of oil being used as a tool of foreign policy and promoting domestic politics of Chavez. This is followed by summary and conclusion.

Mapping of Oil Resources in Venezuela

➤ **A brief history and Nationalisation of Oil in Venezuela**

The discovery of oil in the first decade of the twentieth century changed the dynamics of social relations in Venezuela. The newfound wealth generated immense interests as foreigners mostly from the United States, United Kingdom and West Indies staked claims to extensive tracks of land near Lake Maracaibo and the western region of the country. This marked the formal entrance of Venezuela into the era of commercial oil production (Tinker-Salas 2005; 2015). With a weak state apparatus and collusion with the authority, the foreign oil companies were able to play an influential role.

Venezuela became an important actor on the stage of the world economy and by 1929; the country was the world's largest oil producer, with 10 per cent of total world production.¹The shift to an oil economy also had its own negative impact as the Dutch Disease effect became evident in the form of delayed industrialisation and downfall of agriculture. The share of coffee and cacao which dominated the Venezuelan economy before oil to the GDP eventually declined from one- third in the mid-1920s to less than one-tenth by 1950 (Tugwell 1975).

Thus, over-reliance on a single commodity for a majority of a nation's export revenue can be a precarious prospect. Over-reliant countries put their fate in the hands of a capricious global commodity market that regularly cycles through booms and busts (Kott 2012).

As the government revenues dwindled resulting from the economic crisis provoked by World War II and facilitated by low oil production, the Venezuelan governments under the regimes of Generals Eléazar López Contreras (1935-1941) and Isaías Medina Angarita (1941-1945) made new petroleum laws to increase the

¹In 1929, Standard Oil of California (SOCAL) and Gulf together accounted for 54.8 per cent of the production, and Shell for the remaining 45 per cent. In 1932, Standard Oil of New Jersey (ESSO, later EXXON) took over SOCAL's interests; and since then these three companies have been the dominating ones in the Venezuela oil business. Thus, the oil sector was completely monopolised by the major oil giants until the 1950s known as the first oil regime (Bye 1979).

government's revenues, to which the International Oil Companies (IOCs) had serious reservations. The Venezuelan government based their argument which later developed into the concept of 'resource nationalism' that oil found on the ground belonged to the nation; hence, the foreign companies should not be a beneficiary surpassing the country itself from the exploitation of that resource. In Venezuela, petroleum policies were highly sensitive to the changing political conditions (Tugwell 1975).

The demand for an equal division of profits between the government and the international oil companies led Venezuela to embark on the principle of 50-50 split.² They later encouraged other Middle Eastern oil producers like Kuwait, Iraq and Saudi Arabia to adopt the same policy. The new law established by President Medina in a way made it possible for new taxes to be applied on all existing concessions; prior to 1943, taxes could not be increased on contracts that had been signed under a distinct tax regime.³ Irrespective of the 50-50 principle, the international tenants or the so-called oil companies still were reaping huge excess profits. Some oil exporting countries managed to obtain much higher rents in new leases which resulted in fierce competition between tenants (Mommer 1994). With the advent of democratisation or pacted democracy in Venezuela in 1958, the Acción Democrática (AD) government stopped granting oil concessions, and rejected the 50-50 split, increasing its share of the profits to close to 65 percent i.e 65:35.⁴

The revenues generated allowed the successive government to expand the meaning of "sowing the oil".⁵

2Kim Faud (1977) in *Contemporary Venezuela and its Role in International Affairs* edited by Robert D. Bond, New York University Press.

³ The Hydrocarbons Law of 1943 was the first crucial step towards an assertive state strong enough to confront the multinationals. For the first time, a producing country instituted an income tax on the oil companies, a fiscal reform that was qualitatively different from the previous customs revenues or even the sale of concessions. President Medina established the "fifty-fifty" principle directing that the companies should not be able to earn a greater net income from the extraction of oil than that which accrued to the state. In order to achieve this goal, the new taxes consisted of a complicated mix of royalties, an exploitation surface tax, and an exploration tax.

⁴ Pacted democracies are established through elite bargains and compromises during the transition from the authoritarian rule as witnessed in Venezuela during the Puntofijo (1958-1998). They ensure their survival by selectively meeting demands while limiting the scope of representation in order to reassure traditional dominant classes that their vital interests will be respected. The Pact of PuntoFijo and the Minimum Program of the government helped in the institutionalisation of democracy.

⁵ The phrase *sembrar el petróleo* (to sow the oil) coined by Arturo UslarPietri was used in the course of a debate on the uses of oil income in 1936. According to Luis Giusti, "Sowing the oil" had a very positive, well-intended purpose. The statement means that governments should be rational, effective and honest in directing oil revenues to programmes and projects that would upgrade the quality of life for Venezuelan society and reduce poverty, improving education, health, housing and infrastructure.

Venezuela began looking for international allies to strengthen its position vis-à-vis the private/international oil companies and powerful consumer nations over the lowering of oil prices. Arab oil producers were also responding to IOC control of international markets. Venezuela, which was an observer at the First Arab Petroleum Congress in 1959, adopted a strategy of creating national oil companies to work alongside the internationals. President Rómulo Bentancourt sought an agreement with the oil-producing states of Middle East for the maintenance of a stable and just international price for petroleum which does not fall into the whims of international oil companies. This led to the creation of *Corporación Venezolana de Petrole (CVP)* and later the founding of *Organisation of Petroleum Exporting Countries (OPEC)* in 1960. The oil-producing countries strategised their own criteria and patterns of relationships with the IOCs, subordinated to the sovereign state. They were summarised in OPEC's Policy Declaration of 1968.⁶ The countries also agreed to the establishment of national oil companies besides other companies.

President Carlos Andrés Pérez (1974-1979) nationalised the oil and iron industries in 1976 and established new state-owned company PDVSA (*Petroleos de Venezuela, Sociedad Anonima*) financed by the high oil prices that resulted from the Arab oil embargo and the lax U.S. monetary policy. The nationalisation of the oil industry in 1976 was, therefore, the result of a policy applied by the ruling class to enhance the State's fiscal stake in the oil business and exercise greater control over the hydrocarbon industry (Betancourt 1986; Tugwell 1977).

Responding to the call of solidarity among the Third World countries and adhering to the crucial element of New International Economic Order (NIEO) of nationalisation of country's economic activity, Pérez had reaffirmed nationalisation policy as its claim on Bolivarian tradition. Venezuela has taken an important step towards fulfilling perhaps the most crucial element of NIEO: nationalisation of the country's basic economic activity. In the words of President Carlos Andrés Perez,

⁶There the oil exporting countries affirmed their sovereign right to a maximum rent, i.e., to all excess profits. The Preamble of this Declaration stated: the inalienable right of all countries to exercise permanent sovereignty over their natural resources, in the interest of national development, is a universally recognized principle of public law and has been repeatedly reaffirmed by the General Assembly of the United Nations ... in order to ensure the exercise of permanent sovereignty over hydrocarbon resources, it is essential that their exploitation should be aimed at securing the greatest possible benefit for Member Countries. Resolution XVI.90.

the NIEO, "a moral obligation of all nations," "is required as a desideratum of peace, "especially since the disintegrating "old international economic order which emerged from the Second World War ..was an unjust system of relations based on inequality . . . designed to benefit those countries which had accumulated the fruits of technical progress" (Perez 1976: 9).

President Perez also wanted to use OPEC as a platform for "a new negotiating power" which it intends to use as "an instrument for the construction of this New International Economic Order (NIEO). The increase in petroleum prices will represent an irrevocable decision to dignify trade relations and to increase the value of goods and other basic products from Third World countries (Mamalakis 1975).

To sum up the above discussion thus (so) far, oil exporting countries dependent on one commodity like Venezuela have high levels of foreign ownership or control over their resources as their exploration require both capital and technology. The first oil regime from the discovery of petroleum till the 1950s was dominated by international companies like Exxon, Mobil, Texaco, Socal, Royal Dutch Shell, and British Petroleum known as the 'majors'.

During the second oil regime which existed from nearly 1954 to early 1970s saw market stability with major changes as the oil majors gradually their control with the emergence of independent oil companies. The oil exporting countries were able to improve their bargaining positions vis à vis the companies which were evident in the profit sharing agreement initially won by the Venezuelans and later adopted by other exporters. The formation of OPEC in 1960 was successful in reversing the downward trend in prices. After 1973, with the advent of the third oil regime, price stability came to an end. OPEC which was used as a price-setting cartel, the oil-producing countries managed to reverse the downward trend of prices. Aided by the Arab oil embargo, the period between 1973 and 1980 saw massive oil booms.

➤ **Strengths and Constraints of the Oil Sector in the 1990s and 2000s.**

PDVSA, the state oil company during the early 1990s was facing huge economic crisis owing to excessive investments, economic largesse, rampant corruption and political patronage. The oil prices dropped and Venezuela went into deep economic crisis. Carlos Andrés Pérez (1989-1993) in his second term as the President announced several economic reforms called Grand Viraje (The Great Turnaround).

The recommendations made by the International Monetary Fund (IMF) became a commitment by the Venezuelan government in a bid to renegotiate its external debt (Lander 1996). The programme was intended to eliminate price and currency controls, raising interest rates, reducing tariffs, privatising state-owned industries and deregulating the economy. Pérez's economic policies led to a widespread unrest among the working class, manufacturers, labour unions, government employees. It had come as a shock to the common man who had immensely benefited from the populist measures of the post civilian government. The government was also not able to control the unabated corruption that had defaced the party in power in public eye. The legitimacy crises had further deepened as the approval ratings of President Pérez had declined to an all-time low of 12.3 percent which was taken at the end of 1991. This had serious underpinnings on Venezuelan democracy as it was gradually losing its legitimacy and effectiveness (Trinkunas 2002: 50). Mass protests with growing lawlessness became the order of the day which was threatening to destabilise the political system. There were urban riots on the streets of Caracas and other cities in February 1989, with many innocent lives lost. The decline in the social services resulted from the incapacity of the state institutions to deliver owing to resource mismanagement, corruption and politically bloated bureaucracies (Levine and Crisp 1999).

In 1998, prior to Chavez's electoral victory, the second tenure of Rafael Caldera's government (1994-1999) was struggling to push for market economic stabilisation and microeconomic reforms. Oil prices plummeted to their lowest point in years, close to \$8 per barrel which was generating fiscal strain and capital flight. The then Minister of Planning Teodoro Petkoff attempted to bring some market stability by obtaining support from multilateral organisations, including the International Monetary Fund (IMF).

The Caldera administration curbed public expenditure, fixing the exchange rate, and protecting social outlays. Despite the economic woes, PDVSA was successful in attracting foreign investors for oil exploration and development. But in the short term, financial markets feared a possible default on foreign debt, especially after Chavez claimed that Venezuela had given up its sovereign rights when it signed oil contracts with foreign companies.

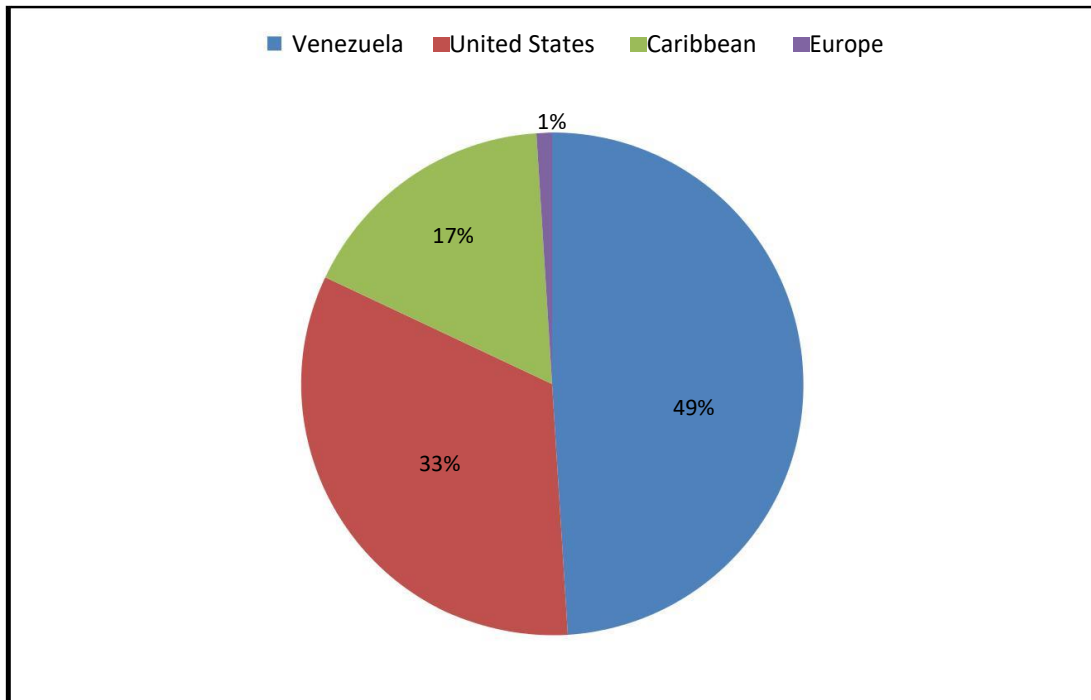
By late 2001, facilitated by the rising economies of China and India, together with the war on global terrorism launched by the United States following 9/11, oil prices almost jumped threefold.

➤ **State Controls over PDVSA**

PDVSA, the state oil company in Venezuela controls the oil industry. Since the arrival of Hugo Chavez at the helm of affairs in 1999, he did not hesitate to deploy and project Venezuela's oil power as an instrument of foreign policy. In a bid to reposition Venezuela as a centralised petro-power, Chavez from 1999 to 2003 enacted several measures to take control of state oil industry PDVSA (*Petroleos de Venezuela, Sociedad Anonima*). His dramatic navigation and assertion over the control of the nationalised oil sector ensured that he was able to direct the country's oil rents to support his policy preferences both at the domestic and international fronts.

PDVSA began its operation from 1st January 1976. The sole stockholder of the company is the state (Mommer 1994). The major energy producer conducts large-scale domestic exploration and production activities in both oil and natural gas, operates domestic and international refining facilities, and sells gasoline products to consumers both at home and abroad. Its total energy reserves are 75 percent of crude oil and 25 percent natural gas. With the state completely owning the ownership, the company operates upstream activities in Venezuela and downstream activities in Europe, the U.S. and the Caribbean (Mares and Altamirano 2007). Its refining capacity is based in Venezuela, the United States, the Caribbean, Sweden, Germany and the United Kingdom. It is shown in Figure 4.1.

Figure 4.1: PDVSA Crude Oil Refining Capacity by Region, 2014



Source: Oil and Gas Journal, Press Reports, PDVSA.

The state oil company, PDVSA enjoyed considerable autonomy prior to 1999. Party leaders whoever in power sought to safeguard the industry from political manipulation and interference, ensured professional management of the company's operations although the company is fully under the subordination of the state. The operational control of the company was decentralised among the competing national companies while the supervision of the company was granted to the board of directors headed by a president directly appointed by the executive. The President of the company is given the prerogative to appoint 11 members of the directorate. The Minister of Energy and Petroleum (MEP) presides at the stockholding meeting (Mommer 1997; Corrales et al .2011). The board of directors implements the policies established by the MEP in the name of the government.

The legal framework of the operational activities of PDVSA was defined by the following laws that included the Nationalisation Law (1975), the Commercial Code (1955), the Constitution (1999), the Organic Hydrocarbon Law (2001), the Organic

Gaseous Hydrocarbon Law (1999), and the Act of Constitution and Statutes of PDVSA (2002).⁷

According to the new Charter, the PDVSA board of directors was in charge of supervising the overall performance of the industry while politicians delegated operational control to professional managers for each competing national enterprise. A budgetary process was kept in place to manage the access of oil rents rather than direct party control or presidential control over the company's operations. PDVSA's relation with the major international oil companies was specifically demarcated. Managers of major IOCs like Exxon, Shell, and Gulf Oil stayed on for one year, working side by side with newly designated Venezuelan counterparts at Lagoven, Maraven, and Meneven oil fields. Each subsidiary had its own board of directors drawn from top management which shielded them from any political meddling. `

One of the major targets of the electoral campaign of Hugo Chavez was on Venezuela's large state-owned oil company, PDVSA. Calling PDVSA as a black box that operated as a 'state within a state', Chavez accused that the oil policy decisions were adopted without concern for the Venezuelan population (Wiseman and Béland 2010). When he became president in 1999, Hugo Chavez and his oil advisers embarked on a nationalist view of the oil industry under closer alignment with the executive branch. The first few years of Chavez's presidency witnessed a series of confrontations between him and PDVSA management over the appointment of the company's president.⁸

⁷The respective original names are: Ley Organica que reserva al Estado la Industria y el Comercio de los Hidrocarburos (1975); Ley de Comercio (1955); Constitucion de la Republica Bolivariana de Venezuela (1999); Ley Organica de Hidrocarburos Gaseosos (1999); Ley Organica de Hidrocarburos (2001); and Acta de Constitucion y Estatutos de PDVSA (2002).

The Oil Law of 2001 and the Nationalisation Law (1975) had specifically reserved all activities related to exploration of hydrocarbons to its domestic and foreign sales, to the government of Venezuela. The monopoly rights over the hydrocarbon activities are executed by the state through the Ministry of Energy and Petroleum (MEP) and PDVSA. The MEP is in charge of establishing and approving general policies, production levels, capital expenditures and operating annual budgets of the PDVSA. Although the MEP and PDVSA respond to the same principal, their different roles make them follow separate, and sometimes, opposite paths (Mares and Altamirano 2007).

The Commercial Code (1955) establishes PDVSA's formal independence from the MEP. PDVSA and its Venezuelan subsidiaries can develop and execute their shareholders' objectives as corporate entities rather than as governmental agencies. Given its commercial and financial autonomy, the Venezuelan government is not legally liable for PDVSA's business obligations but PDVSA cannot be privatised. It was clearly specified that in the constitution that the government must retain exclusive ownership of PDVSA's shares but not liable for the ownership of the shares of PDVSA's subsidiaries or of its interests in joint ventures.

⁸Bernard Mommer (2003) "Subversive Oil," in *Venezuelan Politics in the Chávez Era: Class, Polarization, and Conflict*, edited by Steve Ellner and Daniel Hellinger.

The corporate change of the 1990s in the board of directors implied decisive control of the company's affiliates and therefore the entire industry. This gave the country's executive branch the control of entire industry through the top echelons of PDVSA. Chavez's appointments of successive PDVSA presidents in his early years—Héctor Ciavaldini, Alí Rodríguez Araque, Guaicaipuro Lameda, Gastón Parra Luzardo, and Rafael Ramírez—was a testimony that generated considerable uncertainty and tension between management and the state. Tensions were brewing as it was blamed that most board members appointed by Chavez had little business management experience and shared ideological views incompatible with those of industry-groomed top management (Wiseman and Béland 2010; Corrales et al 2011).

The first term of the Chavez presidency (1999-2001) brought relatively moderate policy change as he was busy consolidating his leadership through the enactment of the Constitution of 1999. The second term of President Chavez commencing from 2001-2007 saw the creation of the 'new' PDVSA in 2003 endowed with a new set of principles written in the MEP that was imposed upon the company. The mission enshrined in the 'new' PDVSA was to contribute in national development, security and defence of sovereignty of the nation. The guiding principles are as follows: commitment to the people of Venezuela; subordination to the state; high consciousness of national sovereignty; valuing of natural resources; structural simplification; financial transparency; the new relationship of worker-firm-state; decentralisation; and governance (Mares and Altamirano 2007).

The road towards the transformation of PDVSA was not an easy one. The growing tensions between PDVSA's board of directors and President Chavez resulted in a 12-hour strike involving members of the 'Confederación de Trabajadores de Venezuela' (CTV; the Venezuelan Workers Association), the Venezuelan Chamber of Commerce (FEDECAMARAS), and independent business owners in December 2001. It signified the first wave of widespread organised protest against the Chavez administration. Then the occurrence of a small PDVSA managerial strike in April 2002 and the firing of a handful of managers were immediately followed by a failed military coup on 11th April 2002 added to the series of events that jolted the administration. An indefinite nationwide general strike was called in which PDVSA played an important role led to the shutting down the majority of oil operations and exportation from the country.

But the 2003 oil boom gave President Chavez a historic opportunity to scuttle down the autonomy of PDVSA. Taking over PDVSA would mean controlling a large checkbook for his political intentions. The question of political survival became paramount as the events begun to unfold with a recall referendum coming up, declining approval ratings, and ongoing street protests. The operational control of PDVSA, therefore, could very well be considered one of Chavez's most rewarding strategic moves during the early part of his administration.

Chavez undertook a series of steps to achieve full operational control of PDVSA. They were as follows:

- The gaining of control over PDVSA was termed by Chavez as “re-nationalisation” (Wilpert 2003). Soon after the oil strike of 2003, he positioned his loyal followers to the board of directors and merged the Ministry of Energy and PDVSA under one single leadership.
- Secondly, he fired some 18,000 employees, and including most of the top and middle management, most of whom were involved in oil strikes of 2003.
- Thirdly, financial arrangements between PDVSA and the Central Bank were altered.
- Fourthly, the range of activities that PDVSA could engage in was extended beyond the oil industry and energy sector.
- PDVSA, considered as one of the world's leading energy companies that were also internationally competitive suffered a major jolt in its operations when Chavez introduced major staffing changes. It was estimated that four out of five of the successful company's exploration and well engineers were fired; about an equal share of the staff was sacked from the human resources and planning departments and even the finance department was not spared.
- The maintenance, marketing, procurement, and operations departments met with the same fortune even though it was lesser in number. The loss of human capital, far and away the best trained and most experienced staff of any

oilcompany in a developing country was devastating for PDVSA's operations (Corrales et al. 2011).

Thus, the firing of the bulk of PDVSA's management resulted in the culmination of a deeply rooted ideological conflict about the management of country's oil reserves and led a fundamental change in direction for PDVSA and Venezuelan oil policy. PDVSA was managed taking an interventionist approach that promoted direct state involvement in the Venezuelan economy and PDVSA (Wiseman and Béland 2010).

As mentioned earlier several changes were made through legislation in the hydrocarbon sector by the previous governments.⁹ But Chavez's push for legislation was intended to tighten state control of the industry beyond provisions already included in the 1999 Constitution. The Constitution already establishes that the oil industry, because of its strategic importance to the state, must remain the property of the state.

➤ **Internationalisation of PDVSA**

The internationalisation strategy of Petroleos de Venezuela, S.A. (PDVSA) began in the 1980s to secure markets for the company's specialised, extra heavy crude production (Mares & Altamirano 2007). PDVSA would eventually hold ownership stakes in refineries in Germany, the United Kingdom, Sweden, and the United States (PDVSA 2007b: 20). In 1986, PDVSA purchased the American oil refining company, CITGO and started a distribution channel for gasoline products in the United States. The remaining 50 percent of the CITGO subsidiary was bought in 1999. There are early 13,000 CITGO gas stations controlling more than 10 per cent of the U.S. market by 1999.¹⁰ Therefore, the internationalisation strategy adopted by PDVSA furthered the company's autonomy by increasing the share of assets outside of direct national control (Hults 2007).

⁹Previous legislation had established that under special circumstances (such as developing costly projects in the Orinoco Tar Belt), royalties paid to the state could be substantially reduced to facilitate financing. The new law contained no such provision.

¹⁰Mommer (1994) pointed out that the company's first foreign refinery—in Germany, VebaOel— never refined extra-heavy crude and instead opted for refining PDVSA's smaller supplies of light oil, which are more easily marketable.

President Luis Giusti of PDVSA pursued the *apertura* or "oil opening" policy by the mid-1990s. This move altered the course of Venezuelan oil policy as it lowered royalties and invited foreign capital/investments back into Venezuela. A new governing structure for PDVSA was introduced following the opening of the oil industry to foreign investment. The strategy, popularly known as the "*apertura*" (opening) was centered on three basic elements: 1) Increase of production from existing fields; 2) Developing marginal fields, and 3) Expanding investment in non-conventional oil. In 1993, the Congress authorised three joint ventures called "strategic alliances".¹¹

The three operating units, 'Maraven', 'Lagoven' and 'Corpoven' were formed under the umbrella company PDVSA to encourage competition from a mixed bag of different business cultures which would eventually bring efficiency and would be beneficial to PDVSA. They competed not only for internal power but also resources, parts, and markets outside the holding company. But the rivalry between the competing units brought down the level of transparency. A plan was approved for a new operating structure based on the functions of exploration, production and refining processes. The then company president, Luis Giusti, argued that PDVSA which was competing both in Venezuela and abroad with international companies should unify affiliated operating companies to make a single, large, lean, efficient, and market-oriented oil giant (Corrales et al. 2011). The top PDVSA executives decided to produce and approve the seminal document, "SomosEnergía" in February 2001, which states the vision, mission, values and working practices of the transformed firm.¹²

The 'apertura policy' and its low royalties were portrayed by many as against the national interest and were used as an election weapon against the opposition in the

¹¹The first one is a joint venture between Shell, Exxon, Mitsubishi, and Lagoven (the subsidiary of PDVSA) to produce LNG for exporting purpose exploiting offshore natural gas fields. This was one of the first such kind projects, as Venezuela has never exported gas before, and it was named, Cristóbal Colón (CC). The other two joint ventures are in extra-heavy crude oil, one to produce about 114 thousand barrels on a daily basis and the other about 120 thousand, and they also included the construction of refineries for upgrading. The Venezuelan partner in both cases is Maraven, a subsidiary of PDVSA, and the foreign partners are Conoco, in one case, and Total, Itochu, and Marubeni in the others.

¹²The vision for the new PDVSA was to become the energy firm of world reference for excellence, and the state company's mission to satisfy the energy needs of society and create the maximum value for Venezuela. The firm's values were integrity, respect for people, equity, social responsibility and security. PDVSA's working practices were to include responsibility, initiative, determination, excellence orientation, cooperation, cost efficiency, discipline and interpersonal effectiveness.

presidential election of 1998 by Hugo Chavez. Article 12 of the Venezuelan Constitution of 1999 adopted under the regime of Hugo Chavez states that:

mineral and hydrocarbon deposits of any nature that exist within the territory of the nation, beneath the territorial seabed, within the exclusive economic zone and on the continental shelf, are the property of the Republic, are of public domain, and therefore inalienable and not transferable.

A series of institutional and legal changes were designed under Hugo Chavez that enabled the state to have a greater share of the profits accrued from joint ventures with PDVSA.

- The government under Chavez enacted the 2001 Hydrocarbons Law. The law stated that any future projects developed by PDVSA required at least 51 percent state ownership and would not be subject to international arbitration. A single legal instrument for developing the oil industry was established. The royalties were increased from 16.66 to 30 percent for all projects. But the income tax for oil companies, including PDVSA, was reduced from 60 to 50 percent with the increase in royalties. Thus, the law reaffirmed the state's sovereignty over all natural resources, re-establishing majority government ownership over mixed companies involved in conventional oil production.
- A new legislation gives a fundamental role to the Ministry of Energy and Mines—now called the ‘Ministry of People’s Power for Energy and Oil’—in the granting of licenses for exploration and exploitation of hydrocarbons. This is in reversal to the practice which started in the late 1980s in which PDVSA administered the resource.
- President Chavez in a bid to secure greater state control over private operators raised royalties paid by foreign companies operating in the Orinoco Tar Belt that had entered into “strategic associations” with PDVSA, including ExxonMobil, Conoco, Total, and Chevron at the end of 2003. Facilitated with the oil boom of 2003, the high and sustained oil prices had substantially altered market conditions conducive to bringing changes.
- Another major decision that was taken by the Chavez administration in mid-2007 was the announcement of the nationalisation of all Orinoco Tar Belt projects. Referred as ‘true nationalisation’ Chavez was able to remove IOCs

from one of the last bastions of their dominance- the Orinoco Belt for the benefit of PDVSA and NOCs from geopolitically strategic regimes allied with Chavez (Tissot 2009: 194).

- The State is the majority shareholder in upstream activities, while a greater stake was given to private investors in the exploitation of natural gas and in downstream activities.
- Foreign companies operating in the Tar Belt were required to join mixed enterprises to be set up under state control. All fiscal conditions were adapted to the tune of 2001 Hydrocarbons Law. Conoco Philips and ExxonMobil thereby exited the country and sought for international arbitration to secure just compensation. On the other hand, Total and Chevron voluntarily accepted the deal.
- Also in 2007, the regime scrapped service contracts between thirty-two private firms and PDVSA, claiming that these were contractual arrangements not previously approved by the legislature and therefore to be brought under the 2001 legislation (Corrales et al. 2011).

It is important to note that Chavez did not end international participation in Venezuela's oil sector. In 2005, Venezuela's PDVSA drew his energy policy guidelines, known as *Plan Siembra Petrolera* or 'Oil sowing plan'. It was a series of investment plans for six development projects for the medium-term (2005-2012) and long-term (2005-2030). In the period from 2005-2012, the plan has been focusing on five investment projects: 1) the quantification and certification of reserves, the *Magna Reserve Project*; 2) the development of the Orinoco Belt, the *Orinoco Project*; 3) the exploitation of the country's gas potential, the *Delta Caribbean Project* 4) *refining project*; for increasing refining capacity and 5) oil infrastructure development and integration in the eastern part of the country (Chen and Jaffe 2007).

One of the government-imposed business decisions was PDVSA's "Magna Reserve" project. The project which is in the Orinoco belt operates through partnerships between PDVSA and foreign companies—mostly NOCs—from Chavez-friendly governments. The Magna Reserve Project is committed to the quantification and

certification of oil reserves in the Orinoco Oil Belt, located in the Middle Eastern part of Venezuela.

It was believed that the project would contribute to the “creation of a multipolar world”. The major oil fields of the Orinoco belt are shown in Figure 4.2. The Magna Reserve project has partners from countries Argentina (Enarsa), Belarus (Bielarusnief), Brazil (Petrobras), China (CNPC), India (ONGC), Iran (Petropars), Russia (Gazprom and Lukoil), Spain (Repsol YPF), Vietnam (Petrovietnam), and Uruguay (ANCAP). The Magna Reserva project divides the Orinoco belt into four regions –Carabobo, Junin, Ayacucho and Boyaca. These four regions are subdivided into 27 blocks. Fourteen of them will be developed by PDVSA and the rest will be through joint ventures with the NOCs of different countries that will have 49 percent ownership stake. It is shown in Figure 4.3 and Table 4.1

The national oil companies (NOCs) command close to 80 percent of the world’s remaining oil reserves and in the coming decades, they will overwhelmingly dominate world oil production and pricing. These national oil giants are beginning to flex their geopolitical muscles. For example Russian state-owned Gazprom’s decision to cut off of energy supply to Ukraine over the pricing dispute. The oil acquisition campaign of Chinese NOCs is bringing Beijing into the geopolitics of regions like Africa, the Persian Gulf, and now even Latin America (Chen and Jaffe 2007). Venezuela signed joint-venture agreements directly, and also held a bid round for international investment in the Orinoco Belt in 2010 (Corrales and Romero 2013). Therefore the development of the Orinoco Oil Belt brought about possibilities for foreign investors to participate in Venezuela’s oil industry. Another important project, the Delta Caribbean Project, concerns the exploitation of Venezuela’s gas potential, especially in offshore gas fields.

Table 4.1: Orinoco Heavy Oil Belt Investment Agreement

<i>Block</i>	<i>Partner</i>	<i>Share</i>	<i>Bonus</i>	<i>Expected Output (bbl/d)</i>
Junín 2	Petrovietnam	40%	\$500–600 million	200,000
Junín 4	China National Petroleum Corporation	40%	\$900 million	400,000
Junín 5	<i>Eni (Italy)</i>	40%	\$646 million	240,00
Junín 6	Russian joint venture (Rosneft, Gazprom, <i>Lukoil</i> , <i>TNK-BP</i> , and <i>Surgutneftegaz</i>)	40%	\$1 billion	450,000
Carabobo Project 1 (Block 1 North, Block 1 Central)	<i>Repsol (Spain)</i> <i>Petronas (Malaysia)</i> <i>ONGC (India)</i> Indian Oil Corporation Oil India Limited	11% 11% 11% 3.50% 3.50%	\$1.05 billion	400,000
Carabobo Project 3 (Block 2 South, Block 5)	<i>Chevron (USA)</i> <i>Mitsubishi and Inpex (Japan)</i> Suelo petrol (Venezuela)	34% 5% 1%	\$500 million minimum, plus \$1 billion in financing for PDVSA	400,000
Junín Blocks 1, 10, 11	No outside investors found			
Total Bonuses	\$4.6–4.7 billion			
Total Estimated Investment (upper estimate)	\$80 billion			

PDVSA owns remaining 60% stake in all projects.
Italic text indicates non-state-owned oil companies.

Source: Petroleum Intelligence Weekly(2011)

Figure 4.2: Map of Venezuelan oilfields.



Source: Global Security (2006)

Figure 4.3: Map of NOC Partners in the Magna Reserve Project



Source: PDVSA

Some analysts argue that Venezuela’s recent measures for a larger piece of the pie that is shared in oil profits by raising royalties are a reasonable response to the huge jump in oil prices. But the international oil companies were not thrilled about the bidround. ExxonMobil, ConocoPhillips, BP did not bid over issues like uncertainty over taxation (Corrales and Romero 2013).

The “oil” associations between ExxonMobil, PhilipsConoco, Chevron, Statoil, Total and BP with PDVSA producing 622,000 barrels per day will remain stable until 2012. Based on above discussion, it appears Venezuela indeed managed to diversify its portfolio of investors and diversify its oil market by forging ties with countries with friendlier to Chavez.

Oil, Foreign Policy, Economic Development and Domestic Politics

➤ Oil and Foreign Policy

Venezuela developed two key policy tools: ‘*soft balancing*’ and ‘*social-powerdiplomacy*’ under the tenure of Hugo Chavez. The motives behind these oil policytools were to expand its global influence by leveraging Venezuela’s oil windfall and to balance any regional attempt to challenge Chavez’s control over domestic politics, particularly from the United States (Corrales 2009).

Pape (2005) reiterated that the idea of balancing comes to the fore in a bid to equalise the odds in a contest between the strong and the weak. States tend to balance when they take action intended to make it hard for strong states to use their military advantage against others. Traditional hard balancing seeks to change the military balance in an actual or (more often) potential conflict by contributing military capabilities to the weaker side through measures such as a military build-up, war-fighting alliance, or transfer of military technology to an ally.

Derived from the literature on realism, ‘soft balancing’ refers to the actions of nationswho are weak in military and technology terms but who tend to frustrate and derail the foreign policy objectives of powerful nations. The idea of ‘soft balancing’ centers on increasing the ‘cost of actions’ of powerful nations like the United States. Soft balancing tactics using international institutions, economic statecraft, and diplomatic arrangements had been a prominent feature of the international opposition to the U.S. war against Iraq.¹³

Since the end goals that are sought to be are less ambitious, soft-balancing can be an appealing foreign policy tool for second-tier nations that disagree fundamentally with more powerful nations (Corrales et al. 2009).Soft balancing is an effective tactic used by the weaker states to equalise the odds vis-à-vis the strong states. This generally

¹³Soft balancing differs from "soft power" as espoused by Joseph Nye Jr, which refers to the ability of (some) states to use the attractiveness of their social, cultural, economic, or political resources to encourage other governments and public to accept policies favourable toward their state, society, and policies. It is generally the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment. The preferences can be established through intangible assets like an attractive personality, culture, political values and institutions and policies that are often legitimate and have moral authority. Although uses of soft power are not limited to security issues, in principle a state with excellent soft-power resources might be in a better than average position to organise a balancing coalition (or to prevent the formation of one against it).

involves the utilisation of tools to make a superior state's military forces harder to use without directly confronting that state's power with one's own forces.

The actions undertaken by Venezuela are not meant to directly challenge U.S. military preponderance but that use non-military tools to delay, frustrate, and undermine aggressive unilateral U.S. military policies. Did 'soft balancing' work in the case of Venezuela?

The usual signs of 'soft balancing' displayed under Hugo Chavez were as follows: He built alliances with other like-minded nations like Iraq prior to U.S invasion and Iran, Libya, Cuba, Syria, Byelorussia, and Zimbabwe. Chavez created obstacles in international forums like organising an anti-U.S parallel 'Summit of the Americas' in 2005. He promoted counterproposals such as the Bolivarian Alternative to Free Trade in the Americas (ALBA) in 2006 that opposes trade liberalisation and privatisation. He tried to create diplomatic entanglements, as he discussed with Russia the installation of military bases and deployment of missiles in either Cuba or Venezuela. He was very vocal in criticising the United States of being a security threat to Venezuela both economically and militarily and accused the U.S of his assassination and his country's invasion from Colombia, Aruba and Costa Rica.

'Social-Power Diplomacy' adheres to deploying a substantial amount of investments and oil discounts abroad for the purpose of promoting development and alleviating poverty. The investments that were provided conform to two basic characteristics. Firstly, these investments were carried by the state directly rather than through private firms which indicated the direct involvement of the state in external matters. Secondly, a large part of the investments was allocated for development projects. The idea of 'social power' is not new as Chavez's predecessors like Carlos Andrés Pérez in the 1970s have also used it. Even great powers, as well as small powers like Cuba, have used it to leverage their influence in the international arena (Corrales 2011).

Venezuela has directly funded social projects in Cuba, Nicaragua, Argentina, Ecuador, Honduras, and Bolivia often through the creation of binational sovereign funds, and has indirectly invested in Mexico, Peru, Colombia, and El Salvador. Gustavo Coronel estimated that Chavez had committed a total of US\$43 billion in investments abroad. And, nearly US\$17 billion (40.1 percent of the total)

were classified as social investments. Oil subsidies were provided to Cuba and the members of PetroCaribe.¹⁴

The Chavez government helped in exempting the Argentine state from paying to the International Monetary Fund (IMF) after taking over its commercial paper; donations in the form of cash to Bolivia; medical equipment for Nicaragua; and heating oil subsidies for more than one million U.S. consumers.¹⁵ The discounted oil to the American households was commenced under the Citizens Energy Oil Heat Program (Corrales and Romero 2013).

The treaties that were signed with other countries came with an obligatory clause of development goals. Investment deals with China and Iran came with special funds to promote “development,” or to create “development banks.” ALBA, the Bolivarian Alternative for the Americas, was created as a “socially oriented” trade bloc dedicated to eradicating poverty in the region. Foreign aid to Bolivia from Venezuela too emphasised on building hospitals. At OPEC meetings, Venezuela rebukes the Saudis for “not doing enough” to help the poor. Nearly 228,000 households in the United States had benefited from the subsidised heating oil of CITGO, a company owned by Venezuelan state which was pronounced as a “gift of the people of Venezuela” in U.S TV commercials.

Brazil was also a beneficiary of Chavez's generosity in the sense that when a Brazilian plastic factory was shuttered in 2003 by its indebted owners, he helped displaced workers subsidised raw materials in exchange for the technology to produce plastic homes in Venezuela. His development assistance reach was witnessed with the creation of a \$20 million assistance fund for Haiti, one of the poorest countries in the Americas for education, health care housing and other basic amenities. Venezuela had also funding approximately 200 “Casas del Alba,” according to President Alan

¹⁴PetroCaribe which was founded in 2005 builds upon the existing regional oil price supports of the 1980 San Jose Accords, committing Venezuela to providing US\$17 billion in subsidised oil billing over the next 10 years at a rate of 200 000 barrels of oil per day. This multilateralist aid approach has benefitted countries like Jamaica which had already used PetroCaribe loans for housing and other infrastructure projects. Estimated at \$1.7 billion per year, this one programme has put Venezuelan aid on a par with that of OECD countries such as Australia, Belgium, Denmark, Norway, Portugal, Spain, and Switzerland.

¹⁵Richard Fienberg has compared between Bretton Woods and Chavez conditionality and why many countries had opted for the latter. Bretton Woods's Conditionality comes with strict accounting, debt ceilings, inflation targets, transparency, competitive bidding, market-driven prices, careful environmental reviews, and foreign policy independence. While Chavez Conditionality was off-budget current consumption, confidentiality, closed bidding, government-to-government deals, centralised decision-making, quick project approvals.

García in rural Peru (Oppenheimer 2008). Casas are the associations that are run from people's own homes providing literacy and health services, often with the help of Cuban doctors, but they are often seen as "indoctrination" units that spread radical leftist ideology and incite political protests.¹⁶

The Venezuelan government extended its influence throughout the host country via direct cash payments with very few conditions. Beyond that, recipients are free to use the money as they see fit. Therefore, Venezuela under Chavez became a major player in foreign aid and the extent to which he made social values the cornerstone of his foreign policy was unprecedented on the world stage (Corrales and Romero 2013).

Critics have argued that the various initiatives under 'social power' were like blank checks that were billed as payments for social services, but in reality, they represent unaccountable financing of corruption, campaigns, political movements, and governments. But it worked for Chavez in manoeuvring his foreign policy proclivities. The spending spree in the form of social power earned him with two types of international allies: states, which refuse to criticise Chavez, especially if they receive Petro cash, and intellectuals on the left, especially in Europe (Buxton 2008), who tend to have a weakness for anti-American populists. At the domestic front, it allowed Chavez to win electoral support by attracting sectors on the left that are obsessed with international solidarity.

In international relations, there is a theory that predicts that domestic political problems or strifes, especially among non-democracies, lead rulers to pursue international conflict even war as a way to divert attention (Levy and Vakili 1992; Davies 2002). The regimes tend to rake up national sentiments and rally the populace behind it or distract the public from government failings.¹⁷ It can also be used by leaders to highlight its competence as well as its incompetence. Domestic strife will threaten authoritarian regimes because it will have a negative effect on the economic performance of the state and the ability of the state to extract resources from the population. The basic premise of the diversionary theory is that leaders are held in check by a constituency. This constituency can punish the leadership if its performance is not adequate (Gelpi 1997; Heldt 1999).

¹⁶Javier Corrales in *Venezuela's Petro-Diplomacy* edited by Ralph S. Clem and Anthony P. Maingot.

¹⁷For more details refer to *Diversionary War: Domestic Unrest and International Conflict* (2012) by Amy Oakes.

Corrales (2011) has reiterated the fact that Chavez's case shows that governance shortcomings or failures had led to a foreign policy largess in the form of social power diplomacy. Considered mostly as a publicity stunt, these tactics were meant to camouflage serious domestic abuses and dubious international pretensions. It is suggestive that the rise in social power diplomacy and the demotion of democracy are correlated. The very fact that foreign aid is always unpopular at home as it has to compete with other domestic spending priorities, the home audience and other domestic lobbies with alternative plans on how to spend that money.

➤ **Oil and Domestic Politics**

Favourable international circumstances in the form of high energy prices enabled Chavez to pursue what he called the 'twenty-first century socialism' i.e. nationalist control over natural resources with a politics of distribution. His tenure witnessed the augmentation of state capacity which made Venezuelan state capable to capture the high oil revenues and channel them effectively in domestic social spending and an ambitious foreign policy.

The campaign against poverty eradication through *social missions* was central to Chavez's domestic politics and this was possible only through oil rents.¹⁸ These social missions developed under Chavez regime were state-sponsored, grassroots-oriented development programs, addressing the pressing needs and issues in various fields of human development such as education, healthcare, culture, food security, jobs, and housing. The projects run through civil-military partnerships and ranges from the development of state infrastructure to adult literacy programs. The state oil company, PDVSA played an important role in the implementation of these programmes.

One of the most fundamental changes introduced in the functioning of PDVSA was the 'social role' the firm must play. The remaking of a socialist PDVSA entailed the government to earmark on a transformation plan to turn the firm as a chief mechanism for distributing rents, an entity sought for social investment over and above that

¹⁸A 'rent' is revenue that is obtained from the selling or leasing of an asset, where the price of the asset is substantially higher than the total average cost of producing it. Hydrocarbons, such as oil and natural gas are the typical commodities associated with the term, as oil receipts in the developing world usually accrue to the government via state-owned oil companies or partnerships with multinational oil companies.

required for oil output productivity. The new motto was “PDVSA now belongs to all of us”.¹⁹

PDVSA, after the strike in 2003 set up the Social Development Fund (Fondespa), distinct from Fonden (the National Development Fund) which was directly run by the president of PDVSA (a presidential cabinet member). Fondespa is authorised to finance special social programmes (*missions*) in Venezuela and foreign aid projects abroad. The funds were disbursed by PDVSA locally and internationally without reporting to the Central Bank or the National Assembly which gave the central government an unmediated and direct spending (Corrales et al 2011). It was accused that the company had turned into a parallel state.

The massive scale of social effort that PDVSA had during Chavez’s tenure had led to a dramatic shift of focus which was earlier concerned exclusively with finding, extracting, refining, and marketing oil but rather running innumerable social initiatives. The period from 2003 to 2008 saw a massive investment by PDVSA worth more than \$23 billion in social programmes. The common man felt a sense of inclusion and empowered which was invisible on the ground for several decades. The basic social indicators responded positively owing to the reorientation of public resources for social programs facilitated by a sizeable oil windfall. According to Venezuela’s National Institute of Statistics (Instituto Nacional de Estadísticas, INE), the rate of extreme poverty declined drastically over a period of time. This is shown in Figure 4.4

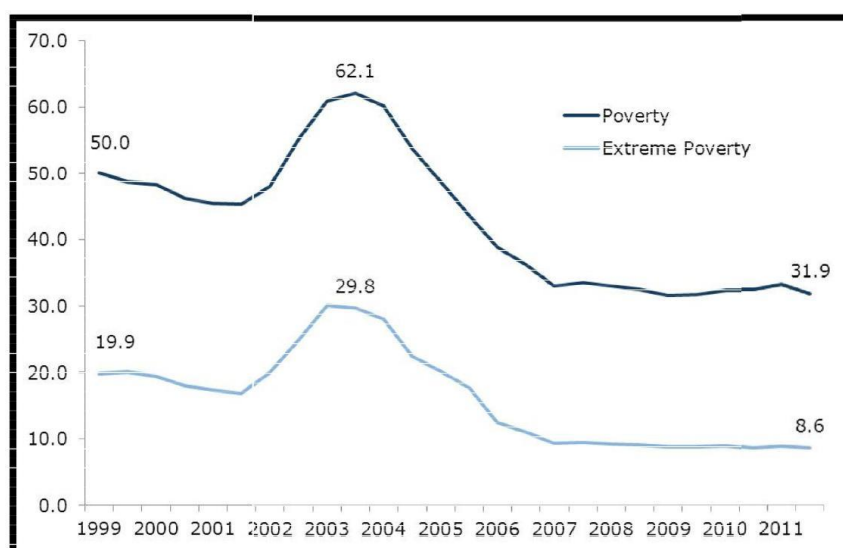
Chavez increased social spending from 8.2 per cent to 13.6 per cent of GDP between 1998 and 2008. Poverty levels reduced from 56 per cent to 31 per cent of the population over the same time period. Extreme poverty in households was also

¹⁹The nationwide activities directly under PDVSA included the aforementioned Misión Ribas and Misión Vuelvan Caras, which financed start-up community-level cooperatives to provide primary health care, road construction, or office cleaning services, or to produce foodstuffs and simple manufactured goods. Another such mission was Misión Mercal, a retail chain selling food at subsidised prices, by setting up PDVAL, a food purchasing, production, and wholesale distribution firm. PDVSA also directly financed construction of Barrio Adentro I and II, preventive health-care centers housed in more elaborate facilities than those for primary health care, and directly managed relations with Cuba to ensure the availability of Cuban medical equipment, supplies, and physicians for these centers. Misión Robinson, conducted a literacy campaign using techniques that had been applied in Cuba. The program was targeted at extremely marginalized people in the shantytowns and rural sectors. In 2004, more than 110,000 facilitators were coordinating the literacy effort and, according to official figures provided by the Ministry of Planning and Development, 1,099,137 people had completed the program. The government publicised the results these misiones under a slogan that stressed their popular appeal: "Now Venezuela is for everyone" (Abora Venezuela es de todos) (Penfold-Becerra 2007).

reduced from 20 percent in 1998 to close to 9 percent in 2008. Social inequalities as measured by the GINI coefficient also decreased sharply. The GINI index declined from 0.50 to 0.44 between 2002 and 2006 (CEPAL 2007).²⁰

Infant mortality rate declined by more than a third and malnutrition deaths by more than half, while the number of Venezuelans with health coverage increased from 3.5 million in 1998 to 20.5 million in 2007. The number of social security recipients more than doubled, and the number of people receiving pensions increased from less than 500,000 in 1999 to nearly 2 million in 2011 (Weisbrot et al. 2009; Johnson and Kozameh 2013). Venezuela moved up nine places on the UN's Human Development ranking during the 2000s (UNDP 2013: 149). Moreover, income redistribution meant that inequality decreased, with the share of national income going to the richest 20 per cent of the population falling from 53 to 44.8 per cent between 1998 and 2011, while the share of the bottom 60 per cent rose from 25.6 to 32.3 per cent (Fuentes 2013b; ECLAC 2013b).

Figure 4.4: Poverty and Extreme Poverty Rate



Source: Venezuela's National Institute of Statistics (2013)

The stability of international oil prices and Venezuela's capacity to generate considerable income from these exports are the prerequisites for the successful continuation of these large and costly social development policies.

²⁰GINI Index is a commonly used measure of inequality.

Critics are concerned that Venezuela's reliance on oil has fostered a rentier and clientelistic mentality among Venezuelans. Clientelism governed the targeting of many disbursements and poverty criteria did not always prevail in deciding who got aid. The opposition parties had accused Chavez of using the missions in a clientelistic manner to build support among the very poor masses. Chavez's initiatives served the agenda of political manipulation (to buy votes) as well as serving the real needs of the populace (Penfold-Becerra 2007).

The social *misiones* undertaken by Chavez had to face strong criticism from different quarters of society. The quality of continuing education offered by *Misión Ribas* which provided students with a high school degree was questioned by different NGOs and academic institutions as teaching was administered through videos rather than direct contact with certified teachers. *Misión Mercal*, involved in the distribution of subsidised food gradually lost its effectiveness owing to numerous corruption scandals. Reduction in social indicators like poverty was attributed to the vast increase in oil wealth and short-term transfers rather than a structural change in poverty's underlying conditions.

Criticism apart, the *misiones* undertaken by President Chavez helped in overcoming his lowest popularity level since taking office to a great extent and win this crucial referendum with more than 59 percent of the votes.

Summary, Findings and Conclusion

The pivotal role oil played in the socio-economic transformation of Venezuela is unique and huge. An oil economy redefined stability and order as Venezuelan political class held onto a power-sharing agreement that lasted forty years, between 1958 and 1988.

Hugo Chavez simply needed control over nation's oil wealth if he had to promote his Bolivarian revolutionary agenda. Oil sector had previously acted as a relatively autonomous 'state within a state'. Chavez 'nationalised' oil and the state-owned oil monopoly, PDVSA (*Petroleos de Venezuela, Sociedad Anonima*) began exercising control over private oil firms in terms of investment and production. The consolidation of state control over oil sector helped Chavez to secure his domestic and

global foreign policy goals paving the way for his Bolivarian Revolution on both fronts.

After becoming the President, Chavez enacted a series of measures to gain access to control of natural resources that were essential for leveraging his foreign policy objectives. The state oil company *Petróleos de Venezuela, S.A. (PDVSA)* enjoyed considerable autonomy from a corporate governance standpoint but after the 2002–03 oil strike, Chavez dismantled the company's managerial capacity and took full control of the entire industry. The political and economic power was transferred from the technocratic business class symbolised by the management of state-run energy giant PDVSA to the state. Venezuelan foreign policy, particularly during the second phase of the Fifth Republic has enabled Venezuela to become a key factor in regional development and foreign aid in Latin America fuelled by the windfalls of oil. At the domestic front, Chavez was able to promote his Bolivarian agenda in the form of social missions through oil.

**CHAPTER V: REGIONAL FOREIGN POLICY OF HUGO
CHAVEZ**

Introduction

Regionalism is a dynamic and an important force in the Americas and foreign policy is one of the best scientific sites to understand the complex interplays of domestic and external influences and its impact on the process of region building. In Latin America, two strands of regionalism are identified: one that is embodied in the pan-American ideal and calls for American dominance in the region based on Monroe Doctrine or to say the inter-American or hemispheric cooperation involving the United States. The second strand is the Latin American vision linked with Simón Bolívar's quest for a unified body of republics which were freed from Spanish colonial rule and are connected through culture, language, and history. A politically and economically integrated Latin America that is united without, and sometimes against the United States has been manifested in the new regional order in Latin America, and also as espoused by Chavez (Riggirozzi 2011).

Latin America today is marked by new and competing asymmetries, shifting fault lines and emerging counterweights that have manifested in an array of regional groupings. The integrationist initiatives in Latin America have three basic elements.

The first element is related to the idea of *autonomy*, aiming to transcend the subordination of Latin American countries *vis-à-vis* the major powers of the international system, and the region's limited bargaining power. The second element is related to economic and social *development* that is the need for overcoming economic backwardness and the enormous inequity in Latin America. The third element is related to the idea of a *common cultural identity* as a binding force behind integrationist initiatives (Puntigliano and Briceño-Ruiz 2013).

The chapter is divided into three major sections and subsections. The first section is titled 'South America and the Circum-Caribbean in the 2000s'. It analyses the integrationist initiatives taking place in the region during this period. The election of Hugo Chavez to the presidency in Venezuela in 1998 signalled the beginning of a left-turn in Latin American politics. A 'pink tide' swept over the region, bringing to power multiple left or center-left governments like those of Evo Morales (Bolivia), and Rafael Correa (Ecuador) and center-leftists in power in Argentina, Brazil, and Uruguay.

It looks at the solidarity and cooperation at the regional level between Latin America and the Caribbean and the dynamics of cooperation in the context of Pink Tide. Venezuela with its oil boom during the tenure of Hugo Chavez was able to manoeuvre its foreign policy agenda at the regional and domestic context through social spending. The next section seeks to explain the regional initiatives initiated by Chavez in the form of ALBA, PetroCaribe and Venezuela's role in other major groupings like UNASUR and CELAC. The final section analyses the leadership contestation between Venezuela under Hugo Chavez and Brazil under Luiz Inácio Lula da Silva in the context of the regional initiatives adopted by both the leaders.

Chavez also challenged the US dominance in the region through the rejection of the US-led FTAA and OAS. This section is designed to return the discussion to the topic of the tensions and strains witnessed between the United States and Venezuela. This is followed by summary and conclusion.

South America and the Circum-Caribbean in the 2000s

Until very recently, the debate about regionalism among the majority of scholars and policymakers was centered on issues related to trade liberalisation, US hegemony and the US-led hemispheric governance building. However, changes in the political economy of the region since the early 2000s call for a refocus towards political and social drivers of regionalism, rather than trade liberalisation, reflecting more on inclusive systems of governance based on identity, social cohesion within the regional space. Therefore, the reconfiguration of Latin American regional governance is one of the major features that has characterised the hemispheric political economy over the last decade (Riggirozzi 2011).

Venezuela under Hugo Chavez played an important role in this changing dynamics of regionalism in the twenty-first century. The type of regionalism Chavez aspired for was inspired by Simón Bolívar who was the chief architect of the Venezuelan state and a protagonist of regional unity in Latin America. Simón Bolívar in 1815 wrote his famous 'Letter from Jamaica' regarded as a founding document in the history of Latin American integration. Here he outlined a proposal for political unity of this region. In that document Bolívar also called for a Congress to be held in Panama for a union of

independent peoples with “one origin, one language, various customs but one religion”.

With regard to the Andes (Andean region), Bolívar envisioned the union of these territories into two nation-states: the Grand Colombia (formed by Venezuela, New Granada and Quito) and the political union of Peru and Upper Peru (present-day Bolivia). The Grand Colombia and the Federation of Peru–Bolivia would further establish a federal alliance by creating a Confederation of the Andes. Therefore, a continental approach to regional unity was adopted and promoted by Bolívar. He advocated a Hispanic American alliance to protect the region *vis-à-vis* external aggressions and guarantee its political independence and organise a congress in Panama in 1826 (Chodor 2015). This very thought was eulogised by Chavez in his regional policy.

José Briceño-Ruiz (2013) stated that both external and domestic factors were responsible for the success and failure of diverse initiatives of regional integration during the nineteenth century. The fears which were perceived as external threats (Holy Alliance, US expansionism, US and European imperialism, marginalisation in the world economy) were the precursors for the demands for regional integration. Domestic factors such as the weak configuration of the national political structures and the debates between centralists and federalists and between liberals and conservatives worked against regional unity. Thus, after the failure of the Panama Congress (1826), the dream of a united Latin America was lost (Briceño-Ruiz 2013).

In the case of the Caribbean, regional integration has been a permanent element of Caribbean politics since the early attempts at independence. The conceptualisation of the Caribbean region as the Greater Caribbean or the Caribbean Basin by the Puerto Rican scholar Antonio Gaztambide (2007) included not only the Caribbean islands but also Central America and the continental countries with Caribbean shores such as Mexico, Colombia and Venezuela. The idea of the Caribbean Basin received prominence as the geostrategic area of influence of the US (Serbin 1990). This area included the Caribbean Islands, Panama, the Central American States, Belize, Guyana, Surinam, Mexico, Colombia and Venezuela. The

Caribbean Basin was conceived as a geopolitical and hegemonic characterisation that revived the ‘geopolitical concept’ of Caribbean. States like Mexico, Colombia and Venezuela inverted the notion of Basin to a sphere of resistance, an idea that emerged in 1970s (Briceño-Ruiz 2013).

➤ **The ‘Pink-Tide’ Regimes – Solidarity and Cooperation at Regional Level**

Hugo Chavez’s election in 1999 had marked the turn towards ‘left’ in the politics of the region. A bloc of leftist governments was elected over the past decade in Latin America. Referred to as the ‘Pink Tide,’ this left turn began with the election of Hugo Chavez in Venezuela in 1998 and the subsequent elections of left or centre-left governments in Argentina (2003, 2007, 2011), Bolivia (2005, 2009), Brazil (2002, 2006, 2010), Chile (2000, 2006, 2013), Ecuador (2006, 2009, 2013), El Salvador (2009, 2014), Guatemala (2007), Nicaragua (2006, 2011), Paraguay (2008), and Uruguay (2005, 2010) (Chodor 2015).

The political and the socio-economic significance of this transformation were clearly stated by Escobar (2010) as:

Latin America is the only region in the world where some counter-hegemonic processes of importance might be taking place at the level of the State at present. Some argue that these processes might lead to a re-invention of socialism; for others, what is at stake is the dismantling of the neo-liberal policies of the past three decades- the end the ‘the long neo-liberal night,’ as the period is known in progressive circles in the region- or the formation of a South American (and anti-American) bloc.

Political analyst and activist Marta Harnecker state that Latin America, therefore, witnessed the emergence of a "new left" represented by these three leaders i.e. Hugo Chavez (Venezuela), Evo Morales (Bolivia), and Rafael Correa (Ecuador). On the other hand, Jorge Castañeda (2006) argued that within the Pink Tide group of states there are two distinct ‘lefts’: a ‘good left,’ which is ‘modern, open-minded, reformist and internationalist,’ and a ‘bad left,’ which is ‘nationalist, strident and close-minded’.

The ‘left’ is defined as that current of thought, politics, and policy that has stressed on social improvements over macroeconomic orthodoxy, egalitarian distribution of wealth over its creation, sovereignty over international cooperation, democracy over governmental effectiveness. It has followed two different paths in Latin America. One sprang up out of the Communist International and the Bolshevik Revolution. The other

'left' arose from the region's strange contribution to political science: good old-fashioned populism (Castañeda 2006).

The emergence of 'left' regimes in the twenty-first century known as the Pink Tide is seen as a manifestation of the instabilities, tensions, and contestability of the neoliberal historic bloc, designed since the 1980s by the United States to impose global capitalism and its global hegemony. This strategy of US in the region has provoked various degrees of resistance in Latin America as a response to the impact of neoliberal globalisation at the politico-economic, societal, and ideational levels (Chodor 2015). The deep disenchantment with neoliberal policies began to rise as Latin American countries were hit by unsustainable levels of poverty and inequality. Poverty rates barely dropped during the period of neoliberalism from 48.3 per cent in 1990 to 44 per cent in 2002 (ECLAC 2010).

The new regional approach adopted in Latin America in the twenty-first century is more in tune with the grassroots-driven socio-political change that tend to challenge the neoliberal principles and which have sought to make their democracies inclusive and based on social equity.

Latin America and Caribbean region have witnessed new mechanisms of integration and South-South cooperation in the first decade of the twenty-first century associated with endogenous and socialist development thinking and Third World independence, self-determination and collective self-reliance (Muhr 2016).

Global instability and uncertainty have brought about the formation of governments that share economic, political, and ideological interests of regional blocs. Although there were mechanisms of integration and cooperation in Latin America and the Caribbean such as the Central American Integration System (SICA), the Caribbean Community (CARICOM), the Andean Community (CAN), the Southern Common Market (MERCOSUR), and the Community of Latin American and Caribbean States (CELAC) which have shown advances in institutional structure, it is in the ALBA and the UNASUR that a strategic integration has been emerging (Brutto and Salazar 2015).

Hugo Chavez was instrumental in opening up of autonomous policy space in Latin America and the Caribbean and an unequivocal reassertion of the state as the

economic actor throughout the region. This dynamic was particularly felt in the crucial energy sector in the region (Pearce 2013).

Venezuela's regional foreign policy objectives in the context of 'Latin American and Caribbean integration' under Chavez between 1998 and 2005 included: LAC leadership exercised by the G-3; Venezuela's full membership in MERCOSUR; geographical extension of the 1980 San José Agreement which accorded Mexico and Venezuela to supply eleven Central American/Caribbean countries with 160,000 barrels of oil and derivatives per day under a cooperative financing scheme, the creation a 'University of the Caribbean'; a 'Petroamérica' project to integrate the leading oil producers Brazil, Mexico and Venezuela, 'Telesur' and 'University of the South'; a political, social and military 'Confederation of Latin American and Caribbean States'; a 'Latin American Monetary Fund' and a 'Bank of the South', and a Social Charter of the Americas within the Organisation of American (Muhr 2011). Venezuela left the Andean Community in April 2006 and dissolved the G-3 by withdrawing from that group in May 2006.

ALBA-TCP (Alianza Bolivariana para Los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our America- Tratado de Comercio de Los Pueblos (Trade Agreement of the People) was instrumental in bringing the countries encompassing much of Central and South America as well as the Caribbean under the same platform. Initially conceived as a political alliance between Venezuela and Cuba to resist the proposed Free Trade Area of the Americas (FTAA), the ALBA broke with the neoliberal principles based on trade liberalisation and the opening of borders which sought to adapt the legal and regulatory frameworks of the Latin American countries to the U.S. geopolitical project. Based on the principles of solidarity, cooperation, complementarity, and mutual benefit, the ALBA projects the new political realities that are emerging in the region.¹

¹By 2010, ALBA-TCP “aid” to Antigua and Barbuda, Dominica and St Vincent and the Grenadines—which also are CARICOM members amounted to US\$145 million compared with EU “aid” of US\$27 million during 2008–2013 (Girvan 2011). In 2014/2015 nine regional development projects are coordinated triangularly by Cuba, CARICOM and the respective CARICOM member in whose territory the project is implemented (Byron 2015).

In the field of energy, the PetroCaribe initiative stands out for seeking to ensure cooperation on an integrated energy policy with the aim of guaranteeing a stable supply and a balanced energy matrix among the region's countries.

Formed on June 29, 2005, the initiative fostered closer cooperation amongst the 18 countries from the Caribbean and Central America. It involves a financial scheme that allows deferred payment and long-term financing. The case of PetroCaribe is a clear example of the strategic character of the ALBA in an international scenario characterised by uncertainty with regard to the supply of fossil minerals and increasing conflict over access to non-renewable resources.

At the heart of Chavez's foreign policy was the political and social regionalism, as he sought to create a strong and powerful bloc of Latin American countries where the countries will have autonomy in decision making. The Latin American integration and the promotion of an alternative economic and social order, which many countries had only professed in theory, appeared with a renewed vigour under Chavez with a considerable degree of pragmatic flexibility (Raby 2011: 168). This was mainly possible through oil diplomacy and social diplomacy. The President put forth his regional agenda by offering help towards the ideologically sympathetic governments and political movements in the region in the form of ALBA and PetroCaribe (Giacalone 2013).

Regional Initiatives by Hugo Chavez

Venezuela's commitment under Chavez to alternative models of economic and social development based on endogenous strategies was evident in its creation of ALBA and subsequent multilateral agreements like PetroCaribe with various countries in Latin American and the Caribbean region.

➤ Bolivarian Alliance for the Peoples of Our Americas (ALBA)

The Alianza Bolivariana para Los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of Our Americas)-ALBA launched in 2004 symbolises an alternative model of integration in Latin America and Caribbean (LAC) region based on welfare, cooperation and solidarity emphasising on civil society participatory practices in planning and development (Harris and Azzi 2006). They are political projects within

post-neoliberal and counter-imperialist rationales, in a bid of constructing 21st-century socialism as envisaged by President Hugo Chavez (Muhr 2011). After 2004, ALBA quickly transformed from a bilateral socio-centric cooperation agreement between Venezuela and Cuba to a nascent regional bloc with the addition of Bolivia in 2006 (Pearce 2013). President of Bolivia Evo Morales extended the title of ALBA to the "Peoples' Trade Agreement" (TCP; Tratado de Comercio de Los Pueblos), in contrast with a free trade agreement (Tratado de librecomercio); since then, the ALBA became the ALBA-TCP (Muhr 2011).

ALBA's membership now includes 11 Latin American and Caribbean countries.² The formation of ALBA can be put forth in the context of following developments in the political economy of the Latin American and Caribbean (LAC) region: disenchantment with the Washington Consensus; emergence of social movements which was opposed to neoliberal globalisation; and the historical juncture at which governments of the moderate or radical left in several countries of Latin America were elected. The failure of the US-sponsored Free Trade Agreement of the Americas (FTAA) catapulted the promotion of a new model of regional integration in the form of ALBA based on its guiding principles of cooperation, solidarity, complementarity and sovereignty (Girvan 2011). The ALBA-TCP regional space is bounded shared territoriality, i.e. the geographical boundaries of Central America, South America and the Caribbean, and by the historical and cultural roots, common interests, needs and potentialities of the people (Muhr 2011).

Cuba and Venezuela who were the founding members formed the initial Cuba-Venezuela agreement. It included the "adoption of concrete steps towards the process of integration based on the principles, which are laid down in the Joint Declaration between the Bolivarian Republic of Venezuela and the Republic of Cuba (Article 1), "just and sustainable development based on cooperation and solidarity (Article 2)," "special and differential treatment," guaranteed access to benefits for those who participate (as opposed to a competitive system where big players win) (Article 3)", exchange of comprehensive technological packages in areas of common interest based on the principles of mutual benefit (Article 4), special funds and measures for the

²Countries include Cuba and Venezuela (2004), Bolivia (2006), Nicaragua (2007), Dominica (2008), Honduras (2008), Ecuador (2009), St. Vincent and the Grenadines (2009), and Antigua and Barbuda (2009).

environment and for emergencies, energy integration, a theme proposed by Venezuela, less dependence on foreign investment and inter-member preferences for public and joint venture capital, protection of Latin American and Caribbean cultures".³

Cuba, had made the following proposals to Venezuela: elimination of all tariffs and other trade barriers on Venezuelan goods; sharing public facilities such as shipping ports and sports facilities; offering a support of minimum of 15,000 Cuban health professionals to work in Venezuelan primary care (Barrio Adentro); training of doctors and health professionals and candidates who wish to be considered for scientific qualifications, 2,000 general scholarships annually to young Venezuelans and thousands of medical scholarships over a period of 10 years; facilitation of multi-focused tourism products from Venezuela without fiscal surcharges or restrictions of another type; and preferences, including tax exemptions, for all Venezuelan state-owned and joint-venture investments in Cuba.

In return, Venezuela made these following offers: removal of all tariffs and other trade barriers on Cuban goods; transfer of energy sector technology and an oil purchase agreement (a minimum price of \$27 per barrel of oil plus an agreed premium); all scholarships in the energy sector to meet Cuba's needs; financing of productive and infrastructure projects, among others, energy sector, electrical industry, road paving and other roadways projects, port development, aqueducts and sewage, agro-industrial and services sector, and preferences, including tax exemptions, for all Cuban state-owned and joint-venture investments in Venezuela, collaboration with Cuba in research studies on biodiversity and agreements in the field of telecommunication including the use of satellites.⁴

The mutual collaboration between Cuba and Venezuela resulted in the substantial economic growth of both the countries. Between the years from 2004 and 2008, Cuba's average per capita economic growth rate was 8 percent whereas Venezuela's was 8.6 percent, compared with a Latin American average of 4 percent (Anderson 2014). Since its formation in 2004, ALBA's growth had translated into a number of

³ALBA-TCP (2004), "Agreement for the ALBA Application", <http://alba-tcp.org/en/contenido/agreement-alba-application>.

⁴ibid.

bilateral and regional agreements ranging from energy, food security, finance and banking, social development (Ruttenberg and Fuchs 2011).

Venezuela and Cuba had assisted other ALBA countries in times of crisis. When the U.S. stopped buying Bolivia's soybeans in 2006, Cuba and Venezuela began importing them under the ambit of ALBA. ALBA has also assisted Bolivia to upgrade its natural gas sector and Cuba has deployed doctors and teachers to Bolivia. Venezuela has also provided assistance to Bolivia's army, cattle ranches, microfinance projects and urban sanitation companies. Nicaragua under Daniel Ortega has received an estimated \$250 million in aid from Venezuela in 2010 and about \$125 million during 2008 and 2009. Ecuador and Venezuela are involved in a joint oil refinery construction project known as the Pacific Petrochemical Complex (Fuente 2011).

Besides Latin American countries, many countries in the Caribbean has benefited from ALBA without having formal membership. Ten of the 17 Caribbean countries that have benefitted from PetroCaribe credits are non-members of ALBA. Under the ambit of Bolivarian regionalism, is PetroCaribe- a framework designed to facilitate the supply of oil to the neighbouring energy-deficit Caribbean states under preferential conditions and low price (Girvan2011). Non-members receive loans from the ALBA-Caribe Fund, from the ALBA Bank, and from the ALBA Food Security Fund; all three are financed by PetroCaribe. CARICOM non- ALBA beneficiaries include Belize, Grenada, Guyana, Haiti, Jamaica, Suriname and St Kitts and Nevis.⁵ The Commonwealth of Dominica joined ALBA in 2008, followed by Antigua and Barbuda and St Vincent and the Grenadines, both of which joined in 2009. They are full members of Caribbean Community (CARICOM) and of the Organisation of Eastern Caribbean States (OECS).

Financial cooperation is an important function of ALBA. ALBA-Caribe Fund has been earmarked for the financing of social and economic programs, with contributions from financial and non-financial instruments, prioritising access to health care, education, and housing, as well as being oriented to develop socio-productive projects

⁵The Caribbean Community (CARICOM) was launched in 1973 and has four integration 'pillars': economic integration, foreign policy coordination, functional cooperation, and security. Economic integration consists of the creation of the CARICOM Single Market and Economy (CSME). Apart from the island states, the Community includes states like Mexico, Colombia, and Venezuela as observers.

that promote economic development, through small cooperatives and medium-sized industries (SELA 2015).

ALBA-Caribbean Fund is providing funds to Dominica's public sector infrastructural programme, which directly benefits some 45 percent of the national population and is a central element in the country's poverty reduction and social protection strategy. Construction of an international airport in St Vincent and the Grenadines was supported by a soft loan of US\$20 million from the ALBA Bank and US\$10 million from PetroCaribe credits. This is of strategic importance, in that the country has been unable to fully develop its tourism industry due to the absence of an international airport capable of handling large body jet aircraft and has been unable to secure financing for this from the normal sources.

Other infrastructure projects supported by the ALBA Caribbean Fund include the Antigua international airport and the small airport on the island of Barbuda; water, cricket stadium, public library and hurricane reconstruction in Antigua and Barbuda; and roads and bridges in St Vincent and the Grenadines. In Antigua and Barbuda poor and vulnerable groups benefit from the Senior Citizens Utility Subsidy Programme, the People's Benefits Programme, provision of post-hurricane relief supplies, acquisition of a solar dryer for the agro-processing industry, and subsidies for transport of cooking gas to the island of Barbuda. In St Vincent and the Grenadines, there is a major project to finance housing for low-income or no-income beneficiaries, and support for rural development projects in eco-tourism, sports facilities, and fishing and for a Community-based anti-crime initiative (Girvan 2011)

The three major components of ALBA are its proposed regional currency, a regional bank, and its own media outlet. The SUCRE (Spanish acronym for Unified System for the Regional Compensation of Payments), Sistemaúnico de Compensación, is the currency introduced by ALBA which operates as a virtual regional currency. The Bank of ALBA provides loans to states to undertake infrastructural, health, education, and social developments. Established in 2008, the Bank was deemed by Chavez as an alternative to the International Monetary Fund (IMF) and World Bank. Unlike the World Bank or the IMF, the Bank of ALBA does not impose loan conditions and functions based on a consensus of all members, with a rotating presidency of the

member nations.⁶ TeleSUR, a media outlet was launched by Venezuela in 2005 which broadcasts throughout Latin America and the Caribbean. With this, Hugo Chávez had aimed at providing an alternative to what he called a conspiracy by international and local commercial networks to silence and distort news from Latin America.

Besides the above-mentioned functions and exchanges (e.g., medical and educational services for energy sector assistance and discount oil), the ALBA re-established the United Nations Commission on Trade and Development (UNCTAD) meaning of "special and differential treatment" (SDT) in place of a WTO reworking of the term.⁷ ALBA documents do not use the term SDT itself, but the application of ALBA principles in agreements has had the effect of operationalising SDT for the smaller economies (Anderson 2014; Girvan 2011).

The neoliberal critique argues that these practices tend to compromise the kind of predictability and stability of the policy environment that is required for the efficient functioning of market forces and to maintain investor confidence. Another concern is that these agreements are highly politicised as they are influenced by the state of personal relations among leaders. They are also dependent on the willingness of the stronger country not to exploit the situation of asymmetrical power. As a geopolitical and geostrategic project, ALBA-TCP epitomises horizontal integration stressing on building up democratic multi-polar world order and south-south cooperation.

Critics have been no less scathing in their criticism of Chavez's brand of diplomacy in the region. Latin America has witnessed a struggle for leadership between Brazil and Venezuela pertaining to the integration model that the new South American regionalism should adopt. According to Sean Burges (2007), this has been encapsulated in a divide between the importance placed at policy pragmatism and attempts at ideological purity which was seen during the later stages of the formation of UNASUR. These critics described Chavez's brand of socialism as 'radical' and Lula's type of socialism as 'moderate'. One was a recipe for economic disaster while

⁶Bolivia, Cuba, Nicaragua, and Venezuela agreed to establish the ALBA Bank in June 2007, and the bank was formally launched in 2008. Its objectives are to support sustainable social and economic development, reduce poverty, and strengthen integration.

⁷Special and Differential Treatment (SDT) had been enshrined in the General Agreement on Tariffs and Trade (GATT) agreement that preceded the WTO, under provisions that allowed developing countries to use tariff protection and other policies to promote a development of their agriculture and their manufacturing industries.

the latter allowed market forces to coexist with social agenda. A number of other critics even denounced Chavez as a sort of anarchist. It was pointed out that Venezuela has become a sort of a 'rogue' state which is more interested in threatening the security of the region for the sake of an ideological war on behalf of outdated, radical causes (Corrales et al 2011).

➤ **PetroCaribe**

PetroCaribe emerged after the Energy Cooperation Agreement was signed by 14 Caribbean nations during the First Energy Meeting of Heads of State / Government of the Caribbean on 29th June 2005. It has immensely helped in integrating the Latin American and the Caribbean region.

PetroCaribe is an energy cooperation agreement based on a political and institutional framework between the Bolivarian Republic of Venezuela and countries of the Caribbean, Central America and South America. It is primarily aimed at supplying and using energy resources, mainly oil to ensure energy security, socioeconomic development, integration and cooperation among its signatory countries.

In almost 10 years of its functioning, PetroCaribe has set a unique example on the issue of energy cooperation to achieve regional energy security and its objectives include:

- Offering energy supply with a financial arrangement that would allow supporting social and productive projects.
- Planning the energy policy of the member countries, from exploration and production to transportation;
- Widening of the refining and petrochemical capacities in the region. To boost projects on energy conservation and the use of renewable energy sources.
- Building of the infrastructure to manage hydrocarbons in each country. Enhancing the opportunities for further access to electrical energy, by increasing generation capacity.

- Fostering transfer of technology and exchange of knowledge through the creation of bi-national and grand-national mixed enterprises.
- Easy access to gas by the installation of plants for liquefaction, supply of piped gas and filling of gas cylinders for domestic use and to encourage local production by means of swapping goods and services for hydrocarbons (SELA 2015).

PetroCaribe's scheme of energy cooperation and complementarity is therefore based on two basic pillars: first, the solidarity of a country having an energy surplus, like Venezuela, with countries having scarce energy resources; second, the acknowledgement of the asymmetries between a country of a relative medium economic development, like Venezuela, and countries of smaller size and relative development, such as the remaining countries participating in this Agreement (SELA 2015).

The regional integration initiative has now 19 countries bound by solidarity and inspired by the independence and sovereignty of peoples.⁸ PetroCaribe is more than an energy-based agreement and its intention is to help integrate the Greater Caribbean region under a comprehensive program geared toward the “transformation” of these societies. The agreement recognises the need for “special and differentiated” treatment of less-developed countries and guarantees absolute respect for the principles of sovereignty, non-interference, and equality of states, with all terms and conditions determined through bilateral negotiations.

Venezuela is a major player in this energy agreement and became an important cornerstone in the foreign policy of Hugo Chavez. The terms of Venezuela's PetroCaribe Energy Cooperation Agreement are as follows:

- Oil is not sold at concessionary prices. OPEC rules prohibit sales below world market prices by member states.

⁸The countries are Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, El Salvador, Grenada, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Venezuela. This represents approximately two-thirds (66%) of the membership of the Community of Latin American and Caribbean States (CELAC).

- Instead of paying the full amount up front, only a part is remitted immediately in cash. The rest of the payment is converted into a loan, used for development purposes, to be paid off over twenty-five years at 1 percent or 2 percent interest over a period of seventeen years respectively.
- No conditions are attached to the loan.
- Arrangements can be made to repay portions of the loan in the form of goods and services.
- All transactions are state-to-state. No private intermediaries are allowed.
- Transportation and docking facilities, as well as upgrades to refining and storage capabilities, are included.

Table 5.1: PetroCaribe Current Line of Financing

Price per barrel in US\$	% to finance	Condition
≥ 15	5	2-year grace period 17 years to pay at a 2% interest rate
≥ 20	10	
≥ 22	15	
≥ 24	20	
≥ 30	25	
≥ 40	30	2-year grace period 25 years to pay at a 1% interest rate
≥ 50	40	
≥ 80	50	
≥ 100	60	
≥ 150	70	

Source: SELA (2015)

From the table above, the PetroCaribe Agreement establishes a long-term financing of the oil according to which when the international price of the oil barrel exceeds US\$ 40, the term for payment of products will be extended to 25 years, with a two-year grace period included and an interest rate of 1%. When the price of the oil barrel falls

below US\$ 40, the term for payment of products will be 17 years along with a two-year grace period and an interest rate of 2%, whereas short-term payment foresees a period between 30 and 90 days. Venezuela receives goods and services as part of the oil invoice clearing from the oil recipient countries (SELA 2015).

Importantly, PetroCaribe introduced the system of counter-trade, wherein members could repay their oil dues by exporting other products: Cuba pays its oil dues by sending doctors; Nicaragua does it through the exporting coffee, meat etc.; and Guyana pays for its oil through rice. Counter-trade, as an idea, dates back to the 1970s when it was promoted under the slogan of South-South cooperation but could never be put in practice for any sustained period of time. Encouraged by the success of PetroCaribe, it is proposed to transform it into an economic zone so as to establish chains of production, raise trade and cultural exchanges among the member countries. Besides the PetroCaribe, the state-owned PDVSA has also extended support to Bolivia, Ecuador and several other countries in the production and refining of their crude oil.

Promising on the objective of ensuring energy security in the Circum-Caribbean region, PetroCaribe Agreement has guaranteed the energy availability for its member countries by meeting 32%, on average, of their oil demand. It has increased access to energy resources by financing approximately 50% of the oil invoice, almost US\$ 28,000 million and the trade clearing of goods and services in more than US\$ 3,247 million in almost 10 years of existence (SELA 2015). It has become the most important source of financing concessions in the Caribbean Basin, especially during the period of oil high prices and a world economic crisis as most of the recipient countries are debt-ridden.

PetroCaribe shares many elements of commonality with ALBA, including compensation for asymmetries and the financing of poverty reduction and the state sector. For Venezuela under the tenure of Hugo Chavez, PetroCaribe and ALBA are expressions of a Bolivarian vision of solidarity that includes other initiatives, such as PetroAndina, Petrosur, Telesur, and the South Bank (Girvan 2014).

➤ **Venezuela in Other Groupings – UNASUR, CELAC**

Venezuela has actively participated in regional groupings like UNASUR and CELAC. It was invariably at the heart of their establishment, especially in the creation of UNASUR and CELAC.

Union of South American Nations (UNASUR)

UNASUR was created as an additional space for dialogue and co-operation within a system that had already provided several alternative areas for action that vary according to the actors and issues involved (Nolte and Comini 2016).

The creation of UNASUR spearheaded by Brazil was preceded by several meetings of South American countries. The First Summit was held in 2000 and the South American Community of Nations (SACN), which was created in December 2004 with the signing of the Cuzco Declaration, followed by several Summit Meetings of member countries of the Community (Brasilia Summit in September 2005, Cochabamba Summit in December 2006, Margarita Summit in December 2007). Hugo Chavez objected to the name South American Community of Nations and proposed Union of South American Nations (UNASUR). The UNASUR Constitutive Treaty was signed in May 2008, and it entered into force on 11 March 2011, when it was ratified by nine out of 12 Congresses of the member countries (SELA 2015). The Treaty provides in Article 2 states that:

The objective of the South American Union of Nations is to build, in a participatory and consensual manner, an integration and union among its peoples in the cultural, social, economic and political fields, prioritizing political dialogue, social policies, education, energy, infrastructure, financing and the environment, among others, with a view to eliminating socio-economic inequality, in order to achieve social inclusion and participation of civil society, to strengthen democracy and reduce asymmetries within the framework of strengthening the sovereignty and independence of the States.

According to Riggirozzi (2015), UNASUR is fundamentally a regional construction that capitalises on the pre-existing trade-led agreements of the 'open regionalism' of the 1990s but was aimed to strengthen its institutional structure in issues beyond trade. But at the same time, it wants to preserve its autonomous position vis-à-vis the USA or the EU. It focuses on issues in relation to democracy, inclusion, social development, physical integration, defence, and identity.

For Chavez, the promotion of a multipolar order and the rejection of neoliberalism were at the core in joining as a full member of MERCOSUR, and participating in UNASUR (Briceño-Ruiz 2010).

Venezuela is, in fact, an interesting player as it sits at the intersection of the more moderate model of regional governance represented by UNASUR and the radical 'socialist model of regionalism', epitomised by ALBA which includes Venezuela, Honduras, Cuba, Nicaragua, Bolivia, Ecuador, Dominica, Antigua y Barbuda and San Vicente. The Union of South American Nations (UNASUR) was conceived as strategically important by Chavez as it promotes greater interdependence among its 12 members; and as such becomes a mechanism that improves the bargaining power of the region in negotiations with other regions/economic blocs and the WTO negotiations (Briceño-Ruiz 2010).

During 2006-09, the number of ALBA member countries increased with the addition of Bolivia, Nicaragua, and Ecuador, among others; meanwhile, the political internal conditions in these countries were increasingly unstable due to the interference of the United States. As a result, the ALBA core countries took the South American project of UNASUR as a scene to introduce the ALBA agenda due to continued attempts at the peace and stability of State members (Bolivia, Ecuador, and Venezuela) and to the region. As a consequence, UNASUR proposed the construction of a South American Defence Council (SADC) in order to reduce conflict and mistrust, and promote the formulation of a common military policy among its members.⁹ALBA introduced the political, social and productive agenda into UNASUR. Thus, UNASUR designed a new and widened agenda, including a political and commercial dimension, social security, production, democracy, regional security and objectives on topics such as poverty, health, environment, defence and the protection of indigenous people (Campos 2007; Serbin 2007; Briceño-Ruiz 2010).

Since its formation, UNASUR has committed itself to supporting more effective social policy in member states and these priorities are towards the commitment to

⁹The Defence Council was created in response to the US plans to expand its military bases in Colombia, to fight the War on Drugs which was outrightly rejected by Bolivia and Venezuela by ejecting the US Drug Enforcement Administration (DEA) from their countries. SADC was established to reduce the role of the United States in the security of the region, and to draw Colombia away from the American security orbit.

welfare through rights-based health care; in marked contrast to the emphasis on trade and investment in earlier phases of region-building.¹⁰ Health has become one of UNASUR's primary areas in its 'space for political action' (Riggirozzi and Grugel 2015). The Constitutive Treaty of UNASUR has declared the need to foster integration in ways that will provide social inclusion and poverty eradication in ways that were based on the realisation of rights.¹¹

The question of asymmetries among the countries in the region is mainly addressed in the Treaty establishing UNASUR. The eighth objective specifically states "developing concrete and effective mechanisms to overcome asymmetries, thus achieving an equitable integration (SELA 2015).

Community of Latin American and Caribbean States (CELAC)

The founding of Community of Latin American and Caribbean States (CELAC) in December 2011 again manifested the changing nature of regional politics in Latin America. The creation of CELAC came very soon after the 2008 launch of UNASUR. Whereas UNASUR has developed a permanent secretariat, the CELAC extended the union further to include Central America, Mexico, and all the Caribbean states. CELAC has kept both the US and Canada out of the regional forum and is thus a rebuff to the US-led and – sponsored diplomacy of the Summit of the Americas.

As part of this process – and in a direct rebuke to America's interventionism – CELAC declared Latin America and the Caribbean as a 'Zone of Peace' in January 2014. It was perceived by many as another initiative of Venezuelan President Hugo Chavez as a counter-OAS body to resolve Latin American issues during the Honduras Coup crisis in 2009 (Ruttenberg and Fuchs 2011).

The countries in the region reiterated their commitment to the non-intervention principles of the United Nations Charter and to the values of sovereignty, equal rights, and self-determination in their regional relations, as well as committing themselves to promoting nuclear disarmament as a priority objective (CELAC

¹⁰The coming off left in South America in the first decade of the new millennium has put rights-based ideas about health on the political agenda as part of the concept of *buenvivir* (well-being), which has found a place in the new constitutions of Bolivia and Ecuador. Health is an important issue area where UNASUR can make a difference and connect strongly with current debates in the region.

¹¹UNASUR Constitutive Treaty, <http://www.unasur.org/en/node/367>, Accessed 23 January 2017.

2014).¹³ Guy Taylor (2011) reiterated the fact that CELAC “represents the first step in a historic geopolitical shift away from an era dominated by pro-U.S. policies”.

CELAC was seen by many as sort of a diplomatic coup by Chavez to curtail US influence in the region. The assertion for regional leadership has been through the use of oil (Rita Giacalone). Some have also argued that the Latin American institutions of integration might have come under pressure from Chavez’s new parallel organisations (Mainhold 2009).

Charismatic Personality, Regional Leadership and Challenging the US

➤ Charismatic Personality

Personality factor is an important aspect in foreign policy decision making. When a single individual has the necessary power to make the choices concerning the functioning of the state in response to a foreign policy problem, he or she becomes the decision unit and acts as a predominant (Hermann et al 2001).

Scores of analyses focus on the overwhelming personality of Chavez which proved somewhat decisive in the making and conduct of foreign policy. If personal qualities and political predilections of leadership are important, then these were abundantly available in the *persona* of Hugo Chavez. The hugely popular and charismatic leader defined national interest with whatever he chose to do at domestic, regional and international levels. He dominated the politics of Venezuela from 1999 to 2013 and his strong influence and ideological underpinnings resonated in his foreign policy decisions.

The debate which is central to the interpretations of Chavismo, a term that relates to the style of Chavez's leadership and the body of ideas with which he was associated has two contrarian or irreconcilable views. One saw the Chavez government as repressive, demagogic and anachronistic based on crude populism that was undermining Venezuelan democracy and regional stability (Blanco 2002; Canache 2002, 2004). His brand of politics was termed ‘bad left’ which was ‘nationalist, strident, and close-minded and depended on giving away money and had ‘no real domestic agenda (Castañeda 2006). The other view perceives Chavismo as a project

that was or had the potential to be socially and politically reformist (Gott 2000; Ellner and Hellinger 2003).

Chavez managed to gain control over the Constituent Assembly by strategically placing members of his coalition and coordinating the vote from his supporters so that the 'right' men were selected (Corrales and Penfold 2007). Everything was centered on an all-powerful president. Accordingly, between 1999 and 2003, all efforts made for political transformation of a Bolivarian Revolution resulted in a stronger position for the presidency facilitated by his political strategies of the use of polarisation; enhancing 'clientelism' (the provision of services to potential voters and the practice of nepotism); the impunity of corruption; the punishment of dissidents and the discriminative rewards of supporters (Corrales and Penfold 2007). The all-encompassing authority of the President was further facilitated by the promulgation of new laws and resolutions backed by a powerful political instrument, the *LeyHabilitante* (Delegation Law) that enabled him to rule by decree. The 'Enabling Law' adopted by the Venezuelan National Assembly on November 7, 2000, granted Chavez the power to enact laws ranging from banking, petroleum to land reforms without legislative debate or approval (Garcia-Serra 2001).

The Enabling Law diminished the capacity of the elected parties in opposition to exercise any power and grants.¹² Chavez was his own foreign minister; as he bypassed the institutional mechanisms of the state to lay down priorities for his country. There are scores of examples of cults of personality asserting a strong influence on foreign policy affairs. Chavez, especially, was a consummate practitioner of personality led politics, which is why the study of foreign policy under his reign is such an important and intriguing undertaking. Chavez used state institutions as an extension of his own personal beliefs. Under President Chavez, the state took over elements of society and the over-centralisation of power and institutions of authority in the hands of one person provided him with immense space and autonomy to strategize his foreign policy decision making in relative freedom. The use of provocation as an element of diplomatic style by President Chavez not only aimed to infuriate his political adversaries, especially the United States, but also carved out its own space for political positions that would otherwise have been rejected or marginalised in the

¹²Since 1961, the Venezuelan Congress had granted decree powers five times through 'enabling Law'

dominant discourse. Venezuela under Hugo Chavez pursued a vigorous and an active foreign policy with diplomatic engagements beyond the region in pursuit of a series of ambitious and interrelated goals.

➤ **Venezuela and Brazil**

Brazil and Venezuela are engaged in a leadership contestation of South America, each offering a different vision of how the regional geopolitical, geo-economics and ideological space should be organised and directed. These two competing visions are encapsulated in the different methods used to advance a leadership project compounded by economic gains over the last decade (Trinkunas 2013). Both Brazil and Venezuela exemplify cases of strong presidentialism.

Chavez administration (1998–2013) saw a new constitution in 1999 that not only resulted in greater presidential authority—but also replaced country’s bicameral legislative system with a unicameral National Assembly.¹³ In case of Brazil too, political reforms has centralised authority in the presidency. Constitutional reforms in 1988 granted its president the highest degree of institutional autonomy. The Ministry of Foreign Relations (Itamaraty), an institution highly professionalised and traditionally dominant in the scope and direction of Brazilian foreign policy, has declined in importance relative to the presidency in the last two decades (Emerson 2015).

The victory of Hugo Chavez in the recall referendum in 2004 further consolidated his position in Venezuela and in the region. With the internal political front under control, the Venezuelan government began to play a major role in Latin American politics, especially in the integration initiatives. High oil prices from 2003 onward gave Venezuela significant manoeuvrability to pursue an active foreign policy (Briceño-Ruiz 2010).

Some major differences witnessed between Brazil and Venezuela in the regional context is as follows:

¹³It also contained other instruments designed to increase democratic participation and government responsiveness such as referenda, the participation of civil society in the nomination processes of public officials, and incentives for local organisations to make demands of government.

- The Pink Tide as discussed earlier is a contested phenomenon, with the Venezuelan and Brazilian projects interacting with each other at the regional level in the process of defining it. While Venezuela's Bolivarian Revolution under Hugo Chavez was based on a radical interpretation of the endogenous development theme and a construction of a counter-hegemonic alternative to neoliberalism, Brazil under Lula adopted a more moderate stance of reforming certain aspects of the neoliberal project in the pursuit of the 'high road to globalisation' (Chodor 2015).
- There was also a struggle for leadership between Brazil under Luiz Inácio Lula da Silva and Venezuela under Hugo Chavez related to the integration model that the new South American regionalism should adopt. As Burges (2007) has asserted, this process "can be neatly encapsulated in a divide between the overt importance placed upon policy pragmatism and attempts at ideological purity".

Sean Burges (2007) describes this situation in the following terms:

Brazil is more interested in creating economic opportunities for itself, which might offer opportunities to regional "partners." The goal is to make South America a vibrant market for Brazilian products and a source for the energy resources that the country's economy needs. This pragmatic and self-serving market-friendly attitude is not neoliberal at its core—it deploys the state in support of national firms exploiting regional and global opportunities. The Venezuelan president was rapidly taking his country down a statist path that will concentrate economic decisions in the hands of the state.

- The growing role of the government of Hugo Chavez in South American politics and the emergence of allied governments in Bolivia led by Evo Morales and Ecuador by Rafael Correa led to a debate within the South

American Community of Nations (SACN) on the nature of the integration model. The shift toward the modification of the nascent SACN process took place at the First Energy Summit of South America, on Margarita Island, Venezuela, where SACN was renamed UNASUR. The consequence is that the South American project was transformed from a minimalist, pragmatic project to a maximalist, ambitious project with the inclusion of goals such as the diminution of poverty, the reduction of asymmetries, the promotion of cultural diversity, and the constraints imposed on trade promotion (Briceño-Ruiz 2010).

- Energy security is important for both the countries. Venezuelan model is more in tune to the extent to which it promotes regional solidarity, but the Brazilian position centers on a more nuanced balance between domestic and regional concerns. Though both the model of energy integration involves high levels of state involvement but Brazil promotes the takeover of regional energy firms rather than joint undertakings and shared productive initiatives that are more apparent in the Venezuelan model (Ellner 2007).
- Another important aspect of difference that was noticed in the regionalist approach of both Brazil and Venezuela was with regard to ODA. The Brazilian approach to regionalist projects differs radically from the Venezuelan is not just in the reluctance to adopt a strong humanist Overseas Development assistance (ODA) rhetoric, but also in the unwillingness to engage in sustained expenditure to gain leadership of other countries. Brazil lacks both the political will and the economic wealth to do so.¹⁴ Venezuela, on the other hand, used oil as a lever to shape the global political economy. ALBA and PetroCaribe initiated by Venezuela under Chavez were important institutional frameworks in this direction.
- The debate over the Bank of the South is also an evidence of a larger power struggle between Brazil and Venezuela. The Bank of the South (Banco del Sur) was created under the ambit of the Pink Tide as an alternative source of development funding without the imposition of conditionalities.

➤ **OAS, Summit of the Americas and Others**

The Organisation of American States (OAS) is the world's oldest regional security organisation. It traces its origins to the Congress of Panama, proposed by Simón Bolívar in 1826 and attended by representatives from Central and South America. The Panama Congress drafted the “Treaty of Perpetual Union, League and Confederation”, signed by the delegates but ratified only by Gran Colombia (today's Colombia, Ecuador, Panama, and Venezuela) (Robertson 1968).

¹⁴Morgenthau (1962) have argued that Overseas development assistance is thus intrinsically political, which means that states will only give foreign aid if it serves their national interests.

The first of nine International Conferences of American States was held in 1890 at the invitation of the United States and attended by seventeen American Republics in Washington. It was on this occasion that the International Union of American Republics was formed, which was renamed the Pan American Union in 1910.¹⁵

At the ninth, that is the last International Conference of American States in 1948 in Bogota', "Charter of Bogota" was adopted which led to the establishment of the Organisation of American States (OAS).¹⁶ The OAS currently encompasses all 35 independent states in the western hemisphere.

The United States considers the Western Hemisphere as its own "backyard," so it has taken a considerable interest in all security threats to the region. This interest dates back as far as 1823 when President James Monroe issued the Monroe Doctrine, which extended to the newly independent Latin American countries U.S. protection from European recolonisation of the region. Since the founding of the OAS in 1948, the United States has remained active on all security issues, willing to provide resources and leadership in many peaceful settlement procedures (Shaw 2003).

In the 1970s and 1980s, the threat of communism was still of key importance to the United States, but Latin American states, on the other hand, began to see Cuba as less of a security threat and wanted to resume diplomatic and economic trade relations with the island.¹⁷ These contrasting viewpoints led to dissension and also weakness in the OAS because members no longer viewed it as an optimal forum for addressing security concerns (Shaw 2003). Latin American governments began to perceive the OAS as an institution hijacked by the US to advance its national interests and establish its hegemonic status in the region.

The end of the Cold War paved way for a new prioritisation of regional norms and led to the convergence of Latin America and US foreign policy preferences with an

¹⁵Its main functions were to promote economic cooperation and the peaceful settlement of disputes; arrangements were made at this initial stage for the collection and publication of statistics and reports on production, trade and customs regulations.

¹⁶The 1948 OAS Charter has been amended four times: by the 1967 Protocol of Buenos Aires, which went into effect in February 1970; by the 1985 Protocol of Cartagena, which took effect in November 1988; by the 1993 Protocol of Managua, which took effect in March 1996; and by the 1992 Protocol of Washington which took effect in September 1997.

¹⁷Cuba was excluded from the Organisation in 1962 and the subsequent sanctions were imposed against its government.

emphasis on multilateralism. The states unanimously pushed for the renewal of the inter-American system, with cooperative norms of security and a commitment to the defence of democracy in the region (Shaw 2003; Weiffin 2013).

It was also conceived that the Free Trade Area of the Americas (FTAA) stemmed not only from issues of regional market access for trade and investment but also from a broader set of global power issues. The idea of creating a single market with the 34 countries of the Americas was predicated on consolidating the hegemony of US multinationals and structural adjustment policies - that is, neoliberalism. The effort to join the economies of the Americas into a single free trade area began at the Summit of the Americas held in December 1994 in Miami (Tussie 2009).

US–Latin American divergence of foreign policy orientations increasingly became evident in the first decade of the twenty-first century. This is evidenced by the decay of the Summit of the Americas.¹⁸ The 2009 summit was considered a disappointing event, and at the 6th Summit of the Americas in Cartagena, Colombia, in April 2012, no final declaration was adopted, evidencing the lack of consensus. This was evident from the fact that while most Latin American countries sympathised with future Cuban participation in the Summit, the United States and Canada were alone in opposing it, and also refused to endorse Argentina's claim to the British-held Falkland/Malvinas Islands. Another contested issue was drug trafficking (Weiffin 2012: 20).

The position of the OAS as the most institutionalised security organisation was also challenged in the region by sub-regional initiatives. After the establishment of the South American Defence Council (SADC), UNASUR has emerged as the main contender in the region relating to security concerns. Other sub-regional organisations, such as Mercosur and the Andean Community, also have a security dimension.

Hugo Chavez had blamed the Organisation of American States (OAS) for all the ills in the region had called on to create new regional organisations that excluded the United States. In a televised speech in 2012, Chavez said the Inter-American Human

¹⁸ The Summit of the Americas is a series of international summit meetings bringing together the countries of the OAS with its inception in 1994 symbolising its shift to multilateralism in the western hemisphere.

Rights Commission (IACHR) was "a tool the US uses against us" and that Venezuela should pull out of the Organisation of American States; human rights body (BBC 2012).

He had strongly opposed the OAS's active participation in electoral observation missions and support for nongovernmental organisations involved in electoral oversight, and called for replacing the OAS with some of the new associations he was helping to create (Corrales and Romero 2013). The evolution of Venezuela's attitude toward the FTAA also demonstrated both change and continuity as a result of developments both within the state and beyond it. The FTAA collapsed in 2005 (Nelson 2013).

Summary, Findings and Conclusion

Latin America over the last decade witnessed a reconfiguration of regional governance which has characterised the hemispheric political economy. Driven by the 'left' governments popularly referred to as the 'Pink Tide', especially the Bolivarian Republic of Venezuela playing as the force behind, the first decade of the new millennium witnessed the formation of new regionalist projects: the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Agreement (Alianza Bolivariana para los Pueblos de Nuestra América - Tratado de Comercio de los Pueblos - ALBA-TCP), in 2004; the Union of South American Nations (Unión de Naciones Sur Americanas - UNASUR), formalised in 2008; and the Community of Latin American and Caribbean States (Comunidad de Estados de América Latina y el Caribe - CELAC), ratified in 2010.

Although ideology and hemispheric geopolitics have played an important role in the formation of regional blocs like ALBA and UNASUR; but it has to be viewed and framed within the regional optic away from the point of view of Washington. They are a manifestation of a process of reconfiguration within the world political economy and the emergence of new geoeconomic poles of influence – an important facet of 'Global South'. This strategic reorientation towards intra-regional trade, and particularly export to Venezuela, has been quite successful in reducing the dependence on the United States and subsequently its ability to constrain autonomous action. Critics had often lamented that these are personal handouts by Chavez, and are

not sustainable in long term. They would disappear with the fall of international oil prices.

Over the past decade, this left turn has led to Latin Americans taking an increasingly independent and assertive role in the region. It included clashing with Washington on a number of issues in the process, including the embargo on Cuba, the invasion of Iraq, attempts to grant American troops immunity at the International Criminal Court, plans to expand American military bases in Colombia, the coup in Honduras, the War on Drugs, and American policy on Iran. These differences were witnessed in the Summit of the Americas.

Venezuela under Hugo Chavez played its role in this reconfiguration process in Latin America. The revolutionary foreign policy of Chavez changed Venezuela's alliance patterns, fomenting new regional schemes, and modifying the pre-existing regionalism.

Oil boom from 2003 onwards facilitated this regional initiative processes in the form of ALBA and PetroCaribe. The regional policy of Venezuela was best exemplified by its rejection of the Free Trade Area of the Americas (FTAA) - a US-sponsored free trade agreement stretching from Arctic to the Antarctic. Latin America witnessed the thrust towards sub-regional integration, adopting an anti-American discourse and support for political rather than economic integration only. Venezuela challenged the US hegemony in the region through the OAS. The OAS is perceived as a means through which the United States continues to influence the region and pursue its interests.

CHAPTER VI: SUMMARY AND CONCLUSION

It has never been easy for scholars to write anything conclusively on President Hugo Chavez (1999-2013) of Venezuela – his *persona* and his policies. His personality, domestic politics, and regional and international policies and postures, all have been interpreted with such extreme ideological perspectives and deep passions that one fears to lose the objectivity in arriving at academic and scientific conclusions about him and his regime.

No gainsaying, from his electoral victory in 1998 until his death in 2013, the nature of the state and society in Venezuela underwent significant and often dramatic changes. He oversaw deep changes in the domestic economy and polity; and for that, he brought deep changes in the foreign policy choices and tools as well. Chavez's foreign policy was essentially meant to consolidate his Bolivarian Revolution.

He ushered in a new Constitution in 1999 and introduced major institutional changes in the political system, making presidency the lynchpin of his social and economic agenda. Several of his foreign policy ideals and imperatives found expressions in the document. The Constitution envisaged a concept of democracy which was different from the Western liberal model. The Constitution speaks of a 'participative and leading democracy' which would be cognizant of social needs and the ethnic diversity of the country. Meaning thereby that foreign policy had to sub-serve varied domestic constituencies and their myriad goals. The 'participatory' democracy brought in foreign policy arena the concerns of the poor, the minorities and the indigenous. Several provisions of the Constitution obligated specific foreign policy steps. Innovative social programmes such as the 'missions' (*misiones*), which provided basic food, health, literacy, and other public services to the millions, called for the reorientation of foreign policy to meet these social goals.

It is a Bolivarian Constitution; and therefore reflects Simón Bolívar's dream of 'continental solidarity'. Constitutions normally define national identity; Bolivarian Constitution talks of continental solidarity and emancipation. It does not say it so directly and in so many words, yet a reading of the 1999 Constitution clearly conveys that the document is intended to serve goals and dreams beyond defending national sovereignty and defining the national identity. It is important to note that the

Constitution visualises national sovereignty to someday get subordinated to international and regional agreements, and to transfer competencies to some supranational bodies. Besides, it is an advanced document, somewhat post-state and post-modernist in its spirit: the Constitution recognises human rights and, notably, grants constitutional recognition to all of Venezuela's international human rights commitments. Further, Articles 30 and 31 ensure every Venezuelan the right to petition international human rights organisations in case of rights violation; and forbids the extradition of its nationals.

What constituted the foreign policy of Hugo Chavez?; in other words, is it possible to list, perhaps in order of priority and assignments, the variables, the actors, the stakeholders and the sources that made his foreign policy? Not an easy task; still one can attempt to identify a series of variables that scaled up his foreign policy.

Foremost, his foreign policy was an inseparable part of the societal project of transformation and nation-building. His domestic social innovations inspired millions in the region and became examples to be emulated by similar like-minded 'twenty-first century socialist' governments in Latin America and the Caribbean. It meant that foreign policy had to have a strong social component besides Venezuelan diplomacy got in contact directly with civil society associations and political movements in the region.

One comes across a fairly large body of literature that assigns lots of importance to the charismatic personality of Chavez and that he exercised full control over his foreign and domestic policies. No doubt, Chavez was an ever-evolving phenomenon; he aroused considerable curiosity and strong passions across the political spectrum when he was alive, and his legacy in the form of the Bolivarian Revolutionary regime of Venezuela continues to do. Only Cuba's Fidel Castro has aroused more scholarly attention and political passion than Chavez. Like Fidel Castro, he was prescient and an astute player of geo-strategy who carefully timed his actions so as to gain the maximum advantage and inflict maximum damage on his adversaries at home and abroad. Yet, it would be quite a simplistic to credit or discredit, the persona of Chavez

believing that the man was moving and acting freely in a sort of vacuum wielding absolute powers with no one questioning or coming in his way.

Analysts some time described him as ‘maverick’, a ‘populist’ and an authoritarian’, whose 14-year rule only saw an ever-increasing concentration and centralisation of power in the hands of one man. One needs to be cautious in reaching such a simple conclusion.

Likewise, lots of analysts link Chavez’s foreign policy to the high price of oil that prevailed much of time during his presidency. This commonly used framework sees Venezuelan foreign policy characterised by a growing dependency on oil market cycles. Chavez’s radicalism, according to this view, was the handiwork of high global oil prices- a flash in the pan made possible by fortuitous global energy context. As prices fell from mid-2014 and Venezuelan economy faced difficulties, several foreign policy initiatives have declined.

It is a useful framework. The interplay of a high price of oil in the international market and an assertive foreign policy needs to be understood and elaborated. Social scientists have not fully explained the political economy of oil; and why oil-based economies generate an autocratic rule. This is called the ‘First Law of Petropolitics’ as espoused by Thomas L. Friedman. In the case of Venezuela, the fortuitous circumstances of high oil prices also facilitated greater concentration and centralisation of powers in the hands of President Hugo Chavez. In consequence, his ability to shape Venezuelan foreign policy and make forays on international political stage was very significant and, sometimes, dramatic too; for instance during the border stand-off between Colombia and Ecuador in 2008 when Chavez impromptu announced severance of diplomatic ties with Bogota. Analysts have often alluded to his ‘charismatic personality’ which endowed lots of popular support and legitimacy to whatever he did at the domestic political and foreign policy levels. However, his military background, humble origin, and confrontational style of politics and diplomacy equally added to his personal aura and appeal – though, and it is not beside the point that many of his foreign and domestic policies also proved harmful for

perceived national interests and governance. No gainsaying, his charisma has survived his demise; and the theme remains alive and open for further discussion.

Foreign policy of Hugo Chavez needs a multi-level analysis. Oil can never be the sufficient condition by itself. It is wrong to state that Chavez had ‘petrolized’ the polity and the foreign policy i.e. he continued to spend the oil wealth on his grand domestic and foreign policy projects, even after the oil wealth had begun to run out.

Dynamics of domestic politics and changes in the international affairs did help Chavez mount his distinctive brand of foreign policy. Both domestic societal and state factors combined to make his foreign policy ambitions practical and realisable.

First and foremost, one needs to acknowledge the augmentation of state capacity under Chavez which made Venezuelan state capable to capture the high oil revenues and channel them effectively in domestic social spending and an ambitious foreign policy. An ordinary state could not have been able to absorb the oil ‘windfall’. Effective institutions of governance and public policy making process had ensued the making of the 1999 Constitution. It was the Constitution and the architecture of institutions that made the domestic social change and foreign policy conduct possible. In fact, it is the Constitution that established the clearest relationship between foreign policy and societal elements since it provides for elements of direct democracy such as referendum; recognises the country as multiethnic; elevates international agreements to constitutional status, and gives rights to citizens to petition directly international human rights organisations.

Secondly, the elections of 2000 produced a majority for the ruling socialist party in the National Assembly. It meant that legislature generally endorsed presidential initiatives in foreign policy arena without questioning. A legislature, dominated by the Chavez, having the majority from the ruling Socialist Unity Party of Venezuela (PSUV) also came to represent and reflect diverse state and civil society viewpoints and interests in the foreign policy arena. It became the public space where both state and societal interests and views coalesced. It was the National Assembly that quickly endorsed and ratified many agreements and treaties of bilateral and multilateral nature

including the ones such as the PetroCaribe and the decision to set up the Bank of the South. The national legislature came to play an important role too in Inter-Parliamentary Union and regional parliaments on significant issues and enhanced cooperation among parliaments at the regional and global levels. National Assembly backed the presidency on foreign policy fronts which required legislative assent: ambassadorial and other significant appointments, international emergency and extraordinary powers granted to the executive branch, budgetary allocation for foreign travels, summits etc. and programmes such as the PetroCaribe, and role that the legislative committees and commissions played in the development of foreign policy.

Thirdly, the role of the ruling PSUV became prominent in the foreign policy arena. The relationship between the government and society came to be mediated through the ruling PSUV. The ruling PSUV combined the ‘international’ with the ‘domestic’, transforming foreign policy effectively into the ‘intermestic’ arena. Party leaders, which included diverse left-leaning intellectuals, politicians, former guerillas, human rights and other social activists, had prior linkages with their counterparts in the region; and they helped build a region-wide platform of solidarity and support for Chavez and his policies. These civil society assemblies worked to produce policy-related ideas and proposals and legitimised Chavez’s foreign policy, more so, at the regional/sub-regional level. Besides his *Misiones Sociales* brought in foreign volunteers and professional into the country; for instance, some 35000 Cuban doctors to manage the national health services in Venezuela.

Moving from domestic, Chavez also found a propitious and peaceful regional environment; of course, he contributed to it as well. With the turn of the century, Latin America had entered into a decade of ‘super cycle’ of high growth made possible by the high demand and price of its exports by China and other dynamic economies of Asia Pacific. Besides, long periods of low economic growth and consolidation of democratic institutions and practices had around the same time brought to power presidents and parties on the promise of economic growth and distribution. The rise of the so-called ‘pink tide’ regimes – which all had different hues of the ‘pink’ – in almost the entire South America produced a favourable

atmosphere for his brand of regional diplomacy emphasising regional solidarity and integration. Sustained growth rates with a focus on distribution encouraged the movement towards regional cooperation and integration. In the first decade of the twenty-first century, many regional integration schemes were launched in South America – South American Common Market (MERCOSUR), Andean Pact, Union of South American Nations (UNASUR), Bolivarian Alliance for the Peoples of Our Americas (ALBA), Community of Latin American and Caribbean States (CELAC) and several more. Venezuela was invariably at the heart of their establishment, especially in the creation of UNASUR and CELAC.

A Multipolar World Order and Clash with the US

By 2004, Chavez was in full control of his Bolivarian Revolution and ready to launch an assertive foreign policy. At a conference in December 2004, he, for the first time, elaborated his conception of a multipolar world. He identified five main poles of global power viz. the continents of Africa, Asia, Europe, North America and South America. The concept was intended to strengthen Venezuelan sovereignty in the international community by consolidating and diversifying Venezuela's political and economic relations through intensive engagements with a select group of countries and regions.

Major changes were made in foreign policy arena especially in regard to bilateral relations with the US. At the global level, he differed and opposed US policy goals and actions: he opposed the 'right to intervention' promoted in the name of 'Responsibility to Protect' (R2P) by Canada, Australia, and other Western powers through the UN; the regime change in Libya with UN approval in the name of protecting the civilians, UN sanctions against Iran and Russia. This was Chavez's way of building a multipolar and an anti-capitalist world.

Chavez came to view relations with the US as above the mundane of 'national interest', or an interdependence caused by oil. He perceived himself as locked in an adversarial ideological relationship with the US. He stood against the neoliberal free market model of growth, inter-American free trade and the US hegemonic role in

Latin America and the Caribbean. Anyone who opposed and challenged the US primacy in the region and its global hegemony earned his sympathy and support. Venezuela intrinsically supported statist tendencies in economy and politics, nationalisation of resources and distribution of wealth. Chavez's idea was to reduce Venezuela's dependence on the US to the bare minimum, and challenge and undermine it through an alternative developmental paradigm of 'twenty-first century socialism' and regional cooperation schemes. He also endeavoured to substitute the inter-American system with a pan-Latin American architecture of economic, social and political cooperation.

US-Venezuela relation is a complex story. Relations had soured with Chavez winning the presidential election in 1999. With the two sides remaining suspicious of each other, trade and economic relations nevertheless remained stable: US received some 50 percent of Venezuelan exports and US products constituted around 45 per cent of total Venezuelan imports in 2000. White House had, early and somewhat prematurely, supported the military coup of 2002 when for some 72 hours, Chavez was removed from the presidency and the coup leaders had disbanded the constitution, the legislature, the judiciary and all political activities. Relations worsened after the 2002 coup, with Venezuela asking the US ambassador to quit and recalled its own ambassador from Washington D.C. A particular sore point has been US funnelling of money to anti-Chavez opposition under its 'democracy promotion' programmes, which were clearly intended to undermine the Chavez government. That such funding for the anti-Chavista opposition has continued, rather increased, after Chavez's death has created the general belief that the US is out to destabilise the Chavista government of Nicolas Maduro – the successor to Chavez - in Venezuela.

The failed coup of 2002 cast a long shadow on Venezuela's ties with the US. This is not the place, scholars however have analysed several missteps and wrong initiatives that provoked Chavez in ranting against the US at global forums. The terrorist attacks on US on 9/11 were critical in further souring the relations. Chavez was very critical of the US military operations in Afghanistan and subsequent intervention in 2003 in Iraq. Deterioration in bilateral relations did not, significantly, hurt the commercial

relations between the two countries. Energy relations between the two countries remained strong despite political divergences and extreme political distaste for each other. It might sound strange but it is true: Venezuela sold more oil to the US under Chavez than it did previously. The US got roughly eight to nine per cent of its crude imports from Venezuela, and several Venezuela-owned refineries on the Gulf coast of US make the energy relationship interdependent. The onset of ‘shale revolution’ in North America around 2008 and its acceleration a few years later brought imports of Venezuelan crude considerably down which created serious market problems for Venezuela. Nevertheless, it is interesting to see how Venezuela coped with its anti-US rhetoric and action while at the same time remaining critically dependent on US market for its oil exports and investment in its petroleum sector. This was also the period of high oil production which created even more challenges for Venezuela in its desire to reduce dependence on US market and diversify its oil linkages towards Asian consumers, viz. China and India.

Beyond the Hemisphere, Venezuela looked at Russia for strategic ties. In particular, Chavez looked at Moscow as a source of weapons for the modernisation of his antiquated armed forces. When US refused to sell F-16 fighter jets, Chavez turned to Moscow. The two countries signed as many as 51 cooperation agreements in a span of five years, and Moscow agreed to extend a credit line of US\$ 4 billion for the purchase of arms and equipment. On offer were arms and weapon systems that would add some deterrence capacity to Venezuela: 51 helicopters of Mi series and 24 Sukhoi SU-30MK2 fourth generation fighter bombers, besides Kalashnikov rifles and the production of ammunition in the Venezuelan state-owned arms company, the CAVIM. Critics said that Venezuelan ambitions threatened regional balance and could have provoked a regional arms race. Be that as it may, Venezuela-Russia cooperation in the area of defence equipment facilitated the return of Russia to Latin America – many years after the demise of Soviet Union. Ties with Russia went beyond bilateral exchanges. Getting closer to Russia was a strategic choice. It was a strategic move when Venezuela became only the third country to recognise the breakaway republics of Abkhazia and South Ossetia; Venezuela also sided with Russia during its 2008 war with Georgia. In 2010, Russia offered to build for Venezuela its nuclear

power plant. The countries also had held a joint naval exercise in the Caribbean, much to the chagrin of the US.

Looking for affordable and secure energy resources for its double-digit economic growth, China had for long looked at Venezuela as a source of crude oil and also a destination for investment by its globally competitive state-owned oil firms. Hugo Chavez welcomed Chinese oil firms after his ‘nationalisation’ of the oil sector. Nonetheless, the ‘nationalisation’ of oil sector opened Venezuela’s oil sector to global competition; oil companies from China, India, South Korea entered in a reasonably big way into the petroleum sector – thus diversifying Venezuela’s petroleum sector. Petroleum sector also opened the doors for investment in other areas: civil construction and engineering companies from Brazil, Belarus, Iran besides Russia and China expanded their footprints. The importance of these developments was that Venezuela, and few other Latin American countries too, succeeded to some extent in diversifying the sources of investment from beyond the West. This kind of financial internationalisation added to the drive for multipolarisation of global finance. China lent billions of dollars in return for guaranteed oil supplies in the future. On the negative side, by 2013, Venezuela had reportedly collected sufficiently large debt to China to be paid through oil supplies.

Building close strategic relations with China and Russia was part of his drive for a multipolar world. Chavez often said that it is important, how countries relate to each other. If the relationship is based on justice and equality, it protects and promotes independence and development of each nation; an unjust and unequal system breeds dependence and under-development for many. He found the US-based unipolar world as inherently dominating; and was, therefore, dangerous for the freedom and development of all other countries. In his perception, a multipolar world is one which is balanced; where great powers play their part and cooperate with others. Freedom and equality among nations was the essence of his concept of multipolarity.

Towards the end of a multipolar world, Chavez also welcomed groupings such as the BRICS and their idea of a development bank. The geopolitical alliance with Iran gained strength especially after 2005 when Mahmoud Ahmadinejad became the

president of Iran. Chavez leveraged the OPEC so as to convince all the members to both keep the production and price of oil high during the boom years.

Building a New Latin American-Caribbean Unity

Latin America and the Caribbean have always desired autonomy from external threats and domination, and have sought economic independence and development in place of dependence and underdevelopment. The opening decade of the twenty-first century was in this respect an historical exception: the region was never more autonomous as now, and prospects of development were brighter than ever before. Chavez did perceive clearly the diffusion of power in the international system and decided to take advantage of it for his country and the region. At the regional level, conditions were exceptionally promising: Brazil was growing both economically and politically; its weight in international affairs was on the rise. Latin American exports commanded high demand and price in the international market; China, India and other dynamic economies had entered the region looking for Latin American resources, market, and investment opportunities.

Latin America as a region negotiated trade and held political dialogues with European Union, the Arab World, China, and Africa. There was a mushrooming of regional and sub-regional integration schemes. Above all, a revolutionary foreign policy of Venezuela, defiant of US, resonated regionally and internationally. Chavez sought to rally the region around in an expression of freedom and regional unity; he particularly was instrumental in the formation of ALBA and the UNASUR – the two regional integration schemes that focused on social cooperation and political solidarity; and came to symbolise regional rejection of the US hegemonic project of FTAA. In 2009, UNASUR set up the regional Defence Council, thus taking the idea of regional security away from the clutches of the Organisation of American States (OAS).

Mushrooming of regional schemes had, among others, reduced tension; several existing disputes related mostly to borders and boundary demarcations were put on the backburner. There was a clear regional preference for dialogue and resolution of disputes through negotiations. Truly, Latin America was more peaceful and stable

than ever before. Such a peaceful strategic environment and spirit of regional solidarity paved the path of massive foreign investment that flowed into the region during the decade of growth. Regional cooperation got further enhanced because of the changing nature of non-traditional security threats, such as those posed by narco-trafficking and crime syndicates.

Venezuela under Chavez became more conscious of its geopolitical advantages: the country connects the two sub-regions of the Caribbean and South America/ Andean – the hotspot of global maritime trade and the resource-rich land rising in significance for global development. Chavez did not think of his country as a geopolitical pivot but essentially as a geostrategic player who, with the full backing of its people and the region, could begin challenging US hegemony and replace it with the irreversible regional solidarity and global multipolarity.

In a nutshell, Chavez's revolutionary foreign policy changed Venezuela's alliance patterns. In essence, a capable and charismatic president, with the backing of the domestic complex of institutions and actors, financed his foreign policy to change the established norms and patterns of the regional balance of power and forces – and thus took full advantage of power diffusion in an uncertain fluid international system. The revolutionary foreign policy changed Venezuela's alliance patterns, fomenting new regional schemes, and modifying the pre-existing regionalism. This policy demonstrated that under global conditions power diffusion, a regional power with a driven leadership, which is backed by state and societal elements, could successfully infringe the normative limits of the international system and promote alternative norms of governing international relations.

Chavez's foreign policy was a complex phenomenon; it is not easy to demarcate the line between when the policy was realistic and when it became rhetorical. Foremost, he sought to curtail the influence of the United States in the region; at the least, he sought to increase the influence of Venezuela in the region, particularly the larger Circum-Caribbean region. Analysts have explained and analysed it by using the concept of 'soft balancing'. In simple terms, it meant that Chavez, short of going to war, made every effort to frustrate the foreign policy and other strategic goals of the

US – the historically dominant power in the Western Hemisphere – and promote those of his own.

He built a number of alliances with the neighbouring countries in the Caribbean and South America. In the fourteen years that he ruled, Chavez launched a host of schemes and mechanisms to frustrate the power and presence of the US. For him, it was so often an ideological battle between US-prescribed free market economy and free trade agreement and his own brand of ‘twenty-first century socialism’ i.e. state-ownership, distribution, and regional cooperation. In place of the ‘Washington Consensus’, he became the voice of the ‘post-Washington Consensus’.

ALBA: Foremost expression of the ‘post-Washington Consensus’ came in the form of the Bolivarian Alliance for the Peoples of Our America (ALBA - *Alianza Bolivariana para los Pueblos de Nuestra América*) which was launched in 2006 after the Latin American and Caribbean countries had unanimously rejected the US-prescribed Free Trade Area of the Americas (FTAA) – a grandiose scheme of free trade covering the entire Western Hemisphere from the Arctic to the Antarctic which was assiduously championed by the successive US administrations since the mid-1990s. As has been discussed in the preceding chapters, ALBA was a rejection of the neoliberal ‘Washington Consensus’ as a model of economic development for the region. ALBA offered an alternative discourse on development – a discourse that emphasised on state-ownership of resources, high social spending and regional integration in social areas like literacy campaigns, access to safe drinking water, upgrading the skills, telemedicine etc. ALBA, Chavez claimed, is there to fulfil the ideals of the nineteenth century Liberator, Simón Bolívar.

ALBA established a close relationship between Venezuela and Cuba and a personal bond between Chavez and Castro. Under the ‘doctor-for-oil’ exchange programme, Venezuela provided millions of barrels of oil to Cuba in return for some thirty-five thousand Cuban doctors, who continue to man and complement the Venezuelan healthcare services. Close fraternal ties with Bolivia and Ecuador, the other two ‘twenty-first century socialist’ partners in ALBA, enabled Venezuela to expand its political influence in the heart of the South American geographical continent. Chavez

found useful allies in moderate left-leaning governments of President Lula da Silva in Brazil and President Nestor Kircher in Argentina. In 2005, Brazil led the South American Common Market (MERCOSUR) countries vote against the US-proposed FTAA. All through South America and the Caribbean, the commonly-held view was that FTAA would destroy peasants and small agriculturalists in the region, local manufacturing and further deteriorate the labour standards and add to the environmental destruction. FTAA stood for corporate America to have unhindered access to Latin American natural resources and market. In the end, ALBA produced lots of popular support and sympathy for Chavez's brand of diplomacy.

The 10-member grouping, comprising Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, St. Lucia, St. Vincent and the Grenadines, and Venezuela, had its fourteenth summit held in March 2017 in Caracas. By focussing on issues of social well being such as poverty alleviation, healthcare, and trade exchanges, the grouping has helped the small landholders and local producers. At the 14th summit, it was reported that under ALBA's literacy campaigns, around 2.6 million persons have so far been taught to read and write; and literacy rate among the member-countries has increased to 96 per cent. In 2009, ALBA had begun trading in a new regional electronic currency, called 'Sucre', so as to reduce dependence on trading in US dollar. Use of 'Sucre' has increased from an initial US\$ 12 million to \$ one billion by 2017.

PetroCaribe: It was at the regional/sub-regional level that Chavez realistically hoped to exercise influence and leadership, and it was at the regional/sub-regional level that he could implement his alternative model of development and cooperation. PetroCaribe became the cornerstone of his regional foreign policy – meant to expand Venezuelan influence, and to also challenge the power and domination of US. On 29 June 2005, fourteen countries in the Caribbean-Central American region signed the agreement to establish PetroCaribe; today the membership stands at 19, including Venezuela. It is a scheme that provides preferential oil purchase to energy-poor countries in the region. Countries pay only 60 per cent of the cost of oil; the remaining 40 per cent is to be paid at an interest rate of only one per cent over the

next 25 years. PetroCaribe has continued even after the death Chavez; President Nicolas Maduro has vowed to continue with it despite the hardships faced by the Venezuelan oil sector, as an expression of solidarity with the neighbouring countries. The state-owned PDVSA currently supplies around 124,000 barrels of oil per day to member countries. The scheme meets around 40 per cent of the demand for oil in the region; and since its launch, PetroCaribe has delivered 301 million barrels of oil to the member countries.

PetroCaribe encouraged member countries to spend, the money thus saved, on social programmes worked out under ALBA. Without this concession, the conditions in the energy-poor member-countries would have deteriorated in the face of high oil prices during the decade, 2005-14.

Importantly, PetroCaribe introduced the system of counter-trade, wherein members could repay their oil dues by exporting other products: Cuba pays its oil dues by sending doctors; Nicaragua does it through the exporting coffee, meat etc.; and Guyana pays for its oil through rice. Counter-trade, as an idea dates, back to the 1970s when it was promoted under the slogan of South-South cooperation but could never be put in practice for any sustained period of time. Encouraged by the success of PetroCaribe, it is proposed to transform it into an economic zone so as to establish chains of production, raise trade and cultural exchanges among the member countries. Besides the PetroCaribe, the state-owned PDVSA has also extended support to Bolivia, Ecuador and several other countries in the production and refining of their crude oil.

Chavez had other innovative schemes for cooperation with neighbouring countries. The cooperation between Venezuela and Brazil came to develop on the principle of mutual development and economic help. In 2001, a high-voltage power line joined the two countries: cheap hydroelectricity was brought from Venezuela to the poor northern region of Brazil; in return, Brazil paid tens of millions of dollars annually to Venezuela.

Likewise, Venezuela's state oil firm PDVSA owned 40 per cent of refinery built together in Brazil in partnership with the state-owned Petrobras. PDVSA worked like 'state within the state' under the 'fourth republic' – 1958 to 1998. It was the core state institution that had to change, and no president in the past had dared to even touch it. As is known, it was the dismissal of seven top officials of PDVSA that had precipitated the coup attempt in 2002. The ruling oligarchy when failed to overthrow the Chavez government, organised massive oil strikes during 2002 and 2003. Chavez had to finally dismiss several thousand PDVSA staff and appoint new ones so that the state-owned oil monopoly works as an effective source of support for his domestic social agenda and foreign policy goals. He had to first extricate PDVSA from under the control of global oil interests and then reform it so as to make it useful for his foreign policy agenda. This he did by first nationalising the oil, and reserving new finds in Orinoco basin to exclusively for state control and ownership.

Bank of the South: Under the banner of ALBA, Chavez conceived the idea of a bank to provide development finance to member-countries. Bank of the South, or *Banco del Sur*, with its headquarters in Caracas, was to promote social and developmental goals of the grouping. Bank of the South was a bold attempt to get the Latin American-Caribbean region rid of the harsh 'conditionalities' that were associated with the lending of the World Bank and the Inter-American Development Bank.

Joseph Stiglitz had for some time been advocating the idea of a bank that could reflect the perspectives of the South, and which would provide financing for the much-needed infrastructure development and social programmes in the Global South. Chavez thought of it in 2006; and *Banco del Sur* was finally established on 26 September 2009 by a group of South American countries, comprising Argentina, Brazil, Bolivia, Ecuador, Paraguay, Uruguay and Venezuela who together pledged initially \$20 billion. It was agreed that Argentina, Brazil and Venezuela would each contribute \$4 billion and the rest small amounts making an overall total of \$20 billion.

Banco del Sur had the same anti-neoliberal impulse that permeated the ALBA and the PetroCaribe. By the time the bank was established, Venezuela and other South American member countries had large foreign exchange surpluses; it was opportune to invest their investible surplus foreign exchange in a regional development bank that would lend money on an easy term to most deserving projects in South America. By 2005, most Latin American countries had paid off larger portions of their external debts; and they also no longer felt dependent on IMF for emergency borrowing. In fact, countries like Argentina and Brazil had declined to borrow from IMF; and Chavez had wanted Venezuela to quit the IMF altogether. Unlike World Bank and the Inter-American Development Bank, *Banco del Sur* was to work in a transparent manner and on the principle of one nation-one vote. Several of the ideas championed at *Banco del Sur* eventually came to be incorporated in the working of the New Development Bank (NDB), established by the BRICS. As for Bank of the South, not much in fact happened after its formal establishment, in terms of building the institution or actually providing the committed capital for it to start working. As of 2013, when Chavez died, *Banco del Sur* was only a legal entity.

Chavez did many more things. For instance, in 2001, when Argentina was about to default, with no help from IMF in sight, Chavez lent to Nestor Kirchner government billions of dollars by buying Argentine bonds and bailed the country out of a debt default situation that could have politically devastated Argentina as a nation.

Solidarity among the Global South

Chavez was convinced that the idea of South-South cooperation, which had remained essentially a rhetoric for decades, can be put in practice. In the altered circumstances of globalisation at the turn of the century, there were new processes and different kind of capabilities which made the concept of Global South realisable. Countries of the South, it was found, had a lot more investible capital; they also had competitive advantages in certain technologies e.g. Brazil in biofuels, India in Information Technology and Venezuela in the oil industry; besides, the intra-South trade had been consistently on the rise since the beginning of the 1990s. These three powerful economic and technology trends gave rise to optimism that large and

dynamic economies in the South such as Venezuela, Brazil, India etc. could provide leadership to other developing countries in international forums besides enhancing mutual cooperation through regional/sub-regional integration schemes.

To promote the cause of South-South solidarity, Chavez focused on Africa. He established strong bonds of friendship between Latin American and the regional African Union. By 2011, Venezuela had signed as many as 200 cooperation agreements with a fairly large number of African countries in vastly different areas such as energy and finance, sharing technology and 'best practices' in areas of social development and rice cultivation. Venezuela, in fact, became the only country in the world which had diplomatic missions in each and every country on the African continent. In 2014, Venezuela launched, with the help of the UN-FAO, the \$62 million joint programme to help the sub-Saharan African countries in rice cultivation. Fast emerging economies like India came into view. In 2004, Chavez was in New Delhi and offered to supply 'heavy' and the 'extra-heavy' crude to Indian oil refineries which were geared to process the crude. In fact, it was his nationalisation of Venezuelan oil which enabled oil firms from India, China and other emerging economies to enter the Venezuelan oil market – traditionally dominated by the giant American and Western oil companies. It was thanks to Chavez's offer that India's state-owned ONGC-Videsh and the private firm, Reliance entered oil business in Venezuela – winning several bids for offshore oil prospecting in the Orinoco basin. In 2013, India imported an estimated 400,000 bpd of crude from Venezuela. Venezuela is the fourth largest source of crude import; in 2013, Indian purchase of Venezuelan crude stood at US\$ 14 billion.

Chavez's idea of Global South extended beyond the rubric of state to state cooperation. He brought his unique brand of diplomacy directly to the affected communities and people. His own humble origin and the teachings of Simon Bolivar had taught him the concept of 'peoples' diplomacy'. A very good example of this was the Venezuelan-Cuban joint effort, called the Mission Miracle. Over a period of ten years, Mission Miracle treated some six million people in Latin America who were

afflicted with visual ailments. Cataract operations and restoration of eyesight had benefitted some three million people in the region by 2017.

Another Venezuela-Cuba joint effort resulted in the establishment of Salvador Allende Latin American School of Medicine in Caracas. Some 500 medical students from 15 African countries were admitted with a full scholarship to study medicine. Following the Israeli attack on Gaza in 2006, Venezuela had granted scholarship to 100 students from Palestine to study medicine in the Salvador Allende medical school. As of 2017, as many as 1600 students from 42 countries are enrolled there; and around twenty-one thousand doctors have graduated.

In an expression of global solidarity, Chavez reached to the victims of Hurricanes Katrina and Rita that devastated large parts of New Orleans, Louisiana in the US. In 2005, he launched the programme to provide subsidized oil for heating the homes of those who were affected by hurricanes. CITGO Petroleum Corporation, a subsidiary of state-owned PDVSA which has a vast network in US retail market of petroleum and petroleum products, was tasked with providing cheap fuel oil to hundreds of thousands of low-income families in Louisiana. Low-income families, which were unable to pay their fuel bills for home-heating, could access up to 100 gallons of fuel for home-heating absolutely free. It is said that the programme helped some 1.8 million; besides, CITGO Petroleum Corporation has also distributed energy-saving bulbs to thousands of families since 2009. Nearer home, ALBA provided around \$2.42 billion of aid to Haiti after the devastation caused the 2010 earthquake.

Substantial social participation in the formulation of foreign policy meant greater 'politicisation' of foreign policy arena. The 1999 Constitution described the country as multiethnic, and used terms like the 'natives' and the 'Afro-Venezuelan' national identity. The popular diplomacy and getting direct with the local communities in the Caribbean and Africa and Louisiana was in consonance with developing this new ethnic identity.

In sum, foreign policy of Hugo Chavez needs a multi-level analysis. Oil was an important but never a sufficient condition for an assertive and autonomous foreign

policy. Domestic state and societal elements, combined with his charismatic leadership, worked to build his foreign policy. The combination of state and societal elements made several of his foreign policy initiatives, more so at the regional level, practical. He was more successful at the regional/sub-regional levels where he was also greatly assisted by two positive developments: the rise of left-leaning like-minded governments in most of the South American countries and the region-wide commodity export boom which made the region more autonomous and active in international affairs. These dynamics of domestic politics and changes in the regional and international affairs did help Chavez mount his distinctive brand of foreign policy.

The principal hypothesis that “The cycle of oil-export boom fuelled and facilitated the pursuit of a foreign policy premised on promoting global multipolarity and regional leadership” stands only partially validated.

The study shows that there were many more factors, and it empirically establishes the following revised hypothesis:

Domestic societal and state elements, regional dynamics of left-leaning democracies and sustained growth rates besides the power diffusion in the international system propelled the charismatic and astute President Hugo Chavez champion, with the help of oil wealth, his unique brand of autonomous foreign policy.

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