

# AGREEMENTS WITH RUSSIA

## GEOPOLITICAL ALLIANCE

# Transparencia Venezuela

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## **AGREEMENTS WITH RUSSIA, GEOPOLITICAL ALLIANCE**

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Venezuela's economic and political institutions, as well as the strategy and focus of its international relations, took a major turn since Hugo Chávez came to power in 1999.

During the first years, the constitution-making process, the restructuring of the branches of government, the granting of enabling powers to the Executive Branch and subsequent legal reforms that ran counter to democratic principles and rights, led to a major political and social conflict that paved the way for a failed coup d'état in 2002, prompted a general strike that crippled the country's main industry, and soured relations between Venezuela and the United States. From 2003 onwards, administrations have stepped up measures to ensure a greater concentration of political and economic power, nullify counterbalances and evade transparency and accountability mechanisms. The size of the State increased considerably after the creation, expropriation and confiscation of businesses, while at the same time other government agencies grew in number, and social programs were created for clientelistic practices and political coercion.

Efforts to promote the so-called "21st Century Socialism" geared international relations towards countries that Caracas assumed to be against the "capitalist" model of the West, hence closer ties with Cuba, China and Russia in particular, and support was provided to leftist leaders and parties in Latin America and the Caribbean.

The alliances with China and Russia, in the midst of the oil boom, resulted in hundreds of trades and flows of funds through loans and investments. In the case of China,

two previous reports by Transparencia Venezuela<sup>1</sup> showed that the loans were mainly used to exploit and further undermine institutions, fuel corruption and contribute to the authoritarian shift of the government, while the loans failed to produce development and welfare for Venezuelan society.

With respect to Russia, this paper shows differences with China in the intentions of its government, fewer funds, and greater emphasis on investments than on loans; there are similarities, however, in the corrosive effect on democratic institutions and economic performance, in addition to the tense geopolitical situation after the invasion of Ukraine, with uncertain results for Venezuela.

Corrosive capital is defined here as the flow of funds, mostly from authoritarian states, resulting from opaque agreements that exploit legal loopholes and governance gaps in the recipient country to establish asymmetrical economic relations, undermine democratic institutions and favor particular economic and geopolitical interests to the detriment of social welfare.

Faced with the challenge posed by the influx of corrosive capital, we propose a set of recommendations for loans and investments to contribute to Venezuela's economic and democratic recovery.

<sup>1</sup> TRANSPARENCIA VENEZUELA. (2020). THE CHINA DEALS. AGREEMENTS THAT UNDERMINED DEMOCRACY IN VENEZUELA. AVAILABLE AT: [HTTPS://TRANSPARENCIA.ORG.VE/PROJECT/NEGOCIOS-CHINOS/](https://transparencia.org.ve/project/negocios-chinos/)  
TRANSPARENCIA VENEZUELA. (2022). CHINESE DEBT IN VENEZUELA. AVAILABLE AT: [HTTPS://TRANSPARENCIA.ORG.VE/WP-CONTENT/UPLOADS/2022/03/DEUDA-CHINA-EN-VENEZUELA.PDF](https://transparencia.org.ve/wp-content/uploads/2022/03/DEUDA-CHINA-EN-VENEZUELA.PDF)



## **HOW DID RUSSIA-VENEZUELA RELATIONS EVOLVE?**





SOCIALEUROPE.EU. YELTSIN HANDING OVER THE 'PRESIDENTIAL' COPY OF THE CONSTITUTION TO PUTIN AT THE END OF 1999

Since Vladimir Putin came to power in 2000, Russian foreign policy gained momentum after years of internal rearrangements following the disintegration of the Soviet Union. In Latin America, Brazil, Mexico, Chile and Argentina were the countries of greatest interest to Moscow's leadership, but not Venezuela.<sup>2</sup> However, Hugo Chávez's efforts to build ties with nations he considered to be ideologically aligned, the opportunity to do business in the hydrocarbon and defense sectors and the concurrence of geopolitical interests, cleared the way for diplomatic relations.

Between 2001 and 2004, Chavez's efforts led to the signing of bi-national diplomatic agreements on education, tourism, culture, taxation, defense and the fight against drug trafficking. In December 2001, an instrument was signed to create the High Level Intergovernmental Commission (HLIG), but it was not formalized until May 2004, when the number of trades increased considerably, energy issues were included and defense agreements were materialized.

The HLIG has taken prominence and ensured the regularity of binational relations between Russia and Venezuela; from 2004 to 2022, 16 meetings have been held in the respective capitals and occasionally in St. Petersburg.

<sup>2</sup> ROUVINSKI, V. INTERVIEW. ECONOMIC RELATIONS BETWEEN RUSSIA AND VENEZUELA. 18 NOVEMBER 2021.

### HIGH LEVEL INTERGOVERNMENTAL COMMISSION

DATE	PLACE	AGREEMENTS
December 2001	Caracas	Creation
December 2004	Moscow	1 <sup>st</sup> meeting
November 2005	Caracas	2 <sup>nd</sup> meeting
October 2006	Moscow	3 <sup>rd</sup> meeting
October 2007	Caracas	4 <sup>th</sup> meeting / 7 agreements
July 2008	Caracas	5 <sup>th</sup> meeting
August 2009	St. Petersburg	6 <sup>th</sup> meeting
April 2010	Caracas	7 <sup>th</sup> meeting
December 2011	Moscow	8 <sup>th</sup> meeting
April 2013	Caracas	9 <sup>th</sup> meeting
May 2014	Moscow	10 <sup>th</sup> meeting
May 2015	Moscow	11 <sup>th</sup> meeting
December 2016	Caracas	12 <sup>th</sup> meeting
November 2017	Moscow	13 <sup>th</sup> meeting
April 2019	Moscow	14 <sup>th</sup> meeting, 11 agreements
October 2021	St. Petersburg	15 <sup>th</sup> meeting, 9 agreements
February 2022	Caracas	16 <sup>th</sup> meeting

Source: authors, with data from the People's Ministry for Foreign Relations (MPPRE).



In addition to the HLIG meetings, between 2001 and 2022 some 85 official meetings have been held between Russian and Venezuelan authorities, in which at least 255 forms of exchange were established:

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86

Agreements

38

Memorandums

24

Agreements

22

Letters of intent

22

Protocols

14

Contracts

13

Purchases

12

Joint ventures

Among others, mainly in the hydrocarbons, defense, agribusiness, financial services, health, education, mining, tourism, science and technology, and housing sectors.





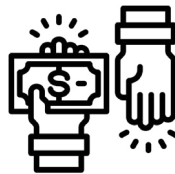
## **FLOWS OF FUNDS FROM RUSSIA TO VENEZUELA**



Russia has transferred funds to Venezuela through foreign direct investment, loans, donations and trade<sup>3</sup>. The value of the donations is unknown, most of them have been in kind following the crisis caused by the Covid-19 pandemic, with

no estimated market value reported and without any way of distinguishing which consignments are purchase contracts and which are donations. Donations also include cooperation funds for academic exchanges.

### FLOW OF FUNDS TO VENEZUELA

	 <b>LOANS</b> <b>(2008 – 2017)</b>	 <b>FOREIGN DIRECT INVESTMENT</b> <b>(2006 – 2018)</b>	 <b>DONATION</b>	<b>TOTAL</b>
Qty	9	19	¿?	
From Russia MM USD	17,900.00	16,170.43	¿?	<b>34,070.43</b>
From China MM USD	62,631.14	6,045.50	1,57	<b>68,928.19</b>

**Source:** authors based on data from MPPRE, Official Gazettes, MINCI, PDVSA website, government-run and private media.

### 3.1 Foreign Direct Investment

The announced foreign direct investment (FDI) accounts for 47.5% of the USD 34 billion received from Russia and was the beginning of the inflow of funds from this country in 2006. This is 2.6 times the amount documented in the previous report on China. The largest flow of investments went to the hydrocarbons sector, in which 9 inflows totaling more than USD 9.8 billion were recorded, including the incorporation of 4 joint ventures (Petrocumarebo, formerly Petromiranda; Petrovictoria; Perforosven

and Petrozamora), acquisitions of share capital in three existing joint ventures (Petromonagas, Petroperijá and Boquerón) and announcements of contributions to revitalize oil production. Also significant was the investment in the financial sector, with the establishment in Venezuela and capital increase of Evrofinance Mosnarbank (49% Fonden and 51% VTB Bank and Gazprombank), which brought in USD 4 billion.

<sup>3</sup> THE DATA ON INVESTMENTS AND LOANS WERE MOSTLY TAKEN FROM DOCUMENTS OF THE PEOPLE'S MINISTRY OF FOREIGN RELATIONS AND OFFICIAL ANNOUNCEMENTS, IN OTHER CASES FROM RENOWNED MEDIA OUTLETS, BUT WE WERE UNABLE TO ASCERTAIN THE ACTUAL INFLOW AND DATE OF ARRIVAL OF THE FUNDS DUE TO THE LACK OF OFFICIAL DATABASES ON INVESTMENTS AND LOANS CONTAINING THIS INFORMATION.

The mining sector received three investments for USD 2.04 billion, and the agro-industrial sector received three investments for USD 318 million. There is no clarity on the amount agreed in the concession of the exploitation license for the Mejillones and Patao gas fields to Rosneft. In short, there were investments in 12 joint ventures, of:

Which Minera Venrus, C.A. was expropriated

The Joint Venture for the Production, Processing, Export and Commercialization of Musaceae never materialized

The Russian-Venezuelan Joint Venture Orquídea collapsed and was liquidated

Ecopolímeros de Venezuela is not operational

The Russian share in Petrozamora was sold.

### RUSSIAN FOREIGN DIRECT INVESTMENT IN VENEZUELA

DATE	AGREEMENT	INVESTOR	AMOUNT MM USD
July 2006	Development of an integrated industrial complex for kaolin processing	Ruscaolín	515.00
July 2008	Purchase of the Choco deposit and incorporation of JV Minera Venrus C.A.	Rusoro Mining	525.00
June 2009	Establishment in Venezuela of Evrofinance Mosnarbank, S.A. with mixed capital	Gazprombank / Banco VTG	
March 2010	JV Petrocumarebo (formerly Petromiranda)	Consorcio Nacional Petrolero	1,000.00
April 2010	JV Ecopolímeros de Venezuela	Polycomplex	318.04
October 2010	Acquisition of 16.5% of Petromonagas shares	TNK - Rosneft	1,800.00
October 2010	Purchase of 40% of the shares of JV Petroperijá	TNK - Rosneft	
October 2010	Purchase of 26.67% of JV Boquerón S.A., from BP	TNK - Rosneft	

DATE	AGREEMENT	INVESTOR	AMOUNT MM USD
October 2011	Agreement to raise capital of Evrofinance Mosnarbank	Gazprombank / Banco VTG	4,000.00
October 2011	Joint Venture for the Production, Processing, Export and Commercialization of Musaceae.	Sao Bonanza Internacional	0.05
February 2012	Russian-Venezuelan JV Orquídea S.A.	Sociedad Anónima Cerrada Panorama	0.05
March 2012	JV Petrozamora	Gazprombank Latin América VTB	404.29
February 2013	Incorporation of the JV Petrovictoria	Rosneft	1,100.00
July 2014	Incorporation of the JV Perforosven	Rosneft	8.00
February 2016	Increase of Russian capital to 40% in JV Petromonagas (previously 16%).	Rosneft	500.00
December 2017	Exploration and exploitation license concession for the Mejillones and Patao offshore gas fields	Rosneft	N.A.
March 2018	Exploration and Exploitation Projects in the OMA	Rosnedra	1,000.00
December 2018	Investment in oil joint ventures	Rosneft / Gazprombank	5,000.00
<b>Total</b>			<b>16,170.43</b>

**Source:** authors with date from Official Gazettes, MINCI, Ministry of People's Power for Mining Development, Pdvs's web site, Sputnik, BP website, Petroguía, Reuters, El País, statement from President Nicolás Maduro and other media. N.A.: not available.

In 2018, investments were announced in the areas of mining and oil, of which little is known as to which specific companies and projects in Venezuela were the beneficiaries and some authors doubt that they have actually materialized.<sup>4</sup>

In trying to determine the share of the investment made from Russia vs. the total foreign investment received in Venezuela, we found figures that show disparities with the data compiled in the previous table, the documented investments from China (which totaled more than USD 6 billion) and among the sources consulted: Central Bank of Venezuela (BCV) and the World Bank.

<sup>4</sup> HESS, M. (2019). RUSSIA IN VENEZUELA: GEOPOLITICAL BOON OR ECONOMIC MISADVENTURE. FOREIGN POLICY RESEARCH INSTITUTE. AVAILABLE AT [HTTPS://WWW.FPRI.ORG/ARTICLE/2019/01/RUSSIA-IN-VENEZUELA-GEOPOLITICAL-BOON-OR-ECONOMIC-MISADVENTURE/](https://www.fpri.org/article/2019/01/russia-in-venezuela-geopolitical-boon-or-economic-misadventure/)

### COMPARATIVE TABLE ON FOREIGN DIRECT INVESTMENT

Years	Total FDI received in Venezuela (BCV)	Total FDI received in Venezuela (World Bank)	FDI from Russia to Venezuela	FDI from Russia to the rest of the world
2006	-508	198	515	29,840
2007	3,288	4,358	0	43,849
2008	2,627	2,083	525	56,735
2009	-983	-1,137	0	34,450
2010	1,574	1,583	3,118	41,116
2011	5,740	5,855	4,000	48,635
2012	5,973	4,986	404	28,423
2013	2,680	2,145	1,100	70,685
2014	-1,028	1,135	8	64,203
2015	769	2,956	0	27,090
2016	1,068	1,587	500	26,951
2017	-68	-68	N.A.	34,153
2018	886	886	6,000	35,820
Total	22,018	26,567	16,170	541,950

**Source:** Central Bank of Venezuela (2022), World Bank (2020), Transparencia Venezuela (2022), UNCTAD (2020)

BCV figures between 2006 and 2018 show a total investment of USD 22.01 billion while those of the World Bank total USD 26.56 billion. In the years 2006, 2010 and 2018, investments made by Russia were higher than the total investments received, which have not been able to clarify due to the lack of official information on the origin and destination of the flow of funds reported by the BCV and due to the information gaps on the effective materialization of the agreements with Russia announced by official sources, including the President himself, who in 2018 discussed the investments agreed with Russia after a meeting with his counterpart.<sup>5</sup>



@NICOLASMADURO DEC 6, 2018

<sup>5</sup> NICOLÁS MADURO'S STATEMENT IN 2018 ON THE AGREEMENTS WITH VLADIMIR PUTIN RELATING TO INVESTMENT IN HYDROCARBONS AND MINING  
[HTTPS://WWW.YOUTUBE.COM/WATCH?V=-VKIRO83-5](https://www.youtube.com/watch?v=-VKIRO83-5)

If we rely on BCV figures, Russian investment accounts for 73% of the total FDI received in Venezuela, while the World Bank claims it accounts for 61%. In either case it is very significant for Venezuela. On the other hand, they only represent 4% of the total investments made by Russia abroad in the same period.<sup>6</sup>

### 3.2 Loans

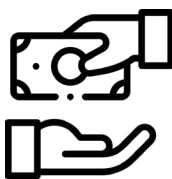
The funds received through loans amounted to

**USD 17.9 billion**

primarily for the hydrocarbons and defense sectors:

#### HYDROCARBONS

for hydrocarbons there were six disbursements of **USD 9.2 billion**, accounting for **51% of total loans**



#### DEFENSE

for defense, three loans for **USD 7.2 billion used for the purchase of weapons and war aircraft from the Lender.**



In addition, there was a **USD 1.5 billion line of credit whose purpose could not be determined.**<sup>7</sup>

The funds came from the Russian government itself and from the state-owned companies Rosneft and Gazprombank in 2008, and focused on promoting two areas of economic and geopolitical interest for the Russian Government: hydrocarbons and defense. The loans were used to pay 72% of the value of the arms purchased from Russia.

The importance of these loans for Venezuela was relative, as they represented 25% and 15% of the loans received in 2009 and 2011, respectively, but their share on average during the years in which they were granted was around 7%.

<sup>6</sup> UNCTAD. (2020). FDI OUTFLOWS, BY REGION AND ECONOMY, 1990-2020. AVAILABLE AT [HTTPS://UNCTAD.ORG/TOPI/INVESTMENT/WORLD-INVESTMENT-REPORT](https://unctad.org/topic/investment/world-investment-report).

<sup>7</sup> THE DOCUMENT FROM THE MINISTRY OF FOREIGN AFFAIRS OUTLINES THE INTERGOVERNMENTAL AGREEMENT SIGNED BY THE MINISTER OF PLANNING AND FINANCE, JORGE GIORDANI, AND THE DEPUTY MINISTER OF FINANCE OF RUSSIA ON THE CREDIT LINE.

### RUSSIAN LOANS

Date	Agreement	Lender	Amount billion USD	Sector
9/25/2008	Promotion of military-technical cooperation	Russian Government	1.0	Defense
9/13/2009	Arms Purchase	Russian Government	2.2	Defense
10/9/2009	Credit for the creation and operation of JV Petrocumarebo	Russian Government	2.2	Hydrocarbons
10/6/2011	Credit to support military-technical cooperation	Russian Government	4.0	Defense
12/8/2011	Line of Credit	Russian Government	1.5	N.A.
2/7/2013	Credit to strengthen cooperation in Petrovictoria JV	Rosneft	1.5	Hydrocarbons
11/28/2013	Loan for Petrozamora JV	Gazprombank	1.0	Hydrocarbons
5/24/2014	Agreement on advance payment of hydrocarbons granted to Pdvsa by Rosneft	Rosneft	2.0	Hydrocarbons
11/1/2016	Loan to Pdvsa secured by 49.9% of Citgo shares	Rosneft	1.5	Hydrocarbons
4/1/2017	Loan Agreement for Pdvsa payable in oil shipments	Rosneft	1.0	Hydrocarbons
<b>Total</b>			<b>17.900</b>	

**Source:** authors with data from Official Gazettes, Control Ciudadano, PDVSA website, Sputnik, Reuters and others. N.A.: not available.

### 3.3 Trade Balance

Data on trade between the two countries differ depending on whether it is Venezuela or Russia reporting to the UN database, and in other sources consulted, but there is consensus that these exchanges are not significant. Based on Atlas of Economic Complexity data,<sup>8</sup> we see an increase in trade exchanges starting in the year 2000, peaking between 2011 and 2013, but with opposite trends; Venezuelan exports to Russia declined, precisely in the years in

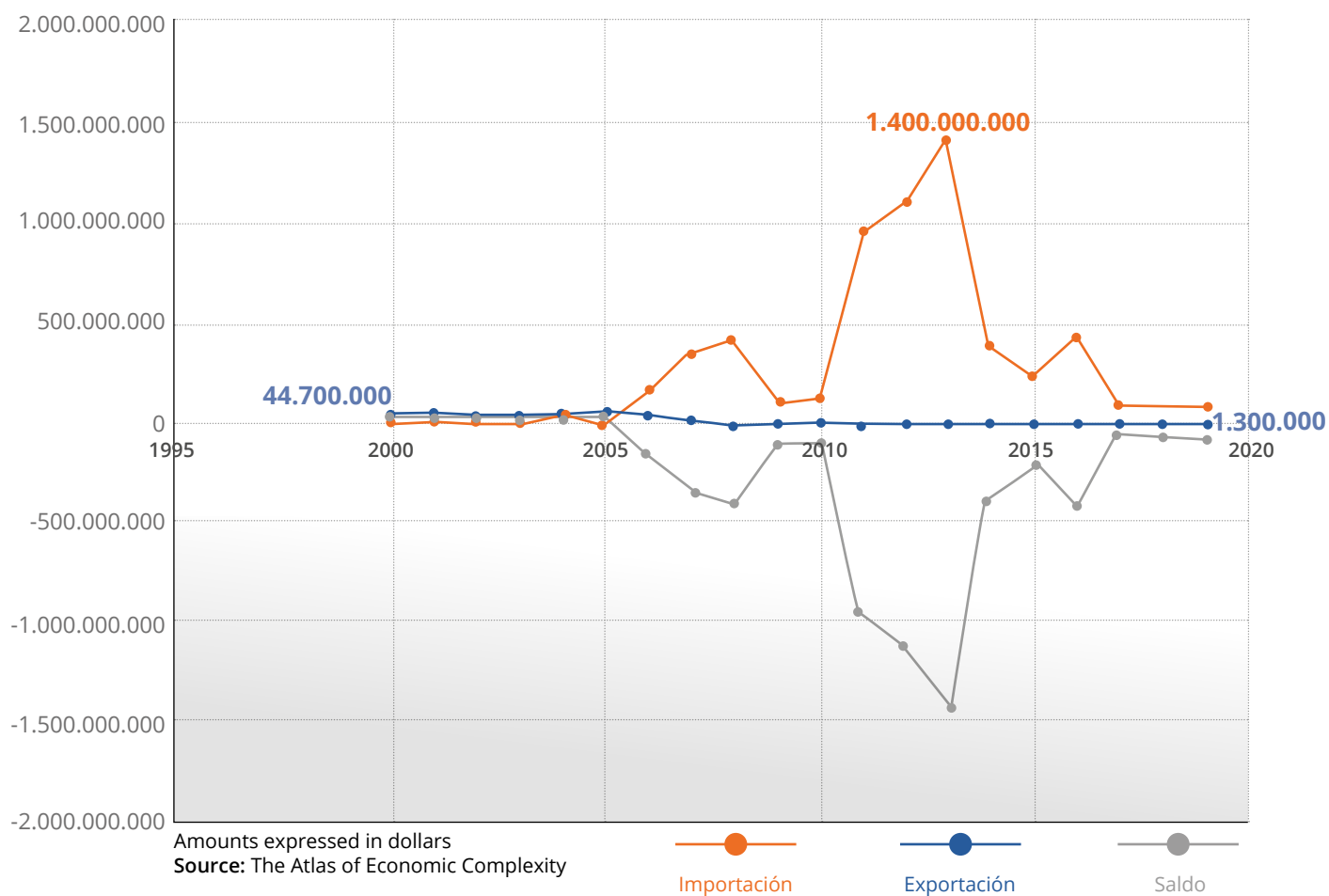
which diplomatic relations intensified, from exporting USD 44.7 million to Russia in 2000, with positive balance, to exporting only USD 1.3 million in 2019 with a negative balance, while Russia raised its sales to Venezuela from USD 10.8 million to a maximum of USD 1.4 billion in 2013 and then declined to USD 95.3 million in 2019, (last available date).

By that time Venezuela ranked 133<sup>rd</sup> among Russia's trade partners, which is a sign of Venezuela's minimal contribution to Russian trade.

<sup>8</sup> HARVARD GROWTH LAB. (2022). THE ATLAS OF ECONOMIC COMPLEXITY. AVAILABLE AT <https://atlas.cid.harvard.edu/explore/?geo?year=2018&country=236&product-class=HS&product=undefined&target=product&partner=undefined&startyear=undefined> DATA FROM THE VENEZUELA PROFILE.



### VENEZUELA-RUSSIA TRADE BALANCE



For Venezuela, in terms of financial flows, the presence of Russia has been significant in terms of foreign investment received, but modest in terms of loans and trade.

However, these flows of funds have had an indisputable political and institutional impact, particularly in recent years.



## **POLITICAL AND MILITARY SUPPORT**

After the materialization of the agreements in the area of hydrocarbons, relations were geared towards political cooperation in the following shared interests: the thesis of a new multipolar world order promoted by Hugo Chávez and Vladimir Putin; to build a common front against the United States; to impose their mandates internally, overriding formal counterbalances and civil society; and to strengthen their own geopolitical position, with mutual support against the demands of international organizations or Western countries.<sup>9 10</sup>

In 2008, in the context of the conflict between Russia and Georgia, while the United States and NATO sent ships to the Black Sea, Russia sent ships and two nuclear bombers to Venezuela, President Dimitri Medvedev participated in the ALBA summit in Caracas and not only expressed his support, but also proposed Russia as an associate member of the multilateral entity. The Venezuelan government, after Nicaragua, recognizes the independence of the Abkhazia and South Ossetia provinces, which are in conflict with Georgia. In 2014, Venezuela showed its support to Russia once again, voting against the sanctions proposal in the UN General Assembly and condemning the U.S. and European sanctions, after Russia occupied the Crimean peninsula, formerly Ukrainian territory.<sup>11</sup>

Russia, Venezuela, China, Uruguay and other countries created a working group to lobby the UN Security Council on human rights issues,<sup>12</sup> seeking to delegitimize allegations of violations in their own countries.

In the midst of Venezuela's severe economic crisis, as a result of deinstitutionalization and corruption, Russia supported the Maduro administration through loans in 2016, debt restructuring in 2017—estimated at USD 3.12 billion, with a payment timeframe until 2023<sup>13</sup>—and then facilitated other support formulas that became the lifeline that allowed the government of Nicolás Maduro to circumvent the escalating economic sanctions imposed by the United States, while Russian government leaders and businessmen profited in their own dealings.

In December 2018, two nuclear bombers landed again in Venezuela, in addition to the arrival of Russian pilots and military transport for joint exercises. Faced with the establishment of the interim government with the then president of the National Assembly elected in 2015, Juan Guaidó, the Russian government raised its voice in rejection of the pretension of several Western countries to disavow president Nicolás Maduro and made symbolic demonstrations of its willingness to defend the status quo. According to Reuters, in 2019 the security of Nicolás Maduro and his close associates received reinforcements

9 BOESNER, A. AND HALUANI, M. (2013). CONVERGENCES AND DIVERGENCES IN THE RUSSIAN-VENEZUELAN STRATEGIC PARTNERSHIP AND ITS HEMISPHERIC IMPLICATIONS. AVAILABLE AT [HTTP://JE.SCIEO.ORG/SCIEO.PHP?PID=S1012-25082013000100005&SCRIPT=SCI\\_ABSTRACT](http://je.scieo.org/scieo.php?pid=s1012-25082013000100005&SCRIPT=SCI_ABSTRACT).

<sup>10</sup> ROUWINSKI, V. (2021). GORDIAN KNOT AND LATIN AMERICA IN AUTHORITARIAN ALLIES: THE TIES THAT BIND? [HTTPS://WWW.WILSONCENTER.ORG/SITES/DEFAULT/FILES/MEDIA/UPLOADS/DOCUMENTS/VENEZUELA%E2%80%99S%20AUTHORITARIAN%20ALLIES\\_THE%20TIES%20THAT%20BIND\\_JUNE%202021\\_0.PDF](https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Venezuela%20%E2%80%99S%20Authoritarian%20Allies_TheTiesThatBind_June%202021_0.pdf)

11 GURGANUS, G. (2018). RUSSIA: PLAYING A GEOPOLITICAL GAME IN LATIN AMERICA. CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE. AVAILABLE AT [HTTPS://CARNEGIEEN-](https://carnegieendowment.org/files/gurganus_russia_latin_america_geopolitical_game_may_2018_final.pdf)

12 IEFETS, V. (2020). DREAMING ON LATIN AMERICA: REFLECTIONS ON RUSSIAN DIPLOMACY IN THE REGION. VESTNIK RUDN. INTERNATIONAL RELATIONS, 20(3), 521—533.

13. REUTERS. (2020). RUSSIA SAYS VENEZUELA WILL INCREASE DEBT REPAYMENT FIVE-FOLD FROM 2023. [HTTPS://WWW.REUTERS.COM/ARTICLE/US-RUSSIA-VENEZUELA-DEBT-IDUSKBN241352](https://www.reuters.com/article/us-russia-venezuela-debt-iduskbn241352)

from private military contractors linked to the Kremlin, allegedly active in Caracas, the state of Bolívar and the border with Colombia.<sup>14</sup> There are also reports of the establishment of an air bridge with Russian Air Force planes and continued technical and military support for domestic and foreign espionage, especially to the Venezuelan Aerospace Defense Command (CDA), in charge of defensive aerospace missions, whose radars brought from Russia and China have strengthened the command, control, communications, computers and intelligence systems to monitor the border.<sup>15</sup>



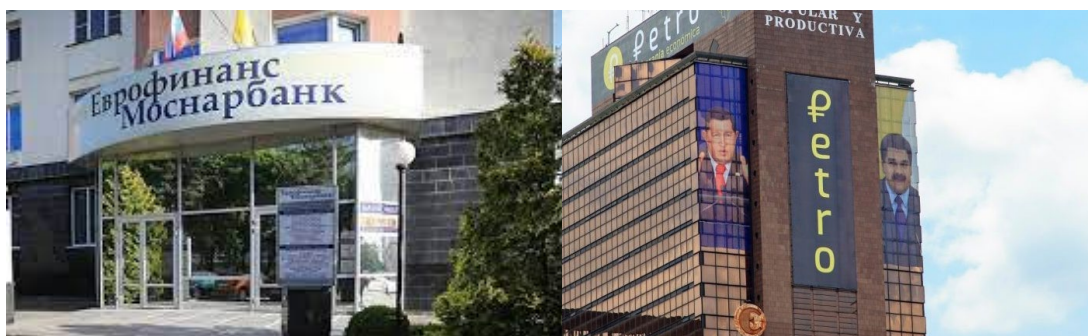
THE SYSTEMS ARE LOCATED IN THE BRIGADES OF ZULIA, TÁCHIRA, APURE AND FALCON AND FORM A NETWORK OF 11 P 18, OF WHICH ONE IS OPERATING AT FORT TIUNA IN CARACAS AND SIX OF THEM WERE RECENTLY ACTIVATED. PANAMPOST.COM / FEBRUARY 20, 2022

### 4.1 New dealings with Russia boosted by sanctions

The first economic sanctions against the Venezuelan government were imposed in August 2017, with the prohibition to access financing in the United States, a year in which Russia granted a USD 1 billion credit while Rosneft was beginning to position itself as an intermediary of Pdvsa in oil sales.<sup>16</sup> Also, an attempt was made to confront the sanctions with the creation of a token for financial exchanges called Petro, but which was publicized by the Venezuelan government as a cryptocurrency in which Russia made investments.

Two Russian businessmen from Zeus Exchange, allegedly linked to financial crimes in Russia and Baltic countries, were involved in this project, and the Russian-Venezuelan bank Evrofinance Mosnarbank was used as a broker in the purchase orders.<sup>17</sup>

As new sanctions were imposed by the United States against officials, companies, goods and the Petro in 2018, a correspondent financial system was put into practice, outside traditional circuits, in which Russia has been a protagonist through companies and banks.



UNITED STATES SANCTIONS RUSSIAN BANK FOR LINKS WITH VENEZUELA'S PETRO. DIARIO DIARIOCRIPTO.COM MAR 20, 2019

14 TSVETKOVA, M. Y ZVEREV, A. (2019). EXCLUSIVE: KREMLIN-LINKED CONTRACTORS HELP GUARD VENEZUELA'S MADURO – SOURCES. REUTERS. AVAILABLE AT [HTTPS://WWW.REUTERS.COM/ARTICLE/US-VENEZUELA-POLITICS-RUSSIA-EXCLUSIVE-IDUSKCN1PJ22M](https://www.reuters.com/article/us-venezuela-politics-russia-exclusive-idUSKCN1PJ22M).

15 AROCHA, J. (2022). EXAMINING RUSSIAN AND CHINESE MILITARY OPERATIONS IN VENEZUELA. IN MILITARY DIGITAL DIALOGUE. AVAILABLE AT [HTTPS://DIALOGO-AMERICAS.COM/ES/ARTICLES/EXAMINANDO-LAS-OPERACIONES-MILITARES-RUSAS-Y-CHINAS-EN-VENEZUELA/](https://dialogo-americas.com/es/articles/examinando-las-operaciones-militares-rusas-y-chinas-en-venezuela/)

16 REUTERS. (2017). VLADIMIR'S VENEZUELA - LEVERAGING LOANS TO CARACAS, MOSCOW SNAPS UP OIL ASSETS [HTTPS://WWW.REUTERS.COM/ARTICLE/US-VENEZUELA-RUS-SIA-OIL-SPECIAL-REPORT-IDUSKBN1AR14U](https://www.reuters.com/article/us-venezuela-rus-sia-oil-special-report-idUSKBN1AR14U)

17 PEREIRA, P., DRAPER, G., SCHARFENBERG, E. (2018). EL PETRO ES EL HIJO MALQUERIDO DE DOS RUSOS CERCANOS AL ESCÁNDALO. AVAILABLE AT [HTTPS://ARMANDO.INFO/EL-PETRO-ES-EL-HIJO-MALQUERIDO-DE-DOS-RUSOS-MUY-CERCANOS-AL-ESCANDALO/](https://armando.info/el-petro-es-el-hijo-malquerido-de-dos-rusos-muy-cercanos-al-escandalo/)

With the entry into force of the sanctions on PDVSA in 2019 and having had a bad experience in the production of oil joint ventures,<sup>18</sup> Rosneft has been fully involved in the trade and transportation of sanctioned Venezuelan crude oil, a link in the industry's value chain in which PDVSA is very weak and in which Rosneft has great strengths, including a large fleet and previous experience in evading sanctions.<sup>19</sup> For the Russian public and private companies it was a profitable business because it was much more lucrative to commercialize, transport and keep the brokerage commissions, than to invest in the production of hydrocarbons in companies compromised by inefficiency and corruption in a country in crisis. In addition, the collapse in Venezuela's oil production and the sanctions made it easier for Russian oil companies to fill the supply gap left by Venezuela in Western and Asian markets.

Secondly, according to some authors, the companies and the Russian Government profited from the fact that the collection and payment system of PDVSA and the Venezuelan government was managed through financial entities in Moscow, as it allowed them to collect debts that needed to be restructured and to have a very close relationship with the Venezuelan public financial administration, specifically in the Ministry of Economy, Finance and Foreign Trade and in the Treasury, where there is a presence of Russian advisors.

The Maduro administration received in exchange euros and dollars in cash that arrived in transatlantic flights, with the participation of Evrofinance Mosnarbank, Gazprombank and a complex circuit that involved the United Arab Emirates and Turkey.<sup>20</sup>

The media and a number of experts claim that Russia not only participated in the crude oil transactions, but also in the commercialization of monetary gold from the Venezuelan Central Bank (BCV) reserves and part of the non-monetary gold illegally mined on the Orinoco Mining Arc.<sup>21</sup> Opposition leader Julio Borges stated that the scheme consisted in the gold being shipped from Caracas in Russian and Turkish airplanes to Mali, where the BCV ID code is scraped off the gold bars and from there, it is sent to the United Arab Emirates or another destination, and these airplanes return to Venezuela with Euros in cash.<sup>22</sup> When reviewing the amount of monetary gold reserves available in the BCV from 2014 to 2021, we see an average year-on-year drop of 19%, being 2016 and 2019 the years with the largest decline with 28% and 24%, respectively:

from **361 tons** of monetary gold

available in 2014,

only **79 tons** were stored at the

BCV at the end of 2021.

18 LOWE, C., SAGDIEV, R. (2019). HOW RUSSIA SANK BILLIONS OF DOLLARS INTO VENEZUELA QUICKSAND. REUTERS. [HTTPS://WWW.REUTERS.COM/ARTICLE/IDUSKCN1QV1HN](https://www.reuters.com/article/IDUSKCN1QV1HN)

19 PÁRRAGA, M. INTERVIEW. RELACIONES ECONÓMICAS ENTRE RUSIA Y VENEZUELA. JAN. 21, 2022.

20 PÁRRAGA, M. INTERVIEW. RELACIONES ECONÓMICAS ENTRE RUSIA Y VENEZUELA. JAN. 21, 2022.

21 PONS, C., ARMAS, M. (2019). VENEZUELA VENDERÁ 15 TONELADAS DE ORO A EMIRATOS ÁRABES A CAMBIO DE DINERO EN EFECTIVO, IN REUTERS. AVAILABLE AT

[HTTPS://WWW.REUTERS.COM/ARTICLE/MERCADOS-VENEZUELA-ORO-FAU-IDUSKCN1PQ3WP-QESBS](https://www.reuters.com/article/MERCADOS-VENEZUELA-ORO-FAU-IDUSKCN1PQ3WP-QESBS)

22 AFP. (2021). OPOSICIÓN DE VENEZUELA DENUNCIA VENTA ILEGAL DE ORO DE LAS RESERVAS POR PARTE DE MADURO. AVAILABLE AT [HTTPS://WWW.FRANCE24.COM/ES/MINUTO-A-MINUTO/20210303-OPOSICION-C3%B3N-DE-VENEZUELA-DENUNCIA-VENTA-ILEGAL-DE-ORO-DE-LAS-RESERVAS-POR-PARTE-DE-MADURO](https://www.france24.com/es/minuto-a-minuto/20210303-OPOSICION-C3%B3N-DE-VENEZUELA-DENUNCIA-VENTA-ILEGAL-DE-ORO-DE-LAS-RESERVAS-POR-PARTE-DE-MADURO)





NICOLAS MADURO, IGOR SECHIN AND MANUEL QUEVEDO, DECEMBER 16, 2017 / REUTERS

Thirdly, and according to research by economist Asdrubal Oliveros, Russian businessmen in Venezuela were behind the money (bolivar-dollar) cash and transfer market. Given the distortions of the Venezuelan currency, Russian companies receive bolivars in cash from individuals, place the money in dollars in foreign accounts for a 3% commission, then buy crude oil from PDVSA with that cash (at a hefty discount) and make profits from the resale.<sup>23</sup>

On February 18, 2020, the United States imposed a sanction on Rosneft Trading S.A., the Rosneft subsidiary behind the commercialization, which caused Rosneft to announce on March 27 that it was ceasing operations in Venezuela and selling all its assets to another fully state-owned Russian company: Roszarubezhneft; however, it retains control of its assets in the Mejillones and Patao offshore gas fields where

exploitation has yet to start and therefore there is no conflict with the sanctions.

Roszarubezhneft has been signaled as a shell company, as it was a virtually inactive security company. Oil services and other activities were added to its corporate purpose days before it received Rosneft's assets in Venezuela, and a former KGB officer, with no experience in the oil industry but trusted by Rosneft CEO Igor Sechin, was appointed as president.<sup>24</sup>

Thus, Moscow spared one of its most important oil companies, which saw its business with other countries affected after the sanctions, but kept its assets in Venezuela, given the long-term interest of maintaining Russia as an energy superpower.

<sup>23</sup> OLIVEROS, A. INTERVIEW. ECONOMIC RELATIONS BETWEEN RUSSIA AND VENEZUELA. NOV. 1, 2021.

<sup>24</sup> A SOURCE CONSULTED FOR THIS INVESTIGATION ASSURED THAT RUSSIA USES SECURITY AGENCIES AS A FRONT TO LEGALLY SEND ARMED PERSONNEL TO COUNTRIES IN WHICH IT HOLDS A STAKE, WITH THE EXCUSE OF PROTECTING ITS ASSETS, A SCHEME THAT WAS PREVIOUSLY TESTED IN BELARUS.



With Rosneft's withdrawal from Venezuela, the business of commercialization and transportation of PDVSA's crude oil was taken over by other intermediaries that had begun to be involved months before. Allegedly involved parties include Alex Saab,<sup>25</sup> Mexico's Libre Abordo and dozens of shell companies,<sup>26</sup> some of which were incorporated in Russia. After these companies were also sanctioned, new shell companies were established in India, Hong Kong and other countries, but Russian banks continued to be in charge of collections, payments to suppliers and to Venezuelan government officials, as well as delivering the cash to Caracas.<sup>27</sup>

The sources consulted for this investigation agree that both the financial brokerage from Russia and the management of commercialization and distribution of crude oil left handsome economic profits to the parties involved, while solidifying the influence of the Russian government in Venezuela. As an example:

- 1) The restructuring of PDVSA in 2020 announced the closure of subsidiaries in Europe (Propernyn Venezuela S.A., PDV Europa B.V, PDV Portugal) and created the subsidiary PDVSA Russia
- 2) The Russian involvement in the negotiation table in Mexico between the government of Nicolás Maduro and representatives of the opposition, since August 2021

- 3) The January 2022 statement by the Russian government to deploy military assets in Venezuela and other countries, in the framework of the tensions with NATO
4. The media influence on the public communication system described in a section below

We must also consider the policies of blocking information on trade and investments linked to Venezuela in Russia. Data on the Russian trade balance with respect to Venezuela ceased to be published in 2019 and we were unable to access data on who are the latest owners of the few trading companies.

### 4.2 Response to the COVID-19 pandemic

When the first case of COVID-19 was officially confirmed in Venezuela, President Maduro issued a radical lockdown decree effective as of March 16, 2020. That same month, shipments of medical supplies from Russia, China, Cuba, Iran and Turkey began to arrive, in addition to humanitarian aid from international organizations. Russia sent two shipments of COVID tests in March and April 2020, participated in a shipment of humanitarian aid together with the UN and as part of a pharmaceutical strategic commercial alliance agreement agreed the previous year with Geropharm, made four shipments of insulin vials for a total of 2,890,000 units.<sup>28</sup>

25 SUPREMA INJUSTICIA. (2021). CERCA DE UN CENTENAR DE EMPRESAS CONFORMAN LA MACRO ESTRUCTURA DE ALEX SAAB. AVAILABLE AT: [HTTPS://SUPREMAINJUSTICIA.ORG/CERCA-DE-UN-CENTENAR-DE-EMPRESAS-CONFORMAN-LA-MACROESTRUCTURA-DE-ALEX-SAAB/](https://supremainjusticia.org/cerca-de-un-centenar-de-empresas-conforman-la-macroestructura-de-alex-saab/)

26 LAFUENTE, J. ET AL. (2021). LA RED QUE BURLÓ LAS SANCIONES DE ESTADOS UNIDOS A VENEZUELA. AVAILABLE AT: [HTTPS://ELPAIS.COM/MEXICO/2021-06-13/LA-RED-QUE-BURLO-LAS-SANCIONES-DE-ESTADOS-UNIDOS-A-VENEZUELA.HTML](https://elpais.com/mexico/2021-06-13/la-red-que-burlo-las-sanciones-de-estados-unidos-a-venezuela.html)

27 MERCOPRESS (2022). FINANCIAL SANCTIONS ON RUSSIA EXPECTED TO HIT HARDER ON ITS ALLY VENEZUELA. AVAILABLE AT: [HTTPS://EN.MERCOPRESS.COM/2022/03/05/FINANCIAL-SANCTIONS-ON-RUSSIA-EXPECTED-TO-HIT-HARDER-ON-ITS-ALLY-VENEZUELA](https://en.mercopress.com/2022/03/05/financial-sanctions-on-russia-expected-to-hit-harder-on-its-ally-venezuela)

28 VICE-PRESIDENT OF THE REPUBLIC. (2021). RELACIONES DIPLOMÁTICAS ENTRE RUSIA Y VENEZUELA SE FORTALECEN CON EL RESPETO A LA AUTODETERMINACIÓN DE LOS PUEBLOS. [HTTP://VICEPRESIDENCIA.GOB.VE/?P=2783](http://vicepresidencia.gob.ve/?p=2783)

A total of 2000 Venezuelan volunteers participated in phase 3 clinical trials of the Sputnik-V vaccine from the Gamaleya Institute, for which the first vaccines arrived in October 2020, while another group participated in trials of the EpiVacCorona vaccine, also from Russia. There was no detailed information on the participants in each trial, e.g., their age distribution or geographic location, nor on the results of each study. And although research from some countries demonstrates the effectiveness of the Sputnik vaccine, neither Sputnik nor EpiVacCorona has been approved by the World Health Organization or the European Union.<sup>29</sup>

Even so, on December 29, 2020, the government announced the signing of a contract for the amount of USD 200 million with the Gamaleya Institute, for the purchase of 10 million doses of Sputnik V, of which 6,345,240 arrived in Venezuela as of February 2022. On June 4, 2021 a contract was signed with Russia's State Research Center of Virology and Biotechnology for the acquisition of an undisclosed number of EpiVacCorona doses, for an undisclosed amount. On December 13, 2021, a new agreement was reported for the purchase of 6,800,000 vaccines of the first component of Sputnik V, known as Sputnik Light, to be applied as a booster dose in the course of 2022, but there is no clarity as to whether

the second agreement to bring the Sputnik vaccine is an extension of the first contract or a new one.<sup>30</sup>

As part of the bilateral exchanges during the pandemic, authorities of the Maduro administration made official announcements about the technology transfer from Russia that would allow Venezuela to manufacture the Sputnik vaccine<sup>31</sup> in 2020, the EpiVacCorona vaccine<sup>32</sup> in 2021 and insulin<sup>33</sup> in 2021, but as of this writing the announcements have not materialized. It should be recalled that there was a delay in the arrival of the second component of Sputnik V, which meant that the recommended time interval between the first and second doses was not met.

In any case, the arrival of vaccines and medical supplies implied that purchases were made without considering competitiveness and transparency as a way to ensure the efficient use of funds and checks and balances, while the frequency of meetings between representatives of both countries, as well as announcements of cooperation to curb the effects of the pandemic, had a positive media impact for the governments domestically and also as proof of cohesion in the international community.

29 COLÁS, A. (2022) ASÍ ENCALLÓ LA VACUNA RUSA SPUTNIK V. FRANCE 24. <https://www.france24.com/es/salud/20220118-RUSIA-VACUNACION-SPUTNIK-V-PANDEMIA>

30 TRANSPARENCIA VENEZUELA. (2022). VACUNACIÓN ANTI-COVID-19 EN VENEZUELA. UN AÑO DE OPACIDAD Y ABUSO DE PODER. AVAILABLE AT <https://transparencia.org.ve/primer-ano-vacunacion-anti-covid-19-opacidad-abuso-poder/>

31 CORREO DEL ORINOCO. (SEPTEMBER 2020). VENEZUELA REALIZA ADECUACIONES EN ESPROMED – BIO PARA LA PRODUCCIÓN DE LA VACUNA SPUTNIK. <http://www.correodelorinoco.gob.ve/venezuela-realiza-adequaciones-en-espromed-bio-para-la-produccion-de-la-vacuna-sputnik/>; CORREO DEL ORINOCO. (NOVIEMBRE 2020). VENEZUELA Y RUSIA ACUERDAN AUMENTAR COOPERACIÓN PARA EL DESARROLLO DE LA VACUNA SPUTNIK. <http://www.correodelorinoco.gob.ve/venezuela-y-rusia-acuerdan-aumentar-cooperacion-para-desarrollo-de-vacuna-sputnik-v/>

32 REUTERS (JUNE 2021). VENEZUELA ACUERDA COMPRA DE DOSIS Y PRODUCCIÓN LOCAL DE VACUNA EPIVACCORONA. <https://www.reuters.com/article/salud-coronavi-rus-venezuela-epivaccorona-idLTAKCN2DH045>; TELESUR (2021). RUSSIA AND VENEZUELA EVALUATE REOPENING OF AN ANTI-COVID VACCINE FACTORY. VIDEO <https://www.youtube.com/watch?v=QY1UVUGGR2Q>

33 PEOPLE'S MINISTRY OF FOREIGN AFFAIRS. (2021). VENEZUELA PRODUCIRÁ INSULINA EN ALIANZA CON LA FEDERACIÓN RUSA. <http://www.minpet.gob.ve/index.php/es-es/comunicaciones/noticias-comunicaciones/47-noticias-del-ano-2019/2311-venezuela-producira-insulina-en-alianza-con-la-federacion-de-rusia>

CONTROL CIUDADANO. (2021). COMPRA DE ARMAS. AVAILABLE AT <https://www.controlciudadano.org/compras-de-armas/>



## WARFARE COOPERATION



THE VENEZUELAN ARMY'S RUSSIAN-MADE MISSILE CARRIER IS SEEN DURING A MILITARY CEREMONY TO COMMEMORATE THE ANNIVERSARY OF PRESIDENT HUGO CHAVEZ'S DEATH, IN CARACAS, VENEZUELA, ON MARCH 5, 2014. CHAVEZ BOUGHT THE S-300 MISSILE DEFENSE SYSTEM, AND RUSSIAN MILITARY PERSONNEL HAVE REPORTEDLY ARRIVED TO PREPARE IT FOR POTENTIAL COMBAT. NEWSWEEK.COM 3/29/19

The defense sector is the second most important sector in the exchanges between Russia and Venezuela, especially if we consider the amount of loans granted by Russia for the acquisition of military equipment (USD 7.2 billion), and the value of the total purchases made by Venezuela between 2005 and 2020: 35 purchases of different systems (weapons and military equipment)<sup>34</sup> for a value of at least USD 9.934 billion. The value of purchases made in 2021 is unknown.

There was additional money in joint projects that were agreed upon in 2006:

- an AK-103/AK-104 (Kalashnikov) assault rifle factory
- a 7.62x39mm ammunition factory
- the installation of a helicopter repair and maintenance center
- a helicopter crew training center



<sup>34</sup> CONTROL CIUDADANO. (2021). COMPRA DE ARMAS. AVAILABLE AT [HTTPS://WWW.CONTROLCIUDADANO.ORG/COMPRAS-DE-ARMAS/](https://www.controlciudadano.org/compras-de-armas/)



For the Kalashnikov rifle factory, there was talk of a Russian investment of approximately USD 15 million, with the promise that it would be finished in 2009, but as the date came closer there were official announcements that it would be completed by 2011, and in September of this year the deadline was pushed to 2012. In 2014 the construction was halted. The Russian Ministry of Interior filed accusations to the former Russian senator and businessman Sergey Popelnyukhov, owner of the main contractor, and then the Lefortovsky District Court, in Moscow, sentenced him to 7 years in prison, in addition to sentencing Irina Pomeshchikova, an investor of the company, to 3 years in prison.<sup>35</sup> The case involved the embezzlement of USD 17 million. However, the Venezuelan National Development Fund (Fonden) allocated funds in 2006, 2008 and 2010 to this project for the amount of USD 267 million,<sup>36</sup> i.e., USD 250 million more than the amount that prompted the investigation in Russia, and there is no evidence of any investigation being opened and concluded by the Venezuelan justice system on the national authorities responsible for the works, which entailed great losses for the Venezuelan public patrimony.

Announcements of an upcoming inauguration continued in 2017, 2019 and in December 2021 a spokeswoman for the

Federal Service for Military and Technical Cooperation (FSMTC), assured that it would be in the second half of 2022.<sup>37</sup> However, in May 2022, the general director of the Kalashnikov Concern, Vladimir Lepin, reported that the center would not be ready this year either.<sup>38</sup>

The 7.62x39mm ammunition factory is apparently linked to the rifle factory, as they have been mentioned together in several media articles. The unofficial file on the Fonden leaked to Transparencia Venezuela,<sup>39</sup> however, contains information on the amount specifically earmarked for the ammunition factory: USD 203 million.

In sum, 16 years after the agreement was signed, at least seven announcements of start-up and USD 470 million invested up to 2011, there is no rifle or ammunition factory.



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35 CARDOZO, A., Y MIJARES, V. (2019). LOS LAZOS DE CORRUPCIÓN ENTRE RUSIA Y VENEZUELA. UNA ALIANZA CON OTROS MEDIOS. AVAILABLE AT [https://www.researchgate.net/publication/332607686\\_LOS\\_LAZOS\\_DE\\_CORRUPCION\\_ENTRE\\_RUSIA\\_Y\\_VENEZUELA\\_UNA\\_ALIANZA\\_CON\\_OTROS\\_MEDIOS](https://www.researchgate.net/publication/332607686_LOS_LAZOS_DE_CORRUPCION_ENTRE_RUSIA_Y_VENEZUELA_UNA_ALIANZA_CON_OTROS_MEDIOS)

36 TRANSPARENCIA VENEZUELA. (2021). FONDEN, UNA ESTRATEGIA POLÍTICA PARA GASTAR SIN CONTROL. <https://transparencia.org.ve/wp-content/uploads/2021/06/FONDEN-UNA-ESTRATEGIA-POLITICA-PARA-GASTAR-SIN-CONTROL-PDF>

37 INFOBAE. (DECEMBER 2021). RUSIA REACTIVARÁ UNA FÁBRICA DE FUSILES KALASHNIKOV EN VENEZUELA A PARTIR DE 2022. <https://www.infobae.com/americas/venezuela/2021/12/29/rusia-activara-una-fabrica-de-fusiles-kalashnikov-en-venezuela-a-partir-de-2022/>

38 TAL CUAL. (2022). FÁBRICA DE FUSILES KALASHNIKOV EN VENEZUELA TAMPOCO SE HARÁ REALIDAD EN 2022. <https://talcualdigital.com/fabrica-de-fusiles-kalashnikov-en-venezuela-tampoco-se-hara-realidad-en-2022/>

39 TRANSPARENCIA VENEZUELA. (2021). FONDEN, UNA ESTRATEGIA POLÍTICA PARA GASTAR SIN CONTROL. <https://transparencia.org.ve/wp-content/uploads/2021/06/FONDEN-UNA-ESTRATEGIA-POLITICA-PARA-GASTAR-SIN-CONTROL-PDF>

**Helicopters.** In 2006, an agreement was reached to install a helicopter maintenance and repair facility (CEMAREH) in Acarigua, Portuguesa. Fonden allocated USD 294 million for this project. As happened with the rifle factory, since 2012 there have been explanations and promises of consecutive scheduled start-up dates for the CEMAREH in 2013, 2014, 2017, 2018 and 2019.<sup>40</sup> On the YouTube channel Cemareh Multimedia of the Venezuelan Armed Forces, videos were posted in late 2019 describing its activities and stating that the center would soon be certified by the National Institute of Civil Aeronautics (INAC) as an aeronautical maintenance organization and as an aeronautical training center. However, sources report that it has never operated, it cannot be enabled for aircraft due to the size of the hangars and one of the buildings has structural problems.<sup>41</sup>

There was little information on the simulation and training center for MI-17V5, MI-26T and MI-35M helicopters. In 2011, an Infodefensa article reported statements made by the Russian ambassador in Caracas, Vladimir Zaemski, regarding the progress of the work contracted to Transas of St. Petersburg since 2006,<sup>42</sup> for which the Fonden allocated USD 65



million. The facility was opened on March 29, 2021 by Defense Minister Vladimir Padrino López at the Army airfield in San Felipe, Yaracuy, and a spokesman for Rosoboronexport made statements on the advantages of the training center for Venezuelan pilots.<sup>43</sup>



INFODEFENSA.COM AUGUST 26, 2022

<sup>40</sup> INFODEFENSA (2019). RUSSIAN HELICOPTERS WILL OPEN ITS MAINTENANCE CENTER IN VENEZUELA THIS YEAR. <https://www.infodefensa.com/texto-diario/MOSTRAR/3129740/RUSSIAN-HELICOPTERS-ABRIRA-CENTRO-MANTENIMIENTO-VENEZUELA-ANO>

<sup>41</sup> THE WEBSITE CITED ON THE YOUTUBE CHANNEL WWW.CEMAREH.COM IS INACTIVE.

<sup>42</sup> INFODEFENSA (2011). VENEZUELA WILL BECOME A REGIONAL TRAINING CENTER FOR RUSSIAN HELICOPTERS. <https://www.infodefensa.com/texto-diario/MOSTRAR/3144607/VENEZUELA-CONVERTIRA-CENTRO-REGIONAL-INSTRUCCION-HELICOPTEROS-RUSOS>

<sup>43</sup> INFODEFENSA. (2021). VENEZUELA INAUGURA UN CENTRO DE SIMULACIÓN DE HELICÓPTEROS RUSOS. <https://www.infodefensa.com/texto-diario/MOSTRAR/3130426/VENEZUELA-INAUGURA-CENTRO-SIMULACION-HELICOPTEROS-RUSOS>



Venezuela has purchased 63 helicopters from Russia since 2005, i.e. 76% of the total acquired since then, which may justify the presence of a maintenance center and a pilot training facility. Furthermore, the accident rate with helicopters has been significant,

A military source affirmed that President Hugo Chavez avoided using Russian helicopters for transportation.



**26 helicopters have crashed**  
(38% Russian)

**92 people have died in accidents**  
(57 of them in Russian helicopters) from 2006 to 2022.

## WORKS CONTRACTED TO RUSSIA

### AK RIFLE FACTORY

Amount allocated by Fonden, USD

**267,129,518.92**



### HELICOPTER MAINTENANCE AND REPAIR CENTER

Amount allocated by Fonden, USD

**294,084,685.47**



### AMMUNITION FACTORY

Amount allocated by Fonden, USD

**203,123,319.00**



### HELICOPTER PILOT TRAINING CENTER

Amount allocated by Fonden, USD

**65,421,317.46**

**TOTAL 829,758,840.85**

Source: Unofficial Fonden data leaked to Transparencia Venezuela.

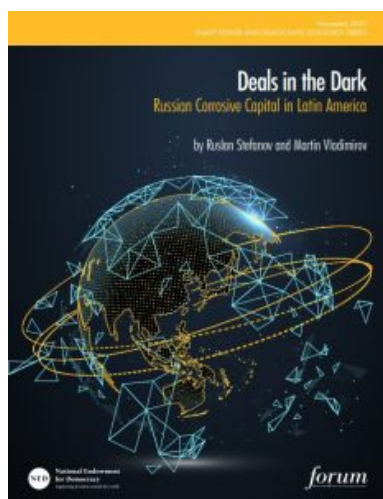


5

## **CORROSIVE EFFECTS**

Corrosive capital is conceived as the flow of funds, mostly from authoritarian states, resulting from opaque agreements that exploit legal loopholes and governance gaps in the recipient country to establish asymmetric economic relations, undermine democratic institutions and favor particular economic and geopolitical interests, to the detriment of social welfare.<sup>44</sup>

Stefanov and Vladimirov point out that corrosive capitals aim at state capture by certain groups in an attempt to be exempted from the application of regulations to which other interested parties must be subjected, to control markets in strategic sectors and even participate in far-reaching political decisions.<sup>45</sup> Regarding the experience of the Putin government, the authors cited above claim that, where they can, they operate by establishing links with existing or aspiring domestic captors, using loans or investments in sectors of interest to lock countries into costly projects that create dependency and enable corrupt practices.



Internationalist Maria Aristeguieta confirms that Russian personnel act with clan-like structures, those within political power and those with

economic power collaborate to achieve the captures.<sup>46</sup> This is possible because there is no clear dividing line between the particular interests of these capitals and the interests of the State, as well as between political or geopolitical interests and commercial interests, which increases the risks of conflicts of interest, which are exploited at their convenience.

Potentially corrosive capital does not go strictly to countries with democratic deficits. On this issue, several studies have documented the distancing of ideological motivations and the exercise of pragmatism in China's and Russia's economic relations, and thus, the flow of funds also goes to democratic societies with governments of different political orientations;<sup>47</sup> therefore, the outcomes may vary. Depending on the strength of the institutions in the country receiving the funds, the investment projects will be completed successfully or not, competitiveness of the markets and democratic institutions will remain stable or not.

In any case, corrosive capitals represent multiple risks at a time of widespread distrust in political systems,<sup>48</sup> of causing institutional and human damage that will require extraordinary efforts to reverse.

<sup>44</sup> OPORTO, H ET AL. (2021). EL CAPITAL CORROSIVO EN BOLIVIA Y LOS RETOS DE BUENA GOBERNANZA. AVAILABLE AT

<sup>45</sup> STEFANOV, R., & VLADIMIROV, M. (2020). DEALS IN THE DARK. RUSSIAN CORROSIVE CAPITAL IN LATIN AMERICA. AVAILABLE AT [HTTPS://FUNDACION-MILENIO.ORG/DEALS-IN-THE-DARK-RUSSIAN-CORROSIVE-CAPITAL-IN-LATIN-AMERICA-STEFANOV-VLADIMIROV/](https://fundacion-milenio.org/deals-in-the-dark-russian-corrosive-capital-in-latin-america-stefanov-vladimirov/)

<sup>46</sup> ARISTIGUIETA, M. INTERVIEW. ECONOMIC RELATIONS BETWEEN RUSSIA AND VENEZUELA. NOV. 1, 2021.

<sup>47</sup> JEFETS, V. (2020). DREAMING ON LATIN AMERICA: REFLECTIONS ON RUSSIAN DIPLOMACY IN THE REGION. VESTNIK RUDN. INTERNATIONAL RELATIONS, 20(3), 521—533.

<sup>48</sup> THE IDB PUBLICATION ON TRUST SHOWS THAT LATIN AMERICA AND THE CARIBBEAN IS ONE OF THE REGIONS IN WHICH PEOPLE HAVE THE LEAST TRUST IN GOVERNMENT, INSTITUTIONS SUCH AS PARLIAMENT AND POLITICAL PARTIES: LESS THAN 1 OUT OF EVERY 3 PEOPLE SURVEYED SAY THEY TRUST THEIR GOVERNMENT. KEEFER, P. AND SCARTASCINI, C. (2022). TRUST. THE KEY TO SOCIAL COHESION AND GROWTH. IDB. AVAILABLE AT [HTTPS://PUBLICATIONS.IADB.ORG/ES/CONFIANZA-LA-CLAVE-DE-LA-COHESION-SOCIAL-Y-EL-CRECIMIENTO-EN-AMERICA-LATINA-Y-EL-CARIBE-RESUMEN](https://publications.iadb.org/es/confianza-la-clave-de-la-cohesion-social-y-el-crecimiento-en-america-latina-y-el-caribe-resumen)

### 6.1 Corrosive effect: Asset losses and undermined democracy

The economic and diplomatic exchanges between Russia and Venezuela had characteristics that fit the description of corrosive formulas. In the defense sector, the NGO Social Watch has reiterated in three reports<sup>49</sup> that the National Assembly controlled by the ruling party in 2009 authorized the secret nature of the military agreements signed with Russia<sup>50</sup> and Belarus; the parliament did not perform due oversight over the acquisition of military equipment or joint projects; there were no competitive or transparent bidding processes for purchases and projects; acquisitions were not centralized in the Defense Ministry and Russian companies failed to comply with the deadlines for delivery of armaments and works.

The loans for the purchase of military equipment amounted to at least USD 7.2 billion and, in addition to the delays in deliveries, the purchases were conditioned; for example, the acquisition of the BUK M2E missile system was conditioned to the inclusion of archaic assets such as the Pechora anti-aircraft defense artillery missiles from the 1960s and, in spite of producing more modern tanks, they sold Venezuela refurbished T72s. At least USD 825 million were allocated by Fonden for the arms and ammunition factories and maintenance and training centers,

but there is only information on the commissioning of the smaller project, 11 years behind schedule. The promise of technological transfer for the maintenance of the equipment is in question in view of reports of inoperability of fighter planes<sup>51</sup> and Mi-26 helicopters,<sup>52</sup> and the accidents involving 10 Russian aircraft which cost the lives of 57 people.

In the energy area, Igor Sechin, head of the oil company Rosneft, played a determining role in the foreign policy towards Venezuela, by taking advantage of personal links with Presidents Hugo Chávez and Nicolás Maduro to favor Russian and Venezuelan oligarchs in the oil agreements.<sup>53</sup> Through loans and investments from the Russian government and Rosneft, they secured their share in the joint ventures, to which they assigned fields with production advantages (such as Petrocumarebo, Petromonagas or Petrozamora), and a good portion of the reserves, besides obtaining 49% of the shares of the Citgo refinery—in the United States<sup>54</sup>—as collateral, and securing in 2017 the exploitation license of the Mejillones and Patao gas fields, in which Rosneft keeps all the export rights of highly valued assets (based on their advantages with respect to other offshore gas fields), which can be monetized through Trinidad, although they have not yet been exploited.<sup>55</sup>

49 CONTROL CIUDADANO. (2022). COMPRA DE ARMAS. <https://www.controlciudadano.org/compras-de-armas/>

50 OFFICIAL GAZETTE (AUGUST 2009). STATUTE OF THE RUSSIAN-VENEZUELAN INTERGOVERNMENTAL COMMISSION FOR MILITARY-TECHNICAL COOPERATION. NO. 39.246; OFFICIAL GAZETTE. (NOVEMBER 2009). LAW APPROVING THE AGREEMENT BETWEEN THE GOVERNMENT OF THE BOLIVARIAN REPUBLIC OF VENEZUELA AND THE GOVERNMENT OF THE RUSSIAN FEDERATION ON THE MUTUAL PROTECTION OF CLASSIFIED INFORMATION. NO. 39.312.

51 CARDOZO, A., MIJARES, V. (2019). LOS LAZOS DE CORRUPCIÓN ENTRE VENEZUELA Y RUSIA. [WWW.FALITAM.MX](http://WWW.FALITAM.MX)

52 RUNRUNES. (2019). HELICÓPTEROS MILITARES RUSOS COMPRADOS POR HUGO CHÁVEZ SON CHATARRA. <https://runrun.es/noticias/381773/helicopteros-militares-ru-sos-comprados-por-hugo-chavez-son-chatarra/>

53 HESS, M. (2019). RUSSIA IN VENEZUELA: GEOPOLITICAL BOON O ECONOMIC MISADVENTURE? FOREIGN POLICY RESEARCH INSTITUTE.

54 VLADIMIROV, M. (2021). THE KREMLIN PLAYBOOK IN VENEZUELA. ONLINE FORUM: COUNTERING FOREIGN MALIGN INFLUENCE IN VENEZUELA.

55 MONALDI, F. INTERVIEW. RELACIONES ECONÓMICAS ENTRE RUSIA Y VENEZUELA. 1 NOVIEMBRE DE 2021.

As part of the agreement for the creation of the Joint Venture for the Production, Processing, Export and Commercialization of Musaceae in December 2010, nine large and six smaller farms in the South of Lake Maracaibo were expropriated in violation of the regulations in force. The Russian company linked to the project (Joint Fruit Company) declared bankruptcy shortly thereafter, so the project never materialized, but the damage to agricultural productivity was already done: monoproduction was exacerbated, the availability of food for domestic consumption was reduced and property rights were violated.<sup>56</sup>

Gazprombank participated together with GPB Neftegas Services in Gazprombank Latin America to form the joint venture Petrozamora in the Eastern Coast of Lake Maracaibo. GPB Neftegas Services is linked to Alejandro Betancourt, one of the so-called “*bolichicos*” accused in corruption cases during the electricity emergency decreed in 2010. Petrozamora enjoyed special benefits in the direct commercialization of its crude oil, which were not available for companies located in western Venezuela, and has been cited in corruption cases.<sup>57</sup>



PDVSA AND GAZPROMBANK ADD UNIT PZ019 TO THEIR LAKE FLEET. FEBRUARY 20, 2020. PDVSA.COM

<sup>56</sup> IACALONE, RITA (2020). NEOEXTRACTIVISMO AGRARIO Y SUS EFECTOS EN EL COMPLEJO PLATANERO/BANANERO VENEZOLANO. REVISTA AGROALIMENTARIA. AVAILABLE AT [HTTPS://WWW.REDALYC.ORG/JOURNAL/1992/199264891012/HTML/](https://www.redalyc.org/JOURNAL/1992/199264891012/HTML/)

<sup>57</sup> RUNRUN.ES (2018). DUEÑOS DE DERWICK SE HACEN LOS RUSOS PARA COBRAR UN FAVOR A PDVSA. [HTTPS://RUNRUN.ES/RR-ES-PLUS/355143/DUENOS-DE-DERWICK-SE-HACEN-LOS-RUSOS-PARA-COBRAR-UN-FAVOR-A-PDVSA/](https://runrun.es/rr-es-plus/355143/DUENOS-DE-DERWICK-SE-HACEN-LOS-RUSOS-PARA-COBRAR-UN-FAVOR-A-PDVSA/)



The sanctions imposed by the United States on Venezuela are being exploited by Russia; its companies and intermediaries gear their interest towards the commercialization of crude oil, from which they obtain important returns in brokerage and transportation, in financial management services in Russian banks, using the foreign exchange market and the handling of cash in Venezuela. Furthermore, Russia improved its position as a crude oil supplier to the United States in 2020.<sup>58</sup>

Cases of corruption or noncompliance also occurred in other sectors: in the Ciudad Tiuna urban development project, which was managed by the Russian Foundation for Housing Construction; the Orquídea Joint Venture and the Ecopolímeros Joint Venture.

Russian companies and their allies in Venezuela have enjoyed special advantages in their economic activities such as being a preferential supplier, confidentiality and secrecy agreements, legal stability and shielding, protection against wrongdoings by construction trade unions, tax exemption, no environmental obligations, and immunity from formal oversight agencies.<sup>60</sup>

### 6.2 Corrosive effect: Moscow spokespersons and symbiosis in propaganda

Russia's attempt to reposition itself in the geopolitical stage since 2000 also had an impact on communication in Venezuela.

For Vladimir Putin, the search for a new international balance with Russia playing a leading role required strategic communication, as well as energy, military and diplomatic resources.

The first collaboration efforts began in 2013 between Russia Today (RT) and Telesur, an international TV news network promoted by Venezuela, in which Cuba, Nicaragua, Ecuador, Argentina and Uruguay also took a stake. Afterwards, the state-run media, particularly Venezolana de Televisión—a public access nationwide station—, have become constant replicators of the contents produced by Russian platforms. Information pieces from RT in Spanish are copied and used in local news programs as a preferred source to report international events, in their intention to stigmatize nations with liberal democracies and whose governments are not considered allies, but above all to attack the main common enemy: the United States, which is presented as an imperialist nation, racist, exploitative of the poorest nations, while Russia and its allies, would be part of the progressive forces that would advocate for the rights of the working classes.

For example, in the editorial program called *La Hojilla*, it is common to include a short-clip segment called “*Ahí les va*,”<sup>61</sup> which until May 2022 was hosted by Inna Afinogenova. The content of this program is presented in a freewheeling YouTube/lockdown format, with the narratives of Russia in Latin America which, as analyst León Krauze writes in

58 PPETROGUÍA. (2020). RUSIA APROVECHÓ SANCIONES A PDVSA Y PASÓ A SER EL TERCER SUPLIDOR DE ESTADOS UNIDOS EN PRIMER TRIMESTRE 2020. [HTTP://WWW.PETROGUIA.COM/PET/NOTICIAS/PETR%C3%B3leo/RUSIA-APROVECH%C3%B3-SANCIONES-PDVSA-Y-PAS%C3%B3-SER-EL-TERCER-SUPLIDOR-DE-EEUU-EN-PRIMER](http://www.petroguia.com/pet/noticias/petr%C3%B3leo/rusia-aprovech%C3%B3-sanciones-pdvsa-y-pas%C3%B3-ser-el-tercer-suplidor-de-eeuu-en-primer)

59 THERE WERE STOPPAGES, STRUCTURAL FAILURES DUE TO THE LOW QUALITY OF THE MATERIALS AND LEGAL DISPUTES THAT ENDED UP FAVORING THE RUSSIAN FOUNDATION, AS REPORTED BY STOLK, R. (2015). HAY ALGO PODRIDO EN FUERTE TIUNA. CLIMAX, EL ESTÍMULO. AVAILABLE AT [HTTPS://ELESTIMULO.COM/CLIMAX/INVESTIGACION/2015-07-14/HAY-ALGO-PODRIDO-EN-FUERTE-TIUNA/](https://elestimulo.com/climax/investigacion/2015-07-14/hay-algo-podrido-en-fuerte-tiuna/)

60 CARDOZO, A., MIJARES, V. (2019). LOS LAZOS DE CORRUPCIÓN ENTRE VENEZUELA Y RUSIA. [WWW.FALITAM.MX](http://www.falitam.mx)

61 VTV - LA HOJILLA (24 APRIL 2021). VIDEO, MINUTE 36:54. [HTTPS://WWW.YOUTUBE.COM/WATCH?v=JWFXWPFMQO](https://www.youtube.com/watch?v=JWFXWPFMQO)



the Washington Post, have stoked anti-American sentiment and praised authoritarian regimes, all under the veil of a supposedly objective platform which, moreover, is more popular—according to digital metrics—in its Spanish version than in its English counterpart.<sup>62</sup>

Russia has a Department for Latin American Relations that uses its embassies in the region and also in Spain to coordinate strategies and information dissemination campaigns.



LA HOJILLA WITH MARIO SILVA, FULL PROGRAM, APRIL 24, 2021



OCTOBER 27, 2017 PHOTO SHOWING THE LOGO OF THE RUSSIAN STATE TELEVISION NETWORK RT. IN THE WINDOW OF THE COMPANY'S OFFICE IN MOSCOW, RUSSIA. MAY 13, 2022. [WWW.WASHINGTONPOST.COM](https://www.washingtonpost.com)

62 KRAUZA, L. (2022). RUSSIA'S TOP PROPAGANDIST IN LATIN AMERICA HAS A CHANGE OF HEART. [HTTPS://WWW.WASHINGTONPOST.COM/ES/POST-OPINION/2022/05/13/RU-SIA-UCRANIA-INNA-AFINOGENOVA-RT-PROPAGANDA-GUERRA/](https://www.washingtonpost.com/es/post-opinion/2022/05/13/RU-SIA-UCRANIA-INNA-AFINOGENOVA-RT-PROPAGANDA-GUERRA/)



## **VENEZUELA AND RUSSIA BEFORE THE INVASION**

With minimal risk exposure, after Rosneft's withdrawal from marketing and transportation of sanctioned crude oil, Russia's economic presence in Venezuela was maintained in the financial management of the invoices collected for hydrocarbon and mineral exports, in the money market, foreign exchange transactions and in the trade of vaccines, vials of insulin, wheat, fertilizers and meat.

In 2021, the increased frequency of direct flights between the countries facilitated the agreements for the sale of tourist packages that led to the entry of some 5,500 Russian tourists to Venezuela as of December<sup>63</sup> after several years without an influx of foreign tourists. However, repeated official announcements in public media of alliances in the pharmaceutical, transportation, education, defense, agribusiness, trade, science and technology sectors, among others, did not materialize. There was no investment or additional loans, there is no rifle or ammunition factory, there is no vaccine or vial factory and the promotion of hydrocarbons joint ventures never happened, despite the efforts of Maduro's government to attract partners, preferably allies, with promises of changes in the business model.

Russian private and public companies have no economic interest in Venezuela, according to Vladimir Rouvinski.<sup>64</sup> President Putin defines the strategies regarding Venezuela, depending on the opportunities for quick returns that allow the personal enrichment of the oligarchs, the interest of maintaining Russia's position as an energy superpower in the long term and the geopolitical objectives of imposing a new world order and challenging the United States in its backyard.

Diplomatic strategies included frequent meetings between authorities of both governments, announcements of closer relations, technical-military collaboration, media campaigns on issues such as sanctions, the negotiating table in Mexico, extradition and trial of Alex Saab, regional and municipal elections, and issues of international impact such as the deployment of Russian missiles or the presence of military bases in Venezuelan territory.



VENEZUELA SEEKS TO INCREASE RUSSIAN INVESTMENTS AND OFFERS LEGAL GUARANTEES.  
13 OCT. 2021 [WWW.EFE.COM](http://WWW.EFE.COM)

63 KOLSTER, N. (2021). VENEZUELA ES EL PAÍS MÁS COLORIDO DE SUDAMÉRICA: LOS TURISTAS RUSOS QUE APROVECHAN LA CONEXIÓN MOSCÚ – CARACAS PARA CONOCER LA IDÍLICA ISLA DE MARGARITA. BBC. MUNDO [HTTPS://WWW.BBC.COM/MUNDO/NOTICIAS-AMERICA-LATINA-59512518](https://www.bbc.com/mundo/noticias-america-latina-59512518)

64 ROUVINSKI, V. INTERVIEW. ECONOMIC RELATIONS BETWEEN RUSSIA AND VENEZUELA. NOV. 23, 2021.

### 7.1 Invasion of Ukraine, an unexpected turn with uncertain results

The invasion of Ukraine and the continued conflict have changed the context for the Venezuelan government in opposite directions. The economic sanctions imposed on Russia from the West both in the financial and energy areas have an impact, as the Venezuelan government depends on the financial management set up in Russia both to receive payment for its exports and to honor its commitments with suppliers, contractors and employees. Although it is difficult to estimate an amount, Venezuelan public money is very likely held up in Russian banks, now excluded from the SWIFT system, and that the scheme that allowed the circulation of Western currencies to Venezuela has been interrupted.

A Reuters report in late March shows the difficulties that Roszarubezhneft was facing in the operation of the five joint ventures received from Rosneft in Venezuela, due to the lack of foreign currency to pay

salaries and labor commitments to Russian personnel, as well as to honor debts with suppliers and contractors, who refuse to receive bolivars and rubles.<sup>65</sup> In this regard, the Venezuelan public and private financial sector are reportedly exploring the use of the MIR system created by the Central Bank of Russia, an alternative to the brokerage service offered by Visa and MasterCard, which began operating in 2014 and is already used by nine countries.<sup>66</sup>

The flow of funds from oil exports will also be affected by Russia becoming a competitor of Venezuela in the black market. Nonetheless, it is not possible to determine a clear outcome because a reconfiguration of the global energy market is still in process, the oil produced by Venezuela and Russia is not the same, and there are differences in sales discounts and transportation costs.<sup>67</sup> The incentives to cooperate or compete for sanctioned countries in the energy area (Iran, Venezuela and Russia) will define the outcome.



EXCLUSIVE RUSSIAN OIL FIRM SHUFFLES VENEZUELA ASSETS AS SANCTIONS BITE MARCH 29, 2022  
[WWW.REUTERS.COM](https://www.reuters.com)

<sup>65</sup> ULMER, A. Y PÁRRAGA, M. (2022). RUSSIAN OIL FIRM SHUFFLES VENEZUELA ASSETS AS SANCTIONS BITE. REUTERS. [HTTPS://WWW.REUTERS.COM/BUSINESS/ENERGY/EXCLUSIVE-RUSSIAN-OIL-FIRM-SHUFFLES-VENEZUELA-ASSETS-SANCTIONS-BITE-2022-03-29/](https://www.reuters.com/business/energy/exclusive-russian-oil-firm-shuffles-venezuela-assets-sanctions-bite-2022-03-29/)

<sup>66</sup> VENEZOLANA DE TELEVISIÓN. (2022). MIR SE PROYECTA COMO SISTEMA DE PAGO EN EL PAÍS PARA FORTALECER COMERCIO ENTRE RUSIA Y VENEZUELA. [HTTPS://WWW.VTV.GOB.VE/MIR-SISTEMA-COMERCIO-RUSIA-VENEZUELA/](https://www.vtv.gob.ve/mir-sistema-comercio-rusia-venezuela/)

<sup>67</sup> UZCÁTEGUI, A., ROJAS, A. (2022). "RUSIA ESTÁ OFRECIENDO DESCUENTOS SUPERIORES A LOS QUE OTORGA VENEZUELA POR LA VENTA DE PETRÓLEO" [HTTP://WWW.PETROGUIA.COM/PET/NOTICIAS/PETR%C3%B3leo-GAS/%E2%80%99CRUSIA-EST%C3%A1-OFRECIENDO-DESCUENTOS-SUPERIORES-LOS-QUE-OTORGA-VENEZUELA-POR-LA](http://www.petroguia.com/pet/noticias/petr%C3%B3leo-gas/%E2%80%99CRUSIA-EST%C3%A1-OFRECIENDO-DESCUENTOS-SUPERIORES-LOS-QUE-OTORGA-VENEZUELA-POR-LA)



It seems unlikely that Venezuela will be able to “free” itself from dependence on Russia after the support received by the Maduro administration, the reciprocity commitments and the great difference in the bargaining power of these countries, which would run counter to national economic interests.

For a number of analysts, the appointment of former ambassador to Moscow Carlos Faría as Venezuela’s foreign minister is a sign of Nicolás Maduro’s efforts to maintain close ties with Putin’s government and to recover the export funds in Russia.<sup>68</sup>

On the other hand, after the conflict in Ukraine broke out, a surprising meeting took place between representatives of the government of Joe Biden and President Nicolás Maduro in Caracas, after more than five years of broken relations. The possibility of easing sanctions in exchange for the resumption of oil trade, and the announcements of US government spokesmen insisting that concessions will only occur if there is progress in the negotiations to restore democracy in Venezuela,<sup>69</sup> suggest both an economic interest in curbing the rising fuel prices, and a geopolitical interest in counterbalancing the presence of the Russian government in Venezuela and Latin America.

We must recall that Russia produces more than 10 million barrels per day and Venezuela’s output is still below 800,000 b/d, according to OPEC reports.<sup>70</sup>

To raise production, Venezuela will require billion-dollars investments and at least a couple of years.

In any case, the global political and economic situation resulting from the war in Ukraine has changed the rules of the game and it remains unclear whether the momentum given to unfinished projects in alliance with Russia will continue and will translate to investments or loans to stimulate the economy, or whether Chevron, ENI, Repsol and other oil companies will invest and produce in Venezuela. In the meantime, the government maintains the rhetoric of close diplomatic relations with Russia, meetings on defense issues, mutual support in international organizations and media collaboration.

Since February 24, 2022, when Russia formally launched a long-feared military operation on Ukrainian soil, the Venezuelan State’s communications apparatus has been at the service of propaganda provided by the Kremlin, or benefiting its war efforts.

On the first day of the invasion, Freddy Nájuez, information minister of the Maduro administration, published a series of messages that replicated the propaganda talking points of the Russian narrative about the military operation on Ukrainian territory, as part of a post thread on his Twitter account [@luchaalmada](https://twitter.com/luchaalmada).<sup>71</sup>

68 FIGUEROA, A. (2022). ¿CARLOS FARÍA LLEGA PARA DESTRABAR LOS APUROS FINANCIEROS DE LA ADMINISTRACIÓN MADURISTA? <https://talcualdigital.com/carlos-faria-llega-para-destrabar-los-apuros-financieros-de-la-administracion-madurista/>

69 INFOBAE. (MAY 19, 2022). LA SECRETARÍA DE ENERGÍA DE ESTADOS UNIDOS DIJO QUE NO IMPORTARÁN PETRÓLEO DE IRÁN NI DE VENEZUELA <https://www.infobae.com/americas/2022/05/19/la-secretaria-de-energia-de-estados-unidos-dijo-que-no-importaran-petroleo-de-iran-ni-de-venezuela/>

70 DW. (2022). PRODUCCIÓN PETROLERA DE VENEZUELA SE ESTANCA EN 700.000 BARRILES DIARIOS. <https://www.dw.com/es/produccion-c3b3n-petrolera-de-venezuela-se-estanca-en-700000-barriles-diarios/a-62453670>

71 <https://twitter.com/LUCHAALMADA/status/1496847074805096451>



He then stated, “This military operation poses no threat to the civilian population of that country.”



Alfred Nazareth  
@luchaalmada

...

**Esta operación militar no representa ninguna amenaza para la población civil de ese país**

9:58 a. m. · 24 feb. 2022 · Twitter for Android

That same day, the website of Spanish newspaper *El País* published that “civilian casualties [in Ukraine] have reached thirty, according to data from EFE: four civilians have died in an attack in the Donetsk region and at least 22 in a Russian air strike in the Odessa region, on the shores of the Black Sea.”<sup>72</sup>

On at least five more instances, after the start of the conflict, high-ranking officials of the government of Nicolás Maduro have echoed false information distributed by Russian media, which have been denied in the fact checking portal EsPaja.com.<sup>73</sup> The statements by senior officials are part of Nicolás Maduro’s “total support” to Vladimir Putin, announced on February 22 in a presidential nationwide broadcast and through social media.<sup>74</sup> A sign of this support in digital communication by the Venezuelan State occurred on March 1, after the telephone call between both presidents

in which they discussed how to “boost the alliance and the strategic Venezuela’s support to Russia.”

That same afternoon, the “*Tropa Oficialismo Radical*” (pro-government radical troops)—a category determined by the ProBox Digital Observatory of accounts aligned with the government’s discourse—positioned #EEUUIrrespeto (USA disrespects), with at least 52.56% of its tweets potentially coming from bots or fake accounts.<sup>75</sup> Some 19 pro-Russian trends promoted by pro-government accounts with inauthentic behavior based on the invasion of Ukraine and messages in support of Alex Saab mention the Russian Foreign Ministry account.<sup>76</sup> In addition, state-run media have received specific instructions on how to deal with the Russian invasion of Ukraine, through messages sent via the WhatsApp platform to members of their editorial staffs.<sup>77</sup>

Four months after the conflict began, Venezuelan Foreign Minister Carlos Faría ratified the support of Nicolás Maduro’s government for the “ongoing military operation in Ukraine” after meeting with his counterpart on July 4 in Moscow.<sup>78</sup>

72 EL PAÍS. (2022). ASÍ HA SIDO EL PRIMER DÍA DE OFENSIVA RUSA EN UCRANIA. [HTTPS://ELPAIS.COM/VIDEOS/2022-02-24/ASI-HA-SIDO-EL-PRIMER-DIA-DE-OFFENSIVA-RUSA-EN-UCRANIA.HTML](https://elpais.com/videos/2022-02-24/asi-ha-sido-el-primer-dia-de-ofensiva-rusa-en-ucrania.html)

73 [HTTPS://ESPAIA.COM/VERIFICACIONES/EL-PRESIDENTE-DE-UCRANIA-HIZO-UN-VIOLENTO-SPOT-DE-CAMPANA-COMO-ASEGURA-EL-MINISTRO-DE-INFORMACION-DE-MADURO](https://espaia.com/verificaciones/el-presidente-de-ucrania-hizo-un-violento-spot-de-campaña-como-asegura-el-ministro-de-información-de-maduro); [HTTPS://ESPAIA.COM/VERIFICACIONES/BANDERA-NAZI-ONDEO-EN-UNA-TRINCHERA-DE-UCRANIA-EN-2022-COMO-SUGIERE-UN-VIDEO-RETUITEADO-POR-WILLIAM-CASTILLO](https://espaia.com/verificaciones/bandera-nazi-ondeo-en-una-trinchera-de-ucrania-en-2022-como-sugiere-un-video-retuiteado-por-william-castillo); [HTTPS://ESPAIA.COM/FACT-CHECKING/UCRANIANA-EMBARAZADA-QUE-SALIO-HERIDA-TRAS-BOMBARDEO-RUSO-ES-UN-MONTAJE-COMO-DIJO-TIBISAY-LUCENA](https://espaia.com/fact-checking/ucraniana-embarazada-que-salio-herida-tras-bombardeo-ruso-es-un-montaje-como-dijo-tibisay-lucena)

74 [HTTPS://TWITTER.COM/NICOLASMADURO/STATUS/1496324985048215558](https://twitter.com/NICOLASMADURO/status/1496324985048215558)

75 PROBOX. (2022) MADURO EXTIENDE SU APOYO A LA PROPAGANDA DE RUSIA EN TWITTER DE VENEZUELA

[HTTPS://PROBOXVE.ORG/PUBLICACION/MADURO-EXTIENDE-SU-APOYO-A-LA-PROPAGANDA-DE-RUSIA-EN-TWITTER-EN-VENEZUELA](https://proboxve.org/publicacion/maduro-extiende-su-apoyo-a-la-propaganda-de-rusia-en-twitter-en-venezuela)

76 PROBOX DIGITAL OBSERVATORY REPORT PREPARED FOR THIS RESEARCH.

77 A CONFIDENTIAL SOURCE AT ESPAJA SHARED ONE OF THE WHATSAPP MESSAGES RECEIVED FROM “HIS BOSS” AT AGENCIA VENEZOLANA DE NOTICIAS WITH THE INSTRUCTIONS.

78 KOMMERSAT. (2022). VENEZUELA SUPPORTS RUSSIAN MILITARY OPERATION IN UKRAINE. [HTTPS://WWW.KOMMERSANT.RU/DOC/5446452](https://www.kommersant.ru/doc/5446452)

# CONCLUSIONS

Economic relations between Venezuela and Russia were boosted by President Chávez's efforts to establish ties with nations he considered like-minded and Russia's foreign policy strategies in favor of looking towards Latin America to secure a place in the multipolar world he promoted. Through the High Level Intergovernmental Commission created in 2001, bilateral relations have been regularized since 2004 and have entailed flows of investment funds and loans for at least USD 34.07 billion and more modest trade exchanges estimated at USD 12.6 billion (2000–2019). Although officially no loans have been issued from Russia since 2017, nor investments since 2018, and the debt was only restructured, the relationship was geared towards supporting the triangulation of oil commercialization with discounts, which allowed Russia to collect its debt; and furthermore, the financial support from Russia ensured a flow of foreign currency from the West to Venezuela, access to which had been blocked due to the 2019 sanctions. The amount of the debt with Russia as of June 2022 is unknown, but it is estimated to be very low.

Economic and diplomatic exchanges take place using with corrosive formulas:

1. Most of the loans were aimed at the purchase of military equipment in confidential agreements, with no bidding process, circumventing formal oversight agencies, subject to purchases of archaic material, and Russia did not comply with the delivery deadline. Investments in three defense projects are 13 years behind schedule and no investigation has been opened for the alleged loss of at least USD 825 million in assets.
2. Opacity, legal advantageousness, immunity from oversight agencies bodies and inefficiencies were also observed in the joint hydrocarbon, housing, mining and agri-food projects.
3. Of the joint ventures, only the oil companies survive, but are yet to meet their production goals. The manufacturing or agri-food companies yielded no results, and the outcome of the mining projects announced in 2018 is unknown. Recent promises of technology transfer for the production of vaccines and insulin did not materialize.
4. Diplomatic alliances in critical moments of both countries vis-à-vis the international community have exacerbated the weakening of institutions and favored the support of the government of Nicolás Maduro through the scheme devised to evade sanctions, symbolic presence of military personnel and support in multilateral organizations. At the same time, the Venezuelan government has given decisive support to Russia's actions against Georgia in 2008, the invasion of Crimea in 2014 and Ukraine 2022.
5. Communication collaboration. In Venezuela, the public media system has become a regular replicator of content produced by Russian platforms. Information pieces from RT in Spanish are used in local newscasts as a source of international news, replicating their narrative, values and visions under a veil of alleged objectivity. In 2022, since the beginning of the invasion of Ukraine, "special mission" is used instead of "invasion," stigmatizing the Ukrainian

government and with no mention of the deaths of Ukrainian civilians, not only in the traditional system, but also through social media managed with trolls and bots to ensure their hashtags are ranked among the top in the trends.

6. The governments of Russia and Venezuela share a model with mutual collaboration in business to exploit public funds from their nations in favor of oligarchs, but much more significant is the geopolitical alliance in which the interests of the Russian government prevail.
7. The invasion of Ukraine and the consequent economic sanctions against Russia have an impact on Venezuela, but the results are uncertain, due to Russia's involvement in the financial brokerage for Venezuela, as well as the reconfiguration of the world oil market and the outcome of the dilemma of the sanctioned countries (Russia, Venezuela and Iran), i.e. to cooperate or compete. In the meantime, the rhetoric of close diplomatic relations, media collaboration and defense exchanges are maintained.

Venezuelan society has been impacted by a debt that has not translated into development of productive capacity or revenues to the national treasury, unequal market conditions that drove away construction capital, expropriation of lands in the south of Lake Maracaibo with no compensation, the loss of public funds in failed projects that could have been used to strengthen emblematic industries, and the influence of propaganda and disinformation that has exacerbated distrust, as well as the polarization that prevents minimum agreements for peaceful coexistence.

# RECOMMENDATIONS



Investment is fundamental for development in any country, and in the case of Venezuela, the severe economic crisis prompts a sense of urgency of resources and capital. However, there are no attractive signs for investment, due to the lack of legal, political and economic security, which contrasts with other countries with emerging economies that are trying to recover from the shock caused by the COVID-19 pandemic and that compete for foreign funds. The World Investment Report 2021 points out that Latin America experienced a 45-percent drop in foreign investment from 2019. This makes the situation in Venezuela even more challenging, as Foreign Direct Investment grew with a tremendous lag compared to the growth in the rest of the region between 1998 and 2013, and by 2018 received only 0.7% of investments in South America, according to ECLAC.<sup>79</sup>

Several oil companies are currently interested in participating in the production and commercialization of hydrocarbons and their by-products, despite the legal uncertainty and limitations of the related services required by the industry, driven by the rise in prices, market instability and also the geopolitical interests of the West.

The arrival of productive, healthy and stable capital requires changes in the structure of the State into democratic reinstitutionalization and restoration of the rule of law. The potential dialogue process that is seemingly to be resumed in the

second half of 2022, or any other future process, should consider the need to reach agreements between the different sectors of the country in relation to the development plan and investment promotion policies, the type of investors, the conditions and impact it may have on the economy and politics of the country.

These conditions for domestic or foreign investment would allow for the assessment of the quality and capacity of the sources of investment, as well as the requirements and commitments that the Venezuelan State must take into account when establishing economic and financial relations with third parties.

At the very least, reference must be made to compliance with conditions of transparency and integrity, adherence to the law, verification of the lawful origin of funds, commitment to investment objectives and goals, social and environmental responsibility, as well as human rights and corporate responsibility.

The following is a set of recommendations to the country, with and for democratic reinstitutionalization, with systems of checks and balances and accountability. We have divided them into recommendations for the public sector and for civil society.

<sup>79</sup> PORCARELLI, E., GUERRERO, L., RODRÍGUEZ, L. (2021). SOME COMMENTS FROM UNCTAD'S WORLD INVESTMENT REPORT 2021. [HTTPS://ECONOMIA.UCAB.EDU.VE/ALGUNOS-COMENTARIOS-A-PARTIR-DEL-WORLD-INVESTMENT-REPORT-2021-DE-LA-UNCTAD-2/](https://economia.ucab.edu.ve/algunos-comentarios-a-partir-del-world-investment-report-2021-de-la-unctad-2/)

### Recommendations for the public sector:

#### 1) Transparent and effective processes

- a. Define the conditions and processes for foreign and domestic investment, guaranteeing equitable treatment, stability in the rules, respect for property rights, ability to convert and transfer foreign currency in and out of the country, technology transfer, protection against breach of contract, transparency, streamlined and speedy procedures.
- b. Create a Venezuelan foreign investment promotion entity (PIV), made up of a highly qualified technical team independent of political conditions, with the power to oversee compliance with legislation, monitor the results of investments in the public sector and guarantee transparency.
- c. Create the Foreign Investment Register in open data format, including all the elements of the investment: identification of beneficial ownership, sector, projects, amounts, origin of funds, purposes, partners, declaration of interests, public or private participation, contracts, dates, terms, etc.
- d. Select teams responsible for the lending, investment and procurement units through rigorous and competitive examinations based on the merits of the applicants and their strict commitment to comply with a code of conduct and to file a sworn statement of assets and interests.
- e. Avoid loans tied to conditions contrary to transparency, free competition, and equality of economic agents before the law and human rights.
- f. Compliance with macro-fiscal and budgetary rules; transparency of the budgeting and borrowing process, including the publication of a consolidated public sector debt register, updated quarterly, indicating: creditor entity, debtor entity, amount contracted, amount repaid, amount owed, currency, interest rate, terms and forms of payment, in open data format.
- g. Leverage digital technologies to comply with the active transparency of the entire public financial administration and to form two-way State-society communication channels on budgetary, treasury, investment and public credit processes.
- h. Submit accountability reports and details of the management of Bandes, Fonden, as well as of any parallel fund and its sources, outside the oversight of the National Public Credit Office, the Treasury, the National Assembly and the Office of the Comptroller General, since their creation.
- i. Improve the governance of state-owned enterprises that ensure the rationality of public ownership of the enterprise, autonomy from partisan interference, the role of the state as owner, integrity practices, disclosure

of its relations with stakeholders, accountability and responsibility of its authorities.

- j. Strengthen the national fiscal control system, especially restoring the autonomy of the Office of the Comptroller General and providing it with qualified financial and human talent to ensure the efficiency and quality of public spending.

### In relation to Russia

- k. Have the Ministry of Foreign Affairs and those bodies and entities involved in bilateral agreements publish details of all exchanges with Russia, their conditions and results.
- l. Conduct an audit of the flow of funds for investments, loans and donations agreed since 2004.

## 2) Reforms to the legal framework based on principles of transparency and anti-corruption.

- a. Strengthen the macro-fiscal rules, limit the powers granted to the president in budgetary matters, eliminate the exceptions to authorize the nation's indebtedness operations before international financial institutions.
- b. Eliminate the prerogatives to engage in debt operations through decentralized entities (Bandes, PDVSA and other banks) that have no oversight of the National Credit Office and the Parliament, and implement an obligation to publish

all information on the public financial administration. This will require a reform of the Law of Financial Administration of the Public Sector.

- c. Derogar la Ley Constitucional Antibloqueo para el Desarrollo Nacional y la Garantía de los Derechos Humanos, que establece la concentración de poder en el presidente y actuaciones secretas, lo que elimina la separación de poderes y las garantías de transparencia y rendición de cuentas.
- d. Repeal the Constitutional Anti-Blockade Law for National Development and Guarantee of Human Rights, which sets out the concentration of power in the president and secret proceedings, eliminating the separation of powers and guarantees of transparency and accountability.
- e. Amend the Procurement Law in order to eliminate exclusions, guarantee the active transparency of the entire contracting and procurement process in all public sector bodies and entities, with clear determination of the origin of the funds.
- f. Amend the Law of the Comptroller General of the Republic to include the obligation to annually audit the implemented budget to evaluate the efficiency of public spending and to include the publication of the sworn statement of assets and interests of employees and officials.

# Agreements with Russia

## GEOPOLITICAL ALLIANCE

- g. Amend the Law on Transparency and Access to Information of Public Interest passed in 2021, because, instead of guaranteeing, it limits the right of access to information and is based on concepts that run counter to the Constitution, treaties and international standards.
- h. Amend the Anti-Corruption Law to incorporate regulations on nepotism, the revolving door, gift-giving to public officials, among other practices that generate conflicts of interest.
- i. Pass law on lobbying or management of private interests before authorities and public officials, to minimize problems of conflicts of interest and misuse of power.

### **Recommendations to civil society, which could be implemented as of today**

- a. Learn and understand the effects of corrosive capital to protect themselves and promote its visibility with solid information.
- b. Demand from the State complete and verifiable information on investments, debts and transfer of public assets: specifically on the final beneficiaries of participating companies, origin of funds, expected results, economic, environmental and social impacts (in terms of progressiveness of human rights).
- c. Investigate opaque investments, especially those suspected of being linked to money laundering activities or where intermediaries are seeking

to acquire critical assets through stakeholders that could potentially promote the strategic agenda of authoritarian governments, and if there are any suspicions, report them.

- d. Apply internal governance systems for integrity that include policies of transparency, anti-bribery, respect for human rights and environmental protection. This implies not giving in to opportunities for privilege for the State that compromise the collective interest, and reporting wrongdoings in the public sector, as a victim or witness.
- e. Remain vigilant against disinformation practices, which implies being rigorous in the evaluation of sources and relying on existing verification and fact-checking programs so as not to become a victim or participate in disinformation campaigns by media or individuals who have been co-opted.
- f. Foster the exchange and knowledge of experiences in Latin American countries to monitor state capture vulnerabilities and demand the application of democratic governance standards.



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