

## Russia's Continuing Engagement with Venezuela in 2019 and Beyond - An Update

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*“The relationship between Russia and Venezuela is a profound historical relationship, from people to people and from government to government. It is an exemplary relationship.”*

—Nicolás Maduro, December 2019

The surprising auto-proclamation of Juan Guaidó, on January 23, 2019, as interim president of Venezuela was followed by a further escalation of tensions in the country. These included energy blackouts, failed attempts to deliver international humanitarian aid, and additional U.S. sanctions. These dramatic developments placed Moscow's policy towards Venezuela, a nation in which Russia has invested significant material resources and political capital, under enormous pressure. The government of Vladimir Putin found itself at a crossroads: either to begin looking for an exit strategy, or to use the complicated Venezuelan scenario as an opportunity to reshape the nature of Russia's engagement with Venezuela.<sup>1</sup> Events that unfolded throughout 2019 demonstrate that Russia chose the latter option.

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1. On the evolution of Russian relations with Venezuela before and in early 2019, see Vladimir Rouvinski, *Russian-Venezuelan Relations at a Crossroads*, Washington, D.C.: Woodrow Wilson International Center for Scholars, 2019, <https://www.wilsoncenter.org/publication/russian-venezuelan-relations-crossroads>.

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Throughout 2019, Moscow did not offer Venezuela any new credits or prepayments of oil. However, the Kremlin did offer technical military support to the Maduro government and maintained military personnel in the country. Moscow helped Caracas obtain urgently needed cash by assisting it in oil sales and financial transactions in spite of U.S. sanctions; provided strong diplomatic backing of Maduro in the United Nations; renewed business relations; and increased positive coverage in the Russian mass media. The visit by Nicolás Maduro to Russia and his meetings with Vladimir Putin in September 2019 as well as the visit by Foreign Minister Sergey Lavrov to Venezuela in early February 2020 served to strengthen Russia's image as a major extra-regional actor in Latin America. At the same time,

the February 18, 2020, announcement of sanctions against Rosneft Trading SA, a trading arm of its parent company Rosneft, jeopardizes Moscow's existing approach to Venezuela, which relies heavily on the energy sector as a fundamental pillar of long-term Russian engagement.

Four major factors help explain the continuation of Russian involvement in Venezuela.

## I. Russia in Venezuela: Retreat is Not an Option

The group within Russia's political elite that is responsible for Moscow's assertive policies in the international arena still holds sway in the Kremlin. These individuals do not share a common ideology, as was the case of the Soviet leadership. Instead, they share a common understanding of the past, present, and future of Russia. Even more importantly, their views coincide with Vladimir Putin's ideas on what is right for Russia. In addition, most of them have known each other for many years and associate their personal well-being with their remaining in the inner circle of power.

Many of Russia's powerful political elites are part of Putin's Security Council.<sup>2</sup> In recent years, the importance of the Security Council in designing and implementing the country's foreign policy

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2. Russia's national Security Council (Sovet bezopasnosti Rossiyskoiy Federatsii in Russian) is an advisory body under the President of the Russian Federation, which is in charge of preliminary assessments before Putin's decisions on issues related to internal and external threats. Although the membership in the Council is usually reserved for the highest government officials, such as the prime minister, minister of defense, head of Federal Security Services and others, some individuals keep their seat on the Council even after they stop holding any related post within the government. The changes in Russian political institutions recently initiated by Vladimir Putin showed the importance attached to the Security Council: the former Prime Minister, Dmitry Medvedev, is now Putin's deputy at the Council. While the position of deputy was introduced only in 2020, Medvedev kept most of his staff as well as the extraordinary personal privileges he enjoyed as prime minister.



(Left to Right): Deputy Chairman of the Security Council Dmitry Medvedev, Secretary of the Security Council Nikolai Patrushev and Interior Minister Vladimir Kolokol'tsev during a meeting with permanent members of the Security Council of Russia | Photo: ©Kremlin.ru

agenda has been growing.<sup>3</sup> For the members of the Council, the crisis in Venezuela constitutes a case of “hybrid conflict” that tests Russia’s ability to resist and counter an adversary’s action in a new type of rivalry in international relations. According to the Council’s Secretary, a hybrid conflict “involves economic and political pressure to circumvent UN decisions and international law; the organization of mass protests; threats of military invasion; attempts to get rid of the top political leadership and aggressive propaganda.” Nikolai Patrushev, Secretary of the Security Council, and other members of the Council are convinced that these actions characterize the U.S.-led international campaigns against the Venezuelan government, and that Russia should act accordingly.<sup>4</sup>

For the members of the Russian Security Council and the rest of the nation’s political elites, the situation in Venezuela cannot be viewed separately from a global process in which Russia struggles to ensure its just place in the international arena and thwart attempts by Western powers to reduce its political and economic autonomy. Therefore, a retreat from Venezuela was never an option.<sup>5</sup> Not surprisingly, in 2019 key Russian officials often referred to relations between Russia and Venezuela as “strategic.”<sup>6</sup> Moreover, as the political crisis in Venezuela heated up in January 2019, Moscow sent a military technical contingent there. This group included the chief of the Russian General Staff of

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3. As Maxim Bratersky argues, “the list of challenges and threats to national security has greatly expanded. The component elements of national security (political autonomy) now include issues of military-strategic stability, national sovereignty, socio-political stability, the competitiveness of the economy, society and ideology. The Russian Security Council now issues documents devoted not only to military and economic security, but also to environmental policy, policy in the Arctic, information security, energy and transportation.” See Maxim Bratersky, “The Evolution of National Security Thinking in Post-Soviet Russia”, *Strategic Analysis*, 40:6, 2016, 513-23.

4. RIA Novosti, “Patrushev claims hybrid impact on Venezuela from abroad,” April 24, 2019, in Russian <https://ria.ru/20190424/1552991931.html>.

5. At the beginning of the 2019 crisis, a high-ranking Russian diplomat referred in a private conversation to Russia’s role in Venezuela as “the last line of defense of our country in the international arena.” Other Russian government officials and diplomats in informal conversations often expressed a similar view.

6. For example, in October 2019, the Russian Vice Prime Minister, Yuri Borisov, announced that Russia and Venezuela will soon sign “a strategic document...which will determine trade, economic, scientific, technical, and cultural relations between our countries for a long period, at least until 2030.” As reported by Interfax news agency on October 6, 2019, <https://www.interfax.ru/world/679262>.



the Ground Forces, Colonel General Vasily Tonkoshkurov; later, in March, up to a hundred Russian military specialists arrived in Caracas. This represented the first continuous presence of Russian military personnel in the Western Hemisphere since Moscow withdrew its military personnel from Cuba in the early 1990s, a clear manifestation of Kremlin's determination to keep Venezuela within Russia's orbit.<sup>7</sup>

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Many other Russian-sponsored or -assisted actions helped keep Maduro in power. In the United Nations Security Council, Russia blocked a U.S.-backed resolution concerning the 2019 Venezuelan presidential crisis and the prior results of the 2018 presidential election. The Russian company Rosneft became the driving force of the Venezuelan oil industry. Some Russian banks and other financial institutions strengthened their work to facilitate financial flows to and from Venezuela. The Russian propaganda machine, including the RT television channel and

government-sponsored news agencies, made significant efforts to expose international audiences to explanations of the situation in Venezuela different from the ones emanating from Western countries.

In the eyes of many members of the Russian political elite, developments in Venezuela in 2019 reaffirmed the high value for Russian interests of Latin America's geographical proximity to the United States. For the first time since the collapse of the Soviet Union, Russia managed to veto Washington's attempt at regime change in a country of the Western Hemisphere, by challenging U.S.-supported efforts to oust Nicolás Maduro. Contrary to previous post-Soviet scenarios in Latin America and the Caribbean, the United States could no longer ignore Russian activities in a sensitive area of the U.S. "near abroad." The situation in Venezuela was one of the issues high-ranking Russian and U.S. government officials dealt with during bilateral meetings, which Moscow viewed as a sign of recognition that Russia was a key player in the struggle over Venezuela's future.<sup>8</sup>

At the same time, the crisis in Venezuela laid bare the many limitations of Russian policy. These included a shortage of Russian financial resources to support its policy in Latin America and the weak governance capacity of *chavismo*, which severely reduced the options for Russia's achieving

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7. In September 2019, Maduro acknowledged that a planned rotation of Russian technical military personnel took place.

8. The concept of "near abroad" (*blizhnee zarubezie* in Russian) is used in Russia to refer to the territory of the former Soviet Union, the geographical area of utmost strategic importance for Russia. Many members of the Russian political elite think of Latin America as the U.S. "near abroad." Direct talks between the United States and Russia on Venezuela took place in March 2019 in Rome, when the U.S. Special Representative for Venezuela, Elliott Abrams, met with the Russian Deputy Foreign Minister in charge of Latin America, Sergei Ryabkov. In May 2019 the situation in Venezuela was discussed in a telephone conversation between President Donald Trump and Vladimir Putin; the subject came up during Putin's meeting with Secretary Mike Pompeo also in May. Venezuela was among the topics discussed frequently by Russian and U.S. diplomats throughout the year. It also figured in talks between Secretary Pompeo and Russian Foreign Minister Sergei Lavrov in Washington, D.C., in December 2019.

its political objectives in a rapidly changing environment. Over the course of 2019, Russian officials frequently indicated in press briefings that they were not negotiating the provision of new credits to Venezuela. Maduro was already late with payments on some of the existing loans to foreign creditors, while the bulk of the debt to Russia had to be restructured. Hence, the Putin government was not willing to approve requests for additional credits or loans. To make things worse, U.S. sanctions against both Russia and Venezuela reduced the room for financial and business transactions, systematically forcing the parties to work around the restrictions and accept higher transaction costs. On issues of governability, the Russians were greatly concerned with the Maduro government's mismanagement and poor accountability, not to mention the fact that Russian recommendations aimed at helping *chavismo* alleviate the country's harsh economic crisis had rarely been taken into consideration. On occasion, it seemed that Moscow's patience was reaching its limits and that important players were becoming increasingly intolerant of the status quo. This dynamic can be seen in Russian-Venezuelan energy cooperation, described below.

## II. No Man is an Island: Rosneft and Russian Policy towards Venezuela

In the Venezuelan case, many observers think of Igor Sechin as the key individual behind Moscow's policy. His close friendship with and admiration of Nicolás Maduro are well known. Nonetheless, the way in which Russia cooperated with Venezuela in 2019 illustrated that Sechin's power to define the course of Russia-Venezuela relations extends only as far as the trust invested in him by Vladimir Putin. Rosneft has risked several billion dollars in Venezuela in loans and joint venture investments.<sup>9</sup> In a worst-case scenario—for example, if the opposition came to power and refused to honor previous agreements—the head of Rosneft could be held responsible for Russia's tremendous failure in a strategically important area of the Western Hemisphere. In addition, the change of the Russian Constitution initiated by Putin in early 2020 could bring about a power realignment in Russia, and Rosneft's failure in Venezuela could provide an opportunity for Sechin's many enemies inside the Russian political establishment to even the score.

However, no man is an island, even if he is the head of Rosneft. The fundamental explanation for Russia's persistence in Venezuela should not be confused with Sechin's personal preferences and interests. The idea that control over Venezuela's energy resources can contribute significantly to Russia's future as a global energy player has more support in Moscow than in the past. This is another factor explaining Russia's continued interest in Venezuela and it is likely to remain on Moscow's

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9. It is difficult to estimate the total cost of Rosneft's involvement with Venezuela because of the lack of transparency as well as conflicting accounts provided by the parties. According to Reuters' calculations, the Russian company has spent around \$9 billion in projects in Venezuela since 2010. Reuters, "Venezuela approves incentives for Russia's Rosneft to invest in offshore gas," November 6, 2019, <https://www.reuters.com/article/us-venezuela-russia-gas/venezuela-ap-proves-incentives-for-russias-rosneft-to-invest-in-offshore-gas-idUSKBN1XG24A>.



(Left to Right): Rosneft Chairman Igor Sechin, a Rosneft employee, and President of Russia Vladimir Putin at the opening ceremony of a new deep-water terminal at the Rosneft's Tuapse Oil Refinery | Photo: ©Kremlin.ru

agenda for many years. Therefore, examining the role played by Rosneft—by far the most significant Russian energy company operating in Latin America and the Caribbean—is useful, above all, to better understand the nature of Russia's long-term vision and approach.

A significant part of Venezuela's debt to Russia is owed to Rosneft, and Venezuela's difficulties in meeting its obligations to the company received a great deal of media attention. However, Rosneft's activities in Venezuela are not only about collecting the debt. Under Igor Sechin, Rosneft has not hesitated to take risky steps, such as helping the Maduro government work around U.S. sanctions by facilitating oil shipments and controlling, from its office in Panama, the trade of most of Venezuela's oil.<sup>10</sup> At the same time, Rosneft supplies Venezuela's imports of gasoline, which is essential to run the Venezuelan economy; there are few suppliers left and the country lacks the capacity to produce it on its own. In June 2019, Russia was Venezuela's only source of imported gasoline.<sup>11</sup> There is no doubt that Rosneft is a true lifesaver for the *chavista* regime, and it has been rewarded accordingly: in 2019 Rosneft became the first and only Russian company exempted from paying value-added and export taxes in Venezuela.<sup>12</sup>

From the perspective of Russia's continuing commitment to Venezuela, perhaps even more important is the fact that Rosneft's share of Venezuela's energy sector remains unchanged, despite

10. See Lucia Kassai, "To Buy Venezuelan Oil, You'll Need to Go Straight to Panama City," *Bloomberg*, 19 September 2019, <https://www.bloomberg.com/news/articles/2019-09-19/to-buy-venezuelan-oil-you-ll-need-to-go-straight-to-panama-city>.

11. "Russia's Rosneft last major petrol supplier to Venezuela," *Financial Times*, August 7, 2019, <https://www.ft.com/content/d0645804-b7a3-11e9-96bd-8e884d3ea203>.

12. Agreement between the Russian Federation and the Bolivarian Republic of Venezuela on cooperation in the implementation of joint strategic projects (as amended on 10 July 2019), in Russian, <http://docs.cntd.ru/document/902178639>; the tax exemption was approved by the Maduro-controlled Constituent Assembly on October 29, 2019 (<https://actualidad.rt.com/actualidad/331939-asamblea-constituyente-venezuela-aprobo-exoneracion>).

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the crisis and the concerns about the quality of management of its joint ventures.<sup>13</sup> Like other large foreign businesses in the country before it, Rosneft is confronting the issues of inefficiency of local production processes, corruption, negligence, and the lack of competent personnel. Nevertheless, thanks to its extensive presence in the country as well as its access to insider information, the Russian company understands a lot more about the true state of the Venezuelan energy sector than any other foreign entity. Even though Rosneft has denied that it has any plans to take over Venezuela's most valuable asset—the state-owned oil company PDVSA—its increased involvement in the day-to-day operations of PDVSA could greatly facilitate an eventual take-over. For instance, in late 2019, the Russian company stepped in to provide maintenance expertise to

PDVSA oil refineries.<sup>14</sup>

The keen interest of Rosneft in Venezuela has to do with the company's status as a key player in the new energy architecture Putin is building in order to sustain and expand Russia's role as a global energy supplier. With new pipelines to Europe and Asia, Russia is close to replacing the old supply infrastructure inherited from the Soviet Union. Nevertheless, Russian energy strategy is not limited to the replacement and redesign of supply networks originating in Russia. Some experts have warned that oil production from existing fields within Russian territory may decrease in the mid-term.<sup>15</sup> Moscow is also aware that the global energy market is currently undergoing fundamental changes of extraordinary scale in terms of geography and technological innovation. Using government-controlled mega-companies such as Rosneft, Russia actively seeks opportunities to extend its control over more oil and gas fields around the world.

The new energy world order is a “work in progress,” involving a complex network of multinational actors; thus, the government of Vladimir Putin views Rosneft as a company that is better positioned than many other Russian enterprises to expand and venture abroad. Under Sechin's leadership, Rosneft has increased the geographic reach of its operations to as many as 25 countries. It is one of a handful of Russian companies capable of implementing the whole range of required technological processes, in addition to shipping and sales. It also has a distinctive shareholder structure. For example, British Petroleum (BP) owns nearly a fifth of Rosneft; the Russian company is BP's biggest foreign investment and the source of a third of total BP output. Because Putin recognized Rosneft's

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13. Christian Lowe and Rinat Sagdiev, “How Russia sank billions of dollars into Venezuelan quicksand,” Reuters Special Report, March 14, 2019, <https://www.reuters.com/investigates/special-report/venezuela-russia-rosneft/>.

14. Fabiola Zerpa, “Rosneft elbows PDVSA aside on Venezuela service contracts,” December 8, 2019, <https://www.worldoil.com/news/2019/12/6/rosneft-elbows-pdvs-aside-on-venezuela-service-contracts>.

15. See World Energy Outlook 2019, <https://www.iea.org/reports/world-energy-outlook-2019>.

importance for Russia's future as an energy superpower, the company is given a number of unprecedented benefits and it remains one of Russia's most profitable companies.<sup>16</sup>

In Latin America, and especially in Venezuela, Rosneft advocates in favor of sustaining and expanding its share in the energy sector precisely because the company's presence in the Western Hemisphere is perceived as important for Rosneft's—and Russia's—future as a global energy actor.<sup>17</sup> Critics point out the mismanagement by local partners and the political risks of doing business in Venezuela, but Igor Sechin insists that this part of South America is the most promising resource base in the global oil and gas industry. Therefore, Russia must remain. In this context, while Rosneft proved to be a very effective tool for sustaining the Maduro regime during a crucial phase of political turmoil in Venezuela, the government of Vladimir Putin—now more confident of his position in Venezuela than at the beginning of 2019—is ready to begin considering new long-term commitments. In June 2019, the Russian government confirmed its support of Rosneft's projects in the Patao and Mejillones fields, two 30-year gas concessions off Venezuela's eastern coast that were given to Russia in 2017. The company was to start developing these projects in 2020.

### III. The Many Faces of Russia's Involvement with Venezuela

The third factor that explains the continuation of Russian engagement with Venezuela concerns business opportunities outside the energy sector. Although Venezuela is experiencing stark difficulties in meeting its financial obligations and there is a shortage of hard currency, there are lucrative opportunities for a number of companies with good connections to the Russian government. Many of these companies are part of the Russian military industrial complex; in fact, the last visit to Venezuela in 2019 by a high-positioned Russian government official was that of Yuriy Borisov,<sup>18</sup> currently the Deputy Prime Minister. After serving several years as Deputy Defense Minister and Military-Industrial Commissioner, Borisov is in charge of Russia's defense and space industries. With Venezuela the largest customer of Russian arms in Latin America, Russian defense industries are expected to continue profiting from close relations between Moscow and Caracas.

Another example concerns the shipments of Russian grain. For the Maduro regime, the shipments of grain are politically important, as the *chavista* government uses them to distribute subsidized wheat flour to bakeries serving the poor. In 2018, Russia's government-controlled United Grain Company (UGC) delivered 254,000 tons of grain to Venezuela; in 2019 it was to deliver up to 600,000 tons. Despite the relatively low volume of shipments, Russia effectively replaced Canadian and U.S. grain suppliers to

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16. For example, the Russian government provides Rosneft with important tax relief in order to finance exploration of new gas and oil fields. The dividends reported by Rosneft in the first half of 2019 were about US\$2 billion.

17. Rosneft's activities in Venezuela are a perfect match for Russia's broader energy policy in Latin America. See Matthew Smith, "Putin's Push For Energy Dominance In Latin America," Oilprice.com, November 25, 2019, <https://oilprice.com/Energy/Energy-General/Putins-Push-For-Energy-Dominance-In-Latin-America.html>.

18. "Russia and Venezuela sign cooperation agreements", Vesti.ru, October 6, 2019 (in Russian) <https://www.vesti.ru/doc.html?id=3196532>.



the Venezuelan market; and Russia anticipates making this South American nation a part of its plans to expand the presence of Russia's agricultural sector in Latin American markets. The CEO of UGC is Dmitriy Sergeev, a former Deputy Minister of Agriculture who spent many years working with Dmitriy Patrushev, Russia's Minister of Agriculture and the son of the Security Council's Secretary, Nikolai Patrushev.

Russia's pharmaceutical companies constitute yet another actor. They have expressed interest in Latin American markets for some time, and they perceive the departure of Western pharmaceutical companies from Venezuela as an important opportunity. At the same time, the lack of essential medicines, such as insulin, is a critical problem for the Venezuelan government, as shortages of medicine constitute a major source of the regime's unpopularity. On December 11, 2019, the first shipment of 200,000 doses of insulin arrived in Venezuela, following the signing of a contract to buy considerable quantities of insulin produced by the Gerofarm Company, headquartered in Saint Petersburg. Gerofarm is known not only as one of the leaders of the pharmaceutical industry in Russia, but also as one of the sponsors of the 2019 election campaign of Alexander Beglov, the current governor of Saint Petersburg and member of the Supreme Council of the ruling political party, "United Russia."

In sum, even though it would be very difficult to think of Venezuela as a new El Dorado for Russian trade and commerce, there are certainly opportunities. As of now, the number of Russian companies doing business in Venezuela is small. Yet the companies are well connected to the highest echelons of political power in Russia. Their leaders are determined to advance their commercial interests, which in turn are knitted to the continuation of Russian engagement with the Bolivarian republic.

#### IV. Venezuela in Russian Mass Media

The fourth factor that keeps Moscow attached to Caracas is the multifaceted role of Venezuela in the political spectacle put on for Russian domestic and foreign audiences. One focus is Venezuela as evidence of the restored status of Russia as a great power. In 2020, the most important public event for Vladimir Putin will be the commemoration of the 75th anniversary of the Soviet victory in the Second World War. So far, not many world leaders have agreed to visit Moscow on Victory Day (May 9). The Russian president needs a back-up plan. The participation of the Venezuelan leader may save the day, as occurred in 2015, when Nicolás Maduro was among only a handful of foreign leaders accompanying Vladimir Putin during a parade in Red Square. At the time, most foreign dignitaries cancelled their participation over disagreement with Russia's role in the Ukrainian crisis.

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President of Venezuela Nicolas Maduro | Photos: ©Kremlin.ru ©Unsplash

However, by 2019 the Russian public showed much less interest in the idea of recuperating Russia's global reach than during the period when Moscow started building an alliance with Caracas. The government of Vladimir Putin has thus had to walk an extra mile in order to convince Russian public opinion that the continuation of Moscow's involvement in Venezuela is worthwhile. To make the case, the Russian government has significantly increased the number of reports about Venezuela in Russian TV news and other types of TV programs. For example, Channel One<sup>19</sup> alone aired 256 Venezuela-related news reports and TV shows between January and October 2019. This compares with only 34 such reports in 2018.<sup>20</sup> If one counts the number of mentions in news programs and talk shows, Venezuela was given almost two times as much attention by Channel One, for example, as Belarus, despite the obvious relevance of the latter for Russian domestic and foreign policy.

By making the Bolivarian nation an important protagonist on Russian TV, Russian propaganda is able to kill several birds with one stone. First, when talking about Venezuela, Russian TV hosts can denounce U.S. foreign policy in the context of continuing tensions between Moscow and Washington. On April 11, 2019, for example, the central theme of one of the talk shows, "Time Will Tell," was "The Dictate of the USA." The participants discussed a "successful defense of Venezuela by Russia in the United Nations" and Washington's "wrong beliefs that America can dictate its will anyone around the world." In another program, the TV presenter announced, "Washington unleashed a new round of financial war against [Cuba and Venezuela]... this is a warning to all those who help Caracas, including Russia."<sup>21</sup>

Venezuela also provides an opportunity for Russian propaganda to celebrate Russian military technological might. In another popular talk show, "The Great Game," aired on February 25, 2019,

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19. The Channel One (Perviy Kanal in Russian) TV broadcasting can be watched for free in 99.8 percent of Russian territory. Its potential domestic audience is 140 million viewers. Among the Russian TV companies, it has the most extensive networks outside Russia, with a potential reach of up to 250 million viewers, according to International Media Distribution (IMD), a U.S.-based media company that distributes programming in foreign languages to cable and satellite providers in the United States and Canada.

20. Author's own calculations, based on data provided at Channel One official website: <https://www.1tv.ru>

21. [https://www.1tv.ru/news/2019-04-18/363768-washington\\_razvyazal\\_ocherednoy\\_vitok\\_finansovoy\\_voyny\\_s\\_yuzhnyimi\\_sosedyami](https://www.1tv.ru/news/2019-04-18/363768-washington_razvyazal_ocherednoy_vitok_finansovoy_voyny_s_yuzhnyimi_sosedyami).

one of the participants assumed that Russian weapons provided “an occasion for the United States to think about [potentially considerable U.S. military] casualties in Venezuela.”<sup>22</sup> In addition, Russian TV stations allege that the United States is intervening in Venezuela because of unfair competition with Russian oil industries on a global scale. Last but certainly not least among the reasons that Venezuela has occupied such a prominent place on Russian TV channels is that it provides an opportunity for Russian propagandists to condemn U.S. policies of “regime change.” According to Russian government-controlled media, these efforts bring about the deterioration of living standards, the suffering of common people, and widespread violence. Hence, often comparing Venezuela to Libya and Syria, Russian TV portrays Moscow’s aid to Caracas not only as a good will gesture, but also as necessary to protect the world—and Russia—“against malign U.S. intentions.”<sup>23</sup>

Political talk shows have become a backbone of nationwide TV broadcasting in Russia,<sup>24</sup> and Venezuela has served to help manipulate public opinion. Taking advantage of the confused and stereotypical knowledge of Latin America among the Russian public, talk show anchors allow guests to make false or erroneous statements without correcting them; they thereby skillfully direct

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seemingly balanced debates towards conclusions that are in line with Moscow’s official stance in the region. This helps to alert Russians that the story of Venezuela is not over and to prepare them for whatever might develop in the future.

The coverage of Venezuela by Russian government-controlled media outside of Russia responds to a dynamic similar to the one inside the country: Venezuela’s difficulties are a result of U.S.-led actions rather than of the disastrous policies of *chavistas* over many years. As Russia scholars Sean Steiner and Sarah Oates demonstrate, Russian media broadcasts in foreign languages are centered on four key messages that

echo the ones destined for Russia’s domestic audience: “The U.S. wants regime change;” “the U.S. wants Venezuela’s oil;” “the U.S. will create provocations;” and “the U.S. is hypocritical and caused the crisis.”<sup>25</sup> In other words, both internally and internationally, Moscow wants audiences

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22. <https://www.1tv.ru/shows/big-game/vypuski/rossiyskoe-oruzhie-eto-povod-ssha-zadumatsya-o-poteryah-v-venesuele-viktor-murahovskiy-o-silovom-scenarii-gosperevorota-v-venesuele-bolshaya-igra-fragment-vypuska-ot-25-02-2019>.

23. <https://www.1tv.ru/shows/vremya-pokazhet/vypuski/vremya-pokazhet-vypusk-ot-30-04-2019-2019-04-30>

24. Pyotr Tveredov, “A Great Game of Channel One,” *Nezavisimaya Gazeta*, June 13, 2019 (in Russian). The newspaper claimed that Russian political talk shows are watched by important Russian decision makers.

25. See Sean P. Steiner and Sarah Oates, “Reading the RT Leaves: Foreign Policy Lessons from Russian International Media Coverage of Venezuela,” *Kennan Cable*, No. 43, August 29, 2019, <https://www.wilsoncenter.org/publication/kennan-cable-no-43-reading-the-rt-leaves-foreign-policy-lessons-russian-international>. According to author’s interviews of Latin American journalists in Ecuador and Colombia in October and November 2019, Russia’s government-sponsored RT in Spanish TV broadcast and Sputnik news have become key sources of information for Latin American journalists and the general public.

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## V. Lessons Learned and Challenges Ahead

At the beginning of 2020, it is clear that the political, economic, and social crisis in Venezuela is far from over. Russia's continuing involvement constitutes more than simply an attempt to catch fish in troubled waters.<sup>26</sup> It is part of Moscow's changing strategy towards Latin America and the Caribbean, which some Russian scholars have labeled as "adaptive pragmatism:"<sup>27</sup> maintaining long-term goals unchanged while observing the shifts in the political, economic, and social environment and adapting forms of engagement to what seems viable in practical terms. From this perspective, it is possible to outline three key lessons from the examination of Russia's involvement in Venezuela.

**Lesson One:** For the government of Vladimir Putin, Russian involvement in Venezuela's 2019 crisis was the first serious test of strength since Russia's return to the region following the collapse of the Soviet Union. It revealed that Russia is not prepared to abandon Venezuela because it has too much to lose. For one, due to the importance of Venezuela in the context of mostly symbolic reciprocity with the United States, leaving South America would be perceived by influential decision-makers as well as by the public as a defeat. In addition, walking away from Venezuela would weaken Putin's efforts to make Latin America part of a new energy architecture designed to help Russia retain its status of energy superpower.

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**Lesson Two:** During the crisis, Russia was able to mobilize diverse tools of engagement, ranging from the sending of a limited military technical contingent to massive propaganda, and from the use of the veto power at the UN Security Council to the facilitating of oil trade and financial transactions for an allied regime. The choice of instruments of foreign policy not only showed Moscow's high confidence regarding their use, but also the capacity of Putin's government to apply them in a cost-effective way. While Russia's reaction was mostly opportunistic and devoid of serious political initiatives, at least some of its actions were game-changing and allowed the Kremlin to achieve its goals.

**Lesson Three:** There are businesses that benefit from the continuation of Russia's presence in Venezuela. Venezuela's importance to Russia's military-industrial complex will last many years.

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26. From the expression in Spanish, *aguas revueltas, ganancia de pescadores* (turbulent waters, a boon to fishermen) [Ed.].

27. The use of the term in the context of Russian foreign policy towards Latin America was introduced by Dmitriy Razumovsky, Director of the Latin American Institute of the Russian Academy of Sciences.

For medium-sized companies with good connections to the political establishment, the renewed business contact with Venezuela holds forth the promise of considerable profits that otherwise would be difficult to earn. This is true either because of limited opportunities to obtain government-backed contracts or because it is not easy to enter new markets abroad. In this sense, the “practicality” of Russia’s current approach means addressing the urgent needs of the Maduro regime by benefiting select Russian national industries and trade.

## Challenges

*The Political and Economic Crisis in Venezuela:* While Russia may have won the first round of its standoff with Western powers in Venezuela, it undoubtedly faces more difficulties in the future. First, the political future of Maduro’s government remains uncertain. His popularity is extremely low and is unlikely to increase any time soon. The fundamental causes of Venezuela’s economic decline

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Despite Moscow’s involvement in key sectors of the Venezuelan economy, Russia is neither willing nor able to transform Venezuela into a new Soviet-style Cuba.

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have not disappeared, and economic hardship will continue to erode the base of support for Maduro—certainly among the population, and possibly among members of the armed forces and government officials. Despite Moscow’s involvement in key sectors of the Venezuelan economy, Russia is neither willing nor able to transform Venezuela into a new Soviet-style Cuba. Therefore, should circumstances require replacing Maduro, the Kremlin will be “pragmatic.” That is, Moscow may be open

to a Venezuela without Maduro as long as the alternative allows Russia to advance its interests in Venezuela and in Latin America more broadly. Russian officials have repeatedly mentioned the possibility of a post-Maduro Venezuela. At the same time, left with no other option, Moscow will continue to support him.

*Russian Energy Cooperation:* Russian interest in Venezuela’s energy sector will remain strong and Rosneft will seek to maintain its role as a key player. However, the Russian company will have to deal with several important challenges. Among them are the needs to improve the production capacity of Rosneft’s existing joint ventures with PDVSA and to develop new fields, as provided by existing agreements. If Rosneft is to follow its publicly announced plan to transform the region into one of its global energy hubs, dealing with these issues may require costly new expenditures. That said, against the backdrop of ongoing political and technical problems, not to mention Russia’s costly commitments in other areas of the world, the Putin government will likely think twice before approving significant new spending.<sup>28</sup>

In addition, previous U.S. sanctions have already posed challenges that greatly limited Rosneft’s business options while still allowing the company to continue its operations in Venezuela. However,

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28. Max Hess, “Is the Kremlin Tired of Venezuela? Moscow’s help will continue with limitations, while Rosneft might be Venezuela’s biggest ally,” *The Moscow Times*, September 26, 2019.

in February 2020, that situation changed when the United States sanctioned Rosneft Trading S.A., a Geneva-based trading arm of Rosneft.<sup>29</sup> Rosneft's collaboration with the Maduro regime has now become very costly for the Russian company, both in terms of resources expended to maintain operations and in terms of the impact of new secondary sanctions. It is difficult to expect any significant increase of Rosneft's support to the regime and its existing operations are likely to be sharply curtailed.

Finally, there is the danger that future political change in Venezuela could severely impact Rosneft's activities in Venezuela. Such change could call into question investments already made, in that none of the deals made by Rosneft since 2014 has been recognized by the opposition-controlled National Assembly and could therefore be considered null by the new authorities who assume power. Even if a new government were to negotiate some form of compensation, there is no doubt that Russia would not easily accept the loss of Rosneft's assets in Venezuela. This is for reasons both strategic (Russia as an energy superpower) and political (Venezuela as part of the U.S. "near abroad.") By using Rosneft to keep the Maduro government afloat, but simultaneously signaling to the opposition that it is ready to facilitate a "peaceful and legal" transition of power, Moscow appears to hope that it can maintain a modicum of control and assure that Rosneft's assets are safe. In light of the latest U.S. sanctions, it is possible that Russia will intensify the search for a new post-Maduro scenario.

*Dealing with a Divided Latin America:* Confronting financial and reputational challenges in Venezuela but still committed to sustaining its presence in the region, Russia is now dealing with a divided Latin America. By its emphatic defense of the Maduro government and its opposition to regional initiatives that sought to resolve the crisis, the Kremlin alienated many governments in Latin America that recognized Juan Guaidó as Venezuela's legitimate new leader.<sup>30</sup> At the same time, Moscow is closely watching the ongoing political unrest in many parts of the continent; despite some sensitive losses in 2019, such as the end of the Evo Morales government in Bolivia, Russia hopes to acquire new supporters among governments that emerge from the waves of protest.<sup>31</sup>

The 2019 political turmoil in Venezuela did not change Russian priorities in Latin America. The region's key values remain its geographical proximity to the United States and the opportunities for Russia to

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29. Ian Talley, "U.S. Sanctions Subsidiary of Russia's Rosneft Over Alleged Venezuela Oil Exports," *The Wall Street Journal*, February 18, 2020, <https://www.wsj.com/articles/u-s-sanctions-subsidiary-of-russias-rosneft-over-alleged-venezuela-oil-exports-11582039828>.

30. For example, Russia rejected the invitation to participate in the Conference for Democracy in Venezuela that was held in Lima, Peru, in August 2019. Earlier, the Russian Council of Federations sent a letter to several Latin American parliaments with a warning not to intervene in Venezuela or else face Russia's reaction, which was regarded by some governments as a threat. See Vladimir Rouvinski, "El Favor del Oso. Colombia y la política rusa," *El Espectador*, April 7, 2019, in Spanish, <https://www.elespectador.com/noticias/el-mundo/el-favor-del-oso-colombia-y-la-politica-rusa-articulo-849255>.

31. In January 2020, it was reported that Russia has used its trolls to manipulate public opinion in South American nations hit by mass protests. See Lara Jakes, "As Protests in South America Surged, So Did Russian Trolls on Twitter, U.S. Finds," *New York Times*, January 19, 2020, <https://www.nytimes.com/2020/01/19/us/politics/south-america-russian-twitter.html>.

strengthen its might as an energy superpower. At the same time, developments in Venezuela contributed to the reshaping of the Latin American vector of Russian foreign policy. After 2019, more than ever, Moscow is aware of the many limitations that it has in such a distant theater of operations. It tends to prioritize practical and viable solutions over new broad and ambitious commitments. At the same time, it will continue to exploit low-cost opportunities in this key area of U.S. interest.

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