

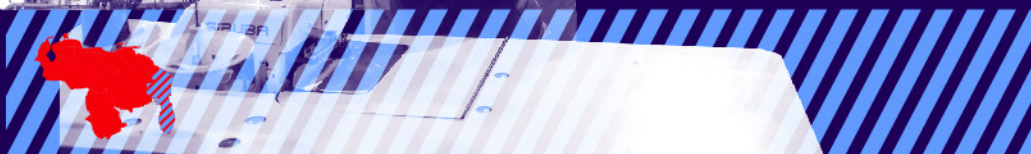


 **Venezuelanalysis**



# A WAR WITHOUT BOMBS

THE SOCIAL, POLITICAL  
AND ECONOMIC  
IMPACT OF SANCTIONS  
AGAINST VENEZUELA



A War Without Bombs: The Social, Political  
and Economic Impact of Sanctions Against  
Venezuela

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Venezuelanalysis is an independent, grass-  
roots, English-language media outlet provid-  
ing on-the-ground coverage of Venezuela.

Caracas, Bolivarian Republic of Venezuela

September 2023





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# A WAR WITHOUT BOMBS

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THE SOCIAL, POLITICAL  
AND ECONOMIC  
IMPACT OF SANCTIONS  
AGAINST VENEZUELA







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# Preface

Ever since the election of Hugo Chávez, Washington has been trying to overthrow the Bolivarian Revolution. In recent years, regime-change efforts have mostly relied on an all-out economic war against Venezuela with a weapon of choice: unilateral coercive measures, commonly known as sanctions.

While Venezuela has hosted 28 elections since 1998, US officials allege that sanctions were set in place to “restore democracy” in the Caribbean nation. *A War Without Bombs: The Social, Political and Economic Impact of Sanctions Against Venezuela* aims to provide Venezuelanalysis readers, internationalists, activists, and people committed to social justice with the tools to understand (and collectively revert) the devastating impact of the blockade on the people of Venezuela.

This publication is divided into three sections. In the first part, we bring you articles and infographics that expose the mechanics of coercive measures, delve into their real-life impact, and examine the mass media discourse that legitimizes these deadly policies. The following section features interviews with three experts who talk about the political, economic, and social impact of the sanctions regime imposed on Venezuela from a geopolitical perspective.

In the last section of this primer, we bring you two selections from VA’s Communal and Working Class Resistance series. This collection of testimonies looks to unveil the impact of the US blockade on grassroots organizations, from communes to worker-run factories, and it shows that – rain or shine – many in Venezuela are as committed as ever to building a post-capitalist society.

*A War Without Bombs* was made possible thanks to the support that Venezuelanalysis gets from readers like you. To all of those who support our work, here goes our gratitude. We are also thankful to all the internationalists who raise their voices against the criminal sanctions regime imposed on Venezuela, and we call on everyone to join the global #SanctionsKill campaign.

**The Venezuelanalysis Team**





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# The **Blockade** in **Facts** and **Figures**

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 **Venezuelanalysis**



# Sanctions In-depth: Numbers and Social Impact

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Andréina Chávez Alava

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**Sanctions are political, not legal instruments. Their goal is to cause pain and suffering in order to force populations to overthrow their own governments and surrender their sovereignty. According to legal experts, US sanctions violate the United Nations (UN) Charter, the Charter of the Organization of American States (OAS) and the Geneva and Hague Conventions, to which the United States is a signatory.**

In April 2023, the UN Human Rights Council reiterated that unilateral coercive measures are against international human rights law, condemned their use, and called for their immediate removal. The illegality of sanctions is not in question. This, as well as their consequences, is simply ignored by the political and media establishment.

## Unusual and extraordinary threat

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After President Hugo Chávez's death on March 5, 2013, Washington began an economic siege to impede the continuation of the Bolivarian Process and its newly elected Nicolás Maduro government. The first war-like measure was Executive Order 13692, signed by US President Barack Obama on



March 8, 2015, which declared Venezuela an “unusual and extraordinary threat to the national security and foreign policy of the United States.”

Although downplayed as inconsequential by the corporate media, the Obama decree began the “toxification” of Venezuela, with international investors and companies recoiling from doing business with a nation targeted by the world’s largest financial and military power. In 2016, Citibank was the first institution to do so by closing accounts of Venezuela’s Central Bank and the Bank of Venezuela after conducting a risk management review. Caracas, despite stubbornly servicing its foreign debt, also faced rising borrowing costs.

The Executive Order also sanctioned several Venezuelan high-level officials, making it increasingly difficult to carry out state business. As a result, Obama’s decree dealt a hard blow to an economy already reeling from the 2014 oil price crash and years of speculative inflation as well as food shortages induced by powerful elites. The country’s GDP declined 24.7 percent between 2013 and 2016.

However, the fiction of Venezuela being a “threat” was just the basis for the upcoming full declaration of war, a unilateral and illegal one. EO 13692 provided the “legal” grounds for the US Treasury Department to impose a wide-reaching sanctions program against the country, its economy, and its people. And because the Obama decree has no expiration date, the siege can be perpetuated indefinitely.

## Maximum pressure

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In 2017, President Donald Trump announced a “maximum pressure” campaign to block any chance of economic recovery and accelerate Venezuela’s social collapse. Trump likewise began to threaten that “all options were on the table.”

The hybrid warfare strategy consisted of implementing a sanctions regime designed as a maze with no exits. The US Treasury imposed primary sanctions directly against Venezuelan state institutions, companies, and individuals, and secondary sanctions against persons and corporations in foreign jurisdictions that traded with the Caribbean nation. This fatal combination turned Venezuela into a pariah state.

The siege especially targeted the country's main source of revenue: the oil industry. In August 2017, the US Treasury Department's Office of Foreign Assets Control (OFAC) imposed financial sanctions against state oil company PDVSA followed by an export embargo in January 2019. With crude production falling from 1.9 million barrels per day (bpd) in 2017 to 350,000 bpd in 2020, GDP shrank by more than 65 percent between 2014 and 2019, hurting essential imports as the country entered hyperinflation. (See plots on pages 26, 27 and 30)

The primary and secondary sanctions combo led to severe fuel shortages as well. Without diesel fuel to power thermal generators, the country became overreliant on hydroelectric power generation, which was also hit by a lack of access to imported equipment. As a result, a massive electricity crisis broke out in March 2019.

Although the measures against the oil sector had deeply devastated the livelihood of the Venezuelan people, the sanctions program went on to crush every other key sector of the economy. In March 2018, OFAC sanctioned Venezuela's "Petro," created only a month prior to circumvent sanctions. In March 2019, Russian bank Evrofinance Mosnarbank was sanctioned for its willingness to use the cryptocurrency.

With Venezuela sitting on the world's second-largest certified gold reserves, the mining sector was the next major target. In March 2019, the US Treasury Department sanctioned Venezuela's General Mining Company (Minerven), blocking trade with US persons and companies. Caracas was using gold reserves to pay for food, fuel, medicine and other imports.

The ban on gold trade was followed by embargoes against the Venezuelan public banking system. In April 2019, the Treasury blacklisted the Central Bank of Venezuela (BCV) to restrict transactions and prohibit its access to US dollars. Other executive orders resulted in the closure of several Venezuelan bank accounts in international financial institutions as well as a loss of access to credit.

According to the Venezuelan government, since 2019 over US \$8 billion worth of Venezuelan assets and funds remain frozen or blocked by banks in the United States, Portugal, Spain, the United Kingdom, France, and Belgium, including nearly \$2 billion in gold retained at the Bank of England. Washington alone has blocked the use of \$342 million in accounts from Venezuela's Central Bank.<sup>1</sup>

The entire sanctions program was reinforced by notifications issued by the Financial Crimes Enforcement Network (FinCen) in September 2017 and May 2019, warning institutions not to deal with the Venezuelan state, even for essential imports.<sup>2</sup>

With the above measures, Venezuela was effectively deprived of revenue streams while all solutions to the ongoing economic crisis were wiped out. Nonetheless, in August 2019 Washington escalated its "maximum pressure" campaign with a Cuba-style embargo.

The new executive order banned all transactions with Venezuelan state entities and blocked state assets on US territory, prohibiting them from being "transferred, paid, exported, withdrawn, or otherwise dealt in." In February 2020, Venezuela's state airline CONVIASA was blacklisted as well.

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1. Andreína Chávez Alava, "Venezuela Blasts Vaccine Inequality, IMF for Denying Covid-19 Funds" in [venezuelanalysis.com](https://venezuelanalysis.com), April 2021.

2. US Department of the Treasury, "Updated FinCEN Advisory Warns Against Continued Corrupt Venezuelan Attempts to Steal, Hide, or Launder Money" in [home.treasury.gov](https://home.treasury.gov), May 2019.

The economic siege came alongside a ludicrous political gambit as the Trump administration supported the self-proclamation of Venezuelan opposition politician Juan Guaidó as “Interim President” in January 2019. The “parallel government” act lasted until early 2023. Guaidó was granted control of Venezuelan bank accounts and state assets seized by Washington and allies to fund his coup efforts, including \$10-billion-worth US-based oil subsidiary CITGO and \$269-million-worth Colombia-based fertilizer Monómeros.

In 2021, President Joe Biden took the reins of the medieval-type siege against Venezuela and left it essentially intact, including one particular perverse aspect: the “starvation sanctions.”

## Starvation as foreign policy

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The imperialist rhetoric around sanctions has been to deny that these measures are responsible for the worsening of living conditions in Venezuela, especially food insecurity. In early 2019, then-US State Secretary Mike Pompeo<sup>3</sup> said the US would find “other ways to make sure that food gets to the people who need it” after imposing more sanctions. He said this while systematically denying the country access to essential imports.

The reality is that food purchases became an obstacle course as Venezuela’s public and private sectors lost access to the international system of payments and banks discontinued services out of fear of running afoul of US sanctions. For example, in November 2017, Puerto Rico’s Italtbank closed an account with Venezuela’s Central Bank because of “concerns about reputational risk.” The small bank was used by Caracas to process food and medicine payments.

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3. Caroline Kelly, “Pompeo says more sanctions on Venezuela to come” in [edition.cnn.com](https://edition.cnn.com), February 2019.

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In July 2019, Washington fully established starvation as a main foreign policy goal by targeting a host of individuals and companies allegedly connected to Venezuela's Local Food Supply and Production Committees (CLAPs), created by the Maduro government in 2016 to distribute low-cost food boxes to working-class families. One notorious case was Colombian-born businessman Alex Saab, who was targeted for allegedly profiting from overvalued state contracts. Saab, who was appointed as a Special Envoy with diplomatic immunity by the Maduro government, is currently jailed in Florida facing money laundering charges after being illegally detained in Cape Verde and extradited to the United States.

In September 2019 and January 2021, the US Treasury announced more sanctions against three individuals and almost 30 companies for supplying the CLAP program. The starvation tactics were exacerbated in June 2020, when Trump nixed oil-for-food swap deals. As a result, an estimated 6-7 million working-class families suffered the consequences of fewer and lower quality CLAP products while food insecurity became widespread amidst shortages and soaring prices.

## The human cost

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Hunger came alongside diminished access to healthcare and other basic human rights as the Venezuelan people were hit by these invisible bombs called sanctions. Yet, to this day there is no systematic way to track casualties. There are, however, three studies that provide an approximation of the devastation caused by Washington and its allies.

An April 2019 report by the Center for Economic and Policy Research (CEPR)<sup>4</sup>, authored by economists Mark Weisbrot and Jeffrey Sachs,

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4. Mark Weisbrot and Jeffrey Sachs, "Economic Sanctions as Collective Punishment" in [cepr.net](https://cepr.net), April 2019.

estimated that US economic sanctions were responsible for 40,000 deaths<sup>5</sup> between 2017 and 2018 and placed hundreds of thousands of chronic patients at risk due to the impossibility to get medicines or treatments in the upcoming years.

The report pointed out that the collapse of export revenue and essential imports contributed to a deterioration of Venezuelans' caloric intake and to malnutrition, with food imports down from \$11.2 billion in 2013 to \$2.46 billion in 2018. Weisbrot and Sachs concluded that sanctions against Venezuela "would fit the definition of collective punishment of the civilian population as described in both the Geneva and Hague international conventions."

In September 2021, following a visit to Venezuela, United Nations (UN) Special Rapporteur Alena Douhan published a report<sup>6</sup> detailing the negative impact of sanctions. She found that more than 2.5 million Venezuelans were suffering food insecurity after imports dropped 73 percent between 2015 and 2019 while fuel and diesel scarcity endangered food production and transportation.

Douhan also warned that the insufficiency of basic medicines and their rising prices placed some 300,000 people at risk while thousands of cancer, HIV/AIDS, and tuberculosis patients were in dire need of treatment. Surgical procedures were reduced for lack of anesthesia and antibiotics, and due to only 20 percent of hospital equipment functioning. Additionally, the UN expert attested to an increase in teenage pregnancies and HIV/AIDS cases while 2.6 million children were deprived of vaccines.

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5. Former UN Special Rapporteur Alfred de Zayas extrapolated the casualties to over 100,000. "Unilateral Coercive Measures as a Crime Against Humanity: The Case of Venezuela," speaking engagement in Geneva, Switzerland, March 2020.

6. Alena Douhan, "Report of the Special Rapporteur on the negative impact of unilateral coercive measures on the enjoyment of human rights" in [reliefweb.int](https://reliefweb.int), September 2021.

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Other expressed concerns were “the precarious purchasing power of workers” and the deterioration of all public services due to the government’s limited financial resources to buy and repair necessary infrastructure, causing public health problems in the areas of water and sanitation.

The report noted that the impact of sanctions on the economy led to an unprecedented migration wave, resulting in a brain drain of “doctors, nurses, teachers, engineers, technicians and others.” According to the UN, 7.1 million Venezuelans have migrated due to the crisis between 2015 and 2023.<sup>7</sup>

The Special Rapporteur concluded that “over-compliance by banks and third-country companies” made Washington’s so-called humanitarian exemptions “ineffective and insufficient.” For example, in June 2021, Swiss bank UBS blocked payments to the United Nations’ COVAX program to acquire Covid-19 vaccines, despite supposedly being permitted under an OFAC license.

Venezuelan human rights organization SURES referenced another example of the consequences of overcompliance: the rejection of transactions to buy insulin doses and dialysis treatments by Citibank and Euroclear while pharmaceutical companies like Baxter, Abbot, and Pfizer repeatedly refused to issue export certificates for cancer treatments for Venezuelan patients.<sup>8</sup>

The human rights group highlighted the case of several children dying since early 2019 after not receiving liver, kidney, and bone marrow transplants abroad because banks and private companies became overly cautious in dealings with Venezuela. Venezuelan children had been

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7. UNHCR, “Venezuela situation” in [unhcr.org](https://www.unhcr.org), January, 2023.

8. SURES, “Secondary sanctions, overcompliance and impact of unilateral coercive measures on the right to health” in [sures.org.ve](https://sures.org.ve), April 2023.

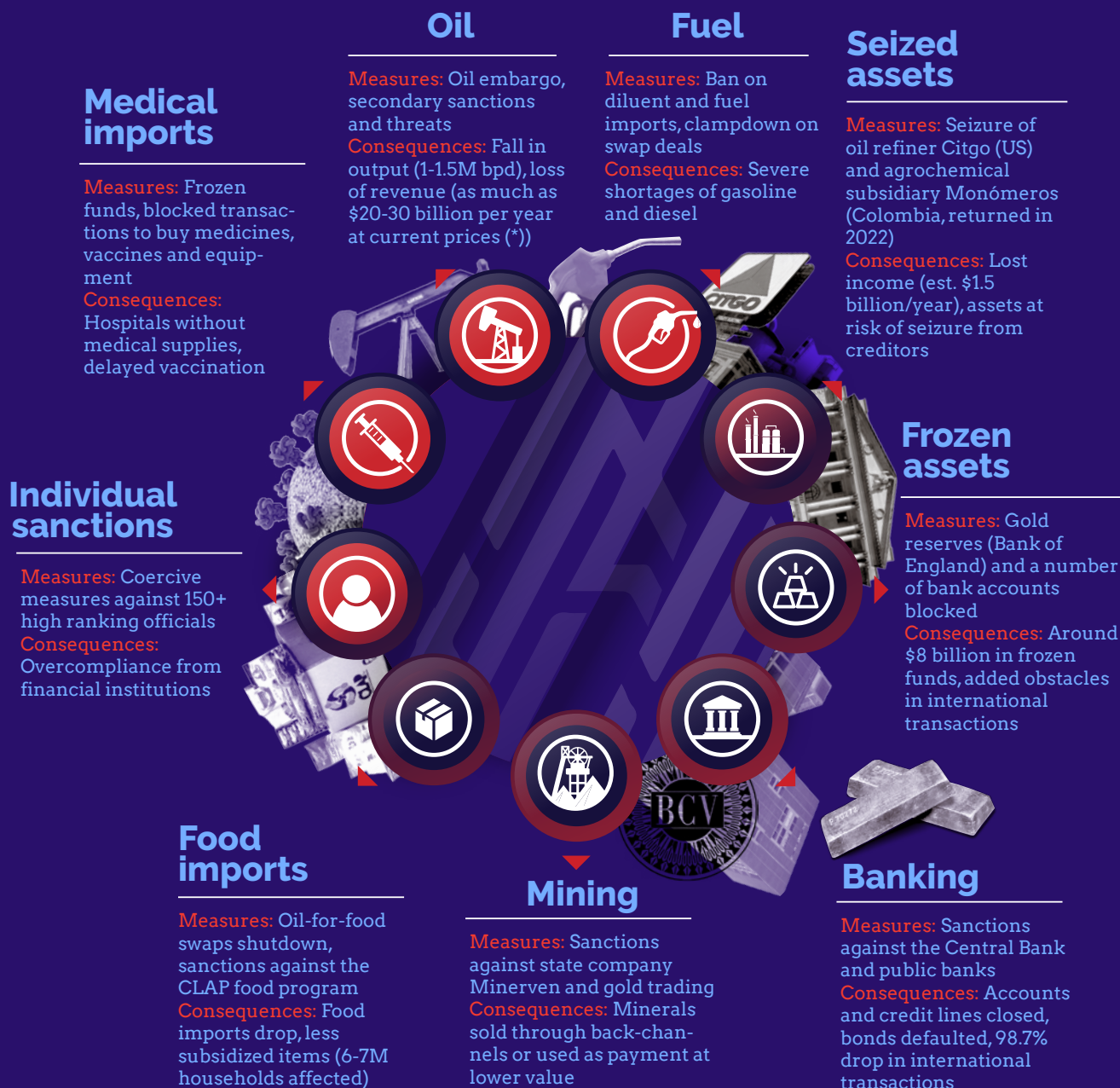


beneficiaries of a humanitarian program financed by oil subsidiary CITGO, seized by Washington.

Finally, SURES stated that women, children, indigenous communities and people with disabilities were the most affected by the economic crisis exacerbated by US sanctions. The latter group has seen prosthetic donations reduced, with NGOs and government social programs unable to import them.

In conclusion, the three studies agree that it is not possible to fully grasp the damage caused by sanctions against the Venezuelan people but all the evidence points to one simple truth: sanctions kill and will continue to do so.

# Blockade: measures and consequences



## The deadly Impact of sanctions

**100,000+**  
deaths  
(2020)

**22%**  
of children  
under five  
stunted (March 2019)

**2.500.000**  
food insecure

**300,000+**  
chronic disease  
patients without  
access to  
treatment (2019)

**31.4%**  
of population  
undernour-  
ished (2017 - 2019)

**69%**  
drop in goods  
and services  
imports  
(2015 - 2019)

**Outbreaks of  
previously  
controlled  
diseases**



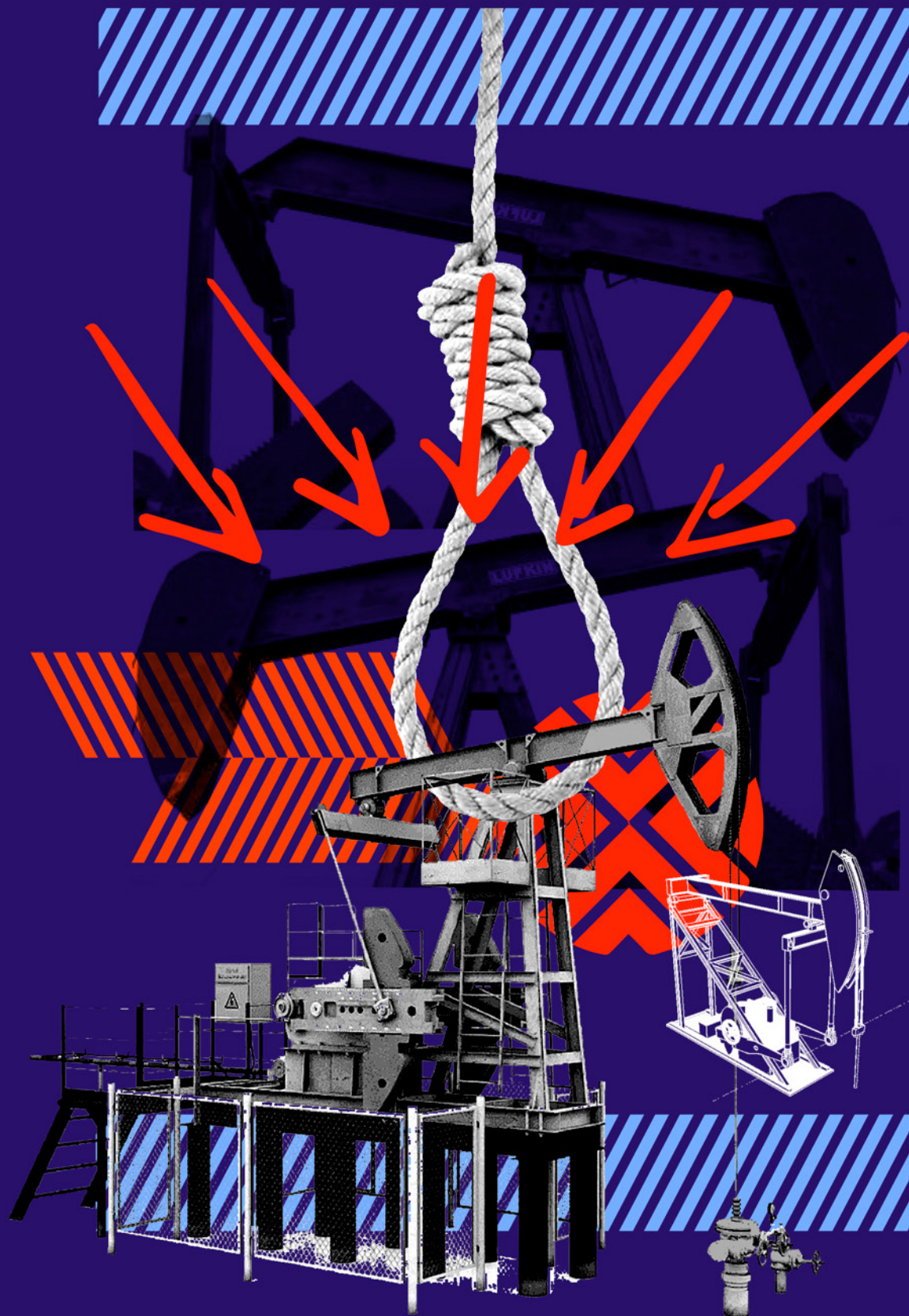
**Deteriorated  
infrastructure**

**Water, electrici-  
ty and cooking  
gas shortages**

**Accelerated  
migration  
(>7M) and  
brain drain**

(\*) Rough estimate for the loss of 1 to 1.5 million bpd with a barrel at \$60 including production costs

Sources: CEPR - GAO - FAO - BCV - SURES - BIS - UN Rapporteurs



# The Tight Noose on the Venezuelan Oil Industry

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Ricardo Vaz

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**As outright coup efforts petered out, Washington shifted its regime-change strategy to economic sanctions. It focused its “artillery” on Venezuela’s oil industry, by far the country’s most important and historically responsible for over 90 percent of its foreign currency income.**

The Venezuelan oil sector and state oil company PDVSA were especially vulnerable to these coercive measures. Not only was the US a significant importer of Venezuelan crude, but the industry had been developed with US technology dependence.

## Growing escalation

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The first measures targeting the oil industry were levied in August 2017 as “punishment” for the then-recently held National Constituent Assembly elections. The US Treasury Department imposed financial sanctions against PDVSA, blocking it from issuing new bonds or renegotiating existing ones, thus shutting it out from financial markets.

Though this had an immediate and significant impact, the worst was still to come. In January 2019, the Trump administration imposed an oil embargo, blocking all US entities from dealing with PDVSA. It also seized the company's US-held assets, with key subsidiary CITGO chief among them (see following chapter).

Likewise crippling was a June 2019 ban on diluent exports to Venezuela, depriving PDVSA of key inputs needed to turn the country's extra-heavy crude into exportable blends.

The goal was clear: strangle the Venezuelan economy and boost the prospects of self-proclaimed "Interim President" Juan Guaidó to take power. Guaidó never came close to ousting the Maduro government. But it was not for lack of trying, and certainly not for lack of US support.

With its US markets shut off and other customers keeping their distance, Caracas began to export crude with help from Russian energy giant Rosneft, which would lift Venezuelan cargoes and then redirect them to the final destinations. However, in early 2020 Washington shut down this avenue by imposing secondary sanctions against Rosneft.

As the year went on, the US Treasury Department clamped down more and more, targeting shipping companies and threatening corporations that retained dealings with PDVSA either via imports or joint ventures. With US elections fast approaching and re-election in the balance, the Trump White House dealt another significant blow by blocking swap agreements whereby Venezuela exchanged crude for fuel or diluents. This measure triggered severe gasoline and diesel shortages throughout the country.

In a nutshell, the Trump administration gradually placed a straightjacket on Venezuela's oil industry, and despite growing calls for sanctions relief, the Biden administration has left the sanctions program essentially intact.



## Output tailspin and timely allies

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When the first sanctions were implemented in mid-2017, the Caribbean nation's oil sector was already in less than ideal shape, with mismanagement and a brain drain being some of the main issues. The industry had managed to stabilize output at around 1.9 million barrels per day (bpd) after a drop caused by plummeting global oil prices in the prior years.<sup>1</sup>

The financial restrictions blocked the country from enjoying a recovery like other oil producers, and instead output declined at a steady pace that accelerated as a result of the 2019 embargo and subsequent measures from the US Treasury (see plots on pages 26 and 27). The loss of US markets was a particularly hard blow given how Venezuela's heavy crude grades were specifically geared toward Gulf Coast refiners. PDVSA was forced to convert several crude upgraders into blending facilities to produce the Merey blend favored by Asian customers.

Venezuela's oil output fell all the way down to around 350,000 bpd in the second half of 2020, the lowest figure registered since the 1940s. PDVSA then managed to double production over the next 18 months in no small part thanks to much-needed cooperation from Iran.

Caracas' main Middle Eastern ally first provided a lifeline to tackle acute fuel shortages with several gasoline and diesel shipments throughout 2020 while also assisting in reactivating Venezuelan refineries with supplies and technical expertise. In 2021, the countries struck a long-term swap deal that sees Venezuela exchange heavy crude for diluents and lighter crude grades.

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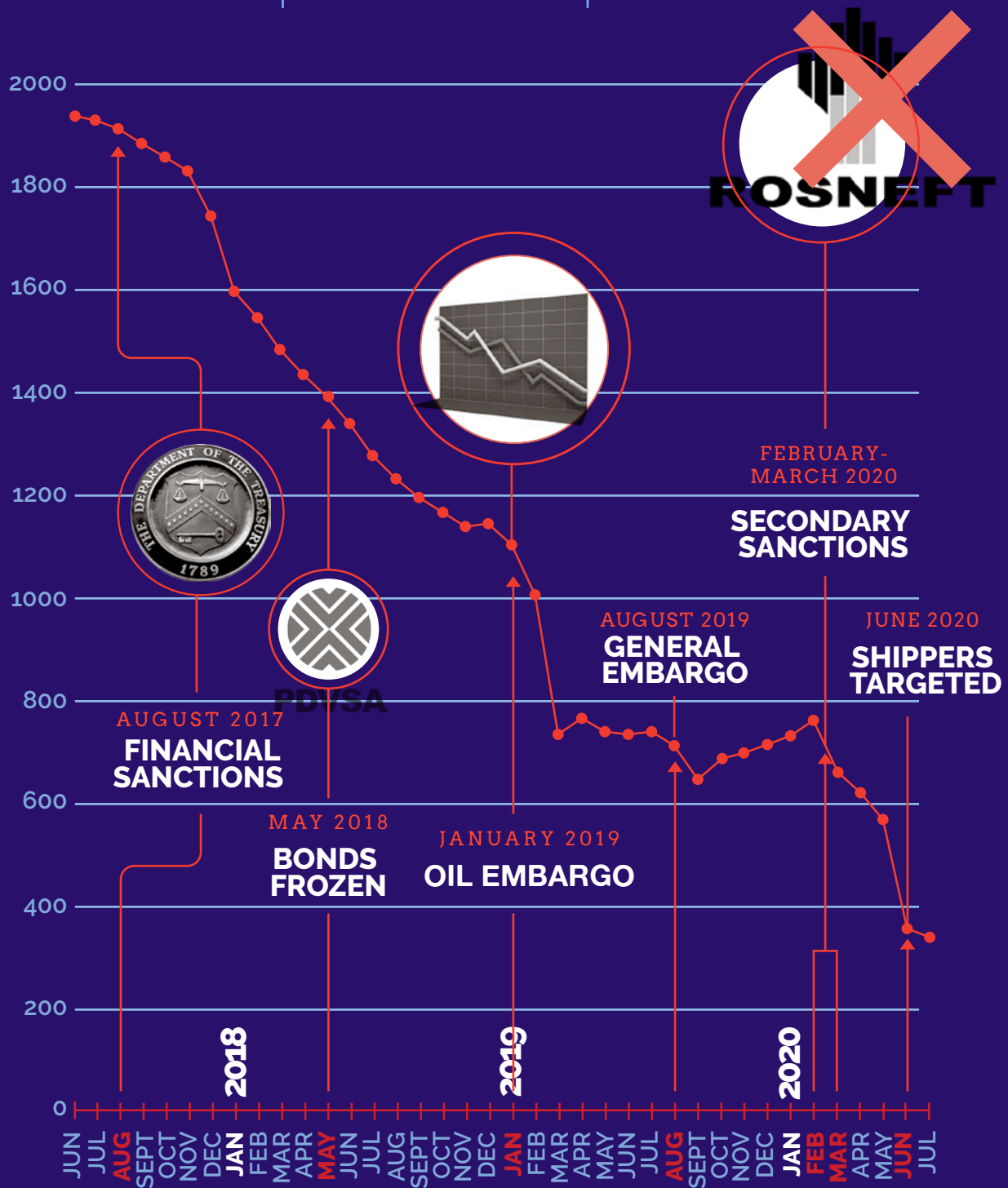
1. Venezuela's extra-heavy crude from the eastern Orinoco Oil Belt, where most of the oil activity is currently focused, has high extraction costs which makes production unviable below a certain market price.

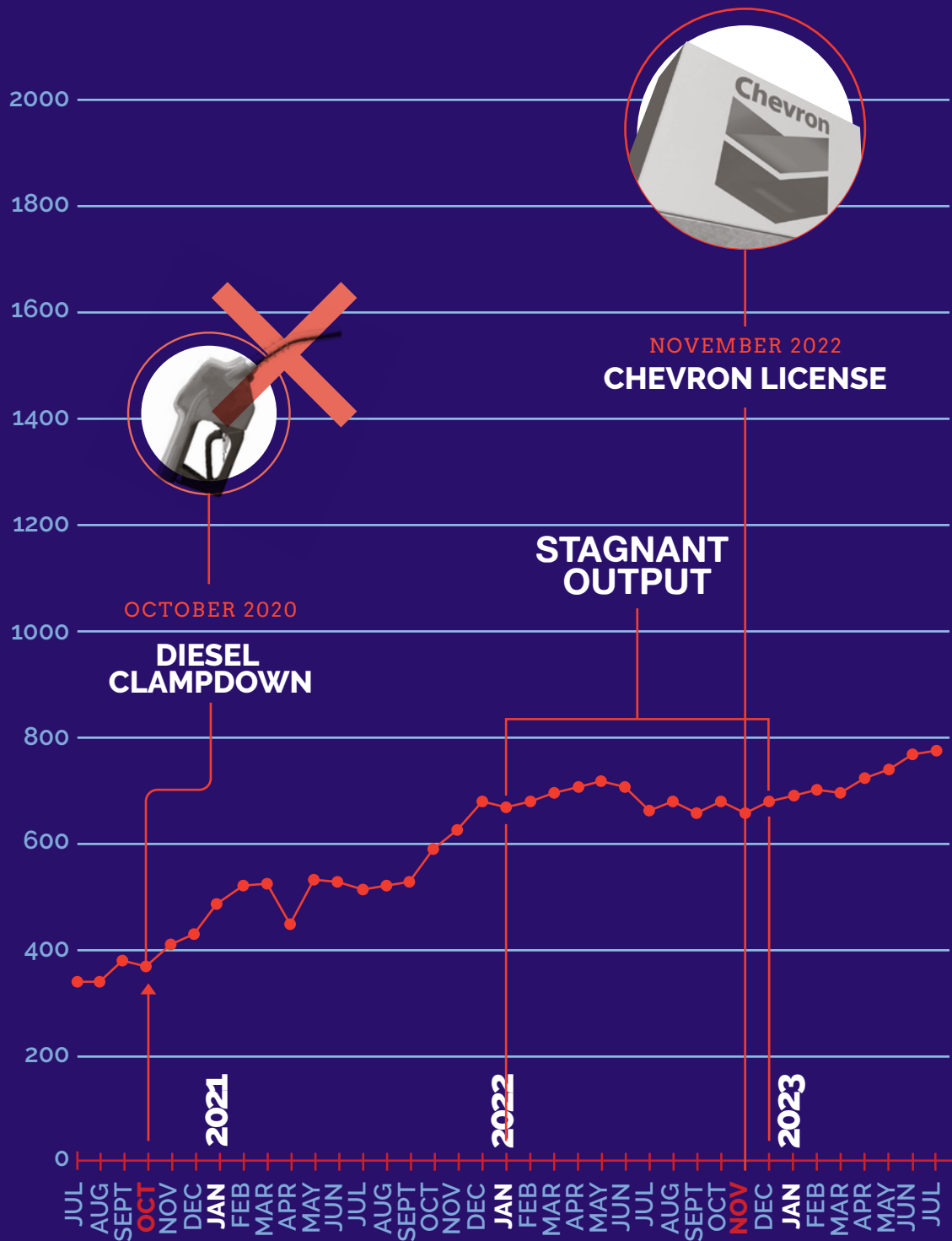
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# Oil Output

Thousands of barrels per day







Despite the significant rebound, PDVSA's production has struggled to surpass 700,000 bpd since early 2022 as the industry remains plagued by operational disruptions and instability in its exports. Only in mid 2023 did output reach 2020 levels.

## Mounting losses

Computing the damages caused by US sanctions is a notoriously difficult exercise. Former White House National Security Advisor John Bolton provided an early estimate when he announced the oil embargo in January 2019. The measure would cost Venezuela some US \$11 billion a year (roughly \$30 million a day), a result of multiplying the 500,000 barrels a day the country was exporting to the US by 365 and by an estimated \$60 per barrel.

We can expand this argument to estimate the losses generated by sanctions if we take the July 2017 output as a reference (before the first measures) and compute the "lost daily output" each month. By multiplying the number of days by the average price we will get estimates for the lost revenue in a given month which we can then add up to find accumulated totals. Using the market prices for Venezuela's Merey blend and the OPEC basket, we get estimations of \$129 and \$166 billion, respectively, in unearned revenue between August 2017 and July 2023.<sup>2</sup> That is \$21.4 or \$27.7 billion per year.<sup>3</sup> The plot at the end of the chapter shows this in more detail.

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2. This exercise assumes that the crude would be sold at market prices (long-term deals can have lower costs) and that all "lost" oil barrels would be exported. They would yield a greater added value if used for domestic consumption. For example, an oil barrel is cheaper than the fuel produced from it.

3. The Maduro government has presented larger estimates of \$232 billion, or \$29 billion a year, by using the output in March 2015, prior to the Obama Decree, as its reference point. The details of the calculation were not made public. However, the first oil sanctions are from 2017, with the earlier fall in production owed to plummeting prices.

While the rough calculations above assume that oil production would have remained stable in the absence of sanctions, economist Francisco Rodríguez reached this conclusion via a statistical model.<sup>4</sup> This would lead to a loss of \$18.2 billion a year at current Merey prices (\$62,58 in April 2023). In a separate article, Rodríguez studied the effects of sanctions on the Orinoco Belt, and the losses extrapolated to the whole oil industry under some assumptions could be as high as \$25.8 billion at current prices.<sup>5</sup>

The figures above focus only on the “lost” barrels but there are further repercussions from the coercive measures that are even harder to estimate. For example, by being barred from financial markets and subjected to overcompliance, Venezuela faces more obstacles to access inputs and spare parts, which will raise production costs.

On the other hand, the remaining barrels are sold at significant discounts through one or several intermediaries, lowering PDVSA’s revenues even more.

## From one license to the next

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The Biden administration has (unofficially) reckoned that Trump’s “maximum pressure” campaign had failed. But it was still determined to use sanctions as a coercive weapon against Caracas.

After leaving the Treasury’s sanctions program untouched for over a year, the White House was forced to pivot in the wake of the Ukraine crisis and soaring global energy costs. The first change came in June, with oil-for-debt exemptions granted to Italy’s Eni and Spain’s Repsol in an attempt to

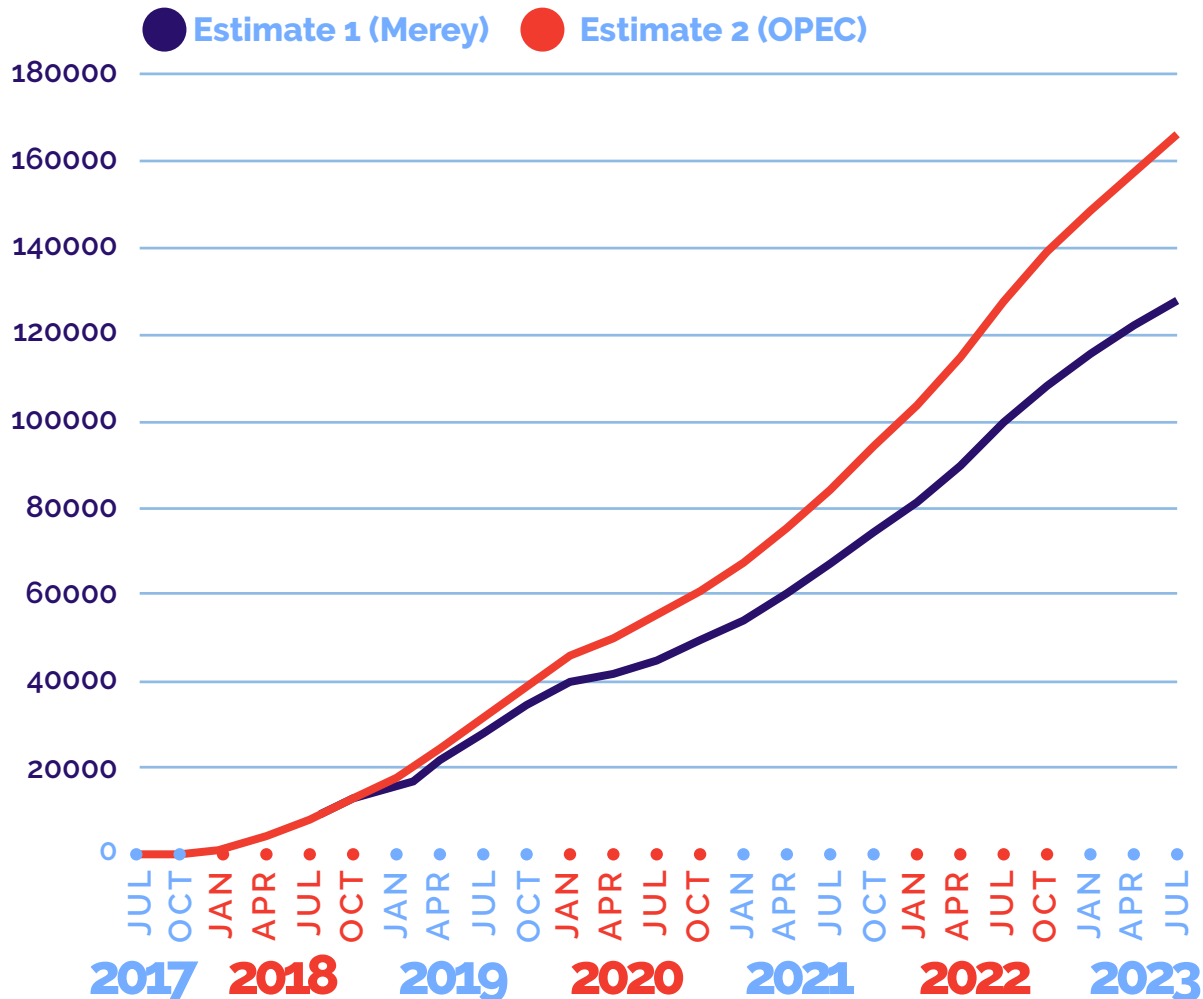
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4. Francisco Rodríguez, “Sanctions, Economic Statecraft, and Venezuela’s Crisis” in *Sanctions and Security*, January 2022.

5. Francisco Rodríguez, “Sanctions and Oil Production: Evidence from Venezuela’s Orinoco Basin” in *Latin American Economic Review*, September 2022.



## Accumulated losses (US\$ billion)



Rough estimate of Venezuela's accumulated lost oil revenue  $L(N)$  between months  $M_0$  (July 2017, before the first oil sanctions) and  $M_N$  computed in the following way:

$$L^{(a,b)}(N) = \sum_{i=1}^N d (P_0 - P_i) c_i^{(a,b)}$$
 where we are setting  $d = 365/12$  (average number of days in a month) and  $P_i$  is the oil output in month  $i$  as measured by OPEC secondary sources. The  $a, b$  labels distinguish whether we are using the Merey or the OPEC basket price, so  $c_i^{(a)}$  and  $c_i^{(b)}$  are the average Merey and OPEC basket prices in month  $i$ , respectively.

help shore up Europe's energy supply. PDVSA would suspend the deal a few months later to negotiate better terms.

A more significant, if still very limited step came in November 2022 when Chevron was granted a six-month sanctions waiver to resume drilling and selling crude from its joint ventures in Venezuela. However, the license included a number of clauses to limit the benefits for the Caribbean nation as much as possible, trying to force proceeds to be used solely to offset debts owed to Chevron.

The two precedents show a possible future for Venezuela's heavily sanctioned oil industry: time-limited licenses for handpicked corporations in very unfavorable terms. Though Caracas has consistently demanded complete sanctions relief and denounced the "colonial" nature of the licenses, the desperate need for greater income and investment severely constrains its possibilities.

# US sanctions against the oil industry



AUGUST 2017

## FINANCIAL SANCTIONS

The US Treasury Dept. forbade the state oil company from renegotiating or issuing new bonds, shutting it out of financial markets.



PDVSA

MAY 2018

## BONDS FROZEN

All transactions involving state or PDVSA debt were forbidden by the Trump administration.



JANUARY 2019

## OIL EMBARGO

Washington blocked US companies from dealing with PDVSA. The measure costs Venezuela some \$11 billion a year.



JANUARY 2019

## CITGO SEIZURE

All transactions involving state or PDVSA debt were forbidden by the Trump administration.



JUNE 2019

## DILUENT BAN

The Treasury amended its embargo to ban diluent exports to Venezuela. The country requires them to blend heavy crude into exportable grades and to produce fuel.



AUGUST 2019

## GENERAL EMBARGO

Washington extended the oil ban to all economic sectors and raised the specter of secondary sanctions.



OCTOBER 2019

## CITGO AT RISK

A judge ruled that mining giant Crystallex could seize CITGO shares to collect on an arbitration award. ConocoPhillips and PDVSA bondholders waiting to follow suit.

FEBRUARY-MARCH 2020

## SECONDARY SANCTIONS

The US blacklisted two Rosneft subsidiaries that had been carrying Venezuelan crude before rerouting to other destinations.

JUNE 2020

## SHIPPERS TARGETED

The US slapped sanctions on shipping firms in an attempt to choke off oil exports.





**JUNE 2020**

## OIL-FOR-FOOD SWAPS NIXED

The Trump administration targeted Mexican enterprises exchanging food and water trucks for Venezuelan crude.



**OCTOBER 2020**

## IMMINENT DISASTER

A joint-owned floating oil storage facility risked a disastrous spill until the Treasury authorized the oil to be extracted.



**MAY 2022**

## OIL FOR DEBT

The Biden administration issued oil-for-debt licenses to Eni (Italy) and Repsol (Spain) to help European partners deal with an energy crisis resulting from the Ukraine conflict.

**AUGUST 2020**

## FUEL SEIZURE

A Venezuela-bound fuel flotilla was seized in international waters on orders from Washington.



**OCTOBER 2020**

## DIESEL CLAMPDOWN

The Trump administration ended the exemption that allowed Venezuela to exchange crude for diesel, leading to severe shortages.



**NOVEMBER 2022**

## CHEVRON LICENSE

Chevron can expand its oil pumping and export activities with a sanctions waiver that looks to curtail benefits for Venezuela as much as possible.

**SEPTEMBER 2020**

## MORE THREATS

The Treasury Dept. forced a number of multinational corporations, including India's Reliance Industries and Italy's ENI, to wind down their Venezuela activities.



**JANUARY 2021**

## PARTING SANCTIONS

On his last day in office, Trump sanctioned a number of companies involved in Venezuelan crude transactions.



# CITGO and the Plunder of Venezuela's Resources

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José Luis Granados Ceja

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**When Juan Guaidó declared himself “interim president” on January 23, 2019, the expectation of his foreign backers was that the Venezuelan Armed Forces would quickly defect and join his unconstitutional coup. Guaidó and the country’s hardline opposition, as usual, underestimated their rivals, the loyalty of the armed forces, and the Venezuelan working class.**

Their plot did not pan out, but not for lack of trying. Policy makers in the Trump White House implemented a “maximum pressure” campaign, an effort to turn the screws on the Venezuelan people as tightly as possible. The extent of the impact of these policies is detailed earlier in this publication.

Although the (failed) efforts at dislodging President Nicolás Maduro from power were their most visible endeavor, Guaidó and his gang found other ways to hurt the Venezuelan people and please their masters abroad. This is how the so-called interim government became an instrument to facilitate the plunder of Venezuela’s assets and resources.

As part of the “interim government” strategy, the US and its allies seized funds and assets held abroad, handing control of some of them over to the

opposition. Critically, this included Venezuela's two most prized foreign assets: Monómeros, an agrochemical subsidiary of state-owned Pequiven that played a major role in Colombia's food chain; and CITGO, Venezuela's US-based refiner.

## Monómeros

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In 2019, the Iván Duque government in Colombia seized Monómeros and handed it to the self-proclaimed "interim government" run by Guaidó.

While run by successive opposition-appointed boards, Monómeros was plagued by scandals and corruption allegations, which severely impacted its productivity, ran up debts and generated serious problems for Colombia's rural producers.

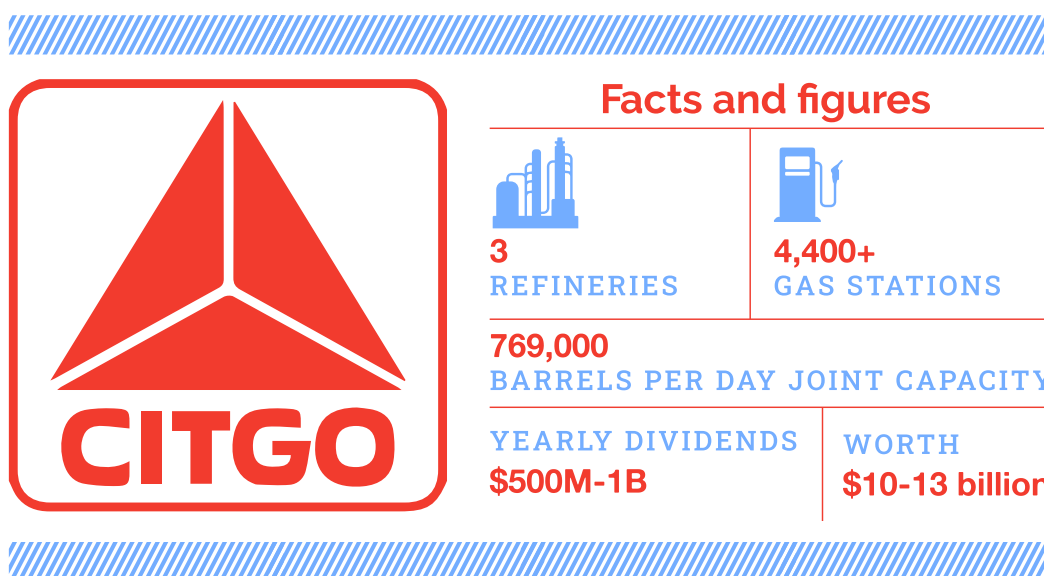
The Colombia-based company was also hurt by political infighting with rival anti-government groups looking to secure business deals and later blaming each other for the company's troubles. The family of Leopoldo López, Guaidó's mentor, was accused of taking advantage of the agrochemical company after it was revealed that his mother was given a lucrative contract. According to an opposition insider, the different political parties treated Monómeros "like a piñata."

Following his election victory, Colombian President Gustavo Petro pledged to return Monómeros to Venezuela's state-owned Pequiven, and following the restoration of diplomatic and economic relations between Caracas and Bogotá, the Venezuelan government officially took over the company in September.

After recovering control and discovering the depths of embezzlement and mismanagement, Venezuelan Attorney General Tarek William Saab issued 25 international arrest warrants for individuals allegedly involved in corruption at the agrochemical firm.

The poor financial state of the company and the threat that it could be sanctioned by the US Treasury Department has led to conflicting reports that the Maduro government could be on the verge of selling Monómeros.

The suspicions of corruption and conflicts of interest that plagued Monómeros were not unique to the agrochemical company. CITGO, considered Venezuela's most prized foreign asset, suffered a similar fate.



## CITGO

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The US government handed control of CITGO, and its parent company PDV Holding, to the Venezuelan political opposition led by Guaidó in 2019 after formally recognizing the opposition figure as Venezuela's "interim president" and ramping up wide-reaching sanctions.

Guaidó subsequently named an ad hoc board to run CITGO that included various political allies. In August 2019, the Delaware Chancery Court

threw out a lawsuit by the Maduro government to have this illegitimate board unseated, confirming its authority.

Washington's recognition meant the so-called "interim government" was viewed by the US Justice System as the "rightful" owner of Venezuela's assets stateside, while also assuming the legal representation of the country in court proceedings.

Like Monómeros, the management of CITGO was plagued with incompetence as well as suspicions of deliberate efforts to endanger the firm. With bondholders and corporations lined up to seize CITGO shares as compensation for defaulted bonds and international arbitration awards, the consequences for errors would be high.

In 2019, Venezuela's opposition-held National Assembly flip-flopped on the country's 2020 PDVSA bond. It fulfilled a \$71 million interest payment in April, only to later change course by passing a resolution branding the debt instrument "invalid" and failing to meet a \$913 million obligation. As a result, the bond defaulted. With 50.1 percent of CITGO's shares pledged as collateral, the firm's shares were susceptible to seizure.

The US Treasury Department stepped in to shield the opposition's prospects by blocking transactions involving the 2020 bond. The license was continually renewed for six- or twelve-month periods. However, after the dissolution of the "interim government" in January 2023, Washington has only granted three-month extensions, leading to a growing expectation that the protection will soon be lifted.

Simultaneously, CITGO became imperiled by corporations looking to collect international arbitration awards.

CITGO was under threat after Canadian mining corporation Crystallex sought to seize CITGO shares over a \$1.4 billion arbitration dispute. Crystallex was awarded US \$1.2 billion, plus interest, by the World Bank's



International Centre for Settlement of Investment Disputes (ICSID) in 2016 as compensation for the 2008 nationalization of Las Cristinas gold mine in Bolivar State.

In late 2018, the Maduro government reached a settlement with Crystallex. But soon after, US sanctions blocked Venezuela from continuing to fulfill its installments. The company turned to the judicial route and secured a favorable ruling from Delaware's District Court in July 2019.

A key element for the decision was establishing that state oil company PDVSA was the "alter ego" of the Venezuelan state, and thus debts owed by the latter could be transferred to the former and be collected by seizing its assets, in this case its US-based subsidiary CITGO. Lawyer José Ignacio Hernández worked as an expert for Crystallex in its litigation against the Venezuelan state, and his appointment as Guaidó's "Special Prosecutor" in charge of protecting Venezuelan assets drew suspicions and criticism given his past activities.

Following a protracted legal process, in October 2022 Delaware District court judge Leonard P. Stark set in motion an auction of CITGO shares that will see "Special Master" Robert B. Pincus gather bids beginning in October 2023, with a final decision expected in mid-2024.

The Crystallex precedent has seen a number of other corporations try to tag their own arbitration claims to the court-ordered auction. One of them is ConocoPhillips, which won a \$1.3 billion award from the International Chamber of Commerce in 2018. In September 2021, Guaidó came under fire when a Delaware court document made reference to an unreported agreement with ConocoPhillips. The statement was later struck out as a mistake with no further explanations.

The other creditors that have secured approval to collect on ICSID awards are Gold Reserve (owed \$1 billion) Koch Minerals and Koch Nitrogen (\$467 million), O-I Glass (\$457 million), Huntington Ingalls Industries (\$145

million), ACLI Investments (\$123 million) and Rusoro Mining (1.8 billion). In total, the claims associated to the Delaware auction add up to \$6.3 billion.<sup>1</sup> In the case of Rusoro Mining, the opposition's legal team dropped its court challenge against the award with no justification.

In the case of the latter four companies, Judge Stark specifically pointed to the "interim government's" running of CITGO and the funding of its own operations as evidence of the "alter ego." Guaidó himself stated that as "interim president", he intended to treat PDVSA and the Venezuelan state's debt as one in the same.

Though the fulfillment of the auction process is still contingent on approval from US authorities, the Treasury Department's Office of Foreign Assets Control (OFAC) has stated that it will not target companies and individuals involved in the bidding and that it will implement a "favorable licensing policy" for the execution of the sale procedure. At the same time, the CITGO board and several creditors have raised the possibility of securing off-court settlements.

Another looming threat against CITGO, which is valued at \$10-13 billion, is a separate \$8.5 billion ICSID award granted to ConocoPhillips in 2019 as compensation for three oil projects nationalized by the Chávez government in 2007. It has since accrued more than \$1 billion in interest, though the award is still under appeal at the World Bank tribunal.

The larger ConocoPhillips award brought heavy suspicions of collusion on Guaidó and his allies when a Washington, D.C. judge issued a default ruling allowing the corporation to enforce the award after the "interim government"'s lawyers failed to show up in court for more than two years.

The litigation against the US oil giant was likewise plagued by suspicions of conflicts of interests when court documents revealed that Alberto Ravell

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1. Total amounts (awards + interests) as of May 2023.



was working as legal counsel for ConocoPhillips. Ravell's father, Alberto Federico Ravell, served as Guaidó's director of communications.

With an array of imminent threats and still under the control of an opposition National Assembly that expired in January 2021, CITGO's fate seems sealed. Whether via the Delaware auction, seizure from bondholders, or off-court settlements, the company looks set to be broken up, depriving Venezuela of an asset that regularly shipped \$1 billion in yearly dividends. Guaidó never came close to taking power, but he might end up as the main actor in what the Venezuelan government termed "the theft of the century."

## CITGO: a multi-billion dollar heist?

CITGO is the US-based subsidiary of Venezuela's state oil company PDVSA and the country's most important foreign asset.

It risks being broken to pieces and seized by creditors thanks to a combination of US sanctions, convenient court rulings and complicity from the Venezuelan opposition.

### Main threats

Investors and corporations look to collect on debts or arbitration awards by claiming CITGO shares.

### Bondholders

50.1% of CITGO shares pledged as collateral to defaulted PDVSA 2020 bond



(Outstanding debt)

### Largest arbitration awards



ConocoPhillips

**\$2B**

(\$1.6B outstanding)



**\$1.4B**

(\$1.0B outstanding),  
Delaware court-ordered  
share auction underway

ConocoPhillips

**\$8.5B** appeal ongoing



**\$457M**



**\$1.8B**



**\$467M**

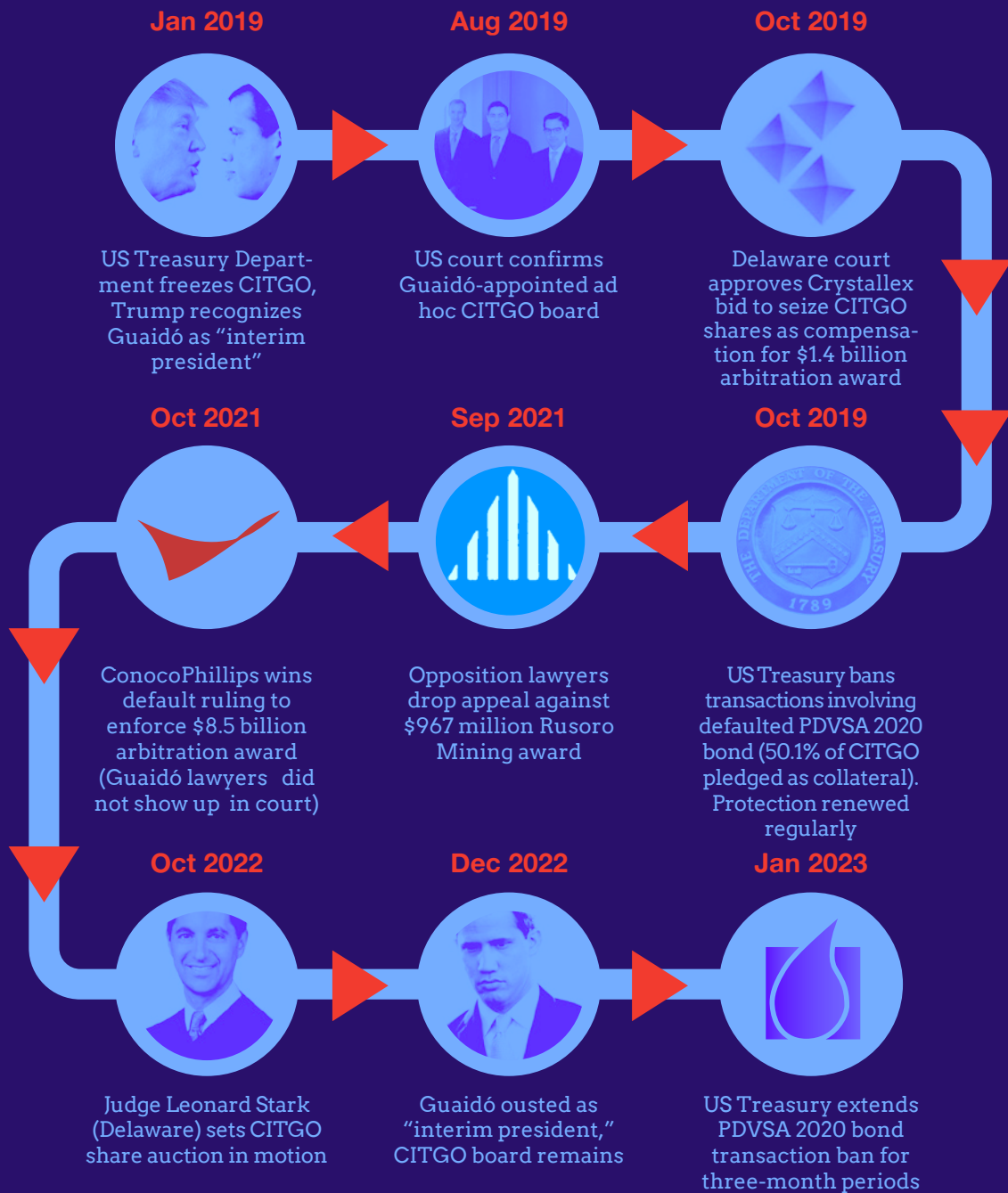


**\$1.0B**

(\*) ICSID - World Bank's  
International Court for  
the Settlement of  
Investment Disputes;

(\*\*) ICC - International  
Chamber of Commerce;

(\*\*\*) Amounts include  
accrued interest, updated  
March 2023.



### Near horizon scenarios

  
 The Delaware court-ordered share auction will unfold in 2023, more companies want to join

  
 US Treasury protection due to end in April

  
 Opposition-appointed board might seek out-of-court settlements with creditors



# Dishonesty and Complicity: Corporate Media Coverage of Sanctions

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Ricardo Vaz

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**Washington has always counted on a loyal ally for its regime-change efforts against Venezuela: the corporate media.**

When it comes to sanctions, stenographers disguised as journalists have gone out of their way to both endorse the coercive measures and white-wash their terrible consequences. The guilty parties have included *The New York Times*, *The Washington Post*, *Reuters*, *The Guardian* and many, many others.

Here are some of the tricks and fallacies used by the media establishment.<sup>1</sup>

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1. For further content:

Ricardo Vaz, "Guaidó Is Gone, but Media Dishonesty Is Here to Stay" in FAIR.org, January 2023.

–, "'Calibrated' Dishonesty: Western Media Coverage of Venezuela Sanctions" in FAIR.org, June 2022.

–, "On Venezuela, Only Hawkish 'Dissent' Allowed" in FAIR.org, May 2022.

–, "US Sanctions Against Venezuela Cause Shortages in Diesel, Editorial Standards" in FAIR.org, June 2021.

Lucas Koerner and Ricardo Vaz, "Corporate Media Cover for US Mob Threats Against Venezuela" in FAIR.org, April 2020.

## Justifying the unjustifiable

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**“The authoritarian Nicolás Maduro won reelection in 2018 in a contest widely seen as a sham.”**

This line of reasoning is present in virtually every piece about Venezuela, with small variations (e.g. “autocratic” instead of “authoritarian”, the elections described as “disputed” or “condemned as fraudulent”). The goal is simple: establish that the Venezuelan government is undemocratic and thus illegitimate. This way, regime-change efforts can be framed as fighting for “democracy.”

The problem is that the premise is as false as it is unfounded. The 2018 elections had a number of international observation missions on the ground and they all endorsed the vote as being free and fair. Not just that, the corporate media does not even bother to substantiate the “fraud” claims. The word from Washington is all it takes.

## Misrepresenting the target

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**“The US and allies have imposed sanctions against the Venezuelan government for alleged human rights abuses.”**

Leaving aside the self-proclaimed US authority to judge, let alone police, events around the world, this is a very deceitful way of portraying the US blockade.

There have been sanctions against individuals (150 of them!), including Maduro, but the crucial measures have been levied against virtually all sectors of the Venezuelan economy, especially the oil industry (see infographics on pages 20-21 and 32-33). Therefore, the sanctions were actually

imposed as “collective punishment” against the entire Venezuelan population, something that some US officials have said on the record.

A more extreme version of this argument will read something like “sanctions were designed to deprive Maduro of oil revenues.” And so, a policy that has killed tens of thousands of Venezuelans is likened to depriving an ill-behaved child of his allowance.

### The “Maduro says” trick

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#### **“Maduro claims that US sanctions have wrecked the Venezuelan economy.”**

Another recurring trick is to frame the consequences of sanctions as Maduro’s opinion, despite them having been verified by independent think tanks, human rights experts and even the US Chamber of Commerce!

It is not an innocent choice either. Corporate journalists are merely taking advantage of all the previous work demonizing the Venezuelan president (the “authoritarian” who won via “fraud”) to downplay the real, devastating consequences of these coercive measures.

### Covering for mobster antics

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#### **“We will continue to calibrate our sanctions policy depending on the progress we see,” an anonymous US official told...**

The Venezuela coverage in the Western press invariably features a US official who warns that sanctions will worsen if the Venezuelan government does not take some unspecified steps that would please Washington. In

other words, like proper gangsters, US spokespeople openly threaten to ramp up a policy that has killed tens of thousands of people.

Another common theme is that these officials never have their positions questioned or challenged by corporate journalists. In one extreme case, White House advisor Juan Gonzalez stated that “the lifting of sanctions is not going to improve the lives of Venezuelans,” when it is in fact the most obvious thing that will improve the lives of Venezuelans.

## Selective silence

**The above examples highlight what corporate media outlets say or write, just as important is what they choose not to.**

Articles that focus at least partially on sanctions make next-to-no effort to report the real, fatal consequences for the Venezuelan population. The Washington DC-based Center for Economic and Policy Research (CEPR) estimated that the coercive measures caused 40,000 deaths between 2017 and 2018. Former UN human rights expert Alfred de Zayas later extrapolated casualties to have exceeded 100,000.

Yet none of these figures has ever made it into Western media content. It is not hard to understand why: the public would be much less likely to accept certain policies if made aware of their deadly consequences.

The same goes for the voices featured in reports. There is no shortage of officials defending Washington’s actions, but hardly anyone opposing or denouncing sanctions and their consequences. For example, after an extended period on the ground in Venezuela, UN Rapporteur Alena Douhan published a report detailing the human rights violations resulting from US coercive measures and demanded their immediate lifting.



Likewise, a growing number of US Democratic House members and Senators have questioned the US' Venezuela policies and demanded that the Biden White House change course. But corporate outlets are much more comfortable quoting hawkish figures like Marco Rubio or Bob Menéndez.





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# Interviews

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# Sanctions, Deadly Instruments of Economic Warfare: A Conversation with Alexander Main

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Cira Pascual Marquina

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*Alexander Main is Director of International Policy at the Center for Economic and Policy Research (CEPR) in Washington, DC, where he monitors economic and political developments in Latin America and the Caribbean. His analyses have been published in a variety of outlets including **The New York Times**, **Foreign Policy**, **The Los Angeles Times**, and **Le Monde Diplomatique**. In this interview, we talk about the impact of the sanctions on Venezuela's economy and politics.*

**In recent years, the US has displayed a particularly aggressive stance promoting “regime change” in Venezuela. How would you characterize the policies of the Obama, Trump, and Biden administrations – their similarities and differences – in regards to Venezuela?**

First of all, it should be noted that there was an even earlier administration, the Bush Administration, which was also heavily committed to a regime change policy targeting Venezuela. In fact, it supported a short-lived coup against Chávez in April of 2002 and it subsequently supported serious destabilization campaigns in Venezuela, including the 2002-03 oil shutdown which, as Richard Nixon would say, “made the economy scream.”

The oil shutdown pushed the Venezuelan economy into a very deep recession, although the Chávez administration overcame it, and subsequently the economy recovered. In other words, during the Bush years, the US government was also pushing for regime change very aggressively, and I would say it came as close as it’s ever come to reaching its goal.

In the early days of the Obama administration, there were signs of a willingness to engage in dialogue and have a more normal, respectful relationship with the Venezuelan government. However, that didn’t last long. It soon became quite clear that the Obama administration wished to undermine the Chávez administration at every opportunity. It also tried to isolate Venezuela internationally and prevent it from having a regional influence. The strong-arm tactics that the US engaged in to pressure Latin American countries to oppose Venezuelan regional initiatives, even when those countries stood to benefit from them, are described in some detail in many of the classified US diplomatic cables published by Wikileaks.

They weren’t successful in their attempts to undermine and isolate the Venezuelan government, but they were doing it quite aggressively. So I would say that there was a softer policy towards regime change under Obama: a less overt policy than under Bush that consisted in jumping on opportunities – such as supporting anti-Chávez protests even when they

turned violent – rather than necessarily initiating regime-change processes, though of course much of what the US has been up to in Venezuela remains deeply classified.

The US was perhaps not the primary agent behind destabilization campaigns in Venezuela during this period, but when those campaigns took place, as was the case during the violent protests following Maduro's election in 2013, or the 2014 "la salida" ["the exit"] protests that tried to force Maduro out of office, the Obama administration was very quick to provide diplomatic cover and international legitimacy for the more radical elements of the opposition that supported the removal of the government via unconstitutional means.

Trump was much more overt: he had a very public hard line when it came to Venezuela. Within a few months of his administration, in the early summer of 2017, Trump was openly toying with the idea of military intervention in Venezuela. That was followed by the first broad financial sanctions on the country.

Of course, targeted sanctions had been imposed previously by the Obama administration, responding to what they alleged to be human rights violations committed by the Maduro government. Those sanctions targeted high-ranking officials or people close to the government that the Obama administration accused of being corrupt or involved in human rights violations.

**Obama's sanctions, which came after his decree declaring Venezuela "an unusual and extraordinary threat to the national security and foreign policy of the United States," were targeted sanctions. They went after individuals and their assets, but did those have a broader impact on the economy?**

Yes, a number of those sanctions appeared to selectively target senior-ranking officials that were in charge of key security institutions in

Venezuela. In any case, those sanctions were fairly benign compared to the sanctions that were imposed under the Trump administration, starting in August of 2017. They did, however, make the Venezuelan government as a whole more radioactive in the eyes of foreign investors and trade partners.

The 2017 sanctions under Trump had far more impact. They locked Venezuela out of a lot of the international financial markets and made it very difficult and onerous for the Venezuelan government to borrow at a time when the country needed a lot more external help because it was facing a major economic downturn.

Venezuela lacked the financial resources it needed to carry out an effective economic recovery program at that time. In a normal context, a country in that position would be able to borrow more money and issue more sovereign debt to get an economic stimulus plan going and hasten economic recovery. However, the Trump administration very actively prevented Venezuela from doing this with the 2017 sanctions and the others that followed.

There are many layers of sanctions in place now, but the most impactful sanctions were probably those of 2019 targeting the oil sector directly. In fact, those sanctions have impeded Venezuelan oil exports not only to the US – traditionally the main client for Venezuelan oil – but have also enormously reduced oil exports to other countries as well, as a result of secondary sanctions. The way it works is that when companies import Venezuelan oil and byproducts, they risk being sanctioned by the US. Of course, the mere threat of being sanctioned has led many foreign companies to avoid purchasing Venezuelan crude and had a dire effect on the Venezuelan economy, since it came on top of the already grave situation in a country where oil has been the primary source of revenue for a very long time.



The sanctions have been very harmful. They have contributed enormously to Venezuela's economic decline, and have contributed to extreme human suffering.

As it is, Venezuela doesn't have the resources – namely the necessary foreign exchange that it would normally obtain through the sale of oil products – that it needs to import all the food and medicine required by the population. That means that essential goods became more scarce, more difficult to access for ordinary people, and when they are available at all they become very, very expensive.



**There are many layers of sanctions in place now, but the most impactful sanctions were probably those of 2019 targeting the oil sector directly. In fact, those sanctions have impeded Venezuelan oil exports not only to the US – traditionally the main client for Venezuelan oil – but have also enormously reduced oil exports to other countries as well, as a result of secondary sanctions. The way it works is that when companies import Venezuelan oil and byproducts, they risk being sanctioned by the US.**

This, of course, had huge effects on the health and on the state of nutrition of many Venezuelans. The fact that sanctions are a key factor contributing to this dire situation has been generally ignored by the media during the last few years. Certainly, in the media coverage of Venezuela, there is little reference to sanctions.

Economist Francisco Rodríguez estimated in a 2020 study that the damage of the financial sanctions to the Venezuelan economy between 2017 and 2019 added up to some 17 billion dollars lost in revenue annually, which is an enormous amount for the size of Venezuela's economy.

So that's part of what happened under Trump. Then, of course, the regime change drive became even more overt in early 2019, when the US government openly supported self-appointed president Juan Guaidó and simultaneously made calls for the Venezuelan military to rebel against the Maduro government. It did this repeatedly, and there appears to have been some level of coordination between dissident Venezuelan military sectors and people in Washington (either in the Trump administration or close to it).

All this eventually led to the unsuccessful coup attempt on the early morning of April 30, 2019, when Guaidó and opposition politician Leopoldo López, accompanied by dissident officers, held a press conference saying essentially "This is the big day." It was an open military coup attempt, and the US actively supported it from the beginning. People in the Trump administration and people in Congress, such as Senator Marco Rubio, expressed their strong support.

The phase of regime change which includes sanctions, support for a parallel government, and attempts to provoke a military coup is still alive and well. There was some expectation that this rather disastrous and completely unsuccessful policy – certainly unsuccessful from the point of view of those who want to trigger regime change – would be abandoned by President Joe Biden.

Unfortunately, so far, everything remains in place. That sums up what we can say about the Biden administration: so far there is no public evidence that they are going to change the destructive and counterproductive policy that they inherited from Trump.

The only difference is that the Biden administration has not generated new sanctions against Venezuela. They haven't added new layers to those that are already in place, and they haven't engaged in strident calls for regime change. In this regard, they have not completely echoed the stances of people like Senator Marco Rubio and some rabidly anti-Venezuelan sectors here in Washington, DC.

**You mentioned the economic impact of the sanctions. The study by Jeffrey Sachs and Mark Weisbrot that you mentioned shows that the sanctions have provoked 40,000 lost lives between 2017 and 2018. The impact of the sanctions on Venezuelans' daily life is very evident, but it's also important to think about the impact of the sanctions in terms of Venezuela's sovereignty.**

This is something that is commonly overlooked when it comes to sanctions. The economic and financial sanctions perpetrated by the US are unilateral, although they are often presented as part of a multilateral effort. The US lobbied a number of governments so that they would recognize Guaidó, and it succeeded. Now, however, that support is falling away. Today, the US remains one of the very few governments that actually publicly recognizes Guaidó as president of Venezuela. And Trump's team was never successful in getting other governments to impose the same sort of sweeping sanctions that the US did, although certainly, some other governments have engaged in narrower sanctions such as the freezing of Venezuelan assets in their country (including over a billion dollars of Venezuelan gold held by the Bank of England).

Another aspect of US unilateral sanctions that's often overlooked is their illegality. Generally, under most interpretations of international law, for sanctions to have some veneer or some pretense of legality they need to be approved by the UN Security Council. That's obviously not the case with the sanctions against Venezuela (and a number of other countries including Cuba and Iran). When you look at much of the legal literature on sanctions you'll see that there is near consensus among experts that

US unilateral sanctions are a violation of international law. They certainly appear to violate the principles of the Organization of American States Charter which, in Article 20, states that “no state may use or encourage the use of coercive measures of an economic or political character in order to force the sovereign will of another state and obtain advantages of any kind.” The US is a signatory to this charter and is clearly violating that article.

And broad sanctions are of course a clear violation of a country’s sovereignty. Among other things, sanctions mean that Venezuela can’t really carry out an independent economic policy, since it’s in a straight jacket. Venezuela is blocked from a great deal of international trade, financial markets, and it doesn’t have access to its own assets outside of the country! Billions of dollars of assets have been hijacked in the US alone, namely through the blocking of the assets of Venezuela-owned company CITGO (though some of these assets have been selectively made available to the Guaidó-aligned opposition).

Independent and sovereign countries have access to all those things. So, yes, it’s fair to say that Venezuela’s sovereignty has been violated through the sanctions.

### **How do sanctions impact Venezuela’s democracy?**

In political terms, it is extremely difficult for a country to have a stable political environment and a thriving democracy when it is effectively under siege. When there are, in the words of the OAS charter, coercive economic measures that are being imposed in order to force a political agenda on a country, that doesn’t really allow for the democratic self-determination of its people. US sanctions are in part responsible for the political crisis that Venezuela has endured these last few years. I think there’s no doubt about that.

US targeted sanctions against individuals have also played a role in the country's political crisis. When you have a situation of total polarization where there is minimal dialogue between political actors, when the political actors that do engage in dialogue end up getting punished (as we've seen when some opposition leaders have decided to engage with the Maduro government or have participated in elections, and as a result, they get sanctioned by the US), it's very difficult to advance toward the normal functioning of democratic institutions.

If a functional democracy requires political dialogue, then it also needs to have actors that recognize one another as legitimate. Over the last few years, there have been attempts by the government and sectors of the opposition to engage in dialogue, but those sectors of the opposition have been literally attacked – sanctioned or threatened with sanctions by the US – for doing so. Of course, some of the responsibility [for the failure of dialogue] belongs with political actors in Venezuela, but the US administration has a great deal of responsibility as well. I think that sanctions – economic sanctions and individual sanctions – are the number one destabilizing factor in Venezuelan politics today.

**Venezuela has been in a prolonged crisis at least since 2014 when the oil prices dropped. Then, in 2017, the financial sanctions were set in place, followed by the 2019 oil embargo and other subsequent measures. These external factors have gravely impacted the political and economic life of Venezuelans. However, some Venezuelan government policies may have also contributed to the current situation. Would you agree?**

I don't quite agree. If we go back to before there were sanctions in place, it's true that government policy errors contributed to the country's economic troubles at that time. But in recent years, it is primarily US economic sanctions that have been the cause of the worst economic collapse in Venezuelan and perhaps Latin American history. This is important because most of the media regularly publishes articles about Venezuela's

destroyed economy, and the human costs, with barely a mention – and often no mention at all – of sanctions. But the truth is, Venezuela could have the best economists in the world, and do everything right, and the economy would still not recover under the sanctions that are currently cutting the country off from the international transactions that are necessary for the economy to function normally.

If we want to look back at the state of the Venezuelan economy several years ago then, yes, one key aspect of government policy – a holdover from the Chávez administration – was a big issue: the foreign currency exchange mechanism. This regulated system has had several iterations including CADIVI [*Comisión Nacional de Administración de Divisas, National Commission for the Administration of Currencies*], set in place under Chávez.

The system served to stem capital flight for a while, which was extremely important. Between late 2002 and early 2003, during the oil shutdown, there was an enormous amount of capital flight that was crippling the economy. This happened at a time when there was what can only be characterized as an economic war being waged against the Chávez administration.

The foreign exchange mechanism helped mitigate capital flight, but over time it also led to imbalances within the economy stemming from an ever-growing difference between the official price of foreign currencies and the parallel, black market rate.

A significant gap between the two rates developed fairly quickly, but it was relatively sustainable for quite a long while. However, the gap began to grow dramatically between 2012 and 2014 as foreign exchange became more and more scarce. The black market price for dollars and other foreign currencies began to grow exponentially and the prices of goods, many of them purchased with black market currency, also took off. As my colleague Mark Weisbrot noted at the time, we began to observe an inflation-depreciation spiral. This is when scarcity of dollars drives up the

black market price of the dollar, which drives up the price of imported or import-dependent goods, which then drives up the price of the dollar, and the cycle continues. This triggered an economic slowdown that actually began before the price of oil collapsed in mid 2014. Eventually we began to see very high and accelerating inflation, which can be a real nightmare scenario if it's not dealt with quickly and decisively.

It's important to underline though that US sanctions, by provoking an even greater scarcity of foreign exchange and causing foreign companies to cut off commercial relations with Venezuela, really drove the hyperinflation and made it virtually impossible to end it. For the last few years, sanctions have been the major cause of shortages of all sorts of essential goods, the main cause of vastly reduced oil production resulting in the worst economic collapse in Venezuela's history. Hyperinflation and the massive economic damage it causes does not persist indefinitely without some powerful external cause such as a war or, in this case, far-reaching sanctions that isolate the country from international banking and finance and from normal trade relations.

Having said all this, there was an initial phase of very high inflation, before the sanctions were in place, attributable primarily to the foreign exchange mechanism. No adequate corrective measures were taken for several years, and that was really unfortunate.

**Why do you think the government didn't take any steps to address the problem with the currency exchange system?**

I don't know for sure but it seems to me very likely that it was because there was a great deal of political instability during that critical time, around 2014, 2015. A corrective measure such as unifying the exchange rate system and allowing the Bolivar to devalue significantly would have caused some short-term economic pain for many Venezuelans. When you're politically under siege and there are massive protests, some of them violent, it's difficult to take those sorts of measures.

A government is unlikely to want to take unpopular economic measures when part of the population contests its legitimacy and there's a big movement in the streets that's trying to topple that government. That seems like a reasonable explanation for why measures weren't taken when they needed to be. Half-measures were taken but they weren't enough to really fix the dysfunctional foreign exchange system.

The number-one issue today is US sanctions which are the main cause of the scarcity of foreign exchange in Venezuela. However, foreign exchange policy was a major factor in the economic troubles that Venezuela faced in the early years of the Maduro administration.

**Were there any attempts to address this situation?**

Yes. I know that there were a lot of attempts from sectors within the Maduro government to deal with this issue. There was also a UNASUR mission led by former Colombian President Ernesto Samper that offered economic advice. I think it was active from 2015 to 2016. My organization, the Center for Economic and Policy Research, was involved in it, as was Venezuelan economist Francisco Rodríguez and Brazilian economist Pedro Silva Barros. Everybody involved provided essentially the same advice: Venezuela has to completely overhaul its currency exchange system. There needs to be a unified exchange rate and the Bolivar will need to drop in value against foreign currencies. That would have been the only way to stabilize the economy at that time, although honestly it still would have run into trouble given that the Venezuelan opposition – particularly after it won the 2015 legislative elections – and the US government were already making Venezuela's access to international finance more difficult, if not impossible.

The mission also proposed measures and policies to mitigate the impact that the reform would have on ordinary Venezuelans, in particular through a system of direct subsidies to poor and middle-class citizens. There were several senior officials from the finance ministry and Venezuela's Central



Bank who provided extremely valuable input for the elaboration of the proposal and subsequently supported it. Yet it never saw the light of day. It is not clear if the main obstacle was the resistance that existed in certain sectors within the government, for reasons that are unclear to me, or if Maduro himself opposed carrying out these policy reforms. Again, from my reading of the situation, the main issue was probably that the necessary reforms were not considered to be politically viable at the time.

**Is it fair to say that Venezuela's continued payment of an onerous debt through November 2017 – with debt service payments representing over 50% of the nation's revenue beginning in 2015 – was a problematic policy?**

Venezuela was heavily indebted. It still is of course. But already in the early 2010s the country's debt service was extremely onerous, due to the very high rates of interest attached to a lot of Venezuela's sovereign debt. Yet the Maduro government was for a long while extremely diligent in making the payments and making them on time. I understand why they did it. The government didn't feel that it was in a position to restructure its debt.

I think the government feared being locked out of international financial markets, as ended up happening anyway as a result of US sanctions. Had they known that the sanctions were coming, then they probably wouldn't have continued making enormous debt payments, because there wouldn't have been much point in doing so. They ended up being forced into default on a big chunk of their external debt soon after the August 2017 sanctions, and then defaulted on the last of their PDVSA bonds after the oil company was hit with direct sanctions in 2019.

But I don't think that onerous debt payments were a major destabilizing factor in the Venezuelan economy in the way that sanctions have been. In a stable economic context – without US sanctions and out-of-control inflation – the heavy debt burden would hinder other key areas of economic

policy, in particular fiscal policy. But of course Venezuela has not experienced economic stability for many years.

**In your opinion, are there economic policies that the government should be advancing right now?**

Given that it remains targeted by broad sectoral sanctions, Venezuela is not in a position to carry out the economic policies that it would want to. What is needed is a massive recovery plan, with help from other countries and with an influx of cash derived from foreign trade, if Venezuela were able to once again engage in normal trade relations with other countries. But with the US policy of sanctions, it's not an option.

In all this, the US government is attempting to come across as the good guy by saying that it's trying to get foreign assistance into the country. Of course, foreign assistance has been extremely politicized by Washington. In February 2019 the "aid" was a sort of militarized convoy with parcels of aid that the US attempted to forcibly deliver to Guaidó – not the actual government running the country – while making appeals to the military to abandon Maduro and assist Guaidó in delivering the aid to the country! Additionally, the little amount of real assistance that Venezuela is getting from the World Food Programme and other humanitarian organizations is absolutely dwarfed by the effects of the sanctions. I think that's what needs to be taken into account.

**What can people in the US do to end the sanctions?**

People concerned about the situation in Venezuela sometimes ask me: what can we do to help Venezuelans? What kind of aid can we send? To what organizations? My response is that the best thing you can do is to lobby the US Congress and the US government to lift US sanctions.

I think there's a growing awareness among people in the US who consider themselves progressive on foreign policy issues about how harmful

economic sanctions are. This awareness is applicable to not only the damage being done by sanctions targeting Venezuela but also those targeting Cuba and Nicaragua – and when you go to other continents, you have the cases of Iran, Syria, North Korea, etc.

I think there's a growing awareness that, by imposing sanctions, the US is violating peoples' most basic human rights: the right to survival, to decent healthcare and food, and so on. In fact, though they claim to be sanctioning governments, they really don't: the US government is sanctioning ordinary citizens through these policies. That is, hurting the very people – killing the very people – that they continuously claim to want to help.



**The US government is attempting to come across as the good guy by saying that it's trying to get foreign assistance into the country. Of course, foreign assistance has been extremely politicized by Washington.**

It's good that this awareness is growing, because for a long time, in supposedly progressive foreign policy circles in the US, there was this idea that sanctions were a far better option than military intervention (if one were to in fact consider any intervention to be necessary). They were considered more humane and acceptable, and an effective way to achieve a desired political outcome with little to no harm done to the country's inhabitants. However, when researchers actually look at social indicators and other data (including mortality) of countries targeted by sanctions it's been shown pretty consistently that sanctions actually do a great deal of harm to ordinary people – they kill people – and don't have their intended effect. They have killed tens of thousands, and possibly hundreds of thousands of people in Venezuela. One of the problems we face in the US is that there

are very few, if any, progressive-minded individuals inside the Biden administration's foreign policy machine. In addition to that, you have some very pro-sanctions individuals that lead key committees in Congress, such as the Senate Foreign Relations Committee, where you have people such as Bob Menéndez and Marco Rubio who are very gung-ho about lobbying unilateral sanctions on countries run by governments they don't like.

There are many countries sanctioned by the US, which is by far the biggest perpetrator of sanctions in the world. Additionally, these measures generally have the most destructive impact because of US dominance of the international financial system: when the US imposes financial sanctions it often makes the sanctioned countries radioactive, not just for US investors, but for investors in all parts of the world. That is because all the big international private lenders tend to transit through the US financial system or have headquarters there. And sanctions can literally make it impossible, as in Venezuela, for many financial institutions to conduct business that is essential to the functioning of the economy, including vital infrastructure maintenance and healthcare.

Because of the growing awareness of how US sanctions hurt countless numbers of innocent citizens abroad, I think we are beginning to see a real push for change in the US. In fact, there is important leadership on this issue in the US Congress coming from progressives like Ilhan Omar and Jesús "Chuy" García and others. So I'm hopeful that there's going to be some change, and that sanctions are soon going to be looked on more widely as the deadly instruments of economic warfare that they are. I think people will come to realize that sanctions cause just as many casualties as military interventions, if not more in a number of cases.

People need to stay informed and engage with US policymakers. They need to impress the importance of this on them. I also believe people outside of the US should call out the United States on this. We need to see worldwide protests against sanctions. This is an issue that should be enormously embarrassing for the US, especially now that we have an

administration claiming to promote human rights internationally, while at the same time maintaining sanctions on Venezuela and on every other country sanctioned by the Trump administration! There really should be a lot more shaming of the Biden administration going on right now.



Countries sanctioned by the US: Afghanistan, Belarus, Burundi, Central African Republic, China (PR), Côte d'Ivoire, Crimea Region, Cuba, Cyprus, Democratic Republic of the Congo, Eritrea, Fiji, Haiti, Iran, Iraq, Kyrgyzstan, Laos, Lebanon, Liberia, Libya, Myanmar, North Korea, Palestinian Territories, Russia, Rwanda, Somalia, South Sudan, Sri Lanka, Sudan, Syria, Venezuela, Yemen, Zimbabwe. (SanctionsKill.org)

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# Sanctions and the World Economic Order: A Conversation with Prabhat Patnaik

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Cira Pascual Marquina

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*Prabhat Patnaik, professor emeritus at the Centre for Economic Studies and Planning at Jawaharlal Nehru University in New Delhi, is a Marxist economist and political commentator. From June 2006 to May 2011, he served as the vice-chairman of the Kerala State Planning Board. Following the crisis of 2008, he was part of a Joseph-Stiglitz-chaired task force of the United Nations aimed at recommending reform measures for the global financial system. In this interview for Venezuelanalysis, we learn about the sometimes unanticipated effects of sanctions on Venezuela and other countries.*

**Why have sanctions become such an important weapon in the imperialist hybrid war against countries that refuse to follow the mandates of Western powers?**

The international economic order that prevails today is what makes it possible to use sanctions as a weapon against countries that defy imperialism. Imperialism has imposed this order on the world, and by doing so it has also opened up the world to imperialist arm-twisting through sanctions. Ironically, however, this is precisely what also undermines the prevailing world economic order. In other words, the very economic order that makes sanctions potent, also gets undermined by these sanctions. Let me explain.

After the Second World War, many Third World countries newly liberated from colonialism, semi-colonialism, and dependency, sought to delink themselves from the international economy, into which they had been integrated by the colonial order as primary commodity producers. They protected themselves against manufacturing imports from the metropolis, and pursued import-substituting industrialization as a means of diversifying their economies. And there was a Socialist Bloc of countries that was not part of the imperialist-dominated economic order and was willing to help these Third World countries assert their independence by diversifying their economies.

The imperialist-dominated order at that time, therefore, was not all-encompassing. Countries were attempting to diversify their economies, to become self-reliant, and to acquire control over their raw material resources from the clutches of metropolitan capital. Imperialism, still suffering from the debilitating impact of the Second World War, and having been forced to yield to the demand for decolonization (which arch-imperialist politicians like Winston Churchill were strongly opposed to), was not yet powerful enough to impose any economic order on the world.



The Bretton Woods System, under which countries could impose trade restrictions and capital controls, was too permissive to serve the purpose of imperialist domination. Imperialism of course sought to prevent “economic decolonization,” but not through the imposition of an economic order, which it could not; it sought to do so through *coups* such as those against Jacobo Arbenz in Guatemala and Mohammad Mosaddegh in Iran.

In such a situation the imposition of sanctions could mean very little. If any country imposes sanctions against another, the latter would scarcely be inconvenienced by them because it could and would enter into all kinds of arrangements with other countries. Since there was no imperialist-dominated world economic order, a multiplicity of arrangements was possible. Hence no country could impose sanctions that would really bite.

But with the imposition of the neoliberal economic order under the aegis of international finance capital, which has meant relatively free movement of goods, services, and capital, including finance, across country borders, things have changed. The import dependence of countries has grown significantly. Likewise the reliance of countries, especially in the Third World, on direct foreign investment, has increased greatly, as has their reliance on financial inflows to sustain current account deficits on the balance of payments. Sanctions in this situation can really bite, and have become a powerful instrument. Import dependence, and dependence on capital inflows, make sanctions effective.

Let me give you an example. India has been under tremendous pressure from the United States through the World Trade Organization to abandon its food self-sufficiency and to shift land-use away from producing food crops toward producing those other agricultural goods that are demanded by the metropolis. India has resisted this pressure until now. But if India had actually succumbed to it, then it would have been extremely vulnerable to sanctions from the West. Many countries in Africa did succumb to this pressure and became dependent on imperialism for the import of

even such an essential commodity as foodgrains; not surprisingly they became vulnerable to imperialist arm-twisting.

Thus, the vulnerability to sanctions, and hence the potency of sanctions has increased with the institution of the neo-liberal order.

**Could sanctions be a way to impose a new world order that replaces “free trade” with channeled and controlled trade?**

Such replacement of “free trade” by “channeled and controlled trade” will *not* amount to the imposition of a new world economic order. In other words, the frequent use of sanctions will only push the world economy away from the neo-liberal order, not to some new order, but to a host of *ad hoc* arrangements, as had been the case in the fifties and the sixties. An “order” under capitalism necessarily entails domination by imperialism. I believe that the frequent use of sanctions by imperialism will push countries out of not just the neo-liberal order but from any imperialist-dominated arrangement altogether.

Sanctions imposed by imperialism undermine the imperialist-dominated order altogether. Let me give an example. Before India adopted neo-liberal policies, it had an arrangement with the Soviet Union and other Eastern European socialist countries called the “rupee payment arrangement” under which the main international reserve currency, the US dollar, was used neither for settling transactions, nor even as the unit of account in terms of which the trade-related transactions were denominated. The dollar, in short, was used neither as the means of circulation, nor even as the unit of account under these “rupee payment arrangements.” Instead, bilateral trade was denoted in terms of Indian rupees (or Russian roubles whose exchange rate against the rupee was fixed); and the balances in trade that got built up in favor of one country against the other were not immediately settled. Further, the dollar did not even enter into the settlement of these balances, they got carried over and were bilaterally settled over a period of time.

The whole idea was to ensure that neither country's export to the other was constrained by the absence of dollars. It was an eminently sensible arrangement. If country A has goods that country B needs, *and vice-versa*, then it seems absurd that each of them remains deprived of this mutually-beneficial exchange, simply because each has not made enough exports to country C to earn the needed dollars; that is, they do not have enough dollars through exports to the metropolis or to countries from which they can obtain dollars.

Neo-liberalism however is totally opposed to all such arrangements and insists on a "unified" exchange rate. It invariably favors a single price in any market including in the foreign exchange market. Accordingly, it put an end to all such arrangements once a country had adopted a neo-liberal regime. Of late, however, with the imposition of sanctions against countries that defy the dictates of the Western powers, such bilateral trade agreements have once again appeared on the scene as a way of by-passing sanctions.

The sanctions imposed against Iran led to their revival as Iran entered into such arrangements with some countries. And now with severe sanctions being imposed on Russia in the wake of the Russian invasion of Ukraine they are likely to assume a pervasiveness that they never had earlier. Putin's warning that the US and the Western powers did not constitute the entire world but only a small part of it suggests that, if pushed into a corner, Russia will enter into bilateral trade agreements with a large number of countries to beat Western sanctions.

The most biting of the sanctions imposed against Russia is the freezing of Russia's foreign exchange reserves held in the West. This has immediately led to a depreciation of the rouble since Russia can now no longer defend the rouble's exchange rate by using its foreign exchange reserves; and depreciation will obviously accelerate inflation in the Russian economy. Sooner or later therefore, if these sanctions continue, Russia will have to suspend the convertibility of the rouble, learn to do without foreign

portfolio and direct investment, diversify its import sources, enter into bilateral payments arrangements, and take urgent steps towards technological self-reliance.

In short, it will have to move toward the kind of economic policy (not of course the kind of ownership pattern of assets) that the Soviet Union had, which will mean an end of the world economic order that prevailed until now in the neo-liberal era. This will no doubt cause inconvenience to Russia for some time, but it will be a major setback for imperialism, as it will smash the world order over which it presides at present, without substituting it with anything else under its domination.

The collapse of the existing economic order and its replacement by a plethora of regional, local and bilateral arrangements is not something that one should regret. The existing order is loaded against the working people of the Third World; and it is clearly discriminatory between the North and the South.

During the pandemic, for instance, while the advanced capitalist countries ran up large fiscal deficits to finance substantial relief-cum-rescue packages, the Third World was kept tied to fiscal austerity. Because of this, the packages provided to the people by Third World governments were minuscule. While the US, even under Donald Trump, had a package amounting to ten percent of its Gross Domestic Product, the package in India was less than two percent of GDP. For other Third World countries that wanted a roll-over of their external debt during the pandemic, matters were even worse, since the IMF insisted upon very tight fiscal austerity in their cases.

The institutionalization of such an international economic order is repugnant to me. I would not, therefore, shed any tears over its collapse; and any other "order" that succeeds it will be equally repugnant, as it too would be dominated by imperialism. In conditions of capitalism, the term "international economic order" necessarily means subservience to imperialism for the working people of the Third World. This is why I would welcome a

multiplicity of local and bilateral arrangements, providing for “managed trade,” rather than any new international economic order.

Also, in a situation where there is no “international order,” the nation-state will have some autonomy in pursuing economic policies of its choice (rather than policies that please globalized capital), so that if the working people capture state power in some Third World country, they can use it for making real progress towards their liberation.



**The collapse of the existing economic order and its replacement by a plethora of regional, local and bilateral arrangements is not something that one should regret. The existing order is loaded against the working people of the Third World; and it is clearly discriminatory between the North and the South.**

**In Venezuela’s case – as in most sanctioned countries – the sanctions haven’t succeeded at toppling the government, but they have brought about a *de facto* liberalization of the economy. If we look at the Cuban case, it is also obvious that more radical socialist policies were not pursued because of the sanctions, and sanctions may have even triggered the more recent reforms. Could “capitalist normalization” of an economy be the true objective (or one among others) of sanctions?**

We must draw a distinction here between countries like Venezuela and Cuba, on the one hand, and Russia, on the other. The former are socialist countries or countries moving in a socialist direction, but Russia is a country developing capitalism. At the same time, Venezuela and Cuba are small countries highly dependent on imports, while Russia is not only large but

has also experienced over seven decades of substantial socialist development in order to build up its self-reliance in the face of encirclement and aggression. The difference in size between the two cases is supplemented also by the difference in the *legacies* they have inherited.

Sanctions against small relatively undiversified economies can have a devastating effect upon them, not just immediately but even over a period of time. It is not as if in response to sanctions they can, after an initial period of hardship, build up an adequate defense through import substitution. Their size rules it out. In their case, therefore, some amount of compromise, some degree of holding back in the movement towards socialism may become necessary, though, having said that, I must add that one cannot help admiring the resilience they have shown till now.

In the case of Russia, however, which was a socialist super-power until yesterday, matters are altogether different. Even if there is temporary inconvenience, this will be followed by a diversification of the production structure which the Russian economy is perfectly capable of undertaking. Such a diversification would require reintroducing some of the measures that characterized the Soviet Union. In other words, precisely because Russia is a capitalist economy, sanctions against it will have the effect of pushing it, if anything, in a socialist direction.

Let me give an example. Many foreign companies are leaving Russia in the wake of the Western sanctions against it. Russia will soon have to decide what to do with these companies' assets. If a company leaves Russia, then immediately there may be no other alternative but to nationalize its assets. Now, nationalization is a patently socialist measure and the Russian ruling establishment may not have the faintest desire to nationalize anything; indeed it has been keen on privatizing the Russian economy. Yet circumstances may well force it to adopt, for some time at least, such a socialist measure.

Sanctions, therefore, do not always have the effect of producing “capitalist normalization.” They may have this effect in a country moving toward socialism, but if they are employed against a *capitalist* economy, then they may have the opposite effect of pushing it in a direction away from “capitalist normalization,” toward the adoption of more radical and even socialist measures.

Of course, so far sanctions have been generally employed against economies that are either moving toward socialism or are at least heterodox, like Iran. They have not been employed against a full-fledged capitalist economy. The Russian case is the first of its kind, where the imperialist countries are employing sanctions against a full-fledged and powerful capitalist country. There is no question of “capitalist normalization” here; but to what extent it gets pushed toward the adoption of heterodox measures, radical measures, and even socialist measures, remains to be seen. Its measures against the Western sanctions, however, will have to be in that general direction.

Of course, I am not suggesting that Russia’s capitalist development trajectory will necessarily come to an end. Socialism comes only through a revolutionary struggle of the working people, and not through the policy choices of the ruling establishment of a capitalist country. So when I am talking about possible socialist measures here, I am not at all suggesting that socialism would be coming back to Russia through the actions of a Putin who is facing some compulsions because of the sanctions; I am only talking about some measures reminiscent of its socialist past being introduced in Russia in the wake of the sanctions. What follows this introduction and how the situation evolves will depend on class struggle within Russia.

The point here is simply this: the impact of imperialist sanctions on different countries is by no means uniform; it varies across countries depending on their sizes and histories.

**Western sanctions may inadvertently push sanctioned nations outside of the loop. In Venezuela's case, there is no doubt that the US sanctions have pushed the Caribbean nation closer to Turkey, China, Russia, and Iran. Now, with sanctions being imposed on Russia, this may drive it closer to China, and it may end up taking sanctioned countries outside the domain of the dollar and help peripheral financial systems grow. Can you talk about this further?**

What you are saying is in my view absolutely correct. I mentioned above that, because of sanctions, regional, local, and bilateral arrangements are coming into vogue which undermine the "world order" imposed by imperialism. In addition, a recent move by Russia that I have not yet talked about poses an even greater threat to this "world order," and that is Russia's proposed insistence to be paid in roubles for its oil exports.

This is way beyond anything proposed till now and has profound significance. The rouble has collapsed by as much as 40 percent against the dollar because of the Western impounding of Russia's foreign exchange reserves. In this context, Russia's proposal acquires significance, because it would force buying countries to demand roubles to pay for what they buy, which would reverse the steep fall in the price of the rouble.

The normal response would have been to acquire dollars against oil exports and then use these dollars to shore up the rouble. However, given the removal of Russian banks from the SWIFT system and the impounding of Russia's foreign exchange reserves, it is not clear if the dollars earned against oil exports even in the coming days can be used at all for stabilizing the rouble. The insistence on being paid in roubles for Russia's oil exports puts the onus of increasing the demand for roubles in exchange for Western currencies – and hence of shoring up the rouble's exchange rate on countries importing oil from Russia rather than on the Russian Central Bank.



But this move has a significance beyond the immediate issue of rouble depreciation. It amounts to providing a commodity backing for the rouble, in the form of oil. Because Russia is a major oil producer and exporter – and because the European Union simply cannot do without Russian oil in the foreseeable future, upon which it is heavily dependent at present – oil can play the same role for the rouble as gold used to do for the pound sterling under the Gold Standard. A currency's convertibility to gold at a fixed price under that system is what instilled confidence in that currency in the minds of wealth-holders.

Under the Bretton Woods system, only the dollar was backed by gold, while other currencies' exchange rate vis-à-vis gold or dollar could in principle be altered (though, in the case of metropolitan currencies, their exchange rates against the dollar were generally maintained through the appropriate management of their macro-economies). Even under this system, the key to its successful functioning lay in the wealth-holders' confidence in the stability of the value of the leading currencies, notably the dollar.

At present, of course, we have a flexible exchange rate regime. However, such a regime is viable only because of wealth-holders' confidence that the value of the leading currency (and to a lesser extent the values of other Western currencies) in terms of commodities will remain *relatively* stable. Central to this confidence is the belief that the price of oil will remain *relatively* stable in terms of the dollar, in the sense that notwithstanding fluctuations there would be no rapid secular increase in the dollar price of oil; this is because oil, being a universal intermediary, is a major determinant of the overall price level.

Money wage rates are also kept relatively stable by having a suitably large reserve army of labor. And the insistence on "inflation targeting" ensures that in case there is an inflationary episode, it is suppressed very rapidly. In short, the idea is to maintain the dollar as a currency that is "as good as gold," so that it remains a stable medium for holding wealth. And other

advanced country currencies seek to maintain parity vis-à-vis the dollar through pursuing appropriate macroeconomic policies.

Russia's insistence on rouble payments by oil importers amounts to a suggestion that the rouble can play this role even more convincingly; it poses a threat to the hegemony of the dollar. If the price of the rouble in terms of oil (and hence by implication in terms of other commodities) is fixed then the world's wealth-holders, at least some of them, will be tempted to hold their wealth in roubles instead of dollars, which would be a setback for the dollar.

The Chief of the European Commission, Ursula von der Leyen, has simply announced that this insistence by Russia would not be allowed to prevail, but the European Commission is in no position to do anything about it. It can scarcely reduce Europe's purchase of Russian oil, if Russia insists that such purchase is paid for by roubles.

In fact, ironically, since the imposition of sanctions, Europe's import of Russian oil has actually *increased*. This is because the anticipation of an oil shortage has pushed up spot prices of crude oil in the international market, making Russian crude much cheaper; Europe obviously wants to take advantage of this situation. Biden's efforts to widen the sanctions to cover Russia's crude exports to Europe (so far only Russian oil exports to the US are prohibited) have come a cropper. European countries are neither going to do without oil nor pay through their noses for oil imports; hence they will be loath to boycott Russian oil. In fact Biden's recent European trip, which was meant to achieve progress towards such a boycott, turned out to be an utter failure.

At the same time the US is trying to persuade Venezuela and Iran, countries which it has been targeting through sanctions, to increase their oil production and exports (as it has been trying to pressure Saudi Arabia), so that the world can do without Russian oil and not experience any shortage. But, to achieve this, if at all, the US has to pay a political price; in the case

of Venezuela, for instance, it has been trying to prop up Juan Guaidó as the president in place of the duly-elected president, Nicolás Maduro. It will have to forego all such machinations as a pre-condition for negotiating with Venezuela. Likewise, it will have to backtrack on its maneuvers on the Iran Nuclear Deal as a condition for negotiating with Iran. The political price it will have to pay will amount therefore to its eating humble pie vis-à-vis those countries which it was attacking just yesterday.

At a deeper level, therefore, what we are witnessing today is the end of US hegemony in world affairs. Its desperate attempts to preserve that hegemony underlies the Ukraine crisis (since it wants to drive a wedge between Western Europe and Russia and for that reason wants to keep “provoking the bear” so that Western Europe is forced to fall in line behind the US in response to the resulting Russian aggression); but its measures in the wake of that crisis, namely the sanctions it has imposed on Russia, undermine that hegemony, both in terms of economics and also politics.

To say this does not mean that some other country is going to exercise this hegemony in lieu of the United States. Rather, it means a period during which hegemony as we have known it till now will not be exercised by *anybody*. We are soon going to witness a period of disarray in world imperialism, which will no doubt open up opportunities for revolutionary praxis that the grip of the neo-liberal order has hitherto foreclosed. The working people of the Third World must take advantage of these opportunities that are being opened up.

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# Why Sanctions? A Conversation with Gregory Wilpert

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Cira Pascual Marquina

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*Sanctions as War: Anti-Imperialist Perspectives on American Geo-Economic Strategy, a book recently published by Brill, offers a comprehensive account of economic sanctions as a US tool for exercising power on the global stage. The text, which should be required reading for those with sympathy for humanity, includes a chapter on Venezuela by Gregory Wilpert. Here Wilpert goes over some of his key findings.*

**There is a tendential generational divide amongst the left in the Global North: older folks who lived through the Vietnam and/or Iraq wars center imperialism, while younger generations tend to focus on other (also important) issues. Indeed, if you lived to hear Donald Rumsfeld or Paul Wolfowitz overtly identify the US project as imperialist or talking about turning Iraq into New Jersey, it would be difficult to not center imperialism. One could argue that the fact that US policy has changed over the past few years – now it's more covert, deploying sanctions and proxy wars instead of outright invasions – has impacted the worldview of the younger generations in the Global North. I would argue that this is why books such as *Sanctions as War*, are all the more relevant. Could you explain why understanding sanctions policy is so important at the moment?**

I think we need to see the application of sanctions in the larger context of two coinciding developments of the past few decades. First, there is the rise and weakening of US hegemony on the world stage. Second, there is the evolution of military technology and strategy toward what some military historians and strategists have called “fourth-generation warfare.”

Regarding the first development (the rise and weakening of US hegemony) the US probably reached the apex of its global hegemony around the time of the collapse of the Soviet Union in the early 1990s. The US was the only superpower at that time and enjoyed unrivaled ideological-cultural, economic, and military dominance over the entire planet. However, as neoliberalism became the pre-dominant economic policy in all countries of the world around this time, under US guidance or imposition, and welfare states were being dismantled, it was almost inevitable that resistance to neoliberalism would also come about. This is precisely what happened in the early 2000s, with the election of Hugo Chávez in Venezuela and Latin America's first so-called “Pink Tide.” In a way, this challenge signaled the beginning of the end of US ideological and economic hegemony. For a variety of reasons, the US could not impose its will, as it used to, solely with military might. It still did so in some countries, such as Afghanistan and

Iraq, but could not do it everywhere. Luckily for the US, though, the second development that I mentioned, of fourth-generation warfare, came into its own around this time as well.

That is, historically speaking, warfare has become ever more encompassing in terms of the types of weapons deployed and in terms of its targets. Ever since the establishment of nation-states in the 17th century, armies would initially fight only each other in what amounted to hand-to-hand combat (1st generation warfare). Then, with the development of firearms and cannons, they could fight each other across greater distances, creating far larger battlefields and potentially involving and killing far more people (2nd generation). The development of fighter planes and bombers then allowed war planners to bypass front lines and target military infrastructure deep inside enemy territory and thus also kill civilian populations in the form of so-called “collateral damage” (3rd generation). Then, with 4th generation warfare, military and political leaders began using all available modern technology to target the entire enemy population since the distinction between enemy military and enemy civilian population had already become completely blurred in the aftermath of the bombings of Hiroshima and Nagasaki. In terms of the weapons used, every available technology was deployed. In addition to traditional military equipment such as guns, bombers, and missiles, military and political leaders would also use cyber-warfare, psychological warfare, covert operations, and economic sanctions.

In other words, the use of economic sanctions as a weapon of war is the outcome of both US economic dominance – and the accompanying challenges to this dominance – as well as the generalization of warfare, where all available and weaponizable means are used against entire populations. Once we understand this, opposing the use of sanctions as a weapon of war becomes a key strategy in the effort to undermine US hegemony. This is, of course, in addition to being opposed to sanctions on basic moral principles because of their deadliness and their indiscriminate nature.



**In your chapter for the book *Sanctions as War*, you identify two main reasons why the US chooses to deploy sanctions. Can we go over them?**

Since my chapter deals with Venezuela, I would say that this analysis mainly applies to the case of Venezuela and would not want to generalize to the application of US sanctions against all other countries, even though it could be the same two reasons in most cases.

The first reason has to do with what I already mentioned, which is that Venezuela, under President Chávez, made an explicit effort to move away from neoliberal economic policy. More than that, Chávez became increasingly more radical during his presidency and wanted to establish 21st-century socialism in Venezuela. So the imposition of US sanctions represents an effort to undermine the Bolivarian-socialist project in Venezuela at a time when the US believed that doing so would cause the government, then led by Nicolás Maduro, to topple relatively easily and quickly.



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The second reason has to do with Chávez's effort to directly confront US hegemony on the world stage by building what he called a multi-polar world. He did this by building up South-South relations, both within Latin



America and the Caribbean as well as globally. Within Latin America, he did this primarily by pushing forward projects such as UNASUR (Union of South American Nations) and CELAC (Community of Latin American and Caribbean States). Globally speaking this involved the development of ever-closer cooperation with countries such as China, India, and countries of Africa. However, since most of the sanctions took effect only after Chávez's death and after UNASUR and CELAC had already been weakened because of the rightward drift of Latin American governments, this motivation probably played a smaller role in the imposition of sanctions against Venezuela.

**There's no denying that sanctions *always* hurt the people. In fact, in March 2019, US Secretary of State Mike Pompeo admitted that the Trump administration hoped to worsen Venezuela's humanitarian crisis through sanctions. He said: "The circle is tightening, the humanitarian crisis is increasing by the hour. (...) You can see the increasing pain and suffering that the Venezuelan people are suffering from." However, sanctions haven't toppled the democratically-elected Maduro government or, for that matter, any other government besieged by a blockade. In your essay, you argue that in the imposition of sanctions, the US actually operates to force the "opening" of more sovereign countries to the interests of international capital. Can you explain this hypothesis?**

When I mentioned that one of the main objectives of the US is to undermine Venezuela's anti-neoliberal and socialist policies, I think Washington has two sub-objectives in mind. First, it wants to prevent a country such as Venezuela from becoming an anti-capitalist alternative to the dominant paradigm, that is, to prevent a possible "good example" that could inspire people in other countries to follow a similar path. Second, it also wants to make sure that Venezuelan resources, mainly its oil reserves, are accessible to transnational capital.

Here we get into a bit of intra-left debate about whether the US is pursuing the interests of transnational capital or of US capital. This is perhaps too intricate a debate to get into, but I would simply say that I find the argument that the US government is pursuing the interests of transnational capital to be more compelling. Since most capital is completely intertwined and not really based in any nation, the US government does not care all that much whether BP (British), Exxon-Mobil (US), Total (French), or Eni (Italian) have free access to Venezuelan oil, as long as transnational capital has unimpeded access to it. Historically speaking we see this to be the case for all countries where the US has intervened. That is, the US has almost single-handedly set up an international order where the dominance and free flow of transnational capital is the primary principle. Countries that resist this international order are forced into compliance either via the application of fourth-generation warfare or, if they don't put up too much of a fight, via the IMF, World Bank, and the World Trade Organization.

**Could one argue that, in the Venezuelan case, the policy has somewhat succeeded because the government has shifted towards an economic liberalization of the economy over the past few years?**

Yes, I think that is a legitimate argument. I mean, US sanctions have strangled Venezuela to such an extent that the government is desperate for capital. For the most part, it needs capital to rebuild its oil industry, which requires massive annual investments to keep the oil flowing and to keep refining crude. I cannot get into the complexities of Venezuelan economic policy, and I guess one could say it might have been possible to liberalize the oil sector for investment while keeping other more socialistic economic policies in place. Perhaps.

**It would seem that sanctions actually function (paradoxically) so that sanctioned countries will come closer together. In fact, in the Venezuelan case, the Caribbean nation has strengthened ties with allies such as Russia, Iran, and China, as well as, of course, Cuba. Could sanctions end up turning against the interests of the US?**

Yes, there are several ways that the imposition of sanctions ends up backfiring from their original intent, which makes you wonder why the US keeps pursuing them. First, there is the one you mention, of bringing sanctioned countries closer together in the form of cooperation agreements.

Second, and closely related to the first, the closer cooperation between Venezuela, Russia, China, Iran, etc., means that it potentially sets up a counter-hegemonic project, in opposition to US hegemony. For example, there is talk about setting up an alternative to the US dollar as the world's reserve currency. If that were to happen, it would greatly weaken US economic hegemony. Also, these countries are more and more likely to act as a block in multilateral institutions such as the United Nations.

Third, some research has shown that sanctioned countries become more independent from the United States and that this aids their economic development. This seems to have been particularly the case with the sanctions imposed against Russia, as economist James K. Galbraith has shown.<sup>1</sup> I would argue this has also been the so, to a somewhat limited extent, in the case of Venezuela, where the sanctions have pushed the country to become more self-reliant in terms of agricultural production, something that Chávez always aimed to do but was never able to achieve during his presidency.

Fourth – and this one flies completely in the face of sanctions' original intent – is that they tend to strengthen the hand of the targeted government. There has been plenty of political science research that shows that sanctions make populations more dependent on the central government for the distribution of goods and services, and that this means that the government is strengthened and not weakened at all by the sanctions. This is especially the case when the sanctions' objective is regime change, as is

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1. James K. Galbraith, "The Effect of Sanctions on Russia: A Skeptical View," Institute for New Economic Thinking, April 2023.

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the case in most situations, since the government is not going to concede anything when its own survival is at stake.



**In terms of international law, sanctions violate the UN Charter (Article 2.4), which clearly states that the use of unilateral force is illegal. Of course, the US claims that sanctions are not a use of force, which, to me, seems absurd. Also, the Geneva and Hague Conventions prohibit the use of collective punishment.**

To return briefly to the question of why the US keeps imposing sanctions despite their having the opposite effect of their stated objectives, I think this makes it clear that sanctions have nothing whatsoever to do with the stated objectives. Instead, I believe that the primary real objective is to make the affected country so economically unviable that it becomes a poster child for why “socialism is unworkable” – at least, in the case of countries such as Venezuela or Cuba.

**You conclude your chapter by arguing that it’s important that folks understand the “devastating and war-like effects” of sanctions, and that people should know that they are in violation of international law and even US law. Briefly, how do you make the case that sanctions are illegal?**

While it is true that sanctions are illegal on many levels, I first want to point out that unfortunately there is also absolutely no enforcement mechanism to hold violators such as the US accountable.

In terms of international law, sanctions violate the UN Charter (Article 2.4), which clearly states that the use of unilateral force is illegal. Of course, the

US claims that sanctions are not a use of force, which, to me, seems absurd. Also, the Geneva and Hague Conventions prohibit the use of collective punishment. Given Pompeo's statement that you quoted earlier, it is not too far-fetched to say that sanctions represent a form of collective punishment. Then, the Organization of American States (OAS) charter (Article 19) states that all member countries are prohibited from interfering in the internal economic affairs of another member country.

Regarding domestic US law, the main means for imposing sanctions has been the International Emergency Economic Powers Act of 1977, which requires the president to certify that a country that the US intends to sanction be declared, "an unusual and extraordinary threat to the national security of the United States." President Barack Obama issued this declaration with respect to Venezuela in 2015 and it has been renewed by every president every year since then. For anyone with more than half a brain, however, it should be obvious that Venezuela does not represent such a threat to the United States. In other words, the declaration is patently false, and thus the legal requirement for imposing sanctions is not being met. Unfortunately, though, US courts are completely unwilling to take up foreign policy-related issues because these are considered to be the sole prerogative of the White House and of Congress.

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# Communal and Working Class Resistance

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 Venezuelanalysis

# Comuna EL PANAL 2021

Tu comuna,  
la de Chávez





# El Panal Commune: Rebirth from the Ashes of the Blockade

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Cira Pascual Marquina and Chris Gilbert

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*El Panal [The Beehive] is a commune in Caracas' working-class 23 de Enero barrio that has an extraordinary political, educational, and economic muscle. The commune was built by the Alexis Vive Patriotic Force [henceforth FPAV], a collective with a long trajectory of grassroots work in the barrio. Here the people building the commune talk about its history and its economic operations. They also reflect on the impact of the US blockade.*

## El Panal Commune's History

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*El Panal declared itself a commune in 2006, three years before Chávez began to talk about the communal project. Here the communards tell us about the origins of their project.*

### THE ORIGINS

**Tijuana (Asdrúbal Rondón):** 23 de Enero, our *barrio*, has a long history of struggle. It all began when the people who were living in shanty towns in the east of Caracas occupied these newly-built blocks after the fall of the dictator [Marcos Pérez Jiménez] in 1958. It was a rebellion against the status quo and an exercise in self-managed justice. This residential complex

had been built for the military and for those close to Pérez Jiménez's government – in other words, these blocks were built for privileged people but the *pueblo* took them.

The combative history of our *barrio* began in that way. Later, in the 60s and 70s, 23 de Enero became a stronghold for resistance against the regime, the site of many battles against oppression, and a kind of safe haven for the *guerrilla*.

Of course, this came with much state repression and persecution: many social leaders were killed here in the streets of 23 de Enero, or they died in the chambers of the DISIP [former political intelligence police]. However, that only made people here more committed to overthrowing the government. People would protest and build barricades to keep the police away. In brief, 23 de Enero was a battleground in the 1970s.

The 1980s, however, saw a radical change. Drug trafficking and consumption took over day-to-day life and the *barrio's* combative culture seemed to vanish. Prostitution, theft, and kidnappings became prevalent; the youth stopped fighting oppression to seek their next fix and a pair of brand name shoes by any means necessary.

This didn't happen spontaneously. We know that it was a part of a plan to eliminate the *barrio's* combative spirit. The plan worked for a while and it did a lot of damage, but old habits die hard and the *barrio's* combative spirit reemerged with Chávez.

**Robert Longa:** We don't claim to have invented the wheel: it was Karl Marx who determined that the driving force in history is class struggle and that the masses are the ones called to transform society. Alexis Vive adheres to that conception and, as such, interprets its role as that of a vanguard that accompanies the masses in the collective struggle for self-emancipation. To do this, we engage in an ongoing creative search: we study our reality and we read history and Marxist theory. However, we are not going to be

bound by ready-made schemes, we avoid dogmatism, and we try to construct an intelligible discourse. We do all this, of course, without ever forgetting the central Marxist-Leninist premise: *All power to the people!*

**Anacaona Marin (Bárbara Martínez):** When Chávez died, the US ramped up its siege against the Bolivarian Revolution. There were coup attempts, *guarimbas*, blackouts and the blockade. Later, we had the pandemic as well. This situation made us realize that we would have to go forward with no support from the state. It was time to manage our affairs autonomously: from our economic projects to the radio station, from the social cafeteria to the public spaces we cared for.

As hard as these years have been, we now have more economic projects in our hands and there are processes of mechanization underway in them. We are expanding, and the commune is in the public eye now.

## THE COMMUNE

**Robert Longa:** The idea of building a commune here, in the heart of 23 de Enero, emerged around 2006, out of our reading of Marx's text about the Paris Commune. Marx said that the communards created an almost perfect democracy. That is why the first proletarian revolution became a model for us.

However, our interpretation of that historical event is not a mechanical one. When we think about building a commune here, we also think about Chilying in China and the experiences of popular power in the Soviet Revolution, Red Vietnam, and the Lacandona Jungle in Chiapas [Mexico]. We think about all this in relation to three key factors: the material and social context in the *barrio*, our own history of struggle, and Chávez's reflections on the commune.

Chávez was the great strategist of time. When the Berlin Wall came down and "real" socialism collapsed, he built a nationalist movement and

developed the concept of *participative and protagonic democracy*. Then, little by little, he explained that the only way to truly realize participative and protagonic democracy was by building a socialist society.

He called the project “twenty-first-century socialism” to break with the eurocentric premises that were dominant in the main socialist currents of the twentieth century. Yet, while Chávez had a critical interpretation of twentieth-century socialism, he wasn’t opting for a “third way.” He understood that there are only two options, capitalism or socialism, and he opted for the second one. Moreover, while he was critical of prior experiments, Chávez also claimed past revolutions as part of our heritage. Chávez never left behind the basic premises of scientific socialism, but he also looked to history to point to a better future.

Chávez began talking about the commune around 2009, while saying that the communal confederation would bring about the end of the bourgeois state: the *pueblo*, organized in communal councils and communes, would subjugate the old institutions, thus establishing a truly democratic, socialist society.

The commune represents self-government of the people in the territory. As a vanguard organization, our role is to melt into the masses. However, we cannot dissolve our organization until the last person understands that the commune is the new model that breaks with the logic of capital. The commune comes with control over means of production, and it thus generates new social relations.

**Anacaona Marín:** Chávez synthesized our future with three words: “Commune or Nothing!” But, what does that really mean? It is imperative to build socialism from the grassroots. The alternative is nothing.





BIENVENIDOS

COMUNA SOCIALISTA EL PANAL 2021

DEGONDE





## Communal economy

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*Chávez often said that a commune without its own means of production would fail. Not only does El Panal control and manage an impressive number of dynamic and growing enterprises but the commune works to overcome the logic of capital by planning its economy.*

### COMMUNAL ECONOMIC DISTRICT

**Robert Longa:** The Economic District is something that we use to organize and plan the commune's economy. The idea came out of Trotsky's *Permanent Revolution*. That book made clear to us that the issue is not so much having a communal bank or issuing our own currency. Rather, we must plan our economy, if we don't want to be pulled apart by the centrifugal forces of capitalism.

**Anacaona Marín:** The Economic District is a programmatic project that grew out of a process of reflection inside our organization. When it comes to building the communal economy, we need to put the capital "P" back into politics. The commune – which cannot be a mere abstraction – must be the driving force behind our economic activity.

This means that planning our economy is very important. Why? We are trying to build a communal society that is antagonistic to the capitalist system; we are moving toward socialism in a world system that puts profit before everything else.

At the end of the day, what is our objective? People must have what they need so the reign of injustice becomes a thing of the past. Plus, all this must be done with a collective, communal logic. This is the driving logic behind the Communal Economic District.

The Economic District has been a successful experiment. It proves that it's possible to produce outside the social relations that capital imposes. After all, where is the working class in Caracas? In the barrios, in 23 de Enero, in our commune. The Economic District aims to bring the productive forces back to the territory where they came from.

## **COMMUNAL BANK AND EL PANAL CURRENCY**

**Tijuana:** When Chávez came here to inaugurate our sugar-packing plant in 2011, he told us that we should think about issuing our own currency inside the commune. Having our own currency would generate a degree of economic and financial autonomy. Years later, when the economic war brought about an epoch of terrible hyperinflation, we began to think about issuing our own currency.

We were growing rice then, so we decided to back our currency, which we called "Panal," with our first crop of rice. That is when the Communal Bank came about. The bank issued the new currency and it also issued microcredits to small-scale producers in the area. The initiative managed to mitigate the impact of the financial attacks on the bolívar [Venezuela's currency] at that time.

The Communal Bank does not suck the life out of the working class, like a traditional financial institution. Instead, our bank is an arm of the Economic District, which is the organ that plans the commune's economy.

## **MEANS OF PRODUCTION**

**Tijuana:** We have a variety of means of production under our control, and they are all part of our Communal Economic District. Our first enterprises were the bakery (which is technically a private enterprise, but the surplus goes to the commune), the garment workshop, and a sugar-packing plant. The sugar-packing plant is currently being transformed into an animal-feed plant.

We also have livestock and agricultural projects outside Caracas, and we are recovering some vacant lots in the commune for short-cycle crops. On top of that, we have urban pig and fish farms, and a recycling plant.

## FOOD DISTRIBUTION

**Anacaona Marín:** To pay the wages of those who work for the commune, and at the same time finance our healthcare initiatives, the commune's canteens, and our work in the community, the organization needs resources. One of our projects is the "consumption card" [*ficha consumo*], a kind of database that centralizes information about the kilocalorie needs of every household in the commune.

We get cheese from a commune in Apure state, and meat from our lands in Cojedes state on a regular basis. The distribution is based on the consumption card information. Although we sell these goods below the market price, there is still a profit that helps maintain the commune's operations.

El Panal was also a pioneer in the Pueblo a Pueblo program, which is a grassroots initiative linking producers in Trujillo state with organized communities in Caracas. Pueblo a Pueblo does away with the intermediary so that the working class can have access to produce at lower prices.

## PRODUCTION AND SOCIALISM

**Jorge Quereguan:** There is a longstanding Marxist premise: if we want to overcome the despotic, bloody logic of capital, then the means of production must be in the hands of the people. At El Panal Commune we have developed a strategy and we have a planned economy. We are going in the right direction.



**Robert Longa:** When we say *all power to the people*, that is about a new way of doing politics, but also generating new social relations. That is why, at this stage, we are focusing on building the commune hand in hand with the people, but we are also working very hard to consolidate and expand our productive projects. A politically advanced initiative without its own economic muscle is destined to fail. It will either be devoured by the capitalist monster or become parasitical on state institutions.

Our wager is with the people, with Chávez, and with socialism.

**José Lugo:** The means of production should be in the hands of the people. Chávez was adamant about this. If we are able to consolidate the commune's productive projects, then we will also be strengthening the commune's autonomy and self-government.

We still have a long way to go on the path to socialism, but the seed for the new society is to be found here: in the streets and apartment blocks of the commune, in the communal council assemblies, and among the workers who run the means of production.

That is precisely why Barack Obama declared Venezuela to be an "unusual and extraordinary threat." We have no nuclear weapons and we respect the sovereignty of every nation, so why are we a threat? Why do they sanction us? Because if Chávez's model works – if that which is old finally dies and that which is young comes into the world – then it's curtains for them.

## **Standing up to the blockade**

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*The impact of the sanctions and the crisis has been disastrous. Nonetheless, El Panal's communards focus less on the hardships that the crisis has brought – which are many and in some cases devastating – than about the lessons learned.*

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## LIFE AND PRODUCTION

**Judit Guerra:** The hardest thing is seeing the youth leave the country. That is a moral blow for us. My son and my grandchildren left, and I still feel the pain. Also, when we were preparing the census for the communal council elections, we saw how many people had migrated.

But we won't give up! We know that the commune is the way forward. When the blackout happened and we were without water [early 2019], it was the community that found a solution by working together collectively to clean up a nearby spring. Our experience teaches us that solutions become viable and long-lasting only when we work together.

**Robert Longa:** The economic war, the US sanctions, and, sometimes, the internal blockade have actually become an engine of sorts in the process of communal construction. In the past few years, El Panal Commune made a leap forward. In a few words, the external factors have generated a process of internal maturation in the commune's self-government and in the development of our productive forces.

Of course, the crisis is not something that should be celebrated. The suffering has been horrific: many people have died and many others went hungry. However, when it comes to El Panal, we have not only resisted, but have also acquired know-how. I would even dare to say that we have grown as an organization. We learned many things and figured out how to break important Gordian knots. Nevertheless, there is still a lot to be done on our end.

The blockade has taught us about the world beyond the confines of our *barrio*. Before, when we needed cornflour, we would just go to the corner store and buy a packet. It was a simple transaction and we didn't reflect on it. The crisis brought about food shortages, and because of the food shortages we began to grow corn in the *barrio*; we also learned how to thresh and dry it, and how to make flour. These experiences brought us closer to

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*campesinos* and to factory workers, and it made our contradictions with the bourgeoisie more intense and evident.

We began to reflect: supposing the capitalist actually gets the production to the corner store, what is that capitalist actually doing? Does he grow corn? Does he work in a factory so that it is turned into flour? Or does he just ship it from Mars? No. The *campesino* produces the corn, the worker processes it, and the capitalist cashes in.

Of course, this is all old news, but the fact that we had to begin to either grow our corn or go hungry made this contradiction all the more tangible. With the blockade, we learned that it takes six months to grow a hectare of yuca. We also learned that with a *trapiche* [an artisanal sugarmill] and a few hectares of sugarcane we can make a delicious drink.

The pain and suffering caused by the US blockade are enormous, but we have learned a lot. It's contradictory – or dialectical – but in some ways I'm grateful.

**Only Ortíz:** The blockade has a devastating impact on the Venezuelan working class: many basic goods – from food to medicine – became scarce and tremendously expensive.

As a vanguard movement, when things got really difficult, Alexis Vive was not going to throw in the towel: we decided to focus on production while not abandoning communal organization. In fact, our production initiatives are not an end in themselves. As Anacaona says: when we produce goods, we do so with *Politics* – with a capital “P” – on the horizon.

Today we have a diversified economy: we produce and process food and also offer services to the community. The blockade is a cruel but efficient teacher: not only have we learned to produce more effectively, but we have also increased our autonomy.

**Anacaona Marín:** We are not extraterrestrials. We are working-class Venezuelans who went hungry and lost loved ones due to the blockade. US imperialism left its ugly imprint on our lives and on our bodies. There is no denying that. First came the food shortages which were followed by the inflationary spiral, and the blackouts came after that.

El Panal Commune was also hard hit, but our organization was able to act: in the face of the imperialist attack, we were not going to stay put. That is why our morale here is so high!

**Jorge Quereguan:** As the communist poet Aquiles Nazoa said, *I believe in the creative power of the people*. In these grueling times, many people worked hard to turn things around. In so doing we are breaking with the rentier, clientelistic logic that the *Adecos* [Fourth Republic party, still operating] planted in our subjective consciousness.

The *pueblo* has ingenuity and innovates. What should we do as an organization? We must keep our ear to the ground, learn from them, and channel their creativity towards the common good.

**José Lugo:** The White House has its eyes on us because they don't want to see a project with a sovereign and anti-capitalist orientation emerge here. With Hugo Chávez, Venezuela became a bellwether for the continental and a magnet for South-South integration. That is why we have had the imperialist apparatus – its media and its coercive policies – turned against us for over two decades!

Rather than focusing on the US blockade's devastating effects, I want to highlight how these coercive measures became a kind of wake-up call for us. Now we know that we have to produce and cannot remain a dependent country!

Of course, shifting away from dependency isn't easy, but our practice here at El Panal Commune shows that it's possible. Moreover, while the

blockade is a “war by other means,” we should also acknowledge that this is not an all-out war. Vietnam, Panamá, Iraq... those countries and so many others were actually bombed.

This means that we have some wiggle room to build the commune. Now our economic projects are solid ones, and we are no longer dependent on the paternalist state. We are moving toward self-government and popular sovereignty, as Chávez wanted us to do!

Of course, we have not gotten there yet. When it comes to production, we need to create non-capitalist supply chains so that we get raw materials outside of the market, specifically fabric and other implements in the case of Las Abejitas del Panal [a communal textile workshop]. It would be naive to continue relying on the capitalists to get our supplies forever.

Here, at El Panal, we are advancing in that direction with the primary production units. That makes me proud, but we still have a long way to go.

## **TECHNIFICATION**

**Jorge Quereguan:** We could say that we are victims, but instead I prefer to think of ourselves as creative and active subjects. In productive terms, we have made a leap forward: we have gone from small-scale craft production to using more technified and complex methods.

In the process, we learned that efficiency is a must because we are competing with the capitalist system. We have to be able to show results. In the technification process, we also have to replace physical work with intellectual work. We have to maximize production, and that requires thinking.

I often remember Che when he said that the Cuban Revolution had to work toward improving the technical side of production. He said that they should make the most advanced production techniques their own. This





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is important for us at Alexis Vive: a cadre should be politically-educated, well-informed, and technically-prepared.

## Solutions to the blockade

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*In the face of the crisis, El Panal Commune and the Alexis Vive Patriotic Force have developed a range of political and productive responses to the difficulties that have emerged. Their example shows that communes can provide a popular, sovereign solution to the crisis and a viable alternative to capitalist restoration.*

### FOOD DISTRIBUTION

**Anacaona Marín:** When it all began back in 2016, we made sure that our productive projects would really be working at the community's service. For example, our bakery broke away from the logic of the market. In contrast with run-of-the-mill bakeries, which were using scarce flour at that time to bake fancy goods that only a few could afford, we baked bread for the ordinary people of 23 de Enero.

In fact, around that time, we began a planned food distribution initiative: we delivered food bags to 1200 families – the most vulnerable ones – without any conditions. The bags were delivered door to door. They included coffee, sugar, bread, rice, beans, and other goods.

The blockade forced us to organize ourselves better and work harder so that people would say: *the commune is the way forward*. I think we can say that our efforts have produced results. For example, 44% of the people here participated in the commune's communal council elections in July [2022], which is well above the average for national and regional elections. In doing so, the people were casting their lot with the communal path. They were renewing their commitment to participative and protagonic democracy.



**Orly Ortíz:** In the early days of the economic war, we recognized that people needed access to basic goods. At that time, it was almost impossible to get flour, sugar, bread, etc. When the organization [Alexis Vive] became aware of this problem, we decided that distributing food to people should be one of our priorities. Those were the times of the grassroots CLAP before the government-run CLAP actually existed. The project was self-organized, and we know that it saved lives.

Alexis Vive also committed its resources to the Christopher Hernández canteen, which feeds more than a hundred people every day.

**Judit Guerra:** The organization subsidized its own food distribution program, but the commune also promoted “Pueblo a Pueblo,” an initiative for bringing fresh produce to the *barrios*, bypassing middlemen.

That initiative developed a good rapport with the community. I remember that during the blackout – when there was no cash in the street and you couldn’t swipe a credit card because the phone lines were down – we distributed four kilos of potatoes to each family with the idea that people would pay their purchase when the conditions changed. Lo and behold, as soon as the electricity came back, people paid the debt on their own initiative! No encouragement was needed!

Here at the commune, we also organize food fairs for fresh fish and meat. We sell those products at below-the-market prices, but they are not given away. With the profits, the organization can operate the Christopher Hernández canteen, help vulnerable people buy medication, or pay for the funeral of someone who passed away in the commune.

## "Year Zero"

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*Robert Longa is an avid reader and a mastermind of creative solutions. Always thinking outside the box, he is aware that a communal organization such as El Panal must constantly reinvent its practices and engage in experimentation to overcome the metabolism of capital.*

**Jorge Quereguan:** The crisis, the blockade, and the lockdown had a devastating impact on the life of the *pueblo*. The devastation also affected grassroots organizations and many initiatives closed shop. That is when Robert declared 2020 to be our "Year Zero." He said: "We have to resist: it's now time for fishing, hunting, and gathering!"

We shifted gears and we began to focus on primary production. The slogan during the pandemic was "Stay at home!" But if we stayed at home, what would we eat? So, we modified the slogan to make it: "Stay at the commune!"

Our food production projects took shape in former recreational spaces and vacant lots. Those were the first days of our pisciculture initiative: a swimming pool became home for the tilapias that would supply the commune's canteen, which feeds the most precarious people in the community. We also began raising pigs and we made vacant lots into vegetable gardens.

That is how *resistance* became *resilience*, and that resilience allowed us to reactivate our political horizon: the communalization of society. The crisis demoralized the militancy, but with ingenuity and commitment to production, we saved ourselves from the worst effects (both material and subjective) that the crisis brought about.

We took our first steps by trial and error: we produced initially with home-made techniques and it all began empirically. However, our objective is not

just subsistence; our objective is to technify processes and increase our productive capacity – and do all that with a horizon of social transformation.

That is why, little by little, we are technifying and modernizing our production processes and our production is increasing.

**Robert Longa:** When I came back to Caracas after being deployed in the Antonio Ricaurte Brigade, I encountered a devastating scene. The blockade had paralyzed the economy, the pandemic had led to a lockdown, the organization was in a very difficult situation, and the cadres were emotionally destroyed.

We had to come up with a solution and, with the *Life Is Beautiful* movie in my head, I began to invent an epic narrative. I knew I had to work in a sentimental and romantic register: I had to get the organization's cadres going again, helping them recover their morale. Bare survival had to turn into resistance, and resistance had to carve a path toward emancipation.

I put my boots on and said to people: "We have hit zero. We have nothing to eat and nothing to wear but we are going to shift into hunting, fishing, and gathering mode. We are now in year zero."

The situation wasn't pretty and we had to turn it around. That is when we began to recover unused land in the barrio's steep hillsides for vegetable growing. It is also when we began with our pisciculture and porcine initiatives.

We wove a romantic discourse into our production initiatives and our political work, always remembering Bolívar's phrase: "If nature goes against us, we will struggle and make it obey."

Our thinking was that if the pandemic didn't obey, we would struggle against it. In a subversive gesture, we decided to wear the Alexis Vive







bandana covering our faces instead of face masks. We did things carefully, but we were determined to rise up from the ashes.

We collectively committed ourselves to defending our model from “zero” [from the ropes]. We would do it without fear. After all, if we are ready to fight imperialism, we also have to defend life itself. And so our emancipatory project was rekindled. Now our productive forces are fully activated, and we are in the middle of reactivating the commune.

## Care for the community

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*Life trumps capital – that is the commune in a nutshell. At El Panal Commune caring for the lives of its approximately 13,000 residents is central to the project and it is done with an approach that is worlds apart from the “charitable” care that NGOs and religious institutions offer.*

**Anacaona Marín:** For us, care for the community is key to our political work and it doesn’t follow a clientelistic logic. We work to ensure that nobody goes hungry and that there is medical attention for all who require it. Even when organizing sporting events and chess tournaments, we are fertilizing the ground so that the community will become stronger and more combative.

Caring for the community also involves maintaining peace, so it can mean taking over a space if it is penetrated by drug trafficking, as we are doing now around the baseball field. In fact, sporting and cultural events are pivotal to displacing problematic activities in our community.

Finally, this commune has a special commitment to education. Later we will talk more about the Pluriversidad Patria Grande, but for now I will tell you that we recently activated the BRICOMIL, which is a cooperation initiative between the government, the armed forces, and organized

communities to revamp schools. We just finished renovating the Gabriela Mistral School [in the center of the commune] a few days ago, completing the project in time for the beginning of the new school year.

## HEALTHCARE

**Anacaona Marín:** In addition to helping vulnerable people get the medicines they need, Alexis Vive pays the wages of a nurse who does house-to-house work in the community.

**Judit Guerra:** Caring for the community is one of our passions. A community that doesn't know who needs help, who is sick or who is pregnant cannot truly call itself a commune. For me, commune-building is about life itself.

Here we maintain a thorough a census of our community and its needs. When a critical situation emerges, we work non-stop until we find a solution. We also promote vaccination campaigns. The result is that all kids in the *barrio* are up to date with their vaccines, and most people in our community are on their third and even fourth Covid-19 shot.

We also have a senior citizens' club called "Club de Abuelos," which is a self-managed initiative that combines recreational and social activities with medical attention.

## POPULAR CANTEEN

**Adriana Quintana:** The Christopher Hernández Canteen has been feeding over 120 of the most vulnerable people in the commune for more than eight years.

Over there [pointing to a plot of yuca plants] we grow some of the food that supplies the canteen, and *compañeras* from the Alexis Vive Patriotic Force cook the meals there. This is an autonomous, self-run initiative that

has become all the more important during the blockade. It's a virtuous circle!

We also run the José Arévalo Workers' Canteen, a recent initiative that offers a hearty lunch to the forty-five workers employed in the commune, whether in the porcine unit, the recycling unit, or the radio.

**Jorge Quereguan:** Christopher Hernández was an Alexis Vive cadre who was killed years ago. He was really committed to the community, so that is why our social canteen bears his name. We honor the commune's dead! The workers' canteen bears the name of José Arévalo, a beloved comrade who worked for the community for more than fifty years. Fortunately, he is still with us, but Robert Longa proposed that the canteen bear his name, recalling that song by El Gran Combo de Puerto Rico that says, *If you are going to give me something, give it to me while I'm alive.*

The capitalist pays you a wage because he has to, but he doesn't care if you eat. Here, we have to build solidarious spaces where the regime of capital is done away with, spaces where new social relations emerge. Sitting around a table and sharing a meal – all that points in the right direction.

## **"Proletarianization" of the *barrios***

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*One of the more ambitious projects at El Panal Commune in the context of the imperialist blockade is called the "proletarianization of the barrios." They use this term to refer to reactivating the productive forces (or re-industrialization) carried out in a context of new social relations.*

**Asdrubal Rondón (Tijuana):** In the 1980s and 1990s, there was a planned de-industrialization of our barrio. It went hand in hand with the penetration of drug trafficking into the area and the political demobilization of the working class. The role of 23 de Enero became that of a reproducer of the workforce, but goods were not being produced here.

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To turn around this situation, we have our eyes set on the vacant workshops and warehouses in Los Flores [*barrio* adjacent to El Panal]. Why? We think that to end our reliance on the capitalist market for access to work and goods, there should be a “proletarianization” of the west of Caracas.

In doing so, El Panal will not only be putting distribution and education under communal relations, but also attempt to develop large-scale communal production that could be a springboard into the future. That is what Robert proposed to Nicolás Maduro when the president visited us earlier this year.

**Robert Longa:** The “proletarianization” project comes out of the not-so-new idea that the working class must be empowered. In fact, the idea goes beyond El Panal and beyond the west of Caracas. Proletarianization is a concept and practice that could well expand throughout the Venezuelan territory and beyond. All power to the people, all power to the working class, this is a universal idea!

We are now focused on the proletarianization of the west of Caracas, because all you hear about, when it comes to our side of the city, is the criminal groups. Nobody talks about the new production models that are beginning to emerge! Public opinion focuses only on the dark forces operating here.

We have developed a class-based counter-proposal: let’s displace the mafias with a project that can actually offer an alternative for the working class. Let’s promote the creation of new means of production in the hands of the people, in the spaces that capital has abandoned!

In the proletarianization project, the insurgent subject becomes a subject of social transformation. However, for this to happen, there has to be a political and ideological project. That project must also be equipped with the



tools to satisfy people's needs. In other words, we have to build a productive model that breaks with both the formal and informal logics of capital.

## Voices

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**Adriana Quintana** is an Alexis Vive Patriotic Force member who works in the area of care for the community.

**Asdrúbal Rondón (Tijuana)** is a member of the Alexis Vive Patriotic Force. An El Panal Commune spokesperson, he is also the coordinator of the Antonio José de Sucre Brigade.

**Bárbara Martínez (Anacaona Marín)** is a member of the Alexis Vive Patriotic Force and a spokesperson for El Panal Commune.

**Judith Guerra** is the housing spokesperson for the Santa Rosa Communal Council and an executive spokesperson for El Panal Commune.

**Jorge Quereguan** is an Alexis Vive Patriotic Force member and a communist who coordinates the Porcinera Urbana del Sur.

**José Lugo** is a worker and spokesperson at the Abejitas del Panal communal enterprise, and a spokesperson in communal economy for the Santa Rosa Communal Council, El Panal Commune.

**Orly Ortíz** is a member of the Alexis Vive Patriotic Force and an education spokesperson for El Panal Commune.

**Robert Longa** is the key member of the National Direction of the Alexis Vive Patriotic Force and a spokesperson for El Panal Commune.

[This is an abridged version. Read the unabridged piece at [www.venezuelanalysis.com](http://www.venezuelanalysis.com). Publication: November 2022]



# Worker Control in Times of Blockade: Voices from Indorca, a Factory without Bosses

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Cira Pascual Marquina and Chris Gilbert

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*Industrias del Orinoco, C.A. (Indorca) is a factory without bosses in the industrial city of Puerto Ordaz in Bolívar state, the home of Venezuela's basic industries. Indorca's workers carried out a heroic three-year struggle to gain control of the factory after the former owner brought it to a halt. Since 2015, when Venezuela's Ministry of Labor extended a mandate giving the workers control over Indorca, the enterprise has been democratically managed by the women and men who produce here day in and day out.*

*Here the workers of Indorca tell us about their fight to keep the former bosses from dismantling the factory and regaining control of the plant. We will also learn about the struggle to maintain the factory afloat in a sanctioned nation.*

## A history of struggle: Indorca workers occupy the factory

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*After an owner-imposed lockout, Indorca's workers organized a watch to protect the factory. They slept in the "maloca" [open-air structure with a roof and no walls] right outside the plant and they debated about a more democratic way of running things. They also mobilized so that the government would apply Article 149 of the Labor Law, which entitles workers to take control of an enterprise when the owner sabotages the production process.*

**Eliezer Perdomo:** Indorca is a metallurgic workshop, built to serve the basic industries in Guayana [historic name used to refer to Bolívar state], from Sidor [state-owned steel production plant] to Venalum and Alcasa [both state-owned aluminum plants]. The former owner was Oscar Jiménez Ayesa, a capitalist with both industrial and banking interests.

**José Cedeño:** Around 2010, when Chávez was trying to radicalize the Bolivarian Process, the first signs of an economic war against the Venezuelan people became evident. Here in Guayana, the bosses began to drag their feet in many privately-owned factories. They were remiss in paying workers' benefits, began to make layoffs, and purposely generated supply-chain bottlenecks.

This was happening at Indorca as well, so we decided to organize a union in 2011. Needless to say, the bosses didn't smile upon this process. They fired several organizers in the middle of a collective bargaining process, including me. The bosses also put a restraining order on us, and we were not allowed into Indorca's perimeter. However, that didn't hold us back: we continued the fight from the ropes.

Those were difficult times, but they were also beautiful: we were without jobs, but worker solidarity kept us alive, and we began to think about our

potential as a class: if we produced the goods and the bosses were sabotaging the production, could we take over the process?

In 2012, just two months after the new Labor Law came into effect, the bosses shut down the plant. They were not the only ones to do this: other privately-owned factories closed shop as well. It was a coordinated sabotage effort driven by political objectives. The bosses didn't want Chávez anymore, even though many had benefited from government credits and contracts for years.

When the owner declared bankruptcy and closed up shop in Indorca, it became clear that he also wanted to dismantle the plant. This had happened in other factories, and we were not going to let it happen here. That is why we set a 24-hour watch to defend the installations. We slept on pieces of cardboard and hammocks in the *maloca*, while eating the fruit we could gather and the iguanas we scavenged. However, we also got solidarity from the workers in other enterprises.

All the while, we began to think about a different production model that would be closer to us: if we took decisions in an assembly in the defense of Indorca, why couldn't we collectively run the factory in an *assembleary* manner? Things were not pretty, but we were learning a lot.

Meanwhile, the bosses introduced a lawsuit for trespassing private property against 20 workers, so we had to report to tribunals every two weeks for three years. The owner also sent the National Guard, the police, and the SEBIN [Bolivarian Intelligence Services] to harass us.

**Josefa Hurtado:** Those years were really difficult: we had no salary, we had no work, but we were committed to going forward. The owner wanted us to fail, whereas we wanted to go on producing. In the end, we succeeded. It was us, the workers, who reactivated the plant. We did it without bosses and without engineers.







**Victor Mujica:** While we were doing our permanent guard to protect the plant's assets, we received a lot of solidarity from workers in other factories, including Calderys, which was already under worker control. We also got support from Sidor workers and from workers in other companies. Our comrades sometimes got us odd jobs so that we would have some income. Class solidarity was very important.

Finally, in 2015, the government applied Article 149, which granted us control of the factory. When the Ministry of Labor applies Article 149, it opens the path toward worker control. First, a three-person junta is established with two representatives of the workers and one representative of the owner. Since the owner's representative didn't show up, we were entitled to fill the third seat with another worker representative. That is how we finally took control of Indorca.

The struggle to get there was a long one: almost three years defending the means of production – months sleeping outside, hunting iguanas, and being harassed by the police...

The struggle was worth it, but things were not easy after that. The owners' thugs had removed the high-power cables and other machinery. We also had become a toxic example – because of our class victory – so it took us a while to get new orders. Finally, in 2016, we signed contracts with Venalum and Sidor.

**José Cedeño:** Indorca's capacity for resistance became the stuff of myths in Ciudad Guayana [Puerto Ordaz]. We had it really hard – we were harassed and persecuted – but the most important thing is that we stayed together as workers. Why? Because we knew that Indorca was important for the basic industries and for the country.

## Reactivation and democratic control

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*At Indorca, democratic control and collective management of a factory is not the stuff of a future utopia. Rather, the workers run the enterprise without bosses and take all important decisions in a monthly assembly where every worker has an equal voice and vote.*

### DEMOCRATIC CONTROL

**José Cedeño:** In Indorca it is the assembly that has the last word. During the three years in which we held down the fort, we learned about equality and solidarity. As welders, mechanics, and supervisors, we all went through the same hardships, and we took the important decisions together. Things were going to be different in the new Indorca! Equality wasn't going to be just about decision-making, it would also be about wages... We would all get paid the same, and that's the way it's been until now.

Whereas private enterprises and even public ones don't show their accounting to the workers, here we review our accounts collectively once a month. Every bolívar that has been debited or credited gets reflected on the whiteboard [in Indorca's meeting room].

In our monthly assembly, we also talk about workflow; address any problem that we may be facing at a particular time; debate about whether to accept a contract or not; and decide our salaries based on projected expenses and revenues.

**Yaneth Carreño:** A democratic, self-managed enterprise is not a common thing in capitalism because it puts the worker at the helm.

I came to Indorca six years ago on a temporary agreement. I had just retired from a long career in public administration, and I was going to help put things in order here. When I first came, I sat down with the books



where they kept track of expenses and resources available. I could see that the workers were very meticulous, but they needed accounting tools to keep their house in order.

Little by little, I became attached to Indorca. The solidarity, the relentless commitment to learning, and the democratic processes here were all new to me. But I learned something even more important: workers are the ones who produce value, they are the ones who produce the goods that Venezuela needs!

In our society, the factory worker is invisible. The boss, the manager, or the engineer may spend eight hours in an office, and he may even be tired at the end of the day. But what is that compared to the machine operator who is exposed to high heat and intellectual and physical exhaustion? Who but the worker thinks of viable alternatives now that the blockade makes it impossible to get certain inputs and parts? Who but the worker stays in the plant for long hours when an order is due?

There is this idea that factory workers do mechanical work that doesn't demand intellectual effort. That is wrong! Industrial workers have to solve all sorts of problems, from mechanical to chemical and operational ones. On top of that, Indorca workers know about accounting and collective management.

I worked in public administration for 25 years, and I have learned more from the workers here than I did in my entire earlier career. My job here is humble: I work on the administrative side of the enterprise, and I help with accounting. This boils down to carefully preparing for our monthly assembly where we review Indorca's economic situation with a great deal of precision.

## REACTIVATING INDORCA

**José Cedeño:** Once it became clear that we, the workers, were going to be able to take control of the factory, the owner sent his thugs and they took 80% of the high-power cables that fed the machinery. They also took tools, air conditioners, uniforms, measuring tools, and welding equipment. Beyond that, they broke the windows and destroyed as much as they possibly could.

That was very painful for us!

The same thing happened in Calderys and Equipetrol, two factories that had gone through the same process. We got together with them to evaluate the situation and we said: *We have no money, but together we have a lot of acquired knowledge. Let's jumpstart the three factories together!* What Indorca needed and Equipetrol had, they shared with us. What Calderys needed and we had, we shared it with them. We also had some help from Alcasa, Venalum, and Sidor workers.

Our major bottleneck was re-activating the heavy machinery. To do so, Calderys was able to help us get 500 meters of cable. That is how, in one week, we were able to reactivate Indorca: a lot of hard work, a lot of solidarity... and of course, many years of experience put to good use!

## Impact of the imperialist blockade

*US sanctions have devastated the Venezuelan economy, bringing production practically to a halt. The blockade has affected the life and work in the metallurgic plant.*

**José Cedeño:** The impact of the sanctions has been enormous. Many of our supplies and inputs come from abroad. Specialized saw blades, machine lubricants, and welding implements are all imported from the US.



Also, 35 HRC steel [high-grade] and other materials needed for our production are not to be found in Venezuela now.

All these supplies used to be commercialized by Sidor [a state-owned steel plant in Puerto Ordaz]. However, the blockade means that they cannot bring those inputs and many others that are needed by the basic and oil industries. The impact of the blockade can be felt on the Venezuelan industry as a whole.

For example, Indorca repaired Sidor's heavy-weight carriages for some 20 years. To do this we need special industrial wire and flux, and it is a US company that produces both. We have been able to solve this problem by being creative, but the wear and tear process is going to be quicker.

The other major bottleneck is fuel. Bolívar state has a particularly restrictive policy for gasoline distribution, and it is only available at the international price [50c per liter], so we have to spend some \$200 US per week to keep the company bus running.

**Eliezer Perdomo:** Sidor, our provider, can no longer purchase supplies and inputs. Some of the supplies we need are now available in the market, but they are sold by private distributors at sky-high prices. This means that our production costs are also high, which, in turn, pushes our wages down.

There is another effect of the blockade that impacts production both here at Indorca and in all other enterprises: transportation. Maintaining our vehicles running is very difficult. Changing a tire or getting a part is expensive while getting fuel oil is really difficult. That means that all our vehicles, with the exception of the company bus, which brings the workers to the plant and back, are not working at the moment.

In fact, for more than a year, our bus wasn't operational either. This was during the pandemic, and our wages were so low that we couldn't pay bus

fares either. So we either had to try to hitch a ride or we came walking. The year 2020 was a very hard one: we lost weight and our health deteriorated. It is only now that we are beginning to recover – we aren't just skin-and-bones any longer, there is a bit more to us.

Despite the siege and a pandemic, Indorca continues to work, which is not the case with many private and state-run enterprises.

**Victor Mujica:** Resources are needed to maintain a factory and keep it running, but the situation now makes it very hard to get supplies and inputs such as flux, parts, lubricants, and the fuels that we need. Of course, this didn't bring us to our knees, but production has come down significantly.

**Yaneth Carreño:** We are operating at just a fraction of our potential. The sanctions are a key factor in this drop in production, but we should not forget other issues, such as the way the private sector boycotted us after the worker takeover and the "limbo situation" [legal uncertainty] generated by our condition as a worker-managed enterprise.

I should say, however, that the workers' care for the equipment and their vast knowledge means that this plant could be running at 100% of installed capacity tomorrow, if we had the inputs we need.

Enterprises such as Indorca are important in overcoming the impact of the blockade: that is the bottom line for us. The impact of the sanctions has been enormous, but we can't just focus on that. We have to jumpstart what there is, and Indorca can offer solutions to many of the problems that the basic industries are facing today.

## THE HUMAN FACTOR

**José Cedeño:** There is no hiding it: the sanctions have hit us very hard. I'm 57 years old and some of the workers here are even older. This means that we cannot just go with the flow: some of us may need medicines and we all



want to care for our loved ones, but our wages are very low. This is a huge concern. In fact, it comes up in the workers' assembly month after month.

**Sergio Requena:** The blockade affects the working class as a whole: it affects our families and our bodies, and it has a devastating impact on production.

The US sanctions are driven by a basic Napoleonic premise: "An army marches on its stomach." When you cannot afford to get the food you need, when your work shoes are old and your uniform is worn out, that has a negative impact on your morale... And it is all the more demoralizing when the gap between those on top and the working class grows, as is happening now.

However there is a history of struggle and an *esprit de corps* that keeps us going. We also take pride in what we do and have a commitment to the Bolivarian revolution. All that has kept us going in circumstances that, in truth, are nothing short of dramatic.

**Cruz González:** The impact of the crisis on our families is brutal. Just two weeks ago my brother left the country. He sold his house, he sold the furniture, and he took off! That is painful, very painful.

For my part I'm planning to stay. In fact, we Indorca workers are committed: we aren't going to jump ship.

## DEFEATING THE ENEMY

**Sergio Requena:** There is a brutal blockade against Venezuela. With that in mind, we have to ask ourselves: How can we defeat a powerful enemy that is determined to finish us off?

Everybody knows this: The US is an imperial power and the most powerful one at that. It operates with a capitalist and neo-colonial rationale. This





means that when we look at the options, we have to bypass the sanctions, but we shouldn't be thinking about capitalist solutions. Why? Because Venezuela cannot defeat them on their own terrain!

A capitalist shock treatment isn't going to solve the problems of the people. That is why we argue for a heroic and holistic solution instead.

Indorca confirms my hypothesis: there are no capitalist relations in the factory and the enterprise is run democratically... And it is still standing! Why? Because the workers are committed to the project, because Indorca is theirs!

That is why we think that the solution [to Venezuela's problems] is more socialism. This is not going to happen overnight, but in my opinion productive initiatives that are outside of the logic of capital should be emulated. When someone tells us that Venezuela is under siege, that we are blocked, I often say: Yes we are, we are blocked by US imperialism, but we are also blocked by capitalist rationality.

Let me give you an example: when a machine breaks down or when a component must be replaced, the bosses will often look to purchase the input or the piece abroad. This keeps us within the technological dependency loop.

What is the solution that we propose? Let's actually produce what we can in Venezuela. That would be the heroic solution, the socialist solution. Will it be easy? No, but our own experience with the production of wellheads [see below] shows us that it is not only possible, but also more efficient.

Let's think about our own history here at Indorca, Equipetrol, and Calderys [two other worker-run factories in Puerto Ordaz]. When the workers were finally able to take control of the plants, they found that the power cables feeding the machinery were gone and important components had been

stolen. How was this solved? The workers themselves found the solution through cooperation. In just one week, the plants were operational!

Of course, collaboration is lightyears away from capitalist rationality. Add to that the sanctions and the dependent, parasitic character of Venezuelan capitalism, and we will find ourselves lost in a labyrinth. Let's tear down the labyrinth! It's possible.

## Working-class ingenuity

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*Indorca workers have developed a range of creative responses to difficulties as they emerge, demonstrating that the working class can provide non-capitalist solutions to the crisis.*

**Victor Mujica:** We don't have all the inputs and supplies that we need, and this slows down production, but we have engineered mechanisms to keep the plant running. In fact, I would say that every day we find new solutions to the problems we are facing.

Our situation isn't ideal, but now we can do things that we couldn't do five years ago. We have learned a great deal. We Indorca workers have hundreds of years of accumulated experience among us, and a lot of commitment. Our shoes may be worn out, but we are creative and resilient... we are not about to throw in the towel!

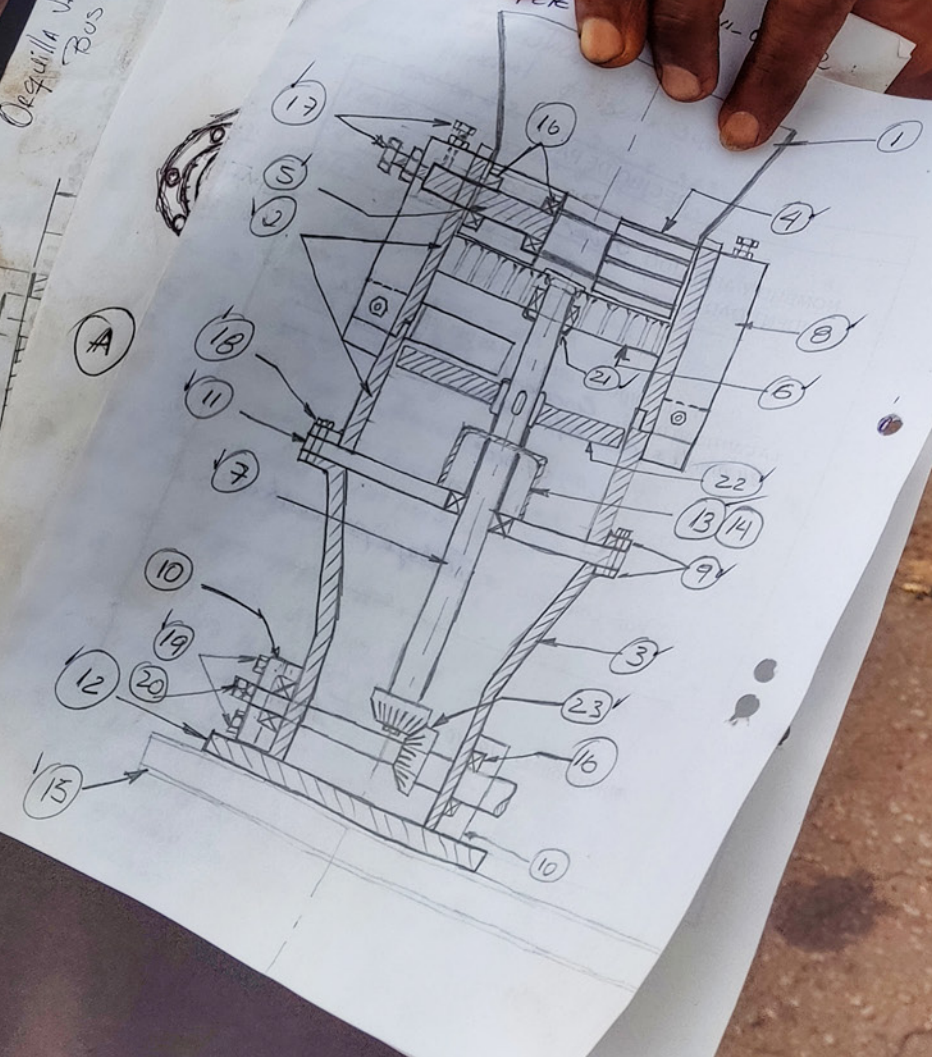
**José Cedeño:** If sanctions are thought of as an economic siege, then Indorca has been "sanctioned" since 2015, when we took control of the factory. That created a situation in which the former clients did all they could to take the oxygen out of Indorca because of their links and class affinity with the former boss. Then came the US blockade that is attempting to asphyxiate the Venezuelan economy as a whole. It is all the same thing, but the scale is different.





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When we took over in 2015, we saw that the power lines were gone. Yet we didn't just sit around and mope. Instead, we organized to solve the problem. This meant that later, when the US imposed its blockade on Venezuela, we had some experience with that kind of situation. We had already honed our ingenuity.

## **Productive Workers' Army**

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*The Productive Workers' Army [henceforth EPO for its initials in Spanish] is an autonomous worker initiative that has its roots in Chávez's plan to build a sovereign nation.*

**Sergio Requena:** The EPO is a non-conventional army for a non-conventional war, and it comes out of the epic that brought Indorca, Equipetrol, and Calderys workers together to recuperate the plants after the owners' sabotage.

**José Cedeño:** When we took control of Indorca, we found that 80% of the high-power cables feeding the machines were gone. The bosses had also stolen tools and destroyed as much as they could. It was a coordinated act of sabotage. But we were not alone: Calderys and Equipetrol were in the same situation, so we decided to cooperate in reactivating the three factories.

Word got out about our work among the industrial working class, and a union representative from La Gaviota – a state-owned fish processing plant in Sucre state – requested that we deploy a group of workers to help them reactivate their factory's industrial oven.

In February 2016, after a reconnaissance visit, we sent a group of metal mechanics, welders, and even highly trained builders to La Gaviota. We were able to activate their industrial oven in just five days! The 200 women who work at La Gaviota were elated: the oven – made to produce tons

of animal feed with the sardine “waste” products [fish heads, tails, inner parts] – had been out of order for five years.

La Gaviota workers were *remoralized*: they were going to produce a good that is much needed in the country. Moreover, the income generated by sales would be enough to cover wages. La Gaviota’s workers were empowered once again!

Since then we have carried out sixteen “productive battles.” We have activated food-processing factories and recovered gas-cylinder filling plants, and we even worked a wing of the Amuay Oil Refinery in Falcón state. We also carried out productive battles in two communes: El Maizal and Che Guevara.

All this is voluntary work. When we go on these brigades, we work long hours and we sleep in the plant. We also carry out educational workshops and *remoralize* the workers by example.

**Sergio Requena:** The EPO has two main goals: reactivating Venezuela’s productive apparatus and remoralizing the working class.

The EPO’s practice goes against the grain: capitalism commodifies everything, but the work we do is voluntary. Capitalism fragments everything, but our objective is to build a sovereign nation.

Chávez would often say that the Bolivarian Revolution was “peaceful but armed,” meaning that we, as a *pueblo*, are ready to fight if needed. But who is going to feed the *pueblo* if we are not producing?

We are under siege, but we are not helpless.

**Eliezer Perdomo:** The productive battles bring us together with workers from different states: mechanics, metallurgic workers, welders,

electricians, etc. – we all come together to reactivate a factory or a plant, or to address the technical bottlenecks that a commune may have.

The EPO's philosophy, however, is sometimes hard to grasp. It is often the case that, when we go to a factory, the plant's workers will ask us how much we are getting paid. When we tell them that our work is voluntary work, they are really surprised. Little by little, we break the ice!

We also find structural resistance to the project: the old practices of contracting work out still persist, so sometimes doors won't open for us. However, that doesn't keep us from moving forward. If we have to, we'll hitch a ride. If we have to sleep on the floor, we will do so.

We are Chavistas, and Chavistas never give up! We have a commitment to Venezuela, with its people, and we know that our skills are all the more important now that the nation is going through hard times.

**Sergio Requena:** The blockade is criminal but I would dare to say that the main problem that Venezuela faces when it comes to the industrial apparatus is that we don't have a centralized plan to activate our productive forces. Although it's true that the workers in many plants are working hard, we need to operate in a coordinated way and we must make use of the tools that we have. State enterprises have to break with the archipelago logic.

Indorca, Calderys, and Equipetrol show that it is possible to activate production with experience, creativity, and class solidarity. That experience was then translated into the EPO: the working class' potential is enormous!



There are thousands of volunteers ready to go to a productive battle. Here, in the worker-run factories in Puerto Ordaz, there is enough experience to trigger a seachange!

## Voices

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**Cruz González** (2 years in Indorca), welder.

**Eliezer Perdomo** (37 years), mechanical fitter.

**José Cedeño** (17 years), production coordinator and president of the workers' junta.

**Josefa Hurtado** (29 years), plant maintenance.

**Sergio Requena** (1 year), production coordinator.

**Victor Mujica** (16 years), machine operator and vice-president of the workers' junta.

**Yaneth Carreño** (6 years), administration coordinator.

[This is an abridged version. Read the unabridged piece at [www.venezuelanalysis.com](http://www.venezuelanalysis.com). Publication: June 2022]









# A Sanctions Glossary

**Asset freeze (or block):** An order preventing a person, entity or country access to its assets. In the Venezuelan case, the most visible freeze is CITGO, the US-based, Venezuelan state-owned refiner, transporter and marketer of fuels and lubricants.

**Blockade:** A generic term used to refer to an action preventing a country or region from participating in international trade.

**Financial sanctions:** Measures imposed on persons, entities or countries to restrict access to banking instruments (accounts, wire transfers, credit, currency exchange, etc.) or fiscal transactions.

**Obama Decree:** In March 2015, Barack Obama's White House published an executive order declaring Venezuela "an unusual and extraordinary threat to the national security and foreign policy of the United States." The executive order was accompanied by targeted sanctions against several Venezuelan officials and provides the "legal grounds" for the sanctions program. The Obama Decree is still in force.

**OFAC (Office of Foreign Assets Control):** US Treasury Department office that administers and enforces economic and trade sanctions imposed by the US government.

**OFAC licenses and exemptions:** Licenses that allow companies to produce, export and/or trade with a sanctioned person, entity or country under restrictive conditions. Oil corporations have been lobbying for licenses to drill and/or trade Venezuelan crude. US oil giant Chevron received an

exception in November 2022. Halliburton, Schlumberger, Baker Hughes, and Weatherford got licenses in May 2023.

**Overcompliance:** Economic actors are often unwilling to trade with a sanctioned country even when OFAC does not directly ban the transaction in order to avoid any kind of retaliation.

**Primary sanctions:** Economic restrictions that block persons and companies from the issuing country from dealing with a blacklisted person or company, while also freezing their assets. In the United States OFAC administers and enforces a range of primary sanctions, including full trade embargoes and asset freezes or seizures against foreign targets.

**Sanction (or embargo):** Term used to refer to legal trade barriers imposed by a governmental or multilateral entity. Due to their punitive character, when such policies are imposed unilaterally, the term of choice coined by Venezuelan activists is “unilateral coercive measures.”

**Secondary sanctions:** A policy designed to prevent third parties from trading with entities subject to sanctions issued by another country. Third parties may face sanctions or asset freezes for doing business with the targeted person, company or country.

**Swap deal:** An exchange agreement between two entities (be it countries or companies) where no money changes hands. Venezuela has negotiated oil-for-food and oil-for-fuel swaps with different entities, but OFAC has intervened to break several such deals.

**Targeted sanctions:** Policies targeting individual leaders, politicians, and other actors rather than targeting an entire country or economic sector. While these policies may seem to be more “humanitarian,” they tend to have a damaging trickle-down effect on the population as a whole.

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