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## *The battle over Venezuela's oil in the struggle to defeat U.S. sanctions*

*Caracas*

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The United States government wants to strike at the heart of the Venezuelan economy: oil. The objective is to ensure that a collapse of the state-owned company Petróleos de Venezuela S.A. (PDVSA) brings down the whole economy. Can they do it? What can Venezuela do?

Sputnik spoke with Professor David Paravisini García, who is an expert on the subject. He is a mechanical engineer at the Bolivarian University of Venezuela's Center for Energy Studies, a representative in the National Constituent Assembly [and a member of that body's Subcommission for Oil, Gas, Energy and Water].

This blockade is focusing on the heart of the economy: PDVSA. This became evident with the Feb. 18 steps taken against the Russian oil company Rosneft Trading S.A., a subsidiary of Rosneft Oil, which, according to the United States, would permit the government of President Nicolás Maduro to break out of the prison of sanctions and to export its crude oil. The last step taken to encircle the Venezuelan economy is part of an architecture of strangulation in perpetual escalation. The attack on oil can disable the activity that generates more than 90 percent of the country's *dollar* income. Like much of

Latin America's, Venezuela's economic structure depends on the export of a key commodity.



**On an oil tank of the state-owned Petróleos de Venezuela S.A. (PDVSA), the slogan reads: “Homeland, socialism or death!”**

In the case of Venezuela, this situation is aggravated by several factors that are analyzed by specialist Paravisini Garcia. One of the main issues is that PDVSA was founded by and for the U.S. [economic system]. That is to say, the enemy which attacks Venezuela knows the mainsprings and mechanisms of its oil industry inside and out.

### **The colonial brand**

“Venezuela is a country with an economy that has been dependent since the colonial period. This economy, structure and culture is adapted to the system of global world domination led by a country like the United States,” said Paravisini García in a dialogue with Sputnik.

The colonial framework established the Venezuelan structures, creating what Paravisini García said is an “excessive centralism, which forces any economic recovery project to go up against a government bureaucracy created for a minority, which was originally the colonial elite.”

That centralization of public authority, of the established institutions, was correlated with the economy that was constructed to serve the needs of the colonizing country. These needs created “an export economy dependent on bank financing.” From the beginning of the 20th century, this export economy was almost exclusively based on oil.

The result was dependence on a single commodity that generated almost all the income [in foreign currency], which the rest of the economy needed. As oil was formally state-owned

from 1975 onwards, the country's infrastructure was centered around "government dollars to sustain economic activity, and the unavailability of dollars has led to a full-scale crisis."

### **The U.S. and oil**

Venezuela founded its economy around one of the products that U.S. [imperialism] needs most. Paravisini García recalls a World Energy Congress in England at the turn of the new millennium, where Dick Cheney — a few months after his election as vice president of George W. Bush's government (2001-09) — said that "the need for energy in the world has no other alternative but oil."

Not only did Cheney sustain that conclusion in the context of efforts to "try to overcome the developed capitalist world's dependence on fossil fuel energy." But he also said, "In Venezuela we have had a position of control over huge reserves with favorable economic relations that allows the United States to view its energy security with more assurance."

Oil and Venezuela was specifically a strategic necessity for the future of U.S. development. That scenario seemed to be reversed during the Democratic administration of Barack Obama (2009-17) when the president said that during his term the U.S. "will no longer depend on oil from the Organization of Petroleum Exporting Countries (OPEC) and will develop energy alternatives."

Independence from OPEC oil was indeed achieved, and that energy alternative turned out to be the so-called fracking method, which means exploiting, as Paravisini García said, "the last reserves, the hard rock layers that are now producing oil." [1.7 million fracking wells are producing oil and natural gas in the U.S.]

But the narrative fabricated to rationalize that new scenario is refuted by Paravisini García. In his opinion, it is incorrect to say that the U.S. reached self-sufficiency and no longer needs reserves from other key countries that hold oil reserves. "In 2030 that oil [from fracking] is going to run out. It is the zenith from which an unstoppable decline will occur," he said.

The U.S. need for oil has not disappeared: "The U.S. is trying to guarantee its strategic supremacy over energy resources for the next 50 years," said Paravisini García. And Venezuela has a central role to play in that scenario.

## **PDVSA in the U.S.**

“PDVSA was founded not to provide Venezuela with an oil company, but to provide the transnationals with a company that would enable them to suck the dollars and the profits out of the country,” said Parvasini García, who has been investigating the matter for years.

Paravisini recalled that the big American companies, such as Exxon, Shell and Mobil, proposed the nationalization of Venezuelan oil. Prior to 1975 there was “a concessionary system,” and after that time they produced something that looked like nationalization.

This was accomplished in a period that was a political and economic watershed: an era of surging [national] struggles for independence, a defeat for the United States in Vietnam, the end of convertibility between the dollar and gold, and “a technological crisis at that time when it was impossible for the [industrial heartland of the U.S.], especially the automotive industry, to advance,” he said.

The decision of the transnationals to offer to nationalize Venezuela’s oil extraction was really a strategy to pass the costs of extraction onto the Venezuelan state. By creating a national company controlled by the giant U.S. oil corporations, the CEOs of these monsters became the managers of PDVSA.

That meant that all the mainsprings of production and their controls were created to suit U.S. interests: the machinery, the technology, the inputs and the services, along with the management.

“PDVSA acted as a financial tool for the giant corporations that managed to survive the stagnation of the 1980s and 1990s, financed by the transfer of dollars to those big transnationals at the cost of Venezuela’s immense poverty,” said the expert.

## **The Venezuelan PDVSA**

The government of Hugo Chávez (1999-2013) tried to recover PDVSA in a process of confronting the coup attempts carried out, for example, with the oil strike in 2003.

“There was progress in the sense that the board of directors was obliged to first meet with President Chávez before making decisions,” Paravisini García said. However, attacks against the company came quickly from both within PDVSA and from the U.S.

The internal attacks began during the management of Rafael Ramírez, who ran PDVSA from 2004 to 2014. Paravisini García said, “The decrease in investment in the wells and the refineries, the exponential increase in production and operating costs, the surplus budgets and the falsification of numbers,” began then, among other things.

He noted that the external attacks began from the moment that PDVSA “no longer served transnational capital.” The company, which did not change its foundation of dependence, was directly attacked in 2015 by the Barack Obama administration when an executive order signed by Obama declared Venezuela an extraordinary threat to the national security of the U.S.

“Obama attacked every avenue of investment; every single investor in PDVSA was going to be punished, threatened,” said Paravisini García. That policy has been openly intensified since then. The objective was publicly declared: to bankrupt the oil industry, which sustained an economy based on that industry’s income.

### **The new attacks**

The U.S. government wants to accelerate the economic and financial war on the Venezuelan economy by striking its heart. The latest sanction, against Rosneft Trading, seeks to cut off PDVSA’s mechanism for marketing and the import of supplies, as well as gasoline for internal consumption.

One of the objectives of this strategy is to hit the partners of the Venezuelan oil company, since it is precisely the joint ventures between PDVSA and private companies, such as Rosneft Trading, which today guarantee almost all the production, according to Paravisini. The United States has announced that it could extend the sanctions against, for example, Repsol [“a global integrated company at the forefront of the international energy sector.” Venezuela is one of 35 countries where Repsol has projects], to bury the country even deeper.

The objective is to make the cost of staying in Venezuela too high for businesses. In this way if they could stop [Repsol from] negotiating with PDVSA, PDCSA would definitely fall and, in that fall, drag down the country's economy.

### **Urgent need to change a 'colonial structure'**

[According to Paravisini García,] this critical picture offers, however, a possibility and an urgent need: "There is no going back, you can't go back, you have to change that colonial structure that causes our suffering, that culture of profiteering. There is no profit to be shared."

Paravisini García said that one of the first changes should be in what is given priority: "We have to look for formulas to jumpstart the Venezuelan economy with energy initiatives, and that means to activate our refineries using much fewer resources."

Is the government aiming for that? The oil expert expects that Maduro's latest announcements on Feb. 20 may bring good results. He said, "Maduro put a government structure above the all-powerful PDVSA board of directors, which for a long time was the true authority of the country."

Paravisini García continued: "It seems that restructuring [not privatization!] — a profound intervention in PDVSA — is seriously under way. And the measure was not only taken with respect to the issue of the structure as such, but also allowing the workers to create change, empowering them by a decree of the Workers' Productive Councils, in order to create a force within the industry to assume responsibility for production units."

It is a fight against time: The government must achieve results quickly, while the U.S. strategy is to accelerate the blockade on the economic heart of the country. What's playing out is one of the main battles in that struggle to defeat the U.S. sanctions that aim to destroy Venezuela.

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