Master's Thesis 2019    30 ECTS
Faculty of Landscape and Society (LandSam)
Supervisors: Stig Jarle Hansen (NMBU) and Antulio Rosales (SUM)

**Crude Chaos: The Venezuelan Oil Collapse**

*A comparative analysis of Chavismo’s oil policies*

Axel Støren Wedén
Masters of Science in International Relations
The Department of International Environment and Development Studies, Noragric, is the international gateway for the Norwegian University of Life Sciences (NMBU). Established in 1986, Noragric’s contribution to international development lies in the interface between research, education (Bachelor, Master and PhD programmes) and assignments.

The Noragric Master theses are the final theses submitted by students in order to fulfill the requirements under the Noragric Master programme “International Environmental Studies”, “International Development Studies” and “International Relations”.

The findings in this thesis do not necessarily reflect the views of Noragric. Extracts from this publication may only be reproduced after prior consultation with the author and on condition that the source is indicated. For rights of reproduction or translation contact Noragric.

© Axel Støren Wedén, May 2019
axelweden@gmail.com

Noragric Department of International Environment and Development Studies
The Faculty of Landscape and Society
P.O. Box 5003
N-1432 Ås
Norway
Tel.: +47 67 23 00 00
Internet: https://www.nmbu.no/fakultet/landsam/institutt/noragric
Declaration

I, Axel Støren Wedén, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature………………………………..
Date………………………………………
Abstract

The collapse in production of oil in Venezuela is exacerbating the country’s profound humanitarian crisis, which has caused unprecedented mass-emigration due to today’s highest hyperinflation and a wide lack of access to food, medicines and other services. The aim of this thesis is to carry out a comparative analysis of the oil policies of presidents Hugo Chávez and Nicolás Maduro. Through the analysis of three parameters that were defining of the former’s policy, it will attempt to identify the reasons for the decline in production. The thesis will argue that the policies implemented by Chávez’s government laid the foundations for the ongoing collapse in production. Maduro has largely followed his predecessor’s oil policies, but the results have drastically changed. While the changing international context and some of Maduro’s policy decisions have intensified already dwindling production patterns, I demonstrate with the aid of a wide set of literatures in political science and international relations, and drawing on the institutional dimensions of the resource curse, that the dismantling of institutions in Chávez’s government laid the foundations for the unproductive and predatory traits PDVSA possesses today.
Reconocimientos

Por Memo, Manuel y Michelle, que otra vez me recibieron con cariño y un montón de risas a pesar de aguantar las horas más oscuras por ellos mismos y sus país. Siempre estaré agradecido por el ayuda y apoyo cuando estaba en Venezuela. No tiene precio. Gracias, mis panas!

Lo mismo tengo que decir a todos los informantes que contribuyeron a este tesis, y especialmente a los empleados de PDVSA. Hacían un esfuerzo enorme para compartir sus conocimientos, a pesar de todas las dificultades que enfrentaban para comunicarse conmigo: Por varios días ni siquiera podían cargar sus celulares por el apagón eléctrico que oscurecía el país.

Quiero agradecer también a Fabiola Zerpa, periodista de Bloomberg en Caracas. Los contactos valiosos que me generosamente compartió, hizo posible el primer contacto con Rafael Ramírez.

Un gracias especial a mi supervisor coordinador, Antulio Rosales, que me ha animado a escribir un tesis sobre su país y sobre un tema que tiene un conocimiento fenómenal. Gracias por los consejos y la firmeza, siempre acompañado con ánimo. El tesis no habría sido posible sin tí.

Y finalmente un gracias a mi querida Lise, que, como siempre, me ha apoyado en tiempos de dudas y frustración con cariño y compasión. Gracias, mi amor!

Acknowledgments

To Memo, Manuel and Michelle, who yet again received me with love, hospitality and tons of laughter even in the darkest hours for themselves and their country. I will forever be grateful for your invaluable help and support whilst in Venezuela.

The same goes for all the respondents for this thesis, and especially the employees in PDVSA. They went out of their way to share valuable insights that has completed this work, despite all
their woes: Even communicating with me proved to be challenging, as the long-lasting nationwide power outage made charging their phones a challenging task.

I would also like to thank Fabiola Zerpa at Bloomberg in Caracas. The valuable contacts she generously shared with me, made possible the initial contact with Rafael Ramírez.

A special thank you to my co-supervisor Antulio Rosales, who has encouraged me to write a thesis about his country and on a topic he has extensive scholarly knowledge about. Thank you for the invaluable advice, decisiveness and motivation. This thesis would not have been possible without you.

And lastly to my dear Lise: Your love, support, encouragement and patience has gotten me through all the doubt and frustration. Thank you.

Any errors are mine alone.
**Acronyms and abbreviations**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AD</td>
<td>Acción Democrática</td>
</tr>
<tr>
<td>AVHI</td>
<td>Asociación Venezolana de los Hidrocarburos</td>
</tr>
<tr>
<td>COPEI</td>
<td>Comité de Organización Política Electoral Independiente</td>
</tr>
<tr>
<td>FEDECÁMARAS</td>
<td>Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela</td>
</tr>
<tr>
<td>ILO</td>
<td>International labour organization</td>
</tr>
<tr>
<td>IOC</td>
<td>International oil company</td>
</tr>
<tr>
<td>NOC</td>
<td>National oil company</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of the Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PDVSA</td>
<td>Petróleos de Venezuela S.A</td>
</tr>
<tr>
<td>URD</td>
<td>Unión Republicana Democrática</td>
</tr>
</tbody>
</table>
# Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>III</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>IV</td>
</tr>
<tr>
<td>Acronyms and abbreviations</td>
<td>VI</td>
</tr>
<tr>
<td>1 Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Thesis outline</td>
<td>4</td>
</tr>
<tr>
<td>2 Literature review</td>
<td>5</td>
</tr>
<tr>
<td>2.1 Historical debates on Venezuela and the effect of oil</td>
<td>6</td>
</tr>
<tr>
<td>2.2 Nationalization: The battle between autonomy and control</td>
<td>8</td>
</tr>
<tr>
<td>2.3 Apertura and political crisis</td>
<td>11</td>
</tr>
<tr>
<td>2.4 The Chávez oil legacy</td>
<td>13</td>
</tr>
<tr>
<td>3 Theoretical framework</td>
<td>15</td>
</tr>
<tr>
<td>3.1 The resource curse</td>
<td>15</td>
</tr>
<tr>
<td>3.2 The institutional resource curse</td>
<td>17</td>
</tr>
<tr>
<td>4 Research methodology</td>
<td>19</td>
</tr>
<tr>
<td>4.1 The causal-comparative approach</td>
<td>19</td>
</tr>
<tr>
<td>4.2 Internal validity</td>
<td>20</td>
</tr>
<tr>
<td>4.3 Interviewing as a method</td>
<td>21</td>
</tr>
<tr>
<td>4.3.1 Choosing the informants</td>
<td>22</td>
</tr>
<tr>
<td>4.3.2 Informants’ biases</td>
<td>23</td>
</tr>
<tr>
<td>4.3.3 Identification</td>
<td>24</td>
</tr>
<tr>
<td>4.4 Positionality</td>
<td>25</td>
</tr>
<tr>
<td>4.5 Delimitations</td>
<td>26</td>
</tr>
<tr>
<td>5 Findings and analysis</td>
<td>27</td>
</tr>
<tr>
<td>5.1 Political control exerted over PDVSA</td>
<td>30</td>
</tr>
<tr>
<td>5.1.1 The battle for political control under Chávez</td>
<td>31</td>
</tr>
</tbody>
</table>
5.1.1.1 “Roja, rojita”: A submissive PDVSA 32

5.1.2 Political control under Maduro: Militarization and misery 35

5.2. The relationship between the government and IOCs 42

5.2.1 The Chávez years: Hybrid resource nationalism 42

5.2.2 The Maduro regime and estrangement with foreign actors 45
  5.2.2.1 Apertura oil deals: Privatization or panic? 46
  5.2.2.2 Arrests, fear and companies leaving: Commitment to working in Venezuela 48
  5.2.2.3 Sanctions: Profounding declining production 49
  5.2.2.4 IOCs keeping Madurismo alive 51

5.3 Workers’ conditions in PDVSA 53

5.3.1 Workers’ conditions under Chávez: Tackling the technocracy 54

5.3.2 Workers’ conditions under Maduro: Worthless wages, roaring repression 56

6 Conclusion 61

7 Literature 65

Appendix 1: Interviews 74
Appendix 2. Interview Topic Guide 75
1. Introduction

“I’m just trying to keep alive. Many of the workers at the company have stopped showing up to work. Some of my colleagues have collapsed while on duty, because of the little food they are able to get hold of”. (Endy Torres, PDVSA worker.)

The deep resignation in Venezuelan oil technician Endy Torres’ voice was hard to ignore, despite the troubles the erratic WhatsApp phone line from the refinery of Puerto de La Cruz were causing to our conversation. As part of a journalistic reportage series in 2018 on the consequences the social and economic crisis in Venezuela was causing for its citizens, I had come to the very economic sector that in theory should have guaranteed Venezuelans access to a dignified life, but instead was a precipitator for the misery of millions. The workers of Petróleos de Venezuela (PDVSA), the national oil company, were in no means insulated from the humanitarian consequences other Venezuelans were suffering as well. With his meager wage eaten up by crippling hyperinflation, Torres claimed that he had lost roughly 15 kilos in the last 18 months. He stated: “There are almost no incentives to head to work anymore”.

Torres’ story, and the layers to his personal tragedy, spurred my interest in undergoing a research project on the oil sector in Venezuela. When the 38-year old gained the position in the 2000s, it was a job of high prestige. Even though the nation had grappled with cycles of economic instability, downturns and crisis over the course of the century it has been extracting oil, the current economic crisis is unprecedented in Venezuelan and Latin American history. The country has during the last five years experienced the most pronounced decline in living standards seen by any country in recorded Latin American history (Rodriguez, 2018a). More than three million people have fled the country, its currency is rapidly devaluing amid a seven-digit-inflation in 2018 and the country is experiencing increasing cases of malnutrition (Encovi 2018). Store shelves are void of basic items and a wide scarcity of medicines is causing old diseases to resurface. In 2019, the outflow of Venezuelan migrants could reach 5.3 million, according to UN estimates (UNHCR 2018:14). The Venezuelan refugee crisis will then come to parallel the Syrian refugee crisis in scope.
The questions that analysts, academics, and journalists keep asking is how a crisis of this magnitude has managed to unfold in a country with the largest proven oil reserves in the world. While Hugo Chávez was able to build the tenets of his Bolivarian revolution thanks to oil, the latter has also had a key role for the country’s economic implosion.

The consequences of the collapse of the oil sector in Venezuela are not confined to having national or regional consequences. Firstly, it has reduced oil output in the international market. And secondly, it has pushed the Venezuelan government into new deals with Russia and China which in turn may lead to a new wave of favourable investment frameworks for emerging powers (Monaldi 2018:1).

All of the mentioned aspects, both the humanitarian, global economic and geopolitical consequences of Venezuela’s oil sector collapse, justifies an international relations (IR) study on the subject. The oil output decreased drastically over the course of 2018 (from 1.64 million barrels per day in January to 1.246 million barrels per day in December (U.S Energy Administration Information 2019a)), and has continued to decline in 2019. At the end of 2018, before sanctions were imposed on PDVSA, projections from Caracas-based Ecoanalítica put the daily production to 623,000 barrels per day by the end of 2019 (Ecoanalítica 2018). While oil has played a central role in Venezuela’s demise, it is also central to Venezuela’s eventual economic recuperation, as it is the overwhelmingly largest source of export revenue for the state.

Over the course of 20 years of Bolivarian socialism, several influential studies have been undertaken on the Venezuelan oil sector. Many have centered on the oil policy changes under Hugo Chávez and his battle for political control over the sector (Rosales 2018). Some have focused on the perceived financial benefits of these changes (Hellinger 2017), while scholars like Francisco Monaldi (2018) have focused on PDVSA’s indebtedness and how Chávez’ rentierism led to a severe underinvestment in oil development, production and infrastructure. In explaining the dramatic collapse in output under the Maduro presidency from 2016 and onward, both Monaldi (2018) and Francisco Rodríguez (2018a) have offered some answers explaining the collapse. While the former has focused on the politicization and bad policies implemented, the latter argued that the toxification of Venezuelan debt and international sanctions are additional variables in explaining the collapse of the oil sector. He argues that the financial sanctions
imposed in August 2017, which have restricted PDVSA’s ability to refinance its foreign debt, “have helped precipitated the collapse in oil output, driving the resulting economic contraction” (Rodríguez 2018b).

While there is extensive literature on Chávez oil policy (Urbaneja, 2013; Hellinger 2017; Rosales 2017), and also an emerging array of commentaries, analysis and media articles on the output collapse under Maduro, to my knowledge there is not a research project that has undertaken a comparative analysis of the oil policy between the two. However, there are several reasons why a comparatively framed research project could be attractive for both the academic and policy worlds. To start with, the two presidents are a natural point of comparison. Nicolás Maduro was a hand-picked successor of Hugo Chávez, who has largely promised to follow the legacy of the late president. But given that the economic results have drastically changed under Maduro, our research problem has to be to identify what caused this. If the results changed, does this entail that the policies changed? If the policies have been continued under Maduro, does this imply that the policies are the problem? That leads me to the research question I have developed, that will guide my analysis:

1. To what extent are the causes for the oil collapse a product of Madurismo rather than a consequence of the continuation of the policies of Chavismo?

A research project of this nature could offer some additional explanations to what is one of the many heated and polarized debates concerning Venezuela. One argument that is persistently repeated by supporters of Hugo Chávez’s project, amongst them influential Chavistas such as former PDVSA President and oil minister, Rafael Ramírez, and former senior advisor, Temir Porras, is that Nicolás Maduro bears all, or much greater, responsibility than his predecessor for the dramatic decrease in oil production and economic implosion that Venezuela is living through. Ideally, the comparative analysis will help us gather insight as to why the Venezuelan oil sector has imploded. Deriving from existing literature, I frame the comparison based on three predominant parameters that were defining features of the oil policies of Chávez’s government. Those are:
1. The level of political control exerted over PDVSA.
2. External conditions and the relationship between the government and international oil companies.
3. Workers’ conditions in PDVSA.

I argue that Chávez’s government laid the foundations for the ongoing collapse in production. Drawing on the dominant literature of the resource curse and liberal-institutionalism, this research argues that the institutional configurations Chávez deployed asserted political control, gave the government majority control in joint ventures and restructured the internal organization of PDVSA in alignment with his objective of full operational control. In a nutshell, this institutional configuration was set up with the goal of undermining checks and balances and oversight mechanisms, allowing for a personalistic exercise of power. The potentially negative consequences of his model were balanced out by a favourable international context.

Maduro has largely followed his predecessor’s model. He continues to exert tight political control over PDVSA, the business model towards IOCs remains the same, but he is now grappling with a negative international context with high antagonism, lower prices, sanctions and an unprecedented exodus of workers fleeing worthless wages and increased repression. The exodus of workers has to be seen as a consequence of the oil legacy of both Chávez and Maduro. The research aims to provide further insight to what caused the collapse of the oil industry in Venezuela, and seeks to identify the policies responsible for it. It acts as a contribution to existing literature on the topic, and also, by giving privilege to the voice of those gravely affected by the crisis, the workers in the company, it provides the readers with an understanding of their grievances and motivations for joining the growing exodus.

1.2 Thesis outline

The thesis is divided into four main chapters, with an additional section summarizing the findings. The literature review, which follows this introduction, will seek to explain broader points of agreements and disagreements in the literature on Venezuela and oil policy. In order to contextualize better the main debates regarding Chavismo’s oil policy, the first section of the literature review is intended to give an oversight of the debates that emerged after nationalization
in 1976 up until Chávez took office in 1999. I will directly highlight two contributions of the scholarship on Chávez’s oil legacy, and utilize them as a starting point for my comparative analysis, with the objective of offering some critique and additional explanations to the subject. The third chapter establishes the theoretical framework guiding the analysis. In laying out the framework, I focus on the institutional dimensions of the resource curse theory. I demonstrate how institutional configurations are central in explaining the surge of mechanisms like political control and lack of checks and balances, which in turn have helped provoke the oil crisis in Venezuela. In the fourth chapter, the methodology applied for the research project will be presented. In the fifth chapter, I present my comparative analysis between Chávez and Maduro based on the three parameters introduced earlier. I frame the comparison by analyzing Chávez first, Maduro later. The last chapter provides a summary of the findings.

2. Literature review

In this section I will undergo a literature review, using Venezuela’s oil history to explain broader points of agreements, disagreements and discussion in the literature. Research is about generating understanding and possible courses of action, and Chris Hart (2018) lists up at least twelve purposes for undergoing a literature review. Amongst these are “distinguishing what has been done from what needs to be done; understanding the origins and structure of the subject; identifying relationships between ideas and practice” (2018:31). Justly this will be my main objective in this section. Due to delimitation considerations and the scope of the thesis, I will focus on the literature written about the aspects that have defined Venezuelan oil policy and society after nationalization in 1976. The ideological debates and the political climate that served as an explanation of the rise of Hugo Chávez will be given prominence, because they act as a historical background and context for the oil policy of Chavismo.

Research on a topic rarely occurs in a vacuum. A broad range of scholars have developed their own theoretical frameworks in order to make sense of Chavismo’s oil policy. My intention will therefore be to review the different perspectives that exist regarding Chávez’s and Maduro’s oil policies, and question or complement the arguments that are made through their existing readings. Specifically, this entails writings that are both supportive and critical of Chávez’s oil
legacy. The literature review will enable me to justify the particular approach to the topic and the selection of methods, and aids me in developing my theoretical and analytical framework for the study.

2.1 Historical debates on Venezuela and the effect of oil

Venezuela has an over 100 years long history of oil extraction. In research on Venezuela there is generally a consensus that the discovery of vast oil deposits, viable for export, transformed the country. In *Paradox of Plenty: Oil Booms and Petro States*, Terry Lynn Karl outlines the behaviour of so-called petro-states or rentier states, that obtain most or a considerable amount of their national revenues from the sale of national resources to external buyers (1997). The percentage of oil earnings made up of total export earnings throughout the second part of the 20th Century underlines Venezuela’s dependency on oil. In 1958 oil accounted for 91.8% of exports, in 1968 92.8% of exports, in 1978 93.6% of exports, in 1988 81.1% of exports (Garnica de López 1988:23).

Karl argues that petro-states like Venezuela “differ structurally from other states in advanced industrialized and developing worlds, particularly agricultural or manufacturing exporters, whose products are not depletable or state-owned or as strategically important, as capital-intensive, or as foreign-dominated as petroleum” (1998:49). Furthermore, she argues that despite differences in types of political regimes, cultures and geostrategic locations, these nations share a striking and broad resemblance to each other in state capacities and macroeconomic performance - and their failure to have taken advantage of high oil prices to develop their economies, which she describes as the resource curse\(^1\). In Venezuela’s case, the main problem was the tendency of oil income to reinforce the rent-seeking and patrimonialist characteristic of Venezuelan state institutions and interests groups. As she puts it: “‘God is Venezuelan’, *Caraqueños* often proudly claimed when recounting how frequently timely bonuses from petroleum seemed to resolve potential political and economic problems” (Karl 1997:161).

---

\(^1\) The resource curse theory will be further discussed in the section on the theoretical framework.
Deriving from the state’s experiences with managing oil wealth and the effects on society, two predominant images were developed in the debate on Venezuela and oil politics in the 20th Century. Venezuelan intellectual Arturo Uslar Pietri introduced the idea of “sembrar el petroleo” (sowing the oil), which symbolized diversifying and bringing about modernization whilst also warning that the inflow of rents can hinder rather than stimulate economic diversification (Uslar Pietri 1936). Failing to do this, shrinking in the devil’s excrement became an image on how oil had brought about corruption, state inefficiency and rent-seeking elites, launched by Juan Pablo Pérez Alfonzo (1978), a disillusioned former oil minister and founder of OPEC that saw the economic problems begin to mount in the late 1970s after the oil boom of the same decade. Both these ideas are closely linked to the resource curse theory, which argues that nations with an abundance of national resources (and especially oil) have less economic growth, higher volatility, weak institutions and poorer democracies (Karl 1997, Ross 2012).

Another defining debate in the scholarship regarding Venezuela and oil politics is the relationship between the state and the oil industry. The question of autonomy and control over PDVSA marked the debates about the company, after nationalization in 1976. The growing polarization between the technocracy and the government, structural changes in PDVSA and subsequently institutional changes implemented by Chávez were central in creating a critical confrontation that in turn ended with the government controlling the company. A central part of the conflict has also been defined by the distinctive perceptions of what the main objective of the national oil company should be; maximizing output or primarily seeking rents. The battle for the control of PDVSA “is one thing detractors and admirers of Hugo Chávez coincide in agreeing upon as crucial to Bolivarian socialism” (Hellinger 2017:54). The conflict between control and autonomy will be addressed and discussed throughout the thesis.

Institutions are central in addressing and analyzing these historical debates on Venezuela and oil politics, whether it being economic outcome, political freedoms or the conflict between control and autonomy. Drawing on liberal-institutionalist thought in comparative politics and international relations, Corrales and Penfold (2011) argue that the effect of oil on economic
outcome and regime type depends on the preexisting institutional setting. Changes and configurations to existing institutions are again central in determining the effect of oil on economic outcome and political freedoms: “Oil only has an explanatory capacity when institutional variables are taken into account, and these variables are often shaped by non oil-related political factors such as the incumbent’s ideology or partisan powers, lobbying pressures, and electoral incentives” (2011:75). In other words, the resource curse materializes because of institutional configurations. This conceptual framework will be further utilized in the thesis as a tool to make sense of the foundations for the collapse of the oil industry.

2.2 Nationalization: The battle between control and autonomy
In 1975, the Venezuelan Congress approved a nationalization law of the oil industry. Ever since companies found oil deposits that were big enough for large-scale extraction in the early 1910’s, the country had a concessionary system, where the state would lease its parts of its territory to individuals or directly to international oil companies (IOC) for a certain period of time for the purpose of extraction. Rosales argues that “nationalization came about as a result of a gradual learning process of the Venezuelan state as a landlord, which since the 1920s sought to increase regulation over companies and extract higher rents from them” (2018:8). In the pacted democracy introduced in 1958, there was a political consensus that nationalizing was the right way forward. Neither the so-called “oil majors” resisted nationalization, “due to the fact they didn’t have control over crucial decision-making on production levels and pricing” (Hellinger 2017:58).

At this point, the discussion about the use of oil wealth and the relationship between the state and the oil industry became less distinguishable from what it had been in the past, as it had been relatively clearly defined as conflicting interests between the landlord state and extractive capital (Hellinger 2017, Karl 1997). New boundaries had to be quickly renegotiated by government officials, and several key questions arose: “Who would run the newly nationalized industry, who

---

2 The institutional resource curse will be further discussed in the section laying out the theoretical framework.
3 Venezuela’s transition to democracy in 1958 was aided by the Punto Fijo act signed by the country’s three main political parties: AD, COPEI and URD. More radical parties, most notably the Communist Party, were excluded from the pact.
would determine the balance between growth and equity and what would the industry’s relationship to foreign and domestic capital be?” (Karl 1997:142).

The new boundaries and array of dilemmas in relation with nationalization, contributed to a maybe paradoxical decline of the consciousness and ability to deal with international oil companies. Many would say the weakening in the ability to deal with foreign companies that resulted from nationalization, led to the so-called “apertura petrolera” of the 1990s, heavily criticized by the leftist thinkers (Hellinger 2017, Mendoza Potellá 2006, Mommer 2002). The nationalization law protected the autonomy of the industry, making the national managers of the IOCs concessionaires in charge of the newly nationalized company. A decisive feature of the law was Article 5 (Congreso de la República, 1975) that made possible the state’s association with foreign companies where technical assistance would be required. For many on the nationalist left this implied a “false nationalization”. While the critical thinkers and policy critics expected a full rupture with international companies, Article 5 instead gave space for PDVSA to begin the process of internationalization and later opening. For Carlos Mendoza Potellá, the oil opening essentially meant giving away the country’s resources to foreign capital. For him, the 1976 nationalization dismantled “all carefully obtained achievements, in between advances and regressions, for the oil policy inspired by nationalism between 1920 and 1973” (2006:184). In an interview in Caracas, he highlighted making the national managers of the IOC concessionaires in charge of the newly nationalized company (whom he refers to as “native Shell-men”), as one blatant example of the effectless appeasement of the growing nationalist calls in Venezuela at the time: “It was a symbolic change, because the Venezuelan would identify more with a darker-skinned person on the golf course, instead of a “gringo” with blue eyes” (Interview with author, 2018).

Nationalization in 1976 occurred at a time marked by a high influx of rents. The 1980s was the opposite. Low prices and a sharp decline in fiscal income oversaw the intensification of a latent conflict, not between the state and the IOC’s, but between the state and its NOC (Rosales 2018:10). The desire within the meritocracy of PDVSA (whose managerial culture had high esteem for its bureaucratically autonomous and efficient nature as opposed to the perceived poorly performing state institutions in Venezuela) to break free from state control was motivated by the state’s use of oil revenue to fund high public spending and accumulating debt. Describing
the state’s spending pattern as “reminiscent of that in Spain in the sixteenth century”, Karl (1997) further notes that government policy was motivated by “short-term preferences to avoid necessary adjustment, even at the expense of future economic productivity and political stability” (1997:163). Karl argues that this pattern followed irrespective of governments in the power-sharing times of pacted democracy (where two centrist parties commonly alternated in power), and marked the administration of AD’s Jaime Lusinchi (1984-1988) as much as COPEI’s Luis Herrera Campíns (1979-1983). Overall, poorly performing and patrimonial institutions laid the foundations for the resource curse to materialize itself in this period (Corrales and Penfold 2011:75). But PDVSA’s move towards internationalization was also clearly defined by a political motivation. PDVSA’s view of itself was of a major, international oil producer, “rather than an agent of a landlord state” (Rosales 2018: 10), and its’ goal of seeking vertical integration through internationalization propelled the country into acquiring several foreign refineries in the 1980s. In this way, the company aimed at connecting the industry to its buyers’ markets. The purchasing of foreign refineries was also a part of the company’s reluctance and resistance to OPEC’s quota system, which limited production and exports. Mendoza Potellá claims the meritocracy in PDVSA viewed OPEC as an organization as “third world” (2006:186). In order to expand exports through the newly acquired network of refineries and gas stations in the US and Europe, new upstream investments were required.

For critical scholars like Hellinger, the development in the 1980s entailed that the “privatization camel was deep inside the government’s tent” (2017:61). The mentioned Article 5 was used later to dismantle obstacles to implement the oil opening, by structuring certain provisions in the law as concessions to foreign capital that would allow increasing investments and output. By lobbying and obtaining a favorable Supreme Court ruling, the PDVSA executives then created “legal and fiscal structures to permit joint ventures with transnational oil companies”, effectively using Article 5 to declaring all former provisions superseded by the nationalization law (Hellinger 2017:60). By giving pre-eminence to the nationalization law and its Article 5 in particular, new tax structures and incentives were allowed, even if they contradicted the existing hydrocarbons law, approved in 1943.
2.3 Apertura and political crisis

The last few years of the 1980s the Venezuelan was in a particularly difficult set of circumstances. The sharp fall in international oil prices after 1986 required the government to bring about major economic restructuring that even in the best of times would be unpopular. Coupled with high popular expectation, decades of democratic governing and a decade of high oil prices the simmering frustration in the population came to a boil when newly-elected president Carlos Andre Pérez (1989-1993), contrary to lofty campaign promises, introduced several austerity measures and market oriented policies, most notably a drastic increase in gas prices. Rioting began, and the repressive response from the government forces lead to the infamous Caracazo, leaving hundreds of deaths at the hands of government forces (Karl 1997:180).

Philip argues (1999) that the subsequent years of the Pérez presidency was marked by caution due to the political crisis the country found itself in, in addition to the institutional rigorousness Pérez was confronted with (Manzano 2014). Not only was he criticized for not managing to set coherent economic policies, his reforms did not extend to the oil sector at all (Philip 1999:367). As a result, PDVSA, a respected institution and esteemed in the Venezuelan public opinion, would not lend Pérez much support, not even in the aftermath of the two coup attempts towards him in 1992. The next year, Pérez had lost support in Congress, was impeached and later charged with corruption, which he stayed in house arrest for. Karl (1997) argues that over the last decades of the pacted democracy, the system had lost much of its legitimacy due to rent seeking and the failure of battling corruption. The democratic crisis in 1992 had its origin in Pérez’ first presidential term, where she argues that the political deterioration had begun through the economic mismanagement.

With less institutional wiggle-room, and without a Congressional majority, newly elected president Rafael Caldera (1994-1999) did set out to make an overhaul of the oil sector, where he saw that he could have more influence than in other kind of reform (Philip 1999:370). With the fear of renewed unrest, calls for limiting the budget deficit prompted Caldera to increase oil production. With the objective of increasing production, the Venezuelan government officially announced the opening for foreign investment and exploration in the oil sector in 1994.

4 The Caracazo events would take on a central role in the rhetoric and discourse of Hugo Chávez when portraying the Punto Fijo regime in a negative light.
Increasingly PDVSA accompanied their business plan with a clear political plan. Relations with political officials improved. In turn for their support of the government, they held considerable sway over government policy and decisions. Critical scholars and analysts argue that PDVSA’s quest for autonomy meant “creating a state within a state” (Hellinger 2017, Mendoza Potellá 2006, Mommer 2002). The levels of power the company had attained was a democratic problem and potentially dangerous, and the autonomous practice was undermining both the landlord state and its ability to distribute rents. Bernard Mommer, the architect of the Chávez oil policy, pointed out that the terms in the new ventures implemented in the 1990s were less favourable than those found in petroleum laws predating the nationalization of the industry in 1976. The state did not receive payments for rights to explore territories, or the return of explored but unexploited lands to the nation as national reserves (Mommer in Hellinger 2017:62). For Hellinger, he put PDVSA’s objectives with the oil opening as the following:

“For more than a decade PDVSA executives worked systematically to tear down the legal and bureaucratic structures that Venezuelan governments had built up over 50 years of dealing with foreign oil companies. (...) PDVSA was gradually relinquishing its role in the exploration, production, and marketing of oil. The opening was on course to link Venezuela’s future to the interests of consuming nations and away from those of other landlord states.” (2017:63-64).

At the other spectrum, liberal institutionalists like Philip (1999) and oil economist Manzano (2014) rationalize PDVSA’s desire to break free from state control, due to its technocratic, efficient and highly independent nature, which were in stark contrast with Venezuela’s discredited state institutions. Furthermore, they point to the increasingly important economic factor the opening of the 1990s created through the increase in production. In the 1990s, PDVSA would add more than a million barrels per day in production (Trading Economics, 2019). Whilst the results of the opening were successful at increasing investment and output (Rosales 2018), inequality and poverty rates were increasing. With distrust towards the political establishment increasing, traditional party and institutional structures weakening, the political scene was set for Hugo Chávez to arrive. The mounting conflict between the landlord state and its national oil company would be one of the first things the self-proclaimed revolutionary would radically confront.
2.4 Chávez’s oil legacy

In this last section of the literature review, I will present some of the different scholarly approaches presented on the legacy of Chávez’s oil policy. I will further question some of the arguments made in the existing literature, and offer some complementary explanations for the decline of the oil industry. The feats of Chávez’s and Maduro’s oil policies and their effects will be analyzed more thoroughly in the comparative analysis.

As Rosales points out, “IR and IPE scholarship has explained the kind of resource nationalism associated with revolutionary regimes as a result of institutional failures” (2018:2). As for international resource companies, revolutionary resource nationalism has unpredictable and costly consequences for international resource companies, with nationalizing actions that are “top-down, arbitrary and accompanied by little if any compensation or resource” (Bremmer and Johnston in Rosales 2018:2). Developing a comprehensive framework for understanding the political economy of Venezuela under Chávez, Corrales and Penfold (2011) note how Chávez could increase state control in the oil industry, how he managed to take political control over PDVSA and how this lead to undermining checks and balances, under-investment, mounting foreign debt and decline in the productivity of the industry. The rents generated from the oil boom of the 2000s was utilized to bolster his political position and in turn strengthened the autocratic tendencies of the government. The party collapse in the early 1990s and the internal centralization of PDVSA in the late 1990s facilitated Chávez’s political gains. He went on to concentrate power in the “executive branch in the 1999 constitution, undermined the autonomy of the different branches of government between 1999 and 2003, the 2001 Hydrocarbon Law, and the restaffing and restructuring of PDVSA in 2003” (Corrales and Penfold 2011:96). To summarize, Chávez was willing to sacrifice the productive capacity of the company for his political and electoral gains.

For critical scholars, the moves Chávez underwent in his first years after being elected in 1998, were necessary and natural measures to rectify what they saw as flawed and neo-liberal policies of the apertura regime that PDVSA executives had pursued. With the emergence of Chávez, the
rules of the game were changed in favour of the landlord state versus foreign capital. The managerial autonomy of PDVSA was seen as a problem, not an advantage. The coup attempt of 2002 and subsequent oil strike in the following months demonstrated that the PDVSA meritocracy was an obstacle to the will of the people that had voted Chávez into office, or at least to the political project Chávez was trying to implement. In the article “Chávez’s Oil Legacy”, Hellinger (2017) advocates that the legacy and model implemented by Chávez is one worth defending. Although the legacy now is in jeopardy due to the “political opposition to the Chavistas, institutional weakness, increasing debt, faltering economic progress and falling oil prices”, he argues that the oil policy under Chávez boasted some real accomplishments. According to this view, he restored “sovereignty over Venezuela’s subsoil, sought to capitalize a socialist development strategy that appropriated ground rents and he confronted and rolled back the neoliberal dream of making the national resources of the Global South a free gift of nature to transnational capital” (2017:74). Hellinger argues that the reversal of the Chávez model by the political opposition is a threat, that the drastically falling oil prices is jeopardizing the legacy and he dismisses the possibility of the government model contributing to the already dwindling production patterns. In the analysis I will disentangle to what extent these arguments can be backed up or countered based on the studied parameters of political control, relations with foreign capital and workers’ conditions.

I argue that Maduro largely has been following the legacy his predecessor implemented, and question why the problems of Maduro’s tenure, increasing debt, faltering economic progress and institutional weakness, are being portrayed as happening in a vacuum, rather than possibly being a product of the policies implemented by Chávez and continued by Maduro. Lastly, the objective here is not to take a stance on the qualities or shortcomings of resource nationalism itself. What I will demonstrate, however, is that Chavismo’s hybrid model of an arbitrary revolutionary resource nationalism coupled with institutional disdain, labeled as an institutional resource curse (Corrales and Penfold 2011), laid foundations for the decline in production. I will address this argument thoroughly in the comparative analysis and discussion later in the thesis.

---

5 At the time of Hellinger’s contribution (late 2016), daily production had slipped 250,000 barrels in 2016 alone (U.S Energy Information Administration 2019a).
3. Theoretical framework

In this section I present the theoretical framework that guides my analysis. In conceptualizing the topic of the thesis, I have relied on literature on institutionalism, the role of autonomy in states and on the resource curse more generally. In attempting to explain the collapse of the oil industry, we can draw on concepts that seek to understand why and how some resource-rich nations underperform economically, and why others don’t. The theoretical framework aids me in connecting my research to existing knowledge, and gives me a basis for my hypotheses and choice of research methods. Firstly, I will go through the resource curse, before I move into a discussion on how institutions are determining factors as to when the resource curse materializes, and apply the Venezuelan case to this theoretical assumption.

3.1 The resource curse

The resource curse has perhaps been the most prominent theory in explaining why several countries with an abundance in natural resources tend to generate less growth, lack democracy and have worse development than nations with a relative lack of resources. Studies have found correlation between natural resource abundance and poor economic growth (Sachs & Warner 1995), and other scholars have highlighted specifically the effect oil abundance has for countries developing the resource curse (Karl 1997, Ross 2012). Ross essentially argues that the “political and economic problems of the oil states can be traced to the unusual properties of petroleum revenues” (2012:5). He launches four distinctive, and negative, qualities of income of oil rents. These features have got worse after the respective countries scattered across Africa, the Middle East, Latin America and Asia nationalized their oil companies in the 1970s, he argues. The four qualities of petroleum revenues are their scale, source, stability and secrecy (ibid.). Firstly, the scale of the revenues can be massive, and can produce large governments with very high expenditures. The volume of the revenues also facilitates authoritarian governments’ silencing of dissent. However, the source of the revenues is a determining factor as well, as many petroleum states are unwilling to tax their citizens but rather rely almost exclusively in oil revenues. This is in turn one explanation as to why many petroleum states are undemocratic, because “they become less susceptible to public pressure” (2012:6). Ross also argues that the lack of stability in oil revenues aggravates local conflicts and leads to petro-states being unable to fulfill their
societal tasks. Finally, the **secrecy** of petroleum revenues makes these problems worse, as governments often use their national oil companies (NOCs) to conceal revenue and expenditures, facilitating wide-spread corruption due to lack of oversight and accountability (Ross 2012:5-6).

A common problem in these economies is the Dutch Disease, which refers to the relative overvaluation of the currency due to the large inflow of external rents that in turn discourages other sectors of the economy. As Ross, Karl (1997) argues that the resource curse or the Dutch disease⁶ is not automatic, but “the extent to which it takes effect is the result largely of decision-making in the public realm” (1997:5). Whether the resource curse materializes, and to which extent, is largely dependent on the institutional development that accompanies the economic development. Her main argument is that dependence on a particular commodity shapes the very institutions of the state. Thus, the unsuccessful outcomes of oil-exporting states is due to the particular institutional arrangements and not simply causes of economic decline. The “fate” of oil-exporting countries is influenced by a mutual causality; the economies shape institutions and institutions shape economies. This is in turn decisive in encouraging or discouraging productive outcomes (Karl 1997:6). The hypothesis of institutions playing a decisive role for the resource curse has been corroborated by Mehlum, Moene and Torvik (2006), through a quantitative study analyzing 42 countries that have more than 10 percent of their GDP as resource exports. The study categorizes the institutional arrangement in the respective countries as either “grabber-friendly” (good) or “producer-friendly” (bad), measured by data on the level of the judicial framework, corruption, bureaucracy and occurrences of expropriations and breaches of contracts from the state’s side. The combination of grabber-friendly institutions and resource abundance leads to low economic growth. Producer-friendly institutions, in turn, facilitate nations to take full advantage of their natural resource endowments (2006:16).

---

⁶ The economic model describing the Dutch Disease was developed in 1982, and is a process whereby new discoveries or favorable price changes in one sector of the economy cause distress in other sectors. However, the “perils of mineral rents” have been warned about in political economy since Adam Smith (1776) (Karl 1997:5).
3.2 The institutional resource curse

This view on institutions highlights that productive or destructive outcomes as a result of high oil revenues differs from country to country and within the same country as well over different periods of time, depending precisely on the quality of institutions that govern different issue-areas. So how does this translate to the Venezuelan case? Drawing on the dominant institutional thought in comparative politics and international relations, Corrales and Penfold (2011) develop the *institutional resource curse* as their main theoretical pitch in order to make sense of Chavismo’s oil policy. By drawing on existing literature that argues that different institutional arrangements have created different outcomes over the course of Venezuelan history from the 1970s and onwards, they assert that the structure of the Venezuelan state in the 1970s was decisive in explaining the country’s political excesses and subsequent weakening of state capacities. Equally, the institutional configurations in PDVSA during the 1990s paved the way for Chávez’s dismantling of institutions during his presidency that allowed building his economic model, strengthening the autocratic tendencies of his government and consolidating power. Although the Venezuelan state that developed under Chávez should be regarded as an intermediate state, and not predatory or developmental per definition, the institutional configurations he went forward with (the politicization of PDVSA, the removal of checks and balances etc.) enhanced predatory traits of the state. In a predatory state the government is largely unable to restrict individual incumbents from seeking their own goals instead of the collective good (Evans 1995:12). Under Maduro, these traits have developed and intensified, with the government extracting at the expense of society and where “individual maximization takes precedence over pursuit of collective goals” (ibid.). The Maduro government is largely unable to provide the basic needs for its population, and it is letting incumbents like the military and other government-allies pursue their own goals at expense of the larger society.

---

8 This is explained in further detail in the section on the literature review.
9 Developmental and predatory states is used here in accordance with Evans’ (1995) understanding of it. Briefly put, he characterizes predatory states as states that “extract at the expense of society, undercutting development even in the narrow sense of capital accumulation.”, and developmental states as states who are defined by facilitating industrial transformation and where “highly selective meritocratic recruitment and long-term career awards create commitment and a sense of corporate coherence” (1995:12).
10 Corruption, increased authoritarianism, inability of providing basic services etc.
The institutionalist resource curse further argues that while it is difficult to predict whether oil booms strengthen or weaken democratic regimes, they definitely can strengthen autocratic regimes (Ross 2012). While oil booms can lead to effects that are generally negative for a democracy; lowering checks on the executive branch, increase society’s demand for rents and weakening party competition, these elements actually serve to bolster an autocratic regime.

Corrales and Penfold argue the “executive power by definition thrives in contexts of societal demand for state controls, and uneven distribution resources between incumbents and the opposition” (2011:93). The influx of rents through oil booms also permit these regimes to expand clientelism and cronyism, further increasing the incumbent’s ability to co-opt large swathes of society. The authors also argue that oil busts hurt democracies far more than autocracies. In democracies a sudden low influx of rents forces the incumbents in a petro-state to propose economic adjustments; not only are they highly unpopular amongst their constituents accustomed to high oil rents, but they are challenging to pass in a governing system that requires adherence to the law. Addressing severe fiscal crises forces democratic leaders to rule more by decree, since they are more unlikely to have their economic reforms approved, which in turn weakens democracies. In sum, the most likely consequences of an oil bust is greater risk of regime decay, concentration of power or instability (2011:95). Autocratic regimes, however, have the possibility of intensifying their authoritarian features to “repress protests of cost bearers and preventing cronies from defecting” (ibid.). If surviving an oil bust, an autocratic regime can thus become stronger. Corrales and Penfold’s take on the institutional resource curse connects Chávez’s concentrations of power, the removal of checks and balances in order to keep control of oil rents vis-a-vis the opposition and using the societal dependency on oil rents to win elections.

The theory is also robust when considering the critical juncture Maduro’s authoritarian government finds itself in. The current and prolonged oil bust has occurred simultaneously with, and possibly provoked, Maduro’s government increasing its authoritarian features, repressing dissent more harshly whilst maintaining the cronyism, clientelism and patronage system especially towards the military that in turn is key for the government to remain in power. The question that remains is how profound the bust has to be in order to jeopardize the government.
In this chapter I have laid out the theoretical framework for my thesis. The main aims have been to contextualize the collapse of the Venezuelan oil industry with a set of concepts that aids me in linking my research to theories and existing knowledge in the field. I have gone into the resource curse as a theory explaining why many resource-abundant countries, and especially oil-abundant countries, tend to have lower economic growth and less democracy than nations with a relative lack of natural resources. I have further demonstrated, through the application of the institutional dimensions of the theory, that institutional configurations are essential in understanding when the resource curse materializes. The institutional disdain of the Chávez government, that removed mechanisms of oversight and accountability, facilitated the discretionary use of funds via manipulation of the budget and politicized PDVSA, facilitated the predatory traits of the regime to grow and the resource curse to materialize.

4. Research methodology

The following section is dedicated to laying out the methodology used for the research. Firstly, I will present the causal-comparative design for the study. Secondly, I will discuss challenges related to obtaining internal validity, and what techniques I have used to enhance the accuracy of causal inferences. After that, I problematize interviewing as a method, present how I have worked to choose the relevant informants, and problematize both their potential biases and my own ones. This leads up to a broader discussion on my positionality as a researcher. Lastly, I have also laid out some delimitations for the scope of the thesis.

4.1 The causal-comparative design

This study has employed qualitative research with a causal-comparative design in order to respond the research question. Specifically, a causal-comparative design is a “research design that seeks to find relationships between independent and dependent variables after an action or event has already occurred” (Brewer & Kuhn in Salkind 2010:124). Causal comparative design differentiates from experimental research, as it is measuring something that already has happened. It is also different from other types of comparative research designs, which often tends to be either cross-cultural or cross-national (Bryman 2012:72). The main objective in causal-comparative design is to be able to determine if, and to what extent, the independent variable has had a causal effect on the dependent variable - which is the outcome. In my research question I
asked “to what extent are the causes for the oil collapse a product of Madurismo rather than a consequence of the continuation of the policies of Chavismo?” More specifically, I set out to find the answer whether it is Chavismo or Madurismo that is principally responsible for the collapse of the oil industry. The main inference made in the study is that the policies and institutional changes implemented by Chávez has had a major impact on the collapse of the oil industry under Maduro. In the inference the independent variable, the policies and changes implemented by Chávez, has a causal impact on the dependent variable, oil production under Maduro. However, Brewer & Kuhn argue that the causal-comparative method also has its limitations (in Salkind 2010:130). Since there are often other independent variables that have impacted the dependent variable as well, “the researcher cannot be certain that the independent variable caused the changes in the dependent variable” (ibid.). In my research I find that in at least two of the three parameters, Maduro has followed Chávez’s oil legacy. I also find that some measures implemented by Maduro and the international context have exacerbated already existing problems. This does not diminish the accuracy of the inference that the policies implemented by the Chávez government has had a continued impact on the oil industry well after his death and during the Maduro government. Since the research question is designed to identify an extent of a phenomenon, and not a totality that excludes the significance of additional explanations, I argue that the research hypothesis does not lose its strength because other independent variables also have an effect of the dependent variable. I will address how I worked to achieve internal validity in the next section.

4.2 Internal validity
The degree of validity that can be obtained is of great importance when conducting research. Validity has taken on different meanings when employed in quantitative and qualitative research, but generally refers to how research can “yield findings that can be applied more generally to other cases” (Bryman 2012:69), and whether you as a researcher “are observing, identifying or ‘measuring’ what you say you are” (Mason 1996:24). In a case study design that aims to determine causality, which has been the objective of this research project, obtaining internal validity is of great importance. Threats to achieving internal validity occur if the investigator “incorrectly concludes that there is a causal relationship between x and y without knowing that some third factor - z - may actually have caused y” (Yin 2003:36). Yin further argues that the
worry of achieving internal validity can be extended to a broader problem of making inferences (ibid.). If there is potentially more than one independent variable responsible for what is identified in the dependent variable, how does this diminish the accuracy of our causal inference? In this research project, I have used the triangulation of data sources to secure internal validity, as proposed by Patton (1999). I have combined interviews with a diverse set of respondents with the analysis of statistics and drawn on existing research. Yin (2003) argues that “a major strength of case study data collection is the opportunity to use many different sources of evidence” (2003:97). By analyzing and reviewing the evidence gathered from the different sources together, the case study’s findings were based on the convergence of information from different sources. This type of data triangulation entails the development of “converging lines of inquiry” (Yin 2003:98), and while this does not eliminate inconsistencies in the research, the technique aids us in strengthening the precision of causal inferences.

Achieving internal validity is also dependent on the avoidance of confirmation bias on behalf of the researcher, which generally “connotes the seeking or interpreting of evidence in ways that are partial to existing beliefs, expectation, or a hypothesis in hand” (Nickerson 1998:175). I have attempted to be aware of my pre-existing assumptions, and have included information from respondents that is divergent to my main hypotheses.

4.3 Interviewing as a method

In addition to the analysis of statistics and existing literature, the findings in this thesis is based on interviews with workers, former policy makers and economists. I developed different question sheets for each category of respondents, and used these as starting points for the interviews. Gubrium and Holstein (2002) argue that qualitative researchers’ “concern with meaning making causes them to be rather skeptical of standard design strictures. (...) As such, the design of the qualitative interview research necessarily places limits on standardization” (2002:86). This approach has been guiding my interview method as well. I designed open questions that facilitated the respondents to tell stories, expand and even contradict themselves, something that yielded spontaneous and rich descriptions from some of the respondents. The lack of rigorousness in the interview progress rather created a jointly constructed discourse between me and the respondents, that better extracted the meanings I was searching for. An open and flexible stance in the interview process should not be seen as a weakness, but rather as a strength in that
the “interviewer remains flexible and attentive to the variety of meanings that may emerge as the interview progresses” (Gubrium and Holstein 2002:87). The list of interviewees and research questions are attached in Appendix 1 and 2.

4.3.1 Choosing the informants
In total, I have carried out eleven semi-structured interviews with Venezuelan informants. Of the eleven, six of them are economists and lawyers with direct knowledge on the oil sector and the country. The conducted interviews were done on my field trip to Caracas from November 11th to November 23rd, 2018. Four others are workers and union leaders currently working in the company. I have also interviewed former president of PDVSA, Rafael Ramírez, over the phone. Due to the threats to his person, the interview was done from an undisclosed European city. Interviews with workers have also been carried out through phone or WhatsApp voicemessages. There is a geographical spread in the composition of workers: One is from Maracaibo, another is from Punto Fijo and the third is from Puerto La Cruz, compromising three states in total. Furthermore, they have all worked in PDVSA both during the Chávez government and the Maduro government, and thus fulfills the criteria of being selected through purposive sampling, i.e that the chosen informants are relevant to answering the research question (Bryman 2012:418). Most respondents were identified through “snowball sampling”, which entails that the researcher initially makes contact with a group of informants and then uses them to establish contact with others (Bryman 2012:202). I had initially made contact with the workers and union leaders during a journalistic reportage series on the oil sector in 2018, and identified and contacted them through social media searches.

In utilizing the government relations with IOCs as one of three parameters for the comparative analysis, ideally representatives from the foreign oil companies working in Venezuela would constitute a part of the informants selected for the thesis. However, during my work, I experienced a reluctance on behalf of the IOCS in Venezuela to share information on their ongoing business in the country. The suggestion is not to claim that they are opaque, but I do think it illustrates the complicated working climate they find themselves in. The CFO of Norwegian company Equinor, which holds 9.67% of the Petrocedeño agreement in the Orinoco Belt, was initially open to the prospect of commenting on the nation’s operations in the country
for this thesis. However, after repeated requests, the company (through an intermediate PR-contact) eventually declined to comment, citing “as we have ongoing activity in the country, we do not wish to contribute with comments on the political leadership in Venezuela”. Even though frustrating to be met with closed doors, the experience helped to contextualize the general worry amongst IOCs in Venezuela. I address this point further in the analysis. I did not succeed in achieving contact with representatives from the current government; requests for interviews went unanswered.

Despite these two weaknesses, the sample is still diverse in terms of professions, socio-economic backgrounds and geographic location of the informants. While the majority of informants hold what I would say are anti-government views, there is still diversity in political and ideological inclinations. At least one important intellectual interviewed has been supportive of the Bolivarian revolution. In sum, the respondents contribute to answering the research question, without expanding my research focus unnecessarily.

4.3.2 Informants’ biases
I have used the method of triangulation of data sources (Patton 1999:1195) in order to cross-check the consistency of the stories of the workers. This has included asking informants about claims made by other respondents, or validating the information derived from the interviews with written evidence like internal documents\(^\text{11}\) that could corroborate what the respondents report. While I argue that the sample size is diverse, there is a weakness in not including government and IOC representatives. Furthermore, while the small sample size of workers is diverse in professional background and geographic location, all nurture hostilities towards the government. There is a possibility that the perceptions on the industry and working conditions in the company would be different if interviewing newly appointed, unskilled workers in PDVSA instead of workers that are more skilled and others with several years of experience. In theory, one could question whether the relative lack of multidimensionality in the sample composition further promotes the polemic that has been endemic when approaching Chavismo as an academic field. However, this argument bears less relevance in 2019 than in the years of Chávez, as support for

\(^{11}\) Internal PDVSA documents were submitted to me by José Bodas and Endy Torres. These demonstrated some of the laboural pressures workers in the company are subjected to.
the government has plummeted to roughly 20 percent the last years according to renowned pollster Datanalisis (Voz de América 2016). Venezuela is no longer a society split down the middle in terms of political-electoral support. Furthermore, I believe the position and relative privilege of the workers interviewed\(^\text{12}\) fosters more earnest and complementary explanations concerning the conditions in the company.

As for the allegations some of the informants convey, it is problematic that the perpetrators have not responded to the allegations or refute possible exaggerations. However, as already mentioned, PDVSA and government representatives were given the possibility to do just that, but all requests for interviews went unanswered.

4.3.3 Identification
The BSA Statement of Ethical Practice (2017) enjoins researchers to be aware of the possible consequences of their research. Social researchers should “attempt to anticipate, and to guard against, consequences for research participants that can be predicted to be harmful” (British Sociological Association 2017:6). Conveying strong allegations against your workplace in an increasingly repressive and unpredictable\(^\text{13}\) environment, could be deemed as a risk for the workers that have participated in this study. It is important to stress that several of the respondents have either spoken to media before about their situations, or have previously voiced their frustration about the conditions publicly. Even though the respondents all asked to be named, and I would argue did so with a sense of dignity and entitlement, it is still the incumbent’s responsibility in research to analyze whether the informants could be in danger of harming themselves through their actions or spoken words. In this research project I have concluded that the risk is minimal: Although increasingly authoritarian in nature, PDVSA or the Venezuelan government does not have the totalitarian capacity to individually monitor a few of the thousands of seriously discontent workers.

\(^{12}\) I.e that many of them, through having better skills or even more professional options, can allow themselves more freedom to speak and have less to lose than the newly appointed workers that generally are dependant on food handouts to survive.

\(^{13}\) With reference to general government repression in Venezuela, and more specifically to arrestations in PDVSA for illusive crimes like “sabotage, disloyalty” etc.
4.4 Positionality

Having worked as a journalist with Venezuela for a few years prior to undergoing this research, I know the country well. I have been to several cities and areas of the countryside. Furthermore, I have developed personal relationships with individuals in the country and I speak Spanish fluently, with the ability to both comprehend and integrate in the Venezuelan cultural context. Nevertheless, I have been no stranger to the polarization and polemics that this country is able to generate even amongst audiences in a far-away country as Norway. Sometimes I have been on the receiving end of it myself when writing articles or analyses that some have deemed to be coloured by the ideological inclinations they perceive me to have. The awareness of my positionality has therefore been with me throughout the research project.

In the thesis I give prominence to the importance of autonomy and institutionalism, and argue that theories like the institutional resource curse has explanatory value when dissecting the collapse of the oil industry in Venezuela. Employing this theory in order to better make sense of the research topic departs from a belief in the importance of liberal freedoms; separation of powers, autonomy, transparency, beliefs that might have been formed through my Norwegian middle class and liberal upbringing. The theoretical framework for this research draws from this perspective. Being aware of our positionality rather strengthens than weakens the credibility of our research, and does not exclude us from offering analyses. My positionality did not hinder my ability to obtain contacts for this thesis, either. Even though I did not succeed in getting in contact with government or PDVSA representatives\textsuperscript{14}, I managed to locate and get an interview with Rafael Ramírez, in addition to Carlos Mendoza Potellá in the Central Bank. They both proved to be very amicable and open towards my requests, despite my critical approach to Chavismo and both of them having strong pro-Chávez biases. I do not know whether the fact that I am Norwegian, instead of Venezuelan, helped me in these instances. However, I think my positive interactions with everyone from maintenance workers in PDVSA to the former president of the company, from liberal-leaning economists in sleek offices in Caracas to socialist unionists in Puerto La Cruz, illustrates something I think could be highlighted more in the tribalism that

\textsuperscript{14} In conversation with Venezuelan and international journalists, in addition to own experiences when working as a journalist with Venezuela, it is becoming increasingly rare for journalists and others to get statements or responses from government officials.
sometimes dominates the debate on Venezuela: everyone, regardless of where they are born or their political inclinations, have agency and have valuable contributions to make in understanding the country.

4.5 Delimitations
Undergoing research on Venezuela can be a challenging task, especially given the rapid and unpredictable succession of events that have unfolded in the past several years and especially over the course of 2019. With regards to the all-encompassing sanctions imposed against PDVSA by the US Treasury Department in January 2019, I have limited myself to deal with them as a component in the larger context of the comparatively more hostile international environment Maduro has been confronted with. Because most of the PDVSA-directed sanctions took effect on April 15, I have not analyzed the effects these sanctions have had for further driving production down. Figures of production are therefore limited to 2018, with the exception of some market-based projections for 2019. In regards to the sanctions imposed in 2017, which restricted PDVSA’s ability to refinance its foreign debt, I have incorporated them as one of the external factors that have contributed to the decline in production under Maduro. As the political crisis in Venezuela is unfolding, the debate on the effectiveness of sanctions as a policy tool to pressure the government into holding free and fair elections is widely debated. In late April 2019 a controversial report by Sachs and Weisbrot claimed that sanctions have been the main driver for the collapse in oil output, and directly responsible for 40,000 deaths. While the quality and perceived maliciousness of the report was widely rebutted in the academic community (Hausmann and Muci, 2019), further research examining sanctions as a policy tool in Venezuela should be attractive for the academic and policy worlds.
5. Findings and analysis

In examining the collapse of the oil sector, I have chosen to take a closer look at three parameters that can help explaining the decline. The phenomenon of the collapse is operationalized through a comparative analysis of three parameters under Hugo Chávez and Nicolás Maduro’s administrations. These parameters are: the political control exerted over PDVSA; the relationship between the government and foreign investor companies; workers’ conditions in the industry but especially in PDVSA. The findings and analysis are based on a set of semi-structured interviews of political experts, workers and former policy makers, existing literature and the analysis of statistics. I have organized each variable with analysis of Chávez first and Maduro later. Here follows a synthetic chart of the most important findings:

<table>
<thead>
<tr>
<th></th>
<th>Political control exerted over PDVSA</th>
<th>Relationship between the government and international oil companies</th>
<th>Workers’ conditions in PDVSA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chávez government</strong></td>
<td>• Tight political control over PDVSA.</td>
<td>• Increased state and political control at the expense of IOCs.</td>
<td>• Exodus of workers due to political control.</td>
</tr>
<tr>
<td></td>
<td>• Lack of oversight mechanisms that facilitated corruption.</td>
<td>• Openness and dependence remained.</td>
<td>• Loss of skilled workforce led to decline in productivity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Migration of contracts to joint ventures, leading to lower productivity.</td>
<td>• The company continued to provide good working conditions for workers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Favourable international context (high prices and willing</td>
<td></td>
</tr>
</tbody>
</table>
I argue that the policies enacted during the Chávez government laid the foundations for the ongoing collapse in production. Through the institutional configurations he pursued to obtain full political control over PDVSA, undermine check and balances, and take advantage of the influx of oil rents, the government removed oversight mechanisms that facilitated large-spread corruption. Through the institutional configurations that led to the transformation of state-company relations, increasing state control over IOCs, the government sacrificed productivity while still being largely dependent on foreign ventures. Through the institutional configurations that led to the mass-firing of technical and managerial labor in PDVSA, the government further sacrificed technical and productive capacity in exchange for loyalty and political control.

The potentially negative consequences of Chávez’s oil policies were balanced out by a favourable international context, with high prices and willing investors from emerging powers, which in turn enabled the government to provide PDVSA workers with good economic conditions. Maduro has largely followed Chávez’s oil legacy. His government continues to exert tight political control over PDVSA. A new military elite, with no prior experience in the industry and allegedly involved in wide-spread corruption and other criminal activities, is now in control.
of the company. This has not helped increase output, and could be argued to have intensified already dwindling production.

The business model towards the IOCs remain the same as under Chávez. What has changed is the now negative international context, with lower prices, tighter sanctions and a high degree of antagonism towards the IOCs that work in the country. A few months before the militarization of PDVSA, sanctions were imposed in August 2017 that inhibited the company from restructuring its mounting foreign debt. From the third and fourth quartile of 2017 the already dwindling production patterns intensified profoundly. This indicates that sanctions have had a worsening effect on declining production, as they have limited the financial maneuvering of PDVSA and further driven the economic contraction. As for the IOCs that remain in Venezuela, despite the increasingly difficult working conditions, they are essentially keeping production afloat, as the joint ventures now produce a majority of the Venezuelan crude.

The shortcomings of Chavismo’s oil model can no longer be balanced out under the deep economic crisis and comparatively negative international context. The profound economic crisis, largely the result of hyperinflation and recession, has provoked an exodus of PDVSA workers, creating a corporate restructuring that is causing further loss of skilled workforce. Authoritarianism and repression, elements that were present under Chávez’s government, although to a lesser extent, have intensified within the company. The working conditions in PDVSA have changed because of the consequences of the policies enacted under both governments.

In summary, the political control exerted over PDVSA has continued and the business model towards the IOCs remains the same. The external context has however changed, with lower prices, high antagonism and tighter sanctions. A combination of these independent variables have provoked a drastic change for the working conditions for PDVSA employees. In the following sections I will delve deeper into the parameters studied, and present my findings more thoroughly.
5.1 Political control exerted over PDVSA

In the first section I examine Hugo Chávez’ goal of political control over PDVSA, and why he saw it as necessary in order to be able to erect the foundations of his model of socialist wealth redistribution. The desire for political control over the industry is viewed as a requisite for political control in general. Experiences from other national oil companies implies that it doesn’t exist a causal correlation between politically controlling the national oil company, and this spurring corruption, mismanagement and inefficiency. Saudi Arabia’s ARAMCO is controlled politically, but is not inefficient. Mexico’s PEMEX is also controlled politically, but allowed to be corrupt. However, the manner in which Venezuela’s battle for political control was executed, was central in facilitating and spurring corruption (removal of checks and balances), through mismanagement (lack of investment, acquiring a difficult to manage foreign debt) and inefficiency (restructuring the corporate structure, taking on a range of other social responsibilities). Therefore, the foundations for the ongoing collapse in production were partly laid through the effects that controlling PDVSA contributed to.

In the second section I will discuss how the continued objective of political control over the company has led Nicolás Maduro to go on an unprecedented purge against PDVSA officials and subsequently militarizing the industry. When analyzing Chávez’s and Maduro’s objective of politically controlling PDVSA we find that whilst the ambition is similar, the execution is different. Maduro’s militarization of the industry is motivated by the government having less funds to distribute to less constituents in the patronage system. This is resulting in the military gaining control over the industry, since they are regarded as the most important institution to keep Maduro in power. This measure further exacerbated the decline in production, entailing that Maduro appears willing to sacrifice productive capacity in order to secure the survival of his political project.
5.1.1 The battle for political control under Chávez: Confrontations and fighting back

Control of the state-run oil industry has long been at the center of power struggles in Venezuela. After Hugo Chávez was elected president in 1998, the rules of the oil industry game changed (Coronil 2011). As mentioned, critics of the managerial model of PDVSA in the time between nationalization in 1976 and throughout the 1990’s, lamented that the technocracy in the company had become a “state within a state”, having a degree of autonomy that in turn was utilized to execute an oil opening, against the interests of the state (Hellinger 2017, Mendoza Potellá 2006, Mommer 2002). The first years of Chávez’s presidency was marked by the confrontations that came as a result of his objective of undermining the autonomy of PDVSA. He used legal powers to implement a controversial set of policies, including the hydrocarbons law of 2001 that affected the energy sector, and attracted significant opposition and support (Coronil 2011, Rosales 2017). He also approved 49 laws that varied from “land reform and banking to elementary education oversight” (Rosales 2017:115). Opposition to these laws came from the managerial elite of PDVSA, opposition groups and the business sector, among others.

In February 2002 president of PDVSA Guacaipuro Lameda publicly criticized the hydrocarbons law, and for this reason was removed from his position. Tensions escalated after Chávez appointed a loyalist managerial board to PDVSA in April 2002, which in the company and country was seen as breaking with the meritocratic tradition of the company. It was this appointment “that set in motion the events leading to the coup” (Coronil 2011:34). Effectively among the first decisions interim president Pedro Carmona, leader of the business association Fedecamaras, took after being instated, was to reinstate Lameda as president of PDVSA (2011:36), highlighting the importance of control over PDVSA in the events. Chávez was reinstated on April 14 with the support of loyal military garrisons and street demonstrations. But street demonstrations and international rupture continued in the months ahead, despite Chávez making some conciliatory decisions in the company. However, the 49 decree laws were never repealed (Rosales 2017). A general strike by FEDECAMARAS, the country’s leading business organization, and the CTV, largest trade union, was called in December 2002 and extended into 2003. The nationwide general strike meant that oil operations were shut down. Chávez saw the
strike as an opportunity to seize operational control of the company. Struggling with declining approval ratings, street protests and a recall referendum, having operational control over the inflow and distribution of rents would ensure his political survival (Corrales and Penfold 2011:78). So the battle over PDVSA ended with full government control: The management was centralized, and a total of 18,000 PDVSA employees were fired from their positions\textsuperscript{15}, many of them given a public dismissal. PDVSA would from now on take on a range of roles to ensure Chávez’s political-electoral survival.

5.1.1.1 “Roja, rojita”: A submissive PDVSA

“To no manager, to no official of the Ministry of Energy and Oil, to none of our military components, to absolutely no one that is here in the new PDVSA should there be a pinch of doubt that the new PDVSA is with President Chávez. I would like the help of our managerial colleagues in deleting from our normative, from our internal mails, from whichever of the elements that direct the company, whatever subject that could put any doubt in respect to our support of President Chávez. We have to say it clearly, like you that have come to hear me say it and what we are repeating, that the new PDVSA is red, very red, from top to bottom.” (Rafael Ramírez, October 2006)

A video clip of a speech Rafael Ramírez, president of PDVSA, made during a meeting with the board of directors in the company, was indicative of the company’s new principles. Ramírez made clear that in the new PDVSA there was no room for dissent towards the leadership of the country, nor the leadership in PDVSA itself, which was now in truth a prolonged arm of the government. While some hailed its new role in carrying out social programs, others worried of potentially undermining accountability in the new corporate model, which both were seen as destructive of the institutional bodies and indeed creating a para-state, as it had been accused of being by critics of the model in the 1990s. For defenders of the new model the new PDVSA “played a fundamental part in what was truly a Venezuelan spring” (Interview with Rafael Ramírez, 2018). Similarly, Bernardo Álvarez, former deputy-minister and former ambassador to the US, argues “Chávez brought the oil industry under the control of the Venezuelan people for the benefit of the people” (Coronil 2008:25). Critics of the new model lamented that PDVSA merely “became an appendix of the “revolution”” (Giusti in Coronil 2008), that Chávez had

\textsuperscript{15} The workforce was largely replaced by government-loyal workers in the following years. The corporate restructuring of PDVSA will be discussed more in depth in the section on workers conditions.
“destroyed any sense of managerial autonomy” and that PDVSA “was being used to avoid
democratic accountability and decentralization of public spending” (Hausmann in Coronil 2008)
and a “‘cash cow’ to finance government plans not included in the annual national budget”
(Quirós-Corradi in Coronil 2008).

When assessing what negative effects the assertion of political control over PDVSA had for the
beginning decline of the oil industry, we find examples of corruption, mismanagement and
inefficiency. Firstly, the assertion of political control was one of the factors that contributed to
and facilitated large and widespread corruption (InSight Crime 2018). An investigation from the
National Assembly from 2016 detailed how $11 billion dollars were supposedly funneled out of
PDVSA between 2004 and 2014. Assuming political control over PDVSA came with the gradual
removal of checks and balances. Even though levels of corruption is challenging to measure, the
lack of transparency in the new regime was illustrated by examples like the systematic
underestimation of the oil basket, which “generated an average revenue surplus of 20 percent
each year - basically an amount that Chávez was free to use unaccountably” (Corrales and
spurred graft and corruption. Introduced to prevent capital flight, the currency system gave some
business owners and individuals preferential access to an artificially low dollar rate. This
facilitated arbitrage and stimulated corruption among private companies, as well as public
institutions with access to subsidized dollars, like PDVSA. Alejandro Grisanti of Ecoanalítica
blames the system initiated in 2003 to be fundamental in facilitating corruption in PDVSA: “I
don’t think there exists anything that promotes corruption more than a system where a bureaucrat
decides who receives dollars at the official rate” (Interview with author, 2018).

Secondly, the new structure of political control spurred inefficiency. PDVSA took on more social
spending responsibilities, and hired more employees. The socializing of PDVSA had great
operational costs. PDVSA spent more than $23 billion in social programs between 2003 and
2008. Simultaneously, the operating costs per barrel climbed from $13 to $29 between 2001 and
2008 (Corrales and Penfold 2011:87). These social investments were made at the expense of new
upstream and downstream investments in the industry. More personnel did not affect production
numbers positively. At the end of Chávez’s reign, there were roughly 140,000 workers in
PDVSA, more than five times as many as after the strike in 2003. With the oil boom in the mid-to late 2000’s, Venezuela did not manage to increase oil production, but rather decreased on a level of 550,000 bpd from 1998 to 2013 (U.S Energy Administration Information 2019a). For Ramón Key, professor at IESA and PDVSA technocrat from 1990 to 2014, authoritarianism and inefficiency in the company came hand in hand with the new structure. He stated that new ideas of streamlining and alternative policy solutions to areas that were affecting the company negatively, mostly fell on deaf ears (Interview with author, 2018).

*Thirdly,* the new structure of political control provoked a general mismanagement of the industry that encompasses other elements than corruption or inefficiency. Although the decline in production under Chávez was on a much smaller scale than under Maduro, and some say the depiction of production patterns amongst Chavismo’s opponents was exaggerated, the new PDVSA with a growing array of social responsibilities led to under-investment and neglect of the industry itself. While the financial, foreign debt of PDVSA grew dramatically, from $3 billion in 2006 to nearly $46 billion in 2015 (Monaldi 2015:12), the under-investment in the very sector paved the way for a rapidly deteriorating infrastructure, further driving the loss of productivity and the decline in production. One of the effects the chronic under-investment had come to show in the operation of oil rigs. The number of rigs in operation declined from about 80 in 2006 to roughly 70 in 2013, despite Venezuela experiencing historically high revenue in those years. This is illustrative of what Monaldi (2019) puts like this: Between 1998 and 2013 Venezuela received the biggest boom of mineral rents in the history of the region, and at the same time had the poorest economic growth.

In summary, achieving and maintaining political control over PDVSA was for Chávez fundamental for the survival of his Bolivarian revolution. But obtaining political control meant facilitating and enabling *corruption* through the removal of checks and balances, *inefficiency* through the corporate restructuring and PDVSA taking on a range of social responsibilities, and *mismanagement* of the industry through lack of investment and acquiring a foreign debt that was

---

16 This element will be discussed more thorough in the section on workers conditions.
17 Not agreeing on much else, Chávez critic Alejandro Grisanti (Ecoanalítica) concurs with the Chávez-appointed former PDVSA minister Rafael Ramírez in that production levels in the 2000s were largely stable.
difficult to handle when prices went low. Contrary to Hellinger’s (2017) portrayal of these issues, Maduro inherited these problems as a consequence of the policies of his predecessor. Chávez’s government appeared willing to sacrifice technical capacity for loyalty, and furthermore, the productive capacity of PDVSA for full political control, that in turn would enable the president’s political project and ensure his political-electoral survival.

5.1.2 Political control under Maduro: Militarization and misery

The objective of political control over PDVSA has continued under Nicolás Maduro, but has taken on other forms through purging of the top brasses in the internal ranks and the militarization of the industry. This measure has exacerbated the already dwindling production. At the beginning of his term, Maduro was confronted with a dramatic fall in oil prices, which exacerbated burgeoning problems in the oil industry of mounting debt and a severe economic depression with increasing inflation. The price of oil declined from more than $90 per barrel to under half that from 2014 to 2015, and the dramatic collapse in cash-flow left the government in a tight financial circumstance as it had accumulated huge debts with foreign partners and suppliers, further affecting rig efficiency (Monaldi 2018:2). In addition to the mounting economic problems, Maduro had to battle with internal power challenges. After marginally winning the election against the opposition in 2013, and consolidating power in the following years, there is evidence that Maduro’s biggest threat to his own standing now came from within the Bolivarian Revolution. Several sources have detailed, including Rafael Ramírez himself, the rivalry between Maduro and Ramírez for the leadership role after Chávez. Viewing Ramírez as a threat within the ranks of the government, Maduro moved Ramírez from the position of head of PDVSA to Minister of Foreign Affairs in September 2014. In December, after just a few months, he was appointed as Permanent Representative to the United Nations. He would remain in that post for roughly three years. In November 2017, Nicolás Maduro’s government went on to purge a range of PDVSA executives, past and present: Minister of Oil Eulogio Del Pino; president of PDVSA Nelson Martínez; the president and the board of directors of CITGO; more than seventy PDVSA executives were fired and indicted on a variety of corruption charges. Ramírez, who had been both minister and president of PDVSA, resigned from his position as ambassador to the United Nations and was later accused of corruption by the Maduro government. Allegations of
corruption within PDVSA were not new, and Ramírez himself had been accused of being responsible for laundering $11 billion dollars under his tenure at PDVSA. However, Maduro’s purge of oil officials “was widely perceived as politically motivated to achieve multiple objectives: use these executives as scapegoats for the economic collapse, remove Ramírez as a political rival to President Maduro, and open the door for the militarization of the oil industry” (Monaldi 2018:7).

Ramírez himself was adamant of the reason behind the accusations to his person. “Why is he accusing me? Because he has to justify how he destroyed PDVSA. I left PDVSA in 2014, and that is when the problems started. Maduro has not presented one piece of evidence against me” (Interview with author, 2018). By solely analyzing production levels, one could find it difficult to challenge Ramírez’s argument. In 2013 production was at 2.3 million barrels per day. In 2016, production began to decline significantly as global prices began to recover. From January to December 2016 production went from 2.3 million bpd to 2.05 million bpd. In 2017 production plummeted from 2 million bpd in January to 1.64 million bpd in December. In 2018, after militarization of the industry and sanctions that inhibited debt restructuring, figures went further down from 1.64 million bpd in January to 1.246 million in December, effectively bisecting production figures from 2014 (U.S Energy Administration Information 2019). Consulting firm Ecoanalítica estimates the crude available for exports to fall to a dramatic 623,000 bpd by 2019.

---

18 The production figures varies according to different calculations. When looking at actual exportations, Ecoanalítica operates with an average of 1.20 million bpd in 2018. A compilation of figures from PDVSA, OPEC, IESA and IPD Latin America puts the number to an average 1.52 million bpd in 2018. U.S Energy Administration Information puts the average number to 1.43 million bpd in 2018. I have largely used figures from the U.S Energy Administration Information for this thesis, as they generally provide middle-based figures between the more outlying calculations. Apart from the differences in how much of the overall liquid each institution measures, A. Grisanti of Ecoanalítica describe another reason as the “worsening opaqueness on behalf of PDVSA”. This makes it increasingly difficult to verify direct figures from the company itself.

19 The numbers and projections were given in November 2018, before the January 2019 introduction of US sanctions against PDVSA.
Figure 1: Overview over the composition of barrels exported, including a projection for the last three months in 2018 and the entirety of 2019. Figures contributed to this thesis by Ecoanalítica.

Why Maduro chose to purge the PDVSA officials at the end of 2017, could have been for, as mentioned, a wealth of reasons. Production started to show an unprecedented decline from September to December 2017, when monthly production plummeted from 1.94 million bpd to 1.64 million bpd (U.S Energy Information Administration 2019a), contributing to higher global prices (prices recovered somewhat from $35.1 bbl in 2016 to $46.7 bbl in 2017). Francisco Rodriguez argues that the Venezuelan government’s loss of access to credit due to imposed financial sanctions in August 2017 “have helped precipitated the collapse in oil output, driving the resulting economic contraction” (Rodríguez 2018b). Regardless, the further drastic fall in oil output had a significantly negative effect on the revenue of the state. Nicolás Maduro, in what has become emblematic of his discourse, has systematically utilized the strategy of an “outer enemy” in order to explain economic woes at home. The United States, Colombia, “the extreme right-wing opposition” and various sectors of the business community have been the commonly accused of sabotage. The “corrupt” managers of PDVSA were now blamed for the country’s economic crisis, in an attempt to derail public attention away from the leadership. Following the imprisonment of Eulogio Del Pino and Nelson Martínez, Nicolás Maduro appointed general Manuel Quevedo as president of PDVSA. This was the first step in what many have dubbed as the militarization of the oil industry, which again is claimed to have deepened the crisis.

Production levels sunk further from 1.64 million bpd to 1.246 million bpd in the first year with

---

20 The implementation of sanctions will be further addressed in the analysis of the government’s relation with international oil companies.
Quevedo in charge (U.S Energy Information Administration, 2019a), and he enacted a series of controversial measures that many say are pushing the company towards ruin (Parraga, Ulmer 2018).

To comprehend the incentives and logic behind giving the military, with no experience in running an oil company, the control over the country’s most valuable sector, one has to look at the internal power struggle in Venezuela. The growing importance of the military was a cornerstone of Hugo Chávez’s policies. The dependence on the military has only grown for Nicolás Maduro, to the point where they are deemed as enabling the survival of his authoritarian regime that struggles with a profound economic crisis, low popularity and increasing pressure both from within the country and from outside.

As pressure on the government is intensifying, Maduro’s regime is more dependent on the military than ever before to repress cost-bearers of the ongoing economic collapse. In 2017, Venezuela was again rocked by months of nationwide protests, some of which resulted in violent confrontations with security forces. The death toll amounted to over 140 killed, which was the most repressive response from government forces in almost 20 years of Chavismo. Lower ranks of the military are also seriously affected by the economic collapse. There has been an increase in cases of attempted military rebellion at lower levels motivated by the economic depression. The situation has been described as a “pressure cooker” (Forero 2018). Also, the logics of the patronage system in Venezuela provides a greater understanding of the incentives behind Maduro’s militarization of the oil industry. The top ranks already control the ports, have contracts for hundreds of social housing projects and valuable mining and oil service concessions. In providing the military with control over PDVSA, by far the most valuable sector in the country, Maduro gives further incentives to the top military brasses to silence dissent within their own ranks, ensure loyalty and his own political survival.

For Alejandro Grisanti, the militarization of the industry represents a clear point of difference between the political control exerted over PDVSA when comparing Hugo Chávez and Nicolás Maduro: “Chávez thought that in his balance of power, the military already had sufficient power through the monopoly of arms, and never acceded to the pressure from the military to give them PDVSA as a source of income” (Interview with author, 2018). The distinction between Chávez’s
and Maduro’s approach to military control, could partly be explained through the increasingly hostile macro-economic climate. With much less wealth to distribute to different constituents, Maduro has focused more on those who sustain him, the military being a crucial sector. The military takeover of PDVSA is emblematic of how autocratic regimes are more durable than democracies when the effects of the resource curse sets in through an oil bust. With the lack of oversight mechanisms, the Maduro government has the possibility to further endure an economic collapse through diverting the funds it still has to offer cronies both tangible and intangible assets, as foreseen by Corrales and Penfold (2011: 70).

One could further argue that increased military and para-military presence on the streets as sources of repression and social control is both a symptom and a consequence of growing authoritarianism. Historic research on the relationship between militarization and democracy in Latin America between 1972 and 1986 shows that “military spending has a significant negative effect on democracy scores over time; and that military participation ratios have a more robust negative impact” (Bowman 1996). If we apply this rationale to Chavismo’s example, we find that democracy has been undermined\(^\text{21}\), and authoritarianism and human rights abuses have intensified, parallel with increased military expenditure, higher participation ratios and expanding military control over the nation’s key industries. This is indicative of how autocratic oil-abundant regimes strengthen their authoritarian tendencies in order to maintain power when confronted with busts. A low influx of rents has forced the Maduro government to provide the military with more assets, in this case, the control over the country’s most lucrative business, in exchange for further repression of cost bearers in order to be able to sustain themselves. In turn, as it is likely that giving the military control over PDVSA has contributed to dwindling production patterns, the militarization of the industry is thus emblematic of Karl’s (1997) understanding of institutional configurations as key for when the resource curse sets in: It is economies who shape institutions, and institutions who shape economies.

\(^{21}\)Some scholars highlight the participatory democracy under Chávez, but in terms of separation of powers, independence of the judicial branch, Chávez’s reign was a hybrid regime. According to Corrales’ and Hidalgo’s (2013) assessment of the quality of Venezuelan democracy from 1999 to 2013, “Venezuela met the minimum procedural requirements to be considered a democratic nation; since then, the regime underwent wide-ranging changes and became hybrid in character” (2013:90).
It is challenging to estimate exactly how much more profound militarization has made the decline in production, as it has coincided with already emerging trends that are hurting production levels; a more hostile macro-economic climate, the introduction of sanctions that inhibits the government to restructure its’ mounting acquired foreign debt, staffing shortfall due to the massive fall in wages due to hyperinflation and the dire economic situation that provokes theft and robberies of equipment at the refineries around the country, to name a few factors. However, a range of workers, union leaders and head of consultant and energy firms dependent on cooperation with PDVSA, paint an image of the military management as incompetent, as unwilling to cooperate and as imposing fear amongst workers, which they argue is affecting production. Christina Tovar at AvHI, representative company of international oil companies (IOCs) in Venezuela, started working with PDVSA at the end of 2017, when the military made its presence felt in the company: “The most important thing is that they keep working. But what worries us is that the learning curve while they are absorbing everything, is very costly. And while there is a continuous necessity to make decisions, then suddenly there are internal changes which takes us back again” (Interview with author, 2018). Rafael Ramírez, unsurprisingly, laments the apparent incompetence: “Quevedo knows nothing of oil” (Interview with author, 2018). Alejandro Grisanti of Ecoanalítica also denotes a fundamental lack of knowledge of the industry: “It is impossible to get together with the directive of PDVSA to make a decision about anything, because of total the lack of knowledge in the industry” (Interview with author, 2018). He also explains that there is a gradual worsening in the transparency and reporting of production numbers; “Before, we never had any reason to doubt that the numbers PDVSA were giving, were correct. Today we have to question every number they give us” (Interview with author, 2018).

There are reports that authoritarianism in the company has taken a turn towards imposing fear and threatening of reprisals amongst workers for making simple mistakes. Workers and union leaders corroborate an image of workers facing risk of arrest and charges of sabotage and corruption for making mistakes operating the increasingly dilapidated PDVSA equipment (Parraga and Ulmer 2018). Christina Tovar of AvHI, who has extensive contact with PDVSA

---

22 AVHI representatives state that security issues provoked by widespread poverty contributes significantly to declining production, as a lot of equipment is being stolen (Interview with author, 2018).
workers, explains that “fear has been institutionalized in PDVSA” (Interview with author, 2018). What is clear in assessing the effect militarization has had, is that a hike of more than 36 percent in oil prices between 2017 and 2018 (from $46.7 bbl to $63.7 bbl), has not contributed sufficiently to halt the plummeting production and subsequent drop in export revenue. Export revenue in 2018 is less than one fifth of what it was in 2012, under Chávez’ last year as president.

Figure 2: Graphs on oil prices, export revenue and production compiled by Reuters using PDVSA’s annual reports, OPEC monthly reports, IESA and IPD Latin America estimations.

In summary, keeping political control over PDVSA continues to be of high priority in the Maduro government. The objective of political control in this administration has taken on a form of aggressive purging of high ranks and the militarization of the industry. While Chávez’s government undertook a radical corporate restructuring by firing at least 18,000 employees, implementing Chavismo as a political doctrine within the company and changing it to undertake a wealth of social responsibilities, Maduro’s government has gone more directly after the leadership in PDVSA. This might be indicative of both perceived political threats to his person (the firing of Rafael Ramírez) and to pave the way for the militarization of the industry.

As obtaining political control over PDVSA meant Chávez sacrificed technical capacity for loyalty, and productive capacity for political control, militarization under Maduro has exacerbated already declining production, instead of helping to increase output. Giving the military the key to the country’s most important industry is indicative of a measure Maduro has been forced to in order for his government to survive, as the military is deemed the most

23 The treatment of, and conditions for, workers will be further analyzed in the last section.
important crony. Thus, Maduro appears even more willing than Chávez to accept a loss of productivity and revenue in order to control PDVSA. Ultimately, the question remains whether the objective of political controls is hurting the industry to the extent that it threatens the survival of the government itself.

5.2. The relationship between the government and international oil companies

In this section, I will look closer on how the relationship between international oil companies (IOCs) and the Venezuelan government has developed over the course of 20 years of Bolivarian socialism, and what part it has played for the current situation. Firstly, I delve into Chávez’s government’s necessity of continued foreign investment to pursue its policies of socialist rentier distribution. Although increasing state and political control at the expense of IOCs, the government could only execute its political project in conjunction with foreign association. This was possible due to a favourable international context with high prices and continued investment, which in turn helped conceal lower productivity as a result of the change of contracts. Secondly, I contrast the favourable international context under Chávez’s tenure with the comparatively negative international context under Maduro, with lower oil prices, escalating estrangement with foreign actors and tighter sanctions; variables that have had an effect for driving production further down. I argue that despite the drastically different context, there is no evidence that the business model implemented during Chávez’s presidency has been changed under Maduro. Ultimately, the continued estrangement with IOCs and foreign investment challenges the very survival of the Bolivarian model of socialist rentierism, at a time where IOCs are increasingly keeping Maduro’s government afloat.

5.2.1 The Chávez years: Hybrid resource nationalism

Chávez’ oil policy, confrontational rhetoric and public relations with international joint ventures in Venezuela deemed him a “radical” and a representative of policies of a rogue state (Rosales 2018). But this perception does not allow for the understanding of the hybrid resource nationalism that Hugo Chávez in fact executed, where the renegotiation of terms for foreign
companies was done for the motivation of enhancing state participation and political control over PDVSA. Following Rosales’ (2018) work, which highlights the connections between material and ideational variables in comprehending state-IOC relations, we can better comprehend the relationship between IOCs and the administration of Hugo Chávez, and subsequently fluctuations and changes in this relationship under the administration of Nicolás Maduro. I will analyze the evolution of the relationship with the international companies through two periods under Chávez: Firstly during the years between 1999 and 2006, and secondly from the migration of contracts in 2006, where the Venezuelan government shifted the conditions for companies working in the country by increasing the state’s share in the ventures to a 60 percent majority. This was largely possible because of the favourable international context with high prices, increased Chinese demand for commodities and a willingness of foreign companies to invest in the country (Rosales 2018). As this section is dedicated to the discussion of the joint ventures, the coup attempt and oil strike is analyzed primarily in the section on Chávez’s government struggle for political control over the company.

The first years of the Chávez’ presidency were marked by the parliament’s decision to grant him legislative powers through an enabling law and the introduction of a set of 49 laws in various areas. Amongst these laws, was the hydrocarbons law of 2001 that replaced all existing hydrocarbons laws introduced in the 20th Century. The law was intended to erode the oil opening of the last decades (Mommer 2002, Lander 2002), but still “offered incentives that made investments more attractive in contrast to the conditions that ruled prior to the opening” (Lander in Rosales 2018). Chávez honored existing contracts, and with the lure of having the “largest proven oil reserves in the world” due to the extra-heavy crude located in the Faja de Orinoco in the south of the country, investment from IOCs amounted to billions of dollars in technology and infrastructure to transform the extra-heavy oil into crude exports. Because the deposits found in the Orinoco River belt are heavy and extra heavy, this is a challenging oil to extract. Chávez’s government needed the expertise, investment and equipment of the IOCs to be able keep and expand production. Emboldened by a favorable international context, with prices per barrel of Venezuelan crude almost doubling from 2005 to 2008 (US. Energy Information Administration, 2019b), increasing Chinese demand for commodities, continued international investment in the sector and backing from a set of regional allies also conducting a set of resource nationalist
policies (Flores-Macías 2010, Kline et. al 2017, Monaldi 2014), Chávez set out to take full political control over PDVSA - and maximize the inflow of rents with the assistance of the IOCs operating in the country.

This approach also presented a significant change for the IOCs. In the era of “re-nationalization”, the government sought to migrate all contracts signed under the oil opening, and introduced a system that enhanced state control of the industry, whilst continuing the association with the foreign industries. With the new law, the state increased ownership in all associations to 60 percent. A majority of the operating companies in Venezuela, including Chevron, Statoil and Total, accepted the conditions, whilst ExxonMobil and ConocoPhilips, rejected the new terms. They subsequently had their assets expropriated. International arbitration courts later ruled the Venezuelan government to pay arbitration fees to the companies. ExxonMobil sued for $1.6 billion, but the government was only ordered to pay back $188 million. As for ConocoPhilips, an international arbitration tribunal ordered the Venezuelan government to pay back $8.7 billion in compensation for their lost investment (ConocoPhilips 2019). The balance of power was in favor of the Venezuelan government, and even in the new circumstances where the government take of rents would be considerably higher, the high oil prices at the time would make additional new investment highly profitable for the IOCs. Furthermore, the IOCs were lacking in countries with high oil reserves that they could invest in, and as was noted at the time “as a result the IOCs do not have many other attractive alternatives to obtain oil reserves and are compelled not to exit Venezuela” (Manzano and Monaldi 2010:34).

In alignment with his vision of multipolarity, Chinese companies and financial institutions moved in as the major IOCs moved out, and “investments in the form of commodity-backed commitments from Chinese banks were agreed for around USD $14 billion” (Rosales 2018:21). The Chinese state-owned enterprises (SOEs) would offer investment and cooperation conditions that the Venezuelan state would deem better, especially because they came with no strings attached. Furthermore, Chinese SOEs “seemed more willing to take on potentially risky investments possibly due to the backing of their home state, something that differs greatly from other IOCs” (Rosales 2017:142). The migration of contracts in 2006 is seen as a decisive feat of Chávez’s oil policy. For Carlos Mendoza Potellá, oil expert and left-wing nationalist, the
majority state ownership in the mixed-venture projects was necessary to “maintain state control over PDVSA”. He blames the shortcomings of the new model on what he views as a deepening of investments into the Orinoco belt, which he argues has been a costly mistake by the government (Interview with author, 2018). Instead, Potellá argues the government needed to pay more attention to traditional yields of lighter crude.

Others argue that the migration of contracts were one of several policy measures that led to a decrease in productivity, and lessened investment incentives for international companies that were now imposed a “financial straightjacket” (Interview with Ramón Key, 2018). Oil production would decline in the years from 2006 to 2016, before eventually collapsing from 2016 onwards. Arguing that the execution of the migration of contracts accounts for a significant part of the 60 percent loss of productivity between 2006 and 2016 (Key & Villarroel 2018:32), Key states that “eventually not even high prices could compensate for the loss of productivity” (Interview with author, 2018). Being a capital-intensive industry, foreign investment increased drastically during cycles of high oil prices, and have sunk notably during the fall of prices in 2008-2009 and from 2014.

5.2.2 The Maduro regime and estrangement with foreign actors: From popular to pariah

Nicolás Maduro’s administration has seen falling oil prices and a dramatic collapse of production. An increasing part of what PDVSA is able to produce, is funneled to pay off debts to China and Russia, the country’s lenders of last resort. While the military now controls the national oil company, the antagonism between Maduro’s administration and the rest of the region has grown, and finds itself at critical levels. The IOCs operating in Venezuela are confronted with difficult working conditions, threats to their staff and US sanctions imposed on the oil industry as a response to the growing authoritarianism of Maduro’s government. In this section, I discuss the drastically changed international context under Maduro’s administration: Lower oil prices, escalating antagonism with both IOCs and the international community and tighter sanctions. These elements can ultimately affect future operations of the IOCs in Venezuela, leaving the government vulnerable, as the joint ventures produce a majority
of the Venezuelan crude. I will also discuss whether the worsening economic and geopolitical situation forces the government to take a new approach to foreign investment.

5.2.2.1 Apertura oil deals: Privatization or panic?

The rapidly deteriorating production levels has made the Maduro administration to look increasingly to Chinese and Russian companies for investment and financial support. Western lenders stopped offering credit before US and EU sanctions barred them from doing so. Chinese institutions and companies decreased their involvement in the country even before the sanctions escalated. Russian engineers already run a raft of PDVSA-Rosneft joint ventures, which continues to grow in scope, with Rosneft having a significant share in many oil projects (O’Donnell 2016, Toro 2017). In addition to the growing Russian dependence, Maduro’s administration has undertaken some deals that have been deemed similar to the apertura policies that Chávez rolled back in his so-called “re-nationalization” of 2006. According to sources and an internal PDVSA document, Maduro’s government agreed in 2018 to hand over at least seven oil fields to little-known companies for six years (the majority Venezuelan oil service companies, with no experience in operating oil fields, and one Panamanian and one Chinese), on the condition that they would boost production, finance the required investment and procure the necessary equipment (Pons 2018). According to Manuel Quevedo, president of PDVSA, the plan would involve $430 million in investment and a production increase of 641,000 bpd, but the terms of the deals were not disclosed. For Rafael Ramírez these deals represent a “betrayal to Chávez’ legacy”. Speaking from exile in an undisclosed location in Europe, Ramírez claims Maduro is “re-privatizing in favour of the Chinese, Russian and Europeans. He is destroying the fundamentals that our government policy was built on (...) This is the most right-wing government Venezuela has ever seen” (Interview with author, 2018).

Economists and representatives of the IOCs in Venezuela contradict Ramírez’ version, however. They say these deals are not necessarily indicative of Maduro’s government returning to an oil opening, but merely of a government without the capability of planning long-term, and that is acting out of desperation because of the dramatic financial situation it finds itself in. The policies towards international oil companies essentially remain the same, they argue. This supposed
desperation gives an advantage to companies that are able to strike new deals, as Alejandro Grisanti puts it: “The companies are buying optionality. They will do everything possible to not re-invest. They will buy the oil field, save it and wait for the possibility to exploit it when the conditions say that the property rights are guaranteed. That is to say, that whatever company that accepts a negotiation with the government does so more with a vision to wait and see what will come, rather than really engaging in the production of oil” (Interview with author, 2018). The overall policy of Maduro in relation to IOCs does not represent a break with the business model that was implemented in Chávez’s tenure, and is largely being guided by what appears to be an ideological straightjacket. There is a discretional treatment of investment from China and Russia, and “the government does not see investment as a mechanism for increasing productivity” (Interview with Ramón Key, 2018).

For Alejandro Grisanti, the fact that the government has not sought to reverse the agreements of 2006 entirely as an antidote to the collapsing production, speaks to the government not wanting to change the business model implemented by Chávez: “Why are they not changing it, why haven’t they been faster and more aggressive in searching for a type of oil opening? It speaks volumes of the inefficiency and laziness of this government” (Interview with author, 2018). The representatives of the IOCs in Venezuela tell of an unattractive investment environment. “The royalties are at the highest level according to the law, and there is also an accumulation of taxes. We are proposing an integral fiscal reform. (...) In almost all countries, the fiscal system adapts to the volatility in prices, to have a bit of flexibility. But in Venezuela the fiscal system has not changed since Chávez. It is a thoroughly rigid and inefficient system with a very high fiscal pressure” (Interview with Christina Tovar, 2018). For Luis Grisanti, the head of AvHI, the problem is not resource nationalism itself, but the execution of the model:

“Our companies understand what resource nationalism is, and they don’t have a problem with it and they don’t have problems with PDVSA having management or stakeholders control. The problem is the actual operation of the model and the industry, which leaves much to be desired. The interesting thing is that the administration as a policy says “we do want foreign direct investment, we want you here, we don’t want you to go”, but in their actions they do otherwise. They believe, because quote on quote “Venezuela has the largest reserves in the world”, that companies will stay and stand by whatever they are told to do.” (Interview with author, 2018).
Generally, there appears to be a certain level of reluctance on behalf of the international oil companies in Venezuela to share information on their ongoing business in the country. The suggestion is not to claim that they are necessarily opaque. But it does illustrate the complicated working climate these companies find themselves in, and the significant worries related to their ongoing endeavours in Venezuela. In the first claimed “anti-corruption” purge in the oil sector after the series of high-level arrests in PDVSA the fall of 2017, Venezuelan authorities targeted Chevron executives, the country’s longest operating IOC. In April 2018, two Venezuelan citizens in executive roles at the American company were arrested and said “could face charges of treason for refusing to sign a supply contract for furnace parts drawn up by PDVSA executives” (Ulmer and Parraga, 2018). The arrests were reported as “the first to affect a foreign oil company’s direct employees” (ibid.). Later, the company evacuated several more executives and asked employees to avoid the facilities of its joint venture. In a November 2018 extensive news feature by The Wall Street Journal (Vyjas and Olson 2018), it was reported that executives in Chevron in fact were debating whether the firm should exit the country. Reasons for the possible exit were the safety for their employees, fiscal deficits from 2015 to 2017 and the risk of damaging its reputation by being seen as supportive of an authoritarian regime that is the adversary of The United States. The official stance from Chevron contradicted the story. In an interview with Christina Tovar, lawyer at the non-political interest organization for IOCs working in Venezuela, it was stated that Chevron executives were “fully committed” to maintaining operations in the country: “They told me that the article was inaccurate. They are committed in Venezuela, despite having a rocky start to the new year with the arrests. But it was resolved and they continue to be committed. They frequently have meetings and work with the representatives of the government” (Interview with author, 2018).

Chevron serves as an example of the IOCs’ durability in tough working conditions. In the century that it has operated in Venezuela, it has weathered dictatorships, coups and nationalization drives. Tovar somehow dismisses the prospect that a tarnished public image of collaborating with an authoritarian regime, and operating in volatile conditions, would be

---

24 See methodology section for my experience of contacting IOCs in Venezuela.
sufficient for a corporation like Chevron to halt operations in Venezuela. Large oil corporations work in several of the world’s harshest dictatorships, and in countries with a more adverse institutional framework for extracting oil than Venezuela. Tovar claims that there really only are two absolute requirements for IOCs operating in Venezuela. First, security for their personnel, and, second, continuing to make profits: “I think they are well used to work in these kind of difficult climates. The companies we are in contact with, tell us that they have worked in countries much worse than Venezuela. It is not to say that they are justifying it, but that they are accepting it. The ones that come around here, know what they are getting themselves into” (Interview with author, 2018).

In separating the IOCs that are, or have been, clients of AvHI during the 16 years of the organization’s existence, executive president Luis Grisanti divides them into three categories. Firstly, there are the companies that deemed the margins for profit too small and left Venezuela when the new nationalization deals were rolled out in 2006, secondly, the larger, established companies that accepted the 2006 conditions and generally have the resources to allow for a longer time-frame in regards to exploration and collecting dividends, and thirdly, the lesser-established companies that are much more dependent on immediate dividends. While the second group according to AvHI generally have a high threshold for volatility and challenging conditions, the third group make part of what Grisanti describes as possibly “a new wave of companies leaving”. He argues that while the government’s business model is clearly motivated by ideology, the oil companies that decide to leave or stay are unaffected by ideology in their decision-making:

“We are entering into a new phase, because we might have a new wave of companies leaving. In fact, we have had companies leaving. Petrovietnam, for example, were tiring. Even if it’s supposedly ideologically close to the administration, them and two other companies left. Why? Because they ultimately said “it’s impossible to work in Venezuela”.” (Interview with author, 2018)

5.2.2.3 Sanctions: Profounding declining production

While the Chávez’ administration estrangement with the United States grew exponentially under his tenure, the oil trade between the two continued to be Venezuela’s largest source of income.
While human rights organizations expressed concern for Chávez’s growing authoritarianism throughout the 2000s, with manipulating the country’s courts and intimidating the media, labor unions and civil society some of the allegations (Human Rights Watch, 2012), the U.S Treasury department did not impose sanctions related to anti-democratic actions during Chávez’s years in power. They did, however, start to employ sanctions towards individuals in the military and government as a policy tool from 2008 and onwards, especially in regards to terrorism and drug trafficking.

The variety and scope of American sanctions have grown exponentially under Nicolás Maduro, and have since 2014 also included targeted sanctions related to anti-democratic actions and human rights abuses, as a response to “increasing repression in Venezuela” (Congressional Research Service 2019). In addition to targeting individuals in the Venezuelan government, several of the sanctions implemented since 2017 have inhibited Venezuela’s access to international financial markets. U.S sanctions have stopped Venezuela from issuing new debt and blocked attempts to restructure its existing debt obligations, and have been accused of worsening the economic situation for ordinary Venezuelans (Rodríguez 2018b), as dwindling production patterns have intensified after the implementation of these sanctions and the militarization of the industry. On January 28, 2019, the gravest economic sanctions to date were imposed when the Treasury Department declared that PDVSA now was subject to sanctions and “all property and interests in property of PdVSA subject to U.S. jurisdiction are blocked, and U.S. persons generally are prohibited from engaging in transactions with the company” (Congressional Research Service 2019). The measure, intended to ramp up pressure on the Maduro administration and the country’s military after recognizing the speaker of the Assembly and opposition leader Juan Guaidó as Venezuela’s interim president, is expected to have severe economic consequences. Venezuela and PDVSA’s leadership are scrambling to find avenues to bypass the sanctions and find new markets for oil sales (Kassai and Zerpa 2019). It is unclear to this date the scope of ramifications this will have for the economy and the IOCs continued operations in Venezuela. French company Total announced that it would evacuate all its’ staff from the country where its accounts were blocked by the sanctions, and move their Venezuela operations from the United States to Europe (AFP 2019).
In any case, the IOCs that have the resources to allow for a longer time-frame in regards to exploration and collecting dividends, and experience in tough conditions, are the most likely to remain. Either way, the current situation demonstrates yet another complicating factor for the working conditions of IOCs in the country. The resilience of the IOCs will prove a determining factor for the future of the Chavismo’s political project, as I will demonstrate in the last section of this chapter.

5.2.2.4 IOCs keeping Madurismo alive

Hugo Chávez was highly dependent on foreign association to execute his policy objectives. This feat has only deepened under the administration of Nicolás Maduro. As overall oil production has plummeted, the international joint ventures are increasingly producing a larger fraction of the total output. There are also cases where international joint ventures have increased production levels significantly, as has been the case with Chinese-Venezuelan joint venture Sinovensa, which according to reports doubled their production from 69,400 bpd in April to 130,000 bpd in November (Slav 2018b). Figures on the production composition between PDVSA-operated projects and mixed companies contributed to this thesis by Caracas-based energy consulting firm Gas Energy Latin America corroborate the growing importance IOCs have for the state’s financial survival. Antero Alvarado, partner in the organization, stresses that the figures they have gathered are an estimate, and accounts for crude, condensates and liquid gas. Thus the figures are significantly higher than the production levels reported to OPEC by secondary sources. The statistics from 2018, however, demonstrate the noteworthy trend: In January, the composition of the production levels was roughly 51.8% in favour of the IOCs. In December, at the end of the year, this composition had increased to 55.1%. An average of the year also show that the IOCs are responsible for the majority of production (Gas and Energy Latin America 2018). This has been a trend for a few years. By the end of 2017, production solely operated by PDVSA had collapsed by almost three quarters since Chávez’s inauguration in 1999. In contrast, from 2010 to 2015, production in joint ventures increased by more than 30 percent (Monaldi 2018:3). The last few years joint ventures have declined in production as well, but at a slower rate than projects solely operated by PDVSA.
After the sanctions were imposed on PDVSA in 2019, the national oil company has made the foreign associates formally confirm that they will continue in the projects (Párraga and Pons 2019). International oil companies are now a vital lifeline for the financial survival of the crisis-struck Maduro government. More than ever is the regime dependent on continued foreign association in order to keep Chavismo afloat and themselves in power, at the same time that the relationship with the international community is the most critical it has ever been. Union leader José Bodas, socialist and highly critical of the government and leadership in PDVSA, puts it like this: “There is no doubt that the transnational companies that work with PDVSA are accomplices of the government, and of what is going on” (Interview with author, 2019).

In summary, while Chávez increased state and political control at the expense of IOCs, his hybrid resource nationalism demonstrated that he was dependent on foreign association for the execution of his political project. Whilst the new model lead to lower productivity, and according to some, a rigid business model, this was concealed through a continued favourable international context with high prices and still an attractive investment climate. Confronted with a drastically...
different international context, with lower prices, increased antagonism with foreign companies and the introduction of tighter sanctions, variables that are having further effects on the dwindling production, Maduro’s government has not changed the business model. Escalated estrangement with the international society, although not likely to deter larger IOCs, is increasingly risky for the Maduro government in a time when the continued association with foreign ventures is a vital financial lifeline. While some interpreted Chavismo as seeking to “roll back the neoliberal dream of making the national resources of the Global South a free gift of nature to transnational capital” (Hellinger 2017:74), the Bolivarian Revolution is now more dependent than ever on transnational capital in order to survive.

5.3 Workers’ conditions in PDVSA

The conditions for, and treatment of, workers is a fundamental element in order to comprehend both the rationale behind Chavismo’s desire to politically control PDVSA and behind what drove the initial loss of productivity. Furthermore, through the lens of the worker we gain a greater understanding of how today’s situation with intensified political pressure and repression, increased security risks, and drastically sinking wages due to hyperinflation has led to an unprecedented exodus out of PDVSA. The exodus of workers from 2003 and onwards was spurred by Chávez’s urge for political control. The corporate-restructuring that followed entailed a loss of skilled workforce. But despite signs of increasing authoritarianism imposed on workers and unions, PDVSA was able to provide good material working conditions for their employees. The Maduro era-exodus differs significantly. It is largely motivated by the government’s inability to provide for its employees through near worthless salaries and other contributing elements. The exodus is causing a new corporate restructuring in the company, with the loss of further skilled workforce, which is in turn being replaced by inexperienced and unqualified personnel. Repression, threats and repercussions appear to be intensifying with the entrance of the military in the industry.
5.3.1 Workers’ conditions under Chávez: Tackling the technocracy

The internal structure of PDVSA was largely defined by a meritocratic and technocratic structure in the years before Hugo Chávez rose to power. Many of its executives were trained abroad, and full corporate autonomy was hailed as a vital cornerstone of the industry. The ideological contestation between PDVSA being a global oil producer, and that of the government that PDVSA redistribute rents to different constituencies, eventually came to a full confrontation with the oil coup and strike of 2002 and 2003, which ended in a completely changed internal structure of PDVSA and represented a fundamental change in direction for the company and Venezuelan oil policy (Rosales 2018). Chávez’s overhaul of PDVSA was in part possible because of a growing contradiction between widely held societal beliefs and PDVSA’s culture, which in turn created a legitimacy problem that “Chávez exploited to undermine the traditional power of the organization” (Béland and Wiseman 2010:141). The events leading up to the coup in April 2002 and the general strike that followed in the subsequent months, ended with a full government takeover over the industry. The strike, which had profound negative economic consequences (GDP fell, unemployment increased and the country defaulted on its international petroleum supply contracts), radically changed the government’s perspective on how it had treated PDVSA.

It would from now on take on a much more radicalized approach. As mentioned earlier, more than 18,000 workers were removed from their positions, almost half of the company’s workforce. Launching the strike to begin with was seen as an “extreme and miscalculated reaction to Chávez’s provocations” (Bautista Urbaneja in Rosales 2017:119) by the meritocracy of the old PDVSA. The mass-firings provoked a significant loss of technical and managerial expertise (Corrales and Penfold 2011, Monaldi 2015), and the principles the old meritocracy had championed were now being removed along with the growing Venezuelan oil diaspora. Thomas Paez, a professor that studies the Venezuelan exile community, estimates that as many as 30,000 oil workers fled Venezuela after the oil strike, and found jobs in the oil sector everywhere from Canada to Kuwait (Smith 2019). Chávez needed more than a year to replace the amount of workers that were removed after the strike, but in 2004 it recovered back to a little over 37,000 workers (Altamirano and Mares 2007:6). However, in stark contrast to the situation today, despite a staff shortfall, production levels recovered remarkably fast to pre-strike levels in 2003.
By May of 2003, Venezuela was producing 2.6 million bpd, roughly 200,000 barrels less than before the strike started. In the section on workers conditions under Maduro, I will contrast this more in depth with how the current exodus of workers is affecting production levels, and how the macroeconomic climate and state of the oil industry is contributing to production levels in 2019 being less than half of after-strike levels in 2003, despite PDVSA having roughly five times as many employees.

After winning the battle for political control over the company, Chávez soon went on to expand PDVSA’s operations and responsibilities, and the company acquired a massive increase of labour in the following years. The number grew steadily each year, and went from roughly 78,000 workers in 2008 to more than 140,000 workers in 2013. As noted in the earlier sections, PDVSA took on a range of social responsibilities in order to raise living standards in the poorest sectors of society at the expense of investments in the industry, spending more than $23 billion in social programs between 2003 and 2008. Rafael Ramírez asserts the necessity to expand the workforce in this era: “With the growing social responsibilities the new PDVSA had towards the people of Venezuela, there was a necessity to expand our workforce. I am still proud of the PDVSA we created, because we helped a lot of people” (Interview with author, 2018).

Due to PDVSA’s ever-expanding new responsibilities, the massive increase in staff over the years in the Chávez government did not affect production levels positively, which for critics of the model corroborated the bloated organization PDVSA had turned into. Many have also lamented that the “new PDVSA” treasured loyalty to the government more than technical expertise. Social control and authoritarianism increased in PDVSA after 2006. PDVSA workers were urged not to express any discontent towards Chávez, to attend political rallies and to vote for the president in elections. According to Alirio Villasmil, currently working with underwater maintenance in Maracaibo, western Venezuela, labor pressure started to mount during the 2000’s. He has worked in the industry for 25 years, both under and over water. “There has always been pressure to vote for Chávez. And some of the independent labour unions began to be dismantled” (Interview with author, 2019). For others, it was regarded as high prestige to obtain a job with PDVSA. For oil technician Endy Torres of the Puerto La Cruz refinery in Anzoategui state, he dreamt of a bright future when he started working in the company in 2008.

See figure 4.
In addition to what he describes as “decent wages” that were not yet crippled by hyperinflation, the company supplied meals of rice, salad, meat, fruit, juice and dessert everyday. He told that he managed to maintain a somewhat satisfactory quality of life up until 2013: “You had purchasing power, and I had access to a lot of things like a house, car, electric appliances and managed to have a social life” (Interview with author, 2018). Torres also told that he never felt the pressures of voting for Chávez as intrusive, because he and many of his colleagues “believed in him” (Interview with author, 2018). But the burgeoning problems of rising inflation, increased repression and challenging working conditions would eventually significantly alter the lives of Torres and many of his companions in the following years.

5.3.2 Workers’ conditions under Maduro: Worthless wages, roaring repression

Nicolás Maduro’s reign has underseen a dramatic collapse in the values of wages for PDVSA workers, which in turn has been a driver for the exodus from the country. Whilst the corporate restructuring of PDVSA after the coup and strike in 2002-2003 was motivated by the desire for political control, the ongoing exodus is driven by the government’s inability to provide for its workers. This is in turn creating a new corporate restructuring of PDVSA, with the further loss of skilled workforce. The economic crisis has been central in faltering or lacking equipment at many of the country’s plants and refineries, both damaging production levels and increasing security risks for workers. There are several reports of serious work-related injuries. Independent unions are continued to being stifled and persecuted, and several workers tell of increasing threats of violence, incarceration and other punishments for either not fulfilling obligations to participate in demonstrations or vote in favour of government officials, or making mistakes while at work. Militarization has contributed negatively to this.

As with other sectors of the economy, PDVSA’s workers have not been insulated from the effects of hyperinflation, shrinking GDP and fiscal deficit. The reasons behind the ongoing exodus of the company’s workforce therefore has to be viewed in the larger context of Venezuelan mass-emigration. De-facto dollarization of the Venezuelan economy means a vast, and growing difference between those who have access to dollars, and those who do not.
Christina Tovar of Avhi points out that neither projects operated solely by PDVSA, nor the joint ventures have the possibility or the rights to pay the local workforce in hard currency (Interview with author, 2018). Therefore, the organization advises the IOCs to invest substantially in so-called “emotional salary”. This could be to provide workers with anything from school materials, uniforms or basic food items like flour and cooking oil. With hyperinflation intensifying, and the money derived from the actual salary becoming worthless, these contributions often make up a substantial amount of the overall value. According to independent union leader José Bodas, the salary tables of PDVSA dictates that a worker cannot earn more than two and a half times the amount of a minimum wage. In late March 2019 this accounted for 45,000 bolivares soberanos, or roughly 13 US dollars on the black market. This means that a maximum monthly salary is insufficient to sustain a Venezuelan family even for one day. “It’s about making life a little better for the workers. Because the quality of life is really, really low. (...) Every worker that receives his “Caja Clap”, is the happiest in the world”, says Christina Tovar about the so-called emotional salary (Interview with author, 2018).

More than 12 million Venezuelans receive government food assistance, according to EnCov Research Group (Dube, Vyas and Kurmanaev 2018). But as demonstrated with the distribution of the so-called “Caja Clap”, a basic basket of food subsidised by the government, the access to it does not come without conditions. Essentially utilizing hunger as a political weapon, the distribution of the food essentials comes with either overt or covert expectations of voting for the government in elections or attending pro-government gatherings. Some oil-workers say that the dilemma they are presented with, tramps on their dignity: “I didn’t vote in the elections, because I didn’t want to be humiliated for a bag of food”, Alirio Vilasmil told in an interview before the presidential elections in May 2018 (Støren Wedén 2018).

For those that don’t rely on food handouts, there are few incentives to show up for work. Christina Tovar tells of incidents where workers turn up to ask if there is any food in the canteens, and if not, they leave shortly after (Interview with author, 2018). Others use their more entrepreneurial skills to survive the dire situation: “There are many workers that complain about

---

26 As of late 2018, Ecoanalítica director Asdrubal Oliveros calculated that a Venezuelan family needed 700 US dollars monthly to cover basic needs, including food. This amounts to roughly 23 US dollars per day. In November 2017, a year before, this cost was estimated to be at around 105 US dollars monthly.
the lack of transport to go to work. So there are other employees, with cars, that have stopped working in order to offer transport to their co-workers, for a fee” (Interview with Christina Tovar, 2018). The economic situation entails that there are few options for PDVSA workers; either you can stay put and try to survive, or leave PDVSA to find other ways of sustaining yourself, within or outside Venezuela. The latter is what tens of thousands of workers have done the last few years. From the drop in oil prices in 2014 and to 2018, PDVSA has lost roughly 50,000 of its workforce. According to estimates compiled by Reuters, that amounts to roughly one third of the personnel.

Figure 4: The evolution of the workforce in PDVSA during the last 10 years. Compiled by Reuters using PDVSA’s annual reports, IESA and IPD Latin America estimations.

One of those that have decided to join the Venezuelan oil diaspora, is technical engineer Nieves Ribullén from Punto Fijo. He is awaiting the formalization process to go through, so he can relocate to Erbil in Iraqi Kurdistan. Ribullén says he had a monthly wage that was the equivalent to 1200 US dollars when he started in PDVSA in 2003. Now his monthly wage is worth roughly 10 dollars. In Erbil the promise of making 4500 dollars a month is alluring. He says he has “lost count” of how many of his old colleagues have left the company: “Brother, look. I have lost count. Infinite amounts of people. Many, many, many. I could tell you about process engineers, control systems engineers, plant engineers, engineers specialized in instrumentation, electricians, operators. Everything” (Interview with author, 2019). Each of the respondents amongst the oil
workers corroborated the image of colleagues leaving their positions. A common denominator amongst oil workers that have decided to remain in Venezuela, is the hope of a better future, Christina Tovar says: “The ones that remain are the ones that have a real commitment with the country” (Interview with author, 2018). As for the roughly 50,000 workers that have left in the Maduro-era exodus, it is difficult to estimate intentions of returning to Venezuela and the oil industry in the event of drastically improved working conditions. However, for engineer Nieves Ribullén, who came into the ranks of the company in 2003 when the old meritocracy was being removed by Chávez, there is still a hope of returning to his homeland one day in the future: “It’s a company (PDVSA) that I owe a lot to. My dream is to recuperate it, to place it again at the service of the country so it can generate to the population (...) When we get out of this government, I’m going to offer my services to PDVSA again. That is my thought” (Interview with author, 2019).

The exodus means that there is a new corporate restructuring occurring at PDVSA. Although there is no available data of the composition amongst those who have left the company during the last four years, the image corroborated by several workers and union leaders is that it consists of a wide range of qualified personnel, but also low-skilled workers. As for those that have come in, Ribullén has witnessed a growing number of young workers entering the ranks of PDVSA through the government-touted Plan Chamba Juvenil (Gobierno Bolivariano De Venezuela, 2017), a government program designated to facilitate work for young, underprivileged people. But Ribullén and others interviewed claimed that a vast majority of the newcomers are set to work with materials and in conditions they are neither equipped nor qualified to operate. Faltering, dilapidated or missing equipment at the plants already make the risk-filled work increasingly dangerous, as confirmed by several informants (Interviews with Bodas, Ribullén and Villasmil). Ribullén explained in an interview: “they told me that some of the young workers with no knowledge were setting up a power plant, but they had to stop it because a fire broke out. Imagine yourself the levels we are at. (...) They are putting in people that just don’t have the level” (Interview with author, 2019).

While it is challenging to precisely measure levels of repression within PDVSA and assess the evolution over time, both international labour organizations and democracy watchdog
organizations indicate that union’s rights have deteriorated over the years, and that unions are becoming less independent. Coupled with the general worsening human rights situation in Venezuela, with an erosion of democratic rights and an increase in political prisoners, there are indicators that repression of workers and unions have increased during Maduro’s years in power, and especially after militarization. Although stating that the current government is more repressive in nature, union leader José Bodas says that it is a continuation of policies and tendencies that were introduced under Chávez’s government:

“There is no doubt that the government of Maduro is a continuation of Chávez. Chávez’s government was one that undoubtedly disregarded workers rights, that disregarded union rights (...) However, what Maduro has done since 2013, is a brutal adjustment fundamentally attacking the unions, the collective agreement, to have a cheaper and cheaper workforce, in conditions of semi-slavery. (...) It has without a doubt been a more repressive government, and the military has been prioritized more in his government.” (Interview with author, 2019).

Both international labour organizations and democracy watchdog organizations indicate that union’s rights have deteriorated over the years, and that unions are becoming less independent. In Freedom House’s annual report measuring freedom and democracy, Venezuela only scores a 1 out of 4 on the question of “is there freedom for trade unions and similar professional or labor organizations?” Further, the organization notes that “control of unions has shifted from traditional opposition-allied labor leaders to new workers’ organizations that are often aligned with the government” (Freedom House 2019). Furthermore, motivated by complaints that the Venezuelan government is violating standards including freedom of association and workers’ rights to organize, the International Labour Organization (ILO) launched a commission of inquiry in 2018. These investigations are rare, as illustrated by the last time such an investigation was undertaken, in Zimbabwe in 2008 (Reuters 2018). The respondents in this thesis tell of frequent threats of violence, imprisonment or other repercussions for what is perceived by the company managers as disloyal behaviour, such as not voting in elections, not assisting in pro-government demonstrations or protesting working conditions. There are also arguments to be made that militarization of the industry has increased repression against workers and unions. Every worker that makes a mistake, often increasingly difficult to avoid due to the faltering conditions, is immediately accused of sabotage, says José Bodas: “They accuse the workers of
sabotage, of being “counter-revolutionary”’” (Interview with author, 2019). Worker Alirio Villasmil tells of a state of terror amongst many workers (Interview with author, 2019). The general state of fear is prominent amongst many of the workers, and has installed a submissiveness amongst many, says Nieves Ribullén: “The worker today is submissive and what they feel is fear. It is the only job they have”. (Interview with author, 2019).

As I have shown, Venezuela is now experiencing an unprecedented exodus of PDVSA workers that differs greatly from the exodus experienced in 2003. The drivers for the mass-resignations of today is that the company cannot provide for its’ employees, rather than being politically motivated. Workers in PDVSA tell of a seriously unattractive working climate: Near worthless wages, dangerous working conditions and an increase in political pressure and repression on behalf of the leadership. There are indications that this repression has intensified under Maduro. The current exodus, it can be argued to a larger extent than the 2003 exodus, is creating a new corporate restructuring in PDVSA, with the further loss of qualified personnel. In turn, this corporate restructuring is affecting production levels negatively.

6 Conclusion

The current collapse in oil production in Venezuela is exacerbating a growing and profound humanitarian, political and social crisis that has national, regional and international consequences. The objective of this thesis has been to undergo a comparative analysis of the oil policies of Hugo Chávez and Nicolás Maduro, in order to identify differences and similarities, elements that again can serve as explanations to the decline in production. The research question that was guiding my analysis, was to “what extent are the causes for the oil collapse a product of Madurismo rather than a consequence of the continuation of the policies of Chavismo?”. I argued that the research proposal was attractive both for the policy and academic worlds, as it set out to contribute with further insight and explanations to a central debate concerning the incumbents role in causing the collapse. I operationalized the collapse in production through three parameters that were decisive to Hugo Chávez’s oil policy; political control exerted over PDVSA, the government’s relationship with IOCs and workers conditions in PDVSA. In order to
answer the research question and conceptualize the findings, a theoretical framework was developed with the aid of existing literature from the fields of comparative politics and international relations and on Chavismo, specifically in relation with oil policy. I find that the policies implemented by Chávez’s government laid the foundations for the ongoing collapse in production. In obtaining full political control over PDVSA and the influx of oil rents, he removed oversight mechanisms that facilitated large-spread corruption. The arbitrary and unpredictable resource nationalism towards IOCs sacrificed productivity, while contributing to a further dependency on foreign ventures. Through the mass-firings of the meritocracy in PDVSA, the government further sacrificed technical and productive capacity for loyalty and political control. The potentially far-reaching negative consequences of Chávez’s policies were balanced through a favourable international context, with high prices and willing investors, providing PDVSA workers with good economic conditions.

Maduro has largely followed his predecessor’s oil legacy. He exerts tight political control over PDVSA. Due to a change in the internal mechanisms of power, the government has substituted the existing leadership with the military. It has no prior experience in the industry and is accused of a profound lack of knowledge and contributing to an escalation of repression in the company. The change in leadership occurred shortly after the introduction of tighter sanctions. Due to the sharp decline in oil output after these two events, it is probable that both have intensified dwindling production patterns. The business model towards IOCs remains the same as under Chávez’s government. However, the international context has changed drastically. Maduro has overseen lower prices, high levels of antagonism with IOCs and foreign actors, in addition to tighter sanctions. The sanctions that inhibited PDVSA’s ability to restructure its foreign debt in August 2017 have exacerbated the dwindling production patterns. Under the altered external context the shortcomings of the oil model can no longer be balanced out. As the government’s dependence on production from joint ventures has increased, the external conditions leaves the Maduro government vulnerable. The IOCs that are committed to continuing work in Venezuela despite the antagonism, the undesirable business model, lower prices and the international sanctions regime, are ensuring Maduro’s government financial survival. The profound economic crisis has provoked an exodus of PDVSA workers, which is creating a corporate restructuring causing further loss of skilled workforce. This could be a factor in further
driving production levels down. For the workers that still remain, repression and worthless wages are the norm.

We are able to conceptualize the findings through the analytical framework developed in the thesis. Moving past simplistic notions of the resource curse being the unavoidable outcome for resource-abundant nations, Chávismo’s example demonstrates that institutional weaknesses are decisive for when the resource curse materializes. As the institutional resource curse developed by Corrales and Penfold (2011) argues, the dismantling of existing institutions has been a mechanism to ensure political power and survival in Chavismo. Gaining control over the discretionary use of oil rents enabled this approach. The examples of removing mechanisms of oversight and accountability were many: Chávez’s government manipulated the budget through systematic underestimation of the Venezuelan oil basket, generating large revenues that the government was free to use unaccountably (Corrales and Penfold 2011: 59). Through politicizing PDVSA, the company essentially became a prolonged arm of the government, with Rafael Ramírez becoming both president of the company and Minister of Oil and Energy. PDVSA’s vast social spending, deprived of oversight mechanisms, essentially sacrificed productive capacity of the company to ensure the government’s electoral survival.

The policy measures implemented by the Chávez government, primarily the total political control over PDVSA, the business model towards the IOCs and the corporate restructuring of the oil company, in sum lead to widespread corruption, drove down productivity and sacrificed the technical capacity of the company. The lack of institutional capacities after the removal of oversight mechanisms facilitated the predatory traits of the regime to grow and the resource curse to materialize. While the hybrid regime under Chávez could not be classified as a predatory state by Evans’ definition (1995), I argue that the institutional configurations he went forward with facilitated the predatory traits of the regime. As the economic crisis unfolded, these traits became more evident and under Maduro’s regime these characteristics have strengthened themselves with a breakdown of basic services, further scarcity of food and medicines and increased repression. While the economic crisis makes the state struggle to meet minimum requirements for its citizens, it is letting incumbents like the military and other government-allies pursue their own goals at the expense of the larger society.
With my research I have contributed to existing literature on Chavismo and its oil policy more specifically. I have also challenged some of the literature on Chávez’s oil legacy. Although the external context is different, Maduro’s government is to a large extent following the policies implemented by the previous government. I therefore dispute Hellinger’s (2017) portrayal of the problems of increasing debt, faltering economic progress and institutional weakness as occurring in a vacuum, and rather argue that these are products of the policies implemented by Chávez’s government and continued by Maduro’s.
Literature:


Comercio de Los Hidrocarburos. Gaceta oficial 1.769. Caracas: República de

Congreso de la República (1975) Ley Orgánica Que Reserva Al Estado, La Industria y El


ConocoPhilips (2019) International arbitration tribunal orders Venezuela to pay ConocoPhilips
$8,7 billion for unlawful expropriation of company’s oil investments. Available at: 
http://www.conocophillips.com/news-media/story/international-arbitration-tribunal-orders- 
venezuela-to-pay-conocophillips-8-7-billion-for-unlawful-expropriation-of-company-s-oil- 
investments/

Nacla Report on the Americas.


Flores-Macías, A (2010), Statist vs. Pro-Market: Explaining Leftist Governments’ Economic


Hausmann, Ricardo and Muci, Frank (2019) Don’t Blame Washington for Venezuela’s Oil Woes: A Rebuttal. *Americas Quarterly*. Available at: https://www.americasquarterly.org/content/dont-blame-washington-venezuelas-oil-woes-rebuttal?fbclid=IwAR0OhcGq79eYgAvLD1Y6obiSeL6heGB0MLZIKuoARzy1KIS0vna8Qbw8zsk


Monaldi, Francisco (2019) Para los que me preguntan si durante Chávez hubo crecimiento económico (Twitter). Available at: [https://twitter.com/fmonaldi/status/1092875717963141120](https://twitter.com/fmonaldi/status/1092875717963141120)

O’Donnell, Thomas (2016) Russia is beating China to Venezuela’s oil fields. 
_Americas Quarterly_. Available at: [https://www.americasquarterly.org/content/russia-beating-china-venezuelas-oil-fields](https://www.americasquarterly.org/content/russia-beating-china-venezuelas-oil-fields)

_Reuters_. Available at: [https://lta.reuters.com/articulo/petroleo-venezuela-empresasmixtas-idLTAKCN1PY0ND-OU SLT](https://lta.reuters.com/articulo/petroleo-venezuela-empresasmixtas-idLTAKCN1PY0ND-OU SLT)


Patton, Michael Quinn (1999) _Enhancing the Quality and Credibility of Qualitative Analysis_. 
HSR Health Services Research 34:5 Part II.


Slav, Irina (2018a) Venezuela is doing something it hasn’t done since the 90s. OilPrice. Available at: https://oilprice.com/Energy/Energy-General/Venezuelas-Is-Doing-Something-It-Hasnt-Done-Since-The-90s.html

Smith, Scott (2019) Oil workers flee Venezuela’s crisis for a better life. Associated Press. Available at: https://www.apnews.com/a133dc7090604feeb5e700e9db2345c9


Toro, Francisco (2017) Russia is now Venezuela’s only hope. *The Moscow Times*. Available at: https://themoscowtimes.com/articles/russia-oil-caracas-59893


Voz de América (2016) Aprobación de Maduro baja a menos del 20%. Available at: https://www.voanoticias.com/a/venezuela-datanalisis-encuesta-aprobacion-maduro/3602064.html


## Appendix 1: Interviews

<table>
<thead>
<tr>
<th>Interview number</th>
<th>Place and date of interview</th>
<th>Informant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview 1</td>
<td>Caracas, 12.11.18</td>
<td>Sary Levy, economist, Universidad Central de Venezuela.</td>
</tr>
<tr>
<td>Interview 2</td>
<td>Caracas, 13.11.18</td>
<td>Alejandro Grisanti, economist, Ecoanalítica.</td>
</tr>
<tr>
<td>Interview 3</td>
<td>Caracas, 15.11.18</td>
<td>Ramón Key, economist, IESA.</td>
</tr>
<tr>
<td>Interview 4</td>
<td>Caracas, 16.11.18</td>
<td>Christina Tovar, lawyer, Asociación Venezolana de los Hidrocarburos (AvHI)</td>
</tr>
<tr>
<td>Interview 5</td>
<td>Caracas, 16.11.18</td>
<td>Luis Grisanti, economist, Asociación Venezolana de los Hidrocarburos (AvHI)</td>
</tr>
<tr>
<td>Interview 6</td>
<td>Caracas, 20.11.18</td>
<td>Carlos Mendoza Potellá, economist, Banco Central de Venezuela (BCV)</td>
</tr>
<tr>
<td>Interview 8</td>
<td>Oslo, 27.01.19 (phone interview)</td>
<td>Endy Torres, technician, PDVSA, Puerto La Cruz.</td>
</tr>
<tr>
<td>Interview 9</td>
<td>Oslo, 05.02.19 (phone interview)</td>
<td>Alirio Villasmil, maintenance department, PDVSA, Maracaibo.</td>
</tr>
<tr>
<td>Interview 10</td>
<td>Oslo, 14.03.19 (phone interview)</td>
<td>Nieves Ribullén, engineer, PDVSA, Punto Fijo.</td>
</tr>
<tr>
<td>Interview 11</td>
<td>Oslo, 16.03.19 (phone interview)</td>
<td>José Bodas, union leader, PDVSA, Corriente, Clasista, Unitaria, Revolucionaria y Autónoma (CCURA)</td>
</tr>
</tbody>
</table>
Appendix 2: Interview Topic Guide

Question sheet for oil experts and economists:

<table>
<thead>
<tr>
<th>Main topic</th>
<th>Refining questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reasons for the collapse</td>
<td>• What would you say are the principal causes for the collapse of the oil production?</td>
</tr>
<tr>
<td></td>
<td>• What are the similarities and differences between Maduro’s government and Chávez’s government oil policies?</td>
</tr>
<tr>
<td>Militarizing the industry</td>
<td>• What would you say are the motives for the purging of the leadership in PDVSA, and re-emplacing it with military leadership?</td>
</tr>
<tr>
<td>Relations with international oil companies</td>
<td>• To what extent does the economic crisis force Maduro to revert some of the policies implemented by Chávez in relation to the IOCs working in Venezuela?</td>
</tr>
<tr>
<td></td>
<td>• Which role can external investment play in the recuperation of the industry?</td>
</tr>
</tbody>
</table>

Question sheet for representatives of the IOCs in Venezuela:

<table>
<thead>
<tr>
<th>Main topic</th>
<th>Refining questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conditions for IOCs in Venezuela</td>
<td>• How would you say the general concern amongst the foreign companies has developed over the 15 years your organization (AvHI) has existed?</td>
</tr>
<tr>
<td></td>
<td>• How concerned are they with regards to the increased antagonism: employees getting arrested etc.?</td>
</tr>
<tr>
<td></td>
<td>• What is the common denominator amongst the companies that decide to</td>
</tr>
</tbody>
</table>
stay in Venezuela?
- What are the signals you are getting from the government in terms of changing the existing business model?
- How does the government respond to the propositions you are suggesting?
- How would you describe the existing business model towards IOCs in Venezuela?

**Conditions within PDVSA and joint ventures**
- How would you describe the conditions for the locally employed?
- What are their main concerns?
- What effect has militarization had for the daily running of the industry and for the conditions for workers?

---

**Question sheet for Rafael Ramírez, former president of PDVSA and Minister of Oil and Energy:**

<table>
<thead>
<tr>
<th>Main topic</th>
<th>Refining questions</th>
</tr>
</thead>
</table>
| **The Maduro government** | - How would you describe the current government?  
- How do you see it different from the government you formed part of?  
- Why did you then defend this government up until 2017? |
| **New deals with emerging powers (China, Russia, Turkey)** | - Would you say Maduro is increasingly pushed towards giving more favourable concessions to emerging powers due to the economic situation? |
| **The purging of the leadership in PDVSA and of Ramírez himself** | - What do you think are the motives for Maduro going after the leadership in PDVSA and you?  
- The accusations of corruption does not have anything to do with it? There have been many allegations against your person over the years?  
- Do you fear for your life if you would return to Venezuela? |
### The critical situation in PDVSA

- Do you feel at all responsible for initiating the chaos that is evident in the PDVSA of today?
- Several people have pointed to that production did decline under your tenure as president. What do you say to that?
- Much of the criticism points to that it was the lack of investment, the politicization and corruption in PDVSA that laid the foundations for the crisis today. These problems started under your tenure. What do you say to that?
- The mounting foreign debt that the current government is struggling with, was accumulated under your tenure. What do you say to that?
- Was it not an error accumulating the amount of debt?
- What is your defense to the corruption allegations by the opposition in the country?
- What explications would you give for the current collapse in PDVSA?
- How low do you think production levels can sink to?

### Question sheet for workers and union leaders in PDVSA

<table>
<thead>
<tr>
<th>Main topic</th>
<th>Refining questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working conditions</td>
<td>- How long have you worked in PDVSA?</td>
</tr>
<tr>
<td></td>
<td>- How would you describe the working conditions in PDVSA today?</td>
</tr>
<tr>
<td></td>
<td>- How would you describe them compared to five or ten years ago?</td>
</tr>
<tr>
<td></td>
<td>- What are the biggest challenges related to your work?</td>
</tr>
<tr>
<td></td>
<td>- How can you describe the condition of the equipment in your workplace?</td>
</tr>
<tr>
<td></td>
<td>- What is the income of an average oil</td>
</tr>
<tr>
<td>Topic</td>
<td>Questions</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Repression from the management</td>
<td>• How is the pressure to vote for the government in elections?</td>
</tr>
<tr>
<td></td>
<td>• What kind of measures do they use to exert this pressure?</td>
</tr>
<tr>
<td></td>
<td>• What other kind of persecution are the oil workers confronted with?</td>
</tr>
<tr>
<td></td>
<td>• How does this pressure compare to how it was under Chávez’s government?</td>
</tr>
<tr>
<td>The exodus of workers</td>
<td>• How many people do you know that have left their positions?</td>
</tr>
<tr>
<td></td>
<td>• Why have you chosen to leave PDVSA and Venezuela? (this applies to some of the interviewees)</td>
</tr>
<tr>
<td></td>
<td>• How would you compare the salaries in your new country of destination to Venezuela? (this applies to some of the interviewees)</td>
</tr>
<tr>
<td>Militarization of PDVSA</td>
<td>• How has the influx of the military affected the sector, and the oil workers more specifically?</td>
</tr>
<tr>
<td>IOCs operating in Venezuela</td>
<td>• What is your opinion on the IOCs that still work in Venezuela? (this question applies only to José Bodas, union leader)</td>
</tr>
<tr>
<td>Situation for independent labour unions</td>
<td>• How challenging is it to maintain and lead independent unions in PDVSA?</td>
</tr>
</tbody>
</table>