

The Economic Sanctions on Venezuela:

Consequences, Humanitarian Crisis, Alternatives and Humanitarian Agreement

Econ. MSC. Manuel Sutherland



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ON VENEZUELA: CONSEQUENCES,
HUMANITARIAN CRISIS,
ALTERNATIVES AND
HUMANITARIAN AGREEMENT**
Summarized version / November 2020

Econ. MSC. Manuel Sutherland*

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Introduction

An earlier paper that encapsulates, from an independent and politically unbiased perspective, the delicate situation related to the economic sanctions imposed on the Venezuelan government was published in March 2019 (Sutherland, *Impacto y naturaleza real de las sanciones impuestas a Venezuela*, 2019). In the aforementioned research, previous historical analysis has been performed, from colonial Venezuela until the Chavism rise to power. In this text, such analysis will be suppressed -as it is already available-, as well as other aspects related to the genesis of the Venezuelan crisis and their main cornerstones.

It is important to recall that the economic sanctions -mainly directed towards the oil industry- were barely beginning by the time the study took place. In July 2020, the sanctions reached their climax. In a little over a year and a half, the sanctions have exponentially grown and, in dribs and drabs, they have contributed to demolish the scarce resources that remained standing after seven consecutive years of recession. Thus, the current research will focus on the most recent events of the economic enclosure and their most immediate consequences.

The impact measurement of the sanctions is enormously difficult. Venezuela has been going through the worst economic crisis of the

nation throughout history by far. The current crisis is the most drastic in The Americas' history and it is considered (until 2019) the ninth strongest one worldwide during the last sixty (60) years. The explosion of the crisis -first quarter 2014- dates back before the first financial sanctions of August 2017 and the economic sanctions that did the most damage to the oil industry: November 2018. As a consequence, everything seems to indicate that sanctions were imposed after the crisis and they only inexorably deepen the economic cycle into a more recessive trend.

Despite all these comments, it is necessary to investigate the direct consequences that these sanctions imposed in the local economy, that is, in the national process of wealth accumulation (Íñigo, 2008) and how it determines social events that derive into a Complex Humanitarian Emergency that has made impossible the satisfaction of the most basic human needs for millions of people. In other words, measure the impact that the crisis and the sanctions imposed on the Universal Human Rights related to the economy of an entire nation.

Another important aspect is the measurement of the sanctions' impact on other countries, only with the most relevant macroeconomic indicators, to see their reach comparatively. This is considered important as the current government considers that all the problems have been a consequence of the sanctions and, therefore, it is almost impossible to take action without their withdrawal. Likewise, sanctions have become an ad hoc justification of all current problems, which doesn't seem to be completely true as there is some kind of amnesia related to a series of economic policies that have been the basis of a crisis that started before the sanctions persecution. It is vital to work on these aspects to understand how these sanctions make an impact on other countries compared to Venezuela.

Chronicle of a Death Foretold: Bolivarian Hyper Rent-seeking model and waste of money

The Bolivarian hyper rent-seeking model -that has nothing to do with these sanctions- erupts when the rent is on its peak. It is a problem of excessive income levels that didn't result from the number of products manufactured and sold. Thus, it is considered a provento -an affidavit to the economy generated in other latitudes, industrial centers, and that is transferred to capitals that work in advantageous natural conditions; as consequence, work becomes more productive by the potential increase in prices and the demand must buy such merchandise in less yielding lands, where work is far less efficient (Marx). The described process generates a differential rent type 1 that can reach colossal magnitudes. As the monumental increase is paid in foreign currency, it cannot be absorbed by the economy in a non-organic manner; the "absorption problem" (Baptista, 1997) lies in the economic damage generated by the massive income of capitals. This phenomenon has been studied and derived in several theories, such as the Dutch disease, the resource curse, and rentier capitalism. Unfortunately, Chavism deepened in the rent-seeking model and damaged it with policies that worked as steroids. After the oil price fell or the crude extraction diminished, problems would arise. It was inevitable if resources were not scrupulously saved.

The overvaluation in currency exchange results in the creation of a fictional country, in which the economy seems far stronger than it is, when the productivity of the oil industry with other capital elements is compared, the second one results far less efficient. This offers a far greater purchase power than the income of all non-oil economic factors. This derives in the artificial diminishing of prices related to imported merchandise and the destruction of the local business

competition. When rent falls vigorously, there are no currencies to import and it results in a strong currency exchange correction that brings inflation and a capital leak that deepens further the recessive cycle of the economy. The aggravated consequence is that internal production is devastated by the rent-seeking insertion of oil provento, multiplying the recessive problems of the crisis.

The Bolivarian management of rent further deepened all the aforementioned processes that had happened in the country. The extreme overvaluation was boosted by the triad: currency exchange control assigned at discretion, freezing of interest rates, and excessive supplementary local currency issuing. All of this along with the state hypertrophy, elevated the public imports in over one thousand percent (2003-2012), kneeling a limitless network of client-based corruption that literally “lumped” the economy. This would only end badly as the collapse had to happen proportionately to the economic horrors committed. The crisis burst was -with or without sanctions- absolutely unavoidable.

**SANCTIONS IN THEIR
GENERAL EXPRESSION
AND IN CHRONOLOGICAL
ORDER**

“Sanctions have led national businesses to a destructive effect equal -or even worse- to the one caused by the 2006 expropriation wave issued by former President Chavez”

Ricardo Cusanno (2020), President at Federación de Cámaras y Asociaciones de Comercio y Producción de Venezuela (FEDECAMARAS)

The tortuous path of sanctions should be explained in detail. For space reasons, this will be as concise as possible. In this order of ideas, the aim is to present all the sanctions issued on the Republic, but not all their general implications. In last year’s research, we compiled them since 2006 (Sutherland, Impact and real nature of the economic sanctions imposed on Venezuela, 2019). This time, the spotlight is on the latest sanctions imposed on the country and their immediate impact, hence, it will not address the sanctions imposed before 2017. The source of most of the information has been retrieved from the Congressional Research Service (2019) unless indicated otherwise. Additionally, some obstacles indirectly related to the sanctions that impact the economy will be included.

- » In August 2017, President Trump issued the Executive Order (E.O. hereinafter) 13808 (2017). In it, the first financial measures were imposed on the Venezuelan government. The cause is based on the fact that the government has incurred serious human rights violations, anti-democratic actions and it is responsible for the profound humanitarian crisis. Such measures prevent PDVSA or the Venezuelan government from renegotiating the debt with U.S. shareholders, selling them additional bonds, or contracting financial obligations of any kind. In our expert's opinion, this tactic was a resource requested by U.S. bonds shareholders to force the Venezuelan government to cease the imposition of payment extensions, the swap of debt for more bonds, or the arbitrary refinancing of debt.
- » By the end of August 2017, additional sanctions are imposed in conformity with E.O. 13808. This strictly prohibits people from or related to the U.S. from negotiating or restructuring, on their own or by third-party associates, bonds of PDVSA and the Republic of Venezuela (Federal Register, n.d.).
- » In March 2018, the E.O. 13827 is issued. It forbids all kinds of transactions related to the use of digital currency or crypto actives issued by the Venezuelan government. This strictly prohibits the acquisition of the state currency Petro by U.S. nationals and foreigners who keep business with the U.S. (Federal Register, n.d.).
- » In May 2018, the E.O. 13835 is issued. It prohibits U.S. citizens, residents, and people living in the U.S. territory from buying or negotiating any debt or collateral property in which the Venezuelan government or PDVSA holds more than 50% of the

shares (Federal Register, n.d.). This makes incredibly difficult the restructuring of the debt.

- » In July 2018, the Department of the Treasury issues “General License Number 5.” It legally authorizes the 2020 PDVSA bonds’ shareholders to execute the collateral, that is, the guarantee constituted by the CITGO shares. (Rodriguez, Venezuela Red Book, 2019). Within the selective imposition of sanctions, the execution in favor of shareholders is guaranteed and, therefore, this represents a detriment for the Republic.
- » In November 2018, President Trump issued the E.O. 13850. Here is where the first purely economic sanctions begin. It prohibits and freezes any kind of operations related to gold or any other asset determined by the Department of the Treasury that the Venezuelan government operates with U.S. businesses.
- » On 8 January 2019, the E.O. 13850 is widened to reach 7 individuals, and 23 businesses accused of corruption in currency exchange through specific operations that, according to the U.S. Department of the Treasury, generated 2,400 Million dollars in profit.
- » On 28 January 2018, in conformity with the E.O. 13850, the Office of Foreign Assets Control of the Department of the Treasury included in its sanctioning list the state-owned business PDVSA, which implies that all properties of the oil company under U.S. jurisdiction are frozen. All U.S. citizens are prohibited from doing business with the Venezuelan company. All transactions with PDVSA subsidiaries in the U.S., namely CITGO and PDVSA Holdings, related to the oil and additive imports are permitted until 28 April 2019. Payments made to PDVSA in the U.S. would be frozen in national accounts.

- » On 29 January 2019, the EO 13857 is issued. It recognizes Juan Guaido as “Interim” President of the Republic. Additionally, it is made public that new sanctions will be imposed on the Venezuelan government, not Guaido’s but Maduro’s. This E.O. included the objective of extending the notion of the phrase “Venezuelan government.” In other words, all institutions and individuals that represent the government in any form, including agencies, funds, and officers. This extension also incorporated Banco Central de Venezuela (BCV) as a sanctioned subject, which seriously hurts the economic possibilities of such an important institution and gravely injured the financial path of the country.
- » On 3 February 2019, the Department of the Treasury sanctions a bank headquartered in Russia (Gazprombank), which tried to elude the sanctions the U.S. had imposed on Venezuela, holding state-owned PDVSA bank accounts and serving as broker for international payments. Afterwards, the accounts of the Venezuelan oil company migrated to Rusfincorp (property of the Russian arms export business Rosoboroneksport), previously sanctioned in April 2018 (Banca y Negocios, 2019).
- » On 25 February 2019, the Department of the Treasury sanctions all governors of Venezuelan states aligned with Maduro, which prevents them from making institutional operations with all kinds of U.S. companies and people. This is subjectively extended to companies doing business with correlated people, creating a wave of bank account closures to all kind of businesspeople. This over-compliance takes place because of the elevated costs of paying an in-depth research that can really decipher the connections established with every company. It is more cost-

effective to close the door and elude the moral risk. Once again, innocents pay for the sins of the guilty.

- » On 1 March 2019, the U.S. sanctions security officers of the Maduro regime, according to the Department of the Treasury, associated with the violence and obstruction of the international humanitarian assistance. These sanctions are established fundamentally on members of the armed forces and other representatives of the security area.
- » On 11 March 2019, the OFAC sanctioned the Russian bank Evrofinance Mosnarbank for trying to elude the punitive measures imposed on the “illegal regime of Nicolas Maduro,” under the framework of the growing pressure on the Venezuelan president to call for new elections (Europa press, 2019). 49% of the shares of the Russian bank belong to Fondo de Desarrollo Nacional (FONDEN), property of the Venezuelan Executive and it has served for diverse international operations, such as receiving funds for commercialization of Petros, a crypto active issued by the Venezuelan government and also sanctioned by the OFAC (Banca y Negocios, 2019).
- » On 22 March 2019, the Department of the Treasury sanctions the Venezuelan state-owned businesses MINERVEN (gold mining business), BANDES (State-owned Bank for Development), Banco de Venezuela (Universal State Bank). This makes extremely difficult to perform the international operations of payment the nation needed to carry out through BANDES, which makes even more difficult to meet the foreign payments, including the import of medicines and food.

- » On 5 April 2019, the Department of the Treasury sanctions companies that operate in the oil sector of the Venezuelan economy and that transport oil to Cuba, threatening the export of Venezuelan oil to the island. Likewise, sanctions were issued directly on Banco Central de Venezuela and its Director, Calixto Ortega. By the end of that month, sanctions are imposed on the Minister of Foreign Relations, Jorge Arreaza, and on Maduro's son, Nicolas Maduro Guerra.
- » On 10 April 2019, the IMF decided to deny access to the Venezuelan government to 400 million dollars that, in special rights, the Republic has for multilateral guarantee. The entity argued that there is a strong political crisis of legitimacy, given that Juan Guaido was declared "Interim" President and they are not completely sure who really presided the country. (Weisbrot & Sachs, 2019).
- » In April 2019, other foreign Venezuelan assets were confiscated by government with close relationships to the U.S. This includes 1,200 Million dollars in gold held by the Bank of England (Weisbrot & Sachs, 2019). In July 2020, the Bank of England affirmed that Juan Guaido is recognized as the legitimate (interim) President of the nation, and therefore, they deny the withdrawal of gold to Banco Central de Venezuela, entity that issued the operation. They also deny the transfer to the UN funds or any other multilateral organism that could help in the fight against Covid-19 by taking over the administration and using it for the purchase of medicines and equipment.
- » On May 2019, the Venezuelan petrochemical company located in Colombia, Monómeros -a branch of PDVSA-, was confiscated by the Colombian authorities, based on the sanctions imposed on

CITGO, and decided to give the property of the company to representatives of Juan Guaido. Monómeros is one of the five main businesses in the sector at regional level. It has 1,400 employees in the Caribbean and earned 1,200 Million dollars in 2017, which represents 46% of the plague killers and agrochemicals in Colombia (García Fernández, Romano & Lajtman, 2019). This is another strike to the national economy by divorcing PDVSA from its main petrochemical association, which produced fertilizers and other vital products for the agricultural industry.

- » On 24 September 2019, the Department of the Treasury takes measures against the entities and ships that operate in the Venezuelan oil industry, sanctioning different Venezuelan and foreign private companies that served for transportation purposes to PDVSA with the end of preventing the state-owned company from exporting oil.
- » On 3 February 2020, the Department of the Treasury established more sanctions on the blocked national airline company (CONVIASA) and it highlights that “it performs transport serviced to people sanctioned by the U.S.,” and that collaborated in the sanctions’ evasion. This prohibits the reception of aircraft that the airline arranges for its flights.
- » On 18 February 2020, the Department of the Treasury sanctions the Russian oil company ROSNEFT Trading SA for ensuring the commercialization of natural resources PDVSA extracted from Venezuela. This constitutes a threat to force ROSNEFT to stop managing PDVSA receivables and trading its oil in the world market.

- » On 12 March 2020, the U.S. increases the pressure on Maduro's regime sanctioning the Russian oil company TNK International SA, which worked as an associate, commercializing for PDVSA after the sanctions imposed on ROSNEFT. TNK Is a branch of ROSNEFT that mostly sells and transports PDVSA's oil. This company traded over a third of the Venezuelan oil exports in 2019 (Reuters, 2020).
- » Amidst May 2020, the U.S. company of satellite TV, DIRECT TV, is threatened by the sanctions imposed on the two Venezuelan broadcasting networks: PDVSA TV and Globovisión. The OFAC demanded the retirement of these two channels from their service offer to avoid severe penalties. The Venezuelan government argued that the national law obligated the TV service providers by subscription to offer all available channels. In this case, the enterprise decided to close operations in its entirety and leave the country (BBC News, 2020). This company handled almost half the global television market and its prices (heavily regulated) were affordable. This was an incredibly important source of information for millions of homes that lost their access to TV broadcasting because the traditional signal does not reach many places and there are no other cable companies that can offer a similar service. Another sanction that seriously affects those who should not suffer from it.
- » On 15 August 2020, the investing company Scale Capital decided to buy the operations of DirecTV Venezuela, the property of the multinational AT&T, and it has agreed with the government of Nicolas Maduro the terms for the restoration of the paid service.

Scale Capital is an investment and business management fund integrated by some managers and former directive positions of DirecTV in Venezuela and the region. Its portfolio includes technological companies that handle electronic payment systems with operations in Miami, London, and Santiago de Chile. There was a positive negotiation process that allowed the restoration of an extremely important service for millions of innocent Venezuelan families that would have lost their access to TV for the imposition of sanctions.

- » Due to the sanctions imposed on PDVSA, the government also has 6,500 million dollars in commercial credits -related to the agreement of energetic cooperation- that could be commercialized for an estimated value of 3,400 Million dollars, which could represent important cash for essential imports. Jamaica has tried to pay around 115 million dollars for PETRO CARIBE bills and there has been no payment method to receive the funds (Weisbrot & Sachs, 2019). This global figure amounts enough if the frozen dividends of diverse mixed companies and other stuck cash flows are added: about 6,989 Million dollars. The total estimates of these amounts, according to Francisco Rodriguez (2020), reach 11,967 Million dollars, almost twice the amount accumulated in the International Reserves by July 2020 (Rodriguez, 2020).
- » The European Union has also taken part in the sanctions to individuals by freezing the assets of more than 30 high-level authorities because, according to them, it has undermined the rules of the democratic game.

- » 14 member countries of the so-called Lima Group have also applied sanctions in diverse and indirect manners. In terms of support and solidarity to the opposition, it has become much more difficult to close the spaces that worked as relief and support. In that sense, many projects were suspended and politicians, along with NGOs, remained unguarded.
- » The Canadian government also imposed sanctions on 14 members of the high-level officers of the Venezuelan government by the end of 2018. One of them is the wife of Maduro: Cilia Flores.
- » These sanctions have the added difficulty of working as a strong dissuasive element, so partners in other countries withdraw their payments, credit letters, and other financial instruments. Italtbank, a small bank created in Puerto Rico that provided intermediary services for the payments of the recently sanctioned BCV, retired their services out of fear of being linked to the Venezuelan government as a collaborator (Weisbrot & Sachs, 2019).
- » The over-compliance of sanctions is very severe out of fear of being punished by the Department of the Treasury. It is also extremely hurtful to the economy because it is already difficult to detect and revert. In other words, covering all the legal conditions the sanctions imply is extremely costly in many cases. Taking into consideration the multimillionaire penalties the Department of the Treasury can impose on those who infringe the rules of sanctions, thousands of honest business people tend to cut all links with Venezuelans. Therefore, as we mentioned, thousands of honest business people without a connection to the

government suffered account closures, assets freezing, and commercial relationship cuts.

In the prior lines, it has been described the main sanctions and problems imposed on the country, or to some of its citizens, that are of public domain. Now, we will shortly analyze their consequences and potentialities

SANCTIONS AND THEIR IMMEDIATE ECONOMIC CONSEQUENCES

“If you take the Venezuelan government’s dollars, you take away the Venezuelan economy’s dollars and without dollars entering the country there is no way to buy food. (...) To say that the government steals 100 percent is to say that there is absolutely nothing. If that were the case, Venezuelans would not be eating anything.”¹

Francisco Rodríguez

By July 2020, sanctions have reached its peak after an accumulation of measurements in diverse sectors, from the armed to the oil perspective, going through finance and economy. The real effect of these economic sanctions is emerging, given that the financial sanctions of August 2017 legally endorse a true impossibility: no one wants to acquire PDVSA and Venezuelan bonds and current shareholders refuse to negotiate a restructuring. The economic sanctions began by the end of 2018 and oil sanctions directed towards the production -certainly, the strongest and most destructive- had barely been restructured by January 2019. Besides having “General Licenses,” issued by the Department of the Treasury, offered certain exceptions to do business until the end of April or mid-July 2019.

Although it is undeniable that, since 2017, it is much more difficult for the government to import food and medicines, this is not the cause of their strong scarcity, but the economic crisis that has been growing in the country since 2004. Hence, it is much easier to say that food and medicines imports could be taking place in companies from

¹ “If you take the Venezuelan government’s dollars, you take away dollars from the Venezuelan economy and without dollars entering the country, there is no way to buy food. (...) To say that the government steals 100 percent is to say that there is absolutely nothing. If that were the case, Venezuelans would not be eating anything.”

India, Russia, China, and others without a problem. The difficulty is the extreme scarcity of foreign currency caused by the production drop in almost all merchandise, in the case of export and particularly oil, steel, and petrochemicals. The fact that food imports in 2018 were only 2600 million dollars (Weisbrot & Sachs, 2019) when it had been 8 times that figure in 2012 (INE, National Institute of Statistics), was not caused by the sanctions, but by the capitalist economy based on the oil rent-seeking model.

Some economists (Weisbrot & Sachs, 2019) argue that the Venezuelan sanctions have been the reason for the loss of international credit, needed for the country's development. The dilemma is that the seriousness of the economic problems has driven away international lenders, who don't believe Venezuela will be able to meet its debts since back in 2016. Therefore, five years ago, the Chinese Development Bank stopped lending money to Venezuela. The giant Asian Bank don't lend or open credit lines to the country either, even with enormous amounts of sparing money. Although Chinese institutions could perceive a loan to a strategic partner like Venezuela represents a minimal part of their immense capital, the government of the country has been reluctant to increase its credit line, which reached 60,000 million dollars at its peak. The relationship is so interesting and unpaired that it has been researched in another paper: Sutherland, *La relación económica entre China y Venezuela en el contexto de la crisis y la extrema pobreza* (2019). Thus, China does not keep providing financial resources to Venezuela, not because of the sanctions, but because of the disastrous state of its economy and the level of legal insecurity that makes the return of investment practically unviable, even if there is an agreement of payment on oil extracted by Chinese companies in Venezuela.

Thanks to the recent sanctions on CITGO, the country can no longer receive the dividends that this company produced and the company cannot export diluents for the production of gasoline or sell light oil to mix the extra heavy product PDVSA extracts. This last aspect is very important because Venezuelan oil is mostly heavy and extra heavy, so it needs light oil -sold by CITGO- to mix them and lower their acidity levels to then commercialize it in the global market.

In addition, CITGO used to buy Venezuelan oil to refine and sell it in the U.S. This could no longer happen since April 2019, and since July 2019 all commercial activity between PDVSA and CITGO was limited. These sanctions that entered in force in January 2019, stroke really hard the national oil industry. PDVSA's only alternatives were to find Chinese, Russian or Indian businesses that would do CITGO's job, which is more difficult because these companies are more costly and less transparent due to the fact that they usually require brokers or morally-flexible companies to evade the sanctions that traditional enterprises with great success in the U.S. do not want to provide. This increases the opacity in finances, corruption, and the fund deviation through intermediaries. It also reduces the net benefit for the nation, which also diminished the amount of rent available to distribute among the most needed.

The U.S. government proudly says that the repossession of CITGO would prevent PDVSA from earning 11,000 million dollars a year (Arredondo, 2019). This action reduces, even more, the amount of foreign currency available drowns PDVSA and makes it more difficult to meet with the payments, which is also useful to auction off its assets abroad for the "default." What's more, PDVSA 2020 bonds have CITGO as collateral. As the 900 million dollars of capital could not be

paid, there is a strong risk that CITGO -valued in 8,000 million dollars- may be auctioned off at a lower price than its real value.

CITGO's embargo is very grave, but it is not the cause for the drop in oil production, as Weisbrot & Sachs (2019) argue in a very informal manner. CITGO commercialized up until 580,000 daily barrels with PDVSA relatively recently, but the amounts that PDVSA couldn't send to CITGO could be placed in other markets, and the diluents and light oil can also be acquired in other spaces at a much higher price, of course, which would severely reduce the benefit. This cannot justify an oil production drop of approximately 70% (2008-2019). Such a fierce fall can be appreciated as a slide that starts as early as 2009 (Hausmann & Muci, 2019), almost 9 years before the first oil sanctions. In fact, according to Atlas Económico (n.d.), the export of crude oil in 2016 had already fallen 68%, in comparison to the year 2012.

The oil production drop has multiple factors and all of them are separate from the recent measures taken on PDVSA. It could be said that the meager effective investment, the currency exchange at a very low price, the scarcity of qualified workforce at incredibly low wages, the enormous corruption in the company administration, the little internal income for giving away gasoline, the expropriations and problems with transnational contractor companies, and the exaggerated debt agreed to get the foreign currency that was later given away in an internal market at a microscopical price; are constituting elements of unprecedented business destruction. All of these factors are completely omitted by Weisbrot & Sachs (2019).

Gasoline subsidies are decisive in the company's downfall

The gigantic dimensions of the cost related to the gasoline subsidies are little known. The data of these expenses is scarcely known, which brings a wide range of different estimations. One of these calculations has been performed by an expert in the oil economy, Rafael Quiroz, who considers that the sale of gasoline to the general public at such low price generated losses that amount to 12,000 million dollars a year: "(...) Taking into account the real costs of the oil industry for gasoline production to supply the internal market" (EFE, 2020). This outrageous sum is more than a quarter of Bolivia's GDP in 2020, but it could be a larger figure if opportunity costs are considered, that is, what PDVSA does not earn in the international market for the same supply. Our estimates of annual effective loss, including opportunity costs, are much moderate. Yet, being extremely modest in the calculation, opportunity costs rise to 11,000 million dollars, detailed in the following chart.

The accumulation of this loss for the period (2004-2019) shows an impressive figure of 183,000 million dollars. Using just 10% of this astronomic value, 244 state-of-the-art hospitals could have been built if we take as a reference El Salvador, where there are 1,000 ICU healthcare units -especially urgent to treat people with Covid-19 in its highest stage- and 2,000 hospitalization beds (Diario El Comercio, 2020).

Subsidio de la gasolina en 15 años

Gasoline daily consumption in barrels	400,000
Liters per barrel	159.11
Daily consumption in liters	63,644,000
Annual consumption	22,911,840,000
Sales income at \$0.5 per liter	\$11,455,920,000.00
Years of subsidies	16
Accrued loss for PDVSA (opportunity costs)	\$183,294,720,000

Chart 1: spreadsheet, Gasoline subsidies

Source: Own calculation based on the average gas consumption observed in different articles published on *Petróleo y Otras Estadísticas (PODE)*. The 0.5 dollar price equals the current sale price in service stations without price subsidies in Venezuela.

Rafael Quiroz affirms strictly the causes of the crisis concerning the fuel industry:

“There has been no maintaining. There are 6 refineries, out of which -at least- four have 5 or 6 years without having the so-needed yearly stop of production. This is a security and maintenance protocol for every refinery. (...) The problem involves the entire chain and it has reduced the daily oil extraction barrels from 3 million to less than

700,000. Remember that this company “has 41,000 people in its payroll but it used to have 147,000” and “it can be managed by 15,000 to 17,000 people.” (EFE, 2020)

It is imperative to remember that the installed refining capacity in Venezuela was 1.3 million daily barrels. In the highest production moments, the country achieved enough supply for 5.1 million vehicles. This happened while the consumption of gas registered 470,000 daily barrels of gasoline by the time. (Quiroz, 2020).

Sanctions are not responsible for the lack of medicines

According to Weisbrot & Sachs (2019), the sanctions were the reason for a 40,000 people death toll increase during the period 2017-2018 for health reasons: lack of medicines and health assistance. This argument is fallacious and it should start by asking simple questions, such as: Why isn't Venezuela producing its food and medicines? Why wasn't part of the trillion dollars -yes, one million times one million dollars that entered the country between 1999 and 2015- to build a state-owned pharmaceutical industry? Instead, the government decided to raise the medicine imports because the import business was to fraudulently buy the "assigned" foreign currency at a much lower price than the parallel market. Let's remember that the total number of imports achieved the horrendous number of 3,410 million dollars in 2012 when it was 222 million by 1998 (Sutherland, *La enorme escasez de medicinas y el fraude en su importación*, 2015). 222 Million dollars satisfied the entirety of the local market and there was no medicine scarcity, which could be observed by 2013. Yet, the highest fall in medicine imports can be appreciated from 2013 to 2016, where according to Atlas Económico (S.f) the pharmaceutical imports dropped by an impressive 65%. This amount is equal in value to the import of vaccines and serums, but for a briefer period: 2014-2016. That's why the drop in their import is way before the sanctions.

In chart 2, as follows, it is possible to observe that the huge increase in medicines is fraudulent. The amount paid for the medicines is completely disproportionate to the pharmaceuticals that arrived in ports. In the years with the highest intensity, 2012-2014, around nine thousand million dollars were destined to imports of medicines -mostly overpriced- without justification. In 2012, paying 3,410 million dollars (INE), 55.7 million kilograms (blue bar) arrived, but if the relationship between dollar/kilogram of 2003 is sustained, evidently 90 million additional kilograms should have entered the country in 2012. This lack of arriving medicines warns a clear overpricing, useful for the acquisition of the foreign currency, destined to be extracted from the country or to reselling it in the parallel market. Thus, the crisis of medicines is not the responsibility of the sanctions, there are huge problems of corruption that, without a doubt, were developed in a period of a rent-seeking peak. Moving to 2017, the total import of pharmaceuticals reached 674 million dollars (INE). This seems little in comparison to 2012 when there was a rent-seeking peak, but it is more than three times what was imported in 1998 and 50% more than in 2003. Therefore, the imposition of sanctions does not seem to cause the current problems.

Correlation between the important PHYSICAL MEDICINES and their price in dollars

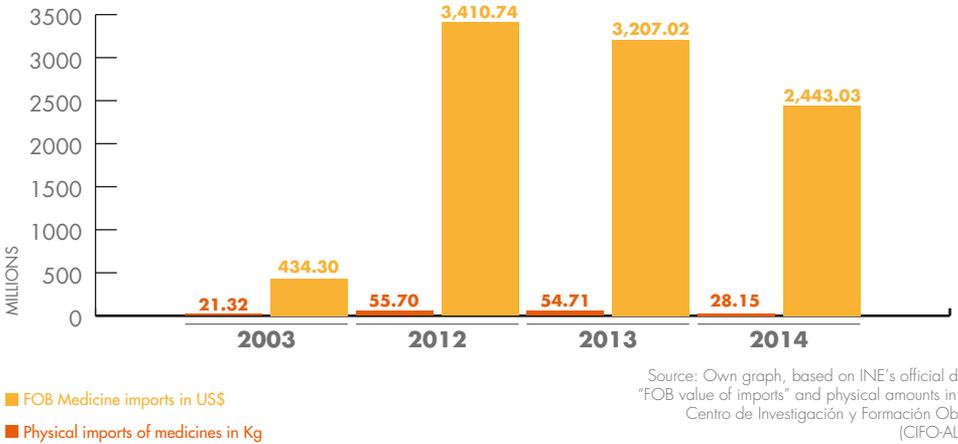


Chart 2: Graph. Correlation between the important physical pharmaceuticals and their price in dollars.

Source: Instituto Nacional de Estadísticas (INE), Comercio Exterior.

[The legend reads millions of physical pharmaceuticals in million kilograms in blue and imports of pharmaceuticals in million dollars]

In suggestive paperwork on the sanctions (Bahar, Bustos, Morales & Santos, 2019), Dr. Santos makes some conclusions in which it seems that certain limits to the harmful incidence of sanctions on the economy are highlighted:

"(...) by the end of 2018, when the most relevant measures had not yet entered in force, the import of medicines had fallen 96% in comparison to 2012 and the food import fell over 70% (...) The economic effect of these measures, concerning the catastrophe generated by Chavism is relatively marginal and much minor to

what interested analysts have wanted to point out (...) For me, it is clear that between 80% and 90% of the generalized deterioration had already been produced before the sanctions."

(Santos M. A., 2020)

The remarkable economists Weisbrot & Sachs (2019) dare to highlight in their paper that the electric collapse that led the city to longstanding blackouts, which lasted for days, also has something to do with the sanctions. The electric system collapse and the strong rationing programs are the results of horrendous subsidizing programs that have ruined the state-owned companies by providing their services at near-to-free rates, which cannot recover the necessary amounts to invest in maintaining and infrastructure. The electric service has been given away for years. The joint consumption rates of several apartments are not enough to cover a single dollar. On the other hand, the great state-owned company CADAFE loses around 40% of its non-billed electricity for sustained robs through illegal connections. It is estimated that the total amount of given subsidies for energetic concepts between 2014 and 2016 amounted to 75,000 million dollars, around 10 times the external debt of Bolivia in 2016. From an accumulated perspective, this sum could be equivalent to twice the real average GDP of 2020. This is unsustainable and an invitation to dilapidation. The state expense in education, health, and housing -conjoined- barely reached 9.6% of the GDP in 2013, way below the energetic subsidy given away (Sutherland, Venezuela y el colapso eléctrico, 2019).

**DIMINISHED CURRENT
EXPORTS TO THE U.S. ARE
NOT THE FAULT OF CITGO'S
REPOSSESSION**

**Maduro has made the international sanctions responsible for the Venezuelan economic crisis ‘even before their implementation’ (...)
the crisis was product of bad governmental management.**

Geoff Ramsey, analyst on Venezuela’s matters at the Washington Office on Latin America (WOLA). (BBC, 2019)

Venezuelan exports to North America, mostly to the U.S., are fundamentally oil-related (94.3% in 2016), which goes to a state-owned company that is well-positioned in the U.S.: CITGO. This company was sold to the Venezuelan state by Southland Corporation, which delivered 50% of its shares in 1986 and the other half in 1990. Until 2005, its infrastructure was composed of seven refineries, some 60 terminals, and a network of 14,000 branded service stations (CITGO, n.d.). In chart 3, it is observed the progress of exports to North America and the serious fall experienced by two factors: the price drop and the production drop of light and medium oil extraction. It is notable that the first financial sanctions entered in force in August 2017 and the economic and oil sanctions at the end of 2018. Thus, this drop has nothing to do with the sanctions.





Chart 3: Graph. Exports to North America

Source: Observatory of Economic Complexity. Exports Destinations and Imports Origins

[The chart reads thousand million of dollars on the vertical axis and years on the horizontal axis]

Venezuela's exports to South America have fallen by 97% from 2011 to 2016. All seems to indicate that the exports have dropped because of a 66.5% drop in oil extraction and a much great fall in the internal production of oil derived exports, such as fertilizing chemicals. In round numbers, the fall for the period 2013-2018 was 1,850,000 daily barrels (Arévalo, 2018). Out of the 3.1 million barrels extracted daily at the beginning of the year 2000, Venezuela in June 2020 only extracts 280,000 daily barrels (Magazine Staff Oil & Gas, 2020). It is calculated that Venezuela stopped earning 33,000 million dollars in 2018 from the U.S. This amount equals five times the International Reserves by July 2020.

**SANCTIONS ARE
HARMFUL, BUT NOT THE
CAUSE OF THE CRISIS**

“The fall in GDP (on this historic scale) is entirely because of sanctions, yes.”²

Ph. D. Aaron Bastani (Niemietz, 2019)³

At this point, it is important to remember that sanctions were imposed when the Venezuelan economy was going through its lowest in its history. From 2013 to 2016, the economy had already fallen by 25% (Salas, 2017), and for the first time in history, a sustained drop of 12 trimesters was registered. The financial sanctions are imposed in August 2017. The first two trimesters of that year, the economy had contracted in 8%, thus, the economy had already dropped by 30% at least, one of the worse GDP falls in The Americas’ history. Therefore, when sanctions enter the financial scene, the economy was already in a serious trend of accumulated destruction (Sutherland, 2018).

The prohibition to restructure the external debt with US bonds shareholders make it very difficult to renegotiate the external debt of the Republic and PDVSA with US people and businesses. But the orders do not imply that other non-American firms can’t buy the bonds. Venezuelan bonds are called “junk bonds,” which make them have a much lower price than the real value. Befriended countries could make an incredibly lucrative business with Venezuelan bonds, but they don’t. Not because of the sanctions, but because of the

2 The fall in Gross Domestic Product (at this historical magnitude) is entirely caused by the sanctions, yes.” Own translation.

3 This autor blames socialism for the current crisis. Yet, it is clear that socialism has nothing to do with the crisis, because the government had many years of economic growth in which no one said-at the time-that it was socialism, but simply the high oil prices. In the depression years, the drop in oil prices, the production fall and the excessive import expenses, among other factors, drowned the country. “Socialism” had nothing to do with it. This topic is addressed in: Sutherland, La ruina del Socialismo no se debe al “socialismo” ni a la “revolución” (2018).

certainty of default, which has been already made public since 2016 in different ways, after several extensions and grace periods. Thus, the impossibility of restructuring the debt is not the fault of the sanctions but the disastrous management of the economy. According to the firm Ecoanalitica, the global amount of delay in payments to the Venezuelan external debt by 2019, sums up 18,000 million dollars (Salmerón, 2020) without adding up debts to providers and other credit lines.

Looking at the paper on the impact of sanctions (Bahar, Morales, Bustos & Santos, 2019), in the specific aspect of the first financial sanction issued by Trump in 2017, it could be observed that it doesn't have the devastating effect that many exaggerate. Let's take a look at it:

"The country risk index of Venezuela -the prime bond shareholders demand the country to pay on top of the so-called risk-free payment-averaged 2,884 basic points in the 30 working days before 25 August, that is, 28.84 percent. This equals the paid differential by the rest of Latin America (3.68%) and 9.5 times the paid amount by emergent markets (3.04%) in the same period. Curiously, the imposition of sanctions was not followed by an increase in the Venezuelan differential (...) The sovereign risk increased in 1.012 basic points (10.13 percent) almost three months later, after Maduro had announced the creation of a Presidential commission to "refinance and restructure" Venezuela's external debt." (Bahar, Bustos, Morales & Santos, 2019)

Monetary liquidity or the progressive destruction of the Bolivar

Those who insist on blaming the sanctions for everything that is going on in the country are experts in omitting the most evident signs of economic destruction before the sanctioning actions. They carelessly omit a series of facts that evidence the gigantic crisis that was growing, and even exploded, before August 2017. We have previously analyzed the GDP and other key indicators for the collapse genesis. In this subheading, we will address a specific indicator regarding the offer of currency, which is closely related to the destruction of our currency: the Bolivar. Taking a look at chart 4, it is shown the monetary liquidity (M2) in relation to its foreign currency equivalent following the official currency exchange amounts until 2002, the parallel market (Dólar Today) from 2003 and 2019, and the official dollar established by BCV for the year 2020. It can be easily noted that liquidity was 47,000 million dollars in 2011 and 1,143 million in 2017. This represents a 97.5% drop in the amount of money all Venezuelans held, including the state and the private sector. It is evidence of unprecedented economic destruction in which the population completely lacks the minimum payment methods to afford the merchandise circulation derived from production. Again, all of this happened before the imposition of the first economic sanctions. Measuring the monetary liquidity per capita, it is observed that each citizen only has 15 dollars (2020), an impressively microscopical figure. It is interesting to learn that the monetary liquidity per capita of the U.S. in Panama reached \$6,443. In Trinidad y Tobago, it is \$12,243; in Chile, \$7,356; in Ecuador, \$3,154; and in Haiti, it is \$372.

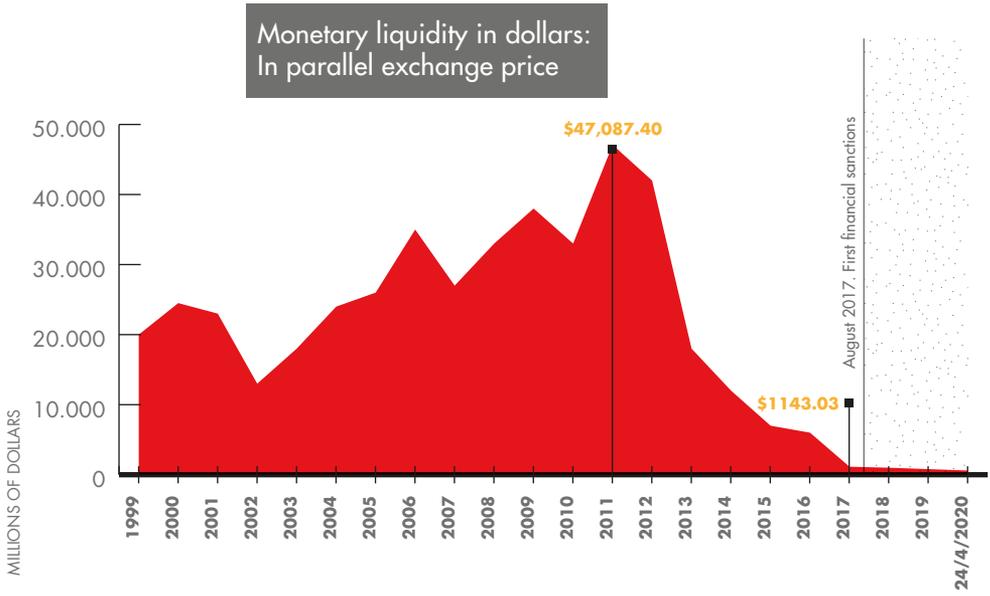


Chart 4: Graph. Monetary liquidity in dollars

Source: BCV, INE, Historic records of Dólar Today.

During the period 1999-2002, the official dollar was used.

Then, the price of Dólar Today (2003-2019).

Lastly, the official dollar price of BCV was applied (2020).

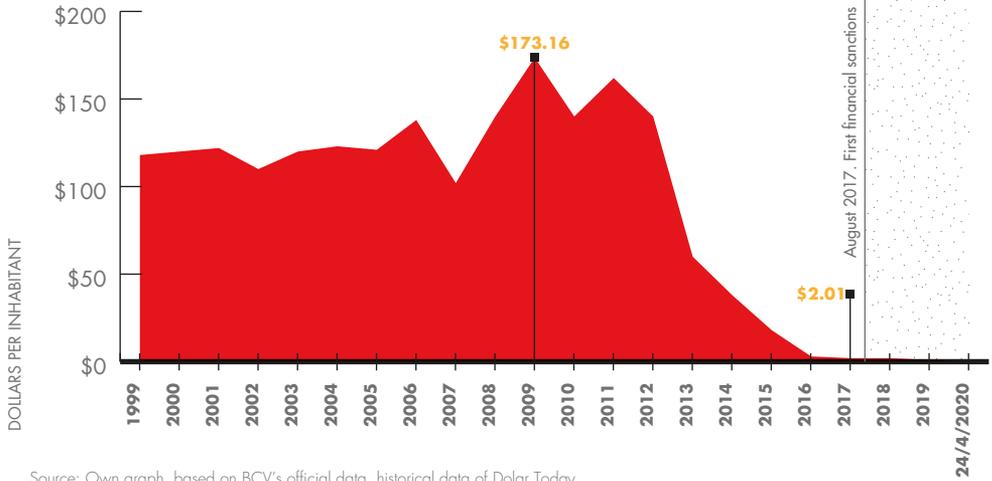
All prices were retrieved on December every year.

[The chart reads millions of dollars on the vertical axis and years in the horizontal axis]

Monetary liquidity per capita as indicator of money disappearance

Venezuela has serious problems with cash availability since 2013, which constituted a severe crisis by the end of 2015. The currency exchange had skyrocketed and inflation had been striking the country for years. Painfully, many of us saw how people carried Venezuelan money in bags and trolleys. In Cúcuta, a border area with Colombia, bolivars were exchanged for pesos, considering that the magnitude of money required to buy 100 dollars was roughly 91,000. Taking into consideration that the highest bill was 100 Bolivars, 910 bills were needed to buy \$100, around 1.5 pounds. Cash scarcity was already too strong and, little by little, money was losing its value and three essential faculties: value reserve, means of payment, and counting unit. In August 2017, 1.8 million Bolivars were needed to acquire \$100, and the highest denomination bill was 20,000 Bolivars. This implied an improvement as only 90 bills were needed to acquire \$100. In 2020, the highest denomination bill is 50,000 Bolivars. Only five units of this bill are needed to afford a single dollar. Bills of the lower denomination are rarely available. Looking at chart 5, it is possible to note the result of an inclement monetary disaster that is derived in the technical disappearance of the local currency. In 2009, the equivalent of Bolivars in coins and bills was 173 dollars per inhabitant. In August 2017, there were barely 2 dollars per capita, which represented a 98.8% fall in the number of coins and bills that circulated in the economy. This destruction of the Bolivar is way prior to the sanctions and it shows us a rent-seeking crisis of an enormous magnitude.

Bills and coins, in dollars per capita



Source: Own graph, based on BCV's official data, historical data of Dólar Today (until 2019) and data of BCV's official exchange rate in 2020.
 Centro de Investigación y Formación Obrera (CIFO-ALEM)

Chart 5: Graph. Coins and bills in Venezuela, in dollars per capita.

Source: BCV, INE, Historic records of Dólar Today.

During the period 1999-2002, the official dollar was used.

Then, the price of Dólar Today (2003-2019).

Lastly, the official dollar price of BCV was applied (2020).

All prices were retrieved on December every year.

[The chart reads dollars per inhabitant on the vertical axis and years on the horizontal axis]

Sanctions do not cause economic collapses: results in other sanctioned countries

The negative effect on the countries is undoubted. All of them, without exception, suffer in a higher or lower degree. Sanctions are essentially different and they are applied in different degrees of intensity and scope. Currently, around forty countries suffer from the economic sanctions issued by the U.S. The initiative of comparing them arose from the report of Neuenkirch & Neumeier (2015) regarding the impact of sanctions in the GDP in several countries, in which it is evidenced the biannual fall in the GDP of 1% to 2%, which is quite meaningful, but it is far from justifying a probable drop of 86% in Venezuela (2013- June 2020). Therefore, it was imperative to check the data of some sanctioned countries and explore their consequences. Countries like Cuba have been suffering from sanctions for sixty years and nations like Venezuela only three, so it is important not to overestimate the comparison and rush into conclusions.

Another aspect that should be highlighted is the fact that Sudan has suffered a devastating civil war that divided the country in two and ceased the life of 400,000 people in the last few years (La Prensa, 2018), thus, its economic catastrophe has an armed conflict and not the sanctions as the central focus. Syria is a very similar case, which has been the victim of a virulent war that has resulted in 500,000 deceased over the last eight years and in a massive migration (BBC Mundo, 2018). Therefore, their economic problems are a consequence of warfare. Another aspect to consider is the incredible difficulty to obtain data from certain countries, which is why the research process was carried out by the economist Reuben Alvarado, Researcher of the Investigation Center of Working Force Formation (CIFO), a

remarkable effort for data compilation that comes from multiple sources and that require his knowledge and contacts. As some factors related to the study were cleared, it is time to enter chart 6.

Main macroeconomic indicators in multiple countries with economic sanctions imposed

GDP (percentile variations)

Period	China	Rusia	Irán	Siria ^a	Cuba	Sudan	Venezuela
2013-2018	48.38 %	-23.81 %	3.85 %	-68.97 %	25.97 %	-44.93 %	-70.09 %
2017-2018	16.94 %	10.90 %	6.83 %	76.92 %	1.04 %	-67.75 %	-51.05 %

Inflation (Accrued percentile variations)

Period	China	Rusia	Irán	Siria	Cuba	Sudan	Venezuela
Infación anual promedio 2013-2019	1.71 %	6.37 %	22.71 %	37.43 %	5.14 %	36.14 %	20155.57 %
Infación anual promedio 2017-2019	2.00 %	2.93 %	27.33 %	24.33 %	5.67 %	48.67 %	46837.00 %

International Reserves (Accrued percentile variations)

Period	China	Rusia	Irán	Siria	Cuba ^b	Sudan	Venezuela
2013-2019	-18.55 %	-5.54 %	-11.86 %	n/d	n/d	120.32 %	-69.21 %
2017-2019	-0.99 %	24.44 %	-0.95 %	n/d	-2.16 %	332.73 %	-31.58 %

Monetary liquidity (M2) (Accrued percentile variations)

Period	China	Rusia	Irán	Siria	Cuba	Sudan	Venezuela
2013-2019	77.63 %	65.82 %	115.32 %	n/d	n/d	756.71 %	332868127.82 %
2017-2019	16.29 %	25.08 %	50.06 %	n/d	n/d	251.40 %	3196646.47 %

Exports of goods and services (Accrued percentile variations)

Period	China	Rusia	Irán	Siria	Cuba	Sudan	Venezuela [*]
2013-2019	7.67 %	-18.66 %	-43.00 %	-30.97 %	-57.92 %	-11.68 %	-62.06 %
2017-2019	4.37 %	17.23 %	-47.96 %	-11.90 %	-18.32 %	-9.17 %	22.90 %

Imports of FOB goods (Accrued percentile variations)							
Period	China	Rusia	Irán	Siria	Cuba	Sudan	Venezuela ^d
2013-2019	1%	-25%	19%	-32%	-19%	-9%	-78%
2017-2019	7%	8%	23%	0%	-1%	0%	-22%

Legend

(a) Data until 2018, calculations were performed until this year

(b) Data from Cuba only from 2013 to 2017

(c) Data of Venezuela's exports until 2018

(d) Data of Venezuela's imports until 2018

* There were estimates available for Venezuela for year 2019, but only official data from the BCV was used.

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Chart 6: Spreadsheet. Main indicators in multiple countries with economic sanctions imposed.

Source: Placed within the spreadsheet.

[The chart reads the titles GDP, Inflation, International Reserves, Monetary liquidity, Goods and services exports and FOB goods. Under each title, the periods and countries are shown.]

The previous chart shows some essential aspects that could be commented on very briefly, because of the aforementioned limitations.

In a summary, it could be said on the country to study that:

- » Only Sudan and Syria have drops as severe as Venezuela's, yet they have very different warfare realities.
- » Syria has experienced a huge economic peak, even when there is still a war in place and it is still sanctioned.
- » Venezuela's inflation (2017-2019) is nearly a thousand times higher than the second country: Sudan. Countries like Cuba have 5% inflation.
- » Venezuela's international reserves have dropped 69%, much more than any other country. Even an oil-producing country like Russia has grown.
- » Between 2013 and 2019, the monetary liquidity in Venezuela has grown 332 million percent, much more than the second country with greatest liquidity expansion: Sudan, with a 757% increase in the same period.

- » Imports (2017-2019) have grown solidly in Venezuela, even though financial sanctions started in 2017.
- » The decrease in Venezuela's imports is pretty suggestive (2017-2019), since sanctions don't seem to be responsible for this, since exports grew and private imports are not subjected to sanctions, which explains the surge of international products in local stores that have increase the total offer of goods. In Iran, a country with deeper sanctions, imports increased 23% (2017-2019).

Carefully, we could say that sanctions don't seem to have the devastating effects on the economy that defenders of the Bolivarian government argue. Even though sanctions have depressed the exports or Iranian oil vigorously, it is interesting to note that all of its 153 oil platforms remain active (OPEC, 2019) and that its imports have grown. Yet, the severe economic problems of Venezuela look very distant to other sanctioned countries. With exceptions (Sudan and Syria), they seem completely different realities.

GDP in sanctioned countries

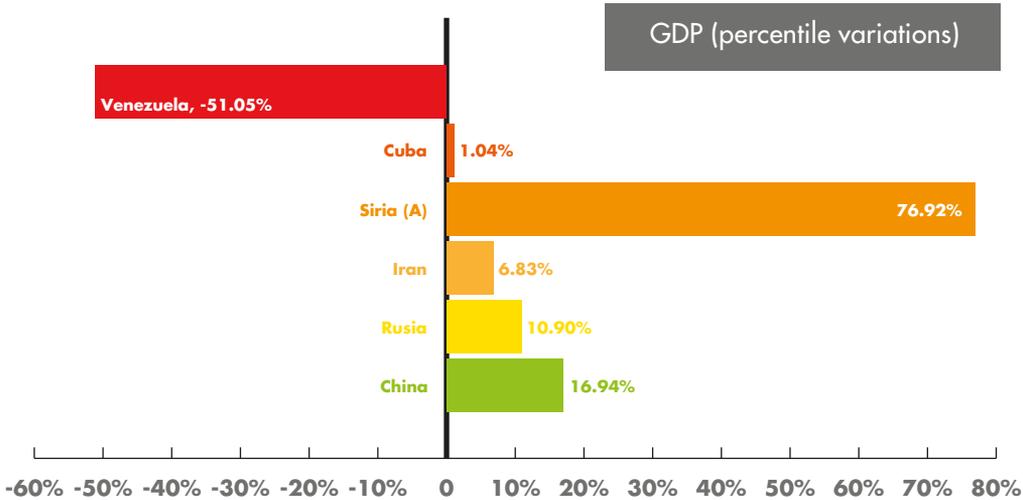


Chart 7: Graph, GDP in sanctioned countries

Source: Available within chart 6

[The chart reads GDP (percentile variations) 2017-2019.

Countries are exposed on the vertical axis and percentages on the horizontal axis.]

Monetary liquidity in sanctioned countries

Multiple analysts that support the Bolivarian government have insisted in making the sanctions responsible of all the negative happenings that Venezuela is experiencing. In a propagandistic manner, they explain that all the cornerstones of the crisis are caused by the impact of sanctions in the economy. Even though Venezuela has been experiencing high inflation levels, even three digits in prior

times to the Chavism, the popularly called “economic warriors” insist that the inflation is “induced” through the manipulation of currency exchange that a website published. Thus, this plethora is famous for arguing that, one way or another, the variations in currency offer are not related to the variation in price levels. That is, it doesn’t matter how much inorganic money is issued and thrown to the streets, this has a neutral effect in prices. As if it were not enough, they have endured that BCV issued money to grant payment means to the people, so they can defend from the so-called: “economic war,” a useful euphemism to diverge all the responsibility of the crisis from the government. A great portion of the “progressive” left-wing has bought this conspiracy theory. Few have noticed a simple aspect: the enormous difference between the currency issuing magnitude in Venezuela and the one in other countries. A simple look in chart 8 can show a good approximation to the concrete reality of some factors that accelerate the rise of prices.

Monetary liquidity (M2) (Accrued Percentile Variations)

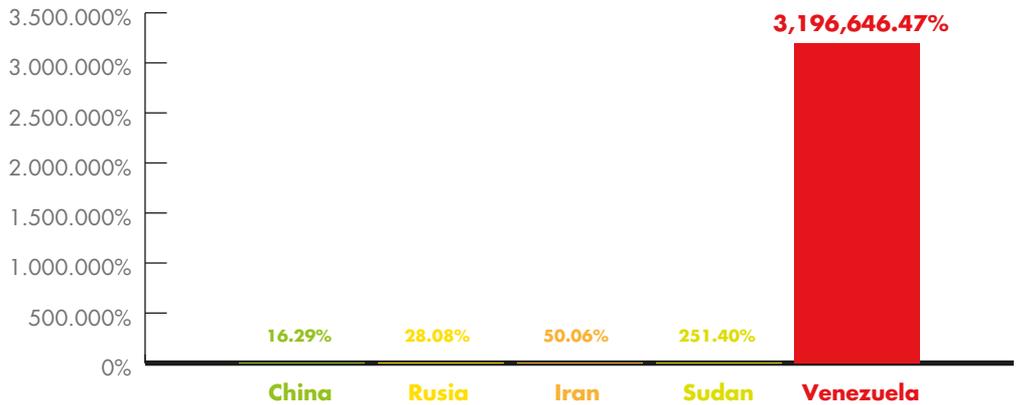


Chart 8: Graph, Monetary liquidity (M2) in sanctioned countries, percentile variations.

Source: Available within chart 6.

[The chart reads Monetary liquidity (M2)(Accrued percentile variations).

Millions percent on the vertical axis and countries on the horizontal axis]

Inflation in sanctioned countries

Certainly, the causes of inflation have multiple factors. Diverse forces can indeed converge synergistically and raise prices until making an economy hyperinflationary. We could briefly say that the fiscal deficit, the fall in productivity, and production drop are very important factors in this respect. However, the monetary component cannot be hidden. The fierce increase in the amount of money in an economy whose production of goods and services is continuously decreasing has to raise prices. The issuing of local currency without any kind of support or connection with the needs of merchandise circulation must force the price increase. The disoriented expansion

of fictional capital, Marx dixit, brings a depreciation of monetary symbols, which execute such a terrible operation. The value loss of a hypertrophied currency is translated in a demand rise for the same goods and services: inflation. Starting on chart 10 and landing on chart 11, we would say that, the case of extreme inflation has nothing to do with the sanctioning actions. Instead, the crazy decision making on monetary policies does. Making others responsible for their own errors is the longest and hardest way to the needed healing to the unbalance.

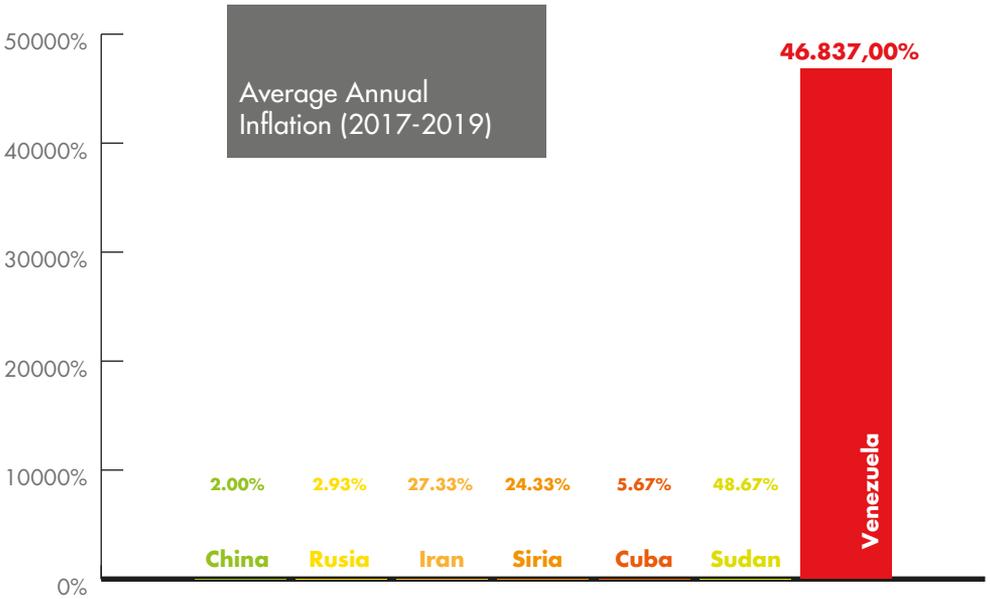


Chart 9: Graph, Average annual inflation (2017-2019)

Source: Available within chart 6.

[The chart reads average annual inflation. Tens of thousands percent on the vertical axis and countries on the horizontal axis.]

International Reserves in sanctioned countries

An interesting indicator is the International Reserves, which should show strong reductions if sanctions prevent the export of merchandise that generates foreign currency. This would oblige to use the saved foreign currency in the International Reserves and, therefore, its numbers should drop sensitively. Taking out the Sudan case, which has a special connotation, it is necessary to see that Venezuela had a huge fall, almost a third, much more than the analyzed countries, including Cuba and Iran. All seems to indicate that the sanctions do not liquidate the IR in such an inexpugnable way as some say.

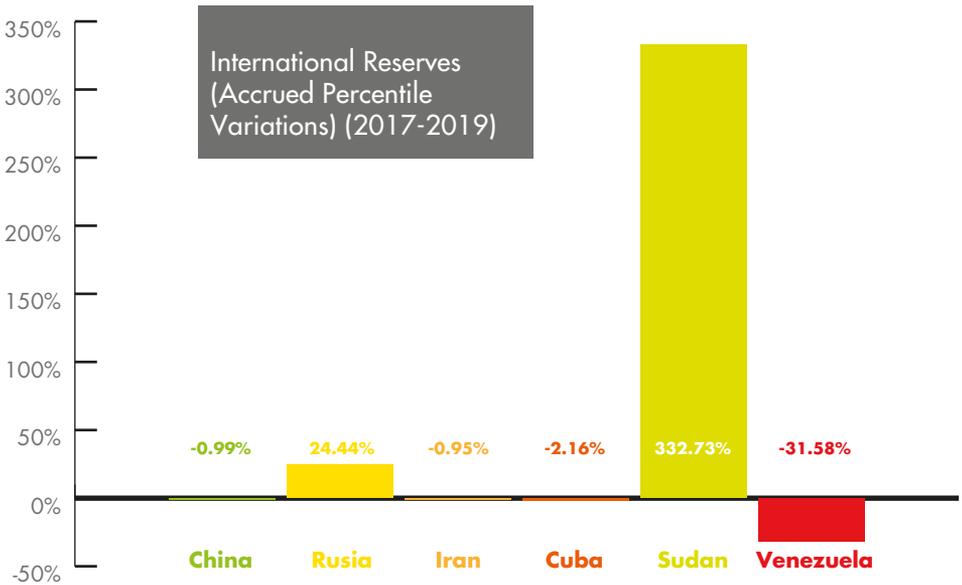


Chart 10: Graph. International reserves, accrued percentile variations (2017-2019)

Source: Available within Chart 6.

[The chart reads International Reserves (Accrued percentile variations) (2017-2019).

Percentages in hundreds on the vertical axis and countries on the horizontal axis.]

**SALARY IN SANCTIONED
COUNTRIES AND THE
DESTRUCTION OF
REMUNERATIONS IN
VENEZUELA**

“The wages raise is a strategic goal of the Bolivarian government. If it has not been adopted (...) [it is because] the blockade has collapsed the income required to increase salaries (...) This is the cause that prevents such needed raise.”

Jesús Faría, Member of the Constituent National Assembly for PSUV party
(Faría, 2020)

As we will see more precisely below, Venezuela’s minimum wage, in conjunction with the food bonus, adds up 3,54 dollars a month by June 2020. The closest followers of the Bolivarian government, like Jesus Faria -a member of the parliament for the official party-, consider that the sanctions prevent them from raising salaries to minimum existence levels. This premise implies that the drop in wages is the fault of the sanctions and that all countries that suffer from them also have a similar fall on the horizon. Also, somehow, “progressist” economists of the government try to make us believe that sanctions were the ones that plunged the salary index of what few years before was the highest of Latin America. History seems to prove otherwise. In chart 15, the constructed data in the research held by the economist Reynaldo Alvarado, we can appreciate China, Russia, Iran, Syria, and Cuba (countries with strong sanctions). The minimum wage had not diminished a dime in any of them. Even in Cuba, the salary has doubled. On the contrary, Venezuelan wages dropped 94% (2013-2020). In 2017, the first year of the merely financial sanctions, the salary plus food bonus, summed 4.11 dollars a month.

So, it is very hard to blame the sanctions for the crisis that has been prior to them. Even in the last three years, the mentioned countries in the comparison haven't had any salary drop, only strong wage increases, even in Syria and Russia (this last one is a nation stroke for the drop in oil wages). Chart 16 shows graphically the aforementioned comments.

Monthly minimum wages in countries with international sanctions (US Dollars)

Year	China	Russia	Iran	Syria ^a	Cuba	Venezuela ^b
2013	224	171	248	75	20	62.77
2014	240	169	210	60	24	40.92
2015	290	106	238	41	28	18.05
2016	304	85	260	30	30	60.85
2017	325	126	244	n/d	31	4.11
2018	348	184	230	n/d	31	6.19
2019	350	162	220	52	42	4.71
2020 jul	360	189	260	77	42	3.54
2013-2020 jul	60.70 %	10.50 %	4.80 %	2.70 %	110.00 %	-94.40 %
2017-2020 jul	10.77 %	50.00 %	6.56 %	156.67 %	35.48 %	-13.87 %

Legend

(a) The calculation for Syria ranges from 2013 to July 2020 and 2016-2020

(b) The wage in US\$, in Venezuela for July 2020, was calculated with the official exchange rate (BCV): Bs. 226,661. For previous years, it was used the indicator offered by the website dolartoday.com

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Chart 11: Own spreadsheet. Evolution of minimum wages in some of the sanctioned countries.

Source: Placed within the spreadsheet.

[The chart reads monthly minimum wages in countries with international sanctions (US Dollars). Years are placed on the left column and countries on the second row.]

Minimum wages in sanctioned countries: 2013-2020

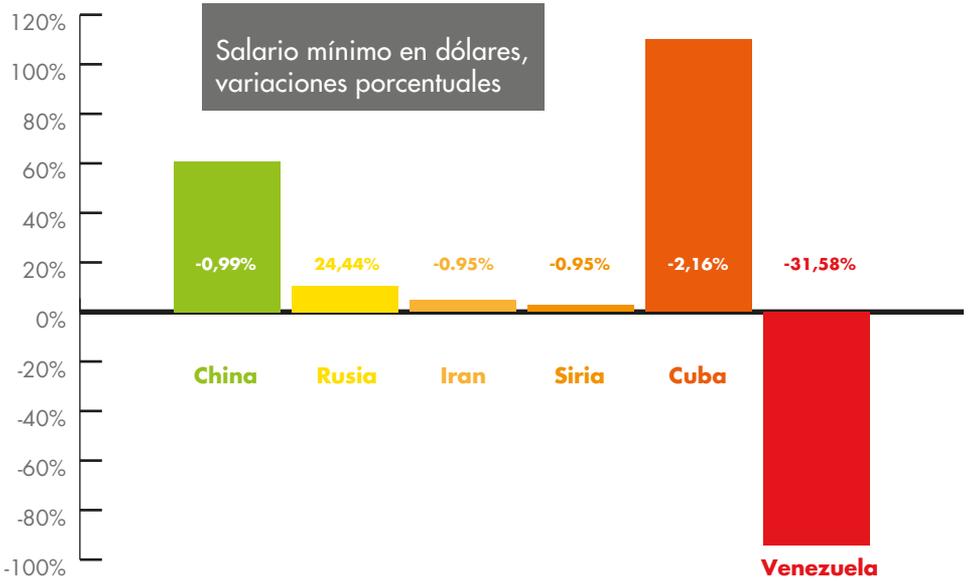


Chart 13: Own graph, Monthly minimum wages in US\$ (2013-2020)

Source: Available within chart 12.

[The chart reads monthly minimum wages in US dollars. Percentile variations 2013-July 2020.

Percentages are on the vertical axis and countries on the horizontal axis.]

**THE SANCTIONS
AND THEIR SOCIAL
CONSEQUENCES: HUMAN
RIGHTS AND VULNERABLE
GROUPS**

“Venezuelans already suffer from lack of food, lack of medicines, lack of public health; (...) in this moment, the best resolution may be to accelerate the collapse, even though it produces a greater suffering period of months or maybe years.”

William Brownfield, Former U.S. Ambassador in Venezuela. (Brownfield, 2018)

“The impact of economic sanctions imposed on Venezuela is similar to the impact of Covid on the human organism.”

Maria Zajarova, spokesperson of the Ministry of Foreign Relationships of the Russian Federation (Sumarium, 2020)

“Washington argues that their sanctions do not prevent the medicine supply (...) from Iran, but the banking sanctions elevate the import prices, block the supply chains and create deathly scarcity of medicines.”

Javad Zarif, Minister of Foreign Relations for the Republic of Iran (Telesur, 2019)

It is really amazing that the imposition of sanctions directly affects a devastated economy that is in an extremely weakened situation is not joint with a series of solid programs of humanitarian aid for the most vulnerable. Venezuela already needed urgent humanitarian aid without sanctions, with them it is even more necessary. Even worse, the confiscated or frozen money by the sanctions hasn't been redirected to help a population that, in a situation of extreme poverty, needs it. The sanctions worsen even more the destructive effects of the crisis that has brought the rent-seeking Venezuelan economy and anyone who lives in the country would understand that the humanitarian emergency worsens with every single day that goes by. Thus, only small donations arrive, which means, there is no compensatory plan to relieve the increasing suffering of millions. This makes visible those who issue the

sanctions, and the Venezuelans that encourage this practice as enemies of those who live in extreme misery. The sanctions drown the weakest, the losers of the rent-seeking festival. It doesn't take the breath away of those who enriched with the rent-seeking cornucopia until the end, since they have unimaginable numbers of figureheads and resources in fiscal paradises.

As the economist Alexander Main says, the sanctions increase the suffering of the Venezuelan people (Main, 2008). These sanctions make more expensive and difficult the import of food and commodities. Even worse, it makes impossible the process to generate foreign currency through state-owned and private companies to acquire food and medicines. This deepens the suffering of the population.

According to the extensive research of Dylan O'Driscoll, studies show that sanctions do not reach the desired result in most cases, and when they are combined with the human suffering they represent, they can often be compared to armed interventions, only that without success in the change of regimes (O'Driscoll, 2017). The economic sanctions lead to a higher poverty breach and non-government sectors of the population carry the highest impact. Most of the time, sanctions do not achieve the objectives, and elites maneuver or evade the adverse effects at a higher level than the poorest citizens, who are honestly unguarded in front of their consequences. Additionally, sanctions have a harmful effect on the inequality of income, focusing the richness more vigorously on fewer hands and in detriment of the helpless (O'Driscoll, 2017).

As has been already mentioned, sanctions don't impact directly the elite of those governments because they have a series of extensive and diverse mechanisms to sort them individually (Oechslin, 2014).

According to the study of O'Driscoll, sanctions tend to punish rural population harder. As explained in the important treaty held in 2015, sanctions imposed on countries between 1976 and 2012, they have reduced an impressive 25% the GDP per capita in countries that suffer from it (O'Driscoll, 2017), that is, its long-term effect could simulate an enormous economic crisis. If sanctions are imposed on a country that has already lost 35% of the GDP, as the Venezuelan case, their effects can be much more serious for the population, given that the economy is already in a profound recessive status. The sanctions double its adverse results.

In another very profound dissertation, it has been proven that out of 67 countries sanctioned between 1976 and 2012, the sanctions have had a severe impact on the economic growth (Neuenkirch & Neumeier, 2015). The grave impact observed shows around 2% of the GDP fall per capita biannually. But, if the sanctions include embargoes, like the case of CITGO, the GDP per capita can back up until 5% biannually. If we take the Venezuelan case, it is necessary to remember that the strictest economic and oil sanctions began in November 2018. In less than two years, it is impossible that they had caused a GDP collapse of 67% (2013-2019). It is simply unreasonable.

An important aspect to highlight is that multiple studies show evidence that sanctions affect even more the most vulnerable sectors of society. Those who are unprotected by the nation, single mothers, farmers, unemployed, and the elderly are those who suffer the most the problems that sanctions imposed on the country (O'Driscoll, 2017) since they are the ones who possess fewer instruments against the harmful effects of sanctions. This deepens notably the trend to fall in the lowest levels of poverty and misery. Another impressive study (Drury & Peksen, 2012) shows that 71 countries that have been

sanctioned from 1971 to 2005 have endured 811 years of sanctions, women have backed up significantly in their social and economic status. The forms of patriarchal violence and the magnitude of violation to their fundamental rights have worsened notably.

**ECONOMIC SANCTIONS
AND THEIR CAPACITY TO
DRIVE POLITICAL CHANGE**

“The economic sanctions have the apparent intention of raising costs for the military and it is expected that somehow they stimulate a rebellion against Maduro. This wrong approach is derived from a bad understanding of the internal dynamic of the government and an excessive faith on the sanctions to bring about change.”

Francisco Rodríguez (Rodríguez, 2018)

“It cannot be considered an embargo in full because it does not prevent commerce among the private sector (...) I believe that the best way to ensure the Chavism remain in power for the next 50 years, would be to implement a Cuban-like embargo 2.0.”

Geoff Ramsey, analyst at the Washington Office on Latin America (WOLA).

(BBC, 2019)

A monography related to the Venezuelan case is performed on the many sanctions imposed on Cuba and their politically concrete results. As Francis & Duncan (2016) explain, over 50 years of sanctions and embargoes didn't eliminate the relationship with the Soviet Union as expected, but it rather strengthened them. According to the quoted research, sanctions punish those who want to work actively with people who need it the most on the island, and leaders of the government remain relatively intact (Francis & Duncan, 2016). The policies of Canada and Europe allowed a commercial opening focused on tourism in Cuba. This fostered higher-paying jobs and boosted reforms aligned with the legalization of private property, the real estate sale, the purchase of cellphones, and the use of the internet. All of this has increased integral policies in La Havana and made more flexible the postures related to the increase of economic and democratic freedom in a suggestive manner.

The strict sanctions imposed on Sudan didn't lead to a political change, as O'Driscoll (2017) explains, they rather made enormously difficult the needed humanitarian aid that is so urgently required by Sudanese people. Furthermore, the impacts of the sanctions and the methods to evade the sanctions led to further corruption and, therefore, greater inequality in the distribution of economic benefits. This even increases the economic inequality between a government that uses state funds at its own discretion and a more impoverished opposition that has fewer funds over time to act politically. This diminishes its effective potency as a political actor and weakens its influence in the struggle for political change. In Myanmar, the sanctions had a devastating impact on the education, economy, and general well-being of the population. The only effect, according to Rarick (2006) is the destruction of a country they pretended to save.

In the voice of the current Director at the organization Oil for food, and the remarkable opposition leader against Maduro, Francisco Rodriguez, we can read the central limitations of the sanctioning consequences:

“Extensive academic research has shown that financial penalties are rarely effective. When they are, it is because incentives are offered to the sanctioned regime, along with a way out, in order to alter the conduct that led to the imposition of sanctions (such as rolling back Iran’s nuclear program in exchange for access to international trade). In contrast, sanctions against Venezuela have pushed the regime into a corner, increasing the costs that the government would face by leaving power and raising incentives for Maduro to ignore the crisis.” (Rodríguez, 2018)

Final Considerations

- » Various estimates affirm that the economy could decline in 2020 by an impressive 25%. For the first semester of 2020, GDP has fallen by -86%, for a period as short as the one spanning the years 2013-2020 (June). This result has undoubtedly been negatively influenced by the sanctions, although they are not the main cause of such a fall, for the reasons explained in this work. Additionally, no sanctioned country has such dire results; in fact, the world record for worst GDP declines has been broken, never before such destruction has been seen. The point is that the sanctions only worsen a dramatic economic situation, they do not represent part of the solution, but seriously deepen the problems previously explained. The deepening of this complex humanitarian crisis seems inevitable if there is not a 180-degree turn in the current dark political endeavors.
- » A real and interesting help, to lessen the voracity of the crisis and encourage the government to attend a negotiation table where democratic plurality is allowed and institutions are established to distribute power among various political factors, would be the restructuring of external debt: sovereign bonds and PDVSA bonds. The very low price of Venezuelan bonds would make the possibility of a repurchase very easy, in which a strong reduction of the global amount of the debt is made and a friendly debt moratorium is developed. A generous grace period would be necessary. Venezuela has immense natural reserves (oil, gold, coltan, etc.) that could be placed as collateral for the payment of the restructured debt. The sale of commodities through future securities could be an expeditious mechanism for economic recovery and the payment of debts. This would also come with

the prompt of political and economic opening measures that would facilitate the recovery and offer more freedom to the citizens. This is a thousand times better than the current draconian pressure, which has not had any positive results.

- » The President of the Foundation Oil for food, Francisco Rodríguez, has proposed in a very interesting way the possibility of making sanctions more flexible and open spaces for the exchange of oil for food and medicine. This swap could take the money withheld in several countries of the world to a kind of international coalition where the red cross, various NGOs, members of the National Assembly, and the central government, can participate in the purchase, management, and distribution of food and medicines that could enter the country and support the fight against the humanitarian crisis. The kidnapping of the nation's assets and refusing to implement humanitarian aid commensurate with the magnitude of the current crisis is the worst policy of all.
- » The United States and the EU should support negotiations aimed at forming institutions that make possible the peaceful coexistence of the country's conflicting political factions, rather than pushing for the absolute replacement of one by the other, through extortion or veiled military threats (Trump Administration).
- » On the possibility of achieving a transition to democracy through elections, Dr. J. Magdaleno found in his research work that in 49% of the cases of authoritarian regimes approached, the holding of elections was a triggering factor for the political change and that in 52% it was an important part of the consequences of the change (Moreno, 2018). Regrettably, this alternative is not taken into

account, and the use of sanctions that further impoverish a population that has been subjected to painful deprivation for years is preferred.

- » The national and international left-wing is very uncomfortable with the Venezuelan case. Understandably, it is radically opposed to the imposition of sanctions that increase the suffering of the most impoverished, that it fights against the possibility of a coup, or even more so, against a US military invasion. On that, we fully agree. The thing is that as Velasco (2019) says, this is a wonderful opportunity to do a deep self-examination, about what is right and what is wrong in Venezuela. In other words, it is time to analyze in-depth the causes of the crisis, the economic policies of Chavism, and the mistakes made by the government in recent years. This would be a very useful learning opportunity for any emancipatory process and it would be an essential lesson to forget the uncritical and automatic solidarity, which has done so much damage to groups that pride themselves on being revolutionaries.
- » Another interesting point should be focused on an attempt to politically depolarize the country. It is necessary that proposals from small political and social groups, which are not supporting either of the two sides in the dispute, emerge and are supported in the country. This could facilitate the search for a broader and more thoughtful consensus in favor of collaborating with the institutional reconstruction of the country, which deserves multiparty voices.

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