Venezuela: A Battle over Resource Sovereignty

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Translated by Alice Chan

Preface:

A comparative study of 7 countries began in 2011, including Brazil, China, India, Indonesia, South Africa, Turkey, and Venezuela. The study ended in 2018, with a full report written in Chinese. What follows is excerpts from the report with its analysis of Venezuela.

China, an emerging country like the rest, is privileged to have a continental size and has undergone a revolution. Despite all the ups and downs, as is elaborated in Wen Tiejun's 10 crises,[1] China has more strength to develop its economy, and it is, as in the case of Venezuela, now coming under more and more "sanctions" from the USA.

Double Cost Transfer to the South

In the new phase of financial capitalism, global crises have continuously erupted inside core countries, referred to as 'implosion' by Samir Amin.[2] Core countries are actively engaged in the strategy of monetary-military-geo-politics to drive reconstruction of the global institutional system, in order to facilitate the dual cost transfer in economic and political dimensions to semi-peripheral and peripheral countries, in Immanuel Wallenstein's sense,[3] reaping the fruits of the global economy to an even greater extent. Otherwise, core countries would not be able to sustain their economic base of an overly inflated bubble by virtual capital, nor the political institution that is built upon excessive indebtedness.

The transfer of economic cost is accomplished by using the power of international currency and financial system to break down the sovereign constraints that developing countries impose on the flow of financial capital, thereby transferring the risk cost of financialization to semi-peripheral and peripheral countries while core countries optimize their own return. The structural contradiction of financial capitalism erupted taking the global economy into the downward cycle. Moreover, the inequity with which the structural wealth income of capitalism is allocated has given rise to increasing discontent among middle and lower classes. Ethnic, religious and regional confrontations exacerbate social instability. Regardless of political systems, almost all governments around the globe are inevitably facing multi-levels of instability economically, socially and politically.

The expensive political and social institutional costs make it imperative for core countries to extract an enormous amount of the global economic return in order to maintain the stability of its system. Yet, the international order and organizations shaped after World War II cannot deal with a uni-polar hegemony that acts independently in accordance with its own self-interest. Core countries can engage in “transfer of political cost”, the main substance of which is monetary-military-geo-political strategic deployment, adding to it all kinds of smart power and soft power moves, to topple governments in semi-peripheral and peripheral countries that are considered as barriers to core countries’ optimization of interest. Such countries could be “de-nationalized”, hollowed out of sovereign substances. Political and economic instability of opponents is on one hand beneficial to core countries’ capital to take the opportunity in acquiring valuable assets and on the other hand would further induce international capital to flow back to core countries. An aspect of “de-nationalizing” is to tear down a country’s capability in adjusting its economy and constraining the destructive flow of capital, to knock out the relatively competitive state capital while its national capital is not yet competent to compete, thereby strangling the country’s long-term international competitiveness.

During the historical process of deepening financialization in core countries, in order to secure their interests in face of the new global layout, core countries have been adjusting the monetary-military-geo-political strategy. These changes constitute the biggest reconstruction since the post-Cold War period dominated by the West after the collapse of the Soviet Union and socialist bloc in 1989 and early 1990s. Most developing countries could only deal with these changes passively, bearing the full force of the impact of economic, political and social instability. Certain emerging countries have attempted to respond to the challenge and build new international geo-political relations to open up development space.

The global monetary-military-geo-political setting in the next ten years will be reshaped by the strategic clash between core countries and developing countries. Yet, core countries ultimately have the upper hand both in terms of hardware and software (including military power, institutional arrangement as well as ideological soft power). Core countries in this post-cold war period would make good use of their ideological soft power to suppress the discursive power and institutional right of developing countries. While instigating regional conflicts they would expedite divide and even directly manufacture mayhems in developing countries.

It should be noted that “post-cold war ideology” as soft power is transmitted mainly by means of technological aid and export of institutional transition services, as well as ostensibly good-will cooperation and exchange in “modern education” and “elite culture” in the humanities and social sciences. Applying edutainment activities that are fun-filled and easy to understand, it takes hold of the developing countries’ knowledge system operated by intellectual cliques for their profits. So long as the soft and hard measures are coordinated, the enormous institutional cost of financial capitalism of core countries could be smoothly transferred out.

It cannot be denied that capitalism, through the smooth transfer of institutional cost, has shown that it still possesses enormous self-adjusting and innovating capability. Core countries have been engaged in internal institutional innovation and policy adjustments in response to challenges from developing countries. What human beings will face next is probably not the “crisis of capitalism” visualized in the mainstream traditional left-wing thoughts, but rather “crisis capitalism” in this new phase, which is that core countries will continue to make use of crises to transfer out the costs of deepening financialization. Following the global financialization, all sorts of crises (financial, debt, regional military conflicts, social unrests, natural disasters and so on) would become the ‘new normality’.

In the following, we will examine how Venezuela bears the double cost transfer of global financialization.

Entrapment of Venezuela

(1) New Monroe Doctrine

2013 was the 190th anniversary of the Monroe Proclamation. On 18 November 2013, Secretary of State John Kerry indicated that the Monroe Doctrine era ended. The present-day relationship among American countries would be built upon a basis of equal partnership and joint responsibility. The US would not strive to interfere in the domestic affairs of other American countries.[4]

On 9 March 2015, U.S. President Barack Obama issued an executive order declaring a national emergency, pointing to "the unusual and extraordinary threat to the national security and foreign policy of the US posed by the situation in Venezuela". One year later, he announced the extension of that order by another year. It gave the U.S. government the right to sanction Venezuela, and in the case of eruption of military confrontations, the right to seize Venezuela's assets. The most significant asset that Venezuela has in the US is CITGO, an oil company that is worth billions of US dollars. The Donald Trump government regards the Constituent Assembly promoted and set up by Venezuela's current President Maduro as "illegitimate", and the US Treasury Department announced sanctions on Venezuela's officials including Maduro. On 11 August 2017, Trump indicated that the possibility of military intervention in Venezuela would not be ruled out. On 21 May 2018, Trump issued an executive order that prohibits US citizens and companies to purchase any Venezuela bonds, and refuses to accept notes with oil export as collateral. On 23 January 2019, Venezuela's opposition leader and Chairman of Venezuela's National Assembly, Juan Guaido, declared himself as "interim' president of Venezuela and was formally recognized by several countries including the US, Canada, Brazil and countries in Europe. Further, Trump implied that military invasion would not be ruled out.

It is generally known that the Monroe Doctrine is a policy of the US to regard Latin America as its backyard, in the name of ideologies such as freedom and democracy. It advocated that in order to defend the US interest, it had the right to engage in political and military intervention in Latin America. At a time when the US was undertaking strategic adjustments, making this high-profile speech commemorating the Monroe Doctrine amounted to an open admittance that all along the relationship between the US and other American countries had not been on equal basis, and that all along the US had interfered with domestic affairs in other American countries for self-interest. The reference to an end of the Monroe Doctrine era could be interpreted from the flip side as the beginning of a new Monroe Doctrine.

The difference of New Monroe Doctrine from before is to reduce the use of direct, naked military intervention, but rather to deploy soft power subversion, making use of the highly ideologized banner of "democracy, freedom and human right' and the new internet media to mobilize middle class groups, especially young people trained under the US education system and grew up with US consumerism, young people who unconditionally accept US values, to participate in political movements and even overthrow governments that are not pro-US. The agents that carry out the doctrine include all kinds of NGOs, think tanks, and foundations. As Allen Weinstein, the founder of National Endowment for Democracy, had claimed, "much of what we are doing today was done by the CIA 25 years ago."[5]

In its strategic analysis, the US has delineated two Latin Americas: one side represented by Cuba, Venezuela and Bolivia, stressing the country's control over resources and national economy; the other side represented by Brazil, Mexico, Peru, Chile and Columbia, upholding so-called "liberalism economy".[6] That means one side has the focus on resource sovereignty while the other side tends to protect the interest of transnational businesses and domestic plantation-type big capitalists.

Regarding these two camps in Latin America, the current strategy of the US is very clear: to co-opt the camp that is already pro-capital and pro-US, and to overthrow the one that insists on economic sovereignty, ultimately to include the entire Latin America, the entire Pacific region and Atlantic coastal regions as an enormous USD lake. That is a macro strategy that will impact the national destiny of the US in the next 50 to 100 years, and it is the core interest of New Monroe Doctrine.

It is only with this understanding that we can see the intention of the US, during Obama's time, in breaking ice diplomatically with Cuba. After barricading Cuba for half a century, the US had long realized that Cuba, without any resources, would hardly threaten the US in reality, and could only be of symbolic significance. The real threat comes from Venezuela with its abundant oil resource, and with the income from that oil the support for Cuba and even a step further, the set-up of the Latin America Bolivarian Alliance. The US on the one hand improved relationship with Cuba until Trump reverted it, and on the other hand has supported all sorts of tactics that aim to subvert the Venezuelan government, ultimately to arrive at the goal of eliminating any possibility of a Latin America alliance that is independent of the US. The Bolivarian government of Venezuela as well as the left-wing political alliance that it promotes will continue to face challenges from domestic and foreign opposition powers. The road ahead would probably be very difficult. If the right-wing government comes to power, the situation would likely be similar to Brazil, going back to the previous way of selling off national resource assets, conceding resource sovereignty, reducing to a large extent the people's welfare.

(2) Manipulated Oil Market

In December 2013, the first national election took place since the death of Hugo Chavez. International oil price was still at a relatively high level. The governing party won in 80% of the counties, including a majority of the big cities. That was attributable to the Bolivarian Revolution of Chavez, the main substance of which was to take back sovereignty over resources and to use the profits from oil price surge to improve people's livelihood, therefore highly supported by the people. Even though the country was facing a whole series of social problems, yet most of the people continued to support the existing government.

It was also an indication that in order to weaken people's trust towards the Bolivarian Revolution, it would be necessary to attack the fiscal capability of the Venezuelan government. As long as oil price declined by a large extent, thereby reducing the government's fiscal revenue and the capacity to execute the livelihood-improving missions, then in conjunction with a shortage of goods in the market the extent of people's support for the government would fall.

In 2014, the Ukraine crisis deepened and following that international oil price fell sharply, from US$ 110 per barrel down to USD 40 per barrel. The relatively lengthy period during which oil price remained low had the objective effect of serious setbacks in countries that relied on oil export for fiscal support. Income from oil export accounted for 96% of Venezuela's export income. Every decline of one USD in price per barrel would reduce the government's income by USD 700 million. Likewise, the other major oil exporting country, Russia, was in similar dire straits.

From the diagrams below, it can be seen that with the rapid decline of WTI and Brent Crude oil prices from the 2014 peak, Venezuela's credit rating went down and bonds fell simultaneously, since Venezuela's national fiscal capacity is largely determined by oil income.

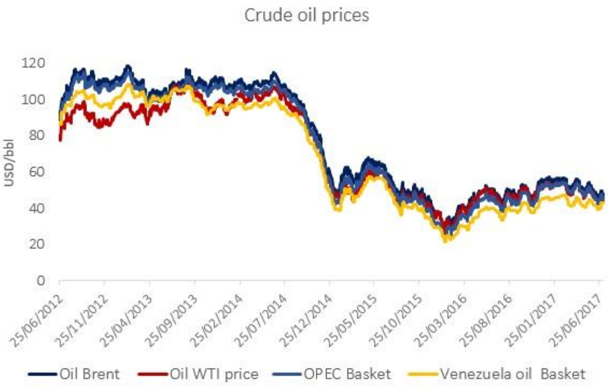

Diagram: Changes in Crude Oil Price (WTI, Brent, OPEC, Venezuela) June 2012 – June 2017
Source: http://oilprice.com/Energy/Crude-Oil/Venezuelas-National-Oil-Company-On-Its-Last-Legs.html

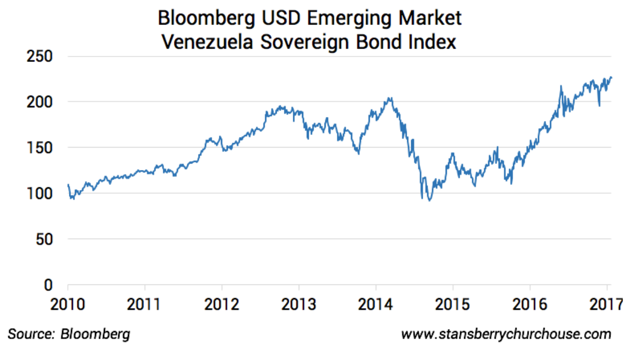

Diagram: Venezuela Sovereign Bond Index (2010 – 2017)
Source: https://seekingalpha.com/article/4079170-goldman-sachs-investing-venezuelan-sovereign-bonds

Venezuela's left-wing government, the gadfly on that huge bull, the US, has been the thorn in the US Latin American strategy. The US could hardly tolerate the existence of the various leftist governments in Latin America. The various Latin American left-wing governments have fallen into political crises, with some of them already overthrown by the rightist forces that were making a come-back. While there have been internal factors in each respective case, yet the clever mesh of opportune timing could hardly be said to be a pure coincidence. Looking back at the other side of the Atlantic where the Putin government had been forced into a strategically opposition position with Europe and USA, the downward push on oil price was no less than a strategy that killed two birds with one stone.

Oil as a raw material commodity would have many factors for the volatility in its price. There is an impact of new resources and shale oil on structural changes in the oil supply market. Yet before supply and demand of energy resource could have adjustments of a fundamental nature, such factors were not sufficient to explain the precipice fall from the peak of around USD 150 per barrel down to USD 36 a barrel. In addition to the geo-political factor that objectively necessitated the 'shorting' of oil price, another reason was the strengthening of USD liquidity. Given that global currencies had been depreciating all around while USD index appreciated continuously, oil price as measured in USD would see the objective effect of substantial falls. Nevertheless, that was also one way by which the US transferred the double layers of costs from their own crisis, directed by 'competing for the worst' type thinking.

On the other hand, the ability for the US to drive a policy of low oil price in order to strike opposing sovereign nations with resources is built upon the tactics of strategic monetary tightening and resource independence. Before then, oil refineries in the US had relied on Venezuela's oil import, including oil sands produced in Orinoco. The hike in oil price has given enormous room for profit to the shale oil revolution, leading to decline in the demand of oil import to the US. From 2007 to 2014, the import of crude oil from Venezuela dropped by half. At the same time, the Keystone Pipeline from Canada was implemented, further reducing US dependence on Venezuela's oil resource.

The fact that the world's number one military power has pin-pointed a small country as having constituted an "unusual and extraordinary threat" would have been unconvincing. Even so, under the geo-political strategic adjustment of the New Monroe Doctrine, the US has begun deployment for the battle to capture this "gadfly". The executive orders of the Presidents provided legality to seize Venezuela's assets. All these have demonstrated that the core countries' strategy to topple this left-wing democratically elected government now enter the final stage.

The biggest impediment that Venezuela, as a sovereign country, has encountered in its participation in the present-day globalization competition is the major adjustment that the core countries have been making in their monetary-military-geo-political strategy.

It is generally known that the US, out of its own interest and strategic needs, has adopted and driven the monetary easing policy that resulted in the surge of international commodity prices, and oil price shot up to the historical high of almost USD 150 a barrel. Countries that have resource sovereignty, such as Venezuela, Iran and Russia, were able to hitch a ride on it. They had reaped enormous profits from oil export and able to apply that to improve people's livelihood overall. The countries that have nationalized the right to the resource, hence the right to the revenue, are bound to be regarded with hostility by the transnational companies based in the core countries. Mainstream media and academic circles in the latter therefore went all out to relentlessly demonize the countries that have taken back the resource right from the hands of transnational companies. Although the government of Venezuela has been democratically elected and given governing legitimacy by the people, it is still being accused of being undemocratic, autocratic, and not complying with the universal values of the West.

Yet no matter how Venezuela and the US opposed each other ideologically, the two countries have always had a close symbiotic relationship economically. The latter has been Venezuela's largest trading partner. 40% of Venezuela's oil has been exported to the US, while imported goods from the US accounted for 26% of total trade (China is the second largest, the two figures being 11% and 15% respectively). The conflict of interest between the two has been: Venezuela hitched the ride on the commodity price surge that arose from the expansion of USD liquidity. Before that, Venezuela's high level of imported goods had given enormous return to transnational companies. The surge in oil price had also given Venezuela the inflow of large amount of USD-based revenue from oil export, thus impacting the scaling-back of the USD index. Venezuela has deployed the US Dollar earned in improving living conditions at the grassroots level thereby winning the trust of the people at large. At the same time, it also actively engaged in creating a left-wing alliance in Latin America, the backyard of the US, in an attempt to counter-balance the traditional influential power of the US in the region.

Because of this the US has openly and clearly supported the opposition in Venezuela, attempting every way to topple the democratically-elected Bolivarian government. The mainstream American media such as *New York Times*, *Washington Post* and so on have relentlessly come up with all kinds of distorted reports that demonize the Bolivarian government. Other neo-liberalist emerging countries closely follow suit in this 'political correctness' that has been set up by the US to demonize Venezuela.

In face of the enormous pressure brought on by the subversive effort that the core country has openly driven, as well as by the domestic economic crisis, in January 2016, President Maduro declared a state of economic emergency in Venezuela, and then on 13 May extended it by another 60 days. Further, the applicable scope of that economic emergency was expanded and a state of emergency was declared for the country. On 1 May 2017, President Maduro further announced the initiation of the Constituent Assembly process to re-make the national constitution in order to maintain peace for the country, to promote domestic dialogues and to resolve the political crisis. The opposition alliance rejected it with full force and called for a succession of demonstration activities the week before election. On 30 July, the Venezuela national election committee indicated that 41.5% of the electorate (over 8 million) participated in the Constituent Assembly election, electing 537 of the total 545 assembly members. The remaining 8 members from among indigenous people were elected on 1 August. In May 2018, Maduro was re-elected president of Venezuela with 68.7% of the vote. By undertaking the political struggle through mass mobilization, the governing party that insists on controlling national sovereignty and applying resource revenue to improving people's livelihood has not in fact deviated from the classical democratic notion - 'of the people, for the people, by the people' - of the West. Yet under the macro context of the resource sovereignty battle, it has been demonized ideologically as a struggle between democracy and dictatorship.

The experience of the Venezuela Bolivarian government demonstrates that a government that attains governing right through negotiations and elections without going through a violent revolution would often encounter aggressive counter-offensives when trying to push for social reforms, from forces comprising vested interest groups, compradors, old bureaucracy, transnational capital, among others. It would usually be difficult to carry out the reform in depth, or to preserve the reform achievements that benefit the people.

(3) Neo-colonial Monoculture

Any country that has maintained monocultural economy left behind from the colonized era, not changing from a colonialized structure, would lack the basic conditions for strengthening sovereignty over the national economy. It was precisely due to its monocultural economy that Venezuela, during that process whereby core countries created a global crisis and then transferred the costs to the outside world, has sustained severe damage, going from an emerging country to "submergence".

As a country that has joined the globalization competition, Venezuela, the government or the people, would without doubt be battered badly in the unprecedented oil price gyrations controlled by core countries. Still, that is not the worst part. The tragic aspect is that, having been entrapped in the situation, some ordinary people do not have full understanding of what has happened and therefore unwittingly instigate further instability – some grassroots people driven to join large scale street politics, instigated by propaganda packaged with smart power of core countries, not realizing that what they are supporting is a political faction that would strengthen foreign control over the domestic resources.

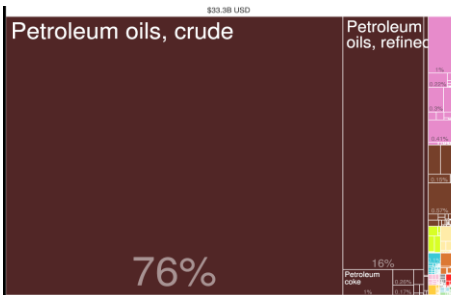

Diagram: over 95% of Venezuela's export revenue relied on oil-related industries
Source: http://atlas.cid.harvard.edu/explore/tree_map/export/ven/all/show/2015/

Venezuela has the largest oil reserve in the world (298.4 billion barrels proven, more than Saudi Arabia). The total output value of oil and natural gas is as high as 25% of GDP. Oil revenue accounts for 95% of the country's total export. In recent years, 40-50% of the government's tax revenue budget comes from income of oil export businesses. Income from oil provides more than 80% of the funds for investing into the arena of social development. It is said that "Venezuela's economy has been highly dependent on the oil industry while development of other industries has been very slow. The economic structure is a monocultural one, the technology is relatively weak and international competitive capability is rather weak. The Venezuela government has anxiously desired the development of national domestic industries ever since the Chavez era, yet most economic development realms require foreign funds and technology".[7]

According to preliminary data disclosed by the Central Bank of Venezuela in January 2017, the 2016 CPI in Venezuela hiked by 800%, the most severe in history, and at the same time the economy contracted by 18.6%, recording the largest extent of economic contraction in 13 years. An internal document of the Central Bank of Venezuela indicated that the oil sector which provided all of Venezuela's hard currency had contracted by 12.7% in 2016, while the non-oil sector contracted by 19.5%.[8] Yet that trend had not happened overnight. Felipe Perez Marti, economic advisor and former Minister of Planning and Development, had already pointed out in a 2014 speech the damage and risk to the national economy from a monocultural economic structure. He pointed out that "Economic development in the society had seen some less than ideal situations. For example, statistical data from March 2014 showed that the yearly average inflation rate has reached 60%, food price rose by 80%, the index for scarcity of goods reached 30%. Daily necessities such as corn flour and milk are still deficient. Another example: the country's reliance on oil is too heavy. The output value of non-oil industries and agricultural produces has consistently declined. Non-oil products accounted for merely 3% of total export."[9] Food, drugs, and so on had serious shortage, and it also led to the very high inflation rate of 800% in December 2016, the highest inflation rate in a country worldwide. As of February 2017, the inflation rate was 741%.

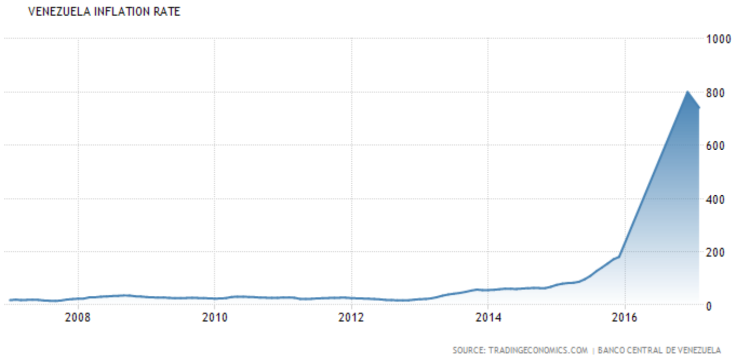

Diagram: Inflation in Venezuela (2007 to February 2017)
Source: https://tradingeconomics.com/venezuela/inflation-cpi

The "21st Century Socialism" of Chavez had particularly demanded the balanced development of the economic structure, transforming the monocultural oil export economy. "Yet it cannot be denied that the reform of Chavez could not resolve the fundamental problem of Venezuela's monocultural mode of economic structure, with the result that the country could only depend on oil to create foreign reserve. Neither could Chavez develop the domestic industries to a significant extent. Basic daily necessities are almost entirely dependent on import, with the result that domestic consumable goods have always had higher prices than in developed countries. Whenever there are instabilities in oil price, the government fiscal income would be directly impacted."[10] If the government reduces the subsidies drawn from the fiscal budget, the low-income groups would fall into a subsistence crisis.

(4) Currency Depreciation

The economic crisis of Venezuela has shown up mainly as the violent depreciation in the value of the domestic currency under the pressure of hyper-inflation.

In February 2013, the official exchange rate of Venezuelan Bolivar was adjusted from 1 USD: 4.3 Bolivar to 6.3 Bolivar, a decline of almost 32% in value. On 23 January 2014, the government again adjusted the official rate to 1 USD: 11.36 Bolivar for citizens living overseas, a one-time depreciation of 45%.

Given that the Venezuela government has adopted currency control amidst pressure of the financial crisis, the official exchange rate might not reflect the reality in the market. The black market for foreign exchange trades has been blatant. In order to suppress it, Venezuela initiated the new foreign exchange market (SICADII) at the end of March 2014, fixing the short-term rate at 1 USD: 55 Bolivar, more than 8 times the official exchange rate. Another foreign exchange market that exclusively served to acquire foreign currency for businesses (SICARDI) had short term rate of 1USD: 10.8 Bolivar. Yet, according to estimations, the real exchange rate for 2014 exceeded 1USD: 600 Bolivar. In 2016, foreign exchange control had completely lost its effect in face of the historically high inflation level. According to data on the website ‘dolartoday.com’ that tracked black market exchange rate, the Bolivar to USD exchange rate on 29 December, 2016 was 3107.3: 1, slightly higher than that on 13 December, which was 3980.5: 1. Still, the 100 Bolivar denomination bill already lost most of its value, equivalent to just around 3 American pennies.

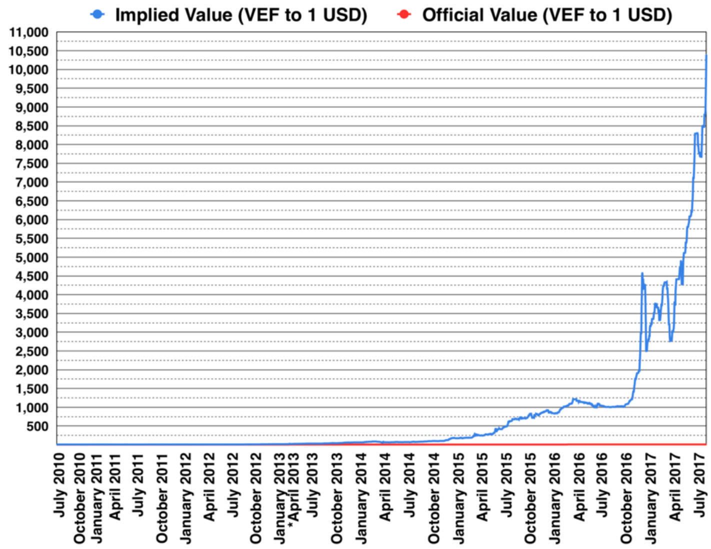

Diagram: Actual exchange rate and official exchange rate of Venezuelan Bolivar
Data Source: Central Bank of Venezuela, Dolar Paralelo, Federal Reserve Board, IMF
Diagram Source: https://en.wikipedia.org/wiki/National_Center_for_Foreign_Commerce

Venezuela has entered a period of currency depreciation since the Federal Reserve Board affirmed ending of the quantitative easing policy. By 2015 when the US initiated the policy to increase interest rate again the domestic currency saw a sudden severe depreciation. Given that the gap between the official rate and the market rate was too wide, most of the middle class who identified themselves by their amount of monetary possession, all undertook “portfolio management” of their family assets, with the outcome that foreign currency in the private sector flowed out at accelerated rates through black market channels. Further, worried that their personal assets would be disadvantaged by hyperinflation in the country, they were bound to oppose the government with vehemence on political matters.

On 4 October 2017, President Maduro proposed the establishment of a basket of currencies for crude oil and refined oil products trades, with the hope of freeing the country from reliance on USD, and further to spread its use to all oil producing countries. In the past, similar proposals had been made by leaders of oil producing countries - Sadden Hussein and Muammat Gaddafi. The way they ended is still clear in people's mind. For the US in which financial interests are still built upon the Petro-Dollar, it seems direct military intervention will be one option under consideration.

(5) Speedy Urbanization

The land resource in Venezuela is abundant. Yet, transnational companies owned large plantations. Agricultural produce is plentiful. Yet in recent years food and daily necessities have been severely short in the market, and the situation is grim. On this issue, the government has even sent the military to temporarily take over tissue paper factories and electrical appliance chain stores to ensure normal operation of manufacturing and distribution. The current problem has had its roots in history. The industrial structure of Venezuela originates from monocultural economy formed from the era of colonization by the West - mainly to export resource to satisfy the western market. More often than not it has the effect of exclusion on other domestic industries.

Using agriculture as an example, in the 1930 agriculture accounted for 22% of Venezuela's GDP and 60% of the labor force. Yet with the development of the oil industry, a large number of the population flowed to cities and the agricultural population declined to below 10%. According to a survey in 1997, out of the 3.4 million hectares of arable land, only 700,000 hectares produced grains. The 17.1 million hectares of land suitable for livestock breeding also had a similar situation. The usage rates of agricultural and husbandry land resource are clearly unsatisfactory.

Furthermore, the agriculture industry also inherited the colonial mode of plantation economy, with transnational companies controlling the more profitable links - export, logistics, clearing, among others. The objective of these companies is to make profit in the international market rather than to serve domestic needs. The consequence is that domestic consumables have a higher price level than that in developed countries. This system of large plantation rejects peasants, resulting in rural poverty and leading to the flow of agricultural population into urban areas, forming slums in the large cities. The production capability of general goods lags behind.

The production of grains on Venezuelan land is being controlled by transnational companies that do not have the inclination to contribute towards satisfying domestic needs or suppressing food prices. On the contrary they take the opportunity to raise food prices for extra profits. For example, the largest private sector food manufacturing business, Polar, had cut the production of maple flour by half in the midst of a situation of severe staple food scarcity. The government denounced these private enterprises for creating food shortage as a way to participate in the economic war aiming to destabilize the government. The food scarcity index published by the country's central bank has been rising since 2012, reaching 28% in 2014. Since then the central bank has stopped publishing this figure.

The urbanization rate in Venezuela is as high as 89%, the highest among Latin America. It is inevitable that it would lead to a surge in violent crimes and deterioration in law enforcement. In face of the current crisis, all kinds of violent crimes including theft and robberies erupted in cities. There are even cases in which multitude of people robbed supermarkets and food convoy vehicles.

The speedy and premature urbanization, accompanied by large-scale urban slums, is a common malice in Latin America. When large number of rural populations abandoned the countryside region for whatever reasons and swarmed to the cities seeking livelihood, whether it is due to inability of the cities to provide accommodation and supporting facilities or inability of the poor population to enter the formal sector that pays reasonable compensation, the outcome is the emergence of large-scale slum areas. The latter usually becomes a lurking danger for law enforcement in the cities. When a problem appears in the economy, the instability in society would usually make a first appearance in the form of a surge in the rate of violent crime.

According to reports, in the first half of 2015 there were more than 2800 cases of protest, many of which were right-wing political movements supported by foreign power. In particular, there were a large number of fake information and fake photos on social media (many were photos of protest scenes taken from other places all over the world in different periods), propagating the message of violent suppression of protestors by the government in the attempt to demonize the latter and agitate the people. This is one of the ways of operation for the contemporary monetary-military-geo-political strategic smart power.

If this phenomenon of Venezuela's social chaos is not considered in the context of global economy and politics, then all these facts might have been summarized as an endogenous economic and social problem, hiding the more deep-seated factor - in the process of the core countries' transferal of their own crisis, Venezuela has borne a double cost, politically and economically. The outcome is a crisis of the imported-type. The domestic changes in economic and social structures are simply inevitable by-products and consequences of this transferal process. Venezuela had not adopted measures that would combat the financial capitalism of the West - strengthened control over capital movements. Under the situation of oil price decline and foreign exchange outflow, and the problems such as food security happening simultaneously, the prospect for keeping the gains of the Bolivarian Revolution is grim.

At the same time, we would re-iterate that over the reliance on a monocultural economic structure in order to upgrade the people's well-being is ultimately not sustainable. To pursue a replicate of the high-cost superstructure of the West is also one of the reasons why many developing countries fall into a development trap. Yet the initiative of developing countries making use of domestic resources to upgrade the well-being of the people is in itself commendable economically and ethically. Nonetheless, Venezuela lacks a complete industrial chain, lacks the capability to adjust domestic food production with transnational companies in control, and lacks a self-determined and diversified national economic platform to satisfy domestic consumption demands.

Conclusion

Early this century, Venezuela hitched a ride on the bull market surge of commodity, pursuant to creation of excess liquidity by global financialization, with the consequence that had appeared positive on the surface yet in actual fact was not so. What one sees on the surface was the opportunity to hitch the ride of core countries' financial expansion, making use of the income from oil export to improve the people's well-being, winning support from the bottom tiers. Yet looking at the substance, since the premium return from resource was that much higher than the normal return from manufacturing industries, under the operation system of the free market, private sector funds flowed out of domestic industries and went into the area with higher opportunity return. What followed was a decline of the real economy and higher unemployment in society. Putting it simply, that was the "Dutch Disease" referred to in economics: the prosperity in primary commodity distorts the economic structure, causing a decline in the industrial sector.

Following the phasing out of the quantitative easing policy in core countries since 2013, export price of resource fell rapidly and very soon the predicament of having to bear the costs of global financial crisis emerged in resource exporting countries. The more deep-seated problem is that these peripheral countries not only lack a pricing right on their domestic resources, they do not even have the discursive right on constructing the institutions. The core countries are therefore able to pass on the viciousness of the crisis, waging the smart power effect of their post-Cold War discourse, putting the blame of economic failures in peripheral countries to their governments, when in fact the failures had arisen from having to bear too much of the costs of the global crisis. Or, the blame would be directly put to those politicians who dared to defy the core countries.

Venezuela is the one country that smart power of the core country has attacked most severely. The uniqueness of Venezuela is not so much the socialist political propaganda of the Chavez and Maduro government, not even their move to establish an anti-American camp among left-wing Latin American allies with the premium oil return, but its attempt to leap out of the colonial economic position that has given rise to the negative externality. Further, the premise of its capacity to gain premium return from oil was to take back the resource sovereignty from the hands of transnational capital, in the name of the revolution supported by the bottom tier people! That is why it is viewed with enmity by transnational capital and the latter's home bases. Furthermore, Venezuela has attempted to take back the discourse right by changing the domestic media and education system that were controlled by the Western soft power, hence it was even more demonized by the mainstream Western media. Tactics in various shapes and forms, both internal and external that tried to subvert the government, have never stopped.

Any country that has certain geo-political weight, so long as it insists on defending the sovereignty of domestic industries, resources or currency, would inevitably interfere with the interest of transnational capital, and bound to antagonize such interest groups and their home countries. The latter would therefore instigate the people in that country to oppose the government, in the name of politically-correct ideologies, through mainstream media in the "pro-core" and "pro-capital" circles among media, academics and intellectuals (especially the white middle class). At an opportune moment, the core countries would collaborate with the smart power by financial and economic attacks, in order to overthrow the government that insists on independent sovereignty, and to replace it with a new government that is willing to concede economic or resource sovereignty in exchange for inflow of capital. The banner they hoist shows various politically-correct “universal values” (such as freedom and democracy, even when targeting a government elected by the people through democratic elections). The universal value of “human right over sovereign right” sounds magnanimous yet what it covers is the substantive question: should the income arising from the country’s core economic sovereignty be shared by the domestic population, or shared by the transnational capital and the latter’s domestic proxy groups?

While Venezuela urgently needs to drive forward “localization” with its ability to mobilize the people through the Bolivarian Revolution, it had encountered the historical opportunity of the QE policy which the US adopted to rescue the market after the Wall Street tsunami, giving rise to large amount of excess liquidity that pushed up resource price. Hence Chavez was able to persistently funnel fiscal income to the poor communities to support small / medium enterprises, adjust the economic structure, and strengthen domestic agricultural and industrial production capability and gradually to reduce the reliance on oil export. It moved towards a healthier and more stable foundation when meeting opposing forces from inside and outside or international economic volatility. Yet following the end of the QE policy of the US in 2014 and the adjustment in the latter’s energy strategy, President Maduro who succeeded the policy of Chavez, however much he strove subjectively, was not able to overcome the predicament of an oil price decline hence the fiscal income decline, followed by rapid rise of foreign debts. At the same time the imperialist countries have adopted strangling sanction measures and instigated domestic comprador opposition forces, making it almost impossible for the Bolivarian movement to continue. The Latin American left-wing alliance also lacked financial support to sustain.

The imported crises coming from core countries’ cost transferal becoming domestic political twists: that is a serious lesson that Venezuela or any country with monocultural economy teach us.

When the world abandoned the gold standard, any sovereign currencies issued by emerging countries that could not have the status of an international clearing currency would only be “soft currencies”. Therefore, US Dollar is needed as the reserve currency, and on that basis the domestic currency would be accepted by the international market. Yet with the increase in US Dollar issuance and the export of excess liquidity around the world resulting in violent volatility in international commodity markets, the effect is “imported inflation” that led to large extent of depreciation of the non-clearing currencies of emerging countries. In this way the price of the virtual capital bubble was transferred to the latter. The more the middle class in these countries scrambled to exchange for US Dollar, the worse the depreciation of domestic financial assets! That is no longer a notion of being Left or Right.

The historical experience of Venezuela is that: if the country lacks a long-term development strategy and a government that can carry it out, it will not be possible to construct a complete and vibrant industrial system with the power of national capital, hence not able to form comparative advantage. No matter how abundant the resource it would not be able to fundamentally improve the well-being for the people as a whole on a long-term basis. The more the reliance on the monocultural or a single sector left behind by the colonialists, the more inevitable that the domestic economy would be vulnerable to attack amidst the cyclical fluctuations in the international market. Industrial structures, just like investment portfolios, require certain diversification to spread the risk. The completeness of the industrial system and the diversity of the industrial structure should be the long-term sustainable strategy pursued by emerging countries.

Venezuela, knowing its constraints of monocultural economy and size of the country, had admirably and necessarily taken on the path of creating a bloc in Latin America. The Bolivarian Alliance for the Peoples of Our America (ALBA) was of vital importance, as well as the attempt to create a currency by the Southern Bank. It has come under more severe attacks especially after Brazil suffered a coup d'etat.

To break away with the shackle of dependence and get out of the development trap, developing countries must strive for the construction of international institutional right and discursive power, to strengthen regional cooperation, building an international institution that would facilitate an inclusive, equal and mutually beneficial development for developing countries.

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