



## Russian-Venezuelan Defense Cooperation

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## Abstract

In this paper, Russian defense industry and arms trade expert Sergey Denisentsev looks at the history, current state, and outlook for defense cooperation between Russia and Venezuela. He notes that before the arrival of Hugo Chávez, Venezuela was not among the Russian defense customers. The attempted coup in 2002 and the ensuing restrictions on sales of US weaponry to the country opened up the Venezuelan defense market to Russian suppliers. This paper reviews the Russian arms transfers that enabled a major modernization of the Venezuelan arms forces under Chávez. Those transfers, however, came to an almost complete halt after Chavez died and an economic crisis broke out in Venezuela in 2013. The latest bout of political crisis that began in January 2019 has given a new lease of life to Russian-Venezuelan defense cooperation. That cooperation no longer involves large weapons contracts, but Russia is providing technical support and advice to the Venezuelan military and security services.

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This report is part of a series generously funded by a grant from the Carnegie Corporation of New York. CNA's Occasional Paper series is published by CNA, but the opinions expressed are those of the author(s) and do not necessarily reflect the views of CNA or the Department of the Navy.

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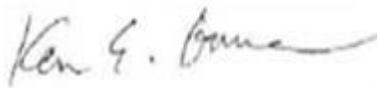
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**June 2019**



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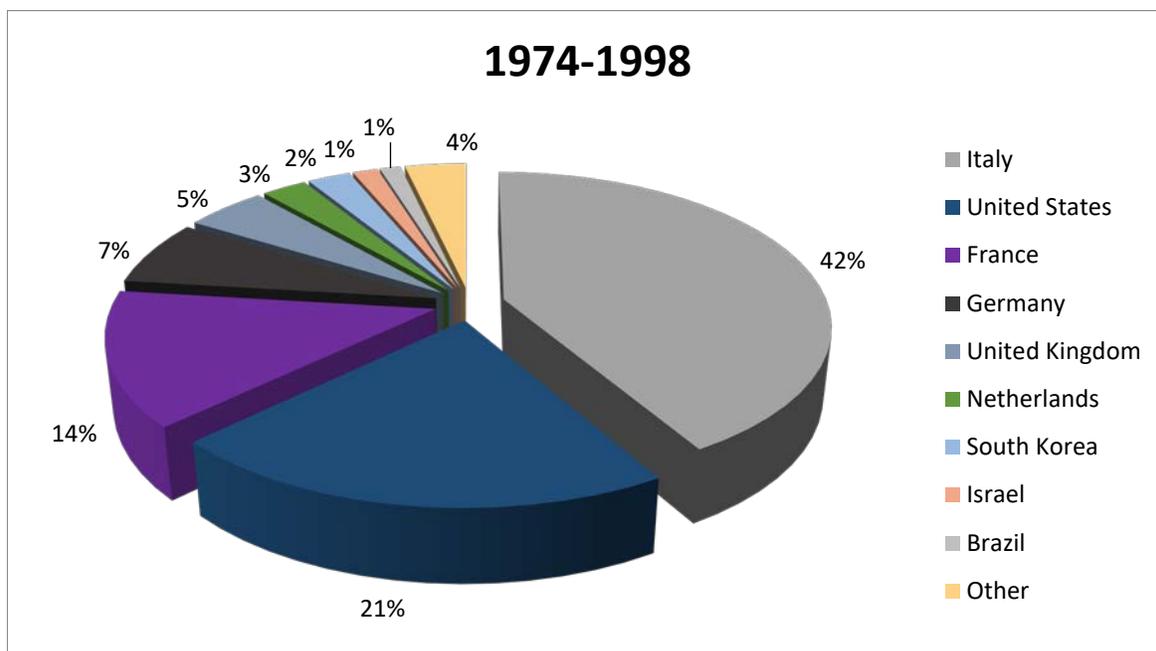
# Pre-Chavez Defense Market in Venezuela

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In the pre-Chavez period, neither the Soviet Union nor, later, Russia had any tangible presence in the Venezuelan defense market. During the Soviet period, that was mainly because of the generally poor state of Soviet-Venezuelan relations: during the Cold War, Caracas pursued a pro-Western course and actively suppressed Communist parties and movements. In the 1990s, arms trade between the two countries was held back by economic rather than political considerations. Both economies were struggling; Venezuela could not afford to spend much on new arms contracts, and Russia was not in a state to offer credit financing to its defense customers.

The Venezuela defense market was dominated by Western suppliers. Between the end of World War II and the election of Carlos Andrés Pérez as Venezuela's president in 1974, the United States controlled over a third of that market. Britain and Canada also maintained a strong presence. That changed after the election of President Pérez. The new administration pursued different foreign-policy priorities and favored different suppliers, awarding fewer contracts to the Americans and more to European suppliers (especially from Italy, France, and Germany, as shown in Figure 1).

Figure 1. Venezuelan arms imports in 1974-1998



Source: Compiled by the author using the SIPRI Arms Transfers Database.

For a period, Italy was the largest supplier of arms to Venezuela, thanks mainly to large naval contracts. Supplies from the United States, the second-largest arms supplier, were mostly limited to combat aircraft. The most important deal, both commercially and militarily, was signed in the mid 1980s: under the so-called Venezuela F-16 Peace Delta Deal, the United States supplied 24 F-16A fighters and a broad range of spare parts and munitions. The third-largest arms supplier to Venezuela in the pre-Chavez period was France, which won major contracts for aircraft and armored vehicles. Several large contracts were also awarded to suppliers from other countries, including some in the developing world.

The Venezuelan defense market was not large before the arrival of Hugo Chávez. The cumulative Venezuelan arms imports in the two decades up to 1998 are estimated by SIPRI at \$4.06 billion,<sup>1</sup> which translates to an annual average of just \$200 million. Only three deals worth over \$500 million were signed during that period: the contract with Italy for Mariscal Sucre-type frigates, the contract with the United States for F-16A jets, and the 1988 package with France.

<sup>1</sup> Calculated by the author using figures from the SIPRI Arms Transfers Database.

To summarize, the Venezuelan defense market in the pre-Chávez period could be described as follows:

- It was not large, and weapons were bought in fairly small batches.
- Venezuela bought a broad range of weaponry because its own defense industry was unable to supply many of the armed forces' needs.
- The Venezuelan defense market was dominated by Western suppliers, primarily from Italy, the United States, and France.
- Neither the Soviet Union nor, later, the Soviet Union had any tangible presence.

# Early Years of Chávez Rule: Russia's Early Attempts to Secure Venezuelan Contracts

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Hugo Chávez won the Venezuelan presidential election in December 1998. His electorate consisted mostly of the poor and the “disgruntled middle class,” whose incomes had fallen sharply following a protracted economic crisis in the 1990s. Despite his later reputation as a radical socialist and populist, Chávez pursued a moderate, capitalist, center-left course during the early years of his presidency.<sup>2</sup> He believed that his country would be best served by a socially oriented capitalism; he diligently followed recommendations of the International Monetary Fund (IMF),<sup>3</sup> and even visited the New York Stock Exchange in a bid to attract foreign investors.<sup>4</sup>

Nevertheless, he soon became preoccupied with increasing his own power, to which end he pushed through a constitutional reform in 1999. Under the new constitution of his country—now styled the Bolivarian Republic of Venezuela—the president became a much more powerful figure. His term of office was extended, and he gained the power to dissolve congress, issue laws on civil rights, and assign senior ranks to military officers. Finally, he now had a much greater say on economic and financial matters.<sup>5</sup> The constitutional amendments also gave the Venezuelan military the right to vote in national elections, which further bolstered Chávez’s already strong popularity with the armed forces.<sup>6</sup> The new constitution required a fresh general election to legitimize the head of state and government. That election was held

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<sup>2</sup> A classic South American Bolivarianism, of which Chavez claimed to be an advocate, is a social-democratic, patriotic, and anti-colonialist movement that combines elements of capitalism and socialism.

<sup>3</sup> For more details about Chávez’s policies in the early years of his rule, see: C. Marcano, A. Tyszka, *Hugo Chávez: The Definitive Biography of Venezuela's Controversial President* (New York: Random House, 2007).

<sup>4</sup> “USA: Venezuelan President Chávez Rings Closing Bell at NYSE,” June 10, 1999, AP Archive, <https://www.youtube.com/watch?v=utG2R1-tyPA>.

<sup>5</sup> B. Jones, *Hugo! The Hugo Chávez Story from Mud Hut to Perpetual Revolution* (Steerforth, 2008).

<sup>6</sup> Hugo Chávez served in a commando unit and had the rank of lieutenant colonel.

in July 2000. Chávez managed to rally his core electorate, primarily the Venezuelan poor, and won 60 percent of the vote. His party also became the most powerful force in congress.<sup>7</sup>

Having consolidated his control of the executive and legislative branches of power, Lt. Col. Chávez went on to press his advantage. His first target was the Venezuelan oil industry. In the early 2000s, Venezuela was the world's fifth-largest exporter of crude, which accounted for 85.3 percent of the country's exports.<sup>8</sup>

Historically, US oil corporations had long played a major role in the Venezuelan oil industry. The country's largest national oil company, *Petróleos de Venezuela (PDVSA)*, was technically state owned, but it enjoyed a large degree of independence from the government; in fact, some of its senior managers openly supported President Chávez's opponents. Chavez's strategy was to nationalize most of the other oil companies and turn them into PDVSA subsidiaries, replacing their management with loyalists. In 2001, he pushed through a new energy law that raised taxes on the oil industry and created new, partly state owned companies.<sup>9</sup> The concentration of Venezuela's oil revenues in the hands of Chavistas<sup>10</sup> enabled the government to ramp up social spending. In November 2001, parliament passed 49 new laws on social benefits and economic reforms that proved a major blow to the opposition because Chávez's approval ratings shot up among ordinary Venezuelans.<sup>11</sup> Tensions began to grow between the Chávez administration and the opposition, which rallied around the Venezuelan industrialist Pedro Carmona.

Meanwhile, Chávez also took several major foreign-policy steps in the early years of his presidency. Shortly after his election, he went on a tour of the OPEC states, including Iraq, which was still ruled by Saddam Hussein.<sup>12</sup> In 2001, he agreed to sell oil to Cuba at below-market rates, giving a lifeline to the Castro regime and drawing sharp criticism from the United States.<sup>13</sup> Nevertheless, Chávez did not appear determined to pursue any radical shifts in

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<sup>7</sup> B. Cannon, *Hugo Chávez and the Bolivarian Revolution: Populism and Democracy in a Globalised Age* (Manchester: Manchester University Press, 2009), pp. 42-44.

<sup>8</sup> *Ibid.*, p. 32.

<sup>9</sup> N. Kozloff, *Revolution!: South America and the Rise of the New Left* (New York: St. Martin's Griffin, 2008), pp. 18-23.

<sup>10</sup> Chavistas: supporters of Chavez and his Chavist policies.

<sup>11</sup> C. Marcano, A. Tyszka, *Hugo Chávez: The Definitive Biography of Venezuela's Controversial President* (New York : Random House, 2007), p. 43.

<sup>12</sup> "Iraq greets defiant Chávez," BBC News, Aug. 10, 2000, [http://news.bbc.co.uk/2/hi/middle\\_east/874619.stm](http://news.bbc.co.uk/2/hi/middle_east/874619.stm).

<sup>13</sup> For details about Cuban-Venezuelan relations under Chávez, see: T. Piccone, H. Trinkunas, *The Cuba-Venezuela Alliance: The Beginning of the End?* Brookings Institution, June 2014.

Venezuela's foreign-policy course or to embark on militarization programs. During the first several years of his rule, Venezuelan arms imports remained flat; according to SIPRI, the annual figure was below \$100 million between 1998 and 2002. Weapons were sourced from more or less the same suppliers, primarily France, the Netherlands, and the United States. Most of the arms transfers during that period were under contracts signed in previous years.<sup>14</sup> The first few major contracts signed after Chávez's election as president were with European suppliers and with neighboring Brazil. They included a deal with Embraer for eight AMX-T light ground-attack aircraft, made by a joint venture between Brazil and Italy.<sup>15</sup>

Up until that period, Russian suppliers remained lukewarm about the Venezuelan defense market because it was relatively small and unexplored. But things started to change in the early 2000s. Russian arms exports were too dependent on a single large customer, China. It was also becoming clear that the Chinese would soon close the technological gap and launch indigenous production of most of the weapons systems they had hitherto had to import (by developing their own versions or simply copying foreign technology). The market analysts of Russia's newly established Rosoboronexport arms export intermediary<sup>16</sup> were therefore tasked with identifying potential new markets that could pick up the slack left by the Chinese. These analysts took note of the change of government in Venezuela and included the country in their new markets development program. But Venezuela was completely new territory for Russian arms exporters, and winning the first few Venezuelan contracts required the involvement of senior Russian government officials.

In November 2000, presidents Putin and Chávez met on the sidelines of the 55<sup>th</sup> UN General Assembly Session in New York. It was still too early to speak of any shared geopolitical interests between Putin's Russia and Chávez's Venezuela,<sup>17</sup> but, thanks to an unexpected personal chemistry between the two presidents, their first meeting would later prove to have opened up a new page in Russian-Venezuelan relations. Only a few months later, in May 2001, Hugo Chávez paid his first official visit to Moscow, during which he signed several agreements on bilateral cooperation, and on mutual cultural, education, science, and sports exchanges—and

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<sup>14</sup> SIPRI Arms Transfers Database.

<sup>15</sup> "Embraer is Selected by Venezuelan Air Force to Supply Eight AMX-T; Deal is worth US\$ 150 million," *Defense-Aerospace*, Sept. 9, 1999.

<sup>16</sup> Rosoboronexport, a state-owned arms export intermediary, was established in 2000 by merger of two existing arms export and import intermediaries, Rosvooruzheniye (Russian Weapons) and Promexport.

<sup>17</sup> Speaking in 2000, Putin said he would not mind Russia joining NATO at some point. See <https://www.youtube.com/watch?v=RScYvOm5VXY>.

an intergovernmental agreement on defense cooperation,<sup>18</sup> which laid down the legal framework for future arms contracts.

Russian suppliers soon began to promote their weaponry in the new Venezuelan market. A Russian An-124 Ruslan transport carrying two fighter jets, a MiG-29M2 and a MiG-29UB, arrived in Venezuela on December 1, 2001. Venezuelan pilots spent several days flying the two fighters to get a better idea of their capabilities. On December 10, both of the MiG jets took part in an aerial parade on the occasion of the Venezuelan Air Force Day.<sup>19</sup> The Venezuelans also showed interest in Russian helicopters. In 1999, Venezuela's Caribbean coast had been struck by torrential rains, floods, and landslides that destroyed several towns and villages.<sup>20</sup> The disaster put into stark relief the lack of helicopters in the Venezuelan armed forces: people in the flooded villages waited for rescue on the rooftops of their homes, but the government did not have the aircraft to pick them up. Neighboring Colombia, which had never been on good terms with Venezuela, contributed two Russian-made Mi-17 helicopters to the disaster relief effort,<sup>21</sup> much to the chagrin of the proud Venezuelan military and politicians.<sup>22</sup>

Nevertheless, Russian efforts to win a share of the Venezuelan defense market faced some inevitable hurdles. The Venezuelan military had no experience with Russian weaponry; most of their weapons had come from Europe, the United States, and Israel. There was also a strong pro-Western and pro-American sentiment in the Venezuelan forces. Besides, Chávez himself saw no need at the time for any radical shifts in his country's foreign policy or defense procurement programs.

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<sup>18</sup> Russian-Venezuelan defense cooperation. See <https://tass.ru/info/1650124>.

<sup>19</sup> See <https://dambiev.livejournal.com/867903.html>.

<sup>20</sup> The event known as the Vargas Tragedy played a significant role in Venezuela's political history. One of its survivors was Juan Guaidó, who proclaimed himself Venezuela's legitimate president in January 2019. See: "Diputado por Vargas Juan Guaidó," <http://www.voluntadpopular.com/index.php/ver-noticia/8-noticias/4036-diputado-por-vargas-juan-guaido>.

<sup>21</sup> Colombia bought 16 Mi-17 helicopters in the late 1990s.

<sup>22</sup> K. Makiyenko, "How Russia sold 11.5bn dollars' worth of arms to Venezuela," *Profil*, Feb. 12, 2019.

# Failed Coup in 2002 and its Repercussions: Russian Breakthrough in the Venezuelan Defense Market

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Venezuela's situation changed in 2002. Chávez's attack on the Venezuelan oil industry, which continued throughout 2001 and in early 2002, severely complicated his relations with Venezuelan industry captains and the opposition parties financed by big business. He managed to install his loyalists in key managerial positions at PDVSA. Tensions between the government and the country's largest oil company continued to grow; they culminated on April 7, 2002, when the president sacked five of the seven members of the PDVSA board of directors, including the company's president, Guaicaipuro Lameda Montero, during Chávez's live TV talk show *Aló Presidente*.<sup>23</sup>

The opposition responded by organizing a nationwide strike. On April 11, 2002, thousands of protesters clashed with Chavistas and the police outside the Miraflores presidential palace. Several Venezuelan generals led by Gen. Efraim Vásquez, commander in chief of the Army, met Chávez at the palace and demanded his resignation.<sup>24</sup> A provisional government led by Pedro Carmona took over. It dissolved parliament and the supreme court, and suspended the constitution (by adopting the Carmona Decree).<sup>25</sup> Many in Venezuela took such radical steps as a prelude to dictatorship. Chávez supporters managed to form a united front; mass protests against the coup began in Caracas. Chávez allies also managed to bring into the capital a large number of troops (primarily commando units) that remained loyal to the president. As a result, on April 14, Chávez's personal guard retook the Miraflores palace without any bloodshed, effectively putting an end to the coup.<sup>26</sup> The coup ringleader, Pedro Carmona, took refuge in the Colombian embassy and then fled Venezuela,<sup>27</sup> while Chávez staged a triumphant return to the capital.

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<sup>23</sup> "7 Abr 2002 Hugo Chávez en Aló Presidente N° 101." See <https://www.youtube.com/watch?v=qUS4LMMon80>.

<sup>24</sup> "Generals Revolt in Venezuela After 10 Protesters Are Killed," *New York Times*, Apr. 12, 2002.

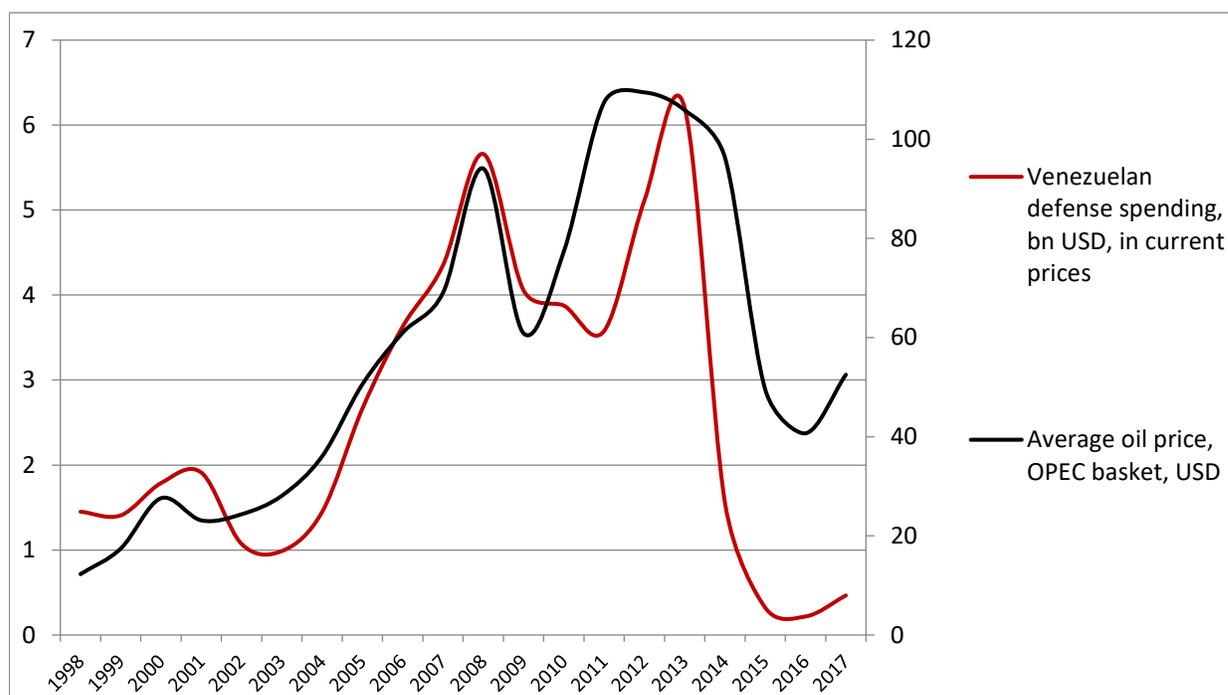
<sup>25</sup> *Acta de constitución del Gobierno de Transición Democrática y Unidad Nacional*.

<sup>26</sup> L. Rohter, "Venezuela's 2 Fateful Days: Leader Is Out, and In Again," *New York Times*, Apr. 20, 2002.

<sup>27</sup> "Venezuela Requests Extradition of Coup Leader Pedro Carmona," *Venezuelanalysis.com*, Apr. 10, 2007, <https://venezuelanalysis.com/news/2329>.

The coup attempt had major domestic and foreign-policy repercussions. Chávez accused the United States of helping the coup plotters.<sup>28</sup> Several media reports<sup>29</sup> about alleged contacts between the coup ringleaders and the Bush administration reinforced Chávez’s conviction that the United States posed a serious threat to his rule. It was after the failed coup that he began to ramp up the Venezuelan defense spending (see Figure 2).

**Figure 2. Venezuelan defense spending and the oil prices in 1998-2017**



Source: The defense spending figures are from the SIPRI Military Expenditure Database (<https://www.sipri.org/databases/milex>). The average annual oil price figures are based on the OPEC oil basket, which includes the Venezuelan oil blends. See <https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>.

Venezuelan defense spending growth would not have been possible without the surging price of oil, the main source of the country’s export revenue. Figure 2 shows the average annual price of the OPEC oil basket, which includes the Venezuelan blends, BCF-17 (until January 2009) and Merey (from January 2009). There is a clear correlation between the oil prices and Venezuelan

<sup>28</sup> “A Tale Of Two Coups,” *New Internationalist*, July 5, 2002.

<sup>29</sup> “Venezuela coup linked to Bush team,” *The Guardian*, Apr. 05, 2002.

military expenditure. Venezuela's rise as a major arms importer was therefore made possible by a combination of political factors (the attempted, and likely foreign-backed, coup, as well as the need to win the army's loyalty) and a favorable economic situation (growing oil prices and a successful campaign to take control of the PDVSA oil company).

At first, Chávez tried to place orders for new weaponry with the established foreign suppliers. He ordered that the contract with Brazil for eight AMX-T planes, which had taken years to negotiate, be expedited. Venezuela then chose an Israeli-made radar, the Elta EL/M-2032, for those planes; to that end, it signed a contract with Israel Aircraft Industries (IAI). Caracas was also in talks with IAI about a new radar to upgrade the country's fleet of F-16 fighter jets.<sup>30</sup> It discussed various weapons contracts with Spain, France, and Italy—but its attempts to buy weaponry from Western suppliers ran up against stiff opposition from the United States. Using such export control instruments as ITAR (International Traffic in Arms Regulations), Washington launched a determined campaign of sabotage against any Venezuelan deals for weapons that included US-made or US-developed components. For example, in January 2005, it derailed a Venezuelan contract with Spain's CASA for 10 C-295 transports and two CN-235MPA naval patrol planes.<sup>31</sup> Other contracts that were cancelled because of US pressure included deals with Italy for eight AMX light ground-attack planes and with Brazil for 24 Super Tucano combat trainers. Brazil also refused to upgrade 28 EMB-312 Tucano trainers for the Venezuelan Air Force.<sup>32</sup> Israel turned down a request to upgrade Venezuela's F-16 fighters, which formed the core of the Venezuelan Air Force fleet at the time.<sup>33</sup> Washington also restricted deliveries of spare parts for the Venezuelan F-16s and refused to sell the Venezuelans any helicopters. The situation in the Venezuelan defense market was now ripe for the arrival of Russian suppliers.

It is also worth noting that not only US-Venezuelan relations, but also relations between the United States and Russia, took a turn for the worse at that time. In the former Soviet republic of Georgia, the so-called Rose Revolution toppled President Shevardnadze in November 2003. Shevardnadze, who pursued a relatively neutral foreign-policy course, was replaced by the staunchly pro-American Mikheil Saakashvili. The Kremlin had no doubt that the regime change

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<sup>30</sup> "Venezuela asks Embraer, IAI to fit Elta radar to AMX," *FlightGlobal*, Apr. 16, 2002.

<sup>31</sup> "CASA's \$600M Venezuelan Plane Sale Hits Heavy Turbulence, Crashes," *Love on the Rocks*, Feb. 14, 2006, <https://www.defenseindustrydaily.com/love-on-the-rocks-casas-600m-venezuelan-plane-sale-in-heavy-turbulence-01887/>.

<sup>32</sup> See <https://www.flightglobal.com/news/articles/venezuela-claims-us-embargo-204098/>.

<sup>33</sup> *U.S.-Israel Defense Relations on Mend But New American Veto Policy Crimps Israeli Arms Sales*, Jewish Institute for National Security Affairs, Nov. 10, 2005.

was orchestrated by Washington and financed via American nongovernmental organizations (NGOs).<sup>34</sup> In November 2004, Hugo Chávez paid another visit to Moscow. His talks with President Putin were being held while another revolution, similar to Georgia's Rose Revolution, was taking place in another former Soviet republic, Ukraine. In Russia's view, these two US-backed "regime changes," which occurred in two of Russia's closest neighbors in quick succession and brought to power anti-Russian administrations, persuaded the Kremlin to offer Chávez (who had become staunchly anti-American by that time) a better deal on Russian weapons.

The first Russian-Venezuelan contract was signed on March 10, 2005. Russia agreed to supply 10 helicopters—6 Mi-17V-5 multirole aircraft, 3 Mi-35 attack helicopters, and 1 Mi-26 heavy transport—for \$120 million.<sup>35</sup> A deal for another 5 Mi-35s was signed in June 2005. The fact that Venezuela bought a relatively small number of different aircraft suggests that the goal was to give the Venezuelan military a taste of Russian defense hardware because they had yet to be persuaded of its merits. The Russian maker of the Mi-17V-5 helicopters, the Kazan Helicopter Plant, delivered the first three aircraft in December 2005.<sup>36</sup> Meanwhile, Russian specialists were training Venezuelan pilots and technicians in their operation and maintenance. In February 2006, several Venezuelan specialists who had been trained on the Mi-35 were awarded certificates at a special ceremony at the Rostvertol facility. In March and April, certificates were issued to another 15 Venezuelan pilots and technicians trained in the operation and maintenance of Mi-26T helicopters. The helicopters themselves were delivered to the Venezuelan military in July 2006.<sup>37</sup>

The helicopter contracts were important financially, but in terms of securing a foothold in the Venezuelan defense market, they were less important than the subsequent deals for Russian small arms. As Venezuelan-US relations were going from bad to worse, Chávez began to prepare for the eventuality of a direct US invasion of the kind Washington had previously launched in Panama (Operation Just Cause) and Iraq (Operation Iraqi Freedom). He decided that the only way for Venezuela to fight back would be through popular resistance and guerilla warfare. In May 2004, Chávez outlined "three strategic areas" for building the national defense capability: (1) strengthening the armed forces; (2) deepening the civic-military union; and

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<sup>34</sup> For details of US involvement in the Revolution of Roses, see: L. Mitchell, *Uncertain Democracy: U.S. Foreign Policy and Georgia's Rose Revolution* (Philadelphia: University of Pennsylvania Press, 2009).

<sup>35</sup> "Venezuela signs contract to buy helicopters from Russia," RIA Novosti, Mar. 11, 2005.

<sup>36</sup> "Kazan facility delivers helicopters to Venezuela," *Kommersant*, Dec. 21, 2005.

<sup>37</sup> "Rostvertol delivers first batch of attack helicopters to Venezuela," *Kommersant Rostov-on-Don*, July 26, 2006.

(3) strengthening popular participation in national defense.<sup>38</sup> These three areas were to become part of the new national defense doctrine. Addressing the Venezuelan military, the president explained, “The US empire represents the main threat to Venezuela.... If ever we have to go to war, it will be a war against American imperialism, and we must be prepared for that.” He added that changes to the military doctrine “are required to create a comprehensive defense system in which the decisive role in the provision of national security will be played by popular resistance.” He also said Venezuela must end its dependence on US military hardware and transition to weapons imported from elsewhere, including Russia.<sup>39</sup>

The new military doctrine required the Venezuelan military to place large new contracts for simple and cheap infantry weapons, especially small arms. In the pre-Chávez period, the country sourced such weapons primarily from Belgium, the United States, and other Western countries—but under Chávez, such critical dependence on the West came to be seen as intolerable. For a while, the Venezuelans seemed inclined to place a large order for small arms with the Chinese, who offered them a clone of the Kalashnikov assault rifle. But Russian suppliers managed to snatch that contract, thanks to a cunning marketing ploy. On his 50<sup>th</sup> birthday in 2004, Hugo Chávez received a gift from President Putin: a Kalashnikov rifle. When Rosoboronexport specialists presented the gift to Chávez, they suggested an experiment: shoot several hundred rounds from the Russian Kalashnikov and from its Chinese copy to get them both hot, and then check their accuracy. The Russian weapon came out a clear winner.<sup>40</sup> On May 17, 2005, the Venezuelans placed an order with Russia for 100,000 AK-103 rifles,<sup>41</sup> 74 million rounds of 7.62x39mm ammo, 500,000 magazines, and bayonets, spare parts, and user manuals, as well as five shooting trainers, worth a total of \$54 million.<sup>42</sup> Russia delivered the first batch of several thousand rifles in June 2006.<sup>43</sup>

The Venezuelan deal was the largest contract for Russian small arms in the entire post-Soviet period. “This is our largest order in the past 25 years,” raved Aleksandr Zavarzin, head of the exports department at Izhmash, the maker of Kalashnikov rifles. The previous order of

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<sup>38</sup> J.C. Hernández, *The Civil-Military Relations in the Venezuela of Chávez*, GESI Analysis, Sept. 18, 2017, <http://www.seguridadinternacional.es/?q=en/content/civil-military-relations-venezuela-ch%C3%A1vez>.

<sup>39</sup> “Venezuelan president announces changes to national military doctrine,” RIA Novosti, Jan. 11, 2006.

<sup>40</sup> K. Makiyenko, “How Russia sold 11.5bn dollars’ worth of weapons to Venezuela,” *Profil*, Feb.12, 2019.

<sup>41</sup> AK-103 is an export version of the Russian Army’s standard-issue assault rifle AK-74, modified to take the 7.62x39mm ammo, which is more widely used outside Russia (the AKM/AK-47 rounds).

<sup>42</sup> “First batch of Russian AK-103s delivered to Venezuela,” *Natsionalnye Interesy*, June 4, 2006, <http://niros.ru/news/67044-1.html>.

<sup>43</sup> “Kalashnikov rifles arrive in Venezuela,” BBC, June 3, 2006.

comparable size was placed by Iraq under Saddam Hussein.<sup>44</sup> The Kalashnikov contract was also gold for Russian arms exporters in terms of public relations. Photos of Hugo Chávez brandishing an AK-103 regularly appeared on the cover of their marketing brochures and posters.<sup>45</sup> In July 2006, Chávez was given a tour of the Izhmash plant in Izhevsk, where he met the weapon's legendary designer, Mikhail Kalashnikov. The two later met in Izhevsk on two other occasions during the visit.<sup>46</sup> Also in July 2006, Russia and Venezuela signed a deal on the manufacture of Kalashnikov rifles and ammo in Venezuela under a Russian license (more on that later). The following year, Venezuela placed an order for 5,000 SVD sniper rifles (which are also made in Izhevsk).<sup>47</sup>

Russia's decision to sell such a huge amount of small arms to Venezuela quickly drew US condemnation. It was criticized by Defense Secretary Donald Rumsfeld as potentially destabilizing for the entire region.<sup>48</sup> Many US experts voiced concerns that the weapons were meant not only for the Venezuelan armed forces; they feared that most of the Kalashnikov rifles would end up in the hands of various Latin American rebels and insurgents, especially Columbia's FARC.<sup>49</sup> In May 2006, Washington accused Venezuela of refusing to cooperate in the fight against terrorism and imposed an arms embargo,<sup>50</sup> which also applied to non-US weaponry containing US components and technology. That was a major blow for the Venezuelan national defense capability, and especially for the Venezuelan Air Force. Most of the Venezuelan fleet consisted of US-made F-16A Block 15 fighters, bought in the 1980s and rapidly nearing obsolescence. By 2004, only six of Venezuela's 21 remaining F-16s were operational; the rest were grounded for lack of spare parts.<sup>51</sup> Even those planes that were still able to fly weren't of much use in the air because the Air Force had only a few old AIM-9L Sidewinder short-range missiles left, and no guided air-to-surface missiles at all. The Venezuelans tried to get the Israelis to help them upgrade their fighter jets, but the United States derailed that deal; neither did Washington allow other countries to supply Venezuela

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<sup>44</sup> "Venezuela launching domestic production of the AK-103," Arms-expo.ru, Jan. 20, 2011.

<sup>45</sup> See, for example, [ps://rostec.ru/en/news/4515056/](http://rostec.ru/en/news/4515056/).

<sup>46</sup> "Hugo Chávez meets Mikhail Kalashnikov in Izhevsk," Channel One, July 26, 2006.

<sup>47</sup> "Venezuela to buy 5,000 Russian sniper rifles," Reuters, Aug. 27, 2007.

<sup>48</sup> T. Benson. "Rumsfeld, in Brazil, Criticizes Venezuela on Assault Rifles," *New York Times*, Mar. 24, 2005.

<sup>49</sup> M. Schroeder, "Venezuela's Military Build-up: Who's Watching the Guns?" FAS.org, Federation of American Scientists. Dec.19, 2006.

<sup>50</sup> "U.S. Bans Arms Sales to Venezuela," Fox News, May 15, 2006.

<sup>51</sup> See <https://www.globalsecurity.org/military/world/venezuela/f-16-peace-delta.htm>.

with spare parts or missile ammo for its planes. Enraged by being thwarted at every turn, Chávez threatened to sell his F-16As to Iran<sup>52</sup> (the deal fell through in the end) and ordered his generals to start looking for a new supplier of combat aircraft as a matter of urgent priority. The US embargo had essentially made the entire Venezuelan fleet of fighter jets unusable—but it had also cleared the Venezuelan skies for Russian suppliers.

Russian exporters did try to get the Venezuelans interested in their MiG fighters even before the US embargo. In 2004, they were in talks about selling close to 50 MiG-29SMT planes to the Venezuelan Air Force.<sup>53</sup> The problem was that Chávez wanted the planes to be delivered very quickly, but the Russian maker of MiG-29SMT jets was in a crisis and could not make so many planes in such short order. But by 2006, another Russian aerospace supplier, Sukhoi, had cleared the backlog of orders for Su-30MKK and Su-30MK2 fighters made at its Komsomolsk-on-Amur facility under a Chinese contract, and was ready to take on a new customer. It was therefore decided to try to get the Venezuelans interested in the Su-30MK2, with the understanding that the planes would be delivered fairly quickly.

On July 2, 2006, two Russian Su-30MK fighters, escorted by an Il-76 transport, landed at Venezuela's El Libertador Airbase to give senior Venezuelan government officials and air force generals a demonstration. During the visit, the two Russian jets conducted a series of demonstration aerial fights with Venezuelan Mirage 50 and F-16 planes in order to show off their real-life performance and weaponry. Both of them returned to Russia on July 14, 2006. Two weeks later, on July 28, Russia and Venezuela signed a contract worth nearly \$1.6 billion for 24 Su-30 MK2V fighters, spare parts, ammunition, and personnel training services. The first 2 Su-30MK2V planes were brought to Venezuela in the cargo hold of an An-124-100 transport on November 29, 2006. They were officially unveiled on December 10 during a celebration of the Venezuelan Air Force's 86<sup>th</sup> anniversary. Another 2 jets were delivered on December 22, followed by 12 in 2007 and the final 8 in the first half of 2008.<sup>54</sup> Russia also supplied at least 200 KAB-500/1500 guided air bombs, 50 Kh-29 air-to-surface guided missiles (NATO reporting name: AS-14 Kedge), 50 Kh-59 ME cruise missiles (AS-13 Kingbolt), 50 Kh-31A antiship missiles, 50 Kh-31P (AS-17 Krypton) radar busters, 100 R-27 (AA-10 Alamo) air-to-air missiles, and 150 R-73 (AA-11 Archer) missiles.<sup>55</sup>

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<sup>52</sup> "Venezuela Threatens to Sell F-16 Fleet to Iran," Fox News, May 16, 2006.

<sup>53</sup> "MiG-29: export outlook," *Voennoye Obozreniye*, Dec. 6, 2012.

<sup>54</sup> A. Nikolayev, "History of the Venezuelan Su-30MK2V," VPK.name, Jan. 09, 2014.

<sup>55</sup> There is no open-source information about the exact number of air-launched missiles delivered to Venezuela. The figures here are based on Western estimates, primarily the SIPRI Arms Transfers Database.

The Venezuelan Su-30 contract remains the largest aerospace deal Russia has ever secured in Latin America. In the summer of 2006, Russian suppliers won additional Venezuelan contracts, for two Mi-35 attack helicopters, two Mi-26 heavy transports, 32 Mi-17V-5 multirole helicopters, and two Mi-172 VIP helicopters for use by Hugo Chávez himself. Final deliveries under that contract were made in 2010.<sup>56</sup> The combined value of the Venezuelan deals signed in 2005-2007 was nearly \$3.6 billion, which is equivalent to roughly \$4.5 billion in 2019 prices.<sup>57</sup>

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<sup>56</sup> "Russia formally delivers four Mi-17 helicopters to Venezuela in Caracas," RIA Novosti, Apr. 3, 2004.

<sup>57</sup> K. Makiyenko, "How Russia sold 11.5bn dollars' worth of weapons to Venezuela," *Profil*, Feb. 12, 2019.

# Contracts Signed in 2008-2009: The Peak of Russian-Venezuelan Defense Cooperation

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Throughout 2007 and in early 2008, numerous Russian officials—including those working for Rosoboronexport, the Federal Service for Military and Technical Cooperation, and individual defense suppliers—remained in constant discussions with the Venezuelan top brass and senior government officials. They managed to persuade Chávez and his close confidants that the main gap in Venezuela’s defense capability was an almost total lack of modern air defenses. In the early 2000s, the Venezuelan forces had only a few Roland SAM systems, bought in the 1980s from France, and most if not all of them were probably inoperable. Also, an unexpected development arose that helped Russian arms salesmen make their case: major tensions flared up in the spring of 2008 between Venezuela and Colombia. On March 1, the Colombian Air Force launched air raids across the border with neighboring Ecuador (Operation Fénix) against the FARC rebels holed up there. Hugo Chávez, a known FARC sympathizer, threw his weight behind Ecuador’s Socialist president Rafael Correa and sharply condemned the Colombian invasion. Caracas expelled Colombian diplomats and deployed 10 army battalions on the border with Colombia. Bogota responded by accusing Chávez and Correa of supporting the FARC rebels.<sup>58</sup> The three countries found themselves on the brink of war. The crisis also highlighted another gap in Venezuelan defense capability, its obsolete fleet of armored vehicles and other heavy army hardware. The core of the army’s fleet consisted of AMX-13/90 light tanks, bought in the 1970s and 1980s from France and woefully obsolete by modern standards. The Colombian Army’s hardware was also fairly old, but Bogota could always count on the support of the United States, and Venezuelan military planners had to take into account the possibility of their main adversary receiving large amounts of US weaponry. As a result, Chávez ordered an urgent army upgrade program. It can be said that, in a sense, the Colombian commandos deployed to Ecuador paved the way for the arrival of Russian tanks in Venezuela.

In July 2008, Chávez paid yet another visit to Moscow. During that visit, the Venezuelan delegation signed several preliminary agreements for an unprecedented package of 13 separate contracts for a broad range of air defense systems and ground weaponry, worth a total of \$6.5 billion. It then took more than a year to hammer out the details, and the deals came

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<sup>58</sup> “Regional Bloc Criticizes Colombia Raid in Ecuador,” *New York Times*, Mar. 6, 2008.

into effect only in September 2009, after the signing of 13 additional agreements. Russia and Venezuela also signed an agreement on the protection of defense technology IP.

The 2008-2009 package consisted of two main components: air defense systems, and armored vehicles plus artillery systems. Most importantly, the Venezuelans placed orders for SAM systems that have significantly boosted their air defense capability. Russia supplied 11 Pechora-2M batteries (the upgraded version of the Soviet S-125 system known as the Sa-3 Goa) and 550 surface-to-air missiles (SAMs). Venezuela was also in talks about S-125 systems with Belarus, but Russian suppliers managed to undercut the Belarusian price offer. Russia also supplied a battalion (two launch batteries) of S-300VB Antey-2500 SAM systems (NATO reporting name SA-23 Gladiator\Giant) and approximately 200 surface-to-air missiles, as well as three battalions (12 launchers) of Buk-M2EK (SA-17 Grizzly) SAM systems. All that hardware was delivered in 2013.<sup>59</sup>

Additionally, Russia supplied approximately 300 ZU-23 23mm AA artillery systems, 11 P-18M radars, and automated air defense command and control systems.<sup>60</sup> According to the UN Register of Conventional Arms, Venezuela's 2009 imports included 1,800 missiles for the Igla-S MANPAD system.<sup>61</sup> Caracas then placed another several orders for Russian MANPAD systems and missiles, making it the largest foreign buyer of that Russian-made hardware.

Russian weapons were also instrumental in the Venezuelan Army upgrade program. Under the 2008-2009 package, Venezuela received 92 T-72B1V tanks (final deliveries were made in March 2012),<sup>62</sup> 123 BMP-3 infantry fighting vehicles (including the BMP-3M standard version, the BMP-3K command vehicles, and the BREM-L Beglyanka armored recovery vehicles),<sup>63</sup> as well as large amounts of ammunition, including about 1,000 antitank missiles.<sup>64</sup> Orders were placed for 111 BTR-80A APCs, including the BTR-80K command vehicle version and BREM-K recovery vehicles, which were delivered in 2014. The list of Russian artillery systems delivered as part of the 2008-2009 package was also very impressive. It included 24 BM-21 Grad 122mm MLR systems, delivered in 2011, and twelve 9A52 Smerch 300mm MLR vehicles, delivered in 2013. Russia supplied thirteen 2S23 Nona-SVK 120mm self-propelled artillery systems in

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<sup>59</sup> "Caracas takes delivery of S-300VM systems," *Voyenno-promyshlenny kuryer*, Apr. 16, 2013.

<sup>60</sup> "The Venezuelan case," *Voyenno-promyshlenny kuryer*, July 17, 2013.

<sup>61</sup> See <http://www.un-register.org/HeavyWeapons/CountrySummaryReports.aspx?Col=163>.

<sup>62</sup> "Final batch of T-72B1Vs tanks delivered to Venezuela from Russia," BMPD Blog, Mar. 30, 2012, <https://bmpd.livejournal.com/190080.html>.

<sup>63</sup> "Venezuela's 31<sup>st</sup> Mechanized Brigade receives BMP-3 and BTR-80," *Topwar*, May 22, 2013.

<sup>64</sup> SIPRI Arms Transfers Database.

2011, and forty-eight 2S19 Msta-S 152mm self-propelled artillery in 2011-2013. In 2011-2012, Venezuela received twenty-four 2S12 120mm mortars<sup>65</sup> and an unspecified number of towed 82mm mortars. Finally, in 2011 it took delivery of two batteries (eight self-propelled launchers) of the Bal-E (SSC-6 Sennight) coastal defense missile system.<sup>66</sup>

It is important to remember that between the finalization of these weapons deals at the senior political level in mid 2008 and the signing of the actual contracts in the autumn of 2009, there was a sharp fall in oil prices. Crude tumbled from above \$130 a barrel at its peak in July 2008 to \$41 in December 2008, before recovering to \$70-75 in early 2009.<sup>67</sup> Since oil is Venezuela's main export, these wild fluctuations undermined the country's ability to finance its weapons programs. The Chávez administration was forced to approach the Russian government for credit financing of its latest weapons contracts. Initially, it asked for a loan of \$3 billion; the request was then increased to \$4 billion.<sup>68</sup> But by late 2011, when a \$4 billion loan was finally approved, almost half of the deliveries under the 2009 package had already been made and paid for in cash. In the end, Venezuela made use of only \$2.65 billion out of the \$4 billion credit line. The rest was to be used for new arms contracts later on, but the economic crisis that broke out in Venezuela in 2013 forced the government to abandon those plans. As of late 2018, the body of the loan and the interest owed by Venezuela under that credit facility stood at \$3.15 billion.<sup>69</sup> The figure takes into account the terms of the debt-restructuring agreement that Caracas has reached with Moscow.

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<sup>65</sup> "From the Igla to an aircraft carrier – Part 3," *Voyenno-promyshlenny kuryer*, Nov. 11, 2015.

<sup>66</sup> "Venezuela to receive Russian coastal defense missile systems," *Voyennoye obozreniye*, Nov. 17, 2010.

<sup>67</sup> Average monthly oil prices: figures from [statista.com](http://statista.com).

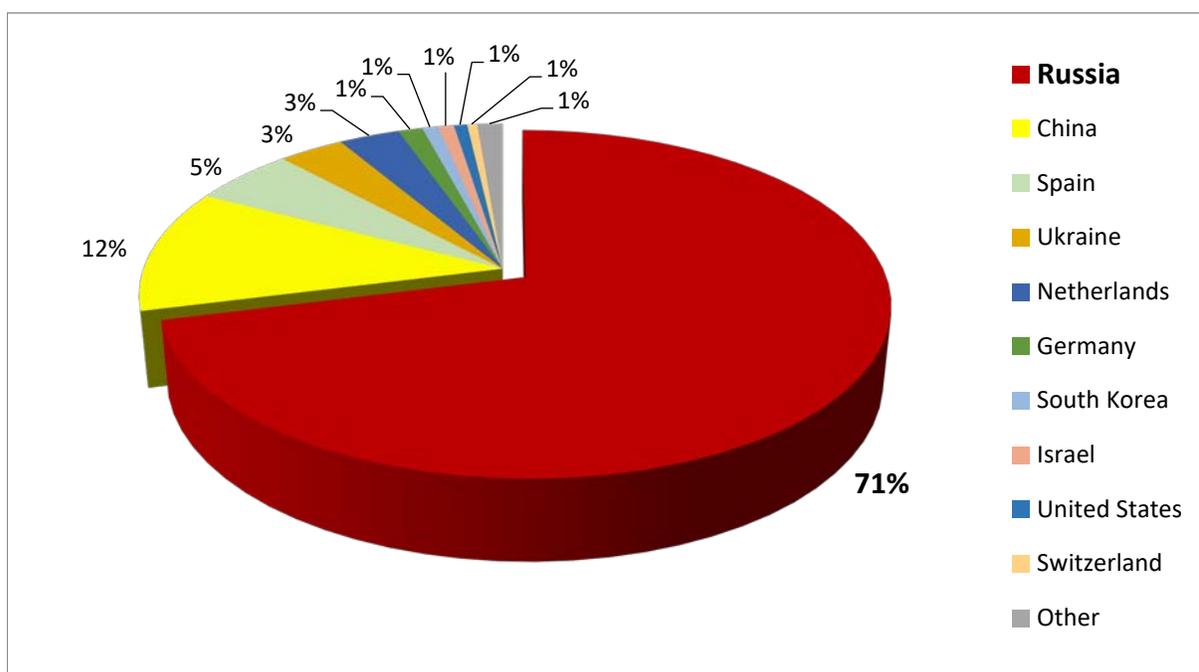
<sup>68</sup> "Hugo Chávez says Russia lends Venezuela \$4 billion for arms," Reuters, Nov. 28, 2011.

<sup>69</sup> "Venezuelan opposition intends to review arms contracts with Russia," BMPD Blog, Jan. 30, 2019, <https://bmpd.livejournal.com/3512912.html>.

# Cumulative Transfers and Significance of Russian-Venezuelan Arms Trade Under Chavez

According to the information in the public domain, Russia and Venezuela signed over 40 contracts worth an estimated \$11.5 billion in the 2005-2016 period,<sup>70</sup> making Russia by far the largest supplier of weapons to Venezuela. Arms imports from Russia accounted for over 70 percent of Venezuela's total arms imports from 2001 through 2018 (see Figure 3).

Figure 3. Breakdown of Venezuelan arms imports in 2001-2018, in dollar terms

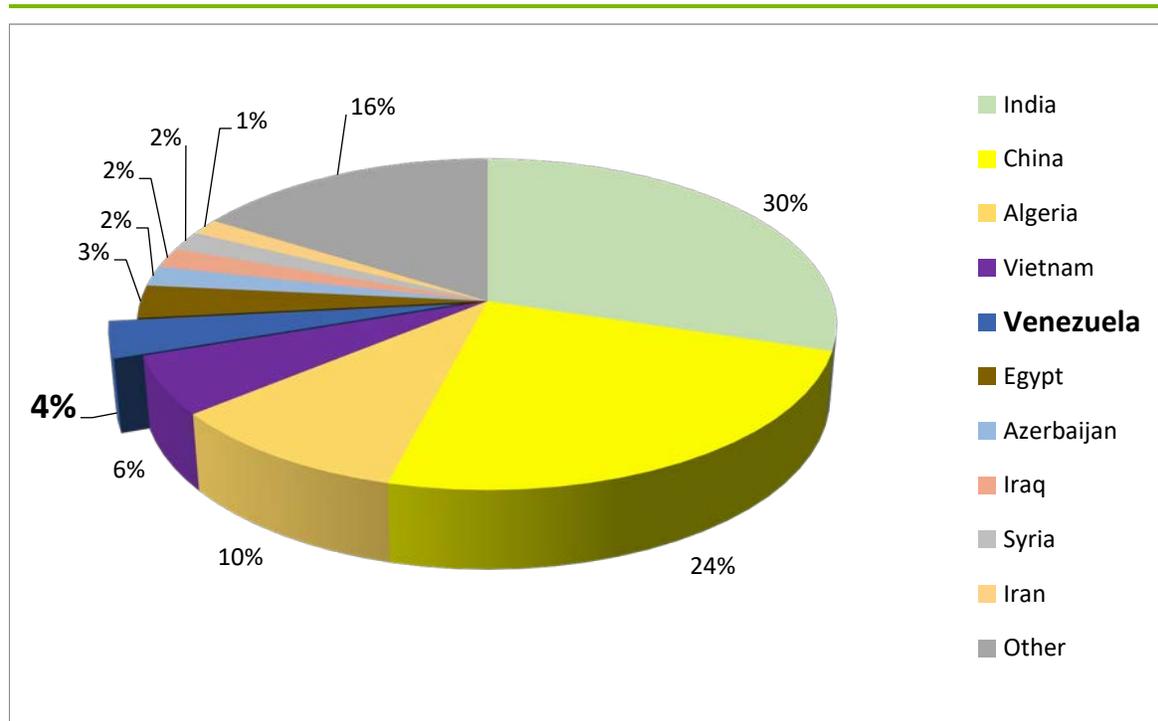


Source: Compiled by the author using the SIPRI Arms Transfers Database.

<sup>70</sup> K. Makiyenko, "How Russia sold 11.5bn dollars' worth of weapons to Venezuela," *Profil*, Feb. 12, 2019.

For Russia, Venezuelan contracts made up less than 5 percent of the total arms exports over the same period (see Figure 4).

Figure 4. Destinations of Russian arms exports in 2001-2018, in dollar terms



Source: Compiled by the author using the SIPRI Arms Transfers Database.

Nevertheless, during its peak in 2008-2012, Venezuelan custom was quite significant for Russian arms exporters; in fact, Venezuela was Russia's fourth-largest defense customer after China, India, and Algeria during that period. It was also a key customer in several important market segments, notably air defense (including MANPADs), small arms, and artillery systems.

Imports from Russia have enabled Venezuela to modernize its air force fleet, build a national air defense system almost from scratch, and rearm the army with modern weaponry, including large numbers of armored vehicles and artillery.

Thanks to arms transfers from Russia, the Venezuelan forces have acquired new capabilities that alter the military-strategic balance in the region. First, the Venezuelan Air Force now has ground attack aircraft armed with guided missiles and guided bombs; previously, its F-16 jets could only be used as fighters, because they did not carry any guided air-to-surface missiles. This has shifted the balance of power in Venezuela's regional rivalry with Colombia. Thanks to

large contracts for Russian helicopters, the Venezuelan forces now have a rapid airlift capability, which could prove important if it becomes necessary to take on foreign-backed rebels. The Venezuelan opposition now also has to take into consideration the large amounts of Russian small arms, which the government can issue to its supporters for use in urban clashes. The Venezuelan Navy's capability has been augmented by Russian Bal-E coastal defense missile systems; these can make it difficult for a foreign power to impose a naval blockade. Russian deliveries of MANPAD systems and spare missiles for them are of particular importance. Under Chávez, Venezuela became the world's largest importer of these weapons. It has taken delivery of an estimated 5,000 MANPAD missiles<sup>71</sup> and hundreds of launchers, which now serve as a major factor of deterrence against any foreign aggression. Many regional actors fear instability in Venezuela precisely because of the huge numbers of Venezuelan MANPAD systems that could potentially end up in the hands of insurgents, terrorists, or drug cartels.

Russian-Venezuelan defense cooperation is not limited to arms sales; there have also been contacts between the Russian and Venezuelan armed forces. For example, an airfield in Caracas hosted two Russian Tu-160 strategic bombers on September 10-19, 2008. These bombers paid another visit to the country in 2013.<sup>72</sup> In December 2008, the Venezuelan Navy and ships of the Russian Pacific Fleet conducted a joint exercise in Venezuelan territorial waters.<sup>73</sup> The Venrus 2008 maneuvers involved four Russian ships and over 1,000 sailors. These contacts were largely symbolic, but they drew the attention of military analysts. There was speculation in the media about the possibility of Russia setting up a military base on Venezuelan soil,<sup>74</sup> although Chávez denied these rumors.<sup>75</sup> It is therefore safe to say that Russia has sold large amounts of weaponry to Venezuela under Chávez, but that the two countries have not built any kind of military-strategic partnership, let alone an alliance.

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<sup>71</sup> "Exclusive: Venezuela holds 5,000 Russian surface-to-air MANPADS missiles," Reuters, May 22, 2017.

<sup>72</sup> "Two Russian Tu-160 bombers arrive in Venezuela," RIA Novosti, Oct. 28, 2013.

<sup>73</sup> "RNS Pyotr Velikiy opens up a window to Americas," *Rossiyskaya Gazeta*, Nov. 26, 2008.

<sup>74</sup> "Chávez says yes to Russian base," *The Guardian*, Mar. 16, 2009.

<sup>75</sup> "Chávez: Russia jets welcome, but no Venezuela base," *Washington Post*, Mar. 15, 2009.

# Rosoboronexport's Venezuelan Setbacks

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Breaking into the Venezuelan market has undoubtedly been a major coup for Russian arms exports. Nevertheless, Rosoboronexport's record in Venezuela under Chávez was not an unbroken series of victories. First, the Venezuelans eventually refused to buy many of the systems Russian exporters had hoped to sell to them—in some cases, despite energetic wooing at the most senior levels. For example, Rosoboronexport and the Russian shipbuilding industry had great hopes for large Venezuelan contracts, especially for Russian submarines. The Venezuelan Navy currently has only two decrepit Type 209 (Sabalo class) submarines; both were bought from Germany back in the 1970s. Russian officials have repeatedly tried to convince their Venezuelan counterparts that they should be replaced with Russian-built Amur-950 or Amur-1650 submarines (the 950-tonne and 1,650-tonne export versions of the Russian Project 677 Lada boat), or perhaps even with larger Project 636 (Improved Kilo class) submarines. Details of the negotiations were leaked to the Russian media on several occasions. We are aware that in the summer of 2007, Venezuela applied to Russia's Federal Service for Military and Technical Cooperation for clearance to place an order for nine diesel-electric subs: five Project 636 and four Project 677E Amurs.<sup>76</sup> If the Venezuelan Navy were to acquire several modern submarines armed with Klub-S cruise missiles (an export version of Russia's 3M14 Kalibr, also known as the SS-N-27 Sizzler), it would immediately become the most powerful of all the South American navies, which would substantially reduce the likelihood of any foreign military meddling in Venezuelan affairs. In the end, however, Caracas never signed that contract, primarily for economic reasons. The cost of the program would include \$3 billion for the submarines themselves, plus the expense of the requisite infrastructure and maintenance.

Russian attempts to sell surface ships to the Venezuelan Navy also proved unsuccessful. In this segment of the arms market, Chávez preferred to pursue cooperation with his country's former colonial master, Spain. In 2005, Venezuela signed a package of contracts worth €1.2 billion with the state-owned Spanish shipyard Navantia. The package included four Guaicamacuto-type coastal patrol ships and four Guaiquerí-type corvettes.<sup>77</sup> Caracas also placed orders with suppliers from several other countries for various naval weapons and hardware for these ships. The Netherlands secured a contract for SMART-S multirole ship radars; Italy, for

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<sup>76</sup> "Hugo Chávez deepening cooperation with Moscow," *Kommersant*, July 14, 2007.

<sup>77</sup> See <https://www.naval-technology.com/projects/bvl-guaicamacuto-class-offshore-patrol-vessels/>.

Compact 76mm automatic cannon; Germany, for MTU-1163 diesel power plants; and Switzerland, for GDM-008 35mm automatic AA guns.<sup>78</sup> The United States was unable to derail these contracts: because the ships and other hardware were of European manufacture and did not rely on any US-made components, the US export control mechanisms did not apply. The European package of naval contracts suggests that Chávez was entirely willing to buy weapons from the West, and his choice of Russian suppliers was largely a consequence of US pressure on the Europeans and the Israelis.

Russia also tried and failed to secure Venezuelan contracts for Mi-28N attack helicopters, Yak-130 combat trainers (the Venezuelans opted for the Chinese K-8 Karakorum-8 instead), Il-76 transports, Il-78 aerial tankers,<sup>79</sup> and other expensive weaponry. Under Chávez, Venezuela was awash with oil money—but, even then, its possibilities were not limitless.

Venezuelan contracts also put into stark relief a well-known weakness of Russian arms exporters—namely, their inability to provide timely, high-quality repairs and maintenance of the hardware they supply to foreign customers. The Russians are excellent salespeople, certainly among the best in the world; however, if the weapons they sell do not receive proper maintenance and become unable to serve their purpose, customers will be alienated and the suppliers' reputation will be undermined. In Venezuela, a case in point was the sorry affair with the maintenance of Russian helicopters. It was obvious even before the contract was signed that it would be difficult for local technicians to keep numerous Russian aircraft in good working order, especially since they had never worked with Russian hardware before. That is why the 2006 package of contracts for Russian helicopters included an agreement to set up a multirole helicopter maintenance center (Centro de Mantenimiento y Reparación de Helicópteros Multipropósito, CEMAREH) in Acarigua, Portuguesa State. CEMAREH was to become a regional hub for the repair and maintenance of Russian helicopters. Its 300 specialists were to be trained in all types of repair and maintenance services. Under the initial plans, the facility was scheduled for launch in 2009, but, after numerous delays, it finally opened only in August 2013.<sup>80</sup> Meanwhile, the entire fleet of Mi-35M attack helicopters bought from Russia had become inoperable by the spring of that year.<sup>81</sup> Even after the formal launch

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<sup>78</sup> SIPRI Arms Transfers Database.

<sup>79</sup> "Venezuela to replace its C-130 fleet with Il-76," Lenta.ru, Dec. 6, 2007.

<sup>80</sup> "La Fuerza Armada de Venezuela active el Centro de mantenimiento y reparación de helicópteros," *Infodefensa*, Sept. 06, 2013.

<sup>81</sup> "Contract for the repair of Venezuelan Mi-35M," BMPD Blog, Feb. 5, 2014, <https://bmpd.livejournal.com/734071.html>.

of the CEMAREH facility, the Venezuelans had to ship their Mi-35M helicopters to Russia for repairs because their local specialists' training had proved inadequate.<sup>82</sup>

Poor maintenance, difficult operating conditions, and substandard training of Venezuelan personnel have resulted in a very poor safety record for the Russian-supplied helicopters. At least four of the 38 Russian Mi-17 aircraft delivered to Venezuela have crashed, killing 35 people.<sup>83</sup> There have also been numerous other, less serious incidents. A high rate of mechanical failures and poor maintenance remain a problem to this day. The latest incident involved a Venezuelan Army's Mi-35M attack helicopter, which crashed on February 4, 2019, near El Pao, Cojedes State, during drills that centered on "repelling a US invasion."<sup>84</sup>

Another problem that has long plagued Russian attempts to sell weapons to Venezuela is corruption. The most egregious case involved the agreement to build two Kalashnikov rifles and ammo manufacturing facilities in Venezuela.

Venezuela has never had much of a defense industry; it has relied almost entirely on arms imports. In the pre-Chavez period, the only attempt to create a large domestic arms producer was made by President Carlos Andrés Pérez in the 1970s. On April 29, 1975, he signed Presidential Decree No 883, ordering the establishment of the National Council for the Defense Industry and of the state-owned company CAVIM (La Compañía Anónima Venezolana de Industrias Militares).<sup>85</sup> CAVIM included machinery and chemicals/explosives divisions. The machinery division was based in Maracay, Aragua State, and specialized in small arms manufacture and repair. The chemicals and explosives division was built in Morón, Carabobo State, and specialized in the production of cellulose nitrate, TNT, nitroglycerin, dynamite, and other explosives. To launch the production of small arms at the Maracay facility, Venezuela acquired a Belgian license for FN FAL assault rifles, to be assembled locally from Belgian components. The plan was to gradually move on to producing more complicated weapons, but the oil slump of the 1980s forced the Venezuelan government to cut spending on defense industry programs, and the plan was shelved.

Hugo Chavez asked for Russia's assistance in developing an indigenous defense industry during his very first meeting with President Putin in 2001. Venezuela's own capacity to manufacture arms, even relatively simple small arms, was very limited. The Venezuelan infantry was armed mainly with Belgian FN FAL rifles, which were bought in several batches

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<sup>82</sup> Ibid.

<sup>83</sup> Calculations based on figures from: <https://aviation-safety.net/>.

<sup>84</sup> "A Venezuelan Mi-35M lost," BMPD Blog, Feb. 7, 2019, <https://bmpd.livejournal.com/3523853.html>.

<sup>85</sup> CAVIM website, <http://www.cavim.com.ve/index.php/resena-historica/>.

in the 1950s and 1960s before Venezuela's own CAVIM began its local manufacture from Belgian components.<sup>86</sup> Such a crucial dependence on the West did not sit well with Chávez's Bolivarian rhetoric. He wanted to ramp up domestic arms production, and for that he needed a technology donor.

As already mentioned, in May 2005, Venezuela signed a \$54.3 million contract for 100,000 AK-103 rifles.<sup>87</sup> Commenting on the deal, Defense Minister Jorge García Carneiro said that talks were underway with Russia on technology transfer to enable local production of these rifles at Venezuelan facilities. He added that a delegation of Russian technical specialists had visited CAVIM (which previously had assembled FN FAL rifles under Belgian license) in preparation for drawing up a commercial proposal.<sup>88</sup> The Russian delegation eventually concluded that it would not be feasible to use the existing CAVIM facilities for AK-103 production, insisting that a new plant would essentially have to be built from scratch. To that end, Russian contractors were to build two new weapons plants and install equipment to manufacture Russian rifles and ammo. The government gave the program the go-ahead, and Chávez even took to using it for his propaganda campaign. Speaking in May 2006 on his personal talk show, *Aló Presidente*, he had this to say: "The Russians are going to build a plant that will make Kalashnikov assault rifles and ammo, so we will have the ability to defend every street, every hill, and every corner.... Let the Americans have no doubt that they will taste the bitterness of defeat, just like they did in Vietnam and like they are now doing in Iraq."<sup>89</sup>

In July 2006, Rosoboronexport, the Venezuelan Ministry of Defense (MoD), and CAVIM signed a \$474 million deal under which the Russian partner undertook to build a weapons production facility in Maracay, Aragua State, capable of making 25,000 Kalashnikov rifles every year, and an ammo plant with an annual capacity of about 50 million rounds.<sup>90</sup> Rosoboronexport, acting as an intermediary, would receive a commission of 1-2 percent of the value of the contract. The rest of the money would be split between three Russian companies: SU-848 (a construction company, which would get about half of the \$474 million total), Izhmash (the maker of

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<sup>86</sup> Michael T. Klare, David Andersen, "A scourge of guns: the diffusion of small arms and light weapons in Latin America," Arms Sales Monitoring Project, Federation of American Scientists, 1996, p. 112.

<sup>87</sup> AK-103 is the export version of the Russian Army's standard-issue assault rifle, the AK-74, modified to take the 7.62x39mm ammo, which is more widely used outside Russia (the AKM/AK-47 rounds); Tomás Sarmiento, "Venezuela firma un contrato para comprar 100.000 fusiles rusos," May 17, 2005, *Ver más en*, <https://www.20minutos.es/noticia/24372/0/ARMAS/VENEZUELA/RUSIA/#xtor=AD-15&xts=467263>.

<sup>88</sup> *Ibid.*

<sup>89</sup> "28 May 2006 Programa Aló Presidente 256," [https://www.youtube.com/watch?v=TdS\\_n8ZarHg](https://www.youtube.com/watch?v=TdS_n8ZarHg).

<sup>90</sup> M. Solopov, I. Sidorkova, D. Serkov, "How billions were stolen from the program to build an ammo plant in Venezuela," RBK, Aug. 3, 2018.

Kalashnikov rifles, which has since been renamed Kalashnikov), and the Automated Lines Design Bureau (a Rostech division specializing in the development of small arms ammunition technologies and equipment).<sup>91</sup> Construction of the two plants, which were expected to employ over 1,500 people between them, was to commence in late 2007. Their launch was scheduled for 2010.

The Venezuelans never missed a single payment under that contract, but the program was plagued with delays. The general contractor did not begin the active phase of construction until late 2009. In March 2013, an audit conducted at the insistence of the Venezuelan customer found that SU-848 had completed only 50 percent of the construction and installation works. Only 9 percent of deliverables were accepted by the customer because of shoddy construction that did not meet project specifications.<sup>92</sup> In 2014, work on the construction site ground to a halt. The ensuing investigation found that the money paid by the Venezuelans was stolen using a network of dozens of fly-by-night front companies that had nothing to do with construction. One of the outfits used to syphon the money was the Yekaterinburg Diocese of the Russian Orthodox Church.<sup>93</sup> SU-848 chief Popelnyukhov and Automated Lines Design Bureau CEO Maslyayev were sacked, tried, and sentenced to jail. It came to light during the trial that the SU-848 chief had used his connections with senior Rosoboronexport management to win the construction contract. Nevertheless, no Rosoboronexport officials were ever convicted, and Popelnyukhov's contacts at the company are referred to in trial documents only as "unidentified persons."<sup>94</sup>

The contract was awarded to another Russian company, and work at the construction site resumed in April 2016. But since the money already paid by Venezuela's CAVIM had been stolen, the remainder of the program was financed by the Russian treasury. In April 2018, after Venezuelan defense minister Vladimir Padrino López held talks with his Russian counterpart Sergey Shoygu, López said that AK-103 production at the Venezuelan factory would begin in December 2019.<sup>95</sup> Speaking in January 2019, after the Venezuelan opposition leader Juan

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<sup>91</sup> Andrey Zlobin, "Sticky ammo. Investigations launched over Kalashnikov project in Venezuela," *Forbes*, Aug. 3, 2018, <https://www.forbes.ru/biznes/365523-lipkie-patrony-proizvodstvo-avtomatov-kalashnikova-v-venesuele-obroslo-delami>.

<sup>92</sup> M. Solopov, I. Sidorkova, D. Serkov, "How billions were stolen from program to build an ammo plant in Venezuela," *RBK*, Aug. 3, 2018.

<sup>93</sup> *Ibid.*

<sup>94</sup> G. Tumanov, "The shots that were never fired," *Kommersant*, Oct. 7, 2015.

<sup>95</sup> Andrey Zlobin, "Sticky ammo. Investigations launched over Kalashnikov project in Venezuela," *Forbes*, Aug. 3, 2018, <https://www.forbes.ru/biznes/365523-lipkie-patrony-proizvodstvo-avtomatov-kalashnikova-v-venesuele-obroslo-delami>.

Guaidó declared himself the legitimate acting president, Rosoboronexport officials said that the crisis in Venezuela would not cause any further delays.<sup>96</sup> Nevertheless, given the current political and economic situation in the country, the facility is unlikely to reach its nominal production capacity even if and when it opens. It may well be that Chávez's dream of a Venezuelan national defense industry has been dashed by Russian corruption.

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<sup>96</sup> "Rosoboronexport: AK-103 assembly in Venezuela to commence despite the crisis," TASS, Jan. 29, 2019, <https://tass.ru/armiya-i-opk/6040113>.

# Russian-Venezuelan Defense Cooperation Under Maduro: Tailing Off or Morphing Into Something New?

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Chávez's death in 2013 coincided with a sharp economic downturn in Venezuela. To a large degree, that downturn resulted from his social and economic policies. His efforts to bolster the role of the state in the economy (especially a series of nationalizations in the oil, telecoms, energy, steel, and construction materials sectors) made the nationalized companies inefficient and unable to attract the investment needed for their modernization. In 2007, the Chávez government nationalized (or rather expropriated) the Venezuelan assets of the US oil giants ExxonMobil and ConocoPhillips after they refused to sell those assets at below-market prices to PDVSA.<sup>97</sup> The move left the Venezuelan oil industry unable to attract US investment and cut off from advanced technologies. Meanwhile, Chávez saddled the Venezuelan budget with massive spending on social programs, such as cheap housing, food aid, subsidized loans, and fuel subsidies. The increased defense spending, including Russian arms imports, was another heavy burden on the country's economy. But as long as crude remained above \$100 a barrel, the oil export windfall made Chávez's economic follies sustainable.

Then, in 2014, the oil price fell off a cliff. As oil export revenues dwindled, the problems that had been piling up over the previous years were brought into stark relief. Venezuela could no longer afford its large food imports; the ensuing food shortages were exacerbated by the government's cack-handed campaign against "speculators." Interest payments on foreign debt also became a problem. In November 2017, the Standard & Poor's international ratings agency announced that Venezuela was missing payments on its sovereign debt, and lowered the country's sovereign credit rating to technical default.<sup>98</sup> Venezuela owed its foreign creditors \$150 billion, which amounted to 150 percent of its GDP. Hyperinflation soon followed.<sup>99</sup> Economic and social turmoil led to political unrest, with a series of protests across the country, including in the capital, Caracas.

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<sup>97</sup> "Exxon Mobil's Venezuelan gambit might lead to settlement," *New York Times*, Feb. 11, 2008.

<sup>98</sup> "S&P says Venezuela in default. Implications for Rosneft," *Forbes*, Nov. 14, 2017.

<sup>99</sup> For more details on the effects of the oil crisis on the Venezuelan economy, see: Leonardo Vera, "In search of stabilization and recovery: macro policy and reforms in Venezuela," *Journal of Post Keynesian Economics* 40, issue 1 (2017).

Under these circumstances, Chavez's successor, Nicolás Maduro, who won the presidential election on April 14, 2013, sensibly decided to prioritize social spending and efforts to save the free-falling economy over defense programs. The Venezuelan defense expenditure fell from \$6.2 billion in 2013 to \$465 million in 2017, shrinking by a factor of 13 in dollar terms (see Figure 2 above). Arms imports, including imports from Russia, were hit even harder. Russia has failed to secure a single significant Venezuelan contract during the entire post-Chávez period, despite media reports of ongoing negotiations about possible new Venezuelan orders for tanks<sup>100</sup> or fighter jets.<sup>101</sup> Since the arrival of Maduro, Russia has made final deliveries of BTR-80A APCs under a contract signed when Chávez was still alive,<sup>102</sup> and Russian specialists have provided repair and maintenance services for previously supplied weaponry—but there have been no new arms deals.

Apart from Venezuela's economic woes, Russian arms exports to that country have been hit by strong competition from China. Shortly before Chávez's death, Venezuela placed several large orders for Chinese weaponry worth about \$500 million. That was one of the largest foreign deals for ground weaponry ever clinched by Chinese suppliers. The package included 25 VN-18 infantry fighting vehicles; 25 VN-16 amphibious fighting vehicles that use the same chassis as the VN-18; 121 VN-1 APCs with an 8x8 wheeled chassis; several command staff vehicles; 18 self-propelled mortars (81mm and 120mm); and SR-5 modular bi-caliber MLR systems that can use 122mm and 220mm ammo.<sup>103</sup> Deliveries under those contracts commenced in 2014 and were completed in 2017. Additionally, China has already delivered eight Shaanxi Y-8 transports and nine K-8 Karakorum combat trainers under another contract, signed in 2013.<sup>104</sup> Beijing also remains a major buyer of Venezuelan oil, with daily imports of 700,000 barrels of high-quality Venezuelan crude.<sup>105</sup> Most of that oil is sold at a below-market price of about \$50 a barrel under contracts signed during an oil price trough. In these circumstances, China can afford to undercut its competitors for Venezuelan arms contracts by offering lower prices or long-term credit financing. Amid Venezuela's raging economic, social, and financial crisis,

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<sup>100</sup> "Tanks do not change course," *Kommersant*, June 27, 2012.

<sup>101</sup> "Venezuelan president announces intention to buy at least 12 Sukhoi fighters from Russia," TASS, Sept. 21, 2015.

<sup>102</sup> "Venezuela continues to take deliveries of BTR-80A APCs," BMPD Blog, Apr. 28, 2014, <https://bmpd.livejournal.com/830257.html>.

<sup>103</sup> "Deliveries figures: Chinese armored vehicles for Venezuelan marines," BMPD Blog, July 28, 2014, <https://bmpd.livejournal.com/936442.html>; SIPRI Arms Transfers Database.

<sup>104</sup> "Venezuela receives more Chinese K-8W jet trainers," southfront.org, May 04, 2016.

<sup>105</sup> "China's Top Providers of Imported Crude Oil," <http://www.worldstopexports.com/top-15-crude-oil-suppliers-to-china/>.

China remains the only arms exporter that continues to make large weapons deliveries to that country.

Venezuela has ceased to be a lucrative defense market for Russia because of the economic crisis and Chinese expansion. The only possible way to secure new Venezuelan contracts is to give the Venezuelans new loans, which they might never repay. That does not mean, however, that defense cooperation between the two countries is over. As the United States and the US-backed Venezuelan opposition ramp up their pressure on the Maduro regime, Russian projects in Venezuela—especially energy projects—are coming under threat. Russian companies have invested heavily in Venezuela under both Chávez and Maduro. Russia’s state-owned oil giant Rosneft and Venezuela’s PDVSA have five joint oil production ventures in the country, which produce 9 million tons (about 54 million barrels) of crude a year. In 2014, Rosneft and PDVSA signed a contract under which the former should supply the latter with 1.6 million tons of oil and 7.5 million tons of refined products over a five-year period. Under another contract, signed in November 2014, PDVSA is to supply an additional 1.6 million tons of crude and 9 million tons of refined products, also over a five-year period.<sup>106</sup> To enable PDVSA to fulfill these commitments, Rosneft has lent it \$6 billion.<sup>107</sup>

In December 2017, PRVSA granted Rosneft a 30-year exploration and development license for the Patao and Mejillones natural gas fields in the Caribbean. There are several joint projects in such non-energy areas as gold and bauxite production. Moscow now fears that should the Maduro government fall, Russia will lose its Venezuelan investments and loans. Recent events in Ukraine are still fresh in the Kremlin’s mind: lacking military support, then Ukrainian president Viktor Yanukovich was toppled by a pro-Western coup. Russian companies have since lost billions of dollars’ worth of Ukrainian assets, and the new Ukrainian government has refused to repay a \$3 billion Russian loan issued when Yanukovich was still in power.<sup>108</sup> Meanwhile, Maduro and his allies realize that without the backing of major global powers (China and Russia), they will not be able to withstand US pressure for much longer.

That is why as the Venezuelan political crisis deteriorates, there are growing contacts between the Venezuelan and Russian defense ministries. In December 2018, Nicolás Maduro himself paid a visit to Moscow at the head of a delegation that included Defense Minister Vladimir Padrino López, who met his Russian counterpart Sergey Shoygu. López expressed an interest in upgrading the ground and air weapons supplied by Russia.<sup>109</sup> He also emphasized the need

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<sup>106</sup> “History of Russian-Venezuelan relations,” TASS, Jan. 24, 2019.

<sup>107</sup> “17 billion at stake: what Russia stands to lose from the coup in Venezuela,” <https://www.rbc.ru/economics/24/01/2019/5c49bbac9a79475ffe868c49>.

<sup>108</sup> “UK court says Ukraine-Russia \$3 billion Eurobond case should go to trial,” Reuters, Sept. 14, 2018.

<sup>109</sup> “Venezuela wants to upgrade weapons supplied by Russia,” *Argumenty i fakty*, Dec. 6, 2018.

for closer cooperation in the maintenance of Russian hardware, clearly referring to the inadequate customer service provided by Russian arms suppliers.

After the visit by the Venezuelan delegation, the Russian MoD said on December 10 that two Russian Tu-160 strategic bombers, an An-124 Ruslan heavy transport, and an Il-62 long-range plane of the Russian Aerospace Forces had arrived in Venezuela. During that visit, the Russian planes made a scheduled flight over the Caribbean, accompanied by Venezuelan Air Force aircraft.<sup>110</sup> It is worth noting that a proper military deployment of the bombers to Venezuela was not on the cards; the Russian planes arrived unarmed. The real goal of the exercise was to demonstrate Russian-Venezuelan unity, and it was conducted at Venezuela's own request. Speaking in an interview with Venezuela's Telesur national TV network, Defense Minister López said, "We must tell the people of Venezuela and the entire world that just as we are cooperating in various areas of development for both peoples, we are also preparing to defend Venezuela to the last extent when necessary."<sup>111</sup> The visit by the Russian bombers drew sharp criticism from the United States, including an undiplomatic outburst about "two corrupt regimes" by US secretary of state Mike Pompeo.<sup>112</sup>

A new phase of the Venezuelan crisis began on January 11, 2019, when Juan Guaidó, head of the Venezuelan National Assembly, declared himself the legitimate president.<sup>113</sup> On January 23, Donald Trump stated that the United States recognized Guaidó as acting president. Recognitions by another 15 members of the Organization of American States (OAS) followed before the day was out. But Guaidó's attempts to secure the support of the Venezuelan military proved futile: the top brass, including Defense Minister Padrino López, said they remained loyal to the elected president Nicolás Maduro. The Russian Foreign Ministry also backed Maduro, arguing in a statement that a foreign armed intervention "would risk catastrophic consequences," and accusing Washington of demonstrating "utter disregard for international law" by its actions and statements.<sup>114</sup>

After Guaidó's attempt at a quick power grab failed, the opposition changed tactics, launching a campaign of street protests, provocations, and sabotage. On the evening of March 7, 21 out of

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<sup>110</sup> "Russian strategic bombers in Venezuela," TASS, <https://tass.ru/armiya-i-opk/5907720>.

<sup>111</sup> "Venezuela, Russia Begin Defense Training Exercises," <https://www.telesurenglish.net/news/Venezuela-Russia-Begin-Defensive-Flights-20181210-0023.html>.

<sup>112</sup> "Pompeo Blasts Russia for Strategic Bombers Sent to Venezuela," Bloomberg, Dec. 10, 2018.

<sup>113</sup> "Juan Guaidó: Maduro is a usurper. It's time to restore democracy in Venezuela," *Washington Post*, Jan. 15, 2019.

<sup>114</sup> "Army refuses to support Venezuelan coup. Russia backs Nicolás Maduro," *Kommersant*, Jan. 24, 2019.

Venezuela's 23 states, including the capital of Caracas, suffered a major blackout.<sup>115</sup> Maduro tried to use the crisis to strengthen the Venezuelan armed forces and security agencies by calling for help from his foreign allies, including Russia. On March 23, Il-62 and An-124 transports with 99 Russian military specialists onboard landed in Caracas.<sup>116</sup> The state of the Venezuelan forces has deteriorated substantially due to chronic underfunding since the economic and political crisis broke out, and much of the defense hardware supplied by Russia has become inoperable. The main job of the Russian specialists in Venezuela will be to assess the state of that hardware, begin the necessary repairs, and bring it back online. The planes that brought them to Venezuela also had the most urgently needed spare parts and repair equipment onboard. Also, the group includes cybersecurity specialists who will help the Venezuelans identify vulnerabilities in their national grid control system and prevent new blackouts.<sup>117</sup>

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<sup>115</sup> "Las calles de Caracas colapsaron por falla eléctrica," *El Nacional*, Mar. 07, 2019.

<sup>116</sup> "Llegaron a Maiquetía 99 militares rusos con 35 toneladas de cargamento," *El Nacional*, Mar. 24.2019.

<sup>117</sup> "Russian deployment in Venezuela includes 'cybersecurity personnel': U.S. official," Reuters, Mar. 26, 2019.

## Conclusion

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Over the past 25 years, Russian-Venezuelan defense cooperation has gone through five phases:

- Before the arrival of Hugo Chávez, Russia had little to no presence in the Venezuelan defense market. No basis had been laid for such a presence during the Soviet period because Venezuela remained generally pro-Western throughout the Cold War. The country relied on the West, including the United States, for its arms imports.
- During the early years of the Chávez presidency (1998-2002), Russia and Venezuela did not sign any major arms deals, despite growing political ties and personal contacts between Chávez and Putin. The Venezuelan president did not make any attempts at a radical modernization of his armed forces, and the country continued to import weapons primarily from the West. Russia's early marketing efforts proved unsuccessful; the Venezuelan military had no previous experience with Russian hardware and preferred to stick to the suppliers they already knew.
- The situation changed after the coup attempt against Chávez in 2002 and the imposition of US restrictions on arms supplies to Venezuela, which also applied to European, Brazilian, and Israeli hardware containing US components. Chávez saw the US political pressure and arms embargo as preparations for an invasion and a threat to his rule. He launched a massive military modernization program and turned to Russian arms suppliers. A series of Russian-Venezuelan contracts, mostly for aircraft and air munitions, were signed in 2005 and 2006.
- Russian-Venezuelan defense cooperation peaked in 2008-2012. It was spurred by a fresh outbreak of tension between Venezuela and neighboring Colombia in early 2008. Caracas placed several large orders for Russian weapons, including air defense systems, armored vehicles, and artillery. These arms transfers enabled Venezuela to conduct a substantial modernization of its army.
- Chávez's death in 2013 and the severe economic crisis that began later that year put the brakes on Russian-Venezuelan defense cooperation. Russia did not secure a single significant arms contract with Venezuela in the 2013-2018 period.

The latest phase of Venezuela's political crisis in 2019 has ushered in a new phase of defense cooperation with Russia. Whereas that cooperation used to revolve around very large but purely commercial arms contracts with no geopolitical or strategic underpinning, it now provides technical support and advice to the Venezuelan Army and security services, but very limited arms supplies. The future of defense cooperation between the two countries will depend on how the Venezuelan political crisis unfolds in the coming weeks and months.

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**This report was written by CNA's Strategy, Policy, Plans, and Programs Division (SP3).**

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