

## 2 CHAPTER

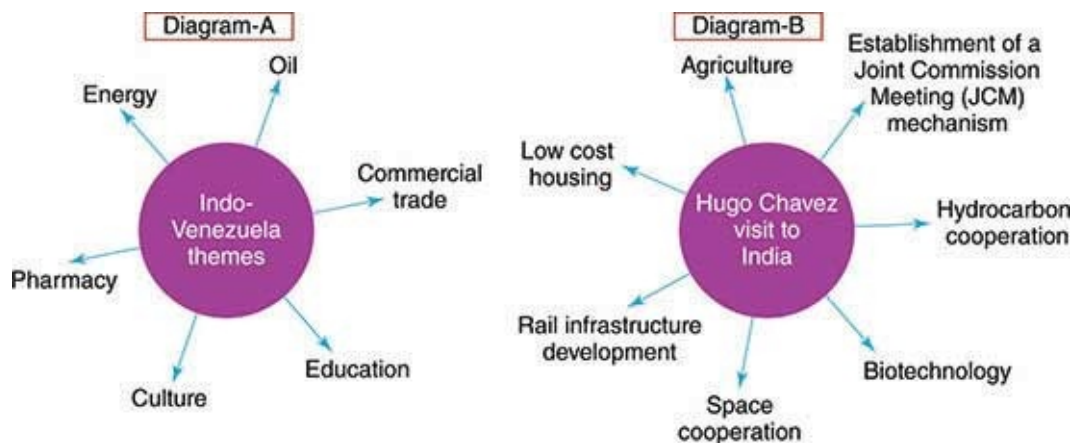
# India and Venezuela Relations

*After reading the chapter, the reader will be able to develop an analytical understanding on the following:*

- Basic background
- Commercial diplomacy
- Hydrocarbon and Oil diplomacy
- Crisis in Venezuela and the Oil Sector

### BASIC BACKGROUND

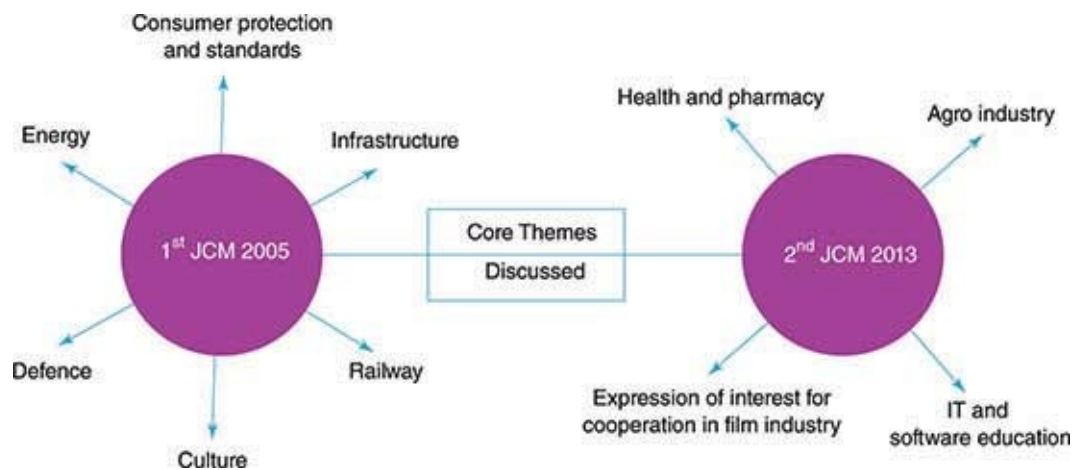
Indian and Venezuela have had cordial relations and diplomatic engagement between the two began in 1959. India and Venezuela also celebrated 50 years of diplomatic relations in 2009. In 2015, Venezuela was appointed the next chairman of NAM. Indira Gandhi had visited Venezuela in 1968. The major thrust to the relationship was seen in the post-Cold War era. In 2005, Venezuelan President Hugo Chavez Frias paid a state visit to India. This visit bolstered the opening of a new chapter in our relations as it was the first ever visit by any Venezuelan head of the state to India.



The most significant achievement of the visit of Hugo Chavez Frias was the conclusion of an MoU between ONGC Videsh Limited and the Venezuelan State Petroleum Company (PDVSA). The death of Hugo Chavez in March 2013 led to Nicolas Maduro Moros being elected the new President of Venezuela.

### COMMERCIAL DIPLOMACY

The foundation of their commercial relation was laid down during Hugo Chavez's India visit in 2005. A consultative joint commission meeting mechanism was envisaged. The 1<sup>st</sup> JCM happened in 2005, in Venezuela while the 2<sup>nd</sup> JCM was organised in New Delhi, in 2013.



After the 2<sup>nd</sup> JCM, India has initiated a mechanism to undertake knowledge sharing with regard to white revolution technology (milk). India exports pharmaceuticals, chemicals, petroleum cake, textiles, engineering product, equipments and machinery to Venezuela while its imports crude oils, iron pellet, electrical cables (MEA). Some prominent Indian firms, namely Tata, Ajanta Pharmacy, Sun Pharma and Dr. Reddy are doing good business in Venezuela. Tata is prominently visible with exports of Indica and Indigo cars which are widely used in Venezuela. Pharmacy is very promising sector for investment in Venezuela from the Indian point of view, since there is an acute shortage of medicines in Venezuela. In recent times, Indian players like Cipla have emerged as prominent players and are selling more than 120 different medicinal products. In recent times, the Indian embassy has started playing an important role in boosting commercial ties. Since 2013 it has been organising business promotion events at India House in Venezuela. In recent times, automobiles and textiles have emerged as two key sectors which India has been showcasing at these events. In 2014, the Indian embassy also undertook the organisation of an event to promote the Make in India campaign in Venezuela

## HYDROCARBON AND OIL DIPLOMACY

Before we delve into Indo–Venezuela oil diplomacy, we first need to understand why India needs Venezuela as an oil supplier. During the Cold War period, India was dependent upon oil imports from West Asia. As the Cold War ended, the West Asian region witnessed internal disturbances and slid into chaos. The Gulf War–I and the Gulf War–II severely affected India’s oil supply. Furthermore, as the Indian economy made a transition to an open economy, the domestic energy consumption began to increase. As India domestically lacked the supply base itself, it resorted to more oil imports. But as West Asia was already in crisis, and there was an immediate hunger domestically to sustain the growth momentum, India resorted to diversification of its oil import basket. As India decided to diversify its oil imports, its Latin American friend Venezuela entered the picture. India did initiate oil imports from Venezuela in the period from 2000 to 2010 but Venezuela could not emerge as a mega supplier. It’s not that Venezuela did not possess oil, but being in the strategic background of the US, Venezuela was left very little surplus after heavy oil imports from the USA. But in the period after 2010, as the US began the discovery of shale, its dependence in Venezuela oil has declined. This situation has favoured India.

Now Venezuela possesses surplus oil. Thus, as India had already executed its policy

diversification, it has an opportunity to buy more oil from Venezuela. Today, Venezuela is our third largest oil supplier after Saudi Arabia and Iraq.

The basic framework for hydrocarbon diplomacy was laid down during the 2005 visit of Hugo Chavez to India. Since then, the OVL has been an important participant in the oil sector of Venezuela. The OVL is present in the Orinoco belt oil field. It also has a joint venture with Venezuelan National Oil Company, with a joint venture firm called Petrol Indo Venezolana SA having been established. The firm is exploring oil in the San Cristobal field. In the San Cristobal field, 40% stake is owned by the OVL. Venezuela had undertaken organisation of an international bid for developing the onshore Carabobo Oil Project in the Orinoco belt. When the bidding process ended, an international consortium of OVL, IOC, OIL, Repsol of Spain and Petronas of Malaysia were declared winners. A lot of Indian firms are also present in oil sector of Venezuela and they also participate in business roundtable conferences between India and Venezuela.



## CRISIS IN VENEZUELA AND THE OIL SECTOR

After the death of Hugo Chavez, the Maduro government which took over has been in crisis due to tensions and demands by the opposition, the MUD (Democratic Unity Roundtable). As a result of the conflict between Maduro and the MUD, the political situation in Venezuela has not been stable. This prolonged crisis has now taken a toll on Venezuelan economy as businesses are not keen on investing in a situation of political chaos. Further, due to a global downturn, the demand of oil has gone down and as a result of mixture combination of these two factors, the oil sector has been severely affected.



### Vostro Account Mechanism, 2016

As a result of the Venezuelan economic crisis, the Indo–Venezuela bilateral trade has been affected. The Venezuelan importers are not able to pay money to Indian exporters. Now under the new mechanism, when India will import oil from

Venezuela, it will ensure that a certain part of money to be paid to Venezuela will be held by the State Bank of India in Venezuela. There will be a Vostro account where money will be converted into Indian Rupees and kept in a branch of SBI in Mumbai. Whenever India will export goods to Venezuela, the importers in Venezuela will receive the goods and certify the imports and inform the Venezuelan bank to pay to the exporters in India. The Venezuelan bank will now pay the money due to the exporters in India and the SBI in Venezuela will also pass the instruction to SBI in Mumbai who will pay the exporter in India by debiting the money from the Vostro account of Venezuela held by SBI.



### **India–Venezuela Cultural Interaction**

India and Venezuela have deep cultural interactions. In the 2<sup>nd</sup> JCM in 2013, we saw Venezuela expressing an interest in film industry cooperation. The Indian Council of Cultural Relations regularly organises cultural fests. Dance troops and music groups from India also regularly visit Venezuela. In fact, centres of Sai baba, Brahma Kumaris and yoga centers are also popular in Venezuela. While visiting the Film City in Noida in June, 2016, the government of Venezuela showed an interest and established an association with India to open up bilateral relations in films, arts, culture and media. At the same time, Sandeep Marwah was nominated as the chairperson of the India–Venezuela Film Association.