CITGO: Auction and political tension before Venezuela's election

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"Men are more ready to offend one they love than one they fear." – Niccolò Machiavelli

As the presidential election in Venezuela draws near, the political atmosphere is charged with tension, unveiling clear signs that Nicolás Maduro's regime has no intention of relinquishing power peacefully. Retaliatory actions have been taken against followers of María Corina Machado, and there have been smear campaigns against the opposition candidate and leaders of the democratic forces.

In this fraught political landscape, the forced sale of the oil company CITGO—a strategic asset for Venezuela's economy and its geopolitics—by a U.S. federal court before the presidential elections scheduled for July 28 would favor the Bolivarian regime. This situation serves to craft a narrative that questions not only international legality but also the legitimacy and patriotism of Venezuela. The narrative of CITGO being "stolen" by Yankee imperialism, observed by Venezuelan opposition leaders, aims to highlight nationalism among the military forces and the Chavista bases that currently do not support Maduro in his re-election.

The Delaware Federal Court has been accepting binding offers for shares in CITGO Petroleum as part of a case involving 18 creditors seeking compensation for expropriations and defaults on debt payments during the Chávez-Maduro administration. The total claims amount to $21.3 billion.

In the story of the "robbery", the Band of Five—namely Maduro, Cilia Flores, Diosdado Cabello, Jorge Rodríguez, and Vladimir Padrino—label various opposition leaders, such as Leopoldo López, Juan Guaidó, Julio Borges, and the traditional aristocracy, as "neofascists". They adopt a tone of extreme ideological confrontation that transcends the political arena to touch on the fibers of national identity and sovereignty.

Furthermore, branding the involved as "traitors to the homeland" is among the most severe accusations that can be made in any political context. It aims not only to judicialize individuals but also to send a clear message about the consequences of collaborating with forces that Maduro's regime considers hostile.

The expropriations during Hugo Chávez's government have left a trail of international debts that have led to numerous lawsuits in the United States, particularly against PDVSA and the Republic of Venezuela. These debts are not merely figures in the account books; they represent unfulfilled commitments that have complicated the relationship between the state and its international creditors, placing the country at a high risk in global financial markets.

On July 15, Judge Leonard Stark will hold a public hearing in the Delaware Court to determine the winner of the auction process for the shares of PDV Holding, the owner of CITGO. With the final offers received last week, the outcome of this hearing could seal the fate of PDVSA's subsidiary in the United States and, consequently, influence the Venezuelan political landscape.

The political impact of this auction, which allows for credit bids, must be considered. While media attention focuses on CITGO, Maduro's regime uses the "robbery" narrative to its advantage, portraying the opposition as incapable of protecting national interests. This post-truth aims to consolidate its base and divert attention from Maduro's low popularity.

In response, the regime proposes mobilizing a national unity movement to defend CITGO. This movement represents Venezuela's broader struggle to maintain control over its foreign assets, which are seen not only as economic resources but also as integral parts of the national heritage. This perspective underscores the narrative of resistance against what they perceive as imperialist interventions and betrayal by the opposition.

However, the reality is quite the opposite. Since January 2019, U.S. administrations have recognized the National Assembly of Venezuela and its presidents, first Juan Guaidó and then Dinorah Figuera, as the legitimate representatives of the Venezuelan people. To maintain Venezuelan control over CITGO, in October 2019, the Trump administration made the political decision to protect it from being seized by creditors—the holders of PDVSA 2020 bonds resulting from the swap operation of the PDVSA 2017 bond under Maduro's administration.

This measure, although temporary, has allowed Venezuelan dominance over the company. However, the protection is not a long-term solution and highlights Maduro's regime's precarious financial situation due to the country's pillaging. The country's total external debt exceeds the estimated value of CITGO (between $11 billion and $13 billion) more than fifteen times.

Since the new administration of PDV Holding, appointed by the interim government, assumed the management of CITGO, it has initiated a series of reforms to clean up the management of the corrupt and poorly managed PDVSA. The company has been profitable, generating $4.8 billion in net earnings over the last two years and processing up to 807,000 barrels of oil daily.

Despite these efforts, the sword of Damocles still hangs over the company, with the threat that it could be auctioned off to pay creditors if judicial independence is maintained.

Therefore, the future of CITGO and its control remains to be determined. The Biden administration has continued to protect the company. A communication from the U.S. Attorney General and Secretary of State could delay the final hearing and prevent the auction from becoming a narrative in the Venezuelan presidential electoral campaign.

To such an extent, it would serve for the National Bolivarian Armed Forces to reject a supposed "surrender" to imperialism, proclaiming love for the homeland and reinforcing the framework of national defense and sovereignty. It would allow a military alignment with the current regime, which is crucial for continuing in Miraflores.

In conclusion, the CITGO case is not just a matter of assets and legalities. It represents an opportunity for the Biden administration to support the democratic opposition. The decisions made in Washington, Caracas, and U.S. courts will have repercussions for CITGO's financial statements, the Venezuelan people, and their economic and political future. The CITGO situation demonstrates that in modern geopolitics, economic assets are both negotiation tools and sources of influence, and their management requires a delicate mix of political cunning and financial prudence. The Biden administration and judicial decisions must consider these implications and seek to postpone the auction of Venezuela's most strategic asset for its economy and geopolitics abroad. If it had been up to the Maduro regime, CITGO would not be in the hands of Venezuelans. The owners would have been the bondholders of the PDVSA 2020 since 2019.