

## **Maduro's last three months will be conclusive for Venezuela**

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Nicolás Maduro enters the last 92 days of his 2013-2018 presidential term. Ten days later, January 10<sup>th</sup>, 2019 (Jan.10), he will no longer be a ruler with the legitimacy of origin because his supposedly upcoming term was the product of a presidential electoral sham carried on May 20<sup>th</sup> condemned by more than sixty countries; the leading opposition candidate and the parties that make up the Democratic Unity Table (MUD), who described the electoral process as illegitimate by not being free, fair, transparent and democratic, also denounced it.

The fourth quarter will be a period in which the international community will be very active in trying to achieve a political solution to the humanitarian crisis and the violation of human rights in Venezuela. Two historical events prove it.

The first one was the request by seven countries -Argentina, Colombia, Canada, Chile, France, Paraguay, and Peru- made to the prosecution of the International Criminal Court to investigate Nicolas Maduro and his regime for crimes against humanity and human rights violations perpetrated since April 2014.

The second event is the resolution of the UN Human Rights Council (UNHRC) in which they expressed grave concerns about the violation of human rights in Venezuela. The UNHRC recommended the Maduro regime to accept humanitarian assistance to deal with the "shortage of food and medicines", the "increase in malnutrition" and the "outbreak of diseases that had been previously eradicated or controlled in South America".

On the other hand, the working group on Venezuelan migration, created by the Secretary General of the Organization of American States (OAS), will seek to document the cases that support the "responsibility to protect" doctrine of the UN.

As for the sovereign external debt and PDVSA's debt, in this quarter could be defined the embargo of CITGO, Venezuela's main asset abroad. The auction of its shares is about to happen, October 27 will be conclusive because PDVSA will have to pay the capital and the interests of the PDVSA2020 bond (\$ 949,218,646). What happens with Citgo could trigger the acceleration of a collection, by bondholders; of the entire external debt that to date accumulates an amount of \$ 6.4 billion.

In November, the International Monetary Fund could suspend Venezuela's membership due to the lack of economic data provided by the country, as required by the agency's rules. They issued a warning last May. If the country stays outside the Fund, it could trigger the acceleration of sovereign bonds 2020 and 2034. Also, Venezuela will have to honor the first \$ 500 million of the payment agreement made with US oil company Conoco-Phillips, which was signed with PDVSA for the arbitration award given to the company.

At the national level, this quarter will be red for the Venezuelan economy.

Money supply grew 152% after the first month of the implementation of the economic measures announced by Maduro, against his commitment not to continue financing the deficit with the emission of money. If this trend continues, inflation will reach 9,000,000% by the end of the year, well above the IMF estimate of 1,000,000%.

Furthermore, Venezuela will once again experience a fall in its Gross Domestic Product (GDP) this year, reducing its economy to one-third of the size it had in 2013, in current dollars.

In this last quarter of 2018, oil production will continue to fall, reaching barely one million barrels per day. This situation will continue to cut the flow of foreign currency, the driving force of the economy for imports of raw materials and finished goods needed by the people.

The free exchange rate will have an upward trend, despite having a relatively stable price in September. At the end of the year, the free exchange rate could reach 1,000 bolívars soberanos per dollar, due to the drop of foreign currency income in the State's coffers, as well as the regime's insistence in the use of the "Petro" as a legal means of payment. This action would turn the dollar into a "commodity".

This economic reality will push the displacement of Venezuelans in the last quarter of the year, overflowing the institutional capacity of recipient countries.

Faced with this global scenario the Maduro regime will address this international reality by invoking the doctrine of "self-determination of peoples". He will argue that Venezuela is "victim of permanent aggression in the economic, political and media sphere by the US government of Donald Trump".

For this, Maduro will resort once again to a national dialogue. On this occasion, the dialogue will be with members of the opposition without the representation of the MUD political parties, except for Acción Democrática and Un Nuevo Tiempo, Timoteo Zambrano, Luís Florido, Manuel Rosales, Omar Barboza, Henry Ramos, Henrique Capriles, and Henri Falcón. The expeditors for that purpose are José Luis Rodríguez Zapatero, Pope Francis, Michelle Bachelet, the Boston group -made up of US and Venezuelan parliamentarians in 2002-, among others.

The Maduro regime intends to cross the red line of Jan 10. By that moment, he will become an illegitimate president of origin, opening the opportunity to remove him from power in multiple ways. The ruling party and their companions would then argue that the solution to the crisis of governance in Venezuela should be left in the hands of Venezuelans, meaning that the international community should refrain from pressing for a definitive solution. The sham elections of May 20 were recognized by Russia China, Nicaragua, El Salvador, Cuba, Syria, Bolivia, Turkey and Iran and were refused by the Group of Lima, the United States, the European Union, Australia, the opposition candidate Henry Falcón, and the political parties of the MUD.

To go back to a dialogue in Venezuela there should be reliable guarantors to ensure the roadmap to restore democratic order with free, fair, transparent and democratic elections, revalidating all public powers. The opposite is the consolidation of Maduro in power and the condemnation of the Venezuelan people to live in a dictatorship that disintegrates the nation. Therefore, the last quarter of 2018 will be decisive for the political, social and economic future of Venezuela.