

Maduro to survive will form National Unity Government

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The embargo imposed by ConocoPhillips -in compliance with an arbitration award of 2.04 billion dollars for the nationalization of its projects in Venezuela in 2007- of the Venezuelan state oil company (PDVSA) assets, in the Caribbean islands, puts the regime of Nicolas Maduro on the ropes. The unavailability of the tank farms in Bonaire and St Eustatius islands to mix the extra heavy crude oils from the Orinoco Oil Belt with imported diluents, affects the process upstream, forcing PDVSA to stop oil production. Besides, ConocoPhillips opened the door for all contractors who have accounts receivable from PDVSA to use the same procedure, the seizure of its assets. So, the Maduro regime loses a critical piece of its political-economic strategy.

Maduro is stuck in a dead end. If PDVSA pays the whole amount established by the sentence to get out of the ConocoPhillips embargo, PDVSA will have creditors queuing to collect their debts. Only in interest and capital of PDVSA bonds matured to date, the debt amounts to 2.843 billion dollars. On the other hand, if PDVSA does not cancel ConocoPhillips, it will have to stop production, affecting oil exports to India and China. Also, it will impact the shipments of crude to U.S. refineries on the gulf coast. A situation that will make the economic collapse of Venezuela imminent and would favor the fracture of the regime because there will not be enough oil rent to distribute among the followers of Maduro.

This situation creates a risk to the permanence of Nicolas Maduro in power. The regime will have little room to maneuver on the humanitarian crisis, caused by the severe financial condition of the country. Maduro knows that he needs to buy time to get a possible solution to the economic crisis. He bets on the increase of the oil price to regain the resources of the oil rent, trying to reach 2019 when the Brent oil price will be 100 dollars.

Dr. Hector E. Schamis wrote in his weekly El País column that Maduro would form a government with Henry Falcón and some members of his team (Francisco Rodríguez) after May 20th. It will be announced to the international community as the best political deal, "a great government of reconciliation and national unity", seeking to obtain the legitimacy of origin that the mock election of March 20th lacks. According to Schamis, Former Spanish Prime Minister, Jose Luis Rodriguez Zapatero, put the final touches on this plan.

This strategy, "a government of reconciliation and national unity", would give the Maduro regime the necessary time to remain in power, because the reconciliation would include the restoration of the civil and political rights of some opposition leaders -those who accept the "New government".

Additionally, if Francisco Rodríguez, head of the government program of Mr. Falcon and chief economist of the New York investment bank Torino Capital, occupies the finance ministry of the new Maduro Administration, it will help the regime to regain credibility before the international banking system and the capital markets.

One of the critical factors for success of this “new government” is the military faction that today rules with Maduro. Another one is the maintenance of the “status quo” relationship with Cuba - including the purchase of hydrocarbons in the market for delivering to the island.

On the other hand, to resolve the crisis of governability in Venezuela, the Maduro-Falcon new government will look for the division in the big opposition parties: Primero Justicia, Voluntad Popular, Acción Democrática, Un Nuevo Tiempo, Vente Venezuela, Soy Venezuela, Alianza Bravo Pueblo, Causa R, Convergencia, Movimiento Progresivos, among others. The opposition, then, should act preventively, deploying effective actions that will strengthen the plan to oust Maduro.

For now, the ConocoPhillips embargo on PDVSA’s assets represents the most significant risk to Maduro’s stability in power. After May 20th, the new economic and individual sanctions implemented by the international community will raise the viability of Maduro’s future government.

Thus, Maduro will try to survive in power with a “government of reconciliation and national unity”, to prevent that sanctions from the international community and the embargo to PDVSA oust him.