

RUSSIA'S SUPPORT. A KEY FACTOR TO MAINTAIN MADURO'S DICTATORSHIP.

**A Report for the Centenary Policy Institute
By Daniel Lacalle.**

The imposition of 21st century socialism in Venezuela has been a carefully designed plan. The recent electoral fraud is merely another milestone in a meticulously calculated process to destroy the economy and independent institutions with a triple objective: create a subclass of dependent citizens, force opponents to leave the country and take full control of all institutions to enrich the Chavista political leaders. For every dictatorship, the process of destroying democracy from within begins with the use of democratic rules.

Squandering the largest oil income surplus in Venezuela's history during a period of high oil prices and tens of billions of dollars of economic backing from China and Russia, amongst other countries, the Chavez-Maduro government has become synonymous with economic disaster and social collapse.

It is common practice for the totalitarian leadership to attribute its economic woes to a "blockade" that does not exist. The reality, on the other hand, is quite different. The United States does not impose a blockade on Venezuela, and it is one of its most important commercial partners. More than fifty countries have signed bilateral trade agreements with Venezuela¹, and the country also has robust trading links with China, Russia, India, the United States of America, Turkey, Brazil, Spain, the Netherlands, and most developed and emerging economies². Furthermore, Venezuela is a heavily subsidized country that has received more than \$80 billion in foreign aid, soft loans and direct economic support from different nations, especially China, according to the Congressional Research Service³ and the Council of Foreign Relations⁴ including \$1.94 billion from the United States and more than \$400 million from Europe according to the European Commission⁵.

The Chavista regime squandered more than a trillion dollars of oil revenue between 1999 and 2014⁶, making the political leaders obscenely wealthy while the country starved. The track record of economic and social collapse imposed by the Chavez-Maduro regime is unparalleled.

¹ <https://www.lloydsbanktrade.com/en/market-potential/venezuela/trade-profile>

² <https://www.oas.org/legal/english/docs/bilateralagree/Venezuela/VenezuelaBilateralAgree.htm>

³ <https://www.everycrsreport.com/reports/R45072.html>

⁴ <https://www.cfr.org/in-brief/maduros-allies-who-backs-venezuelan-regime>

⁵ https://ec.europa.eu/commission/presscorner/detail/it/ip_23_1659

⁶ https://www.bbc.com/mundo/noticias/2016/02/160219_venezuela_bonanza_petroleo_crisis_economica_ab

Over 523,000 homes and 1,087 businesses and 3.4 hectares of land have been expropriated by the regime⁷. Additionally, the national currency was destroyed by printing money.

Eroding the purchasing power of the currency was a way of implicitly nationalizing the economy and making people dependent on the government while the leaders became immensely wealthy keeping the nation's US dollars. There have been fourteen zeros removed from the nominal value of the national currency during the past thirteen years⁸. The national oil company, PDVSA, was brought to its knees by increasing the number of public employees, abandoning investment, increasing debt, and causing a production slump⁹. The consequence of this economic destruction was a collapse of the monetary system and hyperinflation. A "cryptocurrency backed by oil and gold," known as the Petro, was issued by the dictatorship, but it fell out of circulation without a trace¹⁰.

Social collapse ensued. Nine million people have fled the country and eighty percent of the population is living in poverty, as stated by the National Survey of Living Conditions/Encovi.

In his book titled "25 Years of Chavista Governments,"¹¹ José Guerra, an economist at the Venezuelan Observatory of Finance, explains how over the course of the last quarter-century, Venezuela's gross domestic product has decreased by more than 55%, while the GDP of the region has grown by 25%. Additionally, per capita income has decreased to less than half, poverty has increased by 2.8 times, extreme poverty has multiplied by five, and the real minimum wage has decreased by 99%.

This destructive and corrupt regime, led by Maduro who has a \$15 million reward from the DEA¹² due to his collaboration with drug trafficking, would not survive if it did not have powerful global backing. China and Russia are the two largest supporters of the regime.

⁷ <https://www.scribd.com/document/715702452/jose-guerra-la-economia-bajo-el-chavismo-25-anos-perdidos>

⁸ <https://www.larepublica.co/globoeconomia/venezuela-le-ha-quitado-14-ceros-al-bolivar-en-13-anos-por-medio-de-tres-reconversiones-3212621>

⁹ https://www.vozpopuli.com/economia_y_finanzas/pdvsa-venezuela.html

¹⁰ <https://www.bbc.com/mundo/articles/cqqx3le7kpvo>

¹¹ <https://www.amazon.es/Econom%C3%ADa-Chavista-Perdidos-Popuesta-Venezuela/dp/B0CYLTX73>

¹² <https://www.state.gov/nicolas-maduro-moros-new-target/>

According to the Council of Foreign Affairs¹³, China has supported the Maduro regime with more than \$70 billion in loans of which the regime still owes \$13 billion. In the same report, it shows that Russia has been a critical ally to maintain the regime in power. “Russia has been a lender of last resort. In late 2017, Moscow bailed Venezuela out by restructuring more than \$3 billion in sovereign debt, which allowed the Maduro government to meet its obligations to other creditors.

Meanwhile, Russia’s state-backed oil giant, Rosneft, is one of Venezuela’s largest foreign backers, loaning it roughly \$2.5 billion in recent years in exchange for future energy shipments. Rosneft also co-owns several oil and gas projects with PDVSA, Venezuela’s state energy company—which was just sanctioned by the United States—and it has a 49 percent stake in Citgo, PDVSA’s U.S. refining arm”¹⁴.

Russia is Venezuela’s largest supplier of weapons, having sold the country more than \$10 billion in military equipment since the mid-2000s. These weapons have been essential for the regime to maintain its terror policy. Maduro’s regime has assassinated more than 9,400 citizens¹⁵ while keeping more than 1,600 political prisoners¹⁶.

Russia’s involvement in Venezuela is key to maintain the regime in power. Reuters estimates that after sinking more than \$9 billion into Venezuela in loans, acquisitions and project spending between 2010 and 2019, most of those funds and investments remain in deep losses¹⁷. The funds provided by Russia and China to the Maduro regime are proving to be a disastrous investment while at the same time make it impossible to stop supporting the regime. Russia may not generate a positive return from its loans and investments in Venezuela but that may be considered by many as a sunken cost of having an unconditional political ally.

However, Maduro has been trying to improve relations with the United States. According to the Carnegie endowment for International Peace, “for Russia, Venezuela’s flirtation with the United States risks the loss of one of Moscow’s few unconditional supporters in

¹³ <https://www.cfr.org/in-brief/maduros-allies-who-backs-venezuelan-regime>

¹⁴ <https://www.cfr.org/in-brief/maduros-allies-who-backs-venezuelan-regime>

¹⁵ <https://www.infobae.com/venezuela/2023/04/16/las-fuerzas-de-maduro-mataron-a-9465-personas-en-10-anos-institucionalizaron-los-asesinatos-por-parte-del-estado/>

¹⁶ <https://www.elmundo.es/internacional/2024/08/25/66c9f8bb21efa006138b45af.html>

¹⁷ <https://www.reuters.com/investigates/special-report/venezuela-russia-rosneft/>

the world. Maduro has repeatedly accused the West of escalating the Ukraine conflict with the aim of “dismembering” and “destroying” Russia. He condemns Western sanctions against Russia as “madness,” while dubbing the leadership of Ukraine a “neofascist elite.”¹⁸

Therefore, Russia may have to continue to view its relationship with the Maduro regime as one where loans and investments are unprofitable but necessary to maintain a staunch defender of the Kremlin in the world, including the United Nations and OPEC.

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¹⁸ <https://carnegieendowment.org/russia-eurasia/politika/2022/11/from-friend-to-competitor-how-russias-war-has-strengthened-venezuelas-hand?lang=en>