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FEATURED Q&A

Will the Pandemic Weaken Maduro's Grip on Power?



The International Monetary Fund recently rejected a request by Venezuelan President Nicolás Maduro's government to fight coronavirus. // File Photo: Venezuelan Government.

Q The International Monetary Fund this month rejected a surprise request by the government of Venezuela's Nicolás Maduro for an emergency \$5 billion loan to fight the coronavirus pandemic, saying there was no clarity among the lenders' member states on who it recognizes as Venezuela's legitimate president: Maduro or Juan Guaidó, the head of the National Assembly. What will the health crisis mean for Maduro's government, and how are his and Guaidó's management of the situation being perceived among Venezuelans? Does the country's health care system stand a chance at keeping up with the spread of the virus, and did the IMF make the right move in denying the request? With oil prices down and lower demand for crude worldwide, what options does the Venezuelan government have to deal with the crisis in an effective manner, and will traditional allies, including Russia, China and Cuba, lend a hand?

A Carlos de Sousa, lead emerging-markets economist at Oxford Economics: "The coronavirus crisis has mixed implications for the regime. It has allowed Maduro to show that he is in control of domestic policies even if Guaidó influences foreign affairs. The strict social distancing measures applied to reduce the spread of the virus have crushed the opposition's ability to organize street protests. The shutdown of most gas stations nationwide has created a large black market for fuel dominated by the military, reducing their incentives to rebel. Politically, Maduro is capitalizing on this crisis. But economically, the impending global recession and ongoing oil price war between Saudi Arabia and Russia have reduced Venezuela's oil price be-

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TODAY'S NEWS

POLITICAL

Colombia's ELN Calls Cease-Fire as Virus Spreads

Colombia's National Liberation Army, or ELN, rebel group called a unilateral cease-fire for the month of April. The rebels said the cease-fire was inspired by a call by U.N. Secretary General António Guterres to halt hostilities.

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POLITICAL

Ex-Venezuelan General Turns Himself in to U.S. Authorities

Retired Venezuelan Gen. Cliver Alcalá surrendered a day after he and other top Venezuelan officials were indicted on U.S. drug trafficking charges.

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ECONOMIC

Chilean Gov't, Utilities Agree to Delay Payments

Chilean President Sebastián Piñera said utilities have agreed to delay debt payments from low-income families amid the coronavirus pandemic.

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Piñera // File Photo: Chilean Government.

POLITICAL NEWS

Colombia's ELN Calls Cease-Fire Amid Spread of Covid-19

Colombia's National Liberation Army, or ELN, rebels have called a unilateral cease-fire for the month of April amid the coronavirus pandemic, BBC News reported today. The rebel group called the cease-fire a "humanitarian gesture" amid the global crisis. "We declare an active unilateral cease-fire for a month, from 1 to 30

“ We declare an active unilateral cease-fire for a month, from 1 to 30 April, in a humanitarian gesture of the ELN with the Colombian people...”

– National Liberation Army

April, in a humanitarian gesture of the ELN with the Colombian people, who're suffering from devastation because of the coronavirus," the ELN said in a statement. The rebels also said they were open to the idea of restarting suspended peace talks with the government. The ELN added that it wanted to meet with representatives of President Iván Duque's government in order to discuss a possible extension of the cease-fire. The ELN said its decision to call the cease-fire was inspired by a March 23 call by U.N. Secretary General António Guterres for "an immediate global cease-fire in all corners of the world." Norway, which has helped to facilitate past peace talks in Colombia, called the cease-fire an "important step in support of [the] vulnerable population and everyone who struggles for peace," BBC News reported. The ELN, which was founded to fight unequal land and wealth distribution, has been fighting the Colombian state for more than five decades. Its rebels have repeatedly blown up oil pipelines and have attacked multinational companies and large-scale landholders. Among the ELN's

deadliest attacks in recent years was a car bombing that left 22 people dead, including the suicide bomber, at a police academy in Bogotá in January 2019. Colombia has more than 700 confirmed cases of Covid-19, and 10 people have died of it there. Worldwide, there are more than 700,000 confirmed cases of the disease and more than 34,000 deaths.

Retired Venezuelan General Surrenders to U.S. Authorities

Retired Venezuelan Gen. Cliver Alcalá on Friday turned himself in to U.S. counternarcotics authorities in Colombia, a day after U.S. prosecutors indicted him and other Venezuelan officials, including President Nicolás Maduro, on drug trafficking charges, The Wall Street Journal reported, citing four people familiar with the matter. Alcalá, 58, waived extradition and surrendered to Colombian authorities. U.S. Drug Enforcement Administration agents flew him to New York, where he is expected to work



Alcalá // File Photo: Venezuelan Government.

with U.S. prosecutors preparing cases against other Venezuelan officials accused to have links to drug trafficking groups, the sources said. "I'm sure he's had face-to-face discussions with Maduro," one high-ranking U.S. official said, referring to Alcalá as the "best kind of witness." Alcalá broke ranks with Maduro in 2016 and had been living in the Colombian coastal city of Barranquilla with his family. Though he was close to former socialist leader Hugo Chávez, Alcalá had become a vocal critic of Maduro and what he saw as Venezuela's decline into authoritarianism. However, he has repeatedly denied drug charges, which accuse

NEWS BRIEFS

Guatemalan Gov't to Tap Emergency Fund for Needy Families Amid Pandemic

Guatemala's government will tap nearly \$26 million from an emergency fund to aid thousands of needy families as measures to contain the spread of coronavirus damages the economy and costs jobs, Reuters reported. The government will be giving families \$129 to help pay for water, electricity and supplies, said President Alejandro Giammattei.

Venezuela's Telecom Satellite Veers Off Into Space, Stops Working

Venezuela's only telecommunications satellite is off its orbit and has stopped working, creating a logistical problem for the cash-strapped Andean nation, the Associated Press reported Friday. Venezuela launched the Chinese-built satellite in 2008, but it is now floating in space and has become useless three years before its planned expiration date of 2023. The satellite helped to provide Internet services to rural areas not connected to fiber optic cables, as well as to broadcast the state-run television channels in poor and rural homes that had no access to cable TV.

Spain's Santander to Roll Out Int'l Payments System in Mexico This Year

Spanish bank Santander is planning to roll out its international payments system, One Pay FX, in Mexico this year, according to a securities filing, Cointelegraph reported today. One Pay FX is based on blockchain system Ripple, but it does not require digital currency to function. Santander describes the platform as a "multi-corridor international blockchain solution ... for individuals and small-to-medium enterprises," according to the report. One Pay FX first launched in Santander banks in Spain, Brazil, Poland and the United Kingdom in 2018.

him of having a role in allowing Colombian cartels to move cocaine through Venezuela. U.S. officials said in a statement last week that they were offering a reward of \$10 million for information leading to Alcalá's arrest and/or conviction.

ECONOMIC NEWS

Chile Utilities Agree to Delay Payments From Poor Families

Chilean President Sebastián Piñera said Friday that his government had reached an agreement with electricity, water and telecommunications companies to delay household debt payments from low-income families in a bid to mitigate the economic consequences of the Covid-19 pandemic, CNN Chile reported. Some three million families will be able to miss payments without fear of having utilities cut off, Piñera said, Reuters reported. The government is also seeking congressional approval for a

Some three million families will be able to miss payments without having utilities cut off.

"Covid-19 bond" of 50,000 Chilean pesos (\$60) per dependent for the most vulnerable families, as well as a job protection bill for workers who cannot fulfill their duties from home amid a mandated quarantine being rolled out around the country. The measures follow Piñera's economic rescue package of nearly \$11.7 billion, or about 4.7 percent of the country's GDP. The president said on Friday that his government has three priorities during the pandemic: protecting health and lives, ensuring the supply of essential goods and services, and protecting jobs and income. Chile has more than 2,100 confirmed cases of coronavirus and seven deaths.

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low the production cost and eliminated the regime's main source of revenue. That's why Maduro approached the IMF for financial assistance. As the crisis deepens, popular support for an agreement between Guaidó and Maduro to allow foreign assistance is likely to grow. Moderate factions of the opposition (led by former presidential candidates Henrique Capriles and Henri Falcón) are already asking for such an agreement. It's difficult to overstate how badly prepared the country's health care system is: it ranked 176 out of 195 countries (and last of 33 in the region) in the Global Index of Health Security. Russia has already sent aid to Venezuela in the form of 10,000 coronavirus test kits, and the regime has also asked China for assistance. Cuba has sent doctors but can't do much else because the island needs to deal with its own economic crisis as the tourism industry shuts down. Humanitarian assistance is much needed, regardless of where it comes from: friends, foes or international institutions."

A **Moises Rendon, director of the Future of Venezuela Initiative and fellow in the Americas program at the Center for Strategic and International Studies (CSIS):** "This pandemic shows that the Maduro regime has mismanaged the country's hospital system and other key infrastructure, including water, electricity and sanitation systems, for years. Many fear that the Maduro regime will use Covid-19 to justify repressive activities, and indeed it has already begun doing so. Meanwhile, social distancing policies will hamper the opposition's ability to organize mass protests. Venezuela's health care system is not prepared to handle a pandemic without significant assistance from the international community. Medical personnel and sanitation equipment are in short supply, and hospitals face frequent blackouts and water shortages. The IMF and other international organizations should provide immediate humanitarian relief following international

standards. That said, not only is the Maduro regime no longer recognized as Venezuela's legitimate government, but it is also seen as deceptive and unreliable. For example, the regime has failed to publish epidemiological and health data since 2016. Coordination

“Many fear that the Maduro regime will use Covid-19 to justify repressive activities, and indeed it has already begun doing so...”

— Moises Rendon

through multilaterals and nonpolitical and reliable actors in Venezuela, such as the Catholic Church, is urgent because the virus threatens to put additional strain on an already fragile humanitarian situation. Without swift, coordinated and apolitical international assistance, the consequences of the virus can be catastrophic for Venezuela and the region. This crisis will only deepen Venezuela's economic and humanitarian crises. With a declining oil sector, the Maduro regime is likely to lean more heavily on the illicit economy controlled by armed groups and organized crime, such as illicit gold mining."

A **Steve Ellner, associate managing editor of Latin American Perspectives and retired professor of the Universidad de Oriente in Venezuela:** "Public opinion surveys indicate that, even prior to the outbreak of the coronavirus, most Venezuelans favored prioritizing solutions to the nation's pressing economic problems, as opposed to focusing on political issues. This preference has increased as a result of the coronavirus. In this moment of desperate need, Venezuelans are likely to condemn and long remember the IMF's rejection of President Maduro's loan request to help combat the coronavirus

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scourge. Given the United States' veto power of the Fund's decision making, the negative response will also add to resentment against Washington worldwide. Already, the European Union has urged the IMF to reconsider its decision with regard to both Venezuela and Iran, while the E.U. foreign affairs chief and Spain's former foreign minister, Josep Borrell, attributed the 'very difficult situation' facing both countries mainly 'to U.S. sanctions that prevent them from having income by selling their oil.' A 'moderate' faction of the Venezuelan opposition, which in recent months has consolidated itself as a bloc within the National Assembly, supports the need to focus all attention on immediate problems. Claudio Fermín, the main spokesman for the moderates, has stated, 'no one should obstruct this [loan] request,' adding that 'it's the hour of unity.' In contrast, Juan Guaidó has stated that the Maduro government 'lacks the capacity' to confront the coronavirus crisis and calls on the armed forces—as he has in the past—to take control of the nation's ports and airports to allow for entry of humanitarian aid. By maintaining his insurgent position, Guaidó risks alienating opposition members who support Fermín's plea for unity and the suspension of political confrontation in the context of what is nothing less than a national emergency."

A **Asdrúbal Oliveros, director of Ecoanalítica in Caracas:** "The most direct impacts of Covid-19 on the Venezuelan economy come from the oil sector. Nevertheless, with a public sector restricted to importing food and gasoline with few alternatives for avoiding the collapse of its revenues, much of the decline in local economic activity will be closely linked to the shock on private business. As for oil activity, the pandemic has arrived at the worst possible time. Crude production in Venezuela has accumulated a contraction of 2.02 million barrels per day (bpd) since its all-time high in 2013, with PDVSA having fewer and fewer possibilities of selling what it does produce following U.S.

sanctions. These events meant a reduction in revenues from Venezuelan crude exports in the short term, even with the slight increase of close to 812,000 bpd in Venezuelan oil sales up until February. Therefore, it

“**The most direct impacts of Covid-19 on the Venezuelan economy come from the oil sector.**”

— **Asdrúbal Oliveros**

is foreseeable that there will be a bigger reduction in those flows, as the effects of the sanctions and the global recession increase and adversely affect the demand for and price of Venezuelan oil. The restrictions on production will be even greater if sanctions force a new cycle of over-accumulation of oil inventories. The collapse of prices would not only generate more restrictions on oil revenues, but also reduce availability of cash-generating barrels. So, if the government is interested in continuing to honor its obligations with one of its most important commercial allies (China), a further drop in value of an oil basket price also implies a debt with a higher opportunity cost—the government would have to allocate more barrels to paying off its debt and fewer to generating foreign currency it needs in order to import. Moreover, activities in the oil sector will be subject to the labor restrictions resulting from the quarantine or from any future containment. The oil industry could be deprived of a significant number of workers throughout its entire chain for the duration of the quarantine. This will impose greater restrictions not only on the pumping of crude but also on refining and, consequently, on the domestic generation of fuel."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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