

Venezuela nears default after US imposes sanctions on economy

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Washington has moved to dramatically intensify Venezuela's social crisis by imposing its first direct sanctions on the country's economy. The measures, imposed as an executive order last weekend, represent a significant escalation of the Trump administration's calculated stream of sanctions against top officials of the United Socialist Party of Venezuela (PSUV) government, reaching up to President Nicolás Maduro himself and aimed at forcing his downfall.

Trump's order prohibits Citgo, the subsidiary in the US of Venezuela's state-run oil company PDVSA, from sending dividends back to Venezuela, and bars transactions of US institutions and individuals involving new debt or shares issued by PDVSA or the government in Caracas. In response, the firm Cantor Fitzgerald announced on Tuesday the first restriction on Venezuelan bonds by a large US finance house.

Three weeks ago, Trump had threatened the possibility of military action against Venezuela in response to the election of a PSUV-controlled constituent assembly; however, his national security advisor H. R. McMaster stated in the announcement of the new sanctions that "no military actions are anticipated in the near future."

While the trading of oil is still open, Reuters reports that debt refinancing and crude cargos had already begun struggling to find buyers in the United States since July, when sanctions were imposed on PDVSA's financial vice president.

Other reports indicate, moreover, that US officials are considering banning dollar payments on Venezuelan oil imports or oil imports altogether, which would cut the country's main source of foreign currency to import food and medical supplies.

Amid its worst economic crisis, the new sanctions have pushed Venezuela to the brink of default, which threatens to sink the country's workers and poor to new depths of misery for the sake of furthering US imperialist plunder.

Almost one-third of the country's output has already been wiped out since oil prices plunged in 2014.

On Wednesday, Fitch Ratings downgraded Venezuela's credit score, announcing that "a default is probable given the further reduction in financing options for the Government of Venezuela"—an announcement that itself will further impair Venezuela's credit access. US sanctions, it adds, "will likely aggravate the economic crisis, heighten political polarization and increase social unrest."

The *Financial Times* wrote Thursday that an eventual default would likely become an "indefinite financial purgatory for Venezuela" since the new sanctions prohibit a debt restructuring to reduce short-term payments. Creditors will nevertheless "try to seize the payments for PDVSA's oil exports... the country's only financial lifeline," the *FT* writes. Earlier this year, a World Bank tribunal awarded a settlement of \$1.4 billion against Venezuela to a Canadian mining company, which could encourage others to try to resolve their pending cases at the country's expense.

At a time in which Citgo's refineries are running at one-fifth capacity, Hurricane Harvey has shut down its installations in Corpus Christi as well as other major Texas refineries and ports. This adds further pressure because of Venezuela's dependence on the importation of US light crude from US refineries, and on US oil purchases for foreign exchange that the "anti-imperialist" PSUV government has only deepened since it was voted into power in 1998.

Even if Maduro and the constituent assembly find a way to pay Venezuela's debts until next year, it would need to impose further cuts to state expenditures, social and military. Greater demoralization among lower ranks in the armed forces, which Caracas has relied on to crack down on protests and distribute food and essential goods, under conditions of widespread social opposition, represents an

existential threat to the government.

Furthermore, PDVSA would need to deepen its reliance on extended credit from China and Russia and on oil deliveries through the Russian firms, which were recently granted claims to tap the world's largest oil reserves in the Orinoco basin. It is this growing influence of America's main economic rivals, an influence further consolidated as a result of US sanctions, that represents the most unacceptable reality for Washington and US corporations. This contradiction poses regime change as a question not of if, but of when and how.

Last Friday, the US ambassador to the UN, Nikki Haley, sought to place a humanitarian veil over the criminal sanctions, insisting that "we are not seeing any progress towards lifting up the Venezuelan people." However, the incompetent response by US officials to the flooding disaster in Texas, itself the result of neglecting social infrastructure for decades, exposes the hypocrisy of such statements.

To continue servicing its debt to Wall Street, which the PSUV government has done diligently at the expense of social programs and importing essential goods, would mean to quickly use up Venezuela's remaining foreign reserves of about \$9 billion (having scheduled payments of \$3.7 billion due this year and a total debt of more than \$97 billion). This would quickly worsen existing sharp shortages of goods, amid hyperinflation, widespread poverty and unemployment.

Maduro and the constituent assembly have responded to the sanctions by imposing anti-democratic attacks ostensibly aimed against the right-wing opposition leaders. The assembly member and PSUV Vice President Diosdado Cabello announced the most recent decree on Tuesday, ordering a "historical trial for treason to the fatherland against those involved in the promotion of these immoral actions against the interests of the Venezuelan people."

While directed in the first instance at right-wingers who voiced support for Washington's sanctions, such vague language makes clear that the implementation of police state measures will be directed against the working class and impoverished masses, which the PSUV regards as the gravest threat to the vast wealth accumulated by the sectors of the bourgeoisie it represents.

Maduro stated Wednesday that a set of "important decisions will be taken to stabilize the economy, attack speculators, thieves, and defend employment," which will be announced on Friday after discussions with the constituent assembly.

The UN High Commissioner for Human Rights released a report Wednesday based on interviews of "witnesses" attributing to government forces 73 of the 124 documented deaths during the wave of protests provoked by the opposition since April. "The generalized and systemic use of excessive force during the demonstrations and the arbitrary detention of protesters and perceived political opponents indicates that these were not illegal or rogue acts of isolated officials," it concludes.

The Venezuelan government also announced on Wednesday a token \$5 million donation for the flood victims in Texas. Instead of being a show of solidarity, the *Chavista* PSUV has exposed its inability to appeal to the working class in the United States and internationally, a task that only the organized Venezuelan working class can accomplish and that constitutes the only means to fight against US imperialist aggression, as part of an independent and internationalist movement for socialist revolution.

For its part, the US-backed opposition, organized behind the Democratic Unity Roundtable (MUD), has unapologetically supported the new, socially devastating US sanctions and called upon other governments for similar measures. By seeking to exploit the suffering of Venezuelans to bring down the Maduro government, the MUD demonstrates its unbridled right-wing nature and the extent to which it will defend the interests of the US financial and corporate elite.

The opposition leader, Lilian Tintori, who met Donald Trump at the White House earlier this year and has become the face of the MUD internationally, was found Wednesday driving with four crates stashed with 200 million bolivares—between \$11,400 and \$61,000 depending on which exchange rate is used. The widespread denunciations online that she was handling payouts from the CIA or other US organizations led Tintori to tweet that the money was for her grandmother's medical care.



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