

Venezuela business hopes rest on shaky foundations

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Investors betting on a normalisation of relations between Maduro and the west may be disappointed



Michael Stott



María Corina

Machado, the main opposition candidate, has been banned from standing for election in Venezuela © Miguel Gutierrez/EPA-EFE/Shutterstock

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Venezuela's revolutionary socialist President Nicolás Maduro is likely to win re-election next month by hook or by crook, [US intelligence agencies believe](#). This may alarm the longtime authoritarian ruler's opponents, but some investors sense an opportunity.

That might seem odd. A victory in tarnished elections by a Moscow ally who has overseen a 75 per cent collapse in GDP, a bond default and a dive in oil production would not normally be the stuff of market dreams.

Yet some oil executives and bondholders think the US and the EU want to find a way to recognise Maduro, having failed to unseat him with sanctions which helped destroy the Venezuelan economy, drive Caracas into the arms of Russia and Iran and spur the exodus of 7.7mn refugees.

A halfway credible election victory by [Maduro](#), they reckon, might do the trick, so long as it does not involve serious violence, the complete banning of the opposition or blatant fraud. After all, they argue, the US and the EU recognise worse regimes.

Speakers at a recent invitation-only [Venezuela](#) conference in London laid out the bullish case. The US wants more oil and fewer migrants. The bondholders want their money. The Venezuelan government wants sanctions lifted. The Venezuelan people want decent livelihoods. Oil firms want more oil. As one speaker put it: “This is eminently doable.”

The Venezuela bulls are eyeing big prizes. Caracas has around \$160bn of sovereign and state oil company debt outstanding, including interest which has accrued since the 2017 default. The benchmark 2027 sovereign bonds trade at a steep discount, around 18 cents in the dollar, so a successful restructuring could net bondholders a tidy profit.

Oil production has been gradually recovering from a nadir in 2020 after the US relaxed sanctions last year to coax Caracas towards democratic elections. Last month, Venezuela pumped 910,000 bpd, the most in five years, as foreign players led by Chevron expanded joint ventures with the state oil company PDVSA.

Less constructively, Maduro has responded to US concessions by banning the [main opposition candidate, María Corina Machado](#), as well as a replacement she named and raising the spectre of war with neighbouring Guyana.

Washington responded to Maduro’s crackdown by reimposing broad oil sanctions on Venezuela in April. But in a less well-publicised move, it has granted exemptions to individual foreign oil and gas companies for specific deals, allowing production to rise. Chevron has been the main beneficiary, but Repsol, BP, Shell and French independent Maurel & Prom have all received licences.

A 74-year-old unknown retired diplomat, Edmundo González, remains on the ballot for the July 28 polls as the big opposition hope, allowing those who so wish to term the election “semi-competitive”.

Maduro is peddling a softer, smilier image ahead of the election on TikTok, in clips which feature him dancing salsa, playing with a parrot and helping a rapper change a flat tyre.

“You will see, it will all work out fine,” one investor grinned at the London conference, confident that Maduro will secure international recognition for his third term and unlock a debt restructuring. “There may be some turbulence, but turbulence doesn’t bring down the plane.”

A crash landing, however, remains a distinct possibility. Despite government attempts to tilt the electoral playing field its way, polls suggest that González remains on track to beat Maduro by more than 20 percentage points, a margin which would be difficult to engineer away convincingly in the count.

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A blatantly fraudulent Maduro victory could bring crowds on the streets in protest. The normally reliable army might desert the president. Obvious cheating or banning the opposition completely would make it very hard for the US or the EU to recognise the result. Machado, the banned opposition candidate, says those trying to convince bondholders and oil firms to stick with Maduro are “not understanding” a shift in mood inside the country.

Luis Vicente León, president of Caracas-based research firm Datanálisis, believes that a “semi-competitive election” could encourage both sides towards negotiations afterwards to ensure governability for the winner.

“But if the gap between the two widens so much that a government victory is only possible with a big fraud or by cancelling the elections, or if the opposition calls big street protests, then the scenarios for negotiation become more complicated.”

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