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Maduro's Collapse Would Be a Defeat for Putin Too

By Leonid Bershidsky

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Natacha Pisarenko / AP / TASS

If Venezuelan President Nicolas Maduro's regime falls, Vladimir Putin will have to write off yet another costly geopolitical bet. Just don't expect Moscow to stop taking such gambles as it tries to counter U.S. influence across the globe.

Russia is Venezuela's most important foreign sponsor after China. Data on these countries' financing of Venezuela are scarce, but China's investment has been estimated to be as much as $70 billion, most of it to be paid back in oil. Russia and its state-owned companies have lent and injected more than $17 billion over the last 20 years. President Putin promised the latest $6 billion, plus 600,000 tons of grain, in December.

Much of Russia's lending and investment has been channeled through Rosneft, the state-owned oil and gas giant run by Putin's ally Igor Sechin. According to its most recent available annual report, Rosneft sold $2.5 billion of oil produced by the Venezuelan state-owned

company PDVSA by the end of 2017.

Though Venezuela has been slow to supply oil to cover its debts, Russia has, on the whole, been happy to let them accumulate so it can receive potentially lucrative oil and gas extraction licenses. It has large minority stakes in five joint ventures with PDVSA. They produced 59 billion barrels of oil in 2017, more than 8 percent of Venezuela's annual output.

"We will never leave and no one will be able to kick us out of there," Sechin once said of Rosneft's plans for the Latin American country.

That, however, may be no more than wishful thinking. After the U.S. toppled Saddam Hussein, Russian oil major Lukoil lost its license to work in Iraq's West Qurna field. It only managed to return in 2009 as part of a consortium with Norway's Statoil – and only then after Russia assented to a major debt write-off for the new Iraqi government.

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The fall of the Qaddafi regime in Libya scuppered projects in which Russian companies Gazprom and Tatneft had invested $1 billion, as well as a high-speed railroad state-owned Russian Railways was working on. Talks with the Libyan authorities about reviving the projects are continuing.

If Maduro falls and a U.S.-backed government takes his place, it's highly likely that the Russian projects will be suspended and Venezuela's debts won't be repaid. That explains Moscow's reaction to President Donald Trump's recognition of opposition leader Juan Guaido as the country's president.

The West is engaged in a "hands-on regime change," Foreign Ministry spokesperson Maria Zakharova wrote on Facebook. Putin's press secretary Dmitry Peskov spoke of "an attempt to usurp supreme power."

Nothing is decided yet; the Venezuelan military, which enjoys a close relationship with its Russian counterpart, still appears to be behind Maduro. But he can't hope to hold on to power for long amid economic chaos, hyperinflation and a near-famine.

The Russian government has even suggested an economic recovery plan to the Venezuelans, calling for a stop to irresponsible money-printing, tax reforms, and a form of minimum basic income. But it may well be too late for any of that; no amount of repression can prolong suffering on this scale indefinitely.

So why does Putin keep choosing friends so unwisely? Despite the Libyan fiasco and the $3 billion wasted on supporting Ukrainian President Viktor Yanukovych's failing government in its final months, why does Moscow keep backing Maduro and others like him?

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This month, Zimbabwean President Emmerson Mnangagwa was in Moscow looking for loans and offering resource concessions just as his people were rioting over a 150 percent rise in fuel

prices. In Sudan, a country where Russian Railways is negotiating a deal to modernize the local railroads and state-owned Rosatom has a contract to build a nuclear power plant, weeks of protests against economic hardship have destabilized the regime of President Omar al-Bashir.

The logic of Putin's foreign policy of resisting U.S. influence wherever he can leaves him no choice but to support these cruel, unloved regimes. He's aware of the risk of losing money if they fall. But Russia's investment isn't really in oil, railroads or nuclear power; it's in propping up every ruler who proclaims resistance to Western expansion.

Unlike China, for which even politically motivated spending is a means of getting economic influence and, ultimately, a return on investment, Putin's spending is primarily about Soviet-style geopolitics – even if it's structured as a capitalist business deal.

In Venezuela, though, the economic interest may be stronger than in many other places. Though the country can't produce much oil now because of the government's gross mismanagement, it has the world's largest crude reserves. For Russia, which has only one-third of those proved reserves, a strong presence in Venezuela helps guarantee a role in the crude market for as long as there is demand.

If Maduro loses, it will be a painful defeat for Putin. But it won't stop him from funding other Maduros the world over at Russian taxpayers' expense. And if the Venezuelan president manages to cling to power, that will only convince Putin that such spending pays off.

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