



Venezuela sanctions: Trump may tighten the screws

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US President Donald Trump has so far largely continued the policies implemented by his predecessor, Barack Obama, when it comes to crisis-stricken Venezuela. But now, the US government is reportedly considering introducing a new series of sanctions that could either curb oil imports from the South American country or cut them off altogether.

Sanctions against Venezuela first came into force in March 2015, when Obama issued a decree calling the country an "extraordinary threat to the national security and foreign policy of the United States."

Street protests have rocked Venezuela for weeks, and the United States has repeatedly imposed travel bans against Venezuelan officials and frozen their assets. Among those singled out by US justice officials were members of the ruling United Socialist Party of Venezuela (PSUV), including Diosdado Cabello, the party's vice president and former president of the parliament, and Vice President Tareck El Aissami for their roles in the international drug trade as well as the country's supreme court justices.

US mulls economic sanctions

Now Washington is considering tightening sanctions against Venezuela's oil industry. Proposals range from a restriction on state oil company PDVSA and its subsidiary Citgo, which operates around 6,000 gas stations in the US, to a complete import ban.

More than 60 people have been killed in weeks of anti-government protests in Venezuela

Cutting all oil ties with the US would cost the Venezuelan government a solid third of its foreign proceeds. Some 95 percent of its foreign incomes results from the export of crude oil with 40 percent of sales coming from the United States.

"Venezuela could certainly sell its oil to other countries as well," said Claudia Kemfert of the German Institute for Economic Research. "But this will be difficult in the short term and only possible to a limited extent."

In addition, higher transport costs and markdowns could reduce proceeds, according to Alejandro Grisanti Capriles of the consulting firm Ecoanalitica in Caracas. It would also be hard to find any large-scale buyers at all in the first place.

"China would likely transfer hardly any money for Venezuelan oil," Grisanti said, adding that Beijing would instead chose to offset deliveries with the \$5 million loan it provided Caracas in 2013.

For Venezuela, the lack of oil export to the USA would add pressure to an already precarious time of economic, political and social instability. Basic necessities like food, hygiene products and vital drugs are already being rationed, and for many, especially those without connections to someone working within the government, only available on the black market. The capital of Caracas, meanwhile, has become one of the most dangerous cities in the world.

"The US government presumably sees the Venezuelan regime on the brink of collapse and believes that such a measure could be the straw that breaks the camel's back," said Juan Carlos Hidalgo, a Latin America expert for the Washington-based Cato Institute. But economic sanctions have only rarely served that purpose. "They score points for those they're supposed to help, but they don't guarantee the end of the regime. Just look at Cuba after more than 50 years of a trade embargo."

Consequences for the US

Whether Washington is even interested in a total import ban is an open question, as Venezuela's crude oil, despite a recent drop, still makes up 8 percent of US oil imports. Experts disagree over how a reduction of this amount would impact the US economy.

"Due to the oversupply of oil on the global markets - also triggered by the US thanks to fracking - such penalties would have little effect on the price of oil," according to Kemfert of the German Institute for Economic Research.

"I'd been working as a journalist for a year when the protests started in 2014. Many independent media have come into existence in the last two years due to the government censorship, and that's how I became a reporter," Ivan Reyes told DW. He started capturing the new wave of riots on a daily basis at the end of March.

Cato analyst Hidalgo saw it a different way: "Fuel prices could rise above all in the regions - Texas and Louisiana - where Venezuelan oil is processed." He, therefore, said he strongly doubts that the Trump administration would take such drastic measures.

The future of Venezuela

A decision doesn't seem to be on the immediate horizon as of yet. Grisanti said he suspects officials are waiting until July 30, when Venezuelans will choose their leaders for a national assembly that, according to President Nicolas Maduro, will revamp the country's constitution according to his ideas.

A democratically elected assembly would be unlikely to fulfill his wish. Whether the Venezuelan regime would allow such a vote remains doubtful.

"Venezuela is nearing a turning point, and the next few weeks will be crucial," Grisanti said. The US government, he added, will likely wait until this date to see if it's clear that Venezuela is on its way toward becoming a dictatorship.