# AC – Diplomacy/Oil

We affirm

Resolved: The United States should end its economic sanctions against Venezuela.

## Our First Contention is a Diplomatic Solution.

**Benjamin** explains in **2019** that targeted sanctions have only led to political change in 5 out of 115 cases studied. That is why **Rodriguez** finds in **2018** that even with Trump’s hardline stance against, Nicolas Maduro, Venezuela’s authoritarian ruler, he is more entrenched in power than ever and peace talks have failed.

Sanctions have prevented successful negotiations and political change in Venezuela for 2 reasons.

First, by emboldening hardliners.

**Kurmanaev** finds in **2019** that President Trump’s strengthening of sanctions just last year emboldened hardline opponents of peace talks within Maduro’s administration. This is crucial as **Polga** finds in **2019** that government liberalization would require a split from hardliners in the regime. **DW News** furthers in **2019** that Maduro walked away from brokered talks with the country’s opposition specifically to protest increased sanctions.

This put an end to what many analysts had considered the country’s best chance to end the crisis.

Second, by providing the government a scapegoat.

**Ward** explains in **2019** that sanctions have given Maduro ammunition to paint the US as a big, mean bully who is trying to make the Venezuelan people suffer. This has allowed him to regain favor among the military which is crucial to maintaining his power.

Overall, **Polga** finds in **2019** that the US can use negotiations to encourage a top-down liberalization of the Venezuelan government to encourage fair elections and free-market economics.

## Our Second Contention is Reviving the Oil Industry.

**Beeton** finds in **2019** that while the Venezuelan economy had declined before US sanctions began, the sanctions had the impact of preventing a recovery. Sanctions have had the impact of locking the Venezuelan economy in a box.

Specifically, the reason for this decline is due to sanctioning the oil industry as **Morgenstern** finds in **2019** that oil sales constituted 98% of Venezuela’s export revenues.

Sanctions have caused a decline in oil production in two ways.

First, by blocking sales.

**Rodriguez** writes in **2019** that financial sanctions are associated with a loss of 16.9 billion dollars per year in forgone oil revenues. This is because as **Kumar** explains in **2019**, prior to oil sanctions, 75% of the cash Venezuela received from shipments of crude oil came from the United States. Furthermore, **Fox** explains in **2019** that the US has blocked international trade by threatening sanctions on foreign companies for doing business with Venezuela, further restricting oil sales.

Second, by preventing access to needed supplies.

**Egan** explains in **2019** that the United States was Venezuela’s main source of naphtha, the hydrocarbon mixture needed to dilute and transport heavy crude for export. However, because of US sanctions, Venezuela is unable to gain access to this critical chemical which is why **Parraga** finds in **2019** that Venezuelan imports of naphtha and other necessary fuels decreased from 300,000 bpd to 140,000 bpd. On top of this, **Constable** explains in **2018** that US sanctions mean extraction equipment is hard to come by in the country as drill bits and metal pipes quickly get worn out in the oil business because oil is highly corrosive. Without replacement parts the wells cannot operate.

Overall, **Kurmanaev** explains in **2019** that US sanctions will cut Venezuela’s oil exports by two-thirds and led to a 26% reduction in the economy’s size. So far **Rodriguez** writes in **2019** that because of sanctions, oil production has decreased by 37%.

There are two impacts.

The first is solving the country’s economic problems.

**Martin & Laya** explain in **2019** that shrinking oil revenues have prevented Venezuela from paying off its debt of $157 billion. This high debt has effectively prevented Venezuela from controlling its inflation. Allowing the oil industry to rebound, will ensure Venezuela can solve its economic crisis.

Second is allowing access to food and medicine.

**Wyss** explains in **2019** that decreasing oil revenues through sanctions has the effect of limiting the country’s ability to import necessities like food and medicine. Because of this, **Herbst** explains in **2019** that more than 80% of Venezuelan households are food insecure and 3.7 million Venezuelans are malnourished. **Fox** adds in **2019** that more than 300,000 people are at risk due to lack of access to medicines because of sanctions. Crucially, **Camilleri** explains in **2019** that Venezuelan society must be able to eat to resist Maduro.

Without access to food and medicine a popular uprising is impossible.

Thus, we affirm.

# CARDS

## C1 Diplomacy

### Intro

#### Remedios ‘19

Remedios, Jesse. May 7 2019. “Sanctions against Venezuela: diplomatic tool or indiscriminate weapon?” National Catholic Reporter. https://www.ncronline.org/news/world/sanctions-against-venezuela-diplomatic-tool-or-indiscriminate-weapon

When the Trump administration announced in January it would back Juan Guaidó's claim as the rightful president of Venezuela, it instituted a series of harsh economic sanctions against the country's authoritarian leader Nicolás Maduro in hopes of overthrowing his regime. When Guaidó's [April 30 "military uprising"](https://www.nytimes.com/2019/04/30/world/americas/venezuela-coup-guaido-military.html) failed to amount to much, some analysts questioned what U.S. sanctions, the anti-Maduro strategy going back to 2017, were accomplishing. One [report](http://cepr.net/publications/reports/economic-sanctions-as-collective-punishment-the-case-of-venezuela) from a prominent think tank argued the results are nothing short of a worsening humanitarian crisis, evident in the form of 40,000 excess deaths researchers found in one year alone.

#### Benjamin ’19

Medea Benjamin & Nicolas J S Davies, Common Dreams, 17 June 2019, <https://www.commondreams.org/views/2019/06/17/us-sanctions-economic-sabotage-deadly-illegal-and-ineffective>

There is one more critical reason for sparing the people of Iran, Venezuela and other targeted countries from the deadly and illegal impacts of U.S. economic sanctions: they don’t work. Twenty years ago, as economic sanctions slashed Iraq’s GDP by 48% over 5 years and serious studies documented their genocidal human cost, they still failed to remove the government of Saddam Hussein from power. Two UN Assistant Secretaries General, Denis Halliday and Hans Von Sponeck, resigned in protest from senior positions at the UN rather than enforce these murderous sanctions. In 1997, Robert Pape, then a professor at Dartmouth College, tried to resolve the most basic questions about the use of economic sanctions to achieve political change in other countries by collecting and analyzing the historical data on 115 cases where this was tried between 1914 and 1990. In his study, titled [“Why Economic Sanctions Do Not Wor](https://web.stanford.edu/class/ips216/Readings/pape_97%20(jstor).pdf)k,” he concluded that sanctions had only been successful in 5 out of 115 cases. Pape also posed an important and provocative question: “If economic sanctions are rarely effective, why do states keep using them?” He suggested three possible answers: “Decision makers who impose sanctions systematically overestimate the prospects of coercive success of sanctions.” “Leaders contemplating ultimate resort to force often expect that imposing sanctions first will enhance the credibility of subsequent military threats.” “Imposing sanctions usually yields leaders greater domestic political benefits than does refusing calls for sanctions or resorting to force.” We think that the answer is probably a combination of “all of the above.” But we firmly believe that no combination of these or any other rationale can ever justify the genocidal human cost of economic sanctions in Iraq, North Korea, Iran, Venezuela or anywhere else.

#### Rodriguez ‘18

Francisco Rodriguez, Foreign Policy, 12 January 2018, <https://foreignpolicy.com/2018/01/12/why-more-sanctions-wont-help-venezuela/>

During the first year of his administration, U.S. President Donald Trump has taken an increasingly hard line against the government of Venezuela’s president, Nicolás Maduro. Washington has tightened sanctions on Caracas and even suggested a military intervention to remove the Venezuelan leader from office. Twelve months into Trump’s term, Maduro seems even more entrenched in power, and Venezuela’s opposition is more fractured than ever.

### 1 – Hardliners

#### Kurmanaev ‘19

Kurmanaev, Anatoly. Aug 8 2019. “Venezuela’s Leader Suspends Talks With Opposition.” New York Times. https://www.nytimes.com/2019/08/08/world/americas/venezuela-maduro-opposition-talks-barbados.html

 President Nicolás Maduro of Venezuela has suspended mediated talks with his country’s opposition movement, to protest the Trump administration’s latest sanctions. The move threatens what many analysts and diplomats consider to be the country’s best chance of ending a crippling political and economic crisis. Accusing the administration of “grave and brutal aggression,” Mr. Maduro recalled his envoys late Wednesday night, hours before they were to board a plane to rejoin opposition negotiators and Norwegian mediators on the Caribbean island of Barbados. On Monday, President Trump signed [an executive order](https://www.nytimes.com/2019/08/06/world/americas/venezuela-sanctions-bolton-maduro.html) freezing all Venezuelan state assets in the United States, and his national security adviser, John R. Bolton, threatened to impose sanctions on Mr. Maduro’s remaining trade partners. Venezuela has been in an ongoing recession since Mr. Maduro took office in 2013 and initially doubled down on his predecessor’s disastrous policies of currency and price controls and expropriations. As his popularity tanked, he has increasingly relied on repression and electoral machinations to stay in power. The United States has progressively cut off Mr. Maduro’s access to international finance since January, when it recognized the head of Venezuela’s opposition, Juan Guaidó, as the country’s legitimate leader. The latest executive order is intended to scare off Mr. Maduro’s remaining trading partners in Russia and Asia from doing business in Venezuela. It was unclear whether Mr. Maduro would rejoin the talks at a later date. Both sides have benefited from appearing to seek a negotiated resolution to the crisis, but the latest American sanctions have emboldened hardline opponents of the talks within Mr. Maduro’s administration. “The Barbados dialogue is a dialogue with extremists,” Mr. Maduro said on state television Wednesday after suspending the talks. “Many ask me why you’re talking with those who want to kill you.”

#### DW News ’19

8 August 2019, “Nicolas Maduro halts talks with opposition over US sanctions”, <https://www.dw.com/en/venezuela-nicolas-maduro-halts-talks-with-opposition-over-us-sanctions/a-49938617>

Venezuela's information ministry said on Wednesday that the government would not attend a planned round of talks, brokered by Norway, with the opposition in Barbados this week. The move came in response to [Washington's decision to freeze all assets held by Venezuela's government](https://www.dw.com/en/donald-trump-freezes-assets-held-by-venezuela-in-us/a-49904041) in the US and blocking US citizens from conducting business with Maduro's government. "President Nicolas Maduro has decided to not send the Venezuelan delegation on this occasion, due to the serious and brutal aggression, perpetrated continuously and cunningly, by the Trump administration against Venezuela,” the statement read.

#### Polga ‘19

John Polga-Hecimovich, 30 August 2019, <https://www.georgetownjournalofinternationalaffairs.org/online-edition/2019/8/28/a-transition-from-above-or-from-below-in-venezuela>

Venezuela continues to buckle under the autocratic rule of Nicolás Maduro. Street protests and social pressure, however, have not succeeded in dislodging the president or bringing about the democratic change so many Venezuelans desire. Instead, the political opposition and international allies have bet on a transition “from above,” or a combination of bottom-up and top-down approaches, and hope to effect change by encouraging a split in Maduro’s governing coalition. Indeed, this appears to be one of the strategies the United States is using in its [recently revealed negotiations](https://www.wsj.com/articles/u-s-and-venezuela-hold-secret-talks-11566434509?shareToken=st9ef23055b36746afa37e67c0569aca16) with members of the Venezuelan government to encourage free and fair elections and the exit of Maduro. Existing scholarly research suggests that a lack of prominent pro-government political moderates makes a transition from above unlikely. Instead, re-democratization depends on finding and courting moderate members of the government—in this case, moderate supporters of ex-president Hugo Chávez, known as Chavistas. However, if press reports are accurate, the United States is in contact with Diosdado Cabello and other pro-Maduro hardliners

Given the unlikelihood of transition from below, Venezuela’s political opposition, the Lima Group, and other international actors have set their sights on inducing top-down change through a [combination of sticks and a few carrots](https://www.americasquarterly.org/content/venezuelas-crisis-calls-carrots-not-sticks). This type of transition characteristically stems from self-imposed government liberalization, carried out by a government which seeks to reinforce itself and in doing so may inadvertently bring about democratization. This strategic miscalculation from autocrats is more common than it might first appear. Latin American history is replete with examples of top-down liberalization in which dictators relaxed repression, allowed some civil liberties, and began negotiations with pro-democratic opposition elites. This includes the re-democratization of Ecuador (1976-1979), Brazil (1982-1985), Uruguay (1983-1984), and Chile throughout the 1980s. Similar processes occurred in Poland and with the reunification of Germany in 1989. Liberalization often results from a split in the authoritarian regime between “hard-liners” (in this case Nicolás Maduro, Jorge and Delcy Rodríguez, Tareck El Aissami, Diosdado Cabello) and moderate “soft-liners” (Héctor Rodríguez, Aristóbulo Isturiz). In most cases, the hardline authoritarian leader faces pressure due to declining economic conditions or social unrest, and soft-liners rise to prominence. Whereas hard-liners tend to be satisfied with the status quo, moderates may prefer to liberalize and broaden the social base of the dictatorship in order to gain allies and strengthen their position vis-à-vis the hardliners.

### 2 – Scapegoat

#### Ward ‘19

Alex Ward, Vox, 3 May 2019, <https://www.vox.com/world/2019/5/3/18528083/venezuela-guaido-maduro-trump-bolton-fail>

What’s more, a US official [told me in January](https://www.vox.com/world/2019/1/28/18201115/venezuela-ofac-sanctions-pdvsa-oil) that sanctions on PdVSA essentially gives Maduro even more ammunition to paint the US as a big, mean bully trying to destroy Venezuela and make its people suffer. If the economy tanks even further than it already has, the Venezuelan leader can blame the US sanctions and perhaps regain some favor among both the elites — particularly the military leadership — whose support Maduro needs to remain in power, as well as everyday Venezuelans who are the most vulnerable to economic pressures. Maduro needs a good scapegoat: Millions have fled the country due to the crippling economic crisis gripping the country. Inflation is through the roof. Hunger rates have skyrocketed. And diseases once thought eradicated from Venezuela have sparked a new health crisis.

#### Reuters ‘17

2 October 2017, <https://www.reuters.com/article/us-venezuela-politics/venezuelas-maduro-approval-rises-to-23-percent-after-trump-sanctions-poll-idUSKCN1C8037>

Venezuelan President Nicolas Maduro’s approval rating rose to 23 percent in September, up 6 percentage points from 17 percent in July, according to a poll by local firm Datanalisis. The rebound followed several rounds of sanctions by U.S. President Donald Trump’s administration as well as a sharp drop-off in four months of violent anti-government protests. Nearly 52 percent of respondents opposed the Trump administration sanctions that came in response to the creation of a legislative superbody called the Constituent Assembly, which critics call the consolidation of a dictatorship.

### Impact

#### Rapoza ‘19

Kenneth Rapoza, Senior Contributor to Forbes, May 3, 2019,<https://www.forbes.com/sites/kenrapoza/2019/05/03/no-u-s-sanctions-are-not-killing-venezuela-maduro-is/#659c9f8e4343>

But Venezuela is not the Middle East. U.S. policies are not the reason why Venezuela is a mess, as Omar said this week on the Democracy Now! radio program. The U.S. is not making Venezuela any worse than it is or will become under existing leadership. Her view mimics many left-of-center voices critical of the regime change policies that began under Bush and Cheney. [The ruling Socialists United of Venezuela is, point blank, the only reason why Venezuela is a mess.](https://twitter.com/intent/tweet?url=http%3A%2F%2Fwww.forbes.com%2Fsites%2Fkenrapoza%2F2019%2F05%2F03%2Fno-u-s-sanctions-are-not-killing-venezuela-maduro-is%2F&text=The%20ruling%20Socialists%20United%20of%20Venezuela%20is%2C%20point%20blank%2C%20the%20only%20reason%20why%20Venezuela%20is%20a%20mess.) And president Nicolas Maduro is its leader. Maduro governs a failed state. Fifty other countries, including Colombia, Brazil, the U.K. and Spain, all agree. Brazil and Colombia are currently catering to around one million Venezuelans who have fled the country. Some have preferred taking their children out of school and living in United Nations tents in Colombia instead of Maduro's Venezuela. Maduro's incompetence, of which the Socialists United rallies around, is killing Venezuela. Not Trump. Not Elliot Abrams. Not Secretary of State Mike Pompeo. This is not a pre-emptive strike, searching for terrorists under beds and weapons of mass destruction in the Middle East. The economy began its deep decline years ago, in the Obama years. It has been in an economic depression for three years. Obama first sanctioned members of the Maduro Administration in 2015. Trump later sanctioned Maduro's Vice President Tareck El Aissami for drug trafficking in February 2017. Later that year, U.S. companies were banned from providing financial assistance (as in loans) to one company only, oil firm PdVSA.

## C2 Oil

### Intro

#### Beeton ‘19

March 25, 2019, “Venezuela’s Oil Production Plummets in February Due to New US Sanctions Sales to US Also Disappear for the First Time,” <http://cepr.net/press-center/press-releases/venezuela-s-oil-production-plummets-in-february-due-to-new-us-sanctions> kegs

While the Venezuelan economy was already in bad shape before US sanctions began, due to a collapse in oil prices and mistakes in macroeconomic policy, the sanctions especially since August 2017 have prevented the government from taking measures that could get rid of hyperinflation and allow for an economic recovery from a long depression.

#### Weisbrot & Sachs ‘19

Mark Weisbrot and Jeffrey Sachs. April 2019. CEPR.<http://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf>

Thus one of the most important impacts of the sanctions, in terms of its effects on human life and health, is to lock Venezuela into a downward economic spiral. For this reason, it is important to note that when we look at, for example, the estimated more than 40,000 excess deaths that occurred just from 2017 to 2018, the counterfactual possibility in the absence of sanctions is not just zero excess deaths, but actually a reduction in mortality and other improvements in health indicators. That is because an economic recovery could have already begun in the absence of economic sanctions. And conversely, the death toll going forward this year, if the sanctions remain in place, is almost certainly going to be vastly higher than anything we have seen previously, given the highly accelerated rate of decline of oil production and therefore the availability of essential imports, and also the accelerated decline of income per person.

### Links

#### Fox ’19

DW News, 10 January 2019, <https://www.dw.com/en/the-human-cost-of-the-us-sanctions-on-venezuela/a-50647399>

President Donald Trump intensified sanctions in 2017 and this year imposed an oil embargo that blocked the purchase of petroleum from Venezuela's state oil company, PDVSA. It also confiscated Venezuela's US subsidiary CITGO, worth $8 billion. It was a huge blow for Venezuela, which received 90% of government revenue from the oil industry. The U.S. government has also frozen $5.5 billion of Venezuelan funds in international accounts in at least 50 banks and financial institutions. Even if Venezuela could get money abroad, the United States has long blocked international trade by threatening sanctions on foreign companies for doing business with the country.

#### Rodriguez ‘19

Francisco Rodriguez 06-24-2019. Torino Economics. https://torinocap.com/wp-content/uploads/2019/06/Sanctions-and-Vzlan-Economy-June-2019.pdf.

This paper considers the evidence on the effect of financial and oil sanctions in the 2017-19 period on Venezuelan oil production and broader socio-economic indicators. Using a panel of countries covering 95% of the word’s oil production, we show that Venezuela’s acceleration in the rate of decline in oil output after the imposition of financial sanctions in 2017 was more rapid than that of all other oil-producing economies in the world except for those undergoing armed conflict at the time. Using synthetic control methods, we estimate that financial sanctions were associated with a decline in production of 797tbd, which at today’s oil prices would represent USD 16.9bn a year in foregone oil revenues.

Run on a four-year pre-trend window (2013-2017), all but 1 of the 36 regressions produce a negative estimate of β1. The exception is the pairwise comparison with Yemen, to which we return below. Chart 4 shows the distribution of these estimates. The median coefficient estimate is -.46, which indicates that sanctions lead to a 46 log point decline in oil output. Taking the August 2017 level of oil production as the starting point, this estimate would imply that sanctions are associated with a 37.1% decline in Venezuela’s oil production, or of 689 thousand barrels per day or USD15.2bn in export revenue at current prices. 5

#### Morgenstern ‘19

Scott Morgenstern & John Polga-Hecimovich, The Coversation, 8 February 2019, <https://theconversation.com/why-venezuelas-oil-money-could-keep-undermining-its-economy-and-democracy-111013>

Oil money, in short, can sustain whatever government is in power, be it [dictatorship or democracy](https://www.cambridge.org/core/books/democracy-and-development/4A5F43C449ADA81BDB9293D5B10D27C1). But when [crude prices fall, the loss of revenue polarizes](https://www.erlacs.org/articles/abstract/10.18352/erlacs.9666/) politics as the wealthy and the poor fight over the reduced proceeds. And when these countries not only rely on one export but also very limited markets, that adds to their vulnerability. Oil sales constituted [98 percent](https://www.opec.org/opec_web/en/about_us/171.htm) of Venezuela’s export earnings in 2017, with the [U.S. buying nearly half](https://www.eia.gov/beta/international/analysis.php?iso=VEN) of the country’s exported crude.

#### Wyss ‘19

Jim Wyss, 11 March 2019, Miami Herald, <https://www.miamiherald.com/news/nation-world/world/americas/venezuela/article227416389.html>

In particular, financial sanctions rolled out in 2017 made it difficult for Venezuela to refinance loans and get fresh funding. Then, in January, Washington used “the nuclear option” and blocked money from Venezuela’s U.S. oil sales from going to Maduro’s coffers — effectively costing the country billions. Venezuela imports 80 to 90 percent of all its goods — including food and medicine — and asphyxiating PDVSA [the state run oil company] limits the country’s ability to bring in necessities. Venezuela’s imports in 2018 fell to an estimated $11.7 billion down from $66 billion in 2012, according to Torino Capital. And the firm expects imports to fall to about $7 billion this year.

#### Center for Economic and Policy Research ‘19

Center for Economic and Policy Research, <http://cepr.net/images/stories/reports/venezuela-sanctions-2019-04.pdf>

It is important to emphasize that nearly all of the foreign exchange that is needed to import medicine, food, medical equipment, spare parts and equipment needed for electricity generation, water systems, or transportation, is received by the Venezuelan economy through the government’s revenue from the export of oil. Thus, any sanctions that reduce export earnings, and therefore government revenue, thereby reduce the imports of these essential and, in many cases, life-saving goods. The August 2017 sanctions adversely impacted oil production in Venezuela. But following the August 2017 executive order, oil production crashed, falling at more than three times the rate of the previous twenty months. This would be expected from the loss of credit and therefore the ability to cover maintenance and operations and carry out new investments necessary to maintain production levels. This acceleration in the rate of decline of oil production would imply a loss of $6 billion in oil revenue over the ensuing year. This by itself is an enormous loss of foreign exchange, relative to the country’s need for essential imports. Imports of food and medicine for 2018 were just $2.6 billion. Total imports of goods for 2018 were about $10 billion. The loss of so many billions of dollars of foreign exchange and government revenues was very likely the main shock that pushed the economy from its high inflation, when the August 2017 sanctions were implemented, into the hyperinflation that followed. Other executive decisions made by the Trump administration resulted in the closure of Venezuelan accounts in financial institutions, loss of access to credit, and other financial restrictions that have had severe negative impacts on oil production as well as the economy, as detailed in this paper.

Even more costly to the economy and the population, the August 2017 sanctions adversely impacted oil production in Venezuela. Figure 1 shows oil production in Venezuela and Colombia, in thousands of barrels per day, from 2013–18. Both countries’ production declined at about the same rate from the beginning of 2016, after a sharp fall in oil prices. But following the August 2017 executive order, oil production crashed, falling at more than three times the rate of the previous twenty months. This would be expected from the loss of credit and therefore the ability to cover maintenance and operations and carry out new investments necessary to maintain production levels. This acceleration in the rate of decline of oil production would imply a loss of $6 billion in oil revenue over the ensuing year. This by itself is an enormous loss of foreign exchange, relative to the country’s need for essential imports. Imports of food and medicine for 2018 were just $2.6 billion. Total imports of goods for 2018 were about $10 billion. Annual oil production fell by 30.1 percent in 2018, as compared with 11.5 percent in 2017.8 The difference in this rate of decline implies a loss of approximately $8.4 billion in foreign exchange that was increasingly desperately needed for essential imports such as medicine and food. It is important to emphasize that nearly all of the foreign exchange that is needed to import medicine, food, medical equipment, spare parts and equipment needed for electricity generation, water systems, or transportation, is received by the Venezuelan economy through the government’s revenue from the export of oil. Thus, any sanctions that reduce export earnings, and therefore government revenue, thereby reduce the imports of these essential and, in many cases, life-saving goods. The loss of so many billions of dollars of foreign exchange and government revenues was very likely the main shock that pushed the economy from its high inflation, when the August 2017 sanctions were implemented, into the hyperinflation that followed. It is common in the history of hyperinflations that they are triggered by a large external shock to government revenues and the balance of payments, as happened to Venezuela following the implementation of these sanctions.

If we look at the combined impact of all of these actions, we find that they drastically reduced the ability of Venezuela to produce and sell oil and to sell any foreign assets of the government, the most important of which were frozen and/or confiscated; and also to use whatever foreign exchange that the country is still able to earn to buy essential imports. For these reasons, a baseline projection of Venezuela’s real GDP shows an astounding and unprecedented decline of 37.4 percent in 2019, as compared to 16.7 percent in 2018.12 Imports of goods are projected to fall by 39.4 percent, from $10 billion to $6.1 billion.13 More than 1.9 million people are expected to leave the country, 14 and the impacts on human life and health (described below) are expected to be even more severe than what happened last year. The most immediate impact of the January sanctions was to cut off Venezuela from its largest oil market, the United States, which had bought 35.6 percent of Venezuela’s oil exports in 2018,15 or about 586,000 barrels per day on average.16 In the week of March 15, imports of Venezuelan oil fell to zero for the first time, and they remained there for another two weeks before there was a rebound for one week to 139,000 barrels per day, then 71,000 barrels per day. 17 The Trump administration also intervened to pressure other countries, including India, not to buy the oil that had been previously imported by the US. It is important to note that these threats are effective because the US government can sanction foreign financial institutions who disobey its instructions. Thus in February even Gazprom, which is majority owned by the Russian government, froze the accounts of PDVSA and cut off transactions with the company, under threat of sanctions from the Trump administration.19 Reuters also noted that “Washington is particularly keen to end deliveries of gasoline and refined products used to dilute Venezuela’s heavy crude oil to make it suitable for export.”20 This could impact another 300,000 barrels per day of Venezuelan oil production.21 As a result of these efforts, oil that Venezuela was producing piled up, filling storage facilities and then tankers. The resulting lack of markets and available space to store oil seems to be the main cause of a sharp drop in oil production in February.22 As can be seen in Figure 2, Venezuela’s oil production declined by 130,000 barrels per day from January to February. In the six months prior, it was declining by an average of 20,500 barrels per day. Then in March it fell another 289,000 barrels per day, for a total of 431,000 barrels per day

#### Egan ‘19

Matt Egan, CNN Business, 19 February 2019, <https://www.cnn.com/2019/02/19/investing/venezuela-oil-sanctions-pdvsa/index.html>

US sanctions are a double-whammy for Venezuela. Not only was the United States Venezuela's No. 1 customer, but it was the country's main source of naphtha, the liquid hydrocarbon mixture used to dilute crude. Without it, Venezuela's heavy crude can't be readily transported. Rystad Energy forecasts that some operators in Venezuela will run out of diluent by March. US oil prices are up almost 5% since the sanctions were announced. Brent, the global benchmark, is up 8%. But analysts don't believe Venezuela is the main reason for the run-up in crude. Instead, they point to OPEC's deeper-than-expected production cuts, turmoil in Libya and the bullish tone in global financial markets as recession fears fade.

#### Constable ‘18

Simon Constable, 14 June 2018, Forbes, <https://www.forbes.com/sites/simonconstable/2018/06/14/venezuelas-latest-desperate-plan/#417cf4a844fe>

Hyperinflation makes it hard for any business to run efficiently. Inflation in the country is now a staggering 34,458%, [according to the latest estimate (June 14, 2018) from Steve Hanke, professor of applied economics at the Johns Hopkins University.](https://twitter.com/steve_hanke/status/1007251810103562240) That's down from more than 37,000% earlier this month. Hanke uses the prices of goods inside the country to estimate the rate of inflation. U.S. sanctions mean critical oil extraction equipment is hard to come by in the country. Drill bits and metal pipes quickly get worn out in the oil business because the oil itself is highly corrosive. Without replacement parts, the wells cannot operate.

#### Kurmanaev ‘19

Anatoly Kurmanaev & Clifford Krauss, NYT, 8 February 2019, <https://www.nytimes.com/2019/02/08/world/americas/venezuela-sanctions-maduro.html>

Now the new American sanctions could cut Venezuela’s oil exports by two-thirds, to just $14 billion this year, and lead to a 26 percent reduction in the economy’s size, according to Mr. Rodríguez, the economist. Mr. Trump said the oil sanctions were meant to punish Mr. Maduro for human rights violations and force him to cede power to Juan Guaidó, the opposition leader whom the United States and many other countries have recognized as the rightful Venezuelan president. The sanctions announced by the Treasury Department on Jan. 28 banned United States companies and individuals from dealing with Venezuela’s state-run oil company, [Petróleos de Venezuela](http://www.pdvsa.com/index.php?lang=es), or Pdvsa, which provides about 90 percent of the country’s hard currency. The sanctions essentially shut Venezuelan oil out of the American market.

#### Kumar ‘19

Krishna Kumar & Collin Eaton, Reuters, 23 January 2019, <https://www.reuters.com/article/us-venezuela-politics-usa-oil-graphic/u-s-sanctions-on-venezuela-would-reroute-crude-leave-refiners-short-idUSKCN1PH2GU>

Those deliveries are being made largely through oil-for-debt repayment structures as output from state-run oil company Petróleos de Venezuela, S.A., known as PDVSA, has slumped to near 70-year lows in a nationwide economic crisis. Venezuela’s output has been cut in half since 2016 to less than 1.2 million bpd, according to figures from OPEC secondary sources. Shipments to the United States account for about 75 percent of the cash Venezuela gets for crude shipments, according to a Barclays research note published last week.

#### Parraga ’19

Marianna Parraga & Natalia Chumakova & Ron Bousso, Reuters, 21 February 2019, <https://www.reuters.com/article/us-venezuela-politics-oil-supplies/venezuela-gets-fuel-from-russia-europe-but-the-bill-soars-idUSKCN1QA0H9>

The South American nation exports crude but its refineries are in poor condition - hence the need to import gasoline and diesel for petrol stations and power plants, as well as naphtha to dilute its heavy oil. Since the United States imposed fresh sanctions on Venezuela on Jan. 28, products supplies have mainly come from Russian state oil major Rosneft, Spain’s Repsol, India’s Reliance Industries and trading houses Vitol and Trafigura, according to sources and vessel-tracking data. Russia has been a traditional political backer of Caracas, while India and Spain also have long-standing trade ties. But supplies even from those allies are coming at a cost. “The prices they are charging us are horrifying,” said an executive at Venezuelan state-run oil firm PDVSA who is familiar with recent purchases. The executive said the heavy premiums were partially due to the fact that single cargoes passed through several hands before reaching Venezuelan ports and also involved complex and expensive ship-to-ship transfers. A trader involved in one fixture said shipowners were now charging a fee of up to 50 cents per barrel to Venezuela versus 15-20 cents before sanctions. Last year, Venezuela imported most products from the United States with the main providers being PDVSA’s own U.S. subsidiary Citgo Petroleum and a U.S. unit of India’s Reliance. Monthly supplies fluctuated but in December alone PDVSA imported almost 300,000 barrels per day (bpd) of fuel as its domestic refineries worked at just below a third of its 1.3-million-bpd capacity, according to PDVSA data. Imports have fallen to some 140,000 bpd of gasoline, diesel, naphtha and other fuels since the end of January, Refinitiv Eikon data shows.

### Impacts

#### Martin & Laya ‘19

Eric Martin & Patricia Laya, Bloomberg Businessweek, <https://www.bloomberg.com/news/articles/2019-03-09/what-broke-venezuela-s-economy-and-what-could-fix-it-quicktake>

Shrinking oil revenue means Venezuela’s external debt has continued to pile up, reaching $157 billion last year, or about 150 percent of gross domestic product. The country defaulted on a portion of its debt in 2017, and creditors are demanding more than $9 billion in overdue payments. In addition, Venezuela owes billions of dollars to companies including Canadian miner [Crystallex](https://www.bloomberg.com/news/articles/2017-11-24/crystallex-venezuela-agree-to-settle-1-2-billion-mine-dispute) International Corp. and U.S. oil giant [ConocoPhillips](https://www.bloomberg.com/news/terminal/PM7N8Z6JIJUQ) to settle disputes over the government’s nationalization of their assets.

Among the top priorities is reducing the budget deficit. No plan will get inflation under control unless this is accomplished. Because the government stopped providing statistics several years ago, no one knows the true size of the deficit. Estimates range, but the CIA put it at [46 percent](https://www.cia.gov/library/publications/the-world-factbook/fields/226.html#VE) of gross domestic product in 2017. Venezuelan economist Ricardo Hausmann of Harvard University, an informal adviser to Guaido, has proposed that the IMF loan Venezuela more than [$60 billion](https://www.economist.com/briefing/2019/01/31/how-venezuelas-economy-can-recover-from-the-maduro-regime) over three years. A loan of that magnitude would allow the central bank to stop printing bolivars. To restore incentives for saving and investment, one approach would be to replace the bolivar with the U.S. dollar or another stable, widely convertible currency. So-called dollarization is currently employed in Ecuador. Another option is for Venezuela to peg its currency to the dollar, as Brazil did in the mid-1990s, in order to both stabilize the currency and stem hyperinflation.

#### Reuters ‘18

Reuters. June 2018. <https://www.reuters.com/article/us-venezuela-debt/venezuelas-creditors-working-on-eventual-debt-restructuring-source-idUSKBN1JG3CA>

Venezuela’s public and private creditors are working on how to one day restructure its debt, though U.S. sanctions make that impossible for now, a source close to the Paris Club of government creditors said on Wednesday. Crippled by a hyperinflationary economic crisis, the cash-strapped Venezuelan government and state oil company PDVSA are in default on most of their $60 billion in outstanding bonds. Including debt owed to other governments and official lenders, the OPEC member’s foreign debt is estimated to stand at $140 billion, with China owed $20-25 billion and Paris Club creditors $5.8 billion, the source said.

#### Herbst ‘19

John E. Herbst and Jason Marczak, September 2019, Atlantic Council, “Russia’s intervention in Venezuela: What’s at stake?,” <https://www.atlanticcouncil.org/in-depth-research-reports/report/russias-intervention-in-venezuela-whats-at-stake/>

Meanwhile, day-to-day life in Venezuela continues to deteriorate. Food insecurity and malnutrition are at sky-high levels. As noted in the Bachelet report, in April 2019 the Venezuelan minimum wage, which sits around $7 per month, only covers 4.7 percent of the basic food basket. More than 80 percent of households in Venezuela are food insecure, with the majority of those interviewed as part of the Bachelet investigation consuming only one meal per day.39 The report highlights that, as a result of hyperinflation and the disintegration of Venezuelan food production, an estimated 3.7 million Venezuelans are malnourished. Children and pregnant women are the demographics most likely to suffer from malnutrition in Venezuela. Survival is a struggle. As a result, Venezuelan refugees filed more asylum claims globally in 2018 than citizens of any other country, including Syria.40 If the situation does not improve, the number of Venezuelan migrants and refugees is expected to reach around 8 million in 2020, surpassing total Syrian migration numbers by more than 3 million.

#### Fox ’19

DW News, 10 January 2019, <https://www.dw.com/en/the-human-cost-of-the-us-sanctions-on-venezuela/a-50647399>

Jenjerlys is just one of more than 300,000 people who are estimated to be at risk because of lack of access to medicines or treatment because of sanctions on the country. That includes 16,000 people who need dialysis, 16,000 cancer patients and roughly 80,000 people with HIV, according to a report published in April by the Washington-based Center for Economic and Policy Research. The situation is poised to get worse, with the total US embargo of the country, announced in August, and new EU sanctions levied last week.

#### Camilleri ‘19

Michael Camilleri, Foreign Affairs, 3 Sept 2019, <https://www.foreignaffairs.com/articles/venezuela/2019-09-03/plan-b-venezuela>

Without question, the Maduro regime is itself responsible for the [single largest economic collapse](https://www.nytimes.com/2019/05/17/world/americas/venezuela-economy.html) outside a war zone in at least 45 years. But U.S. actions are [aggravating](https://www.ft.com/content/f7dd72a4-c044-11e9-b350-db00d509634e) the consequences of this collapse while handing Maduro an easy scapegoat. The Trump administration might argue that economic sanctions need time to take full effect. But sanctions have a [poor record](https://www.foreignaffairs.com/articles/united-states/2019-04-29/sanctions-cant-spark-regime-change) of producing regime change, and the administration’s waiting game comes at a terrible human price. For Venezuelan society to resist Maduro, it must be able to eat. By one estimate, more than eight in ten Venezuelans now rely on food handouts from Maduro that are conditioned on political loyalty—hardly ripe conditions for a popular uprising.

# FRONTLINES

### F/L Russia Selling Refining Chemical/Naphtha

1) It’s way more expensive though – it isn’t profitable and Venezuela can’t buy enough so oil sales are still way down. Charging 15 cents per barrel before sanctions, now it’s 50 cents – makes it so much more expensive and not profitable.

Parraga ’19, Marianna Parraga & Natalia Chumakova & Ron Bousso, Reuters, 21 February 2019, <https://www.reuters.com/article/us-venezuela-politics-oil-supplies/venezuela-gets-fuel-from-russia-europe-but-the-bill-soars-idUSKCN1QA0H9>

The South American nation exports crude but its refineries are in poor condition - hence the need to import gasoline and diesel for petrol stations and power plants, as well as naphtha to dilute its heavy oil. Since the United States imposed fresh sanctions on Venezuela on Jan. 28, products supplies have mainly come from Russian state oil major Rosneft, Spain’s Repsol, India’s Reliance Industries and trading houses Vitol and Trafigura, according to sources and vessel-tracking data. Russia has been a traditional political backer of Caracas, while India and Spain also have long-standing trade ties. But supplies even from those allies are coming at a cost. “The prices they are charging us are horrifying,” said an executive at Venezuelan state-run oil firm PDVSA who is familiar with recent purchases. The executive said the heavy premiums were partially due to the fact that single cargoes passed through several hands before reaching Venezuelan ports and also involved complex and expensive ship-to-ship transfers. A trader involved in one fixture said shipowners were now charging a fee of up to 50 cents per barrel to Venezuela versus 15-20 cents before sanctions. Last year, Venezuela imported most products from the United States with the main providers being PDVSA’s own U.S. subsidiary Citgo Petroleum and a U.S. unit of India’s Reliance. Monthly supplies fluctuated but in December alone PDVSA imported almost 300,000 barrels per day (bpd) of fuel as its domestic refineries worked at just below a third of its 1.3-million-bpd capacity, according to PDVSA data. Imports have fallen to some 140,000 bpd of gasoline, diesel, naphtha and other fuels since the end of January, Refinitiv Eikon data shows.

### F/L Sell to Russia/China Instead

1) China, which is the biggest consumer of Venezuelan oil currently, only buys oil as repayments for debt, so Venezuela doesn’t make revenue off of it.

Johnson ’18, Keith Johnson, 16 July 2018, Foreign Policy, <https://foreignpolicy.com/2018/07/16/how-venezuela-struck-it-poor-oil-energy-chavez/>

The one relative bright spot in Venezuela’s oil industry today is the superheavy Orinoco fields, jointly operated with foreign firms since the 1990s-era opening of the sector. Crude production in the Orinoco actually grew during the first half of this decade, and even now production declines have been modest. That’s a sharp contrast to steep output declines at traditional oil fields solely operated by PDVSA. But even the superheavy fields are struggling to keep production levels close to steady. Before it can export the heavy bitumen, PDVSA needs to blend it with light oil, and since at least 2010, Venezuela’s own light oil production has been falling. That forces the state energy company to spend much-needed cash importing light oil. Venezuela also imports gasoline — which it gives away to consumers for a paltry 4 cents a gallon. And it loses money when purchasers reject its cargoes of crude oil for their poor quality, an increasingly common problem. In other cases, it doesn’t even get paid: While the country now sends China 400,000-odd barrels a day, for example, Beijing considers them repayment for Caracas’s debts. Meanwhile, despite the collapse of its oil industry, Venezuela continues to buy foreign oil to ship, at a loss, to the regime’s ideological cousins in Cuba — a bitter legacy of Chávez’s plan to use Venezuela’s oil riches to buy friends in the neighborhood.

Russia is the same

Yagova ‘19

Olga Yagova. Aug 22 2019. “Rosneft becomes top Venezuelan oil trader, helping offset U.S. pressure.” Reuaters. https://www.reuters.com/article/us-russia-venezuela-oil/rosneft-becomes-top-venezuelan-oil-trader-helping-offset-u-s-pressure-idUSKCN1VC1PF

MOSCOW (Reuters) - Russian state oil major Rosneft has become the main trader of Venezuelan crude, shipping oil to buyers in China and India and helping Caracas offset the loss of traditional dealers who are avoiding it for fear of breaching U.S. sanctions. Trading sources and Refinitiv Eikon data showed Rosneft became the biggest buyer of Venezuelan crude in July and the first half of August. It took 40% of state oil company PDVSA’s exports in July and 66% so far in August, according to the firm’s export programs and the Refinitiv Eikon data, double the purchases before sanctions. Three industry sources said Rosneft, which produces around five percent of the world’s oil, is now taking care of shipping and marketing operations for the bulk of Venezuelan oil exports, ensuring that PDVSA can continue to supply buyers. Rosneft used to resell volumes it bought from PDVSA to trading firms and was less involved in marketing. Now it has started supplying some PDVSA clients - Chinese and Indian refineries - while trading houses such as Swiss-based Trafigura and Vitol have walked away because they fear they could breach secondary U.S. sanctions, according to six trade sources. Moscow is one of Maduro’s closest allies and has provided military support to his government as well as billions of dollars in loans and equipment. “Rosneft has been dealing with Venezuela’s crude directly, fixing vessels and offering it to end users”, a source with an oil trading firm said. Rosneft is not in breach of U.S. sanctions, because it takes oil as part of debt servicing agreements after lending Caracas money in previous years.

### F/L Maduro fired PDVSA Employees

1) While this may have had an impact, there’s no reason oil production should have declined this rapidly. The fact that Venezuela is seeing up to 67% decreases can only be because of sanctions. And this makes sense, if your largest customer stops buying oil and threatens other countries and businesses from buying your oil, production and revenues are going to decrease.

2) The sanctions have prevented oil industry from ever rebounding. Even with PDVSA being controlled by military officials, they can’t ever come back because sanctions prevent it. Can’t expect them to do anything without cash or staff or materials to fix their pipes or chemicals to make their oil exportable.

3) Oil industry execs were replaced in 2017 and while we did see a decrease in oil production the largest decrease was seen when PDVSA was sanctioned last year.

### F/L Privatization

1) Privatization doesn’t matter because US sanctions any oil sales coming out of Venezuela because the goal is to remove Maduro from power by preventing revenue streams to his government. Privatization doesn’t increase oil sales.

2) But if privatization has really happened and free-markets are opening up, then this is the perfect time to end sanctions because it means that sanctions have accomplished their goal so now sanctions should end. Then revenue streams would go to the people and the workers.

### F/L Wildfires Caused Blackouts

Hetland ’19, The Nation, 13 March 2019, <https://www.thenation.com/article/venezuela-blackout-us-sanctions-maduro/>

For US officials, most of the mainstream media, and opposition leaders in Venezuela, this is the end of the story. Yet things are not so simple. Over the past 10 years blackouts have become a regular occurrence. The current blackout is significantly worse, however, in both its breadth and duration. A key reason is the lack of diesel and gasoline, which are needed to fuel backup generators. As The New York Times [notes](https://www.nytimes.com/2019/03/08/world/americas/venezuela-blackout-power.html), “Not one of more than a dozen diesel- and natural gas-powered backup plants built by the government in the last decade came online to compensate for the Guri outage.” Buried at the end of this story, the Times says that US “sanctions have affected Venezuela’s ability to import and produce the fuel required by the thermal power plants that could have backed up the Guri plant once it failed.”