

# End Severe US Sanctions against Venezuela

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**Trump's draconian sanctions against Venezuela will hit the country's workers and poor the hardest.**

In what at this point can only be assumed to be part of a quest to inflame chaos and disorder the world over, the Trump administration has in recent months imposed a series of sanctions against Venezuela, a country in the midst of a months-long political crisis.

The official rationale for the sanctions are the government's "serious abuses of human rights," repression of political opposition, dissolution of its elected parliament, and its role in the country's humanitarian crisis. But given President Trump's comments that he may decide on a "military option" to settle things in the country [1], along with the fact that Venezuela poses no threat to the United States, it's safe to assume such sanctions are meant to help along the removal of Venezuela's government.

Back in July, the Trump administration made it illegal for US individuals and companies to do business with the financial chief of PDVSA, Venezuela's state-run oil and natural gas company. Then in August, it placed restrictions on the trading of Venezuelan bonds that the government sells in US financial markets to raise cash, and prohibited Citgo, PDVSA's US subsidiary, from sending profits back home. In addition, financial sanctions have targeted twenty individuals close to the government, including Venezuelan president Nicolás Maduro.

Some have already praised the administration's sanctions as admirably restrained.

"If we're honest about it this isn't going to have much effect beyond the simply political," [2] wrote *Forbes'* Tim Worstall. "The economic effect just isn't going to be that much."

Writing in the *Miami Herald* [3], the Center for New American Security's Neil Bhatiya stated that "the administration appears to be signaling that it is cognizant of the pitfalls of harsh sanctions," and that it had "tried to strike a balance between ratcheting up pressure on Maduro and minimizing the wider consequences for the Venezuelan people." Creating "macroeconomic chaos" in the country would simply play into the Maduro government's hands, he argues, making Venezuela's current crisis appear to be solely a product of American meddling.

The *New York Times* [4], meanwhile, has called the sanctions "limited" and stressed their "broad loopholes."

It's true that the administration hasn't gone as far as it could have. It's declined to ban US imports of Venezuelan crude oil, for instance, which would have been catastrophic — the Extractive Industries Source Book argues that the "Venezuelan economy is fully dependent on its oil exports." (Let's also not be too quick to praise the administration's supposed mercy — American refiners lobbied against the move, which would have hurt US oil companies and consumers.)

But it's difficult to believe that the sanctions won't have a major impact on the Venezuelan economy

and, more to the point, the ordinary Venezuelans who depend on it. Though exact figures aren't known, oil is thought to account for anywhere between 80 [5] and 95 percent [6] of the country's export revenue, and around one third of its GDP. To get a sense of how tied up the Venezuelan economy is with the fortunes of its oil sector, consider that when the price of oil nearly halved in 2014, Venezuela's GDP contracted by 10 percent [7]. And prices are even lower now.

Moreover, PDVSA essentially is the Venezuelan economy. It's the country's largest employer [8] and, according to the OECD [9], exists as "an extra-budgetary fund to manage most of the government's new social programs," mandated to put 10 percent of its annual investment budget toward such programs [10]. These include vital services like free medical clinics, university and education, and discounted food centers in impoverished areas [11].

Therefore, even "restrained" sanctions on PDVSA — restricting its access to credit at a time when the country has to pay \$3.8 billion in debt in the next three months — are likely to hit ordinary Venezuelans hard, particularly as the country suffers from an acute food crisis [12], which has been going on for more than two years now [13]. Forbidding Citgo from sending profits to the government will only further starve it of funds, exacerbating this.

There are indications we're already seeing the negative repercussions of this. At the start of August, the vice president of Venezuela's National Constituent Assembly claimed that the government's efforts to bring in ten ships loaded with raw sugar were foiled by the fact that they could not pay for it [14]. Additionally, he said the sanctions blocked payment of 18 million boxes of food, rectified only when Venezuela's allies intervened in the payment process.

This is why economist Mark Weisbrot has been sounding the alarm about sanctions, calling them "very severe sanctions" that he didn't "remember ever being used, except in cases like Iran or Russia" or North Korea, where they were justified on the basis of these countries' nuclear programs, something Venezuela lacks [15].

"By starving the economy of foreign exchange, this action will harm the private sector, most Venezuelans, the poor and the vulnerable," he wrote last month in the *Hill* [16], adding that by cutting off most sources of financing for the country, it would cause imports to fall even further, leading to more shortages.

The endgame here is not particularly difficult to figure out. Besides some heavy-handed actions of the Maduro government, Venezuela's food shortage has been one of the chief contributors to antigovernment sentiment in the country [17], along with the cutting back of social services in the face of dwindling oil revenue. If the Trump administration puts a further squeeze on the government's finances, such unrest is only going to be inflamed, perhaps leading to Maduro's ouster.

So don't believe the claim that the sanctions against Venezuela are motivated by humanitarian concern. Stoking further human misery is, by design, their sole purpose.

**Branko Marcetic**

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**P.S.**

\* "End the Sanctions". Jacobin. 09.12.2017:

<https://www.jacobinmag.com/2017/09/united-states-sanctions-venezuela-maduro>

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## Footnotes

[1] <https://www.cnbc.com/2017/08/11/trump-on-venezuela-im-not-going-to-rule-out-a-military-option.html>

[2] <https://www.forbes.com/forbes/welcome/?toURL=https://www.forbes.com/sites/timworstall/2017/08/26/us-imposes-more-sanctions-on-venezuela-politics-yes-little-economic-effect-expected/&refURL>

[3] <http://www.miamiherald.com/opinion/op-ed/article171648662.html>

[4] <https://www.nytimes.com/2017/08/25/world/americas/venezuela-sanctions-maduro-trump.html>

[5] <https://books.google.co.nz/books?id=1pnZHGawJy0C&lpg=PA18&ots=IoIALey4Lb&dq=venezuela%20pdvsa%20largest%20employer&pg=PA18#v=onepage&q&f=false>

[6] <https://www.cnbc.com/2017/08/11/venezuelas-oil-industry-is-sitting-on-a-volcano-as-crisis-escalates.html>

[7] <http://www.dw.com/en/5-things-to-understand-about-oil-rich-cash-poor-venezuela/a-38478166>

[8] <http://www.iberglobal.com/files/2016-2/venezuela.pdf>

[9] <https://www.oecd.org/dev/inclusivesocietiesanddevelopment/Session-6-Report-on-Earmarking-Practices.pdf>

[10] [https://dukespace.lib.duke.edu/dspace/bitstream/handle/10161/290/MP\\_bfc5\\_a\\_052007.pdf?sequence=1](https://dukespace.lib.duke.edu/dspace/bitstream/handle/10161/290/MP_bfc5_a_052007.pdf?sequence=1)

[11] <https://www.cfr.org/backgrounder/venezuelas-oil-based-economy>

[12] <http://edition.cnn.com/2017/02/21/americas/venezuelan-food-crisis-weight-loss/index.html>

[13] <https://www.google.co.nz/url?sa=t&rct=j&q=&esrc=s&source=web&cd=13&cad=rja&uact=8&ved=0ahUKEwi2pMbrgZTWAhWEmZQKHVSTDrQQFghmMAw&url=https%3A%2F%2Fwww.theguardian.com%2Fworld%2F2015%2Faug%2F07%2Flooters-target-venezuelan-food-stores-as-shortages-spark-frustration&usg=AFQjCNFzJTzKR5qFjpLHmWC7WZbZncwj1w>

[14] <http://albaciudad.org/2017/08/isturiz-dio-ejemplos-de-como-el-bloqueo-estadounidense-a-venezuela-afecta-la-importacion-de-alimentos/>

[15] <https://www.telesurtv.net/english/news/US-Venezuela-Sanctions-Will-Make-Food-Shortages-Worse-Warns-Economist-20170825-0034.html>

[16] <http://thehill.com/blogs/pundits-blog/foreign-policy/348276-trumps-tough-venezuela-sanctions-do-more-harm-than-good>

[17] <http://www.businessinsider.com/venezuela-economic-food-crisis-meals-2016-4/?r=AU&IR=T/#-5>