Trump's Oil Embargo would corner Maduro

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The rise of oil demand for four consecutive years, above 1.5 MMBD and the constant production celling by OPEC countries and Russia has allowed the increase of oil prices this year.

Jeff Currie, head of Commodities Research in the Global Investment Research Division of Goldman Sachs – the bank that bought the hunger bonds, PDVSA 2022, which are up to date by the Maduro regime-, declared to Bloomberg, at the Conference of oil and gas in the Middle East, in Abu Dhabi, that Brent oil prices would be in $82.5 by June. This means that the Venezuelan oil basket will be around $74 per barrel, which would generate an additional 1.4 billion dollars to the Maduro regime, because of oil exports to the United States from the last semester of the year. This would allow Maduro to remain in the presidency of Venezuela after May 20, in spite of not being recognized by democracies around the world.

Currie bases his estimations on oil price hikes in the limited capacity of pipelines and the availability of service companies to increase production above 1.2 MMBD in shale sands (Permain Basin) in America. Although he adds that a slowdown of the Chinese economy (4.7% of GDP, by reason of the trade war with the US) would impact in the current global oil demand growth by 1.8 MMBD, making oil prices drop.

The Maduro regime has been waiting for a rebound in the Venezuelan oil basket price to remain in power, as it happened with Hugo Chavez in 2006. However, in this case, the Venezuelan oil production is in freefall because of lack of investment and maintenance of infrastructure to produce the hydrocarbon.

David Moran, on Twitter, presented three scenarios of oil production for Venezuela. In the face of an increase in oil prices, the most likely scenario would be between the first and the second one, meaning, a production between 1.36 and 1.05 MMBD by the end of the year, which would allow PDVSA to export between 450 and 400 MBD to American refineries in the Gulf Coast.

Pressed by the risk of Venezuelans being sacrificed by Maduro, it is necessary to cut once and for all every single source of currency cash to the regime, and the fastest way is with an oil embargo by the Trump Administration to Venezuela.

The argument that this measure would impact negatively in food and medicine scarcity in the Bolivarian country is not true. The scarcity index by Datanalisis shows this. It went from 56% in 2014 to 82% in 2017, an increase of 39%, despite the 10 billion dollars a year (average) received by the Maduro regime during the last three years by way of oil exports to the United States.

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Furthermore, the new evidence presented by intelligence sources of the United States and Colombia, during the IMF-World Bank meeting last week, showed that the food and medicine business in Venezuela is "in the hands of corrupt officials [and military officers] of the regime".

Likewise, the Colombian finance minister, Mauricio Cardenas, pointed that same day that "the money [comes out of] Venezuela to buy food, but is retained by a large number of companies and people associated with the Venezuelan regime", and suggested that "the amount involved could be of millions of dollars".

To face the shortages of food products, the oil embargo should include an exchange program of "oil for food and medicine" to assure that the Venezuelan population receives these goods safely.

Regarding corruption, the experience of the UN in Iraq in 1995 should be revisited to implement best practices with the purpose of avoiding a mishandling of the "oil for food" program, because today a big part of the money to acquire these goods stay within the elite close to the Maduro regime.

The model to copy is the same as the Chinese Fund, in which the China Development Bank allocates financial resources to the construction of infrastructure with Chinese companies and for the acquisition of Chinese goods.

In the case of oil imports from Venezuela by Chevron, Valero, Citgo and Phillips, among others, those dollars should be used to purchase food and medicines imported from the United States. Otherwise, the oil transaction would not proceed.

It would be a challenge to put the UN, the US Treasury, oil companies and the Maduro regime authorities to design and implement a program like "oil for food and medicines". While this is achieved, the oil embargo should stay in place, because only this would create a sense of urgency.

If the regime continues to receive the cash from oil exports to the United States, Maduro could stay in power, because the rise of oil prices would give him the necessary oxygen to defend the political feasibility of the 21st Century Socialism.

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