

Post-truth of the Oil Embargo

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The regime of Nicolás Maduro has created a story in Venezuela and in the United States that an oil embargo by the Trump Administration would have repercussions that would affect the entire Venezuelan population.

The latest survey by the Atlantic Council shows this assertion, since 75.4% of the people disagree with an oil embargo. By separating those numbers, the handling of emotions and beliefs of the Venezuelans can be observed. The rejection by supporters of the ruling party is 95.4%, by independents is 70.8% and by opposition supporters is 66.4%. Only 13% approve the embargo.

The facts indicate that the impact on regular Venezuelans of stopping oil imports by the United States is low. However, the impact is high for the Maduro regime, because it represents the constant flow of dollars the country receives, that is used for the enrichment of the madurista officials and for the purchase of loyalties for the regime.

Poverty indicators in Venezuela have been increasing since Maduro took office, going from 48.4% in 2014 to 87% in 2017, according to the results of the Survey on Living Conditions (ENCOVI) 2017 - "all Venezuelan households they are below an unattainable poverty line".

Poverty by household income – Poverty line; %

	Not Poor	Poverty	Extreme Poverty	Total
2014	51,6	24,8	23,6	48,4
2015	27,0	23,1	49,9	73,0
2016	18,2	30,3	51,5	81,8
2017	13,0	25,8	61,2	87,0

Source: ENCOVI, UCAB-USB-UCV 2014 to 2017

Regarding the Food Shortage Index in Venezuela, the scarcity of basic items has increased while the national production decreased. This is the result of the Second Socialist Plan for Economic and Social Development of the Nation 2013-2019, and the Law of the Plan of the Homeland. Venezuela has had a 40% drop in the economy during the Maduro Administration, according to IMF figures.

Some specific imports, mainly those of the government, improve an upward trend; however, in general terms, a chronic shortage is evident for many of the articles of mass consumption.

According to the market research company Datanalisis, the food shortage index went from 59% in 2014 to 82% in 2017, an increase of 39%.

Food Shortage Index; %

2014	2015	2016	2017
59,0	66,0	77,7	82,0

Source: Datanalisis

Since 2016, imports from the private sector have declined significantly, mainly due to the contraction of dollar allocations and the strong depreciation of the exchange rate. Meanwhile, the Maduro regime has been covering a small part of the basic food basket with the imports of CLAP boxes, selling them at a subsidized price to the population while coercing them to support their presidency, especially during elections.

The private sector, faced with the difficulty of acquiring foreign currency through official mechanisms (DICOM) –the application of a currency exchange control since 2003- and has been forced to resort to the black-market dollar to carry out its external purchases, representing 13% of the total imports in 2017.

The amount of dollars settled through the DICOM system amounted 305 million dollars in 2017, and 6.3 million dollars until March 16, 2018, while the dollars received from oil exports by American refineries in the Gulf Coast reached 55 billion dollars during the period of 2014-2017, being 10 billion average a year for the last three years.

United States: Oil imports from Venezuela

	Average imports a year (b/d)	Oil prices (\$/bbl)	Total (millions of dollars)
2014	733	88.42	23.656
2015	766	40.73	11.536
2016	741	34.71	9.387
2017	618	45.42	10.245

Sources: US EIA | PDVSA | Venezuelan Oil Ministry | Own calculations

The income for 2018 is estimated at 10.2 billion dollars, if the United States continues importing 466 thousand barrels per day from Venezuela and the average price per year is 60 dollars per barrel.

Until September of last year, Maduro used a portion of the proceeds from oil exports to the United States to the service of sovereign debt and PDVSA debt in order to satisfy the regime's financiers. It was such a maelstrom, that he used the "hunger bonds" to remain in Miraflores Palace, until Trump blocked that possibility with the financial sanctions of last year.

At the moment, Nicolás Maduro and his henchmen need the currency that comes from the United States to ensure the loyalty of regime officials, because they have no other alternative to keep governing.

Today, Maduro seeks in the exports of crude to the United States a support from government officials, buying the loyalty to the regime that it does not have in the majority of Venezuelans.



Therefore, the oil embargo is decisive for Maduro's exit from power. It will cut the cash flow that sustain it.