

Venezuela and Iran challenge US hegemony in the Caribbean.

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On June 1st, the Iranian tanker “Clavel” arrived in Venezuela. It was the fifth and last boat with fuel purchased by Caracas, to alleviate the difficult gas shortage the country was undergoing for several months, a situation made more difficult by the quarantine decreed by the government of Nicolás Maduro.

In late April, the Venezuelan Executive announced the decision to purchase [gas and additives](#) to the Persian nation; based on strengthened bilateral relationships, established during the presidency of Hugo Chávez. More recently, Iran has also recently collaborated in the sale of equipment and technical advice for the repair and start-up of the Refining Complex Paraguaná (Falcón), one of the most important refineries in Venezuela, and also a long time international reference point.

A diminished refining system.

The Venezuelan refining system became one of the most robust in the western hemisphere, with a capacity to process 1.3 mmb/d, distributed in six (6) locations: the Paraguaná Refinery Complex (CRP); composed by the Amuay Refinery (Falcón), with a capacity of 670,000 b/d and Cardón (Falcón) with a capacity of 305,000 b/d. El Palito (Carabobo) with a capacity to transform 140,000 b/d; Bajo Grande (Zulia) 57,000 b/d and Puerto La Cruz Refinery (Anzoátegui) that could transform 200,000 b/d. Also, the San Roque Refinery (Anzoátegui) that produce paraffins and the José Antonio Anzoátegui Petrochemical Complex (Anzoátegui). Despite this, Venezuela currently has a deficit of 95,000 b/d of gasoline, since it only processes 65,000 b/d. Therefore, the refining capacity has been reduced by 95%, exporting 25,000 b/d for acquired commitments and distributing approximately [30,000 b/d](#) of fuel to the national market.

[The factors](#) influencing the deterioration of the system include lack of investment, inadequate maintenance, poor management, corruption and lack of qualified staff, which translated into the occurrence of serious accidents with human and material losses, that accelerated the collapse of downstream activity, since 2012.

Additionally, the sanctions imposed by the United States directly affect the oil industry, by making difficult the acquisition of spare parts, components and additives necessary to produce gas, specifically Methyl tert butyl ether and Alkylate. On the other hand, In January 2019, the government of Donald Trump imposed sanctions on PDVSA, freezing its accounts in US territory, and preventing Caracas from accessing resources coming from the oil sale, and even to gasoline processed by Citgo, a company owned by Venezuela.

Lately, US sanctions have intensified even offshore, by forcing countries and companies to stop doing business with Caracas, to suffocate the Maduro’s government and force his resignation. At the same time, USA and about fifty countries recognize and provide support as interim president to Juan Guaidó, originally deputy to the National Assembly and former president of the Legislative Power. Companies such as Repsol, Eni, Reliance and Rosneft have been persuaded to desist to collaborate with Caracas in the

purchase, sale and transportation of crude oil and derivatives, including gas. The most recent cases were the sanctions imposed on [Rosneft Trading](#) on February of 2020, for collaborating in the transportation and placement of Venezuelan crude in the international market; as well as threats to investigate Mexican companies such as Libre Abordo and Schlager Business Group, for negotiating with Venezuelan oil since 2019, even though both countries maintain that it was under the figure of food exchange.

Iranian ships in the Caribbean. The oil of discord.

As COVID19 advances in Latin America, making the region the new epicenter of the virus, geopolitical movements continue to happen, many times overlapped by the vicissitudes of the pandemic. USA and Iran, countries that keep deep differences since 1979, have gone through periods of relationships with ups and downs, presently seasoned by the intensity offered by technology, by social networks and communication channels in real time. A dispute historically limited to MENA spaces, was then transferred to the Caribbean.

Once the news of the [shipment to Venezuela](#) of the tankers Fortune, Forest, Petunia (alkylate gasoline), Faxon and Clavel, with a cargo of approximately 1.5 million barrels of automotive gasoline and additives, with a value of US \$ 45.5 million was known, related political actors raised their voices. A sector of the Venezuelan opposition, commanded by [Juan Guaidó](#) considered it as an intervention of Iran in Venezuelan affairs, by providing aid and oxygen to the government of Nicolas Maduro. He even requested the international intervention to arrest the ships. It should be noted that the crossing occurs at a time when the USA has deployed a powerful fleet in the Caribbean, under the justification of the fight against drug from cartels operating from South America. This operation counts on the support of other countries of the region.

In the meantime, the Donald Trump government, with a country revolving in the dizzying dynamics of the Coronavirus and an economic crisis as a result of the quarantine; faces the challenges posed by the unprecedented phenomenon of COVID19 and its expectations of being reelected in November. However, personalities such as Elliot Abraham, United States representative for Venezuela, warned about the risks for companies and countries to collaborate with the shipment of Iranian oil to Venezuela. So advised Trump, warning that the USA would not tolerate Iran's [interference](#) in Venezuela and that his government would consider actions to be taken.

At the same time, the Iranian and Venezuelan Foreign Ministers did the same before the UN General Secretary by sending letters in favor of the legality of the oil exchange and to denounce the persecution by Washington to both countries. In unison, the Russian ambassador to the UN warned about the risks of possible incidents in the Caribbean as a result of the deployment of American ships that could hinder the exchange between Venezuela and Iran.

It is worth remembering that in 2010, [President Chávez](#) authorized the shipment of two fuel tankers to Iran, when the Persian nation faced a shortage of fuel as a result of US sanctions. Today, in a reverse operation, the Iranians claim to be returning the gesture of solidarity that Venezuela had at that time.

However, nothing indicates that there are coincidences in ideology between both countries, but domestic and international circumstances pragmatically lead to the abovementioned business.

The biggest the attempt of a country like the USA to impose sanctions to countries or companies in order to modify their behavior or to decline certain attitudes; the strongest will be the effort of the sanctioned actor looking for available alternatives to overcome the penalties; a situation that often leads to intensify cooperation and alliances with other states or actors in the same condition. This way sanctions lose effectiveness, increasing costs for the one that imposes them.

Possible geopolitical implications.

The repercussions of the commercial relationship between Venezuela and Iran, beyond being members of OPEC, mainly have to do with the distancing of the Caribbean nation from its historical stance of staying out of disputes between USA and Iran; a country repeatedly accused of sponsoring organizations such as Hezbollah, and of promoting activities that destabilize the Middle East. The situation gets even worst with the historic conflict between Tehran and Israel and the fight for the leadership of the Persians with Saudi Arabia, both within OPEC and within the MO.

Despite the political positions of the governments of the South American region, countries like Brazil, Argentina and Uruguay maintain commercial relations with Iran. However, the oil trade with Venezuela represents another type of problem, being these activities the focus of US sanctions. The arrival of Iranian ships to Venezuelan territory opened a range of new market possibilities for crude oil from that country on a continent historically considered an American zone of influence. It is worth remembering that with the withdrawal of USA, from the Joint Comprehensive Action Plan (PAIC) -signed by six powers plus Iran to control this country uranium enrichment program- in May 2018, sanctions imposed to Iranian oil before the Plan were reinstated, meaning a decrease of its oil exports from 2.5 mmb/d at that time, to 500 mb/ d today.

On the other hand, Venezuela's relationship with Iran must be seen in the expanded context of its links with nations such as China, Russia, Turkey and Nicaragua, maintaining close trade relations, as well as political and military support; framed within a vision of a "multipolar" world, at a juncture that the USA has rejected, giving the impression of turning its back to Latin America; action that has been interpreted as a weakness and an opportunity for Iran to develop business in the subcontinent.

On this occasion, the intensity of the episode was limited to rhetoric more than to the warlike actions expected by the public opinion. USA decided not to use a measure of force against the Iranian tankers. On the contrary, the government decided to act by increasing secondary sanctions against both countries, as well as for potential collaborators in the transportation of Persian crude. However, recently the Iranian security forces retained two British tankers with Liberian flag, in the Strait of Hormuz, acting in response to the capture of the Grace1 oil tanker by the British Royal Navy in June 2019.

It is evident that such a move amid a pandemic also represents a challenge for Trump's administration. It is a reason for disgust and attention to a government already busy with domestic problems; auguring new

episodes of high intensity; since Tehran has reaffirmed its interest to continue selling gasoline to Venezuela. This, if Caracas has the resources available to cancel the shipments and do not successfully reactivate the refining system; and in the short term, this reactivation remains to be seen.