

As US Shale Oil Plunges, Trump Admin Takes Aim at Venezuela

A confluence of factors suggests that such a Panama-style invasion of Venezuela is not only a possibility, but increasingly likely.

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President Trump recently praised a deal reached largely by Saudi Arabia and Russia, two of the top oil producers in the world who together dominate the Organization of the Petroleum Exporting Countries (OPEC), saying that the agreed upon production cuts would “save hundreds of thousands of energy jobs in the United States.”

Despite the president’s rosy tone, most analysts have called the agreement – which presumably will freeze the Saudi-Russian oil price war that broke out last month – “too little too late” and have noted that a slew of bankruptcies from the U.S. shale oil industry [are inevitable, despite the actions](#) that have been taken. Even the Federal Reserve [has stated](#) that around 40% of domestic shale companies now face bankruptcy in just a few months if the price of oil remains under \$30, a figure it is unlikely to pass for some time due to slumping demand caused by global lockdowns, among other factors that have emerged as the current coronavirus (Covid-19) crisis has played out. Trump [has since fielded](#) the possibility of imposing tariffs on oil imports to drive up oil prices and favor the domestic consumption of U.S. shale oil, but it remains to be seen if that policy will materialize.

[Michael Hudson](#), President of The Institute for the Study of Long-Term Economic Trends (ISLET), a former Wall Street financial analyst and Distinguished Research Professor of Economics at the University of Missouri, told *The Last American Vagabond* that, not only are numerous shale oil companies set to go out of business, but the entire shale oil industry in the U.S. “can’t be saved.”

“We have peak shale oil,” Hudson stated, “It was always an awful idea ... It’s an over indebted sector and is one of the first to go.”

Hudson further asserted that the U.S. government’s “nurturing” of the shale oil sector in recent years was chiefly aimed at targeting Russia’s oil industry by driving down global oil prices, calling it an unsuccessful “anti-Russian cold war campaign” that has since backfired. He added that Trump’s recent overtures with respect to the shale oil industry are likely aimed at “making an excuse to give huge loans to the shale oil producers, as if it’s to keep them in business, and then they [the oil companies] are just going to pay the loans to themselves and go out of business. It’s a cover story for a huge corporate giveaway before this sector falls and goes bankrupt.”

Thus, the imminent reckoning for shale oil in the U.S. is unlikely to be stopped, despite the

new production cuts and Trump's efforts last month to set aside billions for the purchase of shale oil for the Strategic Petroleum Reserve (SPR), a move [critics labeled](#) as a bail-out for domestic "Big Oil" producers. In addition, the fate of U.S. shale oil is compounded by the possibility that the production cuts will not hold and that the oil price war between Saudi Arabia and Russia could flare up again at any time. Previous yet recent OPEC-brokered deals of a similar nature have ended in this way, and it is very possible – if not likely – that it will happen again.

With oil extremely cheap at the moment, some of the issues raised by shale oil bankruptcies are not necessarily of immediate concern while demand remains low. Yet, if enough U.S. domestic oil producers go bankrupt, once current lockdowns are relaxed and oil demand creeps back up to relatively normal levels, there will be less domestic oil available, despite the SPR. As a result, the U.S. will again have to look more to other countries in order to make up the difference. Though the media thus far has explored the economic effects of this eventuality, less attention – if any – has been given to how it will impact U.S. foreign policy.

For years, President Trump has publicly claimed on several occasions that U.S. foreign policy objectives in the Middle East were [no longer guided by oil](#) due to the U.S. having obtained "energy independence," "independence" that relies heavily on U.S. shale oil production. However, critics – including Michael Hudson – have long charged that this claim of energy independence is a "deliberate falsification." Such claims are also supported by the fact that U.S. foreign policy in [Iraq](#), [Syria](#) and [elsewhere](#) has remained linked to oil in key ways during this period of so-called "domestic energy independence" under Trump. Yet, the bankruptcies of 40% (or perhaps more) of U.S. shale oil producers would likely greatly increase the role oil plays in guiding U.S. foreign policy.

While there are many reasons as to why oil has long been a key factor in U.S. foreign policy (with the [petrodollar](#) ranking chief among them), another often overlooked reason is the U.S. military's heavy reliance on oil. Indeed, the U.S. military is the [largest institutional purchaser and consumer of oil](#) in the world and, therefore, securing a reliable, stable and –ideally – geographically nearby source of oil has long been deemed a critical, strategic objective by the Pentagon.

The Pentagon has said as much on numerous occasions, [stating recently that](#)

"... longer operating distances, remote and austere geography, and anti-access/area denial threats [areas or nations unfriendly to the U.S.] are challenging the Department's ability to assure the delivery of fuel. As the ability to deliver energy is placed at risk, so too is the Department's ability to deploy and sustain forces around the globe."

In other words, long distances from fuel sources as well as fuel sources located in or near areas/nations that are hostile to the U.S. directly threaten U.S. empire and its global military presence. In addition, control and influence over global oil flows has long been a key component of military strategy, as noted in the "[Wolfowitz Doctrine](#)."

It is also worth noting that the economic calamity that threatens the domestic oil industry is not the only reliable, stable and geographically close oil supply to be hit by the crisis. For instance, Argentina's shale oil industry in the "Vaca Muerta" area [also faces ruin](#), an endeavor that [had largely been "kick-started" by Exxon Mobil](#) after that company had been ejected from Venezuela and also includes considerable investments from [another U.S. oil](#)

[giant](#), Chevron – a company ordered by the Trump administration to stop doing business in Venezuela [by April 22](#).

US returns attention to Venezuela amid domestic oil collapse

Venezuela, the country with the world's largest proven oil reserves, has also made a seemingly odd reappearance on the Trump administration's list of priorities during the current coronavirus crisis. On March 26, the Department of Justice, led by Attorney General William Barr, [announced narco-terrorism and other criminal charges](#) against top Venezuelan officials, including the country's president Nicolás Maduro, alleging that these officials are involved in the trafficking of cocaine to the United States. The charges were odd for a few reasons, one of the main ones being that the U.S. government's own data shows that Colombia, not Venezuela, is the source of the vast majority of cocaine that ends up in the U.S.

Then, on March 31, former CIA director and current Secretary of State Mike Pompeo [released a plan](#) entitled "Democratic Framework for Venezuela," where he demanded that Maduro resign and the "opposition" figure Juan Guaidó also relinquish his claim to the Venezuelan presidency, a claim to power that the U.S. had previously backed. Pompeo's plan calls for the formation of a council that would be led by an "interim president" (a title the U.S. had previously reserved for Guaidó) and that the council would be formed by members of Venezuela's largest four political parties, including that led by Maduro. Unsurprisingly, Maduro's government rejected the plan.

The criminal charges against Maduro and Pompeo's "democratic" plan were quickly followed with much more troubling news. Announced at [a press conference on April 1](#), President Trump, alongside top government officials, announced that U.S. Southern Command would begin a new "counter-narcotics effort" targeting Venezuela that would include the deployment of Navy destroyers, combat ships, aircraft, helicopters and more. The official justification of this large deployment is to surveil, disrupt and seize shipments allegedly containing "drugs" that are leaving Venezuela.

"We must not let narco-terrorists exploit the pandemic to threaten American lives," Trump said at the time.

It was also announced that other countries would be joining the U.S. in what amounts to both a military build-up and a *de facto* blockade of Venezuelan exports, including its oil.

Soon after the announcement regarding this new build-up and *de facto* naval blockade of Venezuela, U.S. media accused President Trump of using these announcements to deflect criticism about his administration's handling of the federal response to the coronavirus crisis. One report in *Newsweek* [revealed](#) that these initiatives with respect to Venezuela had been planned several months ago and were set to be announced this May. That report also alleged, citing senior Pentagon officials, that the administration had decided to announce the planned crackdowns on Venezuela sooner in order to "redirect attention."

However, there may be another reason that these initiatives targeting Venezuela were sped up: the carnage in shale oil markets in the U.S. as well as Argentina and the implications of that for U.S. access – particularly the military's access – to oil supplies once lockdowns and

their associated economic effects begin to lessen.

Michael Hudson told *The Last American Vagabond* that the U.S. pivot towards Venezuela was “absolutely” related to the carnage in global oil markets and particularly the U.S. oil industry. He further argued that the U.S. was seeking to reimpose a debt-for-oil system that it had enjoyed under pre-Chavista governments in Venezuela:

“Under U.S.-backed dictators, Venezuela provided the collateral [for its debt] with all of its oil reserves... [Now,] America wants to give IMF [International Monetary Fund] loans to Venezuela and [oversee] the collateralization of Venezuela’s foreign debt with its oil reserves and then foreclose. [They want to] find an excuse to do to Venezuela what it did to Argentina, to grab Venezuela’s oil reserves as collateral by ... preventing Venezuela from paying its foreign debt, [thus] forcing it to default on its foreign debt.”

This certainly seems to be a big part of the equation, as the U.S.-backed Juan Guaidó has long promoted IMF loans and personally [sought sizable loans](#) from that organization to finance his “interim government,” which controls essentially nothing in Venezuela. More recently, the IMF [rejected](#) Venezuela’s request for a loan to help it combat the coronavirus crisis, but the IMF [has reportedly offered](#) to give the country such a loan were Venezuela’s President, Nicolas Maduro, to step down and cede authority to a U.S.-backed “emergency government.”

Yet, there is much more to be concerned about than the IMF and the U.S.’ interest in imposing a debt-for-oil scheme on Venezuela. As Hudson told *The Last American Vagabond*, one very notable “great threat” is the parallel between the recent U.S. policy and military moves towards Venezuela and the moves that were made by the George H.W. Bush administration just prior to the 1989 invasion of Panama. “America would like to grab Venezuela’s oil and it wouldn’t be the first time,” said Hudson.

Regime change in the time of coronavirus

Though recent mainstream media reports claimed that the sudden reappearance of Venezuela on the White House’s agenda was merely political theater, subsequent events suggest something else. This past Saturday, U.S. envoy for Venezuela – war criminal and Project for a New American Century neo-con Elliott Abrams – [stated that](#), if Venezuela’s Maduro did not agree to the Pompeo plan for a new “transition government,” a transition in Venezuelan governance would *still* occur, but would be more “dangerous and abrupt.” Abrams’ comments failed to generate much buzz in the media, as the April 1 press conference and announcement had done, despite the fact that Abrams was essentially starting that “dangerous and abrupt” action would be taken to force Maduro from power.

There is also the added mystery of an incident that took place right before the announcement of the large deployment of U.S. military assets to target “narco-terrorism.” On the last day of March, a Venezuelan coast guard ship asked a Portuguese cruise ship, the “RCGS Resolute,” that was in Venezuelan territorial waters to accompany it to port. Instead, the cruise ship rammed the Venezuelan vessel, sinking it. Maduro [subsequently claimed](#) that the cruise ship “was being used to transport mercenaries,” noting that Dutch authorities in Curacao, where the “RCGS Resolute” is currently docked, had been instructed to not inspect the ship. The company that owns the cruise ship, however, asserts that it is carrying no passengers and disputes Venezuela’s account of why the coast guard vessel was sunk.

In addition to this disconcerting event, there is the fact that the U.S.' recently announced military build-up is [the largest in the region](#) since the U.S. invasion of Panama, which took place in 1989 during the George H.W. Bush administration. Disturbingly, the same [Attorney General that greenlit](#) the invasion of Panama once again serves in that same role in today's administration, William Barr. At the time of the Panama invasion, it was Barr who created the legal justification for the war, arguing that the U.S. had the "legal authority" to arrest Panama's then-dictator Manuel Noriega on drug charges, despite him not residing in the U.S. To think that Barr would not do so again is naive, especially considering that Trump [had previously pushed](#) to invade Venezuela, citing the invasion of Panama as an example of successful "gunboat diplomacy," and has long talked about "[taking the oil](#)" of foreign countries and, in places [like Syria](#), has used military force to do just that.

Though the 1989 invasion of Panama was dressed up in the typical rhetoric of restoring "democracy" and promoting "human rights," it [was actually waged](#) with the intention to utterly destroy Panama's military. Why would the U.S. want to destroy Panama's capacity for self-defense? The answer lies in the treaty that then existed between Panama and the U.S. over the Panama canal, whereby control over the canal would eventually be returned to the Panamanians.

The only "loophole" for the U.S. to retain control of the canal, per that treaty, was if Panama became incapable of defending it. Notably, the gradual turnover of control of the canal was set to begin just ten days after the Bush administration's invasion of Panama ended. Not long after the invasion, in 1991, the U.S. passed a law that ensured an indefinite U.S. military presence in the canal zone due to the fact that Panama (thanks to the U.S. invasion) could no longer defend that territory.

There are other notable points regarding the invasion of Panama that are seemingly relevant today as well. For instance, media's effort to manufacture public consent for the invasion was largely centered around pointing out Manuel Noriega's involvement in narco-trafficking and Panama's lack of democracy under his rule. Of course, this rhetoric has obvious similarities to current rhetoric involving Venezuela.

However, this media campaign, in Noriega's case, failed to note that the Noriega's role in drug smuggling was largely on the behalf of U.S. interests and that Noriega had closely collaborated with then-President, George H.W. Bush, when he had served as CIA director. In addition, Noriega was well known at the time to [have been on the CIA payroll](#) for years. Such reports also overlooked the fact that the CIA had recently been caught driving the trafficking of drugs and weapons between Central America and the U.S. as part of the Iran Contra scandal. If these reports had pointed this out, it would have made Noriega's involvement in these matters, including [his supporting role](#) in Iran Contra, appear negligible by comparison.

Similarly, today, efforts to link Venezuelan leadership to the drug trade fail to note that the U.S.-backed Juan Guaidó [took selfies](#) with a narco-paramilitary organization just a few months ago and that Colombian leadership and its military, the U.S.' biggest regional supporter of its Venezuela regime change agenda, [both share direct ties](#) to drug cartels.

It is also worth pointing out that, not only did the U.S. military hide the actual civilian death toll and cover up the war crimes committed during the invasion, they tested out new experimental weapons on the Panamanian people, which [CounterPunch noted](#) was "a kind of dress rehearsal for the Persian Gulf War the following year." As many readers of this article are likely aware, the Trump administration has been making strong overtures about

regime change, and potentially war, in Iran alongside their push for regime change in Venezuela. Were a similar invasion to occur in Venezuela, it seems likely that this pattern would repeat and would be treated as an experimental battlefield for a subsequent war in Iran.

The current confluence of factors suggests that such a Panama-style invasion of Venezuela is not only a possibility, but increasingly likely. Indeed, as previously mentioned, the U.S. has ordered the few U.S. companies that have been given waivers to avoid sanctions for their operations in Venezuela (namely Chevron) to terminate their dealings in the country [by April 22](#) – next Wednesday. In addition, soon after that date, Venezuela’s oil sector is [set to resume two joint oil ventures](#), one of which involves two European oil companies and another that involves Russia’s Rosneft, which the U.S. [sanctioned in February](#) for doing business with Venezuela’s state oil company. Those projects are due to re-initiate in May and July, respectively. The U.S. is openly opposed to these projects going forward and has threatened sanctions (and further sanctions in Rosneft’s case) against the companies involved.

Taken in combination with Elliott Abrams’ recent statements, the massive U.S. military build-up and the collapse of U.S. oil markets, such events seem to be pointing in the direction of an invasion [being more likely than not](#). There is also the added layer of the U.S. facing a new “Great Depression” and these major economic downturns are often followed by the U.S. entering a major war. On the other hand, there is also the fact that most of the U.S. population is on lockdown due to the coronavirus crisis, making domestic resistance against such an invasion unlikely to manifest in any significant way. If Americans aren’t careful and don’t quickly begin to pay attention, the country could soon sleepwalk into another devastating and deadly “war for oil.”

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