U.S. Naval Moves against Venezuela

Mains: *GS II – Effect of Policies and Politics of Developed and Developing Countries.*

Why in News?

Recently, The United States has announced a "total and complete blockade of all sanctioned oil tankers going into and," out of Venezuela marking a significant escalation in its pressure campaign against the Nicolás Maduro government.

What are the three merchant ships targeted by the U.S.?

- **Skipper** – It was seized by U.S. authorities off the coast of Venezuela.
  - The vessel was carrying nearly two million barrels of crude oil.
  - According to the U.S. government, the oil had been shipped at subsidised rates to Cuba, which has been providing economic and political support to the Maduro regime.
- **Centuries –** The Panamanian-flagged tanker was stopped and boarded by the U.S. Coast Guard.
  - The Venezuelan Navy escorted the ship up to the boundary of Venezuela's Exclusive Economic Zone, after which U.S. forces intervened.
  - The vessel was transporting Venezuelan oil and had previously lost certification from major international classification societies.
- **Bella 1** – The U.S. Coast Guard attempted to intercept this tanker that was en route to Venezuela to load crude oil.
  - The vessel had earlier been sanctioned by the U.S. for trading Iranian oil and was again suspected of violating U.S. sanctions related to Venezuela.
- These three ships illustrate the methods used by sanctioned states to continue oil exports despite international pressure.

What are the nature and scope of U.S. Sanctions?

- **United Nations sanctions** – These imposed by the United Nations are legally binding on all member states and can include military, diplomatic, or economic measures.
- **U.S. sanctions** – They are largely unilateral measures designed to achieve American foreign policy objectives at relatively low direct cost.
- Rather than relying on physical enforcement, which is expensive and often ineffective, the U.S. increasingly uses financial and economic leverage.
- **Past experience of US sanctions** – The maritime blockade of Iraq under the Oil-for-Food Programme after the First Gulf War, showed that physical blockades cost billions of dollars and failed to prevent illegal oil trading.

- **Revised Strategy of US – Since the Second Gulf War, the U.S. has focused on exploiting its dominant position in the global financial system, especially through control over the U.S. dollar and international banking infrastructure**

What is the role of the dollar and global finance?

- **Petro dollar system** – The U.S. exercises significant influence through the *petrodollar system*, as most global oil transactions are conducted in U.S. dollars.
- The American government has direct authority over U.S. companies and prohibits them from trading with sanctioned countries.
- **Submission of other banks and agencies** – Non-U.S. banks and companies also comply with U.S. sanctions to retain access to the American market and the global financial system, which is heavily centred in the United States.
- Even transactions that do not directly involve the U.S. often pass through American financial intermediaries, allowing Washington to block or monitor them.
    - **For example**, major international banks such as HSBC were reluctant to re-enter Iran even after the 2015 nuclear deal, due to continuing restrictions on U.S. firms.
    - In 2014, BNP Paribas paid nearly $9 billion in fines for violating U.S. sanctions.
    - Similarly, U.S. pressure on Banco Delta Asia in Macau effectively disrupted North Korea's access to international finance.

What are the shipping-related sanctions and their mechanisms?

- **Control over various factors** – Shipping sanctions rely heavily on control over insurance, certification, and registration, rather than ownership of vessels.
- **Dominance of west** – While shipbuilding and ownership are globally dispersed, marine insurance is dominated by Western companies, particularly those based in the United Kingdom.
- Ships require insurance coverage, especially Protection and Indemnity (P&I) insurance, to enter ports and conduct trade.
- **Mandatory certification** – Certification by recognised classification societies, most of which belong to the International Association of Classification Societies (IACS), is also mandatory for obtaining insurance.
- When the U.S. imposes sanctions, classification societies often withdraw certification and major insurers terminate coverage.
    - **For instance,** Following Russia's invasion of Ukraine, several Russian ships were stranded in the Bosphorus Strait after losing P&I insurance, making them unacceptable risks for transit through Turkish waters.
- In addition, some countries may revoke flag registration of sanctioned vessels to avoid U.S. retaliation.
- Ships that lose their flag or falsely claim nationality can be boarded by naval forces under the United Nations Convention on the Law of the Sea.

What are the effectiveness of U.S. sanctions in the shipping sector?

- **Finding alternate route** – Energy-rich states such as Iran and Russia have managed

to develop alternative networks despite losing access to mainstream insurers and classification societies.
- Russia, in particular, has partially bypassed price-cap mechanisms imposed on its oil exports.
- **Role of OFAC** – The U.S. Treasury's *Office of Foreign Assets Control (OFAC)* plays a central role in enforcing sanctions by identifying and blacklisting individuals, companies, and vessels.
- In June 2024, OFAC sanctioned Bella 1 for allegedly transporting cargo linked to a Hezbollah-owned company.
- **Operating with irregularities** – Many vessels now operate under unclear or frequently changing ownership, flags of convenience, and lesser-known classification societies.
- This complicates enforcement and reflects deliberate attempts to evade sanctions.
- **The Shadow Fleet and Emerging Counter-Networks –** The cases of Skipper, Centuries, and Bella 1 exemplify what Western governments describe as the "shadow fleet" aging vessels operating without proper insurance, certification, or transparent ownership.
- Centuries, once certified by the American Bureau of Shipping, later received certification from a smaller classification society not affiliated with the IACS.
- Skipper similarly lost certification from recognised bodies and was accused by U.S. authorities of falsely flying the flag of Guyana.
- **Cooperation among countries** – These developments indicate increasing cooperation among sanctioned states such as Venezuela, Iran, Russia, and potentially China, aimed at weakening U.S. dominance over global finance and maritime trade.

What lies ahead?

- The decision by the United States to resort to a physical maritime blockade against Venezuelan oil exports signals the limits of financial sanctions alone.
- While U.S. control over the dollar, banking, insurance, and certification remains formidable, the persistence of shadow fleets and alternative trading networks shows that sanctioned states have achieved partial success in resisting economic isolation.
- For global governance, this raises important questions about the future effectiveness of unilateral sanctions, the fragmentation of the international economic order, and the increasing militarisation of maritime enforcement in global trade routes.

Reference

The Hindu| US Blocking Venezuelan Ships

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