

## What to watch in Washington's high-risk Venezuela strategy

By Angelo Katsoras

At this point, it remains highly uncertain how Washington's gamble—detaining President Maduro and exerting severe economic pressure on Venezuela to topple its regime—will play out. The key factors we are monitoring are listed below.

- **The future of Venezuela remains highly uncertain:** Will the country transition to a more democratic government? Will the current regime endure? Or will worsening economic conditions trigger greater civil unrest/violence and increased refugee outflows?
- **So far, this administration has demonstrated a widespread but limited capacity to intervene:** The U.S. has launched targeted airstrikes against ISIS affiliates in Nigeria and Houthi militants in Yemen, conducted a brief but dramatic operation against Iran's nuclear program, and orchestrated the arrest of President Maduro. Current indications suggest that the U.S. will attempt to maintain pressure on Venezuela by continuing the oil embargo. However, we believe that President Trump will seek to avoid deploying large numbers of troops to Venezuela, except perhaps as a last resort.
- **Reinforcing U.S. influence in the Americas:** Recent U.S. actions regarding tariffs, the Panama Canal, Greenland and Venezuela are intended to limit the influence of geopolitical rivals such as China and Russia in the Americas. In the case of Venezuela, these concerns are exacerbated by issues relating to drug trafficking, migration flows and the country's close ties to Iran, including reported arms purchases. Whether these efforts will strengthen U.S. ties or push countries away remains uncertain. On the one hand, recent elections in Chile, Bolivia, and Argentina brought into power right-leaning governments aligned with Washington. On the other hand, most nations in the region now trade more with China than with the United States.
- **The impact on Cuba:** Venezuela currently supplies around 27,000 barrels of oil per day to Cuba, meeting approximately 25% of the country's needs.<sup>1</sup> Even before the restriction of oil supplies, Cuba's economy was in dire straits, having shrunk by 18% since 2018. Since 2020, more than 2.7 million Cubans — roughly a quarter of the population — have fled the country.<sup>2</sup> Will this be enough to cause the collapse of the government, or will China (Cuba's largest trading partner) and Russia step in to support it?
- **The impact on Russia and China:** Some analysts argue that Trump's actions in Venezuela could create an opportunity for China and Russia to advance their own regional goals, while the U.S. focuses on its own hemisphere. However, others contend that Trump's unpredictability, demonstrated in Venezuela and Iran, forces them to proceed cautiously. We do not believe that the events in Venezuela have changed Russia's or China's calculations regarding their longer-term regional goals.
- **The impact on Iran:** Will concerns over further strikes prompt Iran to engage in negotiations, or will it intensify its nuclear program and tighten its grip on the population?
- **The November midterms:** If Trump's involvement in Venezuela results in chaos or substantial US troop deployments, his supporters, who are sceptical about foreign interventions, could respond negatively. This perception could grow if voters believe he is prioritising foreign policy over domestic issues such as affordability. Historically, the party in power struggles in midterm elections, and disillusionment among Trump's supporters would make retaining control of Congress even more difficult.
- **Oil:** Venezuela currently produces around 900,000 barrels of oil per day, down from over two million barrels per day in the early 2010s. Increasing output significantly could take years due to the deterioration of oilfields and ageing infrastructure. Western oil companies would require security guarantees, stability and clear regulations before investing significantly. It is no coincidence that China is the largest foreign oil producer in Iraq, as Western companies have avoided major exposure to what they consider to be a difficult environment.<sup>3</sup>
- **Potential impact on Canadian oil sector:** Although President Trump has indicated that he wants China to continue buying Venezuelan oil, which accounts for 81% of the country's exports,<sup>4</sup> there is a risk that current production could increasingly be redirected to US refineries. Venezuela's heavy crude oil is similar to Canada's oil sands, which means Gulf Coast refineries could easily switch from using oil from Alberta to Venezuelan supplies. This underlines the importance of Canadian producers securing pipeline access to international markets. In the short term, if China imports less oil from Venezuela, Canada should seize the opportunity to strengthen long-term supply ties by increasing shipments through the Trans Mountain pipeline. This pipeline could be expanded relatively quickly to a capacity of around 900,000 barrels per day, surpassing China's historical imports from Venezuela. However, this would likely come at a higher price, given that Venezuelan barrels have typically been sold at a significant discount.

1 "Cuba on edge as U.S. seizure of oil tanker puts supply at risk," Reuters, December 12, 2025

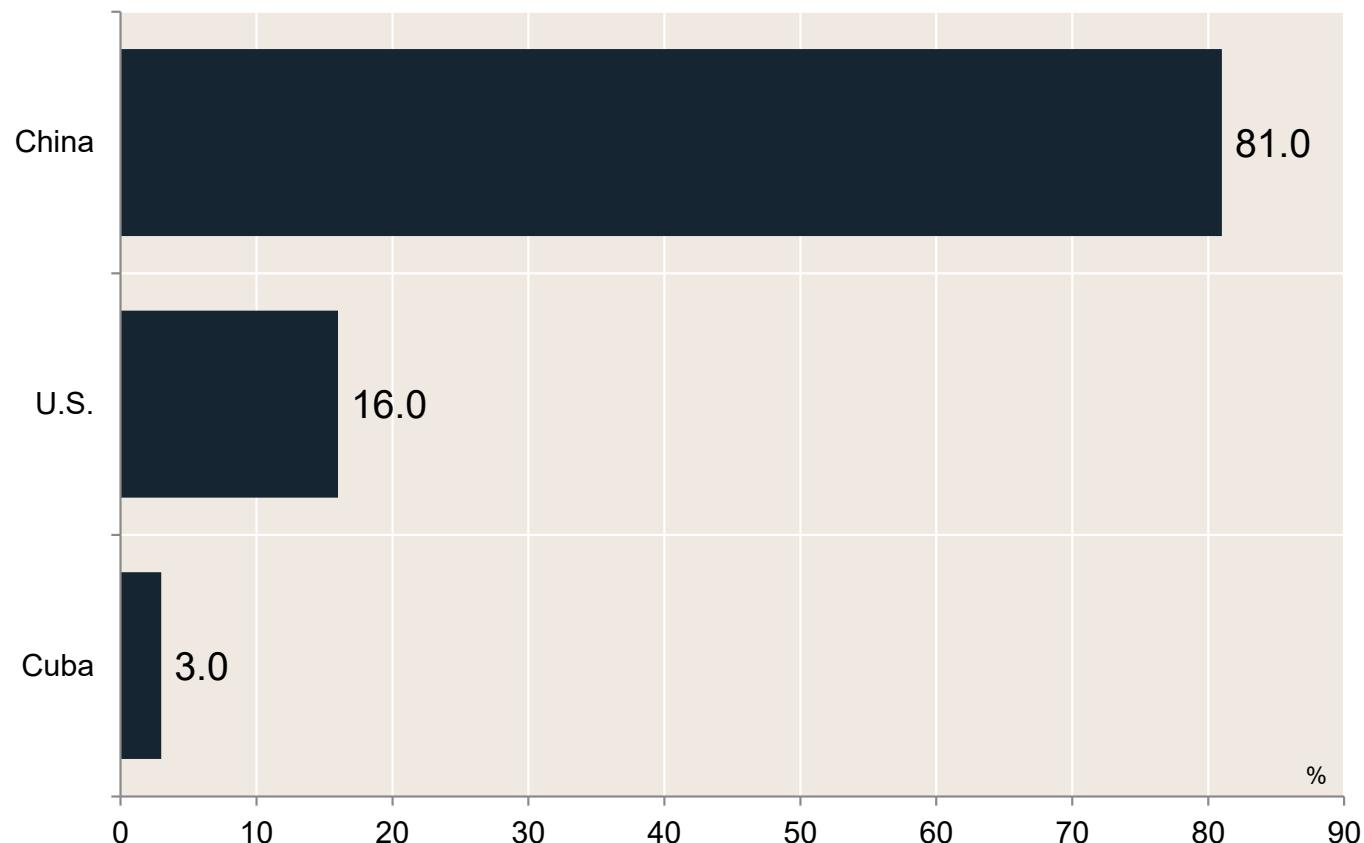
2 "U.S. Oil Blockade of Venezuela Pushes Cuba Toward Collapse," Wall Street Journal, December 21, 2025

3 "Why China is here to stay in Iraq's energy sector," Atlantic Council, November 5, 2025

4 "Donald Trump orders blockade on sanctioned oil tankers off Venezuela," Financial Times, December 16, 2025

## Venezuela: Where the barrels go amid embargo

Oil exports by destination countries as of November 2025



NBC Economics and Strategy (data via [BOE report](#))

### Bottom Line

Recent developments in Venezuela can be best understood as forming part of a broader, long-term US strategy to reassert influence by bringing mining and processing capacity back to the Americas as part of a large-scale reindustrialisation agenda and thereby reduce dependence on geopolitical rivals.

Latin America accounts for around 60% of the world's identified lithium reserves and produces approximately 46% of the world's copper, with Peru and Chile leading the way. Brazil ranks second worldwide in terms of rare earth reserves<sup>5</sup>. Beyond having the largest proven oil reserves, Venezuela possesses vast natural gas deposits and significant reserves of bauxite, coltan, gold and rare earth minerals, much of which remains undeveloped.

However, achieving this long-term objective while stabilising Venezuela, maintaining regional goodwill, countering geopolitical rivals and managing domestic pressures in the run-up to the U.S. midterm elections will be a formidable challenge.

<sup>5</sup> "Latin America accelerates minerals shift as Trump pushes for regional sourcing," Financial Times, December 2, 2015 & US Geological Survey



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To contact us:  
514-879-2529

**Stéfane Marion**  
Chief Economist and Strategist  
[stefane.marion@nbc.ca](mailto:stefane.marion@nbc.ca)

**Matthieu Arseneau**  
Deputy Chief Economist  
[matthieu.arseneau@nbc.ca](mailto:matthieu.arseneau@nbc.ca)

**Jocelyn Paquet**  
Senior Economist  
[jocelyn.paquet@nbc.ca](mailto:jocelyn.paquet@nbc.ca)

**Kyle Dahms**  
Senior Economist  
[kyle.dahms@nbc.ca](mailto:kyle.dahms@nbc.ca)

**Alexandra Ducharme**  
Senior Economist  
[alexandra.ducharme@nbc.ca](mailto:alexandra.ducharme@nbc.ca)

**Daren King, CFA**  
Senior Economist  
[daren.king@nbc.ca](mailto:daren.king@nbc.ca)

**Warren Lovely**  
Chief Rates and Public Sector Strategist  
[warren.lovely@nbc.ca](mailto:warren.lovely@nbc.ca)

**Taylor Schleich**  
Rates Strategist  
[taylor.Schleich@nbc.ca](mailto:taylor.Schleich@nbc.ca)

**Ethan Currie**  
Strategist  
[ethan.currie@nbc.ca](mailto:ethan.currie@nbc.ca)

**Angelo Katsoras**  
Geopolitical Analyst  
[angelo.katsoras@nbc.ca](mailto:angelo.katsoras@nbc.ca)

**Nathalie Girard**  
Senior Coordinator  
[n.girard@nbc.ca](mailto:n.girard@nbc.ca)

**Giuseppe Saltarelli**  
Desktop Publisher  
[giuseppe.saltarelli@nbc.ca](mailto:giuseppe.saltarelli@nbc.ca)

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